



C&S PAPER CO.,LTD
(SZSE stock code:002511)

2020 Annual Report



April 2021

Section I Important Notice, Contents and Definitions

The Board of Directors and the Board of Supervisors of the Company and its directors, supervisors and senior management warrant that the information contained in this annual report is true, accurate and complete without any false and misleading statements or material omissions, and severally and jointly accept legal liability thereof.

Deng Yinzong, the legal representative of the Company, Dong Ye, the person in charge of accounting of the Company, and Xu Xianjing, the person in charge of the accounting department of the Company, have declared that they warrant the truthfulness, accuracy and completeness of the financial statements set out in this annual report.

All directors of the Company attended the Board meeting on which this report was reviewed.

In the annual report, the decimal sum error is caused by rounding

The forward-looking statements in this annual report, including future plans, do not constitute substantive commitments of the Company to investors. Investors should be aware of the investment risks.

I. Risk of great fluctuations in pulp prices

Pulp is an international bulk raw material and its price is obviously affected by the world economic cycle. Since 2019, pulp prices have tumbled sharply owing to weaker Chinese market demand, trade disputes across the world, exchange rate movement, and increased pulp inventories. In 2020, pulp prices were generally maintained at a relatively low level and started to rise in the fourth quarter. Pulp is the primary raw material of the Company's production, accounting for 40%-60% of the total production costs. Therefore, substantial fluctuations in pulp prices pose a risk to the Company.

II. Risk of exchange rate

The import of machinery equipment and pulp and the export of products to overseas market of the Company are mainly settled in USD, HKD, and EUR. Since exchange rates fluctuate under the impact of the international economic situation, the Company faces exchange rate risks.

III. Risk of regional market competition

Household paper is a vast market in China in terms of both geography and market space.

Given the low unit value, transportation expenses taking up a large part of the sales price, and limitations of the transportation radius, the main competition in the household paper industry lies in regional markets. High-end, mid-end, and low-end products compete in regional markets, with the influence of spending power and consumption habit. Judging from the development trend of the industry, mid- and high-end household paper of national brands has more competitive edge. However, at present, some regional brands have an advantage in some regional markets. Compared with overseas counterparts, China's household paper industry requires continued integration. The Company embraces production bases and a sales network across the country and offers mid- and high-end products under national brands. Nevertheless, it is inescapable from the risk of regional market competition.

IV. Risk of industrial policies

Stricter requirements have been raised for the papermaking industry in the aspects of scale, technology, equipment, and environmental protection, as multiple industry plans and supporting policies have been successively issued by relevant departments, including the *Papermaking Industry Development Policy*, the *Notice on the Management of Elevated Source Pollution Discharge Permits in Thermal Power and Papermaking Industries and Pilot Cities of Beijing-Tianjin-Hebei Region*, and the *Opinions of China Paper Association on "Thirteenth Five-year" Development Plan of the Papermaking Industry*. Particularly, a number of measures have been introduced through environmental protection policies to drive the all-round, coordinated, and sustainable development of the household paper industry, including 1) optimizing the industrial distribution to reasonably allocate resources and promoting clean production to preserve the ecological environment; 2) pushing energy conservation and emission reduction to shut down outdated production facilities, and adjusting product structure and improving product quality; 3) developing resource-saving models to advocate green consumption; and 4) optimizing enterprise structure and driving M&A and restructuring. These policies are designated to strengthen household paper industry concentration, close backward production facilities, and optimize resource allocation. The Company, as an enterprise in the first echelon of the domestic household paper industry, is underpinned by national policies related to the sustainable development of the household paper industry. Precisely because of this, industrial policy adjustment, if any, will impact the production and operations of the Company to some extent.

V. Risk of safe production

Most of the materials involved in the household paper industry are flammable, including the

main raw material of pulp, the main packing materials of plastic-film packing bags and cartons, the semi-finished product of body paper, and finished products. Due to the characteristics of low unit value and large market consumption, household paper manufacturers have to keep a mass of pulp, packing materials, and semi-finished and finished products from the entry of raw materials into the plant to the delivery of products to the market. Thus, fire can cause enormous losses to such manufacturers. In view of this, the Company has formulated strict fire management regulations for raw materials and semi-finished and finished products, established a full-time safety management department, equipped adequate fire protection equipment in production areas, and bought full insurance for risky properties. As such, the Company's fire safety risk is low. In addition, a large number of production lines have been put into use, which may pose certain occupational health hazard and cause harm to the occupational health of employees. In response to possible occupational health hazards, the Company, at the equipment design and procurement stages, requires suppliers to carry out intrinsic safety design and fulfill the protection measures during the installation process. At the same time, the Company has passed the ISO45001 occupational health and safety (OHS) management system and continues to maintain its effective operations to reduce the occupational health and safety risks of employees. Even though the execution of all these measures has enabled the overall safe production risk to be controllable, the Company still faces certain safe production risks.

VI. Risk of logistics transportation

The spread of the COVID-19 pandemic since the beginning of 2020 has hindered domestic and foreign logistics transportation by sea and land to varying degrees, affecting both the Company's procurement and sales and upstream suppliers and downstream dealers. In other words, the Company has suffered from multiple dimensions. Though impacts of the pandemic are phased and temporary, risks are unavoidable for the Company as being at the mid- and downstream of the household paper industry chain.

The Board meeting has deliberated and approved the following profit distribution preplan: distribute cash dividend of RMB 1.0 (tax included) for every 10 shares to all shareholders and issue 0 bonus shares (tax included) based on the Company's total share capital minus the number of repurchased shares as of the registration date of the Company's implementation of the profit distribution plan; meanwhile, the Company will not transfer capital reserve into share capital.

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Definitions

Term	Definition
The Company, Company, C&S	C&S Paper Co., Ltd.
Zhongshun Group	Guangdong Zhongshun Paper Group Co., Ltd.
Hong Kong C&S	Chung Shun Co., a Hong Kong-based company
Zhongshan Trading	Zhongshan Zhongshun Trading Co., Ltd.
Zhong Shun International	Zhong Shun International Co., Ltd., a Hong Kong-based company
C&S Hong Kong	C&S Hong Kong Co., Ltd., a Hong Kong-based company
Beijing Trading	Beijing C&S Paper Co., Ltd.
Xiaogan Trading	Xiaogan C&S Trading Co., Ltd.
Chengdu Trading	Chengdu Zhongshun Paper Co., Ltd.
Hangzhou Trading	Hangzhou Jie Rou Trading Co., Ltd.
Shanghai Trading	Shanghai Huicong Paper Co., Ltd.
Sichuan C&S	C&S (Sichuan) Paper Co., Ltd., formerly known as Chengdu Tiantian Paper Co., Ltd.
Jiangmen C&S	Jiangmen Zhongshun Paper Co., Ltd.
Zhejiang C&S	Zhejiang Zhongshun Paper Co., Ltd.
Hubei C&S	C&S (Hubei) Paper Co., Ltd., formerly known as Hubei Zhongshun Hongchang Paper Co., Ltd.
Yunfu C&S	C&S (Yunfu) Paper Co., Ltd.
Yunfu Trading	Yunfu Hengtai Trading Co., Ltd., formerly known as C&S (Yunfu) Trading Co., Ltd.
Tangshan C&S, Tangshan branch.	C&S Paper Co., Ltd. Tangshan Branch
Zhongshan Paper	C&S (Zhongshan) Paper Co., Ltd., formerly known as Zhongshan Tongfu Trade Co., Ltd.
Macao C&S	C&S (Macao) Co., Ltd.

Dazhou C&S		C&S (Dazhou) Paper Co., Ltd.
Sun C&S		Sun Daily Necessities Co., Ltd.
Dolemi		Dolemi Sanitary Products Co., Ltd.
Jiangsu C&S		C&S (Jiangsu) Paper Co., Ltd.
Mazars		Mazars Certified Public Accountants (LLP)

Section II Company Profile and Key Financial Indicators

I. Company Information

Stock name	C&S	Stock code	002511
Stock exchange on which the shares are listed	Shenzhen Stock Exchange		
Chinese name of the Company	中顺洁柔纸业股份有限公司		
Abbreviation of Chinese name of the Company	中顺洁柔		
English name of the Company	C&S Paper Co., Ltd.		
Abbreviation of English name of the company	C&S		
Legal representative of the Company	Deng Yingzhong		
Registered address	Shenglong Village, Tanbei, Dongsheng Town, Zhongshan City		
Postal code of registered address	528414		
Office address	No. 136 Caihong Avenue, West District, Zhongshan City		
Postal code of office address	528401		
Company website	http://www.zhongshungroup.com		
Email	dsh@zsjr.com		

II. Contact Persons and Contact Methods

	Sectary to the Board	Representative of securities affairs
Name	Zhou Qichao	Cao Hui and Liang Yao
Address	No. 136 Caihong Avenue, West District, Zhongshan City	No. 136 Caihong Avenue, West District, Zhongshan City
Tel	0760-87883333	0760-87883333

Fax	0760-23886886	0760-23886886
Email	seven.zhou@cs-paper.com	huicao@cs-paper.com. yaoliang@cs-paper.com

III. Information Disclosure and Location for Inspection of Documents

Newspapers designated for disclosure of the Company's information	China Securities Journal, Securities Times, Securities Daily
Website designated by CSRC for publication of the annual report	www.cninfo.com.cn
Location for inspection of annual report	Office of the Board of Directors

IV. Changes of Registration Information

Unified social credit code	914420007123239244
Changes of principal businesses since listing (if any)	<p>The Company's business scope was changed from "production and sales of high-end household paper series products (excluding printing processes); products are sold domestically and internationally" at the listing of the Company in 2010 to the current "General items: paper product manufacturing; paper product sales; Internet sales (excluding the sales of commodities requiring a permit); sales of daily necessities; sales of personal hygiene products; sales of household products; sales of sanitary products and disposable medical products; retail of cosmetics; wholesale of cosmetics; sales of knitwear; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-sue ceramic products; wholesale of kitchen utensils and daily groceries; sales of Class I medical devices; manufacture of Class I medical devices; sales of Class II medical devices; sales of disinfectants (excluding hazardous chemicals). (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law). Licensed items: import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval); manufacture of Class II medical devices; operation of Class III medical devices; manufacture of Class III medical devices. (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments, and the specific business items are subject to the approval document or the permit issued by relevant department.) (The above</p>

	business scope involves import and export of goods and technologies, business operation of Class II and Class III medical devices, and manufacture of medical devices.) (The above items do not involve special management measures for the access of foreign investment).”
Previous changes of controlling shareholders (if any)	No change

V. Other Relevant Information

Accounting firm engaged by the Company

Name of accounting firm	Mazars Certified Public Accountants (LLP)
Office address	Zhongshen Zhonghuan Building, No. 169 Donghu Road, Wuchang District, Wuhan
Name of signing accountants	Wang Bing, Pan Guiquan

Sponsor engaged by the Company to fulfill continuous supervision obligation during the reporting period

Applicable Not applicable

Financial advisor engaged by the Company to fulfill continuous supervision obligation during the reporting period

Applicable Not applicable

VI. Main Accounting Data and Financial Indicators

Whether the Company needs to perform retrospective adjustment or restatement of accounting data for previous years

Yes No

	2020	2019	Changes over last year	2018
Operating income (RMB)	7,823,528,416.32	6,634,914,352.68	17.91%	5,678,517,623.29
Net profit attributable to shareholders of the listed company (RMB)	905,889,081.41	603,832,650.83	50.02%	406,993,183.92
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss (RMB)	891,552,986.81	588,728,468.59	51.44%	392,524,980.16
Net cash flow from operating activities (RMB)	828,200,862.25	1,360,374,901.86	-39.12%	437,254,844.25
Basic earnings per share (RMB/share)	0.70	0.47	48.94%	0.32

Diluted earnings per share (RMB/share)	0.69	0.46	50.00%	0.32
Weighted average return on net assets	19.86%	16.42%	3.44%	12.67%
	End of 2020	End of 2019	Changes over end of last year	End of 2018
Total assets (RMB)	7,478,439,747.77	6,026,271,823.64	24.10%	5,145,910,974.02
Net assets attributable to shareholders of the listed company (RMB)	5,042,146,076.42	4,077,004,459.23	23.67%	3,311,242,723.53

The lower of the net profits before and after deducting the non-recurring profit and loss in the most recent three accounting years is all negative, and the audit report of the most recent year shows that the Company's ability to continue operations is uncertain.

Yes No

The lower of the net profits before and after deducting the non-recurring profit and loss is negative.

Yes No

VII. Difference in Accounting Data under Domestic and International Accounting Standards

1. Net profit and net asset differences under International Financial Reporting Standards (IFRS) and Chinese Accounting Standards (CAS)

Applicable Not applicable

No such differences for the reporting period

2. Net profit and net asset differences under foreign accounting standards and Chinese Accounting Standards (CAS)

Applicable Not applicable

No such differences for the reporting period

VIII. Major Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
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Operating income	1,670,909,073.75	1,945,292,326.05	1,939,114,329.20	2,268,212,687.32
Net profit attributable to shareholders of the listed company	183,429,517.35	269,269,967.26	218,993,617.46	234,195,979.34
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	186,893,864.62	259,641,873.34	215,156,319.23	229,860,929.62
Net cash flow from operating activities	330,547,734.57	174,010,853.76	-93,239,029.05	416,881,302.97

Whether there are significant differences between the above-mentioned financial indicators or its total number and the relevant financial indicators disclosed in the Company's quarterly reports and semi-annual report

Yes No

IX. Non-recurring Items and Amounts

Applicable Not applicable

Unit: RMB

Item	Amount in 2020	Amount in 2019	Amount in 2018	Description
Profits/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-2,980,604.57	-2,002,045.02	-5,113,177.55	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company's business)	28,533,162.96	18,422,795.06	14,259,920.14	
Profits/losses from assets entrusted to others for investment or management	3,868,134.28	333,745.61	10,637,420.00	Returns on principal-protected wealth management products at maturity and reverse repo of treasury

				bonds
Other non-operating income and expenses except for the aforementioned items	-13,442,144.41	1,320,617.95	362,480.53	
Less: Influence of income tax	1,642,453.66	2,970,931.36	5,678,439.36	
Total	14,336,094.60	15,104,182.24	14,468,203.76	--

Reason shall be provided if the company defines non-recurring profit and loss items as defined or listed in the *No. 1 Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items.

Applicable Not applicable

The Company did not define any non-recurring profit and loss items defined or listed in the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items during the reporting period.

Section III Summary of the Company's Business

I. Principal Businesses of the Company during the Reporting Period

Mr. Deng Yinzong, founder of the Company, initiated his entrepreneurial process in 1978. Starting from intensive paper processing, the Company has developed into a leading household paper enterprise integrating R&D, production and sales after forty-two years of striving. With an adherence to its corporate values of “products need brands, enterprises need brands, and people need brands”, the Company has extended its products from household paper to cross-category household daily necessities including cotton series products, sanitary wipes, baby diapers, etc.

Currently, the Company features three major brands, namely, Jie Rou, Sun, and Dolemi. Main products include paper rolls, coreless rolls, facial tissues, tissue handkerchiefs, wipes, personal care products, baby diapers, cotton tissues, etc. Product series involve Face series, Lotion series, Natural Wood series, Antibacterial Paper series, Jin Zun series, wipes, Sun series, Dolemi series, OKBEBE series, and Cotton Tissue series. Specifics are given in the following:

1. Household paper (Jie Rou brand + Sun brand)

Face Series: Face wettable facial tissue is a feature product of the Company. Through constant quality upgrading, the newly developed four-layer thick facial tissues remain pliable and thick even when they are wet. One piece of this facial tissue is as thick as two pieces of average tissues, which optimizes the products' user experience and fashion sense. In 2020, in order to better reflect the brand's image and high-end style, the Company incorporated oil painting elements into its packaging and launched Face oil painting series products, which is called the “artwork of paper tissues”.

Lotion Series: Lotion water retention facial tissues are characterized by the skin-friendly lotion and moisturizing factor. They feel soft and smooth, thanks to the water retention factors. This product is especially suitable for delicate skin and applicable to mothers and infants, people with nasal allergy, and people wearing makeup.

Natural Wood Series: The Company launched the first noble yellow tissues (with low whiteness), "Jie Rou Natural Wood Series" in 2018, based on the consumption concepts of health and safety. Its soft and pliable texture is attributable to 100% imported raw wood pulp. Quality of the whole series is superb.

Antibacterial Series: With the advent of the post-pandemic era in China, the Company introduced the antibacterial series products to keep abreast with changes in the consumption habits of consumers in early 2021. The products contain antibacterial factors and have been proved with experiments to effectively reduce the growth of more than 99% of bacteria on paper tissues. They can effectively inhibit bacteria such as E. coli and staphylococcus aureus, thereby protecting the health of consumers.

Jin Zun Series: Made from 100% imported raw wood pulp, Jin Zun products are thick, pliable, and cost-effective.

Wipes: Wipe products of the Company are diversified, including mother and baby wipes, disinfection wipes, personal care wipes, kitchen wipes, and pure water wipes, which can meet the needs of consumers in different scenarios.

Sun Series: The Company launched the new brand Sun in 2019 in conjunction with the 300,000-ton bamboo-pulp-paper integration project in order to accelerate the coverage of high-, mid- and low-end household paper markets in China and satisfy consumption needs at different levels. This initiated the Company's "dual brand" business strategy. Sun is positioned to be a highly cost-effective product that has good quality yet lower prices. It is the key to raise the market share of the Company in the future.

2. Personal care products (Dolemi brand)

Dolemi Series: In 2019, the Company launched a new personal care brand, Dolemi, to cater for upgrading consumption. The surface of Dolemi pads is made from natural cotton. The products feature two-way air circulation and are elastic, soft, and fit. Thanks to the good air circulation, consumers will feel at ease. They enable women pursuing better quality of life to experience "thin pads and get rid of side leakage".

OKBEBE Series: This care brand for newborn babies was rolled out in 2021. Products include baby diapers and pull-up pants. With medical level high standards, the products are skin-friendly, breathable, dry and easy to absorb. They are dedicated to providing babies with safer and more comfortable growth experience, having passed the surveillance on six product performance indicators including allergenic microbial inspection and production environment bacteria.

3. Quality health products

Cotton Tissue Series: In 2018, the Company stepped out of the household paper field and introduced the "Cotton Tissue" products, which feature 100% fresh cotton, complete physical processes, and unbleached. As being natural, healthy, soft, skin-friendly, and dry-wet dual use, they can be used for personal cleaning and care as cotton pads and face towels, especially by infants and women.

Medical surgical masks: In response to the government's call, the Company quickly initiated medical mask production and rolled out medical surgical mask products. The products are characterized by "high efficiency filtration, low breathing resistance, and comfortable wearing", and have passed the EU CE and US FDA certifications. Third-party laboratory testing from US, EU and Japan proves the products to have reached the highest quality standards of their kind.

Other quality health products: In line with the Company's strategic planning and market needs, the Company successively launched personalized products that are fit with consumer needs since 2020, including makeup removal wipes, feminine care wipes, alcohol disinfectant wipes, mouthwashes, disinfectant hand sanitizers, face wash towels, disposable sweat-absorbent wipes, insoles, etc. This enables the Company to form a diversified development pattern on the basis of pursuing high quality and individualization.

The competition in China's household paper industry is still fierce and industry concentration is increasing. With strengthened awareness on the concept of healthy living, consumers pay increasing attention to brands. Product quality is still a prominent concern in the industry. Amid all these, the Company has become one of the representative brands of high-end household paper in the market through continuous brand building and quality assurance, and robust production capacity layout and channel expansion. It is ranked among the first echelon in the household paper industry and is well recognized by consumers and capital markets. In addition, with an adherence to the value concept of "Only Care About You", the Company continues to tap consumer needs and constantly upgrades and optimizes products with leverage on its strong R&D and innovation capabilities. The Company is committed to providing consumers with products of better quality, more comfort, and more tailored to their individual needs. The Company aims to achieve national product coverage which is underpinned by continuously improved product reputation among consumers and strengthened and consolidated brand awareness.

II. Significant Changes in Main Assets

1. Significant changes in main assets

Main assets	Description of Significant changes
Equity assets	No significant changes during the reporting period
Fixed assets	No significant changes during the reporting period
Intangible assets	No significant changes during the reporting period
Construction work in progress	No significant changes during the reporting period

2. Main overseas assets

Applicable Not applicable

III. Analysis of Core Competitiveness

1. Belong to the first echelon of the domestic household paper industry

The Company is a top-performing enterprise in the first echelon of the domestic household paper industry. Its products are sold at home and abroad including Southeast Asia, the Middle East, and Europe.

2. Constantly optimized product structure

The Company boasts three major brands, namely, Jie Rou, Sun, and Dolemi. Main products include paper rolls, coreless rolls, facial tissues, tissue handkerchiefs, wipes, personal care products, baby diapers, cotton tissues, etc.

The Company continuously optimizes its product structure and raises the sales proportion of high-end products, high-gross profit products and non-roll categories. In addition, it has strengthened the sales of major series like Face, Lotion, and Natural Wood, formulated distribution standards for each major channel, raised the market share in each channel, and continuously improved the gross profit and profitability of products.

3. Stable and effective management team

The R&D, production, procurement, sales, quality control, and operation teams have successively introduced excellent professionals since 2014. At present, the Company boasts the most outstanding R&D, production, and sales teams in the industry. Its product R&D, quality and marketing management has been effectively reinforced. The management team of the Company has formulated long-term and strategic plans in line with actual situation of the Company, industry development level, and market demands. Moreover, the management team is capable of making reasonable decisions on operation management issues with relation to R&D, production, marketing, investment, and financing, and effectively implementing such decisions. The excellent management team fundamentally guarantees the Company's competitiveness and sustainable development in the future.

4. Nationwide marketing network

The Company has been building and improving its marketing networks based on its keen and strategic insights and reasonable layout. The Company has enhanced its profitability by expanding its channels from a single dealer channel in 2015 to six channels at present, namely, GT (general trade channels), KA (key account channels), AFH (away from home channels), EC (e-commerce channels), RC (new retail channels), and SC (maternal and infant channels). Its current marketing network covers most of the prefecture-level (and county-level) cities. Products are directly sold to counties and then distributed to towns. This helps achieve segmented and flat market operation and expand the dealer network.

Furthermore, while ensuring the smooth operation of other channels, the Company has established a professional e-commerce operation team, devoted more resources to e-commerce platforms, built and improved the corresponding supply chain system, and intensified its routine operation management. It has reached cooperation with renowned platforms such as Tmall, JD, Pinduoduo, Taobao, Vipshop, Suning, Kuaishou, TikTok, Yunji and NetEase. In addition, it has developed an AFH service team for AFH channels and customer bases to match the growing AFH market. Attributable to a robust sales network plus quality and diversified products, the Company is able to constantly consolidate its market basis, improve consumer experience, and enhance brand reputation, which can help achieve sustainable and stable growth in the future.

5. Nationwide layout of production bases

The Company has developed a production layout covering East China, South China, West China, North China, and Central China, through its subsidiaries including Jiangmen C&S, Yunfu C&S, Sichuan C&S, Zhejiang C&S, Hubei C&S, and Tangshan Branch. Thanks to the nationwide layout of production bases, the Company has narrowed the distance to customers, reduced transportation costs, and enhanced transportation efficiency.

6. Product quality at an international level

The Company has always regarded product quality as its lifeline of survival and development ever since its incorporation. First-class quality derives from first-class raw materials. Raw materials of the Company have passed the ISO quality management system certification. Besides strict feed inspection procedures, it has introduced HACCP food hygiene and safety management system to control the hygiene and quality of products from the source. Moreover, its products have passed ISO9001 quality management system certification which is the strictest detecting system for product quality. The Company has observed internationally-advanced quality management system standards and utilized advanced processes, formulas, and control procedures in production to ensure each technical performance indicator.

7. Good R&D capabilities

The Company is equipped with a complete product development system and the subordinate R&D department boasts strong independent R&D capabilities and excellent product formula technologies. In recent years, the Company has continuously upgraded and optimized its products, in a bid to provide consumers with products of better quality, more comfort, and more aligned with their individual needs. Products of the Company have extended from household paper to cross-category household daily necessities including cotton series products, sanitary wipes, baby diapers, etc. The Company's speed of bringing forth new products is at the forefront of the industry.

8. First-class production equipment

The Company drives development via technology and has introduced cutting-edge papermaking and processing equipment. Advanced technology and highly automatic equipment have strengthened the Company's efficiency, further satisfied the ever-growing market demands, and served as an unstoppable driving force to development.

9. Outstanding environmental protection awareness and technology

Along with the deepening of industrialization, the concept of environmental protection has been deeply rooted among the people. The Company has adhered to the concept of "seeking green benefits and fulfilling corporate social responsibilities", and utilized advanced environmental protection technologies to pursue its objective of environmental protection. Its waste water and gas emissions are superior to the national standards and industry-leading.

Section IV Discussion and Analysis of the Operations

I. Overview

In 2020, the COVID-19 pandemic swept across the world, exerting a short-term influence on the procurement, production, and sales of the household paper industry. Nevertheless, management of the Company rapidly responded at the beginning of the outbreak and demonstrated strong comprehensive operational capabilities and anti-risk capabilities. Having gone through the journey of fighting the pandemic, resuming work and production, and orderly arranging pandemic prevention and control work, the Company has converted challenges to opportunities. Meanwhile, the Company has upheld its core strategies and operation objectives. Through united efforts and effective measures including expanding categories, deepening channels and accelerating marketing and promotion, the Company was able to boost results and profits steadily.

In 2020, the Company recorded an operating income of RMB7.824 billion with a YoY increase of 17.91% and a net profit attributable to shareholders of the listed company of RMB906 million, up by 50.02% YoY. This not only successfully fulfills the preset goals for the year, but also lays a solid foundation for the Company to march onto the road of high quality and efficiency development.

1. Expansion of product categories to drive sales

During the reporting period, the Company quickly initiated the production of medical masks in response to the government's call. In addition, with the arrival of the post-epidemic era, consumption habits of consumers are changed. Amid this, the Company quickly adapted to market demands, seized opportunities, and successively launched products like antibacterial paper, alcohol disinfectant wipes, disinfectant hand sanitizers, and mouthwash. This effectively helped raise its brand effect and form a diversified product strategy. Favorable sales results were achieved for the new products during the reporting period, which promoted the continuous improvement of the operating results and became another profit growth point of the Company.

2. Constant optimization of product structure and improvement of channels to push steady growth in sales

During the reporting period, the Company constantly optimized its product structure and raised the sales proportion of key products and high-gross margin products. In addition, in view of consumers' preference of online consumption during the pandemic, the Company quickly adapted to market consumption changes, devoted more resources to online channels while ensuring the smooth operation of other channels, and intensified the layout and development of EC channels. As a result, favorable results were achieved in EC channels. In 2020, the Company's gross margin in household paper reached 46.19%, making it the top enterprise in the domestic household paper industry.

3. Increase in gross margin thanks to decrease in international pulp prices

The price of pulp, the main raw material of the Company, was generally maintained at a relatively low level during the reporting period. Thanks to the decrease in production costs and the Company's scale effects, its gross profit margin and profitability were boosted. At the end of 2020, pulp prices began to rebound. Nevertheless, procurement team of the Company has stored raw materials in advance with a reliance on its professional predictive ability of the pulp market and sufficient financial strengthen. Thus, this could effectively smooth the cost pressure caused by rise of raw material prices in the future and lay the foundation for the Company to grab market shares and expand sales scale.

4. Employee enthusiasm boosted as the first unlocking/exercise period of the equity incentive plan was successfully completed

During the reporting period, the Company successfully completed the first unlocking period for first-grant restricted stocks or reserved restricted stocks and the initiation of the first exercise period for stock options under the *2018 Restricted Stock and Stock Option Incentive Plan*. The incentive recipients reaped gratifying results. This could enable employees to enjoy the development dividends of the Company and continuously stimulate their enthusiasm, which is conducive to giving full play to the values of all employees and laying a solid foundation for the long-term stable development of the Company.

5. Fulfillment of corporate social responsibilities and demonstrating the corporate culture as a top-performing enterprise

As a nation enterprise with important social influence and a leading enterprise in the household paper industry, the Company has always been concerned about the medical staff and people at the frontline of the fight against the epidemic and actively fulfilled its corporate social responsibilities. To fight against the pandemic and respond to the government's call, the Company quickly initiated the production of medical masks and donated RMB10.80 million in cash and disinfectant wipes and other household paper products worth RMB500,000 to support pandemic prevention and control. Viewing the shortage of pandemic prevention materials, the Company also donated over one million pieces of surgical masks and over 5,000 pads for women to front-line epidemic prevention areas and other support units. In February 2021, the Company contributed materials worth more than RMB1 million to front-line epidemic control personnel in Shijiazhuang. In March 2021, the Company helped international fight against the pandemic by giving 4 million pieces of medical masks to Russia, Pakistan, Myanmar and other "Belt and Road" countries. All of these efforts of helping pandemic prevention and control and providing the strongest support for the front-line pandemic fight personnel have embodied the Company's humanistic spirit of taking responsibility.

II. Analysis of Principal Businesses

1. Overview

Products of the Company has been extended from household paper to cross-category household daily necessities including cotton series products, sanitary wipes, baby diapers, etc.

Currently, the Company features three major brands, namely, Jie Rou, Sun, and Dolemi. Main products include paper rolls, coreless rolls, facial tissues, tissue handkerchiefs, wipes, personal care products, baby diapers, cotton tissues, etc. Product series involve Face series, Lotion series, Natural Wood series, Antibacterial Paper series, Jin Zun series, wipes, Sun series, Dolemi series, OKBEBE series, and Cotton Tissue series.

Item	2020 (RMB)	2019 (RMB)	YoY changes (%)	2018 (RMB)
Operating income	7,823,528,416.32	6,634,914,352.68	17.91%	5,678,517,623.29
Operating cost	4,590,904,040.35	4,005,421,052.70	14.62%	3,744,105,124.57
Selling expenses	1,544,562,244.71	1,369,553,843.95	12.78%	1,013,014,207.75
Administrative expenses	364,914,344.30	294,516,937.35	23.90%	202,132,450.43
Finance expenses	-18,001,546.24	21,476,411.75	-183.82%	55,843,921.52
Net cash flows from operating activities	828,200,862.25	1,360,374,901.86	-39.12%	437,254,844.25

2. Revenue and cost

(1) Composition of operating income

Unit: RMB

	2020		2019		YoY changes
	Amount	Proportion in operating income	Amount	Proportion in operating income	
Total operating income	7,823,528,416.32	100%	6,634,914,352.68	100%	17.91%
By industry					
Household paper	7,499,908,172.64	95.86%	6,562,535,665.60	98.91%	14.28%

Personal care	100,000,774.38	1.28%	3,218,698.97	0.05%	3,006.87%
Others	223,619,469.30	2.86%	69,159,988.11	1.04%	223.34%
By product					
Finished products	7,585,449,858.45	96.96%	6,531,531,717.68	98.44%	16.14%
Semi-finished products	14,459,088.57	0.18%	34,222,646.89	0.52%	-57.75%
Others	223,619,469.30	2.86%	69,159,988.11	1.04%	223.34%
By region					
Domestic	7,652,670,691.06	97.82%	6,501,041,000.07	97.98%	17.71%
Overseas	170,857,725.26	2.18%	133,873,352.61	2.02%	27.63%

(2) Industries, products, or regions that accounted for over 10% of the Company's operating income or operating profit

Applicable Not applicable

Unit: RMB

	Operating income	Operating cost	Gross profit margin	YoY changes of operating income	YoY changes of operating cost	YoY changes of operating gross profit margin
By industry						
Household paper	7,499,908,172.64	4,342,663,520.12	42.10%	14.28%	10.21%	2.15%
By product						
Finished products	7,585,449,858.45	4,367,115,588.55	42.43%	16.14%	11.71%	2.28%
By region						
Domestic	7,652,670,691.06	4,499,766,586.64	41.20%	17.71%	14.97%	1.40%

Where the statistical standards for the Company's principal business data were adjusted in the reporting period, principal business data of the Company in the recent year adjusted as per statistical standards at the end of the reporting period

Applicable Not applicable

(3) Whether the Company's goods selling income higher than the service income√ Yes No

Industry	Item	Unit	2020	2019	YoY changes
Household paper	Sales volume	10,000 boxes	11,691.68	8,724.84	34.00%
	Production volume	10,000 boxes	11,691.94	8,866.53	31.87%
	Inventory	10,000 boxes	882.65	768.51	14.85%

Reasons for YoY changes of relevant data over 30%

√ Applicable Not applicable

Sales volume: Compared with 2019, the sales volume in 2020 increased by 29.6684 million boxes or 34%, mainly owing to sales boosting measures adopted by the Company in the reporting period like product structure adjustment, accelerated promotion of key products and new products, continuously improved channel development, etc.

Production volume: Compared with 2019, production volume in 2020 increased by 28.2541 million boxes or 31.87%, mainly owing to the release of production capacity and the increase in sales during the reporting period.

(4) Fulfillment of significant sales contracts signed by the Company as of the end of the reporting period Applicable √ Not applicable**(5) Composition of operating cost**

By industry and product

Unit: RMB

By industry	Item	2020		2019		YoY changes
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Household paper	Principal business cost	4,342,663,520.12	94.59%	3,940,489,471.54	98.38%	10.21%
Personal care	Principal business cost	36,713,107.52	0.80%	1,258,487.46	0.03%	2,817.24%
Others	Other business	211,527,412.71	4.61%	63,673,093.70	1.59%	232.21%

	cost					
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Unit: RMB

By product	Item	2020		2019		YoY changes
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Finished products	Principal business cost	4,367,115,588.55	95.13%	3,909,345,003.17	97.60%	11.71%
Semi-finished products	Principal business cost	12,261,039.09	0.27%	32,402,955.83	0.81%	-62.16%
Others	Other business cost	211,527,412.71	4.61%	63,673,093.70	1.59%	232.21%

Description: None

(6) Whether the consolidated scope changed during the reporting period√ Yes No

As of December 31, 2020, the Company has 19 subsidiaries which are included in the consolidated scope, as detailed in “Note IX. Equities in other Entities”. Compared with last year, one subsidiary has been newly added into the consolidated scope this year. For details, see “Note VIII. Changes in Consolidated Scope”.

(7) Description on significant changes or adjustments of the Company’s businesses, products or services in the reporting period Applicable Not applicable**(8) Major customers and suppliers**

Major customers of the Company

Total sales to the top five customers (RMB)	2,445,154,280.92
Proportion of sales to top five customers in total annual sales	31.25%
Proportion of sales to related party among the top five customers in total annual sales	0.00%

Information of the top five customers of the Company

No.	Name of customer	Sales (RMB)	Proportion in total annual sales
1	1st	876,396,661.34	11.20%
2	2nd	650,635,800.84	8.32%
3	3rd	418,807,020.50	5.35%
4	4th	288,547,374.69	3.69%
5	5th	210,767,423.55	2.69%
Total	--	2,445,154,280.92	31.25%

Other descriptions of major customers

√ Applicable Not applicable

There is no related party relationship between the top five customers and the Company.

Major suppliers of the Company

Total purchase amount from the top five suppliers (RMB)	2,393,268,000.87
Proportion of the total purchase amount from the top five suppliers in total annual purchase amount	50.40%
Proportion of purchase amount from related parties among the top five suppliers in total annual purchase amount	0.00%

Information of the top five suppliers of the Company

No.	Name of supplier	Purchase amount (RMB)	Proportion in total annual purchase amount
1	1st	1,256,589,068.94	26.46%
2	2nd	509,980,063.97	10.74%
3	3rd	256,897,941.48	5.41%
4	4th	234,163,222.56	4.93%
5	5th	135,637,703.92	2.86%
Total	--	2,393,268,000.87	50.40%

Other descriptions of major suppliers

√ Applicable Not applicable

There is no related party relationship between the top five suppliers and the Company.

3. Expenses

Unit: RMB

	2020	2019	YoY changes	Description of significant changes
Selling expenses	1,544,562,244.71	1,369,553,843.95	12.78%	
Administrative expenses	364,914,344.30	294,516,937.35	23.90%	
Finance expenses	-18,001,546.24	21,476,411.75	-183.82%	Finance expenses: A reduction of RMB39,477,957.99 or 183.82% was witnessed in the reporting period compared with 2019, mainly due to the decrease in bank interest expenses and in exchange gains and losses during the reporting period.
R&D expenses	190,298,633.61	176,374,287.34	7.89%	

4. R&D investment

√ Applicable Not applicable

Main R&D projects of the Company in 2020 included the following:

1. Debut of Jie Rou oil painting series products: Being thick, pliable, and soft with exquisite high-definition embossing, the products are “artwork” of paper towels.
2. Antibacterial tissue and roller series products: The products can remain initial cleanliness despite that their use environment is contaminated by bacteria or after they wipe the bacteria daily. They have no irritation to the skin and mucous membranes.
3. High-quality medical surgical masks: The products are characterized by “high efficiency filtration, low breathing resistance, and comfortable wearing”, and have passed the EU CE and US FDA certifications. Third-party laboratory testing from US, EU and Japan proves the products to have reached the highest quality standards of their kind. The Company’s R&D, production and sales of medical masks was a response to the government’s call at the outbreak of the epidemic, which both fulfilled the Company’s social responsibilities and solved employees’ use of masks.
4. Antibacterial hand sanitizers: The products can effectively inhibit intestinal pathogenic bacteria and pyogenic bacilli. With plant extracts and water rendition ingredients, they can keep the skin soft and moisturizing.
5. Small-package sanitary pads: The Company developed easy-to-carry pads by catering to the demands of girls

aging 15 to 25 who prefer small and cute packaging. Launched in June 2020, the products can attract young consumers for the Dolemi brand.

R&D investment of the Company

	2020	2019	Change
Number of R&D personnel (person)	397	438	-9.36%
Proportion of R&D personnel headcount	6.00%	7.25%	-1.25%
Amount of R&D investment (RMB)	190,298,633.61	176,374,287.34	7.89%
Proportion of R&D investment in total operating income	2.43%	2.66%	-0.23%
Amount of capitalized R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalized R&D investment in total R&D investment	0.00%	0.00%	0.00%

Reason for marked changes over the last year of the proportion of R&D investment in operating income

Applicable Not applicable

Reason for marked changes of the proportion of R&D investment capitalization and its reasonable explanation

Applicable Not applicable

5. Cash flow

Unit: RMB

Item	2020	2019	YoY changes
Subtotal of cash in-flow from operating activities	7,802,290,765.25	7,225,605,514.97	7.98%
Subtotal of cash out-flow from operating activities	6,974,089,903.00	5,865,230,613.11	18.91%
Net cash flow from operating	828,200,862.25	1,360,374,901.86	-39.12%

activities			
Subtotal of cash in-flow from investing activities	179,801,840.88	1,489,516.51	11,971.15%
Subtotal of cash out-flow from investing activities	561,677,417.02	730,059,032.35	-23.06%
Net cash flow from investing activities	-381,875,576.14	-728,569,515.84	47.59%
Subtotal of cash in-flow from financing activities	411,994,677.00	515,060,991.14	-20.01%
Subtotal of cash out-flow from financing activities	481,103,146.23	842,676,049.62	-42.91%
Net cash flow from financing activities	-69,108,469.23	-327,615,058.48	78.91%
Net increase in cash and cash equivalents	374,037,282.75	304,867,380.91	22.69%

Main influencing factors of significant YoY changes in relevant data

Applicable Not applicable

1. Net cash flow from operating activities: This item recorded a decrease of RMB532,174,039.61 or 39.12% in the reporting period compared with 2019, mainly due to the increase in payment for materials and various taxes and fees during the reporting period.
2. Net cash flow from investing activities: This item recorded an increase of RMB346,693,939.70 or 47.59% in the reporting period compared with 2019, mainly due to the increase in received financial principals and the decrease in payment for engineering equipment during the reporting period.
3. Net cash flow from financing activities: This item recorded an increase of RMB258,506,589.25 or 78.91% in the reporting period compared with 2019, mainly due to the increase in cash received from borrowings and the decrease in cash paid for debt repayment during the reporting period.

Reason for significant differences between the net cash flow from operating activities and the net profit of the year during the reporting period

Applicable Not applicable

III. Analysis of Non-principal Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	Proportion in total profit	Explanation of reason	Is it consistently applied?
Investment income	3,868,134.28	0.36%	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds	No
Profit and loss from changes in fair value		0.00%		
Asset impairment	-15,863,724.17	-1.46%	Provision for impairment of inventories and provision for impairment of fixed assets	No
Non-operating income	5,429,670.00	0.50%	Government grants, income from fine and compensation, and others	No
Non-operating expense	20,912,859.12	1.92%	External donations and others	No

IV. Analysis of Assets and Liabilities

1. Significant changes in the composition of assets

The Company implemented the new revenue standard or the new lease standard for the first time from 2020 and adjusted the relevant items of the financial statements as at the beginning of the year of adoption

Applicable

Unit: RMB

	End of 2020		Beginning of 2020		Proportion changes	Explanation of significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	1,125,196,199.56	15.05%	703,746,624.42	11.68%	3.37%	Monetary funds: This item recorded an increase of RMB421,449,575.14 or

						59.89% in the reporting period compared with the end of 2019, mainly owing to the increase in the net cash flow from investing activities and financing activities during the reporting period.
Accounts receivable	1,051,423,939.59	14.06%	807,772,897.68	13.40%	0.66%	Accounts receivable: This item recorded an increase of RMB243,651,041.91 or 30.16% in the reporting period compared with the end of 2019, mainly owing to the increase in accounts receivable during the reporting period.
Inventory	1,661,274,495.32	22.21%	986,405,689.17	16.37%	5.84%	Inventory: This item recorded an increase of RMB674,868,806.15 or 68.42% in the reporting period compared with the end of 2019, mainly owing to the increase in raw material inventories during the reporting period.
Investment property	34,575,365.94	0.46%	36,039,381.30	0.60%	-0.14%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fixed assets	2,792,587,302.21	37.34%	2,921,392,106.87	48.48%	-11.14%	
Construction work in progress	275,904,617.95	3.69%	55,734,236.91	0.92%	2.77%	Construction work in progress: This item recorded an increase of RMB220,170,381.04 or 395.049% in the reporting period compared with the end of 2019, mainly owing to the increase in construction projects during the reporting period.
Short-term	142,942,941.34	1.91%	14,721,492.38	0.24%	1.67%	This item recorded an increase of

borrowings						RMB128,221,448.96 or 870.98% in the reporting period compared with the end of 2019, mainly owing to the increase in short-term borrowings from banks during the reporting period.
Long-term borrowings		0.00%	22,500,000.00	0.37%	-0.37%	This item recorded a decrease of RMB22,500,000.00 or 100.00% in the reporting period compared with the end of 2019, mainly owing to the early repayment of long-term borrowings during the reporting period.

2. Assets and liabilities measured at fair value

Applicable Not applicable

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

Item	2020.12.31	Reason for restriction
Monetary funds (RMB)	75,162,063.84	Security deposits for issuing letter of credit and notes
Total (RMB)	75,162,063.84	

V. Analysis of Investment

1. Overview

Applicable Not applicable

Investment amount during the reporting period (RMB)	Investment amount of previous year (RMB)	Changes
561,677,417.02	730,059,032.35	-23.06%

2. Major equity investment during the reporting period

Applicable Not applicable

3. Major non-equity investment during the reporting period

Applicable Not applicable

4. Financial asset investment**(1) Security investment**

Applicable Not applicable

The Company did not invest in securities during the reporting period.

(2) Derivative investment

Applicable Not applicable

The Company did not invest in derivatives during the reporting period.

5. Use of raised funds

Applicable Not applicable

No raised funds were used by the Company during the reporting period.

VI. Major Asset and Equity Sales**1. Sales of major assets**

Applicable Not applicable

The Company did not sell major assets during the reporting period.

2. Sales of major equity

Applicable Not applicable

VII. Analysis of Main Holding and Joint-stock Companies

√ Applicable □ Not applicable

Description of main subsidiaries and of joint-stock companies which have influence on the Company's net profit by over 10%

Unit: RMB

Company name	Company type	Principal businesses	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Jiangmen C&S	Subsidiary	R&D, production, and sales (including online sales): household paper, maternal and infant products, cosmetics, wipes, non-woven products, daily necessities, and cleaning supplies; sales (including online sales) of Class I and II medical devices. (The above items do not involve special management measures for the access of foreign investment.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	RMB345,985,031	1,762,755,225.91	1,503,245,893.46	1,481,156,722.41	238,073,124.23	204,403,346.14
Yunfu C&S	Subsidiary	R&D, production, wholesale, retail and online sales: household paper, sanitary products, maternal and infant products, daily necessities, cosmetics, medical devices, sanitary materials, non-woven fabrics and products, polymer materials and products, daily sundries, and	RMB650 million	2,159,000,142.58	1,359,647,571.56	2,842,001,060.24	396,387,504.77	348,421,782.34

		disinfection supplies (excluding hazardous chemicals); wholesale, retail and online sales: food; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval); warehousing services (limited to warehouses qualified in fire protection without hazardous chemicals). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)						
Sichuan C&S	Subsidiary	Licensed items: production of sanitary products and disposable medical supplies; import and export of goods (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments, and the specific business items are subject to the approval document or the permit issued by relevant department). General items: sales of sanitary products and disposable medical supplies; sales of personal hygiene products; sales of daily necessities; manufacture of paper products; sales of paper products; manufacture of paper; manufacture of daily chemical products; sales of daily chemical products; sales of Class II medical devices; sales of Class	RMB100 million	1,190,428,729.88	853,862,145.19	1,783,389,934.49	218,982,290.16	185,928,308.11

		I medical devices; manufacture of industrial textile products; sales of industrial textile products; manufacture of maternal and infant products; sales of maternal and infant products. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.)						
Hubei C&S	Subsidiary	Licensed items: production of sanitary products and disposable medical supplies; production of cosmetics (for items that must be approved in accordance with the law, companies may carry out business operations upon approval by relevant departments, and the specific business items are subject to the approval document or the permit issued by competent department). General items: sales of sanitary products and disposable medical supplies; retail of cosmetics; wholesale of cosmetics; manufacture of paper; sales of personal hygiene products; sales of knitwear; manufacture of maternal and infant products; sales of maternal and infant products; sales of paper products; manufacture of paper products; sales of daily necessities; sales of daily chemical products; sales of disinfectants (excluding hazardous chemicals); Internet sales (excluding the sales of commodities	RMB200 million	1,361,067,365.05	373,922,157.82	1,075,896,640.52	144,907,802.92	106,898,341.64

	<p>requiring a permit); sales of Class I medical devices; sales of Class II medical devices; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)</p>						
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Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Description of main holding and joint-stock companies

VIII. Structured Entities Controlled by the Company

Applicable Not applicable

IX. Outlook of the Company's Future Development

1. Future development trend of the industry in which the Company lies

(1) Analysis of industry status quo

China's household paper market is growing steadily, while market competition is extremely fierce. New project investments are led by the capacity expansion of leading companies and the equipment upgrading of existing central companies, which facilitates further concentration of the industry and improvement of overall equipment level. The relative overcapacity and demanding environmental protection requirements put more pressure on small- and medium-sized enterprises. Leveraging the sharp drop in pulp prices and economies of scale, leading companies have adopted a series of effective measures to better their gross profit margin, including energy saving and consumption reduction, increasing inputs on the development of EC channels and other new channels, optimizing product structure, and launching new products with high value addition.

The household paper market, especially the high-end household paper market, will be substantially boosted along with the continuous growth of China's economy, improvement of people's living standards, and the advancement of consumption concepts. However, owing to China-US trade frictions and uncertainties brought by exchange rate fluctuations and future pulp prices, operating pressure is still great for the household paper industry.

(2) Industry development trend

1) Outdated capacity will be phased out and companies of the first echelon will gain greater market opportunities. Competent government departments at all levels have strengthened supervision, administration and enforcement of the household paper industry and released a series of regulations and policies, including the *Development Policy of the Paper Industry*, *Notice of the State Council on Printing the Comprehensive Work Plan for Energy Conservation and Emission Reduction*, *Water Pollutant Discharge Standards for the Pulp and Water Industry*, *Norm of Water Intake for Paper Products*, *Twelfth Five-Year Plan for Paper Industry Development*, and *Catalogs for the Management of Imported Wastes*. Companies with reasonable economic scale, high energy and water consumption or not up to discharge standards were shut down or ordered for rectification within a time frame. Thus, a large number of backward production capacities have been eliminated. With increasingly stringent environmental protection polices, small- and medium-sized enterprises in the industry are further phased out, thereby releasing certain market shares. Meanwhile, first echelon enterprises in the industry are rapidly expanding production scale to meet market demands and seize market shares.

2) Operating models are continually innovated and product structures are constantly optimized. At present,

marketing of the household paper industry is still dominated by traditional distributors and modern supermarkets. However, with the continuous improvement of e-commerce channels in recent years, the percentage of e-commerce shares is rapidly growing. Some leading companies have been promoting social media marketing such as WeChat official accounts, Weibo, and live webcasting, and have increased inputs in the development of e-commerce channels. At the same time, in order to cater to the rapidly growing demands of consumers, companies continue to carry out product innovations, upgrade product specifications and packaging designs, optimize product structures, and develop new products by capturing in time changes in the consumption concepts of consumers. Diversified operating models emerge in the industry and product structures are further optimized.

3) Equipment upgrading and product R&D are intensified. People's demand for household paper is bound to rise along with the improvement of living standards, requiring constant product capacity expansion in the household paper industry. As such, it is inevitable for companies of the industry to choose large-scale and automated production equipment, which can also meet the demands for low energy consumption, low water consumption, and low pulp consumption specified in the overall requirements of the State's industrial policies for energy conservation, consumption reduction and pollution reduction. In recent years, imports of household paper equipment have been trending up in China, with a focus on the imports of body paper machines. Meanwhile, some large-scale domestic equipment is also constantly optimized and improved. It is foreseeable that large scale and automation of production equipment will be the development direction of the household paper industry in the future.

4) Competitiveness of China's household paper production companies in the international market will be further intensified. With the rapid development of the household paper industry in China, local enterprises occupy most of the domestic market shares. On the basis of meeting domestic demands, household paper manufactured in China has been exported to a range of countries and regions around the world with certain competitive advantages. In the future, the competitiveness of Chinese household paper production enterprises in the international market will be steadily enhanced.

2. Development strategy and planning of the Company

(1) The Company's development strategy

As a member of the first echelon in the domestic household paper industry, the Company will continue to better its independent R&D capabilities and tap product formulas and production processes to meet multi-layered and differentiated product needs of the market. Adhering to the development vision of "building a century-old enterprise with hundred billion market value", the Company uses cutting-edge equipment and first-class raw materials to produce quality products. Corporate values are "putting consumers first, partners at the focus and employees at the core; pursuing win in doing things and virtue in daily life", which is the basis for improving return to shareholders. The Company will continue horizontal integration and establish strategic alliances with key customers. It will further enhance its core competitiveness and product R&D capabilities with a focus on core

businesses. When it comes to marketing, the Company will further expand marketing networks, fulfill the management requirements of building first-class brands, systems and talents, and grab channel networks and terminal resources.

(2) The Company's development planning

With the continuous expansion of sales scale, the Company steadily puts in production capacity in alignment with the market environment and sales expansion tempo, to reach a dynamic balance of production and sales. Meanwhile, it has strengthened the construction of each base. In the future, the Company will expand product categories based on the development trends of the industry. Beyond making household paper of highest quality, the Company will also explore new product categories with product quality always coming first. In addition, the Company will tap deeper into channel development, further increase product coverage, and promote its steady development in an all-round manner.

X. Reception of Researches, Communications, Interviews and Other Activities

1.Registraiton form for the reception of researches, communications, interviews and other activities during the reporting period

√ Applicable □ Not applicable

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided	Index of the basic situation of the survey
January 7, 2020	Beijing	Field research	Institution	Taikang Asset Management, Torq Capital Management, Norges Bank Investment Management, Teng Yue Partners, Snow Lake Capital, Snow Lake Capital, Green Court Capital, Kaizen, Golden Nest Capital, Lygh Capital, Yiheng Capital, Kora Management, Toona Tree Capital Partners, Wt Capital, Keywise Capital, Pinpoint, Keywise Capital, Safe & Sic, 3w Fund Management, Goldstream Capital Management, Oxbow Capital Management, Invesco, China Orient Asset Management, Janchor Partners	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.
January 8, 2020	Hong Kong	Field research	Institution	CITI Millennium Capital Management, Fidelity Management&Research, Amundi Pioneer (Asia), BlackRock Inv Mgmt LLC (NJ), Bosera Asset Management Co Ltd, Bosvalen Asset Management, China Southem Fund Management, Eastspring Investments Singapore Ltd, Eurzon Capital SGR SPA, Fuh Hwa Asset Management, Green Court Management Holding, JK Capital Mgmt Ltd, Macquane Investment Mgmt(Asia), Morgan Stanley AM Singapore, Optimas Capital Limited, Pinebridge investments Asia Ltd, PingAn Ins Group Co of china, SPARX Asia Investment	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.

				Advisors, Sumitomo Mitsui DS AM CO, T Rowe Price, Point72 Asset Management, Allianz Asia, BEA Union investment Management Ltd, JK Capital Mgmt Ltd, Pinpoint Asset management Ltd, RBC IM (AsIa) LTD, SPARX ASia Investment Advisors, Sumitomo Mitsui DS AM CO, Trivest Advisors, Value Partners		
January 16, 2020	Shenzhen	Field research	Institution	Perseverance Asset Management	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.
January 17, 2020	Zhongshan	Field research	Institution	Causeway Capital Management LLC., Golden Nest Capital Management	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.
February 17, 2020	/	Telephone research	Institution	GOLDMAN SACHS, NOMURA ASSET MANAGEMENT, MACQUARIE SECURITIES, ALLIANZ GLOBAL INVESTORS HONG KONG LTD, ASPEX MANAGEMENT (HK) LIMITED, BEA UNION INVESTMENT MANAGEMENT LTD, PAG CAPITAL, PICTET ASSET MANAGEMENT (HONG KONG) LTD, SAMSUNG ASSET MANAGEMENT HK LTD, TORG CAPITAL MANAGEMENT(HK) LIMITED, BLACKROCK FINANCIAL MANAGEMENT(HONG KONG), FIDELITY INVESTMENT MANAGEMENT (HK), APS, BANK OF COMMUNICATIONS AND SCHRODERS, BARINGS, BNP PARIBAS, BOSERA, BOSHEG CAPITAL, CENTERLINE, CHINA EVERBRIGHT, CIS ASSET MANAGEMENT, COMGEST, CSFG	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.

				INTERNATIONAL ASSET MANAGEMENT, HARVEST GLOBAL INVESTMENTS LTD, INVESCO HONG KONG LIMITED, EAST CAPITAL, EASTSPRING, FIDELITY MANAGEMENT RESEARCH (HONG KONG), FIDELITY INVESTMENT MANAGEMENT (HK), FIL, FORCHN, FOSUN GROUP, LAZARD ASSET MANAGEMENT, MANULIFE ASSET MANAGEMENT (HONG KONG) CO LTD, FULLGOAL FUND, GAVEKAL, GIC, GREENWOOD ASSET MANAGEMENT, MILLENNIUM CAPITAL MANAGEMENT (HONGKONG), GUOTAI JUNAN ASSETS (ASIA) LIMITED, HORIZON ASSET, HT INTERNATIONAL, HUATAI BAIRUI JIJING, INVENTIO, INVESCO, KADENSA, LMR, LYGH CAPITAL, MIGHTY DIVINE, MLP, MOON CAPITAL, MORGAN STANLEY, NORGES BANK, OBERWEIS, OLD PEAK, OP CAPITAL, OPTIMAS, ORIENT, OXBOW, PARANTOUX, PAT, PINPOINT, POINT 72, POWER PACIFIC, PACIFIC ALLIANCE, PRUDENCE, SAFE, SCHONFELD, SEVARA CAPITAL, SUMMER CAPITAL, SUMOTOMO MITSUI, TBP, TORQ, TRIKON, TX CAPITAL, UBS, VALUE PARTNERS, WELLINGTON, TYBOURNE CAPITAL MANAGEMENT, WELLS CAPITAL MANAGEMENT, POINT 72 ASSET MGT, GREENWOODS ASSET MGT, BNP PARIBAS INVESTMENT, FOSUN ASSET MGT, FUH HWA ASSET MGT, NEW SILK ROAD INVESTMENT, JK CAPITAL MGT, WININGTON, CMBI SINGAPORE, AVEREST CAPITAL, CGS-CIMB		
March 23, 2020 /		Telephone research	Institution	Bank of China Investment Management, China Asset Management, Huatai Asset Management, Huatai Baoxing Fund Management, Huatai PineBridge Investments, HuaAn Funds proprietary trading, Hongde Fund, HFT Fund, Guotai Asset	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for

				Management, GF Fund Management, Changsheng Fund, CITIC AMC, CICC Asset Management, CITIC self-owned equity investment, Bank of Beijing Scotiabank Asset Management, Zhonghai Fund, CMB Wealth Management, Maxwealth Fund, Yingda Securities self-owned equity investment, Aegon-Industrial Fund, StarRock Investment, First State Cinda Fund, Xinyuan Asset Management, New China Fund, Xiangcai Fund, Tianfeng Asset Management, Taikang Asset, Taiping Asset, Schroders, SWS MU Fund Management, Shenjiu Asset, National Council for Social Security Fund, AXA SPDB Investment Managers, Penghua Fund, Panhou Dongliang Capital Management, Nuode Asset Management, Lion Fund Management, Southern Asset Management, Morgan Stanley Huaxin Fund Management, HSBC Jintrust Fund Management, ICBC Credit Suisse, Fullgoal Fund, Donghai Funds, Dacheng Fund, Caitong Asset, Caitong Fund Management		details.
May 8, 2020	/	Telephone research, Internet communication	Institution	FOUNTAIN CAP, ALLIANZ, SUMITOMO, CIFM, PING AN ASSET, FUHHWA, AGI, MIGHTY DEVINE, BNP, ESG, ORCHID ASIA, CENTERLINE, VALUE PARTNERS, JK CAPITAL, CLOUGH CAPITAL, HK, MACQ, ATLANTIS, MLP, XING TAI, AR CAPITAL SG, MANULE LIFE, WELLINGTON, MANULIFE, LYGH CPT, CITI, FIL, BARINGS, 3W FUND MGMT LTD, ALLIANCEBERNSTEIN LP, ALLIANZ GLOBAL INVESTORS ASIA PACIFIC LTD, ARISAIG PARTNERS (ASIA) PTE LTD, ARTISAN PARTNERS ASSET MANAGEMENT INC, CHAMPLAIN INV PARTNERS LLC, CHINA ASSET MGMT (HONG KONG) LTD, CHINA EVERBRIGHT ASSETS MGMT LTD, CHINA ORIENT INTL ASSET MGMT LTD, CLIENT 8888 - BEIJING, CLOUGH CAPITAL PARTNERS, CREDIT SUISSE - COMMERCIAL BANK, CSFG ASSET	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.

			<p>MGMT LTD, DAIWA SB INVS (HK) LTD, EASTSPRING INVS (SINGAPORE) LTD, FIL - HONG KONG, FORCHN INTL ASSET MGMT CO LTD, FULLGOAL FUND MGMT CO LTD, GAVEKAL CAPITAL LTD, GIC PTE LTD, GLG PARTNERS LP, GOLDMAN SACHS ASSET MGMT, GREENWOODS ASSET MGMT HK LTD, HAITONG INTL SECS, HARVEST GLOBAL INVS LTD (HGI), INVESCO ASIA LTD - HONG KONG, KADENSA CAPITAL LTD, LYGH CAPITAL PTE LTD, MIGHTY DIVINE INV MGMT, MILESTONE CAPITAL, MILLENNIUM PARTNERS LP, NEW SILK ROAD INV, NORGES BANK, OXBOW CAPITAL MGMT (HK) LTD, PACIFIC ALLIANCE INV MGMT (HK) LTD, PAG CAPITAL - HONG KONG, PICC ASSET MGMT, PICEA INV MGMT LTD, PINEBRIDGE INVS LLC, PING AN INS (GROUP) CO OF CHINA LTD, PINPOINT ASSET MGMT LTD, POINT72 HONG KONG LTD, SAGA TREE CAPITAL ADVISORS PTE LTD, SEIGA ASSET MGMT LTD, SPQ ASIA CAPITAL LTD, SPRINGS CAPITAL (HONG KONG) LTD, SUMITOMO MITSUI TRUST (HK) LTD, TIAA-CREF INV MGMT LLC - NEW YORK, TX CAPITAL (HK) LTD, WELLINGTON MGMT CO LLP, WELLS CAPITAL MANAGEMENT, CHANG XIN ASSET MANAGEMENT, YUANCE INVESTMENT, GALAXY AMC, AEGON-INDUSTRIAL FUND, WESTERN LEADBANK FMC, TONGTAI AMC, CHINA NATURE ASSET MANAGEMENT, CHINA INTERNATIONAL FUND MANAGEMENT, ORIENT SECURITIES ASSET MANAGEMENT, AXA SPDB INVESTMENT MANAGERS, PENGHUA FUND, SOUTHERN ASSET MANAGEMENT, CHINA UNIVERSAL ASSET MANAGEMENT, HUATAI-PINEBRIDGE INVESTMENTS, HUANENG CAPITAL, HUAAN</p>		
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				FUNDS, HONGDE FUND, CHINA LIFE AMP ASSET MANAGEMENT, GF SECURITIES, GF FUND MANAGEMENT, TOPSPERITY FUND, DACHENG FUND, BOSHEG CAPITAL MANAGEMENT, BINYUAN CAPITAL, and investors that attended the Company's online 2019 annual performance briefing		
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Section V Significant Events

I. Profit Distribution of the Ordinary Shares and Conversion of Capital Reserve to Share Capital of the Company

Formulation, implementation or adjustment of profit distribution policies of ordinary shares especially the cash dividend plan in the reporting period

Applicable Not applicable

The Company convened the 19th meeting of the fourth session of the Board of Directors on December 5, 2019 and the 2019 Fourth Extraordinary General Meeting of Shareholders on December 23, 2019. These meetings reviewed and approved the *Proposal on the Formulation of the Shareholder Return Plan for the Next Three Years (2020-2022)*. During the reporting period, the Company strictly implemented the *Articles of Association*, the *Dividend Management Regulations*, and the *Shareholder Return Plan for the Next Three Years (2020-2022)*, which specified the Company's dividend distribution standards, ratio and decision-making procedures. This could guarantee the continuity and stability of dividend distribution policies from an institutional perspective and fully protect the legitimate rights and interests of minority investors.

Special explanation on cash dividend policy	
Whether the policy complies with provisions of the Articles of Association or requirements of the resolutions made on the shareholders' general meeting:	Yes
Whether dividend standards and ratio are definite and clear:	Yes
Whether relevant decision-making procedure and mechanism are well-established:	Yes
Whether independent directors have performed duties and played their roles properly:	Yes
Whether minority shareholders have sufficient opportunities to express opinions and requests, and whether their legitimate rights and interests were sufficiently protected:	Yes
Where the cash dividend policy undergoes any adjustment or change, whether the conditions and procedures are compliant and transparent:	Yes

Dividend distribution plan (preplan) of ordinary shares and conversion plan (preplan) of capital reserve into share capital of the Company in the latest three years (including the reporting period)

1. Profit distribution plan in 2018: Based on the number of shares of the Company's total share capital minus 11,709,583 repurchased shares as at the equity registration date of the implementation of this profit distribution plan, distribute a cash dividend of RMB0.23 (tax included) for every 10 shares to all shareholders; no bonus shares will be issued and no capital reserve will be converted into share capital. In addition, the Company started the share repurchase plan in 2018 and completed the plan on December 4, 2018. A total of 11,709,583 shares were repurchased, with a total amount of RMB94,581,547.35. Article 7 of the *Implementation Rules of Shenzhen Stock Exchange on the Share Repurchase of Listed Companies* stipulates that "Where a listed company uses cash as the consideration and repurchases shares through offer or centralized bidding, the amount paid for share repurchase shall be deemed as cash dividend, which shall be included in the calculation of relevant cash dividend ratios of the year". Therefore, the amount paid by the Company for share repurchase, i.e. RMB94,581,547.35, is considered as cash dividend.

2. Profit distribution plan in 2019: Based on the number of shares of the Company's total share capital minus the number of repurchased shares as at the equity registration date of the implementation of this profit distribution plan, distribute a cash dividend of RMB0.75 (tax included) for every 10 shares to all shareholders; no bonus shares will be issued and no capital reserve will be converted into share capital.

3. Profit distribution preplan in 2020: Based on the number of shares of the Company's total share capital minus the number of repurchased shares as at the equity registration date of the implementation of this profit distribution plan, distribute a cash dividend of RMB1.00 (tax included) for every 10 shares to all shareholders; no bonus shares will be issued and no capital reserve will be converted into share capital. In addition, the Company conducted share repurchase in 2020 and ended the share repurchase plan on May 21, 2020. A total of 1,895,900 shares were repurchased, with a total amount of RMB27,680,721.76. Article 7 of the *Implementation Rules of Shenzhen Stock Exchange on the Share Repurchase of Listed Companies* stipulates that "Where a listed company uses cash as the consideration and repurchases shares through offer or centralized bidding, the amount paid for share repurchase shall be deemed as cash dividend, which shall be included in the calculation of relevant cash dividend ratios of the year". Therefore, the amount paid by the Company for share repurchase, i.e. RMB27,680,721.76, is considered as cash dividend.

Cash dividend of ordinary shares in latest three years (including the reporting period)

Unit: RMB

Year	Amount of cash dividend (tax included)	Net profit attributable to holders of	Percentage of cash dividend in net profit	Cash dividend by other ways (such as share	Percentage of cash dividend by other ways	Total amount of cash dividend	Percentage of total amount of cash dividend

		ordinary shares of the Company based on the consolidated statements for the corresponding year	attributable to holders of ordinary shares of the Company based on the consolidated statements	repurchase)	in net profit attributable to holders of ordinary shares of the Company based on the consolidated statements	(including other ways)	(including other ways) in net profit attributable to holders of ordinary shares of the Company based on the consolidated statements
2020	130,106,877.80	905,889,081.41	14.36%	27,680,721.76	3.06%	157,787,599.56	17.42%
2019	98,024,652.98	603,832,650.83	16.23%	0.00	0.00%	98,024,652.98	16.23%
2018	29,777,149.13	406,993,183.92	7.32%	94,581,547.35	23.24%	124,358,696.48	30.56%

The Company gained profits in the reporting period and the retained profit of the Parent Company for holders of ordinary shares is positive, but no plan of cash dividend is proposed

Applicable Not applicable

II. Profit Distribution and Conversion of Capital Reserve to Share Capital during the Reporting Period

Applicable Not applicable

Number of bonus shares for every 10 shares (share)	0
Amount of dividend for every 10 shares (tax included) (RMB)	1
Basis of the shares for distribution preplan (share)	1,301,068,778
Amount of cash dividends (RMB) (tax included)	130,106,877.80
Cash dividend amount in other ways (such as share repurchase) (RMB)	27,680,721.76
Total amount of cash dividends (including other ways) (RMB)	157,787,599.56
Distributable profit (RMB)	157,409,974.07

Proportion of total cash dividends (including other ways) in distributable profit	100.24%
Cash dividend in the reporting period	
If the Company is in the growth period and there are major capital expenditure arrangements, when the profit is distributed, the proportion of cash dividends in this profit distribution should be at least 20%.	
Details of the profit distribution preplan or share conversion preplan from capital reserve	
<p>Note: The total amount of cash dividends is estimated based on 1,301,068,778 shares, which is the Company's existing total share capital of 1,311,948,555 shares minus 10,879,777 shares repurchased by the Company as of March 25, 2021. The number of share basis for actual cash dividends will be subject to the figure of the Company's total share capital minus actual repurchased shares as of the equity registration date for the Company's implementation of this profit distribution plan. Where the Company's share capital changes due to repurchase and cancellation of restricted shares, option exercise, and other reasons on the future equity registration date for the implementation of this distribution plan, the Company will maintain the same distribution amount for every 10 shares and change the total distributed amount accordingly.</p>	

III. Implementation of Commitments

1. Commitments completed by actual controllers, shareholders, related parties, purchasers, or the Company within the reporting period and commitments not fulfilled by the end of the reporting period

√ Applicable □ Not applicable

Cause of Commitment	Undertaking Party	Type of commitment	Content of commitment	Time of commitment	Term of commitment	Fulfillment of commitment
Share reform commitment						
Commitments in the acquisition report or the equity change report						
Commitments made during asset restructuring						
Commitments made during the initial public offering or refinancing	Directors, supervisors, and senior management		Directors, supervisors, and senior management promise that they will not transfer more than 25% of the total shares of the Company they hold each year during the term of office. If they leave office before the expiry of the term of office, they promise not to transfer more than 25% of the total shares of the Company they hold each year within the term of office and within six months after the term of office expires (which is agreed when they took	November 25, 2010	Long-term	Strictly observed

			office). Moreover, they will not transfer their shares of the Company within half a year after they leave office.			
Equity incentive commitments	Dai Zhenji, Dong Ye, Ye Longfang and Liu Jinfeng		They promise not to sell all their shares (including shares obtained from exercise and other shares) within six months after the end of the exercise of the last stock options. Besides, they promise to strictly conform to stock trading-related laws and regulations.	June 5, 2020 November 12, 2020	During the implementation of the equity incentive plan	Strictly observed
Other commitments to minority shareholders	Deng Guanbiao, Deng Guanjie, Deng Yingzhong, and Guangdong Zhongshun Paper Group Co., Ltd.		They promise not to compete with the Company in the same business.	January 1, 2009	Long-term	Strictly observed
	C&S Paper Co., Ltd.		Cash dividends shall be distributed when dividend conditions are met. The Board of Directors of the Company shall comprehensively consider industry characteristics, development stage, business model, profitability, and major capital spending (if any), distinguish the following circumstances, and propose differentiated cash dividend policies in compliance with the procedures stipulated in the <i>Articles of</i>	August 28, 2014	Long-term	Strictly observed

			<i>Association,.</i>			
	C&S Paper Co., Ltd.		The 2019 repurchase plan was terminated due to objective reasons. The Company will perform the necessary procedures and immediately restart the repurchase work upon the end of the exercise period.	May 21, 2020	Between the end of the repurchase plan and the start of the next repurchase plan (the Company reviewed and passed the share repurchase plan on January 5, 2020, and will continue the share repurchase plan)	Strictly observed
	Deng Yinzhong		He promises not to reduce any shares of the Company he holds within six months upon the completion of the share increase plan, not to engage in insider trading and short-term trading, and not to trade shares of the Company during sensitive periods.	November 04, 2020	Within six months from the completion of the share increase plan	Strictly observed
Whether commitments are fulfilled on time	Yes					

2. If there are assets or projects of the Company which have profit forecast while the reporting period is still in the forecast period, the Company should state whether the assets or projects have attained the profit forecast and explain reasons

Applicable Not applicable

IV. Appropriation of Funds for Non-operating Purposes by Controlling Shareholder and Its Related Parties

Applicable Not applicable

During the reporting period, the Company did not have any funds appropriated for non-operating purposes by the controlling shareholder and its related parties.

V. Explanation by the Board of Directors, the Board of Supervisors, and Independent Directors (if any) of the "Non-standard Audit Report" for the Reporting Period Issued by the Accounting Firm

Applicable Not applicable

VI. Explanation of Changes in Accounting Policies, Estimates and Calculation Methods Compared with the Financial Report of Last Year

Applicable Not applicable

(1) Accounting policy changes

1) Accounting policy changes resulted from the execution of the New Revenue Standards

The Ministry of Finance promulgated the Accounting Standards for Business Enterprises No. 14 –Revenue (C.K. [2017] No. 22) (hereinafter referred to as the “New Revenue Standards”) on July 5, 2017. Upon deliberation, the 21st meeting of the fourth session of the Board of Directors passed a resolution on February 25, 2020 that the Company would implement the New Revenue Standards from January 1, 2020.

The New Revenue Standards set up a new revenue recognition model to regulate revenues generated from contracts with customers. In order to implement the New Revenue Standards, the Company reassessed the recognition, measurement, accounting and presentation of revenues from major contracts. Pursuant to the New Revenue Standards, the Company chose to only adjust the accumulative impact amount for contracts that have not been completed on January 1, 2020. The amounts of retained earnings and other relevant items in the financial statements at the beginning of the period for the first time adoption of the new standards (i.e. January 1, 2020) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted.

2) Major changes and impacts upon implementation of the New Revenue Standards are as follows:

The Company changes the contractual consideration received from customers in advance for the transfer of goods from the “payments received in advance” item to the “contract liabilities” item.

The Company's implementation of the New Revenue Standards did not have an impact on the retained earnings at the beginning of 2020. Impacts on other relevant items in the financial statements dated January 1, 2020 are listed in the following:

Unit: RMB

Statement item	Amount on December 31, 2019 (prior to changes)		Amount on January 1, 2020 (after changes)	
	Consolidated statement	Parent Company's statement	Consolidated statement	Parent Company's statement
Payments received in advance	142,476,562.31	28,227,454.47		
Contract liabilities			142,476,562.31	28,227,454.47

(2) Changes of accounting estimates

There were no changes of accounting estimates within the reporting period.

VII. Description of Major Accounting Errors within the Reporting Period That Need Retrospective Restatement

Applicable Not applicable

There were no major accounting errors within the reporting period that need retrospective restatement.

VIII. Description of Changes in the Scope of Consolidated Statements Compared with the Financial Report of Last Year

Applicable Not applicable

December 29, 2020, The Company and its wholly-owned subsidiary Zhongshan Zhongshun Trading Co., Ltd. jointly invested and established Dolemi Sanitary Products Co., Ltd. with a registered capital of RMB50 million. The Company holds 60% of the shares while Zhongshan Zhongshun Trading holds 40% of the shares. Since December 2020, the Company has incorporated Dolemi Sanitary Products Co., Ltd into the scope of its consolidated statements. Currently, Dolemi Sanitary Products has no operating activities.

IX. Engagement and Dismissal of Accounting Firm

Accounting firm engaged

Name of the domestic accounting firm	Mazars CPA Limited (LLP)
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Remuneration for the domestic accounting firm (RMB 10,000)	156
Term of auditing service provided by the domestic accounting firm	2
Name of domestic certified public accountants	Wang Bing, Pan Guiquan
Term of auditing services provided by domestic certified public accountants	2

Whether the accounting firm was changed in the reporting period

Yes No

Appointment of accounting firm, financial advisor or sponsor for internal control audit

Applicable Not applicable

X. The Company Facing Delisting after the Disclosure of the Annual Report

Applicable Not applicable

XI. Matters relating to Bankruptcy and Restructuring

Applicable Not applicable

No bankruptcy and restructuring-related matters of the Company happened during the reporting period.

XII. Material Litigations and Arbitrations

Applicable Not applicable

The Company had no material litigations or arbitrations during the reporting period. Other litigations are listed as follows:

No.	Basic information of the litigation (arbitration)	Amount involved (RMB 10,000)	Whether projected liabilities were incurred	Litigation (arbitration) progress	Hearing results and influences of the litigation (arbitration)	Execution of judgment of the litigation (arbitration)
1	Zhongshan Trading sued Shenzhen Yongxinghua Trading Co., Ltd., Feng, & Liang for a sales contract dispute	660.374109	No	Both the first instance and the second instance ruled that Zhongshan	The verdict of second instance came into force. Zhongshan Trading has	Ongoing

				Trading won the case.	applied for execution.	
2	Zhongshan Trading sued Guangzhou Yingjing Trade Co., Ltd. for a sales contract dispute	31.3604	No	The first instance supported all the claims by Zhongshan Trading.	The verdict of first instance came into force. Zhongshan Trading has applied for execution.	The first round of execution ended. No properties have been recovered.
3	Zhongshan Trading sued Shaoyang Jiahe Trading Co., Ltd. for a sales contract dispute	33.638552	No	The first instance supported all the claims by Zhongshan Trading.	The verdict of first instance came into force. Zhongshan Trading has applied for execution.	Ongoing
4	Zhongshan Trading sued Shanghai Tongli Trading Co., Ltd. and eight natural person defendants including Liu for a sales contract dispute	2932.009863	No	Both the first instance and the second instance ruled that Zhongshan Trading won the case.	The verdict of second instance came into force. Zhongshan Trading has applied for execution.	Ongoing
5	Yin sued C&S Paper for a dispute over the right to health	30.247331	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance ruled that C&S won the case. The second instance sent the case back to the first instance court for a retrial. The first instance retrial has been opened. C&S is waiting for the verdict.	Wait for the verdict and judgment of the first instance retrial.	Not applicable
6	Sichuan Hua Xi Da Cheng Construction Co., Ltd. Zhuhai Branch sued Sichuan Luxian No. 9 Construction	The original claim was RMB7,516,032.39, which	Yes	The case was mediated and closed in the first instance.	All parties of the lawsuit fulfilled their respective settlement	The paper of civil mediation has been fulfilled.

	Engineering Co., Ltd. and Yunfu C&S for a contract dispute over the Yunfu C&S construction project	was changed to RMB9,124,489.89 during the first instance.			obligation for relevant project costs agreed in the contract.	
7	Guangdong Weihong Plastics Technology Co., Ltd. sued Hubei C&S for a contractor contract dispute	225.9055	No	Both the first instance and the second instance ruled that Hubei C&S won the case.	The verdict of second instance came into force.	The verdict has been fulfilled.
8	Sichuan C&S sued Xi'an Minsheng Department Store Management Co., Ltd. for a contract dispute	5.651847	No	The case was mediated and closed in the first instance.	Xi'an Minsheng has not fulfilled the repayment obligation in line with the paper of civil mediation. Sichuan C&S has applied for legal enforcement.	The first round of enforcement ended; RMB5,000 were recovered.
9	Zhongshan Trading sued Guangzhou Jv Se Mai Ke Internet Service Co., Ltd. for a sales contract dispute	28.554681	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance is being heard. Zhongshan Trading is waiting for the verdict to come into force.	Zhongshan Trading will apply for legal enforcement after the verdict comes into effect.	Not applicable
10	Xiaogan C&S sued Wuhan Xincheng Tongda Trading Co., Ltd. for a sales contract dispute	525.162529	No	The case was mediated and closed in the first instance (with a mediation amount of RMB4,496,05235).	Fulfill repayment obligation by installments according to the civil mediation paper.	Performing according to the civil mediation paper

11	Ouyang sued C&S Paper for a labor dispute	2	No	Arbitration ruled in favor of the Company.	Arbitration ruled in favor of the Company. Case closed.	Not applicable
12	Sichuan Zhongshun sued Yunan Yiya Tongmei Shikang Deep Supply Chain Management Co., Ltd., Yang & Li for a sales contract dispute	109.09999	No	The case was settled and closed in the first instance.	The settlement paper has been fulfilled (RMB1,001,739,94 were recovered)	Not applicable
13	Huang sued Xiaogan Trading for a labor provider liability dispute	24.189454	No	The plaintiff withdrew at the first instance.	The plaintiff withdrew at the first instance. Case closed.	Not applicable

XIII. Penalty and Rectification

Applicable Not applicable

No penalties and rectifications of the Company occurred during the reporting period.

XIV. Integrity Records of the Company and its Controlling Shareholder and Actual Controller

Applicable Not applicable

XV. Implementation of the Stock Incentive Plan, Employee Stock Ownership Plan, and Other Employee Incentives of the Company

Applicable Not applicable

1. Implementation of the Phase II stock incentive plan

On May 21, 2020, the Company convened the 23rd meeting of the fourth session of the Board of Directors and the 19th meeting of the fourth session of the Board of Supervisors, which considered and approved the *Proposal on Achieving the Unlock Conditions of the First Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. There were 533 holders of restricted stocks meeting the unlock conditions, and the number of stocks that could be unlocked was 5,593,428. The unlock date of these restricted stocks was June 8, 2020. The above meetings also reviewed and approved the *Proposal on*

the Repurchase and Deregistration of Partial Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan. The Board of Directors of the Company approved to repurchase and deregister a total of 802,722 restricted shares that had been granted but not unlocked. In addition, the aforesaid meetings also deliberated and approved the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan.* There were 2,522 holders of stock options meeting the exercise conditions, and the number of options that could be exercised was 3,431,505. The *Proposal on the Repurchase and Deregistration of Partial Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was also considered and approved. The Board agreed to deregister 2,110,545 options that had been granted but not exercised.

On May 28, the Company held the 24th meeting of the fourth session of the Board of Directors and the 20th meeting of the fourth session of the Board of Supervisors, which reviewed and approved the *Proposal on Adjusting the Exercise Price of Stock Options.* Pursuant to the Company's profit distribution plan in 2019 and relevant provisions of the *2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, the Company adjusted the exercise price of first-granted stock options from RMB8.67/share to RMB8.572/share, and adjusted the exercise price of reserved stock options from RMB14.04/share to RMB13.965/share.

On June 15, 2020, the cancellation procedures for 2,110,54 first-granted stock options that had been granted but not exercised were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On September 7, 2020, the cancellation procedures for 802,722 first-granted restricted shares that had been granted but not unlocked were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On October 29, 2020, the Company convened the 28th meeting of the fourth session of the Board of Directors and the 22nd meeting of the fourth session of the Board of Supervisors, which considered and approved the *Proposal on Achieving the Unlock Conditions of the First Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan.* A total of 43 incentive recipients of the reserved restricted stocks met the unlock conditions of the first unlock period, and the number of stocks that could be applied for unlock was 765,270. The unlock date was November 10, 2020. The above meetings also reviewed and approved the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan.* A total of 88 incentive recipients of the reserved stock options met the exercise conditions of the first exercise period, and the number of options that could be exercised was 640,389. In addition, the *Proposal on the Repurchase and Deregistration of Partial Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was also reviewed and approved. The Company agreed to repurchase and deregister 211,890 restricted shares that

had been granted but not unlocked. In addition, the *Proposal on the Repurchase and Deregistration of Partial Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was also considered and approved. The Company agreed to deregister 151,111 stock options that had been granted but not exercised.

On November 20, 2020, the cancellation procedures for 151,111 reserved stock options that had been granted but not exercised were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Please continue to pay attention to the Company's information disclosure for subsequent implementation progress or changes.

2. Implementation of the Phase II employee stock ownership plan

In conformity with *Accounting Standards for Enterprises No.11–Share-based Payments* and relevant application guidelines and other documents, the Company's Phase II Employee Stock Ownership Plan meets the definition of share-based payment, and the total share-based payment expenses incurred were RMB56.44 million, of which RMB4.7 million were allocated in 2019 and RMB51.74 million in 2020.

The lockup period for the Phase II Employee Stock Ownership Plan expired on November 30, 2020.

As of January 5, 2021, all stocks held under the Company's Phase II Employee Stock Ownership Plan, i.e. 11,709,583 shares, had been sold out. As per relevant provisions of the Phase II Employee Stock Ownership Plan, the implementation of the Plan is completed and thus the Plan is terminated.

XVI. Material Related Party Transaction

1. Related party transactions relating to daily operations

√ Applicable □ Not applicable

Party of related party transaction	Related relationship	Type of related party transaction	Content of related party transaction	Pricing rules of related party transaction	Price of related party transactions	Amount of related party transaction (RMB10,000)	Proportion in the amount of similar transactions	Approved transaction limit (RMB10,000)	Whether to outstrip the approved limit	Settlement of related party transaction	Available market prices for similar transactions	Date of disclosure	Index of disclosure
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	294.81	28.97%	294.81	No	Transfer settlement	Market fair price	December 6, 2019	2019-93
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	5.56	0.55%	5.56	No	Transfer settlement	Market fair price	October 30, 2020	2020-82

Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	0.11	0.01%		Yes	Transfer settlement	Market fair price		
Pengzhou Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor	Daily operation transaction	Sale of goods	Market fair price	Market fair price	137.8	0.02%	300	No	Transfer settlement	Market fair price	December 6, 2019	2019-93
Sichuan West Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor	Daily operation transaction	Sale of goods	Market fair price	Market fair price	64.12	0.01%	100	No	Transfer settlement	Market fair price	December 6, 2019	2019-93
Chongqing Qinyue	A company where the senior	Daily operation	Sale of goods	Market fair price	Market fair price	33.05	0.00%	240	No	Transfer settlement	Market fair price	December 6, 2019	2019-93

Trading Co., Ltd.	manager Yue Yong's brother holds shares and serves as a supervisor	transaction											
Guangdong Zhongshu Paper Group Co., Ltd.	Controlling shareholder of the Company	Daily operation transaction	Sale of goods	Market fair price	Market fair price	5.66	0.00%		Yes	Transfer settlement	Market fair price		
Total				--	--	541.11	--	940.37	--	--	--	--	--
Details of returns of large sales				Not applicable									
Where the total amount of daily related-party transactions occurred in the current period is estimated by category, actual performance during the reporting period (if any)				The excessive amounts of related party transactions of RMB1,100 and RMB56,600 in the reporting period are the Company's business of renting properties from and selling mask products to related parties, respectively. They are temporary new related transactions during the reporting period, fall within the authority of the Chairman of the Company and can be implemented without the approval of the Board of Directors.									
Reason(s) for a large difference between the transaction price and the market reference price (if applicable)				Exercise at fair price									

2. Related party transactions relating to acquisition and sale of assets or equity

Applicable Not applicable

During the reporting period, there was no related party transaction relating to acquisition and sale of assets or equity.

3. Related party transactions relating to joint outbound investment

Applicable Not applicable

During the reporting period, there was no related party transaction relating to joint outbound investment.

4. Related party transactions relating to creditor's rights and debts

Applicable Not applicable

Whether there was non-operating related party transaction relating to creditor's rights and debts

Yes No

During the reporting period, there was no non-operating related party transaction relating to creditor's rights and debts.

5. Other significant related party transactions

Applicable Not applicable

During the reporting period, there were no other significant related party transactions.

XVII. Significant Contracts and Their Performance**1. Custody, contracting and leasing matters****(1) Custody**

Applicable Not applicable

During the reporting period, there was no custody.

(2) Contracting

Applicable Not applicable

During the reporting period, there was no contracting.

(3) Leasing

Applicable Not applicable

Description of leasing matters

On December 5, 2019, the Company convened the 19th meeting of the fourth session of the Board of Directors and the 16th meeting of the fourth session of the Board of Supervisors, on which the *Proposal on Daily Related Party Transactions in 2021* was reviewed and approved. Due to the needs of operation and business, the Board of Directors of the Company agreed that the Company and its wholly-owned subsidiary, Zhongshan Zhongshun Trading Co., Ltd., leased the real estate jointly owned by Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie, the actual controllers of the Company. The lease term is from January 1, 2020 to December 31, 2021, and the total rent involved is RMB5,896,200. During the deliberation of this proposal, the Company's three related directors, Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie, withdrew from voting, while the remaining six attending directors unanimously approved this related party transaction. The three independent directors of the Company respectively issued *Prior Approval Opinions* and *Opinions of Independent Directors* on the proposal, agreeing to submit the proposal to the Board of Directors for deliberation and agreeing to the related party transaction.

On October 29, 2020, the Company convened the 20th meeting of the fourth session of the Board of Directors and the 22nd meeting of the fourth session of the Board of Supervisors, on which the *Proposal on Adding to Related-Party Leasing Transactions* was reviewed and approved. The Board of Directors of the Company agreed that the Company's wholly-owned subsidiary, C&S (Yunfu) Paper Co., Ltd., leased the real estate jointly owned by the actual controllers of the Company Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie to be used as its R&D center. The lease term is from November 1, 2020 to December 31, 2021, and the total rent involved is RMB389,300. During the deliberation of this proposal, the Company's three related directors, Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie, withdrew from voting, while the remaining six attending directors unanimously approved this related party transaction. The three independent directors of the Company respectively issued *Prior Approval Opinions* and *Opinions of Independent Directors* on the proposal, agreeing to submit the proposal to the Board of Directors for deliberation and agreeing to the related party transaction.

The Company's holding subsidiary, Dolemi Sanitary Products Co., Ltd., leased the real estate jointly owned by actual controllers of the Company Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie to be used as residence. The lease term is from December 1, 2020 to December 31, 2021, and the total rent involved is RMB14,100. The amount of this related party transaction falls within the approval authority of the Company's

Chairman and has been approved by the Chairman.

Projects whose profits or losses brought to the Company reached more than 10% of the total profits of the Company during the reporting period

Applicable Not applicable

During the reporting period, there were no leasing projects whose profits or losses brought to the Company reached more than 10% of the total profits of the Company during the reporting period.

2. Material guarantee

Applicable Not applicable

(1) Guarantee

Unit: RMB10,000

External guarantee of the Company and subsidiaries (excluding guarantee for subsidiaries)								
Name of guarantee object	Disclosure date of relevant announcement on guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Guarantee of the Company for subsidiaries								
Name of guarantee object	Disclosure date of relevant announcement on guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Zhongshan Trading	December 5, 2019	15,000	September 15, 2020	11,582.11	Joint and several liability	2020.9.15-2023.8.31	No	Yes

					guarantee			
Zhongshan Trading	December 5, 2019	3,000	December 30, 2020		Joint and several liability guarantee	2020.12.30-2024.12.31	No	Yes
Zhongshan Trading	December 5, 2019	25,000	December 15, 2020		Joint and several liability guarantee	2020.12.15-2024.12.9	No	Yes
Zhongshan Trading	December 19, 2018	9,000	July 12, 2019		Joint and several liability guarantee	2019.7.12-2024.12.31	No	Yes
Jiangmen C&S	December 5, 2019	12,000	October 15, 2020		Joint and several liability guarantee	2020.10.15-2023.8.31	No	Yes
Jiangmen C&S	December 15, 2017	10,000	March 27, 2018		Joint and several liability guarantee	2018.3.27-2023.12.31	No	Yes
Jiangmen C&S	December 5, 2019	7,000	July 9, 2020	2,809.88	Joint and several liability guarantee	2020.7.9-2022.9.23	No	Yes
Jiangmen C&S	December 5, 2019	10,000	November 16, 2020	1,206.54	Joint and several liability guarantee	2020.11.26-2023.11.25	No	Yes
Jiangmen C&S	December 5, 2019	5,000	December 23, 2020		Joint and several liability	2020.12.23-2025.12.23	No	Yes

					guarantee			
Jiangmen C&S	December 15, 2017	16,000	May 30, 2018	0	Joint and several liability guarantee	2018.5.30-2 023.5.30	No	Yes
Yunfu C&S	December 5, 2019	8,000	April 14, 2020	125.31	Joint and several liability guarantee	2020.4.14-2 028.4.14	No	Yes
Yunfu C&S	December 5, 2019	5,000	November 20, 2020	0	Joint and several liability guarantee	2020.11.20- 2023.12.31	No	Yes
Yunfu C&S	December 5, 2019	10,000	October 15, 2020	1,372.31	Joint and several liability guarantee	2020.10.15- 2023.8.31	No	Yes
Yunfu C&S	December 5, 2019	10,000	October 15, 2020	0	Joint and several liability guarantee	2020.11.16- 2023.11.15	No	Yes
Yunfu C&S	December 5, 2019	4,000	July 9, 2020	1,511.95	Joint and several liability guarantee	2020.7.9-20 22.9.23	No	Yes
Hubei C&S	December 5, 2019	10,000	February 25, 2020	0	Joint and several liability guarantee	2020.2.25-2 025.12.4	No	Yes
Hubei C&S	December 5, 2019	9,822.45	September 16, 2020	571.51	Joint and several liability	2020.9.16-2 023.9.11	No	Yes

					guarantee			
Hubei C&S	December 5, 2019	10,000	June 3, 2020	9,000	Joint and several liability guarantee	2020.6.3-20 23.5.29	No	Yes
Jiangmen C&S, Yunfu C&S, Hubei C&S	December 19, 2018	25,000	January 8, 2019	4,047.24	Joint and several liability guarantee	2019.1.8-20 21.1.8	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 5, 2019	32,741.5	July 8, 2020	13,272.59	Joint and several liability guarantee	2020.7.8-20 24.7.31	No	Yes
C&S Hong Kong, Zhong Shun International	December 5, 2019	17,145.38	March 20, 2020	0	Joint and several liability guarantee	2020.3.20-2 022.9.19	No	Yes
C&S Hong Kong,, Macao C&S	December 5, 2019	33,784	September 7, 2020	4,493.79	Joint and several liability guarantee	2020.9.7-20 22.12.23	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 5, 2019	41,581.71	February 12, 2020	23,283.94	Joint and several liability guarantee	2020.2.12-2 022.2.12	No	Yes
C&S Hong Kong,, Macao C&S	December 5, 2019	13,096.6	February 25, 2020	0	Joint and several liability guarantee	2020.2.25-2 022.2.25	No	Yes
C&S Hong Kong,, Macao C&S	December 5, 2019	6,548.3	November 12, 2020	0	Joint and several liability	2020.11.12- 2024.3.1	No	Yes

					guarantee			
C&S Hong Kong,, Macao C&S	December 5, 2019	15,715.92	March 27, 2020	5,202.81	Joint and several liability guarantee	2020.3.27-2 022.2.19	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 15, 2017	18,243.36	September 28, 2018	0	Joint and several liability guarantee	2018.9.28-2 022.8.31	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 5, 2019	19,644.9	January 30, 2020	7,630.17	Joint and several liability guarantee	2020.1.30-2 022.1.30	No	Yes
Macao C&S	December 15, 2017	7,203.13	March 23, 2018	1,506.11	Joint and several liability guarantee	2018.3.23-2 021.9.23	No	Yes
Macao C&S	December 15, 2017	7,000	August 15, 2018	1,212.3	Joint and several liability guarantee	2018.8.15-2 025.8.15	No	Yes
C&S Hong Kong	December 5, 2019	22,919.05	September 1, 2020	1,851.98	Joint and several liability guarantee	2020.9.1-20 22.7.9	No	Yes
C&S Hong Kong	December 5, 2019	14,275.29	July 1, 2020	7,341.22	Joint and several liability guarantee	2020.7.1-20 21.6.30	No	Yes
Macao C&S	December 5, 2019	27,371.89	July 1, 2020	13,818.35	Joint and several liability	2020.7.1-20 21.6.30	No	Yes

					guarantee			
Total approved amount of guarantee for subsidiaries during the reporting period (B1)			388,646.99	Total actual amount of guarantee for subsidiaries during the reporting period (B2)				105,074.46
Total approved amount of guarantee for subsidiaries at the end of the reporting period (B3)			481,093.48	Total actual guarantee balance to subsidiaries at the end of the reporting period (B4)				111,840.11
Guarantee of subsidiaries to subsidiaries								
Name of guarantee object	Disclosure date of relevant announcement on guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Total amount of the Company's guarantee (the sum of the first three items)								
Total approved amount of guarantee during the reporting period (A1 + B1 + C1)			388,646.99	Total actual amount of guarantee during the reporting period (A2 + B2 + C2)				105,074.46
Total approved amount of guarantee at the end of the reporting period (A3 + B3 + C3)			481,093.48	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)				111,840.11
Proportion of the total actual amount of guarantee (A4 + B4 + C4) in the net assets of the Company				22.18%				
Wherein:								
Balance of guarantee for shareholders, actual controllers and their related parties (D)				0				

Balance of debt guarantee provided directly or indirectly for objects whose asset-liability ratio exceeds 70% (E)	0
Amount of guarantees in excess of 50% of net assets (F)	25,200.86
Total amount of the above three guarantees (D + E + F)	25,200.86
Description of situations that the guarantee liability has occurred or the Company may be jointly and severally liable for undue guarantees during the reporting period (if any)	No
Description of providing external guarantee in violation of prescribed procedures (if any)	No

Detailed description on the guarantees with different types: None

(2) External guarantee in violation of prescribed procedures

Applicable Not applicable

During the reporting period, there was no external guarantee in violation of prescribed procedures.

3. Entrusting others to manage cash assets

(1) Entrusted wealth management

Applicable Not applicable

Overview of entrusted wealth management during the reporting period

Unit: RMB10,000

Specific type	Source of entrusted wealth management funds	Incurred amount of entrusted wealth management	Undue balance	Amount overdue but not recovered
Wealth management product of bank	Self-owned fund	21,320	0	0
Wealth management product of securities company	Self-owned fund	8,710.5	5,000	0
Total		30,030.5	5,000	0

Explanation of high-risk entrusted wealth management with large individual amount or low safety, poor liquidity

and no principal guarantee

Applicable Not applicable

Entrusted wealth management is expected to fail to recover the principal or there are other circumstances that may lead to impairment

Applicable Not applicable

(2) Entrusted loans

Applicable Not applicable

There were no entrusted loans during the reporting period.

4. Significant contracts for daily operation

Applicable Not applicable

5. Other significant contracts

Applicable Not applicable

There were no other significant contracts during the reporting period.

XVIII. Social Responsibilities

1. Performance of social responsibilities

The Company actively fulfills its social responsibilities and initiatively discloses its performance of the social responsibilities. While safeguarding the legitimate rights and interests of shareholders, employees, consumers, partners, the society and other stakeholders, the Company upholds the tenet of integrity and commitment, and makes positive contributions to the sustainable development of the society and environment. For details on the Company's performance of social responsibilities in 2020, please refer to the *2020 Environmental, Social and Governance (ESG) Report* published on the designated information disclosure media CNINFO (<http://www.cninfo.com.cn>)

2. Performance of social responsibilities for targeted poverty alleviation

(1) Targeted poverty relief planning

The Company carried out targeted poverty alleviation in 2020, and the follow-up work plan will be conducted in

accordance with the Company's situation and work arrangement.

(2) Summary of annual targeted poverty alleviation

In order to implement General Secretary Xi Jinping's important guidance that poverty alleviation and development should be precise and non-public enterprises are encouraged to participate in poverty alleviation by taking a turnkey approach in terms of resources, the Company has actively responded to the government's appeal of targeted poverty alleviation, deepened poverty alleviation and rural revitalization. In 2002, we visited poverty-stricken areas many times and carried out targeted poverty relief work from three aspects of providing funds, providing materials and helping poor people to work. Specifics are as follows:

1. Based on the framework agreement of achieving well-off with joint efforts signed with Jinzhai Village, Huanghua Town, Yongshan County, Zhaotong City, the Company donated RMB40,000 to Jinzhai Village for improving local infrastructure and environment for residents. This could consolidate the achievements of poverty alleviation work.
2. The Company carried out targeted poverty alleviation actions in Heishui County of Aba Tibetan and Qiang Autonomous Prefecture (Sichuan Province), with a total assistance amount of RMB5,000.
3. The Company visited Wupu Middle School in Wupu Town, Yunmeng County, Xiaogan City, Hubei Province, and donated epidemic prevention materials worth RMB30,000.
4. The Company absorbed five local poverty alleviation targets from Xiaogan City of Hubei Province and signed labor contracts with them. In addition, the Company also, in response to local government's call to participate in poverty alleviation and agricultural assistance, purchased agricultural aid products worth RMB50,000.
5. The Company donated a poverty relief fund of RMB100,000 to Luoding City of Guangdong Province; to help poverty-stricken households with registration cards to achieve employment, the Company absorbed 12 targets of targeted poverty alleviation and signed labor contracts with them.

(3) Targeted poverty relief achievements

Indicator	Unit of measurement	Amount and description
I. Overall situation	—	—
Including: 1. Capital	RMB10,000	19.5
2. Money equivalent of supplies	RMB10,000	3
3. Number of registered	Person	17

poverty-stricken people helped to lift out of poverty		
II. Investments by items	—	—
1. Poverty alleviation initiatives to promote industry development	—	—
2. Poverty alleviation initiatives to transfer employment	—	—
2.3 Number of registered poverty-stricken people helped to get employed	Person	17
3. Poverty alleviation initiatives to relocate impoverished residents	—	—
4. Poverty alleviation initiatives to promote education	—	—
5. Poverty alleviation initiatives to promote healthcare	—	—
6. Poverty alleviation initiatives to promote ecological protection	—	—
7. Poverty alleviation initiatives to strengthen security guarantee	—	—
8. Poverty alleviation initiatives to promote social causes	—	—
8.3 Investment in poverty alleviation charity funds	RMB10,000	22.5
9. Other projects	—	—
III. Awards (including content and level)	—	—

(4) Subsequent targeted poverty alleviation plan

The Company will decide whether to carry out follow-up targeted property alleviation plans based on results of visits and inspections.

3. Situations relating to environmental protection

Whether the listed company and its subsidiaries are the key pollution discharge units published by the environmental protection department

Yes No

Name of company	Main pollutants and particular pollutants	Ways of discharge	Number of discharge outlets	Distribution of discharge outlets	Concentration of discharge	Implemented pollutant discharge standards	Total discharge	Total approved discharge	Excessive discharge	
Jiangmen Zhongshun Paper Co., Ltd.	Waste water	COD	1	After treatment, it is discharged to the sewage treatment plant	Centralized processing facilities in the factory	148mg/L	200mg/L	294.058t	335.600 t/a	None
		Ammonia nitrogen				5.8mg/L	8mg/L	11.52t	13.4 t/a	None
C&S (Sichuan) Paper Co., Ltd.	Waste water	COD	1	After treatment, it enters the water purification station through urban sewage pipeline	Production waste water discharge (DW001) flows through the channel into the main outlet DW002 (confluent with domestic waste water)	33 mg/L	80mg/L	27.4413 t	96 t/a	None
		Ammonia nitrogen				0.496 mg/L	8mg/L	0.4125 t	9.6 t/a	None
	Waste gas	PM (particulate matter)	Discharge directly through the flue	3	Three chimneys (reconstruction of low nitrogen boilers was completed in June 2020; two boilers are commonly used and one boiler serves as the standby)	1#furnace 5.2mg/m ³	20mg/Nm ³	0.6781t	/	None
						2# furnace 3.6 mg/m ³				
		Nitrogen oxide				1# furnace 26 mg/m ³	150mg/Nm ³	9.5484t	31.35t/a	None
						2# furnace 81mg/m ³				
Sulfur dioxide	0	50mg/Nm ³	0	/	None					
Zhejiang Zhongshun Paper Co., Ltd.	Waste water	COD	1	After treatment, it is discharged to Jiaxing Union Sewage Treatment Co., Ltd.	Centralized processing facilities in the factory	40.1mg/L	500mg/L	8.55t	13.97 t/a	None
		Ammonia nitrogen				0.965mg/L	35mg/L	0.2t	9.78 t/a	None

			through municipal pipe							
C&S (Hubei) Paper Co., Ltd.	Waste water	COD	After treatment, it is discharged to Biquan Sewage Treatment Plant through municipal pipe	1	After pre-processing of centralized processing facilities in the factory, it is discharged to Biquan Sewage Treatment Plant	70.579 mg/L	400mg/L	77.974t	152.25t/a	None
		Ammonia nitrogen				3.880 mg/L	30mg/L	4.286t	15.25t/a	None
	Waste gas	PM (particulate matter)	Dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR	1	One chimney	9.0 mg/Nm ³	30mg/Nm ³	9.998t	28.63 t/a	None
		Sulfur dioxide				18.5 mg/Nm ³	200mg/Nm ³	29.171t	203.87t/a	None
		Nitrogen oxide				58.0 mg/Nm ³	200mg/Nm ³	81.501t	239.85t/a	None
C&S (Yunfu) Paper Co., Ltd.	Waste water	COD	Continuous discharge	1	Sewage treatment station in the factory	23.99 mg/L	80mg/L	44.81t	197.1 t/a	None
		Ammonia nitrogen	Continuous discharge	1	Sewage treatment station in the factory	1.66 mg/L	8mg/L	3.18t	19.76 t/a	None
C&S Paper Co., Ltd. Tangshan Branch	Waste water	COD	After being treated by the plant sewage treatment station, it is discharged to the Lvyuan Sewage Treatment Plant in the zone	1	The main outlet of the zone (Lvyuan Sewage Treatment Plant)	24.96 mg/L	50mg/L	5.74t	16.5 t/a	None
		Ammonia nitrogen				0.464 mg/L	5mg/L	0.103t	1.65t/a	None
	Waste gas	PM	Discharge directly	1	One chimney	2.12mg/m ³	5mg/Nm ³	0.22t	2.46 t/a	None

	(particulate matter)	through the flue							
	Nitrogen oxide				17.50mg/m ³	30mg/Nm ³	1.837t	18.46t/a	None
	Sulfur dioxide				3mg/m ³	10mg/Nm ³	0.3128t	6.15 t/a	None

Construction and operation of pollution prevention and control facilities

(1) Compliance obligation fulfillment: The Company and its subsidiaries strictly abide by national and local environmental laws and regulations; all new projects strictly implement the environmental impact assessment system and "three simultaneous" system; all production activities strictly comply with the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and the *Action Plan for Prevention and Control of Water Pollution*, and ensure that all pollutant treatment and discharge are in line with the requirements of laws and regulations.

(2) Configuration and operation of water treatment equipment and facilities: Each subsidiary has a complete set of environmental protection treatment equipment and facilities. The main sewage treatment processes are anaerobic, aerobic and subsequent deep treatment processes, which can achieve the discharge standards of various sewage indicators. In addition, each subsidiary is equipped with a recycling water system, in which the reclaimed water that meets the usage standard is used for re-production to reduce the discharge of sewage as far as possible. The sewage of Jiangmen, Zhejiang, Hubei and Tangshan companies is discharged after centralized treatment in the company and treated by the local sewage treatment plants. After centralized treatment in the company, the sewage of Sichuan Company enters water purification station through urban sewage pipeline; the sewage of Yunfu Company, after treated by the company's sewage treatment station and reaching the standard, is discharged in an organized manner.

(3) Online monitoring and operation of water treatment facilities: Four subsidiaries in Yunfu, Sichuan, Zhejiang and Hubei have all installed on-line sewage monitoring facilities, which are directly supervised by local environmental protection bureau. The sewage of Tangshan Company, after centralized treatment in the Company, is discharged to the sewage plant of the local paper industry base without any other sewage outlet. Monitoring facilities are installed in the company for internal control reference. After the centralized treatment within the Company, the sewage of Jiangmen Company is discharged to the sewage plant of the local paper industry base; there is no other sewage outlet and no online monitoring facilities. The environmental protection bureau goes to the company regularly every quarter to compare the on-line monitoring data, which all meet the requirements.

(4) Boiler waste gas emission: Sichuan Branch and Tangshan Branch are equipped with natural gas boilers. Hubei Branch is equipped with a coal-fired boiler, and waste gas is emitted uniformly after desulfurization and denitrification. Boiler waste gas emission conforms to GB13271-2014 *Emission Standard of Air Pollutants for Boiler*.

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

(1) Administrative permits: According to the *Measures for the Administration of Pollutant Discharge Permit of the Ministry of Environmental Protection of the People's Republic of China*, the applications were submitted to the Environmental Protection Bureau. All the subsidiaries attained the new pollutant discharge permit in 2017, and completed its renewal and change in May 2020.

(2) Construction projects: the Company has always been strictly in accordance with environmental laws and regulations to implement the control of construction projects. Environmental impact assessment was carried out for all construction projects and environmental protection project construction was arranged according to construction plan, to ensure that the environmental protection facilities and the main project are designed, constructed and put into use at the same time. At present, all construction projects put into production have completed environmental impact assessment and acceptance and approval.

Emergency plan for sudden environmental events

(1) Preparation and reporting of emergency plan for sudden environmental events: The Company strictly implements emergency response rules for sudden environmental events, and, in accordance with the technical requirements in the *Technical Guidelines for Preparation of Emergency Plans for Environmental Pollution Accidents*, employs a professional advisory and guidance organization to formulate the *Emergency Plan for Sudden Environmental Events*, which has been reviewed by and filed with the Environmental Protection Bureau.

(2) Emergency response supplies, training and drill: The Company has matched the corresponding emergency response supplies according to the requirements of the *Emergency Plan for Sudden Environmental Events*. Emergency response measures for hazardous chemicals have been prepared according to environmental protection

requirements, and necessary labor protection supplies and emergency response supplies have been provided in accordance with safety technical instructions, and checked and updated regularly. The Company regularly carries out emergency training and drill and suitability assessment of the emergency plan to ensure the effectiveness and enforceability of the emergency plan.

Environmental self-monitoring program

(1) Self-monitoring ledger: The Company strictly abides by laws and regulations, carries out self-monitoring work in accordance with environmental protection requirements, establishes environmental management ledger and data, and constantly improves it.

(2) Waste water monitoring: At present, self-monitoring is a combination of manual monitoring and automatic monitoring, and qualified units are entrusted to carry out monitoring regularly. Automatic monitoring projects: main discharge outlet of waste water (COD, ammonia nitrogen, flow rate, PH, total nitrogen); Manual monitoring projects: COD, BOD, ammonia nitrogen, SS, chroma, PH, total phosphorus and total nitrogen indicators are monitored daily; for other sewage monitoring items, uncontrolled emissions, solid waste and factory boundary noise, each subsidiary entrusts qualified units to carry out monitoring work monthly or quarterly according to the local environmental protection requirements.

(3) Waste gas monitoring: The main testing items are nitrogen oxide, ringelman emittance, sulfur dioxide and soot. The testing frequency is in compliance with the requirements of regulations.

(4) The self-monitoring data of pollutant discharge and environmental monitoring plans of each subsidiary are disclosed on the national key pollution source information disclosure website and the provincial key pollution source information disclosure website.

Other environmental information that should be disclosed

(1) The information regarding pollution discharge permit and relevant environmental information required by pollution permits is published on the National Pollution Discharge Permit Management Information Platform. If the competent government department in the location of the subsidiary has specific requirements, the information will be published on its required environmental information platform in local area.

(2) Other information related to environmental protection is published in the “News” section of our website.

Other relevant information on environmental protection: None

XIX. Other Significant Events

√ Applicable □ Not applicable

No.	Announcement time	Announcement name	Announcement number	Disclosure media

1	January 9, 2020	<i>Announcement on Pre-disclosure of the Share Reduction Plan by Directors and Senior Management of the Company</i>	2020-01
2	February 3, 2020	<i>Announcement on Resolutions of the 20th Meeting of the Fourth Session of the Board of Directors</i>	2020-02
3	February 3, 2020	<i>Announcement on External Donations</i>	2020-03
4	February 10, 2020	<i>Announcement on the Production and Sales of Medical Masks by Wholly-owned Subsidiaries</i>	2020-04
5	February 12, 2020	<i>Announcement on Completion of the Share Reduction Plan by Directors and Senior Management</i>	2020-05
6	February 13, 2020	<i>Announcement on the Acquisition of Emergency Medical Device Production and Emergency Medical Device Record Certificate by Wholly-owned Subsidiaries</i>	2020-06
7	February 15, 2020	<i>Announcement on Progress of the Share Reduction Plan by Senior Management of the Company</i>	2020-07
8	February 26, 2020	<i>Announcement on Resolutions of the 21st Meeting of the Fourth Session of the Board of Directors</i>	2020-08
9	February 26, 2020	<i>Announcement on Resolutions of the 17th Meeting of the Fourth Session of the Board of Supervisors</i>	2020-09
10	February 26, 2020	<i>Announcement on Changes to Accounting Policies</i>	2020-10
11	February 26, 2020	<i>Notice on Convening 2020 First Extraordinary General Meeting</i>	2020-11
12	February 29, 2020	<i>Annual Performance Bulletin 2019</i>	2020-12
13	March 6, 2020	<i>Announcement on Completion of the Share Reduction Plan by Senior Management of the Company</i>	2020-13
14	March 11, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of Subsidiaries</i>	2020-14
15	March 14, 2020	<i>Announcement on Resolutions of 2020 First Extraordinary General Meeting of Shareholders</i>	2020-15
16	March 18, 2020	<i>Announcement on the Resignation of the Representative of Securities Affairs</i>	2020-16
17	March 20, 2020	<i>Announcement on the First Repurchase of Company Shares</i>	2020-17
18	March 21, 2020	<i>Announcement on the Progress of Repurchase of Company Shares</i>	2020-18
19	March 31, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of the Company and Holding Subsidiaries</i>	2020-19

20	April 3, 2020	<i>Announcement on the Progress of Repurchase of Company Shares</i>	2020-20	Securities Times, Securities Daily, China Securities Journal, Shanghai Securities News and CNINF
21	April 8, 2020	<i>Announcement on Pre-disclosure of the Share Reduction Plan by Directors and Senior Management of the Company</i>	2020-21	
22	April 30, 2020	<i>Announcement on Resolutions of the 22nd Meeting of the Fourth Session of the Board of Directors</i>	2020-22	
23	April 30, 2020	<i>Announcement on Resolutions of the 18th Meeting of the Fourth Session of the Board of Supervisors</i>	2020-23	
24	April 30, 2020	<i>Summary of Annual Report 2019</i>	2020-24	
25	April 30, 2020	<i>Announcement on the Proposal on 2019 Profit Distribution Plan</i>	2020-25	
26	April 30, 2020	<i>Notice on Convening 2019 Annual General Meeting</i>	2020-26	
27	April 30, 2020	<i>Notice on Convening the Online Performance Presentation for Annual Report 2019</i>	2020-27	
28	April 30, 2020	<i>Text of the First Quarter Report 2020</i>	2020-28	
29	May 8, 2020	<i>Announcement on Progress of Repurchase of Company Shares</i>	2020-29	
30	May 8, 2020	<i>Announcement on Progress of the Share Reduction Plan by Senior Management of the Company</i>	2020-30	
31	May 15, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of Subsidiaries</i>	2020-31	
32	May 15, 2020	<i>Announcement on Completion of the Share Reduction Plan by Directors and Senior Management the Company</i>	2020-32	
33	May 16, 2020	<i>Announcement on Expiry of the Share Reduction Plan by Senior Management of the Company and Pre-disclosure on the Next Share Reduction Plan</i>	2020-33	
34	May 22, 2020	<i>Announcement on Resolutions of 2019 Annual General Meeting of Shareholders</i>	2020-34	
35	May 22, 2020	<i>Announcement on Resolutions of 23rd Meeting of the Fourth Session of the Board of Directors</i>	2020-35	
36	May 22, 2020	<i>Announcement on Resolutions of the 19th Meeting of the Fourth Session of the Board of Supervisors</i>	2020-36	
37	May 22, 2020	<i>Announcement on Termination of Repurchase of Company Shares</i>	2020-37	
38	May 22, 2020	<i>Announcement on Achieving the Unlock Conditions of the First Unlock Period for Restricted Stocks Awarded in the First Grant under</i>	2020-38	

		<i>the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	
39	May 22, 2020	<i>Announcement on Achieving the Exercise Conditions of the First Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-39
40	May 22, 2020	<i>Announcement on the Repurchase and Deregistration of Partial Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-40
41	May 22, 2020	<i>Announcement on the Deregistration of Partial Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-41
42	May 23, 2020	<i>Announcement on Implementation of 2019 Annual Equity Allocation</i>	2020-42
43	May 27, 2020	<i>Announcement on Resignation of the Company's Director</i>	2020-43
44	May 29, 2020	<i>Announcement on Resolutions of the 24th Meeting of the Fourth Session of the Board of Directors</i>	2020-44
45	May 29, 2020	<i>Announcement on Resolutions of the 20th Meeting of the Fourth Session of the Board of Supervisors</i>	2020-45
46	May 29, 2020	<i>Announcement on Adjusting the Exercise Price of Stock Options under 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-46
47	May 29, 2020	<i>Announcement on By-election of non-Independent Directors of the Fourth Session of the Board of Directors</i>	2020-47
48	May 29, 2020	<i>Notice on Convening 2020 Second Extraordinary General Meeting</i>	2020-48
49	June 4, 2020	<i>Indicative Announcement on Lifting the Sales Restrictions in the First Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-49
50	June 8, 2020	<i>Indicative Announcement on Adopting the Autonomous Exercise Mode in the First Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-50
51	June 16, 2020	<i>Announcement on Progress of the Share Reduction Plan by Senior Management of the Company</i>	2020-51
52	June 16, 2020	<i>Announcement on the Deregistration Completion of Partial Stock Options Awarded in the First Grant under the 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-52

53	June 16, 2020	<i>Announcement on Resolutions of 2020 Second Extraordinary General Meeting of Shareholders</i>	2020-53
54	June 16, 2020	<i>Announcement on Capital Decrease</i>	2020-54
55	June 23, 2020	<i>Announcement on Resolutions of the 25th Meeting of the Fourth Session of the Board of Directors</i>	2020-55
56	June 23, 2020	<i>Announcement on Election of the Vice Chairman of the Fourth Session of the Board of Directors</i>	2020-56
57	June 23, 2020	<i>Announcement on Appointment of the Joint General Manager of the Company</i>	2020-57
58	July 2, 2020	<i>Announcement on Completion of the Share Reduction Plan by Directors and Senior Management of the Company</i>	2020-58
59	July 13, 2020	<i>Semi-annual Performance Forecast 2020</i>	2020-59
60	August 7, 2020	<i>Announcement on Resolutions of the 26th Meeting of the Fourth Session of the Board of Directors</i>	2020-60
61	August 7, 2020	<i>Announcement on Resolutions of the 21st Meeting of the Fourth Session of the Board of Supervisors</i>	2020-61
62	August 7, 2020	<i>Summary of Semi-annual Report 2020</i>	2020-62
63	August 7, 2020	<i>Announcement on Continued Engagement of the Accounting Firm</i>	2020-63
64	August 7, 2020	<i>Notice on Convening the 2020 Third Extraordinary General Meeting</i>	2020-64
65	August 26, 2020	<i>Announcement on Resolutions of the 2020 Third Extraordinary General Meeting</i>	2020-65
66	August 26, 2020	<i>Announcement on Resolutions of the 27th Meeting of the Fourth Session of the Board of Directors</i>	2020-66
67	August 26, 2020	<i>Announcement on Adjusting the Annual Remuneration of the Joint General Manager</i>	2020-67
68	August 26, 2020	<i>Notice on Convening the 2020 Fourth Extraordinary General Meeting</i>	2020-68
69	September 8, 2020	<i>Announcement on the Repurchase and Deregistration Completion of Partial Restricted Awarded in the First Grant under the 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-69
70	September 11, 2020	<i>Announcement on Over Half Time of the Share Reduction Plan by Senior Management of the Company</i>	2020-70
71	September 16, 2020	<i>Announcement on the Completion of Industrial and Commercial</i>	2020-71

		<i>Registration Amendment of Subsidiaries</i>	
72	September 16, 2020	<i>Announcement on Resolutions of the 2020 Fourth Extraordinary General Meeting</i>	2020-72
73	October 12, 2020	<i>Performance Forecast of the First Three Quarters 2020</i>	2020-73
74	October 17, 2020	<i>Announcement on Completion of the Industrial and Commercial Registration Amendment of the Company</i>	2020-74
75	October 30, 2020	<i>Announcement on Resolutions of the 28th Meeting of the Fourth Session of the Board of Directors</i>	2020-75
76	October 30, 2020	<i>Announcement on Resolutions of the 22nd Meeting of the Fourth Session of the Board of Supervisors</i>	2020-76
77	October 30, 2020	<i>Text of the Third Quarter Report 2020</i>	2020-77
78	October 30, 2020	<i>Announcement on Achieving the Unlock Conditions of the First Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-78
79	October 30, 2020	<i>Announcement on Achieving the Exercise Conditions of the First Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-79
80	October 30, 2020	<i>Announcement on the Repurchase and Deregistration of Partial Reserved Restricted Stocks under the 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-80
81	October 30, 2020	<i>Announcement on the Deregistration of Partial Reserved Stock Options under the 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-81
82	October 30, 2020	<i>Announcement on Increase of Related Lease</i>	2020-82
83	October 30, 2020	<i>Notice on Convening the 2020 Fifth Extraordinary General Meeting</i>	2020-83
84	November 5, 2020	<i>Announcement on Share Increase by Actual Controllers and Chairman of the Company</i>	2020-84
85	November 9, 2020	<i>Indicative Announcement on Lifting the Sales Restrictions in the First Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-85
86	November 13, 2020	<i>Indicative Announcement on Adopting the Autonomous Exercise Mode in the First Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-86

87	November 17, 2020	<i>Announcement on Resolutions of the 2020 Fifth Extraordinary General Meeting</i>	2020-87
88	November 17, 2020	<i>Announcement on Capital Reduction</i>	2020-88
89	November 21, 2020	<i>Announcement on the Deregistration Completion of Partial Reserved Stock Options under the 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-89
90	December 1, 2020	<i>Indicative Announcement on Expiry of the Lockup Period of Phase II Employee Stock Ownership Plan</i>	2020-90
91	December 12, 2020	<i>Announcement on Expiry of the Share Reduction Plan by Senior Management of the Company</i>	2020-91
92	December 16, 2020	<i>Announcement on Resolutions of the 29th Meeting of the Fourth Session of the Board of Directors</i>	2020-92
93	December 16, 2020	<i>Announcement on Resolutions of the 23rd Meeting of the Fourth Session of the Board of Supervisors</i>	2020-93
94	December 16, 2020	<i>Announcement on the Company's Application for Credit Line from Banks in 2021</i>	2020-94
95	December 16, 2020	<i>Announcement on the Company's Provision of Guarantee for Subsidiaries in 2021</i>	2020-95
96	December 16, 2020	<i>Announcement on Use of Self-owned Idle Funds to Purchase Wealth Management Products in 2021</i>	2020-96
97	December 16, 2020	<i>Announcement on Engaging in Financial Derivatives Trading in 2021</i>	2020-97
98	December 16, 2020	<i>Announcement on Provision of Guarantee for Credit Line Offered by Bank to Dealers</i>	2020-98
99	December 16, 2020	<i>Announcement on Daily Related Party Transactions in 2021</i>	2020-99
100	December 16, 2020	<i>Notice on Convening the 2020 Third Extraordinary General Meeting</i>	2020-100
101	December 19, 2020	<i>Announcement on Reduction of Company Shares by Senior Management Through Block Transactions</i>	2020-101
102	December 30, 2020	<i>Announcement on Investment and Establishment of a Holding Subsidiary and Completion of Industrial and Commercial Registration</i>	2020-102

XX. Significant Events of Subsidiaries of the Company

√ Applicable □ Not applicable

No.	Announcement time	Announcement name	Announcement number	Disclosure media
1	February 10, 2020	<i>Announcement on the Production and Sales of Medical Masks by Wholly-owned Subsidiaries</i>	2020-04	Securities Times, Securities Daily, China Securities Journal, Shanghai Securities News and CNINF
2	February 13, 2020	<i>Announcement on the Acquisition of Emergency Medical Device Production and Emergency Medical Device Record Certificate by Wholly-owned Subsidiaries</i>	2020-06	
3	March 11, 2020	<i>Announcement on Completion of Industrial and Commercial Registration Amendment of Subsidiaries</i>	2020-14	
4	March 31, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of the Company and Holding Subsidiaries</i>	2020-19	
5	May 15, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of Subsidiaries</i>	2020-31	
6	December 30, 2020	<i>Announcement on Investment and Establishment of a Holding Subsidiary and Completion of Industrial and Commercial Registration</i>	2020-102	

Section VI Changes in Shareholding and Information of Shareholders

I. Changes in Share Capital

1. Changes in shares

Unit: share

	Before change		Increase/decrease (+, -) of this change					After change	
	Number	Percentage	New shares issued	Bonus shares	Reserves capitalized	Others	Subtotal	Number	Percentage
I. Shares subject to selling restrictions	43,764,852	3.34%	116,250			-7,022,779	-6,906,529	36,858,323	2.81%
1. Shares held by the state									
2. Shares held by state-owned legal person									
3. Shares held by other domestic shareholders	41,134,807	3.14%	116,250			-6,344,768	-6,228,518	34,906,289	2.66%
Including: Shares held by domestic legal persons									
Shares held by domestic natural persons	41,134,807	3.14%	116,250			-6,344,768	-6,228,518	34,906,289	2.66%
4. Shares held by foreign shareholders	2,630,045	0.20%				-678,011	-678,011	1,952,034	0.15%
Including: Shares held by foreign legal									

persons									
Shares held by foreign natural persons	2,630,045	0.20%				-678,011	-678,011	1,952,034	0.15%
II. Shares without selling restrictions	1,265,126,421	96.66%	3,494,166			6,220,057	9,714,223	1,274,840,644	97.19%
1. RMB-denominated ordinary shares	1,265,126,421	96.66%	3,494,166			6,220,057	9,714,223	1,274,840,644	97.19%
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	1,308,891,273	100.00%	3,610,416			-802,722	2,807,694	1,311,698,967	100.00%

Explanation on changes in shares

Applicable Not applicable

1. During the first unlock period for restricted shares awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan*, 241 incentive recipients were unable to unlock the shares since they left the Company or failed to pass performance appraisal or unable to unlock all the shares since they passed the performance appraisal but failed to get a full mark and therefore could only lock shares proportioned to their mark. As a result, the Company had to repurchase and cancel a total of 802,722 restricted shares that had been granted but not unlocked. The deregistration procedures for the aforementioned restricted shares had been completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited as at September 9, 2020. As a result, the Company's total share capital decreased by 802,722 shares.

2. During June 10, 2020 and December 31, 2020, vesting incentive recipients of stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the right of 3,610,416 shares. As a result, the Company's total share capital increased by 3,610,416 shares.

Approval of changes in shares

Applicable Not applicable

1. The Board of Directors' disposition of the repurchase and deregistration matters for the first unlocking of partial restricted shares awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan* had been authorized by the first extraordinary general meeting of shareholders and reviewed and approved by the

23rd meeting of the fourth session of the Board of Directors and 19th meeting of the fourth session of the Board of Supervisors.

2. The Board of Directors' disposition of the exercise matters for the first exercise period of restricted stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* had been authorized by the first extraordinary general meeting of shareholders and reviewed and approved by the 23rd meeting of the fourth session of the Board of Directors and 19th meeting of the fourth session of the Board of Supervisors.

Transfer of title of changed shares

Applicable Not applicable

Implementation of share repurchase

Applicable Not applicable

On April 18, 2019, the 12th meeting of the fourth session of the Board of Directors passed the *Proposal on Share Repurchase of the Company*. The Company aims to repurchase part of the Company's shares by centralized bidding transaction, with a total amount of RMB200 million (inclusive) to RMB400 million (inclusive). The buyback price shall not outstrip RMB13.69/share (inclusive). All shares to be repurchased will be used for employee stock ownership plans.

On August 5, 2019, the Company held the 15th meeting of the fourth session of the Board of Directors and passed the *Proposal on Adjusting the Upper Limit of Share Repurchase Price*. In line with the positive changes in the capital market and the Company's stock price, the Company adjusted the upper limit of share repurchase price to RMB18.81/share (inclusive), to ensure the smooth implementation of share repurchase based on the confidence in the Company's future business development and market value.

From March 19 to March 20, 2020, the Company conducted share repurchase by centralized bidding. The number of shares repurchased was 1,895,900 accumulatively, accounting for 0.1448% of the Company's total share capital. The highest transaction price was RMB15/share, the lowest one was RMB14.34/share, and the total transaction amount was RMB27,680,721.76 (with no transaction costs included).

On May 21, 2020, after holding the 23rd meeting of the fourth session of the Board of Directors, the Company passed the *Proposal on Termination of Share Repurchase of the Company*. The Company decided to terminate the share repurchase.

Implementation of share repurchase by centralized bidding

Applicable Not applicable

Impact of share changes on basic earnings per share and diluted earnings per share, net assets per share

attributable to ordinary shareholders of the Company, and other financial indicators in last year and the latest period

Applicable Not applicable

Other contents considered necessary by the Company or required to be disclosed by the securities regulatory authority

Applicable Not applicable

2. Changes in shares subject to selling restrictions

Applicable Not applicable

Unit: share

Shareholder's name	Number of shares subject to selling restrictions at the beginning of the period	Increase in shares subject to selling restrictions during the period	Number of shares released from selling restrictions during the period	Number of shares subject to selling restrictions at the end of the year	Reason for Selling restrictions	Date of release from selling restrictions
Deng Yingzhong	4,679,558	385,050		5,064,608	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shareholding increase proportional to the position of the director.	Long-term
Deng Guanbiao	3,718,105			3,718,105	Lock-up shares of senior management	Long-term
Deng Guanjie	900,730			900,730	Lock-up shares of	Long-term

					senior management	
Dai Zhenji	220,045	600,000	555,011	265,034	Lock-up shares of senior management; the increase in restricted shares is due to the locking of unlocked restricted shares proportional to the position of the senior management.	Long-term
Liu Jinfeng	1,733,967	549,000	703,492	1,579,475	Lock-up shares of senior management; the increase in restricted shares is due to the locking of unlocked restricted shares or exercised stock options proportional to the position of the senior management.	Long-term
Yue Yong	9,206,243	55,000		9,261,243	Lock-up shares of senior management; the	Long-term

					increase in restricted shares is due to the locking of unlocked restricted shares proportional to the position of the senior management.	
Zhou Qichao Zhou Qichao	663,579		165,825	497,754	Lock-up shares of senior management	Long-term
Ye Longfang Ye Longfang		112,500	37,500	112,500	Lock-up shares of senior management; the increase in restricted shares is due to the locking of exercised stock options proportional to the position of the senior management.	Long-term
Dong Ye	134,625	56,250	71,081	119,794	Lock-up shares of senior management; the increase in restricted shares is due to the locking of	Long-term

					unlocked restricted shares or exercised stock options proportional to the position of the senior management.	
Li Youquan	40,800		7,500	33,300	Lock-up shares of senior management	Long-term
Equity incentive recipients	22,467,200		7,161,420	15,305,780	In accordance with <i>2018 Stock Option and Restricted Stock Incentive Plan (Draft)</i> , the first unlocking was conducted for partial restricted stocks awarded in the first grant and partial reserved stocks; 30% of the shares were unlocked and 70% were still locked.	Pursuant to <i>2018 Stock Option and Restricted Stock Incentive Plan (Draft)</i>
Total	43,764,852	1,757,800	8,701,829	36,858,323	--	--

II. Issuance and Listing of Securities

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

Applicable Not applicable

2. Changes in total shares and shareholder structure as well as changes in asset and liability structure of the Company

Applicable Not applicable

1. During the first unlock period for restricted shares awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan*, 241 incentive recipients were unable to unlock the shares since they left the Company or failed to pass performance appraisal or unable to unlock all the shares since they passed the performance appraisal but failed to get a full mark and therefore could only lock shares proportioned to their mark. As a result, the Company had to repurchase and cancel a total of 802,722 restricted shares that had been granted but not unlocked. The deregistration procedures for the aforementioned restricted shares had been completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited as at September 9, 2020. As a result, the Company's total share capital decreased by 802,722 shares.

2. During June 10, 2020 and December 31, 2020, vesting incentive recipients of stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the right of 3,610,416 shares. As a result, the Company's total share capital increased by 3,610,416 shares.

3. Internal employee shares

Applicable Not applicable

III. Information of Shareholders and Actual Controllers

1. Total number of shareholders

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	108,366	Total number of ordinary shareholders at the end of the month preceding the disclosure	63,824	Total number of preferred shareholders whose voting rights were resumed at the end of the reporting period (if any) (see Note VIII)	0	Total number of preferred shareholders whose voting rights were resumed at the end of the month preceding the disclosure date of the	0
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		date of the annual report				annual report (if any) (see Note VIII)		
Shareholdings of shareholders with more than 5% or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Shares held at the end of the reporting period	Increase/decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares without selling restrictions	Pledged or frozen	
							Share status	Number of shares
Guangdong Zhongshun Paper Group Co., Ltd.	Domestic non-state-owned legal person	28.64%	375,655,958			375,655,958		
Chung Shun Co.	Foreign legal person	20.32%	266,504,789			266,504,789		
Hong Kong Securities Clearing Co., Ltd.	Foreign legal person	6.29%	82,484,484	Underweight		82,484,484		
National Social Security Fund Portfolio 406	Others	1.00%	13,112,327	New		13,112,327		
Investec Asset Management Co., Ltd. -- Investec Global Fund Strategy -- China Stock Fund (Exchange)	Foreign legal person	0.84%	11,033,861	New		11,033,861		
Yue Yong	Domestic natural person	0.80%	10,537,741	Underweight	10,031,243	506,498		
National Social Security Fund Portfolio 101	Others	0.74%	9,700,878	New		9,700,878		
Deng Yinzong	Domestic natural person	0.51%	6,752,811	New	5,064,608	1,688,203		

Cascade Investment LLC—self-run capital	Foreign legal person	0.48%	6,326,197	New		6,326,197		
Zhongshan Xinda Investment Management Co., Ltd.	Domestic non-state-owned legal person	0.46%	6,083,636	New		6,083,636		
Description on the related relationship or parties acting-in-concert arrangements among the above shareholders		<p>1. Among the top ten shareholders mentioned above, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are the enterprises controlled by actual controllers of the Company, i.e. Deng Yingzhong, Deng Guanbiao and Deng Guanjie. That is, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are related parties.</p> <p>2. It is unknown to the Company whether there is related party relationship among other shareholders, or whether there is acting-in-concert among other shareholders as stipulated in the <i>Administrative Measures for the Disclosure of Information on Changes in Shareholders' Shareholding of Listed Companies</i>.</p>						

Shareholdings of top 10 shareholders not subject to selling restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Type of shares	
		Type of shares	Number of shares
Guangdong Zhongshun Paper Group Co., Ltd.	375,655,958	RMB-denominated ordinary shares	375,655,958
Chung Shun Co.	266,504,789	RMB-denominated ordinary shares	266,504,789
Hong Kong Securities Clearing Co., Ltd.	82,484,484	RMB-denominated ordinary shares	82,484,484
National Social Security Fund Portfolio 406	13,112,327	RMB-denominated ordinary shares	13,112,327
Investec Asset Management Co., Ltd. -- Investec Global Fund Strategy -- China Stock Fund (Exchange)	11,033,861	RMB-denominated ordinary shares	11,033,861
National Social Security Fund Portfolio 101	9,700,878	RMB-denominated ordinary shares	9,700,878
Cascade Investment LLC—self-run capital	6,326,197	RMB-denominated ordinary shares	6,326,197
Zhongshan Xinda Investment Management Co., Ltd.	6,083,636	RMB-denominated ordinary shares	6,083,636
Li Hong	5,075,400	RMB-denominated ordinary shares	5,075,400

National Social Security Fund Portfolio 105	4,995,800	RMB-denominated ordinary shares	4,995,800
Description on the related relationship or parties acting-in-concert among the top ten ordinary shareholders without selling restrictions and between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders	<p>1. Among the top ten shareholders mentioned above, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are the enterprises controlled by actual controllers of the Company, i.e. Deng Yingzhong, Deng Guanbiao and Deng Guanjie. That is, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are related parties.</p> <p>2. It is unknown to the Company whether there is related party relationship among other shareholders, or whether there is acting-in-concert among other shareholders as stipulated in the <i>Administrative Measures for the Disclosure of Information on Changes in Shareholders' Shareholding of Listed Companies</i>.</p>		

Whether the top ten ordinary shareholders and the top ten shareholders without selling restrictions conducted the agreed repurchase transaction during the reporting period

Yes No

The Company's top ten ordinary shareholders and top ten ordinary shareholders without selling restrictions did not conduct agreed repurchase transactions during the reporting period.

2. Controlling shareholder of the Company

Nature of controlling shareholder: Natural person holding

Type of controlling shareholder: Legal person

Name of controlling shareholder	Legal representative or person in charge of the institution	Date of establishment	Organization code of the entity	Principal businesses
Guangdong Zhongshun Paper Group Co., Ltd.	Deng Yingzhong	November 21, 1997	91442000617775375D	Investment management
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	None			

Changes of controlling shareholders during the reporting period

Applicable Not applicable

There was no change of the Company's controlling shareholder during the reporting period.

3. Actual controller and person acting in concert

Nature of actual controller: Domestic natural person

Type of actual controller: Natural person

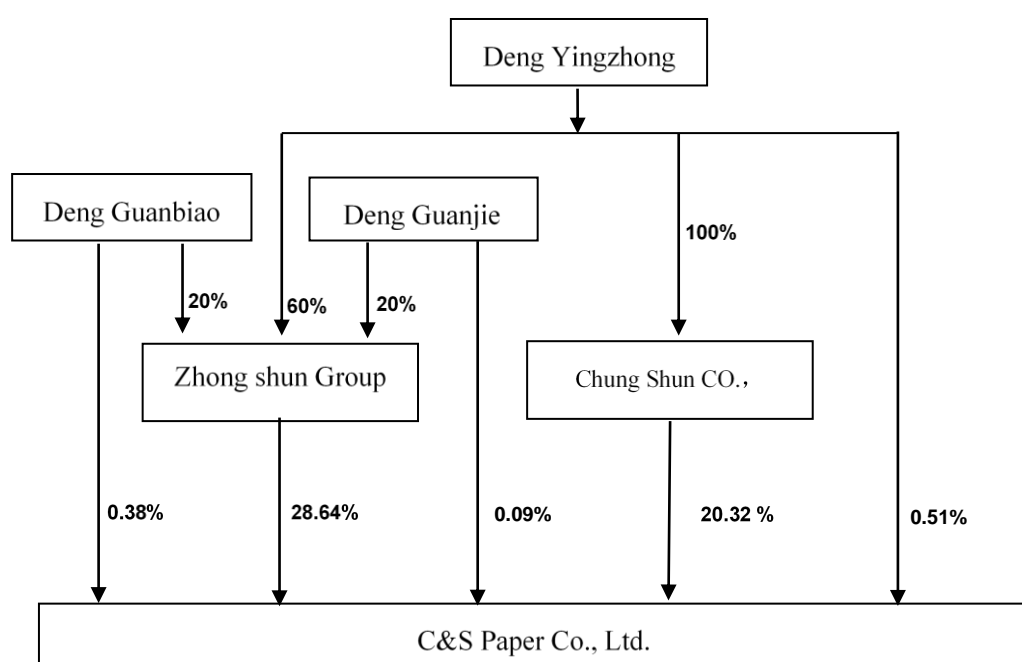
Name	Relationship with actual controller	Nationality	Whether obtain the right of abode in other countries or regions
Deng Yingzhong	Self	Chinese	No
Deng Guanbiao	Self	Chinese	Yes
Deng Guanjie	Self	Chinese	No
Main occupation and position	Refer to Section IX “Particulars of Directors, Supervisors, Senior Management and Employees” for details.		
Holding of domestic and overseas listed companies over the past ten years	None		

Changes of actual controllers during the reporting period

Applicable Not applicable

There was no change of the Company’s actual controllers during the reporting period.

Diagram on equity and control relationship between the Company and actual controllers



Actual controller controls the Company by entrust or other asset management methods

Applicable Not applicable

4. Other legal person shareholders holding 10% or more of shares

Applicable Not applicable

Name of legal person shareholder	Legal representative or person in charge of the institution	Date of establishment	Registered capital	Principal activities or management activities
Chung Shun Co.	Deng Yingzhong	June 1, 1996	HKD10,000	No engagement in any specific business except for holding the Company's equities

5. Restrictions on share reductions of controlling shareholders, actual controllers, restructuring parties and other commitment subjects

Applicable Not applicable

Section VII Particulars of Preference Shares

Applicable Not applicable

The Company had no preference shares during the reporting period.

Section VIII Particulars of Convertible Corporate Bonds

Applicable Not applicable

The Company had no convertible corporate bonds during the reporting period.

Section IX Particulars of Directors, Supervisors, Senior Management and Employees

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

Name	Position	Position status	Gender	Age	Start date of term of office	Expiry date of term of office	Number of shares held at the beginning of the year	Increase of shares during the year	Decrease of shares during the year	Other increase/decrease	Number of shares held at the end of the year
Deng Yingzhong	Director	Incumbent	Male	70	December 12, 2008	January 20, 2024	6,239,411	513,400			6,752,811
Liu Peng	Chairman	Incumbent	Male	41	April 12, 2021	January 20, 2024					
Liu Peng	President	Incumbent	Male	41	March 22, 2021	January 20, 2024					
Deng Guanbiao	Vice Chairman	Incumbent	Male	43	December 21, 2011	January 20, 2024	4,957,473				4,957,473
Deng Guanjie	Vice Chairman	Incumbent	Male	37	June 22, 2020	January 20, 2024	1,200,974				1,200,974
Dai Zhenji	Director	Incumbent	Male	55	June 15, 2020	January 20, 2024	2,220,045		550,045		1,670,000
Dai Zhenji	Joint President	Incumbent	Male	55	June 22, 2020	January 20, 2024					
Liu Jinfeng	Director	Incumbent	Male	45	September 11, 2015	January 20, 2024	2,813,967		703,417	300,000	2,410,550
Liu Jinfeng	Vice President	Incumbent	Male	45	January 31, 2018	January 20, 2024					
Yue Yong	Vice President	Incumbent	Male	55	July 09, 2019	January 20, 2024	13,374,991		2,837,250		10,537,741

He Haidi	Independent Director	Incumbent	Male	53	March 10, 2017	January 20, 2024					
He Guoquan	Independent Director	Incumbent	Male	47	January 21, 2021	January 20, 2024					
Liu Die	Independent Director	Incumbent	Male	43	January 21, 2021	January 20, 2024					
Zhou Qichao	Vice President	Incumbent	Male	41	June 30, 2017	January 20, 2024	663,672		165,000		498,672
Zhou Qichao	Board Secretary	Incumbent	Male	41	August 16, 2017	January 20, 2024					
Ye Longfang	Vice President	Incumbent	Male	45	July 09, 2019	January 20, 2024				150,000	150,000
Li Zhaojin	Vice President	Incumbent	Male	58	April 12, 2021	January 20, 2024					
Dong Ye	Chief Financial Officer	Incumbent	Male	57	December 12, 2011	January 20, 2024	284,725		71,000	15,000	228,725
Chen Haiyuan	Chairman of the Board of Supervisors	Incumbent	Male	67	September 22, 2015	January 20, 2024					
Liang Yongliang	Supervisor	Incumbent	Male	42	December 12, 2011	January 20, 2024					
Li Youquan	Supervisor	Incumbent	Male	42	January 31, 2018	January 20, 2024	62,280				62,280
Deng Yingzhong	Chairman	Resigned	Male	70	December 12, 2008	April 09, 2021					
Deng Guanbiao	President	Resigned	Male	43	January 06, 2015	March 19, 2021					
Yue Yong	Director	Resigned	Male	55	January 21,	March 18,					

		ed			2021	2021					
Deng Guanjie	Vice President	Resigned	Male	37	January 06, 2015	June 22, 2020					
Zhou Qichao	Director	Resigned	Male	41	November 07, 2017	May 26, 2020					
Zeng Yi	Director	Resigned	Female	45	January 31, 2018	January 21, 2021					
Huang Hongyan	Independent Director	Resigned	Male	51	January 06, 2015	January 21, 2021					
Ge Guangrui	Independent Director	Resigned	Female	54	January 06, 2015	January 21, 2021					
Total	--	--	--	--	--	--	31,817,538	513,400	4,326,712	465,000	28,469,226

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

√ Applicable □ Not applicable

Name	Position	Type	Date	Reason
Deng Yingzhong	Chairman	Resigned	April 09, 2021	Voluntary resign
Deng Guanbiao	President	Resigned	March 19, 2021	Voluntary resign
Yue Yong	Director	Resigned	March 18, 2021	Voluntary resign
Deng Guanjie	Vice President	Resigned	June 22, 2020	Voluntary resign
Zhou Qichao	Director	Resigned	May 26, 2020	Voluntary resign
Zeng Yi	Director	Resigned upon expiry of term of office	January 21, 2021	Expiry of term of office
Huang Hongyan	Independent Director	Resigned upon expiry of term of office	January 21, 2021	Expiry of term of office
Ge Guangrui	Independent Director	Resigned upon expiry of term of office	January 21, 2021	Expiry of term of office

III. Main Working Experience

Professional background, main working experience and main current responsibilities of the Company's in-service directors, supervisors and senior management

Mr. Deng Yingzhong, male and born in 1951, is the founder of the Company. Mr. Deng started to engage in the paper industry in 1979 and thereby has more than 40 years of industry experience. He served as the Chairman of Zhongshan Zhongshun Paper Manufacturing Co., Ltd. from 1992 to 1999, the Chairman and Legal Representative of that company from 1999 to 2005, and a director of that company from 2005 and 2008. He was the Chairman of the Company from 2008 to April 2021 and is currently a director and chairman of the Strategic Committee of the Company. He has been rewarded titles like "National Township Entrepreneur", "China Excellent Private Entrepreneurs of Technology Firms", "Excellent Private Entrepreneur of Guangdong Province", "Excellent Manager of Quality Work of Guangdong Province", "Excellent Entrepreneur of Zhongshan City", etc.

Liu Peng, male, has a bachelor's degree and is a CPC member and of Chinese nationality. He successively served as the president of Industrial Bank Jiangmen Branch and Zhongshan Branch. Currently, he acts as the Chairman and President of the Company.

Mr. Deng Guanbiao, male and born in 1978, is of Chinese nationality and has the permanent residency in Republic of Gambia and the permanent resident status in Macao Special Administrative Region. He holds a bachelor's degree. Starting to work in Zhongshan Zhongshun Paper Manufacturing Co., Ltd. in 1999, he was once a director and deputy general manager of that company and a director and General Manager of the Company. He served as the General Manager of the Company from 2015 to March 2021 and has been the Vice Chairman of the Company since 2011. Currently, he is also a member of the Household Paper and Paperboard Subcommittee of the National Paper Industry Standardization Technical Committee.

Mr. Deng Guanjie, male and born in 1984, studied at Oxford Brookes University in England from 2004 to 2007 and obtained a bachelor's degree. He acted as the Assistant to the Chairman of Zhongshan Zhongshun Paper Manufacturing Co., Ltd. from 2005 to 2007 and the Assistant to the Chairman of the Company from 2008 to February 2011. Afterwards, he was the Assistant to the Chairman and the Director of the HR Department from March 2011 to January 2012 and the Assistant to the Chairman of the Company from February 2012 to March 2013. He has been a director of the Company ever since December 2011 and served as the Deputy General Manager of the Company from April 2013 to June 2006 and as the Vice Chairman of the Company from June 2020.

Dai Zhenji, male and born in 1966, is from Taiwan China with an MBA degree. He served as the Marketing General Manager, General Manager of the Eastern District BU, Special Assistant to CEO and General Manager of the Commercial Consumer BU in Gold Hongye Paper Co., Ltd. from January 2013 to March 2015. He joined the Company as the Marketing President in October 2015 and became the Operating President in October 2018.

Afterwards, he started to act as the Deputy General Manager of the Company from July 2019 and a director and Joint General Manager of the Company since June 2020.

Liu Jinfeng, male and born in 1976, is of Chinese nationality and has no permanent residency abroad. He holds a bachelor's degree and an EMBA degree. Mr. Liu served as the manager of Hunan Province, Central China Region, Household Paper BU of APP from August 2005 to May 2008 and as the BU's General Manager of the Central China Region and Northwest Region from June 2008 and September 2009. Afterwards, he was promoted to the Operations General Manager of the Central China and Northwest Regions from February 2009 to April 2013, and then the Central Region VP of the BU from May 2013 to December 2014, during which he part-timed as the National Strategic Brand Marketing General Manager and the General Manager of Shanghai Yuanzesheng Trade Co., Ltd. from September 2014 to March 2015. He joined the Company in April 2015 as the Marketing VP and started to act as a director of the Company since September 2015 and the Deputy General Manager of the Company since January 2018.

He Haidi, male and born in September 1968, is of Chinese nationality and has no permanent residency abroad. He graduated from the Library Science of Wuhan University and was awarded a bachelor's degree in arts, and then received a master's degree in management from Wuhan University in 2006. Mr. He is a CPC member. Currently, with technical title of associate researcher, he works in the University of Electronic Science and Technology of China, Zhongshan Institute, engaging in the teaching and research of information consulting, services, analysis, retrieval, etc. He has presided over and been involved in a dozen of scientific research projects at the provincial level of Guangdong Province and the municipal level of Zhongshan City, and has published more than twenty academic papers in major core journals of the professional field. He has been hired as an expert for the Review Committee of Medium-Grade Professional Title for Book Information of Zhongshan City and a review expert for government procurements of Zhongshan City. He also part-times in Zhongshan Information Research Institute and provides information consulting, information analysis, technology novelty search, development and support for IPR and technological innovation projects, and other services to enterprises. He has been an independent director of the Company since March 2017.

He Guoquan, male and born in 1976, is of Chinese nationality and has no permanent residency abroad. He has a bachelor's degree and is a senior certified public accountant in China and Australia, an international certified internal auditor, and national accounting leading talent as ascertained by the Ministry of Finance. He once served as a non-independent director of Singapore-listed Debao Property Group and resigned in 2018. From 1997, he works as a partner in GP Certified Public Accountants (Limited Liability Partnership). He acts as an independent director of the Company since January 2021.

Liu Die, male and born in 1978, is of Chinese nationality and has no permanent residency abroad. He graduated from South-Central University for Nationalities in 2005 with a master's degree in law theory. He passed the national judicial examination and obtained the lawyer's qualification certificate in 2004. From 2007 to 2018, he

successively served as a lawyer in Guangdong Yashang Law Firm, Guangdong Hengyun Law Firm, and Guangdong Xiangshan Law Firm. Currently, he is the lead lawyer in Guangdong Liu Zhi Jun Law Firm. Mr. Liu has been an independent director of the Company since January 2021.

Zhou Qichao, male and born in 1980, is of Chinese nationality and has a master's degree. He has successively served as the public affairs director, media director, vice president and secretary of the board of directors in Hub Gate International Group, Hubei Daily Media Group, and Surfiter Network Technology Co., Ltd. He joined the Company in July 2017 and has successively worked as a director, Deputy General Manager, and secretary of the Board of Directors. He started to serve as an independent director of Shenzhen KSTAR Technology Co., Ltd. from November 2019 and a director of Shenzhen Senior Technology Material Co., Ltd. from November 2020.

Yue Yong, male and born in 1966, is of Chinese nationality. He joined Zhongshan Zhongshun Paper Manufacturing Co., Ltd. in 1993 and successively served as the production manager of Zhongshan Zhongshun and the General Manager of C&S (Sichuan) Paper Co., Ltd. He was a director and deputy general manager of Zhongshan Zhongshun between 2005 and 2008. Afterwards, he became a director and Deputy General Manager of the Company from 2009 to 2015, and has been the Procurement President since 2015 and the Deputy General Manager since July 2019. Currently he part-times the deputy director of the China National Household Paper Industry Association.

Ye Longfang, male and born in 1976, is of Chinese nationality. From July 1997 to November 2015, he successively acted as the production deputy manager, production manager and factory manager of Vinda (Hubei) and Vinda (Sichuan). Currently he is the Production President of the Company and has been the Deputy General Manager since July 2019.

Li Zhaojin, male and born in April 1962, is from Taiwan China and has an MBA degree. He joined the Gold Hongye Paper Group in 2005 and successively served as the production manager, papermaking (pre-production) general manager, manufacturing general manager, etc. Mr. Li started to work for the Company since November 2019.

Dong Ye, male and born in 1964, is of Chinese nationality and has no permanent residency abroad. He has a college degree and is an assistant accountant. He joined Zhongshan Zhongshun Paper Manufacturing Co., Ltd. in 2006 and successively served as its finance supervisor, finance manager, and finance deputy director. He is the person responsible for the accounting department of the Company, and acted as a director of the Company between 2011 and 2014 and became the Chief Financial Officer of the Company since 2011.

Chen Haiyuan, male, was born in 1954. He served as the party branch secretary and director of the village committee of Shenglong Village, Tanbei Town, Zhongshan City between 1991 and 1999 and the village's party branch secretary between 1999 and 2005. He was the Deputy Director and Assistant to Director of the Dongshen Township Water Authority from 2005 to 2014, and retired in July 2014. Afterwards, he worked as the Company's supervision specialist since March 2015, a supervisor since April 2015 and the Chairman of the Board of

Supervisors since September 2015.

Liang Yongliang, male and born in 1979, is of Chinese nationality and has no permanent residency abroad. Mr. Liang has a college degree. He joined Zhongshan Zhongshun Paper Manufacturing Co., Ltd. in 2002 and successively served as the Assistant to Finance President of Zhongshan Zhongshun and the General Manager of the Investment Management Department and head of the Audit Department of C&S Paper. Currently, he works as the Deputy General Manager of the Company's Finance Department and started to serve as a supervisor of the Company since 2011.

Li Youqua, male and born in 1979, has a college degree. He worked in Sichuan Tongda Electric Co., Ltd. and engaged in sales and accounting between 2001 and 2003, and handled accounting affairs in Zhongshan Huheng Craft Products Co., Ltd. between 2004 and 2006. From October 2006 to 2008, he served as the finance supervisor in Zhongshan Zhongshun Paper Manufacturing Co., Ltd. and then became the finance manager of the Company and the finance director of the South China region from 2009 to December 2011. He became person in charge of the Company's auditing work in December 2011 and has held that position ever since.

Positions in shareholder entities

Applicable Not applicable

Name	Name of shareholder entity	Position held in shareholder entities	Starting date of term of office	Expiry date of term of office	Whether receiving remuneration and allowance from shareholder entities
Deng Yingzhong	Guangdong Zhongshun Paper Group Co., Ltd.	Legal representative and executive director	May 28, 1999		No
Deng Yingzhong	Chung Shun Co.	Legal representative	June 01, 1996		No
Deng Guanbiao	Guangdong Zhongshun Paper Group Co., Ltd.	Supervisor	May 28, 1999		No
Description on position held in shareholder entity	Mr. Deng Yingzhong is a director and Mr. Deng Guanbiao is the Vice Chairman of the Company.				

Positions in other entities

Applicable Not applicable

Name	Name of other entity	Position held in other entity	Starting date of term of office	Expiry date of term of office	Whether receiving remuneration from other entity
Deng Guanbiao	Household Paper and Paperboard Subcommittee of the National Paper Industry Standardization Technical Committee	Member			No
Yue Yong	China National Household Paper Industry Association	Deputy director			No
He Haidi	University of Electronic Science and Technology of China, Zhongshan Institute	Researcher			Yes
He Guoquan	GP Certified Public Accountants (Limited Liability Partnership)	Partner			Yes
Liu Die	Guangdong Liu Zhi Jun Law Firm	Lead lawyer			Yes
Zhou Qichao	Shenzhen KSTAR Technology Co., Ltd.	Independent director			Yes
Zhou Qichao	Shenzhen Senior Technology Material Co., Ltd.	Director			Yes
Description on position held in other entity	Mr. Deng Guanbiao is the Vice Chairman, Mr. Yue Yong is the Vice President, Mr. He Haidi, Mr. He Guoquan and Mr. Liu Die are independent directors, and Mr. Zhou Qichao is the secretary of the Board of Directors and Vice President of the Company.				

Penalties by securities regulatory authorities in the last three years

Applicable Not applicable

IV. Remuneration of Directors, Supervisors and Senior Management

Procedures and basis for determining the remuneration of directors, supervisors and senior management and

actual payment

1. Procedure for determining the remuneration of directors, supervisors and senior management:

The Remuneration and Review Committee under the Company's Board of Directors proposes remuneration plans for directors, supervisors and senior management, which should be approved by the Board of Directors. Wherein, the plan for directors and supervisors should be submitted to the shareholder general meetings for approval.

2. Basis for determining the remuneration of directors, supervisors and senior management:

Remunerations of directors, supervisors and senior management are determined based on the Company's *Remuneration Management System for Directors, Supervisors and Senior Management* (April 2019) and their performance appraisal results conducted by the Remuneration and Review Committee, with reference to the remuneration level in the sector.

3. Actual payment of remuneration to directors, supervisors and senior management

Remuneration of the Company's incumbent directors, supervisors and senior management comprises two parts of fixed salary and annual performance salary. Wherein, the fixed salary has been distributed monthly based on performance appraisal results; annual performance salary will be distributed after the Remuneration and Review Committee establishes an appraisal team which evaluates the annual performance of the aforementioned personnel upon the end of the business year.

Remuneration of directors, supervisors and senior management of the Company during the reporting period

Unit: RMB10,000

Name	Position	Gender	Age	Position status	Total remuneration before tax received from the Company	Whether receiving remuneration from related parties of the Company
Deng Yingzhong	Director	Male	70	Incumbent	480.78	No
Deng Guanbiao	Vice Chairman	Male	43	Incumbent	297.16	No
Deng Guanjie	Vice Chairman	Male	37	Incumbent	257.07	No
Dai Zhenji	Director, Joint President	Male	55	Incumbent	1,001.26	No
Liu Jinfeng	Director, Vice President	Male	45	Incumbent	402.48	No

He Haidi	Independent Director	Male	53	Incumbent	10	No
Zhou Qichao	Vice President, Secretary of the Board of Directors	Male	41	Incumbent	260.02	No
Yue Yong	Vice President	Male	55	Incumbent	301.53	No
Ye Longfang	Vice President	Male	45	Incumbent	191.83	No
Dong Ye	Chief Financial Officer	Male	57	Incumbent	101.53	No
Chen Haiyuan	Chairman of the Board of Supervisors	Male	67	Incumbent	5.39	No
Liang Yongliang	Supervisor	Male	42	Incumbent	35.74	No
Li Youquan	Supervisor	Male	42	Incumbent	34.61	No
Zeng Yi	Director	Female	45	Resigned	18	No
Huang Hongyan	Independent Director	Male	51	Resigned	10	No
Ge Guangrui	Independent Director	Female	54	Resigned	10	No
Total	--	--	--	--	3,417.4	--

Note: Chairman and President of the Company Mr. Liu Peng, Vice President Mr. Li Zhaojin and independent directors Mr. He Guoquan and Mr. Liu Die are all elected/appointed in 2021. Therefore, their remuneration is not included in the reporting period (i.e. the year 2020).

Equity incentives granted to directors and senior management during the reporting period

√ Applicable □ Not applicable

Unit: share

Name	Position	Number of shares exercisable during the reporting period	Number of shares exercised during the reporting period	Exercise price of exercised shares during the reporting period	Market price at the end of the reporting period	Number of shares subject to selling restrictions at the beginning of the period	Number of shares unlocked during the period	Number of shares subject to selling restrictions newly granted in the period	Grant price of shares subject to selling restrictions	Number of shares subject to selling restrictions at the end of the period
Dai Zhenji	Director. Joint	300,000				2,000,000	600,000	0		1,400,000

	President									
Liu Jinfeng	Director. Vice President	300,000	300,000	13.965		1,080,000	324,000	0		756,000
Yue Yong	Vice President					1,100,000	330,000	0		770,000
Ye Longfang	Vice President	150,000	150,000	8.572				0		
Dong Ye	Chief Financial Officer	15,000	15,000	8.572		150,000	45,000	0		105,000
Total	--	765,000	465,000	--	--	4,330,000	1,299,000	0	--	3,031,000
Notes (if any)	<p>1. During the first unlocking period for restricted stocks awarded in the first grant and reserved restricted stocks under the <i>2018 Stock Option and Restricted Stock Incentive Plan</i>, the unlocking ratio was 30% and the date of releasing from sales restrictions was June 8, 2020 and November 10, 2020, respectively. The restricted shares held by the above staff at the beginning of the period have been unlocked as per 30%.</p> <p>2. During the first exercise period for stock options awarded in the first grant and reserved stock options under the <i>2018 Stock Option and Restricted Stock Incentive Plan</i>, the exercise ratio was 30% and the start date for exercise was June 10, 2020 and November 17, 2020, respectively. Mr. Liu Jinfeng, Mr. Ye Longfang and Mr. Dong Ye have exercised the rights during the reporting period and Mr. Dai Zhenji has not exercised the rights during the reporting period.</p>									

V. Employees of the Company

1. Number, profession composition and education level of employees

Number of in-service employees of the Parent Company	906
Number of in-service employees of major subsidiaries	5,712
Total number of in-service employees	6,618
Total number of employees receiving remuneration	6,765
Number of retired employees whose expenses are borne by the Parent Company and its major subsidiaries	5
Composition of professions	
Type of profession	Number of staff in the profession

Production staff	2,502
Sales staff	2,852
Technical staff	511
Finance staff	118
Administrative staff	635
Total	6,618
Education level	
Type of education level	Number of persons
University graduates or above	572
College graduates	1,471
High school graduates or below	4,575
Total	6,618

2. Remuneration policy

The Company has established the following reward and incentive policies:

1. Bonus Package Program for Marketing Teams 2020
2. Reward Program for Team Breakthroughs of the Marketing Department 2020—Business Team
3. Indicator Competition Program of the Marketing Department 2020—Business Team
4. Reward Program for Production Teams 2020
5. Indicator Competition Program of the Production Department 2020
6. Reward Program for Accounting Teams 2020
7. Reward Program for Finance Teams 2020
8. Reward Program for Supply Chain Teams 2020
9. Management System of C&S Paper for Marketing Staff Promotion 2020
10. Procurement Reward Program 2020

3. Training program

Training programs carried out by the Company in 2020 are as follows:

- 1) Class 2 of the Start-up Program (a program to cultivate production managers; mainly courses include manager role recognition and growth, Everything DiSC to improve workplace interpersonal relations, structured thinking

and expression, QC seven tools, plan organization and execution, objective management, leadership, etc.);

2) Class 1 of the Direction Program (a program to cultivate manufacturing managers/production deputy managers; the learning chain in 2020 was: management practices → leadership second study → guideline management → quarterly review of objective/guideline-based management → analysis and risk management/control of project investment decisions);

3) Class 1 of the Lighthouse Program (a program to cultivate internal lecturers; studies include 13 micro-classes of three modules, i.e. class management, curriculum design and teaching methods);

4) Subsidiaries across the country have carried out annual training programs involving knowledge, skills, attitudes, safety, quality and orientation training courses.

4. Labor outsourcing

Applicable Not applicable

Section X Corporate Governance

I. Basic Situation of Corporate Governance

1. Basic situation of corporate governance

During the reporting period, the Company has been operating in strict compliance with requirements of the *Company Law*, the *Securities Law*, the *Standards on Corporate Governance of Listed Companies*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, and relevant laws and regulations promulgated by China Securities Regulatory Commission (CSRC) and Shenzhen Stock Exchange. To standardize actions, the Company has developed the *Articles of Association*, constantly improved its corporate governance structure, and optimized its internal management systems. Its corporate governance structure meets requirements set out in relevant normative documents of CSRC on the governance of listed companies.

(1) In respect of shareholders and general meetings

During the reporting period, the convening, holding, and voting procedures of shareholder meetings were standardized and in strict compliance with provisions and requirements of the *Rules of Procedure of the General Meetings* and the *Articles of Association*. All shareholders were treated equally and were able to fully exercise their rights. The general meetings during the reporting period were convened by the Board of Directors and lawyers were invited to the site for witnessing.

(2) In respect of the controlling shareholder and the Company

The Company's controlling shareholder strictly regulated its behaviors in accordance with the *Standards on Corporate Governance of Listed Companies*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, and the *Articles of Association*. The controlling shareholder exercised its shareholder rights through the general meeting of shareholders, and there were no actions of the controlling shareholder of bypassing the general meeting and directly or indirectly interfering with the Company's operations and decision making.

(3) In respect of the directors and the Board of Directors

The Board of Directors of the Company currently comprises 9 directors, among which 3 are independent directors. The number and composition of the Board of Directors meet requirements of laws and regulations. The Company conducts the selection of directors in strict accordance with provisions of the *Company Law* and the *Articles of Association*, to ensure open, fair, just and independent engagement of directors. All directors are able to carry out work as per requirements set out in the *Rules of Procedure of the Board of Directors*, the *Guidelines on Conduct of Corporate Directors of SME Board Listed Companies*, etc. They attend Board meetings and shareholder meetings, actively participate in relevant knowledge training to familiarize with and acquire relevant laws and regulations, and earnestly perform their duties as directors of being honest and trustworthy, diligent and

conscientious.

(4) In respect of supervisors and the Board of Supervisors

The Board of Supervisors of the Company currently comprises 3 directors, among which one is employee supervisor. The Company conducts the selection of supervisors in strict accordance with provisions of the *Company Law* and the *Articles of Association*, and the number and composition of the Board of Supervisors meet requirements of laws and regulations. All supervisors earnestly perform their duties as per requirements of the *Rules of Procedure of the Board of Supervisors* and other relevant regulations, to supervise the decision-making procedures and resolutions of the Board of Directors and the Company's legal operations and to effectively oversee the legality and compliance of directors, managers and other senior executives of the Company in their duty performance.

(5) In respect of performance appraisal and incentive restriction mechanism

The Company's appointment of senior management is open and transparent and in compliance with relevant laws and regulations. The Company has established a sound performance appraisal mechanism under which the remuneration of the senior management is linked to the Company's business performance indicators.

(6) In respect of investor relations (IR) management

The Secretary of the Board of Directors of the Company is responsible for IR management while the Office of the Board of Directors carries out daily affairs of IR management. In order to further strengthen and improve IR management, the Company has formulated the *Investor Relations Management System*, *Investor Compliant Management System*, and *Measures for the Management of Reception of Institutional Investors*. IR activities must be conducted in strict accordance with relevant provisions and it is strictly forbidden to disclose any undisclosed information of the Company. Personnel from the Office of the Board of Directors are dedicated to answering calls of investors, replying their emails, and responding to questions raised by investors on relevant interaction platforms, to maintain smooth and sound communication with investors. Response of investors has been positive. The Office of the Board of Directors is responsible for the reception of investors and archival of relevant documents. Dedicated personnel are arranged to well receive investor visits. The Company properly arranges individual investors, analysts and fund managers who come to the Company for onsite research to visit the sites of the Company, discuss with them and sign the Letter of Commitment with them for information confidentiality. Records are well documented for each visit and the IR activity form is submitted to Shenzhen Stock Exchange within two working days. On the basis of not violating relevant provisions of CSRC, Shenzhen Stock Exchange and the Company's *Information Disclosure Management System*, situations of the Company are presented in an objective, true, accurate and complete manner. The Company attaches great importance to IR management in its daily work by actively communicating with investors, understanding relevant situations, and listening to relevant suggestions. Attention is also paid to the cultivation of healthy long-term investors.

The Company will continue the good work in information disclosure and IR management, and ensure true,

accurate, timely and complete information disclosure and smooth, convenient, fair and effective communication channels with investors.

(7) In respect of information disclosure and transparency

The Company has set up the Office of Board of Directors which is equipped with professionals, and discloses information of the Company in a true, accurate, timely and complete manner in strict compliance with relevant laws and regulations as well as systems of the Company including the *Information Disclosure Management System*, *Management System for External Information Users*, *Accountability System for Significant Errors in Information Disclosure of Annual Reports*, and *Internal Reporting System for Significant Events*. This ensures that all shareholders of the Company could obtain information with equal opportunities.

(8) In respect of stakeholders

The Company fully respects and safeguards the legitimate rights and interests of relevant stakeholders and actively cooperates with them. In order to coordinate and balance the interests of shareholders, employees, society and other parties, the Company strengthens communication and exchange with all parties, to jointly promote its sustainable and healthy development.

2. Corporate governance regulations established or revised by the Company during the reporting period

During the reporting period, the Company revised the *External Donation Management System* and the *Articles of Association* based on its operating conditions and relevant provisions and timely improved its internal control management system.

Whether there are significant differences between the Company's actual status of corporate governance and normative documents on the governance of listed companies issued by CSRC

Yes No

There were no significant differences between the Company's actual conditions and normative documents on listed company governance issued by CSRC.

II. The Company's Independence from Its Controlling Shareholders in terms of Business, Personnel, Assets, Organization and Finance

There were no situations where the Company couldn't guarantee its independence or maintain its self-operating capabilities from its controlling shareholders in terms of business, personnel, assets, organization and finance.

III. Horizontal Competition

Applicable Not applicable

IV. Annual General Meeting and Extraordinary General Meetings Held during the Reporting Period

1. Shareholder meetings during the reporting period

Session of meeting	Type	Ratio of investor participation	Date of convening	Date of disclosure	Index of disclosure
2020 First Extraordinary General Meeting	Extraordinary general meeting of shareholders	59.84%	March 13, 2020	March 14, 2020	<i>Announcement on Resolutions of 2020 First Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2020-15). See <i>Securities Times</i> , <i>Securities Daily</i> , <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , and CNINFO (www.cninfo.com.cn) for details.
2019 Annual General Meeting of Shareholders	Annual general meeting	55.09%	May 21, 2020	May 22, 2020	<i>Announcement on Resolutions of 2019 Annual General Meeting of Shareholders</i> (Announcement No.: 2020-34). See <i>Securities Times</i> , <i>Securities Daily</i> , <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , and CNINFO (www.cninfo.com.cn) for details.
2020 Second Extraordinary General Meeting	Extraordinary general meeting of shareholders	53.75%	June 15, 2020	June 16, 2020	<i>Announcement on Resolutions of 2020 Second Extraordinary General Meeting of Shareholders</i>

					(Announcement No.: 2020-53). See <i>Securities Times</i> , <i>Securities Daily</i> , <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , and CNINFO (www.cninfo.com.cn) for details.
2020 Third Extraordinary General Meeting	Extraordinary general meeting of shareholders	54.42%	August 25, 2020	August 26, 2020	<i>Announcement on Resolutions of 2020 Third Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2020-65). See <i>Securities Times</i> , <i>Securities Daily</i> , <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , and CNINFO (www.cninfo.com.cn) for details.
2020 Fourth Extraordinary General Meeting	Extraordinary general meeting of shareholders	51.91%	September 15, 2020	September 16, 2020	<i>Announcement on Resolutions of 2020 Fourth Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2020-72). See <i>Securities Times</i> , <i>Securities Daily</i> , <i>China Securities Journal</i> , <i>Shanghai Securities News</i> , and CNINFO (www.cninfo.com.cn) for details.
2020 Fifth	Extraordinary	53.57%	November 16, 2020	November 17, 2020	<i>Announcement on</i>

Extraordinary General Meeting	general meeting of shareholders				<i>Resolutions of 2020 Fifth Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2020-87). See <i>Securities Times, Securities Daily, China Securities Journal, Shanghai Securities News,</i> and CNINFO (www.cninfo.com.cn) for details.
2020 Sixth Extraordinary General Meeting	Extraordinary general meeting of shareholders	54.80%	December 31, 2020	January 04, 2021	<i>Announcement on Resolutions of 2020 Sixth Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2020-103). See <i>Securities Times, Securities Daily, China Securities Journal, Shanghai Securities News,</i> and CNINFO (www.cninfo.com.cn) for details.

2. Extraordinary general meetings of shareholders proposed to be convened by preferred shareholders whose voting rights were resumed

Applicable Not applicable

V. Performance of Duties by Independent Directors during the Reporting Period

1. Attendance of independent directors to Board meetings and general meetings of shareholders

Attendance of independent directors to general meetings of shareholders

Name of independent director	Required attendance of Board meetings for the year	Attendance of Board meetings in person	Attendance of Board meetings by way of communication	Attendance of Board meetings by proxy	Number of absence	Any failure in attending in person for two consecutive meetings	Attendance of general meetings (times)
Huang Hongyan	10	3	7			No	6
Ge Guangrui	10	2	8			No	7
He Haidi	10	4	6			No	6

Description of failure in attending in person for two consecutive meetings

There were no situations where the Company's independent directors did not attend Board meetings in person for two consecutive times during the reporting period.

2. Objections by independent directors to the Company's relevant matters

Whether independent directors raised objections to relevant matters of the Company

Yes No

Independent directors did not raise objections to relevant matters of the Company during the reporting period.

3. Other descriptions on independent directors' performance of duty

Whether opinions from independent directors were adopted

Yes No

Description on whether opinions from independent directors were adopted

Independent directors of the Company gave full play to the role of independent director in their work in 2020 and performed their duties of independent directors faithfully and diligently in compliance with provisions and requirements of relevant laws and regulations such as the *Company Law*, *Guiding Opinions on the Establishment of Independent Director System in Listed Companies*, *Guidelines of Shenzhen Stock Exchange on Conduct of Corporate Directors of SME Board Listed Companies* as well as the Company's *Articles of Association* and *Independent Director System*. The independent directors actively attended relevant meetings, regularly checked reports of the Company, carefully deliberated proposals of the Board of Directors and expressed independent options, in an effort to safeguard the overall interests of the Company and legitimate rights and interests of

minority shareholders.

VI. Performance of Duties by Special Committees under the Board of Directors

1. Performance of the Audit Committee under the Board of Directors

The Audit Committee convened 4 meetings during the reporting period.

On February 21, 2020, the Audit Committee convened a meeting and reviewed and approved the Internal Audit Work Report 2019, the Audit Report on External Guarantees in 2019, the Audit Report on the Purchase and Sales of Assets in 2019, the Audit Report on Related Party Transactions in 2019, and the Audit Report on the Appropriation of Funds by Controlling Shareholder and Its Related Parties in 2019. The Committee also communicated with Mazars Certified Public Accountants with regard to the audit of the Annual Report 2019.

On April 30, 2020, the Audit Committee convened a meeting and reviewed and approved the Internal Audit Work Report for Q1 2020, the Audit Report on External Guarantees in Q1 2020, the Audit Report on External Investments in Q1 2020, the Audit Report on the Purchase and Sales of Assets in Q1 2020, the Audit Report on Related Party Transactions in Q1 2020, and the Audit Report on the Appropriation of Funds by Controlling Shareholder and Its Related Parties in Q1 2020.

On August 6, 2020, the Audit Committee held a meeting and reviewed and agreed to recommend to the Board of Directors for continued engagement of Mazars Certified Public Accountants (LLP) as the audit service provision agency of the Company in 2020. The Committee also deliberated and approved the Internal Audit Work Report for H1 2020, the Audit Report on External Guarantees in H1 2020, the Audit Report on External Investments in H1 2020, the Audit Report on the Purchase and Sales of Assets in H1 2020, the Audit Report on Related Party Transactions in H1 2020, and the Audit Report on the Appropriation of Funds by Controlling Shareholder and Its Related Parties in H1 2020.

On December 7, 2020, the Audit Committee convened a meeting and reviewed and approved the Internal Audit Work Plan for 2021, Internal Audit Work Report for Q3 2020, the Audit Report on External Guarantees in Q3 2020, the Audit Report on External Investments in Q3 2020, the Audit Report on the Purchase and Sales of Assets in Q3 2020, the Audit Report on Related Party Transactions in Q3 2020, and the Audit Report on the Appropriation of Funds by Controlling Shareholder and Its Related Parties in Q3 2020.

2. Performance of the Remuneration and Review Committee under the Board of Directors

The Remuneration and Review Committee convened 4 meetings during the reporting period.

On April 17, 2020, the Remuneration and Review Committee convened a meeting on which the *Proposal on the Remuneration of Senior Management of the Company in 2019* and the *Proposal on the Remuneration of Directors of the Company in 2019* were reviewed and approved. The assessment of the salaries of the Company's directors and senior management in 2019 was in line with the Company's actual assessment indicators, and the remunerations they received from the Company also matched the Company's actual development and the industry

level, which was conducive to tap the creativity and enthusiasm of directors and senior management. There were no situations that harmed interests of the Company and shareholders.

On a meeting held on May 15, 2020, the Committee reviewed and approved the *Proposal on Achieving the Unlock Conditions of the First Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* and the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. The Committee believed that the conditions of the first unlock/exercise period for restricted stocks/stock options awarded in the first grant were met, and the qualifications of the incentive recipients for unlocking/exercising were valid and effective. Therefore, it agreed for the Company to handle matters relevant to the first unlocking/exercise period of the concerned stocks/stock options.

On August 18, 2020, the Committee convened a meeting and reviewed and approved the *Proposal on Adjusting the Annual Remuneration of the Joint General Manager*, according to which the pre-tax annual remuneration of the Joint General Manager Mr. Dai Zhenji was raised to no more than RMB10 million.

On a meeting held on May 15, 2020, the Committee reviewed and approved the *Proposal on Achieving the Unlock Conditions of the First Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* and the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. The Committee believed that the conditions of the first unlock/exercise period for reserved restricted stocks/stock options were met, and the qualifications of the incentive recipients for unlocking/exercising were valid and effective. Therefore, it agreed for the Company to handle matters relevant to the first unlocking/exercise period of the concerned stocks/stock options.

3. Performance of the Nomination Committee under the Board of Directors

The Nomination Committee convened 3 meetings during the reporting period.

On May 27, 2020, the Committee convened a meeting and reviewed and approved the *Proposal on By-election of Non-Independent Directors of the Fourth Session of the Board of Directors*, agreeing to by-elect Mr. Dai Zhenji as a non-independent director of the fourth session of the Board of Directors.

On June 15, 2020, the Committee convened a meeting and reviewed and approved the *Proposal on Election of the Vice Chairman of the Fourth Session of the Board of Directors*, agreeing to elect Mr. Deng Guanjie as the Vice Chairman of the fourth session of the Board of Directors; the *Proposal on Appointment of the Joint General Manager of the Company* was also reviewed and approved, and Mr. Dai Zhenji was appointed the Joint General Manager of the Company.

On December 28, 2020, the Committee convened a meeting and reviewed and approved the *Proposal on Election of Non-Independent Directors of the Fifth Session of the Board of Directors*, agreeing to nominate Mr. Deng Yingzhong, Mr. Deng Guanbiao, Mr. Deng Guanjie, Mr. Dai Zhenji, Mr. Liu Jinfeng, and Mr. Yue Yong as

candidates for non-independent directors of the fifth session of the Board of Directors; the Committee also reviewed and passed the *Proposal on Election of Independent Directors of the Fifth Session of the Board of Directors*, and agreed to nominate Mr. He Haidi, Mr. He Guoquan and Mr. Liu Die as candidates for independent directors of the fifth session of the Board of Directors.

VII. Work of the Board of Supervisors

Risks discovered by the Board of Supervisors in supervisory activities during the reporting period

Yes No

The Board of Supervisors had no objections to supervised events during the reporting period.

VIII. Performance Appraisal and Incentives of Senior Management

The Company comprehensively appraises the performance of senior executives in compliance with provisions of the *Remuneration Management System for Directors, Supervisors and Senior Management* and in combination with annual financial budgets, production and operation indicators and the attainment of management objectives. Their individual incomes are linked with the business performance of the Company. During the reporting period, incentives to the Company's senior management mainly included remuneration incentive, restricted stock incentive plan, and employee stock ownership plan, with a purpose of effectively stimulating the work enthusiasm of the senior management, promoting the steady improvement of the Company's performance, achieving its development strategies and business objectives, and maintaining a steady and sound development.

The Company rolled out the second phase equity incentive plan under which employees were motivated in the form of options + restricted stocks. The unlocking/exercise for the first phase was completed in 2020.

The Company introduced the second phase employee stock ownership plan in 2019 to incentivize directors, senior executives and backbone employees. The lockup period of the plan had expired as at November 30, 2020, and the liquidation and distribution of the plan were completed in January 2021.

IX. Self-assessment Report on Internal Control

1. Details of the significant defects in internal control detected during the reporting period

Yes No

2. Self-assessment report on internal control

Date of disclosure of the full text of the internal control assessment report	April 29, 2021	
Disclosure index of full text of the internal control assessment report	Please refer to the <i>Self-assessment Report on Internal Control 2020 of C&S Paper Co., Ltd.</i> published on CNINFO (http://www.cninfo.com.cn) for details.	
Percentage of total assets of units included in the assessment scope to the total assets in the Company's consolidated financial statements	100.00%	
Percentage of total operating income of units included in the assessment scope to the operating income in the Company's consolidated financial statements	100.00%	
Defect identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	<p>Material defect: refers to one or a combination of control defects that may cause the Company to materially deviate from the objectives of internal control. When there are one or several material defects in internal control, it should be concluded that the internal control is invalid in the internal control assessment report.</p> <p>(1) Directors, supervisors and senior management have committed fraud and caused serious losses and severe adverse impacts to the company.</p> <p>(2) Corrections were made to published financial reports due to significant accounting errors.</p> <p>(3) Significant errors in the current financial reports were identified by the certified public accountants but not by internal</p>	<p>Non-financial report defects are identified mainly based on their degree of impact on business processes and their probability of occurrence.</p> <p>A defect is termed as a general defect if its probability of occurrence is low or the defect reduces work efficiency or effectiveness, or increases the uncertainty of effects or causes deviations from expected objectives.</p> <p>A defect is termed as a major defect if its probability of occurrence is relatively high or the defect significantly reduces work efficiency or effectiveness, or significantly increases the uncertainty of effects or causes obvious</p>

	<p>control.</p> <p>(4) The internal control and supervision by the company's audit committee and internal audit were invalid, or significant problems were found but not corrected.</p> <p>Major defect: refers to one or a combination of defects in internal control that is with less severity than a material defect, but may still cause the Company to deviate from the objectives of internal control. A major defect is less severe than a material defect and would not seriously endanger the overall effectiveness of internal control, but should arouse the sufficient attention of the board of directors and managers.</p> <p>(1) Failure to select and apply accounting policies based on generally accepted accounting standards;</p> <p>(2) There were one or multiple defects in the financial reports of the current period that did not meet the criteria for material defect.</p> <p>(3) There were one or multiple defects in the control of the financial reporting process at the end of the period such that the authenticity and completeness of the prepared financial reports could not be reasonably guaranteed.</p> <p>General defect: refers to defects other than material defect or major defect.</p>	<p>deviations from expected objectives.</p> <p>A defect is termed as a material defect if its probability of occurrence is high or the defect severely reduces work efficiency or effectiveness, or severely increases the uncertainty of effects or causes severe deviations from expected objectives.</p>
Quantitative criteria	<p>General defect: The misstated amount is less than 0.5% of operating income.</p> <p>Major defect: The misstated amount is between 0.5% (inclusive) and 1.5% of the operating income.</p> <p>Material defect: The misstated amount is more than 1.5% (inclusive) of operating income.</p>	<p>General defect: The direct property losses are less than 0.5% of operating income.</p> <p>Major defect: The direct property losses are between 0.5% (inclusive) and 1.5% of operating income.</p> <p>Material defect: The direct property losses are</p>

		more than 1.5% (inclusive) of operating income.
Number of material defects in financial reports		0
Number of material defects in non-financial reports		0
Number of major defects in financial reports		0
Number of major defects in non-financial reports		0

X. Internal Control Audit Report or Assurance Report

Not applicable

Section XI Corporate Bonds

Whether there are any bonds of the Company that are publicly issued and listed on the stock exchange and are not due at the date of issuance of the annual report or are due but unable to be redeemed for full face value at maturity

No

Section XII Financial Report

I. Audit Report

Type of auditor's opinion	Standard and unqualified
Signing date of the Audit Report	April 27, 2021
Name of auditing organization	Mazars Certified Public Accountants (LLP)
Reference number of the Audit Report	Zhong-Huan-Shen-Zi (2021) No. 0500115
Name of certified public accountants	Wang Bing, Pan Guiquan

Audit Report

To all shareholders of C&S Paper Co., Ltd.,

I. Opinion

We have audited the accompanying financial statements of C&S Paper Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and the Parent Company's balance sheet as at 31 December 2020, the consolidated and the Parent Company's income statement, the consolidated and the Parent Company's cash flow statement, and the consolidated and the Parent Company's statement of the changes in equity for 2020, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the consolidated and the Parent Company's financial position as of 31 December 2020, and the consolidated and the Parent Company's operating results and cash flows for 2020.

II. Basis of Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountants' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

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

(I) Recognition of operating income

Key audit matter	How the matter was addressed in our audit
<p>As stated in Note V (34) in the Company's financial statements, the Company recorded an operating income of RMB7,823,528,416.32 in 2020. Since the amount of operating income is significant and a key performance indicator, there is a relatively high inherent risk, so we identify the recognition of operating income as a key audit matter.</p>	<p>Our audit procedures included:</p> <p>(1) We obtained an understanding of and evaluated the internal control design over the recognition of operating income and its operating effectiveness;</p> <p>(2) We obtained an understanding and evaluated whether policies for recognizing operating income were in compliance with requirements of accounting standards for business enterprises via interviewing the management, consulting the Company's accounting policies, etc.;</p> <p>(3) We checked whether there were any abnormalities in the operations of the Company's major customers and whether there was related relationship between such customers and the Company or its related parties by checking the business registration information of the customers and contracts with them;</p> <p>(4) We adopted the sampling method to select some customers and send them the confirmation letter to verify the balance of accounts receivable, the balance of prepayment, and the amount of sales income;</p> <p>(5) In respect of domestic sales, we adopted the sampling method to check the large-value contracts and sales orders as well as their corresponding invoices, outbound orders, delivery orders, customer receipts, etc.; for export sales, we used the sampling method to check large-value contracts and sales orders as well as their corresponding invoices, customs declarations, freight bills of lading, customer receipts, etc.;</p> <p>(6) We conducted cutoff test for operating income to assess whether operating income was recognized in an appropriate period.</p>

(II) Recognition of selling expenses

Key audit matter	How the matter was addressed in our audit
<p>As stated in Note V (36) in the Company's financial statements, the Company recorded a selling expense of RMB1,544,562,244.71 in</p>	<p>Our audit procedures included:</p> <p>(1) We obtained an understanding of and evaluated the internal control design over the recognition of selling expense and its operating effectiveness;</p>

<p>2020. accounting for 19.74% of operating income. Since selling expense has a great impact on the Company's financial results, which may cause a major misstatement risk, we identify the recognition of selling expense as a key audit matter.</p>	<p>(2) We obtained the detailed list of selling expenses, and analyzed the reasonableness of each expense item based on features of the Company's businesses; we also analyzed the proportion of main expense items in the main business income and whether the change trend of selling expense consistent with that of income;</p> <p>(3) We conducted a spot check of main items under selling expense and selected and checked some selling expense vouchers against corresponding contracts, invoices, bank receipts and other original documents, as well as the Company's sales promotion policies, remuneration policies, etc.;</p> <p>(4) We conducted cutoff test for selling expense to assess whether selling expense was recognized across periods.</p>
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IV. Other information

The Company's management is responsible for other information. Other information includes the information included in the Company's 2020 annual report, but excludes the financial statements and our audit report.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit process or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that if there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Governance Layer for Financial Statements

The management of C&S Paper Co., Ltd. (hereinafter the "Management") is responsible for preparing financial statements in accordance with the Accounting Standards for Business Enterprises, and fairly presenting them; the Management also needs to design, implement and maintain necessary internal control to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters in relation to going concern (if applicable) and applying the going-concern assumption unless the Management intends to liquidate the Company, cease operations, or have no realistic alternative but to do so.

The governance layer is responsible for overseeing the financial reporting process of the Company.

VI. Certified Public Accountants' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit work in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(IV) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to drawing attention in our audit report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we comply with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the period and are therefore the key audit matters. We

describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in tiny minority circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars Certified Public Accountants (LLP)

Chinese Certified Public Accountant: Wang Bing

Chinese Certified Public Accountant: Pan Guiquan

Wuhan, PRC

April 27, 2021

II. Financial Statements

Unit of financial statements: RMB

1.Consolidated balance sheet

Prepared by: C&S Paper Co., Ltd.

December 31, 2020

Unit: RMB

Item	December 31, 2020	December 31, 2029
Current assets:		
Monetary funds	1,125,196,199.56	703,746,624.42
Settlement reserve		
Lending to banks and other financial institutions		
Tradable financial assets		
Derivative financial assets		

Notes receivable	724,419.74	301,904.32
Accounts receivable	1,051,423,939.59	807,772,897.68
Accounts receivable financing		
Prepayments	26,819,108.57	14,877,757.16
Premium receivable		
Reinsurance payables		
Reinsurance contract reserves receivable		
Other receivables	15,824,945.56	8,240,417.99
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventory	1,661,274,495.32	986,405,689.17
Contract assets		
Assets held for sale	57,073,059.69	57,073,059.69
Non-current assets due within one year		
Other current assets	101,584,569.30	165,567,805.78
Total current assets	4,039,920,737.33	2,743,986,156.21
Non-current assets:		
Loans and advances to customers		
Investments in creditor's rights		
Investments in other creditor's rights		
Long-term receivable		
Long-term equity investment		
Investment in other equity instruments		

Other non-current financial assets		
Investment property	34,575,365.94	36,039,381.30
Fixed assets	2,792,587,302.21	2,921,392,106.87
Construction work in progress	275,904,617.95	55,734,236.91
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	169,355,772.24	168,731,781.83
Development expenses		
Goodwill	64,654.15	64,654.15
Long-term deferred expenses	26,635,983.14	13,686,397.24
Deferred income tax assets	111,367,362.66	80,331,080.17
Other non-current assets	28,027,952.15	6,306,028.96
Total non-current assets	3,438,519,010.44	3,282,285,667.43
Total assets	7,478,439,747.77	6,026,271,823.64
Current liabilities:		
Short-term borrowings	142,942,941.34	14,721,492.38
Borrowings from PBC		
Placements from banks and other financial institutions		
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable	234,887,563.22	202,653,860.31
Accounts payable	761,519,389.26	578,212,781.22
Payments received in advance		142,476,562.31
Contract liabilities	137,333,617.40	
Proceeds from financial assets sold under repo		

Customer bank deposits and due to banks and other financial institutions		
Funds from securities trading agency		
Funds from securities underwriting agency		
Employee remuneration payable	123,524,627.11	106,413,600.27
Tax and fees payable	112,608,054.87	101,670,618.11
Other payables	754,844,580.09	635,834,511.05
Including: Interests payable		173,259.89
Dividends payable	1,437,466.77	452,536.50
Transaction fee and commission receivable		
Reinsurance payable		
Liabilities held for sale		
Non-current liabilities due within one year		32,400,000.00
Other current liabilities	17,628,086.63	
Total current liabilities	2,285,288,859.92	1,814,383,425.65
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		22,500,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payable		
Long-term employee remuneration payable		

Provision		
Deferred income	115,101,158.13	82,367,831.33
Deferred income tax liabilities	35,903,653.30	30,016,107.43
Other non-current liabilities		
Total non-current liabilities	151,004,811.43	134,883,938.76
Total liabilities	2,436,293,671.35	1,949,267,364.41
Owner's equity:		
Share capital	1,311,487,077.00	1,308,891,273.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	907,006,505.05	760,731,416.57
Less: Treasury shares	96,480,911.29	104,792,649.00
Other comprehensive income		
Special reserves		
Surplus reserves	61,469,258.27	53,205,582.86
General reserves		
Retained earnings	2,858,664,147.39	2,058,968,835.80
Total equity attributable to owners of the parent company	5,042,146,076.42	4,077,004,459.23
Equities of minority shareholders		
Total owner's equity	5,042,146,076.42	4,077,004,459.23
Total liabilities and owners' equities	7,478,439,747.77	6,026,271,823.64

Legal representative: Deng Yingzhong
department: Xu Xianjing

Person in charge of accounting: Dong Ye

Person in charge of accounting

2. Balance sheet of the Parent Company

Unit: RMB

Item	December 31, 2020	December 31, 2029
Current assets:		
Monetary funds	170,229,178.13	156,202,659.45
Tradable financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	92,647,372.33	127,203,426.87
Accounts receivable financing		
Prepayments	7,940,396.34	2,565,716.66
Other receivables	136,987,584.64	637,511,752.54
Including: Interest receivable		
Dividends receivable		
Inventory	156,605,546.36	84,567,041.98
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	52,517,725.87	129,377,576.74
Total current assets	616,927,803.67	1,137,428,174.24
Non-current assets:		
Investments in creditor's rights		
Investments in other creditor's rights		
Long-term receivable		
Long-term equity investment	1,928,113,219.50	1,231,245,128.96
Investment in other equity instruments		

Other non-current financial assets		
Investment property	17,939,329.51	18,745,192.09
Fixed assets	257,354,688.59	222,724,273.70
Construction work in progress		35,260,100.44
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	25,205,232.21	21,259,498.66
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	46,811,106.77	18,366,334.29
Other non-current assets	2,619,959.27	4,521,074.21
Total non-current assets	2,278,043,535.85	1,552,121,602.35
Total assets	2,894,971,339.52	2,689,549,776.59
Current liabilities:		
Short-term borrowings		
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	420,061,168.44	325,506,510.90
Payments received in advance		28,227,454.47
Contract liabilities	17,388,431.01	
Employee remuneration payable	44,678,713.21	24,280,403.99
Tax and fees payable	5,995,417.05	3,225,793.88
Other payables	126,072,040.24	167,279,884.09
Including: Interests payable		
Dividends payable	1,437,466.77	452,536.50

Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities	2,260,496.03	
Total current liabilities	616,456,265.98	548,520,047.33
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	5,855,467.25	7,062,818.69
Deferred income tax liabilities	7,202,336.33	5,575,323.82
Other non-current liabilities		
Total non-current liabilities	13,057,803.58	12,638,142.51
Total liabilities	629,514,069.56	561,158,189.84
Owner's equity:		
Share capital	1,311,487,077.00	1,308,891,273.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	831,693,206.19	690,241,724.38
Less: Treasury shares	96,480,911.29	104,792,649.00
Other comprehensive income		

Special reserves		
Surplus reserves	61,347,923.99	53,084,248.58
Retained earnings	157,409,974.07	180,966,989.79
Total owner's equity	2,265,457,269.96	2,128,391,586.75
Total liabilities and owners' equities	2,894,971,339.52	2,689,549,776.59

3. Consolidated income statement

Unit: RMB

Item	2020	2019
I. Total Operating Income	7,823,528,416.32	6,634,914,352.68
Including: Operating income	7,823,528,416.32	6,634,914,352.68
Interest income		
Gross earned premiums		
Service charge and commission income		
II. Total Operating Cost	6,728,790,634.82	5,910,158,735.56
Including: Operating costs	4,590,904,040.35	4,005,421,052.70
Interest expenses		
Service charge and commission expenses		
Surrender value		
Net compensation expenses		
Net appropriation of insurance reserve		
Policy dividends expenses		
Reinsurance costs		
Tax and surcharges	56,112,918.09	42,816,202.47
Selling expenses	1,544,562,244.71	1,369,553,843.95
Administrative expenses	364,914,344.30	294,516,937.35
R&D expenses	190,298,633.61	176,374,287.34
Finance expenses	-18,001,546.24	21,476,411.75

Including: Interest fees	2,903,635.12	13,452,104.83
Interest income	8,202,097.37	3,504,368.80
Plus: Other income	29,224,284.70	16,012,562.77
Return on investment ("-" indicates loss)	3,868,134.28	333,745.61
Including: Return on investment in associates and joint ventures		
Income from the derecognition of financial assets measured at amortized cost		
Exchange gains ("-" indicates loss)		
Gains from net exposure hedging ("-" indicates loss)		
Gains from changes in fair value ("-" indicates loss)		
Credit impairment losses ("-" indicates loss)	-6,462,152.71	-2,778,561.87
Asset impairment losses ("-" indicates loss)	-15,863,724.17	-19,053,460.18
Return on disposal of assets ("-" indicates loss)	-1,630,681.60	198,268.96
III. Operating Profit ("-" indicates loss)	1,103,873,642.00	719,468,172.41
Plus: Non-operating income	5,429,670.00	5,851,556.70
Less: Non-operating expenditure	20,912,859.12	4,321,020.44
IV. Total Profit ("-" indicates total loss)	1,088,390,452.88	720,998,708.67
Less: Income tax expense	182,501,371.47	117,166,057.84
V. Net Profit ("-" indicates net loss)	905,889,081.41	603,832,650.83
i. Classified by operation continuity		
1. Net profit from continued operation ("-" indicates net loss)	905,889,081.41	603,832,650.83
2. Net profit from discontinued operation ("-" indicates net loss)		
ii. Classified by attribution of ownership		
1. Net profit attributable to owners of the parent	905,889,081.41	603,832,650.83

company		
2. Minority shareholders' profits and losses		
VI. Net Amount of Other Comprehensive Income after Tax		
Total other comprehensive after-tax net income attributable to owners of the parent company		
i. Other comprehensive income not able to be reclassified into the profit or loss		
1. Changes of re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred into the profit or loss under equity method		
3. Changes in fair value of investment in other equity instruments		
4. Changes in fair value of credit risk of the enterprise		
5. Others		
ii. Other comprehensive income reclassified into the profit or loss		
1. Other comprehensive income to be transferred into the profit or loss under equity method		
2. Changes in fair value of investment in other creditor's rights		
3. Financial assets reclassified into other comprehensive income		
4. Impairment provision for credit of investment in other creditor's rights		
5. Reserve of cash flow hedge		
6. Converted difference in foreign currency financial statements		
7. Others		

Total other comprehensive after-tax net income attributable to minority shareholders		
VII. Total Comprehensive Income	905,889,081.41	603,832,650.83
Total comprehensive income attributable to owners of the parent company	905,889,081.41	603,832,650.83
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per Share:		
i. Basic earnings per share	0.70	0.47
ii. Diluted earnings per share	0.69	0.46

For business combinations of the current period under common control, the net profit realized by the combined party before the combination is: RMB0.00; the net profit realized by the combined party in last period is: RMB0.00.

Legal representative: Deng Yingzhong Person in charge of accounting: Dong Ye Person in charge of accounting department: Xu Xianjing

4. Income statement of the Parent Company

Unit: RMB

Item	2020	2019
I. Operating Income	1,632,515,354.88	1,287,647,693.35
Less: Operating cost	1,377,798,965.81	1,084,476,382.79
Tax and surcharges	5,201,738.09	4,116,684.80
Selling expenses	127,888,051.22	122,236,408.01
Administrative expenses	179,278,540.50	85,790,130.74
R&D expenses		
Finance expenses	-5,095,985.70	-9,773,667.34
Including: Interest fees		9,422,954.52
Interest income	2,906,543.07	20,679,432.95
Plus: Other income	1,988,938.21	1,948,033.25
Return on investment ("-" indicates loss)	143,256,231.99	60,333,745.61
Including: Return on investment in associates and		

joint ventures		
Profits from derecognition of financial assets at amortized cost		
Gains from net exposure hedging ("-" indicates loss)		
Gains from changes in fair value ("-" indicates loss)		
Credit impairment losses ("-" indicates loss)	-457,064.44	-106,437.03
Asset impairment losses ("-" indicates loss)	-572,411.86	-944,304.47
Return on disposal of assets ("-" indicates loss)	-613,479.84	-21,577.69
II. Operating Profit ("-" indicates loss)	91,046,259.02	62,011,214.02
Plus: Non-operating income	393,442.74	470,286.60
Less: Non-operating expenditure	15,848,705.74	1,651,977.28
III. Total Profit ("-" indicates total loss)	75,590,996.02	60,829,523.34
Less: Income tax expense	-7,045,758.08	1,820,524.82
IV. Net Profit ("-" indicates net loss)	82,636,754.10	59,008,998.52
i. Net profit from continued operation ("-" indicates net loss)	82,636,754.10	59,008,998.52
ii. Net profit from discontinued operation ("-" indicates net loss)		
V. Net Amount of Other Comprehensive Income after Tax		
i. Other comprehensive income not able to be reclassified into the profit or loss		
1. Changes of re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred into the profit or loss under equity method		
3. Changes in fair value of investment in other equity instruments		

4. Changes in fair value of credit risk of the enterprise		
5. Others		
ii. Other comprehensive income reclassified into the profit or loss		
1. Other comprehensive income to be transferred into the profit or loss under equity method		
2. Changes in fair value of investment in other creditor's rights		
3. Financial assets reclassified into other comprehensive income		
4. Impairment provision for credit of investment in other creditor's rights		
5. Reserve of cash flow hedge		
6. Converted difference in foreign currency financial statements		
7. Others		
VI. Total Comprehensive Income	82,636,754.10	59,008,998.52
VII. Earnings per Share:		
i. Basic earnings per share		
ii. Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	2020	2019
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	7,641,541,541.60	6,946,974,117.36
Net increase in deposits from customers,		

banks and non-bank financial institutions		
Net increase in due to central banks		
Net increase in placements from other financial institutions		
Cash received from the premium of direct insurance contracts		
Net cash from reinsurance business		
Net increase in deposits and investment of the insured		
Cash obtained from interest, net fee and commission		
Net increase in placements from banks and other financial institutions		
Net increase in repo service fund		
Net cash from agent securities trading		
Tax rebates	8,043,686.95	29,267,082.90
Cash received related to other operating activities	152,705,536.70	249,364,314.71
Sub-total of cash inflow from operating activities	7,802,290,765.25	7,225,605,514.97
Cash paid for goods purchased and services rendered	4,999,555,647.15	4,213,639,113.14
Net loans and advances to customers		
Net increase in deposits with the central bank, banks and non-bank financial institutions		
Cash paid for claims of direct insurance contracts		
Net increase in placements with banks and non-bank financial institutions		
Cash paid for interest, fee and commission		

Cash paid for dividends of the insured		
Cash paid to and on behalf of employees	665,109,162.40	543,660,724.86
Tax payments	534,941,400.79	320,611,778.10
Cash payments related to other operating activities	774,483,692.66	787,318,997.01
Sub-total of cash outflow from operating activities	6,974,089,903.00	5,865,230,613.11
Net cash flows from operating activities	828,200,862.25	1,360,374,901.86
II. Cash Flows from Investing Activities:		
Cash from realization of investment		
Cash received from the return on investments	3,868,134.28	333,745.61
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	48,828,706.60	1,155,770.90
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	127,105,000.00	
Sub-total of cash inflow from investing activities	179,801,840.88	1,489,516.51
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	511,677,417.02	602,954,032.35
Cash paid for investments		
Net increase in pledged loans		
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing	50,000,000.00	127,105,000.00

activities		
Sub-total of cash outflow from investing activities	561,677,417.02	730,059,032.35
Net cash flows from investing activities	-381,875,576.14	-728,569,515.84
III. Cash Flows from Financing Activities:		
Cash received from capital contribution	28,101,700.23	104,792,649.00
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	383,892,976.77	299,514,563.03
Cash received related to other financing activities		110,753,779.11
Sub-total of cash inflow from financing activities	411,994,677.00	515,060,991.14
Cash paid for repayments of borrowings	301,057,260.06	796,290,846.44
Cash payment for interest expenses and distribution of dividends or profits	99,989,760.28	45,925,148.44
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash payments related to other financing activities	80,056,125.89	460,054.74
Sub-total of cash outflow from financing activities	481,103,146.23	842,676,049.62
Net cash flows from financing activities	-69,108,469.23	-327,615,058.48
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	-3,179,534.13	677,053.37
V. Net Increase in Cash and Cash Equivalents	374,037,282.75	304,867,380.91
Plus: Opening balance of cash and cash equivalents	675,996,852.97	371,129,472.06
VI. Closing Balance of Cash and Cash Equivalents	1,050,034,135.72	675,996,852.97

6. Cash flow statement of the Parent Company

Unit: RMB

Item	2020	2019
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	1,317,396,402.58	1,056,147,896.18
Tax rebates	120,214.00	73,675.36
Cash received related to other operating activities	1,834,396,504.14	1,539,185,832.09
Sub-total of cash inflow from operating activities	3,151,913,120.72	2,595,407,403.63
Cash paid for goods purchased and services rendered	985,895,534.46	686,517,835.07
Cash paid to and on behalf of employees	127,413,062.62	61,651,247.93
Tax payments	31,053,247.68	21,024,211.02
Cash payments related to other operating activities	1,414,912,983.81	1,482,289,208.78
Sub-total of cash outflow from operating activities	2,559,274,828.57	2,251,482,502.80
Net cash flows from operating activities	592,638,292.15	343,924,900.83
II. Cash Flows from Investing Activities:		
Cash from realization of investment		
Cash received from the return on investments	143,256,231.99	60,333,745.61
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	48,336.80	430,375.00
Net amount of cash received from the disposal of subsidiaries and other operating		

organizations		
Cash received related to other investing activities	127,105,000.00	
Sub-total of cash inflow from investing activities	270,409,568.79	60,764,120.61
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	32,119,334.97	18,996,988.31
Cash paid for investments	665,600,000.00	6,200,000.00
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	50,000,000.00	127,105,000.00
Sub-total of cash outflow from investing activities	747,719,334.97	152,301,988.31
Net cash flows from investing activities	-477,309,766.18	-91,537,867.70
III. Cash Flows from Financing Activities:		
Cash received from capital contribution	28,101,700.23	104,792,649.00
Cash received from borrowings		
Cash received related to other financing activities		98,045,766.24
Sub-total of cash inflow from financing activities	28,101,700.23	202,838,415.24
Cash paid for repayments of borrowings		352,600,000.00
Cash payment for interest expenses and distribution of dividends or profits	97,014,306.99	41,327,992.18
Cash payments related to other financing activities	32,970,709.24	460,054.74
Sub-total of cash outflow from financing activities	129,985,016.23	394,388,046.92

Net cash flows from financing activities	-101,883,316.00	-191,549,631.68
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	254,432.97	26,189.80
V. Net Increase in Cash and Cash Equivalents	13,699,642.94	60,863,591.25
Plus: Opening balance of cash and cash equivalents	156,151,560.82	95,287,969.57
VI. Closing Balance of Cash and Cash Equivalents	169,851,203.76	156,151,560.82

7. Consolidated statement of changes in owner's equity

Amount of the current period

Unit: RMB

Item	2020													Equity of minority shareholders	Total owner's equity
	Owner's equity attributable to the Parent Company														
	Share capital	Other equity instrument			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Others	Subtotal		
		Preference shares	Perpetual bonds	Others											
I. Balance at the End of Last Year	1,308,891,273.00				760,731,416.57	104,792,649.00			53,205,582.86			2,058,968,835.80	4,077,004,459.23		4,077,004,459.23
Plus: Alternation to accounting policies															
Correction to previous errors															
Business															

combinations involving enterprises under common control														
Others														
II. Balance at the Beginning of the Year	1,308,891,273.00			760,731,416.57	104,792,649.00			53,205,582.86		2,058,968,835.80		4,077,004,459.23		4,077,004,459.23
III. Changes in the Period ("-" Indicates Decrease)	2,595,804.00			146,275,088.48	-8,311,737.71			8,263,675.41		799,695,311.59		965,141,617.19		965,141,617.19
i. Total comprehensive income										905,889,081.41		905,889,081.41		905,889,081.41
ii. Capital contributed or decreased by owner	2,595,804.00			146,275,088.48	-8,311,737.71							157,182,630.19		157,182,630.19
1. Ordinary shares	3,610,416.00			34,809,136.79								38,419,552.79		38,419,552.79

contributed by owners														
2. Capital contributed by owners of other equity instruments														
3. Share based payments recognized as owner's equity	-1,014,612.00				111,465,951.69	-35,992,459.47							146,443,799.16	146,443,799.16
4. Others						27,680,721.76							-27,680,721.76	-27,680,721.76
iii. Profit distribution									8,263,675.41	-106,193,769.82			-97,930,094.41	-97,930,094.41
1. Appropriation of surplus reserves									8,263,675.41	-8,263,675.41				
2. Appropriation of general risk reserves														
3. Distribution										-97,930,094.41			-97,930,094.41	-97,930,094.41

to owners (or shareholders)															
4. Others															
iv. Interior balance from owner's equity															
1. Added capital (or share capital) from capital reserves															
2. Added capital (or share capital) from surplus reserves															
3. Compensation of loss with surplus reserves															
4. Retained earnings of carry-over of the defined benefit plan															

5. Retained earnings of carry-over of other comprehensive income														
6. Others														
v. Special reserves														
1. Appropriation for the period														
2. Use for the period														
vi. Others														
IV. Closing Balance of the Period	1,311,487,077.00				907,006,505.05	96,480,911.29			61,469,258.27			2,858,664,147.39	5,042,146,076.42	5,042,146,076.42

Amount of last period

Unit: RMB

Item	2019														
	Owner's equity attributable to the Parent Company												Equity of minority shareholders	Total owner's equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Others			Subtotal
Preference shares		Perpetual bonds	Others												
I. Balance at the End of Last Year	1,286,692,741.00				609,403,941.54	122,916,831.04			47,304,683.01		1,490,758,189.02		3,311,242,723.53		3,311,242,723.53
Plus: Alternation to accounting policies															
Correction to previous errors															
Business combinations involving															

enterprises under common control														
Others														
II. Balance at the Beginning of the Year	1,286,692,741.00			609,403,941.54	122,916,831.04			47,304,683.01		1,490,758,189.02		3,311,242,723.53		3,311,242,723.53
III. Changes in the Period ("-" Indicates Decrease)	22,198,532.00			151,327,475.03	-18,124,182.04			5,900,899.85		568,210,646.78		765,761,735.70		765,761,735.70
i. Total comprehensive income										603,832,650.83		603,832,650.83		603,832,650.83
ii. Capital contributed or decreased by owner	22,198,532.00			151,327,475.03	-18,124,182.04							191,650,189.07		191,650,189.07
1. Ordinary shares contributed by owners	22,467,200.00			82,325,449.00								104,792,649.00		104,792,649.00

2. Capital contributed by owners of other equity instruments														
3. Share based payments recognized as owner's equity	-268,668.00			69,002,026.03	76,457,365.31							-7,724,007.28		-7,724,007.28
4. Others					-94,581,547.35							94,581,547.35		94,581,547.35
iii. Profit distribution								5,900,899.85		-35,622,004.05		-29,721,104.20		-29,721,104.20
1. Appropriation of surplus reserves								5,900,899.85		-5,900,899.85				
2. Appropriation of general risk reserves														
3. Distribution to owners (or shareholders)										-29,721,104.20		-29,721,104.20		-29,721,104.20
4. Others														

iv. Interior balance from owner's equity															
1. Added capital (or share capital) from capital reserves															
2. Added capital (or share capital) from surplus reserves															
3. Compensation of loss with surplus reserves															
4. Retained earnings of carry-over of the defined benefit plan															
5. Retained earnings of															

carry-over of other comprehensive income															
6. Others															
v. Special reserves															
1. Appropriation for the period															
2. Use for the period															
vi. Others															
IV. Closing Balance of the Period	1,308,891,273.00				760,731,416.57	104,792,649.00			53,205,582.86			2,058,968,835.80		4,077,004,459.23	4,077,004,459.23

8. Statement of changes in owner's equity of the Parent Company

Amount of the current period

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preference shares	Perpetual bonds	Others								
I. Balance at the End of Last Year	1,308,891,273.00				690,241,724.38	104,792,649.00			53,084,248.58	180,966,989.79		2,128,391,586.75
Plus: Alternation to accounting policies												
Correction to previous errors												
Others												
II. Balance at the Beginning of the Year	1,308,891,273.00				690,241,724.38	104,792,649.00			53,084,248.58	180,966,989.79		2,128,391,586.75
III. Changes in the Period ("-" Indicates Decrease)	2,595,804.00				141,451,481.81	-8,311,737.71			8,263,675.41	-23,557,015.72		137,065,683.21
i. Total comprehensive income										82,636,754.10		82,636,754.10
ii. Capital contributed or decreased by owner	2,595,804.00				141,451,481.81	-8,311,737.71						152,359,023.52
1. Ordinary shares contributed by owners	3,610,416.00				34,809,136.79							38,419,552.79
2. Capital contributed by owners of other equity instruments												
3. Share based payments recognized as owner's equity	-1,014,612.00				106,642,345.02	-35,992,459.47						141,620,192.49

4. Others						27,680,721.76							-27,680,721.76
iii. Profit distribution									8,263,675.41	-106,193,769.82			-97,930,094.41
1. Appropriation of surplus reserves									8,263,675.41	-8,263,675.41			
2. Distribution to owners (or shareholders)										-97,930,094.41			-97,930,094.41
3. Others													
iv. Interior balance from owner's equity													
1. Added capital (or share capital) from capital reserves													
2. Added capital (or share capital) from surplus reserves													
3. Compensation of loss with surplus reserves													
4. Retained earnings of carry-over of the defined benefit plan													
5. Retained earnings of carry-over of other comprehensive income													
6. Others													
v. Special reserves													
1. Appropriation for the period													
2. Use for the period													
vi. Others													

IV. Closing Balance of the Period	1,311,487,077.00				831,693,206.19	96,480,911.29			61,347,923.99	157,409,974.07		2,265,457,269.96
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Amount of last period

Unit: RMB

Item	2019											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preference shares	Perpetual bonds	Others								
I. Balance at the End of Last Year	1,286,692,741.00				545,219,407.25	122,916,831.04			47,183,348.73	157,579,995.32		1,913,758,661.26
Plus: Alternation to accounting policies												
Correction to previous errors												
Others												
II. Balance at the Beginning of the Year	1,286,692,741.00				545,219,407.25	122,916,831.04			47,183,348.73	157,579,995.32		1,913,758,661.26
III. Changes in the Period ("-" Indicates Decrease)	22,198,532.00				145,022,317.13	-18,124,182.04			5,900,899.85	23,386,994.47		214,632,925.49
i. Total comprehensive income										59,008,998.52		59,008,998.52
ii. Capital contributed or decreased by owner	22,198,532.00				145,022,317.13	-18,124,182.04						185,345,031.17
1. Ordinary shares contributed by owners	22,467,200.00				82,325,449.00							104,792,649.00
2. Capital contributed by owners of other equity instruments												

3. Share based payments recognized as owner's equity	-268,668.00				62,696,868.13	76,457,365.31						-14,029,165.18
4. Others						-94,581,547.35						94,581,547.35
iii. Profit distribution								5,900,899.85	-35,622,004.05			-29,721,104.20
1. Appropriation of surplus reserves								5,900,899.85	-5,900,899.85			
2. Distribution to owners (or shareholders)									-29,721,104.20			-29,721,104.20
3. Others												
iv. Interior balance from owner's equity												
1. Added capital (or share capital) from capital reserves												
2. Added capital (or share capital) from surplus reserves												
3. Compensation of loss with surplus reserves												
4. Retained earnings of carry-over of the defined benefit plan												
5. Retained earnings of carry-over of other comprehensive income												
6. Others												
v. Special reserves												
1. Appropriation for the period												

2. Use for the period												
vi. Others												
IV. Closing Balance of the Period	1,308,891,273.00				690,241,724.38	104,792,649.00			53,084,248.58	180,966,989.79		2,128,391,586.75

III. Basic Information of the Company

1. Development history of the Company

C&S Paper Co., Ltd. (hereinafter referred to as "the Company") is a joint stock limited company restructured from Zhongshan Zhongshun Paper Manufacturing Co., Ltd., with all shareholders of the original company as its initiators. The Company has obtained a business license of enterprise legal person with the registration number of 442000400013713 issued by Guangdong Province Administration for Industry and Commerce on December 31, 2008.

In November 2010, under the approval of the *Notice on the Approval of the Initial Public Offering of Shares of C&S Paper Co., Ltd.* (CSRC Xu Ke [2010] No. 1539) issued by China Securities Regulatory Commission, the Company issued 40,000,000 RMB-denominated ordinary shares (A shares) to the public, each having a par value of RMB1. The share capital after the public offering was RMB160,000,000.00.

On May 22, 2012, the Company held the 2011 Annual General Meeting of Shareholders and approved the *Proposal on the 2011 Profit Distribution Plan*, applying for an increase of registered capital by RMB48,000,000.00. With the base number of 160,000,000.00 total shares as at the end of 2011, the Company planned to convert capital reserve into new shares on the basis of three shares for every ten existing shares. The registered capital after the change was RMB208,000,000.00.

On June 3, 2013, the Company held the 2012 Annual General Meeting of Shareholders and approved the *Proposal on the 2012 Profit Distribution Plan*, applying for an increase of registered capital by RMB104,000,000.00. With the base number of 208,000,000.00 total shares as at the end of 2012, the Company planned to convert capital reserve into new shares on the basis of five shares for every ten existing shares. The registered capital after the change was RMB312,000,000.00.

On May 8, 2014, the Company held the 2013 Annual General Meeting of Shareholders and approved the *Proposal on the 2013 Profit Distribution Plan*, applying for an increase of registered capital by RMB93,600,000.00. With the base number of 312,000,000.00 total shares as at the end of 2013, the Company planned to convert capital reserve into new shares on the basis of three shares for every ten existing shares. The registered capital after the change was RMB405,600,000.00.

On May 8, 2015, the Company held the 2014 Annual General Meeting of Shareholders and approved the *Proposal on the 2014 Profit Distribution Plan*, applying for an increase of registered capital by RMB81,120,000.00. With the base number of 405,600,000.00 total shares as at the end of 2014, the Company planned to convert capital reserve into new shares on the basis of two shares for every ten existing shares. The registered capital after the change was RMB486,720,000.00.

Pursuant to the resolutions of the 7th meeting of the third session of the Board of Directors, the 9th meeting of the third session of the Board of Directors, the third extraordinary general meeting of 2015 and the 10th meeting of the

third session of the Board of Directors, the Company planned to grant 17,133,000.00 restricted RMB-denominated ordinary shares (A shares) to 242 incentive recipients including Liu Jinfeng through private placement, with a par value of RMB1 per share and a grant price of RMB4.25 per share. Upon completion, 16,957,000.00 restricted RMB-denominated ordinary shares (A shares) were actually granted to a total of 199 incentive recipients with 43 employees withdrawing from the plan. The registered capital after the change was RMB503,677,000.00.

Pursuant to the resolutions of the third extraordinary general meeting of 2015, the 11th meeting of the third session of the Board of Directors and the 9th meeting of the third session of the Board of Supervisors, the Company planned to grant 1,867,000.00 restricted RMB-denominated ordinary shares (A shares) to 68 incentive recipients including Duan Xianglei through private placement, with a par value of RMB1 per share and a grant price of RMB4.80 per share. Upon completion, 1,847,000.00 restricted RMB-denominated ordinary shares (A shares) were granted to a total of 54 incentive recipients with 14 employees withdrawing from the plan. The registered capital after the change was RMB505,524,000.00.

On October 24, 2016, at the 15th meeting of the third session of the Board of Directors, *Proposal on the Repurchase and Deregistration of Partial Restricted Stocks under the Company's Restricted Stock Incentive Plan* and *Proposal on Changing the Registered Capital and Amending the Articles of Association of the Company* were reviewed and approved. Pursuant to the resolution of the meeting of the Board of Directors, the Company applied for the repurchase and deregistration of 266,000.00 restricted stocks. Among them, the repurchase price of restricted stocks awarded in the first grant was RMB4.25 per share, the repurchase price of reserved restricted stocks was RMB4.80 per share, and the registered capital after the change was RMB505,258,000.00.

On May 10, 2017, the Company held the 2016 Annual General Meeting of Shareholders and approved the *Proposal on the 2016 Profit Distribution Plan*, applying for an increase of registered capital by RMB252,629,000.00. With the base number of 505,258,000.00 total shares as at the end of 2016, the Company planned to convert capital reserve into new shares on the basis of five shares for every ten existing shares. The registered capital after the change was RMB757,887,000.00.

Pursuant to the resolutions of the 22nd and 24th meeting of the third session of the Board of Directors in 2017, as some incentive recipients were disqualified to hold incentive stocks after leaving the Company or failing the appraisal, the Company planned to repurchase and deregister the restricted stocks of 35 incentive recipients. Among them, 25 incentive recipients were granted in the first period with 382,462.50 restricted stocks and ten incentive recipients were granted with 39,997.50 reserved restricted stocks. A total of 422,460.00 shares were repurchased and deregistered. The registered capital after the reduction was RMB757,464,540.00.

On May 8, 2018, the Company held the 2017 Annual General Meeting of Shareholders and approved the *Proposal on the 2017 Profit Distribution Plan*, applying for an increase of registered capital by RMB530,225,178.00. With the base number of 757,464,540.00 total shares, the Company planned to convert capital reserve into new shares on the basis of seven shares for every ten existing shares. The registered capital after the change was

RMB1,287,689,718.00.

Pursuant to the resolution of the 5th meeting of the fourth session of the Board of Directors in 2018, as some incentive recipients were disqualified to hold incentive stocks after leaving the Company or failing the appraisal at the second unlocking period under the Restricted Stock Incentive Plan, the Company planned to repurchase and deregister the restricted stocks of 46 incentive recipients. Among them, 38 incentive recipients were granted in the first grant with 985,426.00 restricted stocks and eight incentive recipients were granted with 11,551.00 reserved restricted stocks. A total of 996,977.00 shares were repurchased and deregistered. The registered capital after the reduction was RMB1,286,692,741.00.

Pursuant to the resolutions of the 9th meeting of the fourth session of the Board of Directors and the first extraordinary general meeting in 2019, the Company planned to grant 21,717,500.00 restricted RMB-denominated ordinary shares (A shares) to 671 incentive recipients including Dong Ye through private placement, with a par value of RMB1 per share. Upon completion, 19,675,500.00 restricted RMB-denominated ordinary shares (A shares) were granted to a total of 569 incentive recipients at the price of RMB4.33, with 102 employees withdrawing from the plan. The registered capital after the change was RMB1,306,368,241.00.

Pursuant to the resolutions of the 12th and 13th meeting of the fourth session of the Board of Directors, as some incentive recipients were disqualified to hold incentive stocks after leaving the Company or failing the appraisal, the Company planned to repurchase and deregister the restricted stocks of 32 incentive recipients. Among them, 211,803.00 restricted stocks were granted to 22 incentive recipients in the first grant and 56,865.00 reserved restricted stocks were granted to ten incentive recipients. A total of 268,668.00 shares were repurchased and deregistered.

Pursuant to the *Proposal on Granting Reserved Stock Options and Restricted Stocks to Incentive Recipients* reviewed and approved at the 16th meeting of the fourth session of the Board of Directors in 2019, the Company planned to grant 64 incentive recipients with 3,500,000.00 restricted stocks with a grant price of RMB7.02 per share. The incentive plan actually granted 46 incentive recipients with 2,791,700.00 restricted ordinary shares as 18 incentive recipients did not subscribe for the restricted stocks due to resignation or voluntary abandonment and 13 incentive recipients did not fully pay for the subscribed restricted stocks. The registered capital after the grant was RMB1,308,891,273.00.

The 23rd meeting of the fourth session of the Board of Directors and the second extraordinary general meeting of 2020 reviewed and approved the *Proposal on the Repurchase and Deregistration of Partial Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. Pursuant to the proposal, as some incentive recipients were disqualified to hold incentive stocks after leaving the Company or failing the appraisal or some recipients passed the appraisal but did not attain a full score and hence could not unlock all the stocks, the Company decided to repurchase and deregister total 802,722 restricted shares of 241 incentive recipients. The registered capital after the reduction was RMB1,308,088,551.00.

The 28th meeting of the fourth session of the Board of Directors and the fifth extraordinary general meeting of 2020 reviewed and approved the *Proposal on the Repurchase and Deregistration of Partial Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. Pursuant to the proposal, as some incentive recipients were disqualified to hold incentive stocks after leaving the Company or failing the appraisal or some recipients passed the appraisal but did not attain a full score and hence could not unlock all the stocks, the Company decided to repurchase and deregister total 211,890 restricted shares of 24 incentive recipients. The registered capital after the reduction was RMB1,307,876,661.00.

At the 23rd meeting of the fourth session of the Board of Directors, the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was reviewed and approved. The proposal agreed that the exercise conditions under the first exercise period for the stock options awarded in the first grant had been met as set out in the *2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, and the exercise method was independent exercise. The number of incentive recipients in conformity with the exercise conditions reached 2,522 and the number of stock options that had met exercise conditions was 3,431,505.00. The exercise period was from June 10, 2020 to February 26, 2021. At the 28th meeting of the fourth session of the Board of Directors, the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was reviewed and approved. The proposal agreed that the exercise conditions under the first exercise period for the reserved stock options had been met as set out in the *2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, and the exercise method was independent exercise. The number of incentive recipients in conformity with the exercise conditions reached 88 and the number of stock options that have met exercise conditions was 640,389. The exercise period was from November 17, 2020 to September 10, 2021. As of December 31, 2020, the incentive recipients who had met the above exercise conditions have successively begun to exercise their rights, and a total of 3,610,416 shares have been subscribed.

As at December 31, 2020, the Company has had a registered capital of RMB1,311,487,077.00 and a share capital of RMB1,311,487,077.00.

2. Registered address, form of organization, and headquarters of the Company

Form of organization: Company limited by shares

Registered address: Shenglong Village, Tanbei, Dongsheng Town, Zhongshan City

Address of the headquarters the Company: 136 Caihong Avenue, West District, Zhongshan City

3. Business nature and main business activities of the Company

C&S Paper Co., Ltd. and its subsidiaries (hereafter generally referred to as “the Company”) are in the household paper industry. The Company mainly engages in the following: “General items: paper product manufacturing; paper product sales; Internet sales (excluding the sales of commodities requiring a permit); sales of daily

necessities; sales of personal hygiene products; sales of household products; sales of sanitary products and disposable medical products; retail of cosmetics; wholesale of cosmetics; sales of knitwear; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products; wholesale of kitchen utensils and daily groceries; sales of Class I medical devices; manufacture of Class I medical devices; sales of Class II medical devices; sales of disinfectants (excluding hazardous chemicals). (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law). Licensed items: import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval); manufacture of Class II medical devices; operation of Class III medical devices; manufacture of Class III medical devices. (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments, and the specific business items are subject to the approval document or the permit issued by relevant department.) (The above business scope involves import and export of goods and technologies, business operation of Class II and Class III medical devices, and manufacture of medical devices.) (The above items do not involve special management measures for the access of foreign investment).”

4. Actual controller of the Company

The actual controllers of the Company are Deng Yingzhong, Deng Guanbiao, and Deng Guanjie (Deng Yingzhong is the other two’s father).

5. Approver for the issue of the financial statements and date of approval

The financial statements were approved for issue by the Board of Directors of the Company on April 27, 2021.

6. Scope of the consolidation of financial statements

As of December 31, 2020, the Company has 19 subsidiaries which are included in the consolidated scope, as detailed in “Note IX. Equities in Other Entities”. Compared with last year, one subsidiary has been newly added into the consolidated scope this year. For details, see “Note VIII. Changes in Consolidated Scope”.

IV. Preparation Basis for Financial Statements

1. Basis of preparation

The financial statements of the Company have been prepared on a going concern basis based on actual transactions and events and according to the *Accounting Standards for Business Enterprises - Basic Standards* promulgated by the Ministry of Finance (MOF No. 33 Document and No. 76 Revision), the 42 accounting standards, *Guidelines for the Application of the Accounting Standards for Business Enterprises*, interpretation to the accounting standards for business enterprises and other relevant regulations that are successively promulgated on or after February 15, 2006 (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), and rules set out in *No. 15 Preparation and Reporting Rules of Information Disclosure of Public*

Offering Companies - General Rules for Financial Statements (2014 Revision) issued by China Securities Regulatory Commission based on actual transactions and events.

In accordance with the relevant rules of *Accounting Standards for Business Enterprises*, the financial accounting of the Company is based on accrual basis. Apart from some financial tools, the accounting measurement of the financial statements is based on historical cost method. Provision for impairment of asset is set aside if it is recognized.

2. Going concern

The Company shall be a going concern for at least 12 months following the end of the reporting period. There are no major events that will affect the Company's operational ability; therefore the assumption on which the financial statements are based is reasonable.

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates:

C&S Paper Co., Ltd. and all its subsidiaries have set out several specific accounting policies and accounting estimates for transactions and events with relation to the recognition of incomes and income taxes in accordance with the *Accounting Standards for Business Enterprises* and their own operational characteristics. Please refer to "Note V (39) Revenue" for details. As for explanations of significant accounting judgments and estimates made by the management, please refer to "Note V (44) significant changes of accounting policies and accounting estimates".

1. Statement of compliance with the accounting standards for business enterprises

The financial statements of the Company conform to the requirements set out in the *Accounting Standards for Business Enterprises*. The statements truthfully and completely reflect the financial status, operating results, cash flow, and other relevant information of the Company. In addition, the financial statements of the Company are also in accordance with disclosure requirements for financial statements and notes in *No. 15 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies - General Rules for Financial Statements of the China Securities Regulatory Commission (2014 Revision)* in all material aspects

2. Accounting period

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

3. Operating cycle

The operating cycle of the Company normally refers to the periods during which the Company purchases assets for processing and then gets cash or cash equivalents from the processed items. Normally, the operating cycle of a company is shorter than a year. The Company sets 12 months as a full operating cycle and uses the 12-month period as a standard for the liquidity of assets and liabilities.

4. Standard currency for accounting

RMB is the main currency in the main economic environments in which the Company and its domestic subsidiaries operate. Therefore, the Company and its subsidiaries use RMB as the standard currency for bookkeeping. The currency for accounting used in the Company's financial statements is RMB.

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

Business combinations refer to the combination of two or more independent enterprises to form a reporting entity of transactions or events. Business combination can be classified as business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

(1) Business combinations involving enterprises under common control

Business combinations under common control means enterprises involved in the business combination are under ultimate control by one party or the same multi-parties before and after combination, and such control is not temporary. For business combinations under common control, those who obtain control of enterprises involved in the business combination on the combination date are the acquirer while other enterprises involved in the business combination are the acquiree. Combination date is the date that the combining party actually obtains control of the combined party.

Assets and liabilities that the acquirer gets from the acquiree are calculated and measured at the book values on the combination date. If there are differences between the book values of the net assets the acquirer receives and the book values of the combination consideration it pays (or the face values of the issued shares), the differences will be used to adjust capital reserves (share premium). Where capital reserves (share premium) are insufficient to offset, retained earnings shall be adjusted.

All direct expenses related to the business combinations paid by the acquirer shall be included in current profits and losses upon occurrence.

(2) Business combinations involving enterprises not under common control

Business combinations not under common control means enterprises involved in the business combination are not

under ultimate control by one party or the same multi-parties before and after combination. For business combinations not under common control, those who obtain control of enterprises involved in the business combination on the acquisition date are the acquirer, while other enterprises involved in the business combination are the acquiree. Acquisition date is the date that the acquirer actually obtains control of the acquiree.

For business combinations not under common control, the costs of combination include the assets the acquirer pays, liabilities the acquirer bears, and the fair value of the equity securities issued on the date of combination for the acquisition of control over the acquiree. The costs of auditing, legal services, evaluation consulting, other intermediary expenses and other management fees incurred for business combination shall be included in current profits and losses. The transaction costs of the equity securities and debt securities issued by the acquirer shall be included in the initially confirmed amounts of equity securities and debt securities. The contingent consideration involved shall be included in the costs of business combination based on its fair value at the acquisition date. If, within 12 months after the acquisition, there is new or further evidence for conditions that have already existed on the acquisition date and the contingent consideration shall be re-adjusted, the combination goodwill shall be adjusted accordingly. The acquirer's costs of business combinations and its identifiable net assets obtained from business combinations shall be assessed at the fair values on the acquisition date. If the costs of business combinations are higher than the identifiable net assets of the acquiree on the acquisition date, the gap between them shall be confirmed as goodwill. If the costs of business combinations are lower than the fair values of the identifiable net assets of the acquiree on the acquisition date, the fair values of identifiable assets, liabilities and contingent liabilities as well as the measurement of combination costs shall be reassessed; if, upon reassessment, the business combination costs are still lower than the fair values of the identifiable net assets of the acquiree, the difference shall be included in profits and losses of the current period.

If the deductible temporary differences the acquirer gets from the acquiree are not eligible to be confirmed as deferred tax asset on the acquisition date, and within 12 months of the acquisition, there are new or further evidence for the conditions that have already existed on the acquisition date that the economic profits brought by the deductible temporary differences of the acquiree could be achieved, such differences shall be confirmed as deferred tax asset. At the same time, the goodwill shall be reduced. Where the goodwill is insufficient to be deducted, the gap between them shall be included in current profits and losses. Apart from the aforementioned situations, all deductible temporary differences confirmed to be relevant to the business combination shall be recorded in current profits and losses.

For business combinations not under common control that are achieved through multiple steps, whether they can be regarded as package deals shall be judged in accordance with *Notice No.5 of the Interpretation of Accounting Standards for Business Enterprises of the Ministry of Finance* (C.K. [2012] No.19), and the standards of "package deals" set out in Article 51 of the *Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements* (please refer to Note V (6) "Methods for preparation of consolidated financial statements" (2)). In the

event that the combination is regarded as "package deals", accounting treatment shall be done by referring to the descriptions in previous paragraphs of this section and "Note V (22) Long-term equity investments" herein; if not, accounting treatment shall be done by distinguishing individual financial statements from consolidated financial statements:

In individual financial statements, the initial investment costs shall be the sum of the book value of the equity investment of the acquiree held before the acquisition date and the new investment costs on the acquisition date; if other comprehensive income is involved in the equities of the acquiree before the acquisition date, accounting processing shall be done for the comprehensive income related to this investment by adopting the same basis for directly disposing of relevant assets or liabilities of the acquiree during the disposal of this investment (that is, except for the corresponding shares of the changes caused by re-measurement of the net liabilities or net assets of the defined benefit plan by the acquiree, which are accounted by the equity method, others shall be transferred to the return on investment of the current period).

In consolidated financial statements, the equities of the acquiree held before the acquisition date shall be re-measured at the fair value of the equities on the acquisition date, and the difference between the fair value and the book value shall be recognized as the return on investment of the current period; if other comprehensive income is involved in the equities of the acquiree before the acquisition date, accounting processing shall be done for the comprehensive income related to this investment by adopting the same basis for directly disposing of relevant assets or liabilities of the acquiree (that is, except for the corresponding shares of the changes caused by re-measurement of the net liabilities or net assets of the defined benefit plan by the acquiree, which are accounted by the equity method, others shall be transferred to the return on investment of the current period).

6. Methods for preparation of consolidated financial statements

(1) Principles of determining the scope of consolidated financial statements

The scope of consolidation of consolidated financial statements shall be subject to the basis of control. Control refers to the power the investor owns against the investee, which allows the investor to enjoy the variable return by attending relevant activities held by the investee, and to be capable of using such power to affect the amount of return. The scope of consolidation is the Company and all of its subsidiaries. Subsidiaries refer to entities controlled by the Company.

The Company shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to the relevant elements of control as defined above.

(2) Methods for preparation of consolidated financial statements

The Company shall include the subsidiaries in the scope of consolidation from the date it acquires the actual control over the net assets and the decision-making of production and operations of such subsidiaries; accordingly, the Company shall terminate including them in the scope of consolidation from the date it loses the actual control.

In terms of subsidiaries already disposed of, the operating results and cash flows before the disposal date have been included in the consolidated income statements and the consolidated cash flow statements appropriately; as for subsidiaries disposed in the current period, the opening balance in the consolidated balance sheet shall not be adjusted. In case of subsidiaries added through business combinations not under the same control, the operating results and cash flows after the acquisition date have been included in the consolidated income statements and the consolidated cash flow statements appropriately, and the opening and comparative balance in the consolidated balance sheet shall not be adjusted. In case of subsidiaries added through business combinations under the same control among which the Company absorbs the combined party, the operating results and cash flows of the combined party from the beginning of the period in which the combination happens to the combination date have been included in the consolidated income statements and the consolidated cash flow statements appropriately, and the comparative balance in the consolidated balance sheet shall be adjusted simultaneously.

In case of inconsistencies in the accounting policies or periods between subsidiaries and the Company during preparation of consolidated financial statements, financial statements of subsidiaries shall be adjusted according to the accounting policies and periods adopted by the Company. For subsidiaries acquired by business combinations not under the same control, their financial statements shall be adjusted based on the fair value of the identifiable net assets on the acquisition date.

All major business transaction balance, transactions, and unrealized profit of the Company shall be offset during preparation of consolidated financial statements.

Shareholders' equities of subsidiaries and the part of the net profit and loss of the current period not attributable to the Company shall be presented separately under the shareholders' equities and the net profit in the consolidated financial statements as equities of minority shareholders and minority shareholders' profits and losses. Shares of equities of minority shareholders in the net profit and loss of the current period of subsidiaries shall be presented under the "minority shareholders' profits and losses" in the consolidated income statement. If the loss of a subsidiary which is shared by its minority shareholders exceeds the minority shareholders' share in the opening balance of the subsidiary, the minority interest shall be reduced.

If the Parent Company loses control of a subsidiary due to partial disposal of equity investment or other reasons, it shall re-measure the remaining equity at fair value on the date of loss of control. The sum of consideration obtained from equity disposal and fair value of the remaining equity, minus the difference between the Parent Company's share of the subsidiary's net assets that is continuously calculated from the acquisition date, shall be recognized as investment income for the reporting period when the loss of control takes place. Accounting processing shall be done for the other comprehensive income related to this investment in the subsidiary's equities by adopting the same basis for directly disposing of relevant assets or liabilities of the acquiree during the loss of control (that is, except for the changes caused by re-measurement of the net liabilities or net assets of the defined benefit plan by the previous subsidiary, others shall be transferred to the return on investment of the current

period). After that, subsequent measurement shall be done for the remaining equity of this part as per relevant provisions in the *Accounting Standards for Enterprises No. 2 - Long-term Equity Investment* or the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. See "Note V (22)" or "Note V (10)" for details.

If the Company disposes of investments in a subsidiary's equities by steps via transactions until it loses control, it shall check whether these transactions from disposal of the investments in the subsidiary's equities to the loss of control are package deals. If the terms, conditions, and economic effects of transactions on disposing of equity investment in the subsidiary conform to one or more of the following circumstances, that means these multiple transactions should be treated as package deals in accounting processing: 1) Those transactions are reached at the same time or after taking into consideration the influence of each other; 2) those transactions together produce a complete commercial outcome; 3) the occurrence of one transaction depends on the occurrence of at least one other transaction; 4) one transaction alone does not seem to be economical, but all those transactions are economical when are considered as a whole. In terms of transactions that are not package deals, accounting processing shall be done for each transaction following the principles applicable to the "partial disposal of long-term equity investment in a subsidiary without loss of control" (see 22 Long-term equity investments (2) 4) under Note V for details) or the "loss of control over a subsidiary due to partial disposal of equity investment or other reasons" (see the previous paragraph for details). If those transactions are package deals, each transaction shall be treated as a transaction that results in loss of control of the subsidiary in accounting processing. However, the difference between each disposal price before loss of control and the Parent Company's share of the subsidiary's net assets corresponding to the disposal investment shall be recognized as other comprehensive income in the consolidated financial statements and, upon loss of control, transferred to the profit and loss of the current reporting period.

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

None

8. Criteria for recognition of cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits that can be used for payment at any time, and short-term (due within three months from the acquisition date) investment held by the Company with high liquidity, easy to convert to cash in a known amount, and small risk of value changes.

9. Translation of transactions and financial statements denominated in foreign currencies

(1) Methods for translation of transactions denominated in foreign currencies

At the initial recognition of foreign currency transactions of the Company, foreign currency will be translated into the amount of standard currency for accounting at the spot exchange rate or its approximate exchange rate on the transaction date. However, the business of exchange of foreign currencies or transactions related to the exchange of foreign currencies, foreign currency will be translated into the amount of standard currency for accounting at the exchange rate actually adopted.

(2) Methods for translation of monetary and non-monetary items in foreign currencies

On the balance sheet date, the foreign currency monetary items are translated at the spot exchange rate on that date. Exchange difference resulting from the difference between the spot exchange rate on the balance sheet date and that at the initial recognition or on the previous balance sheet date shall be recognized as the profit and loss of the current period.

Non-monetary items that are measured at historical cost in foreign currencies shall still be converted at the spot exchange rate on the transaction date with the amount of standard currency for accounting unchanged. Non-monetary items that are measured at fair value in foreign currencies are translated using the foreign exchange rate at the date the fair value is recognized. The difference between the amount of standard currency for accounting after translation and the original amount of the standard currency for accounting shall be treated as a change in fair value (including the change in the exchange rate) and recognized as the profit and loss of the current period or other comprehensive income.

(3) Methods for translation of foreign-currency financial statements

Foreign-currency financial statements of overseas operations shall be translated into RMB financial statements by the following methods: The assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date; except "undistributed profits", all the other owner's equity items are converted at the spot exchange rate at the time of occurrence. Income and expense items in the income statement shall be translated using the foreign exchange rates ruling at the dates of the transactions. Difference resulting from translation of foreign-currency financial statements by the above methods shall be recognized as other comprehensive income. Translation of comparative financial statements shall be subject to the above provisions.

10. Financial instruments

When the Company becomes a party to a financial instrument contract, the financial instrument is confirmed to be either financial assets or financial liabilities.

(1) Classification, recognition, and measurement of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classified financial assets into the following categories: financial assets measured at the amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss of the current period.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value through profit and loss of the current period, transaction costs are directly included in profit and loss of the current period. For other types of financial assets, related transaction costs are included in their initial recognized amounts. In terms of the accounts receivable or notes receivable arising from selling products or providing labor service without or not considering major financing component, the Company shall regard the expected consideration amount that it has rights to charge as the initial recognition amount.

1) Financial assets measured at amortized cost

For the business model where the Company manages the financial assets carried at amortized cost, the Company aims to charge the contract cash flows, and the characteristics of the contract cash flows of this kind of financial assets are consistent with the basic lending arrangements. That is, cash flows generated on specified dates are solely payments of principal and interest on the principal amount outstanding. This kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from amortization or impairment is recognized in profit and loss of the current period.

2) Financial assets measured at fair value through other comprehensive income

The business model for the Company to manage this type of financial assets aims at both obtaining the contract cash flows and selling the financial assets, and the characteristics of the contract cash flows of this kind of financial assets are consistent with the basic lending arrangements. The Company measures this kind of financial assets at fair value through other comprehensive income, but recognizes the impairment losses or gains, exchange profit and loss, and interest income calculated by the effective interest method as the profit and loss of the current period.

Additionally, the Company designates some non-tradable equity instruments as financial assets at fair value through other comprehensive income. The Company recognizes relevant dividend income from such financial assets as the profit and loss of the current period, and changes in fair value as other comprehensive income. When such financial assets are derecognized, the accumulated gains or losses previously recognized as other comprehensive income shall be transferred from other comprehensive income to retained earnings and not recognized as the profit and loss of the current period.

3) Financial assets measured at fair value through profit and loss of the current period

All financial assets other than the other two preceding types are classified as financial assets measured at fair value through profit and loss of the current period. Moreover, at initial recognition, to eliminate or significantly reduce accounting mismatches, the Company may designate some financial assets as financial assets measured at fair value through profit and loss of the current period. Such financial assets shall be measured at fair value, and changes in fair value are recognized as the profit and loss of the current period.

(2) Classification, recognition, and measurement of financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities measured at fair value through

profit or loss and other financial liabilities. For financial liabilities at fair value through profit and loss of the current period, transaction costs are directly included in profit and loss of the current period. For other types of financial liabilities, related transaction costs are included in their initial recognized amounts.

1) Financial liabilities measured at fair value through profit and loss of the current period

Financial liabilities measured at fair value through profit and loss of the current period include tradable financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated to be measured at fair value through profit and loss of the current period at initial recognition.

Tradable financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, and changes in fair value -- except for those related to hedging accounting -- are recognized as profit and loss of the current period.

For those that are designated as financial liabilities measured at fair value through profit or loss, the changes in fair value resulting from changes in the credit risk of the Company shall be recognized as other comprehensive income; besides, when such liabilities are derecognized, the amount of accumulative changes in fair value resulting from credit risk changes that are recognized as other comprehensive income shall be transferred to retained earnings. Other changes in fair value shall be recognized as the profit and loss of the current period. If the treatment of the credit risk changes in such financial liabilities by the above methods will result in expansion of the accounting mismatch in the profit and loss, the Company shall recognize all gains or losses in such financial liabilities (including the amount subject to the credit risk changes of the Company) as the profit and loss of the current period.

2) Other financial liabilities

Except for financial liabilities resulting from financial asset transfers not meeting the conditions for derecognition or the continuous involvement in the transferred financial asset, or financial guarantee contracts, other financial liabilities shall be classified into the financial liabilities measured at amortized cost, which shall be subsequently measured at amortized cost, and the gains or losses resulting from derecognition or amortization shall be recognized as the profit and loss of the current period.

(3) Recognition basis and measurement method of financial asset transfer

Once one of the following conditions is met, the financial assets shall be derecognized: 1) The contract right to charge the cash flows of the financial assets is terminated; 2) the financial assets have been transferred, and almost all the risks and rewards of the ownership of the financial assets are transferred to the transferee; 3) the financial assets have been transferred, and the Company has given up the control over the financial assets although it does not transfer or retain almost all the risks and rewards of the ownership of the financial assets.

If the Company has neither transferred nor retained almost all the risks and rewards of the ownership of the financial assets, and the Company does not waive its control of the financial assets, it shall recognize the relevant financial assets within the extent of its continuous involvement in the transferred financial assets and recognize

the relevant liabilities. The continuous involvement in the transferred financial assets refers to the level of risk with which the Company is faced due to changes in the financial asset values.

When overall transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets and the difference between the consideration received due to transfer and the accumulative changes in fair value that is originally recognized as other comprehensive income shall be recognized as the profit and loss of the current period.

When partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets shall be apportioned to the fair value between the derecognized part and the recognized part, and the consideration received due to transfer and the difference between the accumulative changes in fair value that is originally recognized as other comprehensive income, which shall be apportioned to the derecognized part, and the apportioned book value as mentioned above shall be recognized as the profit and loss of the current period.

When the Company sells financial assets with additional recourse or transfers the endorsed financial assets held, it shall check whether almost all the risks and rewards of the ownership of the financial assets are transferred. If the Company has transferred almost all the risks and rewards of the ownership of the financial assets to the transferee, it shall derecognize the financial assets; if the Company retains almost all the risks and rewards of the ownership of the financial assets, it shall not derecognize the financial assets; if the Company neither transfers nor retains almost all the risks and rewards of the ownership of the financial assets, it shall judge whether it has retained control over the assets and conduct accounting processing following the principles described in previous paragraphs.

(4) Derecognition of financial liabilities

If current obligations of the financial liabilities (or some of the liabilities) have been released, the Company shall derecognize the financial liabilities (or some of the liabilities). Where the Company (borrower) and a lender sign an agreement to replace the existing financial liability by way of assumption of new financial liability with the terms of the new financial liability substantially different from those of the existing financial liability, it derecognizes the existing financial liability while recognizing the new financial liability. If the contract terms of the existing financial liability are materially changed in whole (or in part), the existing financial liability will be derecognized, and the financial liability after changes of terms will be recognized as a new financial liability.

If a financial liability is derecognized in whole (or in part), the difference between the book value of the derecognized portion and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) is recognized as the profit and loss of the current period.

(5) Offsetting financial assets and financial liabilities

When the Company has the statutory right to offset the recognized amount of financial assets and financial liabilities, and this statutory right is currently enforceable, and the Company plans to net the financial assets or

simultaneously realize the financial assets and pay off the financial liabilities, the financial assets and financial liabilities are presented in the balance sheet at the net amount after offsetting each other. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other.

(6) Methods for determining the fair value of financial assets and financial liabilities

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there are active markets for a financial instrument, the Company establishes its fair value by using quotes in the active markets. Quotes in active markets refer to prices that are readily available on a regular basis from exchanges, brokers, trade associations, pricing service institutions, etc., and represent the prices of market transactions that actually occur in a fair trade. If there is no active market, the Company establishes fair value by using valuation techniques. Valuation techniques include reference to price used in recent market transactions between knowledgeable, willing parties, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models, etc. During valuation, the Company adopts the valuation techniques that are applicable under current circumstances and supported by sufficient available data and other information, selects the input values that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transaction of the relevant assets or liabilities, and preferentially uses the relevant observable inputs. Unobservable input values are used where the relevant observable input values are not available or are not practicable.

(7) Equity instruments

An equity instrument refers to a contract that can prove the Company owns the remaining equity in the assets after deducting all liabilities. The Company's issuance (including refinancing), repurchase, sales or cancellation of equity instruments are treated as changes in equities, and transaction costs related to equity transactions are deducted from equities. The Company does not recognize changes in the fair value of equity instruments.

Where equity instruments of the Company distribute dividends in its duration (including "interests" generated by instruments classified as equity instruments), it shall be treated as profit distribution.

(8) Impairment of financial assets

The financial assets for which the Company needs to recognize impairment losses are financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, and lease receivables, mainly including notes receivable, accounts receivable, and other receivables. In addition, for some financial guarantee contracts, impairment reserves are set aside and credit impairment losses are recognized as per the accounting policies described in this section.

1) Methods for recognizing impairment reserves

Based on the expected credit loss, the Company sets aside provisions for impairment of the above items by methods (general method or simplified method) for measuring expected credit loss applicable to them and

recognizes credit impairment loss.

Credit loss refers to the difference between all contract cash flow receivables discounted at the original effective interest rate under the contract and all expected cash flow receivables, i.e., the present value of all cash shortages. Specifically, for financial assets that have been credit-impaired at the time of purchase or origin, the Company discounts the financial assets at the credit-adjusted actual interest rate.

The general method for measuring expected credit loss means that the Company assesses on each balance sheet date whether the credit risk of financial assets has increased significantly since the initial recognition. If yes, the Company measures loss reserves at an amount equivalent to the expected credit loss in the entire duration; if not, the Company measures loss reserves at an amount equivalent to the expected credit loss in the next 12 months. The Company considers all reasonable and evidence-based information, including forward-looking information, when assessing expected credit loss;

As for financial instruments with low credit risk on the balance sheet date, the Company measures the loss reserves according to the expected credit loss in the future 12 months, assuming that its credit risk has had no significant increase since its initial recognition. The Company chooses to measure loss reserves according to the expected credit loss in the next 12 months or in the entire duration based on whether the credit risk has increased significantly since initial recognition.

2) Standards for judging whether credit risk has increased significantly since initial recognition

If the probability of default (PD) of a financial asset in the expected duration recognized on the balance sheet date is significantly higher than that in the expected duration recognized at the time of initial recognition, the credit risk of the financial asset has increased significantly. Except for special circumstances, the Company determines whether credit risk has increased significantly since initial recognition by reasonably assessing the changes in the PD in the entire duration with the changes in the coming 12 months.

3) Portfolio method for assessing expected credit risk based on portfolios

The Company assesses individual credit risk of financial assets with significantly different credit risks. Examples include the following: receivables from related parties; receivables that have disputes with counterparties or those involved in litigation or arbitration; there are obvious signs that the debtor is very unlikely to fulfill the repayment obligation.

In addition to financial assets whose individual credit risk is assessed, the Company divides financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis.

4) Accounting treatment methods for impairment of financial assets

At the end of the reporting period, the Company calculates the expected credit loss of financial assets. If the expected credit loss is greater than the book value of its current impairment provisions, the difference is recognized as an impairment loss; if it is less than the current book value of the impairment provisions, the difference is recognized as impairment gains.

5) Methods for recognizing credit losses of financial assets

a. Notes receivable

The Company measures loss reserves for notes receivable at an amount equivalent to expected credit loss in the entire duration. The Company divides notes receivable into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Banker's acceptance	Acceptors are banks with low credit risks.
Trade acceptance	The aging of trade acceptance is used as credit risk characteristics.

b. Accounts receivable

The Company measures loss reserves for accounts receivable without major financing component at an amount equivalent to expected credit loss in the entire duration.

The Company measures loss reserves for accounts receivable and lease receivables with major financing component at an amount equivalent to expected credit loss in the duration.

Except for accounts receivable whose individual credit risk is assessed, the Company divides accounts receivable into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Aging portfolio	This portfolio uses aging of accounts receivable as credit risk characteristics.
Related party portfolio	This portfolio comprises amounts of related parties within the consolidated scope.

c. Other receivables

The Company adopts the amount equivalent to the expected credit loss in the coming 12 months or in the entire duration to measure impairment losses based on whether the credit risk of other receivables has increased significantly since initial recognition. Except for other receivables whose individual credit risk is assessed, the Company divides other receivables into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolio
Aging portfolio	This portfolio uses aging of other receivables as credit risk characteristics.
Related party portfolio	This portfolio comprises amounts of related parties within the consolidated scope.

11. Notes receivable

For details, please refer to 10. Financial instruments in V. Significant Accounting Policies and Accounting Estimates of Section XII.

12. Accounts receivable

For details, please refer to 10. Financial instruments in V. Significant Accounting Policies and Accounting Estimates of Section XII.

13. Accounts receivable financing: None

14. Other receivables

Recognition methods and accounting treatment methods for expected credit loss in other receivables

For details, please refer to 10. Financial instruments in V. Significant Accounting Policies and Accounting Estimates of Section XII.

15. Inventories

(1) Classification of inventories

Inventories mainly include raw materials, goods in process, materials for consigned processing, commodity stocks, packages, and low-value consumables.

(2) Pricing methods for inventory acquisition and delivery

Inventories are priced at actual cost when they are acquired. Inventory costs include procurement costs, processing cost, and other costs. Inventories are priced by the weighted average method during receipt and delivery.

(3) Methods for recognition of the net realizable value of inventories and the provisions for impairment of inventories

The net realizable value refers to the amount of the estimated selling price of the inventory minus the estimated cost, estimated selling expenses, and related taxes and fees at the time of completion in daily activities. When recognizing the net realizable value of inventories based on the substantial evidence obtained, the Company also considers the purpose of holding the inventories and the impact on matters after the balance sheet date.

On the balance sheet date, inventories are measured at the lower of costs and the net realizable value. When the net realizable value is lower than costs, the Company sets aside provisions for inventory impairment. Provisions for inventory impairment are set aside based on the difference between the cost of individual inventory item and its net realizable value.

After provisions for the inventory impairment are set aside, if the influencing factors in previous write-down of the inventory value disappear, causing the net realizable value of the inventory to be higher than its book value, it shall be reversed within the amount of the provisions for inventory impairment that have been set aside and recognized as the profit and loss of the current period.

(4) The perpetual inventory system is adopted for the inventories.

(5) Amortization method for low-value consumables and packages

The one-time amortization method is adopted for low-value consumables and packages upon receipt.

16. Contract assets: None

17. Contract costs: None

18. Assets held for sale

The Company classifies non-current assets or a disposal group as held for sale (including exchange of non-monetary assets with commercial substance, the same below) if their book values are recovered principally through disposal rather than through continuing use. Specifically, the following conditions shall be met simultaneously: A certain non-current asset or disposal group can be sold immediately under the current conditions according to the practice of selling such assets or disposal groups in similar transactions; the Company has made a resolution of an offer and obtained the purchase commitment; the sale is expected to be completed within one year. Among them, the disposal group refers to a group of assets that are disposed of as a whole through sale or other means in a transaction, and the liabilities directly related to these assets that are transferred in the transaction. If the asset group or the combination of asset groups to which the goodwill (obtained from business combination) has been allocated in accordance with the *Accounting Standards for Business Enterprises No. 8 -- Impairment of Assets*, the disposal group shall include the goodwill allocated to it.

During initial measurement or re-measurement of the non-current assets and disposal groups classified into held-for-sale assets on the balance sheet date, if the book value of such assets is higher than the net value deducting the cost of offer, the book value is written down to the recoverable amount by the Company, the written-down amount is recognized as profit and loss of the current period and impairment provisions are set aside at the same time. For the disposal group, the recognized asset impairment loss is first deducted from the book value of the goodwill in the disposal group, and then deducted in proportion from the book value of non-current assets specified in the applicable *Accounting Standards for Business Enterprises No. 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations* (hereinafter referred to as the "Standards for Assets Held for Sale"). If the fair value of the disposal group held for sale on the subsequent balance sheet date increases after deducting the selling expenses, the previously written down amount shall be restored, and reversed within the amount of the asset impairment losses recognized for non-current assets as per the Standards for Assets Held for Sale applicable after the assets are classified into those held for sale, and the reversed amount shall be recognized as the profit and loss of the current period. Besides, the book value of the reversed amount shall be increased in proportion according to the proportion of the book value of the non-current assets specified in the

Standards for Assets Held for Sale applicable to those except for the goodwill in the disposal group. The book value of the goodwill that has been deducted, and the asset impairment losses recognized before the non-current assets are classified into assets held for sale as per the Standards for Assets Held for Sale shall not be reversed.

Non-current assets held for sale and non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses on liabilities in the disposal group held for sale continue to be recognized.

When the non-current assets or disposal group no longer meets the conditions for classification into the assets held for sale, the Company no longer classifies them into the category or removes the non-current assets from the disposal group held for sale, and measures them at the lower of the following two: (1) in terms of the book value before classification into assets held for sale, for which the measurement standard is the amount after adjustment according to the depreciation, amortization, or impairment that should have been recognized under the assumption that they are not classified into assets held for sale; and (2) the recoverable amount.

19. Investments in creditor's rights: None

20. Other investments in creditor's rights: None

21. Long-term receivables: None

22. Long-term equity investments

The long-term equity investments herein refer to the long-term equity investments in which the Company has control, joint control, or significant influence on the investee. Long-term equity investments where the Company has no control, joint control, or significant influence on the investee are accounted as financial assets measured at fair value through profit and loss of the current period. Among them, for those that are non-tradable, the Company may choose to designate them as the financial assets measured at fair value through other comprehensive income for accounting during initial recognition. See "Note V (10)" for their detailed accounting policies.

Joint control refers to the common control over a particular arrangement according to relevant agreement, and that the decisions on relevant activities under such arrangement are subject to the unanimous consent from the parties sharing the joint control. Significant influence means having the power to participate in the financial and operating policy decision-making of the investee, but cannot control or, together with other parties, jointly control the formulation of these policies.

(1) Determination of investment cost

For long-term equity investments obtained from combination of enterprises under common control, the share of the combined party's owner's equity in the book value of the consolidated financial statements of the final

controlling party which is acquired on the combination date shall be regarded as the initial investment cost for long-term equity investments. The capital reserves shall be adjusted if there is difference between the initial investment cost of long-term equity investment and the cash paid, the transferred non-cash assets, and the book value of the debts assumed; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the equity securities issued are used as the combination consideration, the share of the combined party's owner's equity in the book value of the consolidated financial statements of the final controlling party which is acquired on the combination date shall be regarded as the initial investment cost for long-term equity investments; the total book value of the shares issued shall be the share capital; the capital reserves shall be adjusted if there is difference between the initial investment cost of long-term equity investments and the total book value of the shares issued; if the capital reserves are insufficient to balance the difference, retained earnings shall be adjusted.

For long-term equity investments obtained from combination of enterprises under different control, the combination costs on the acquisition date shall be used as the initial investment costs of the long-term equity investment; the combination costs include the sum of the assets paid by the acquirer, the liabilities incurred or assumed, and the fair value of the equity securities issued.

Intermediary expenses such as auditing, legal services, assessment and consulting and other related management expenses incurred by the combining party or acquirer for the business combination shall be recognized as the profit and loss of the current period.

Other equity investments except for long-term equity investments formed via business combination are initially measured at cost. Subject to the way the long-term equity investments are obtained, the costs shall be recognized based on the cash actually paid by the Company for acquisition, the fair value of the equity securities issued by the Company, the value agreed in the investment contract or agreement, the fair value or original book value of the assets swapped out in a non-monetary asset exchange transaction, and the fair value of the long-term equity investment itself. Expenses, taxes, and other necessary expenditures directly related to acquisition of long-term equity investments are also recognized as investment costs.

(2) Subsequent measurement and recognition of profit and loss

If the Company has common control or significant influence over the investee (except for constituting co-proprietors), the long-term equity investment shall be accounted for by using the equity method. Additionally, the Company's financial statements apply the cost method for long-term equity investments that can make control in the investee

1) Long-term equity investments accounted for using the cost method

When the cost method is used, the long-term equity investments are calculated according to the initial investment cost. In the event that the investment is added or recovered, the cost of the long-term equity investments shall be adjusted. With the exception of the price actually paid at the acquisition of investment or cash dividends or profits

included in consideration, declared but not issued yet, the return on investment of the current period shall be recognized according to the cash dividends or profits declared to be issued by the investee.

2) Long-term equity investments accounted for using the equity method

When using equity method, if the initial investment cost of long-term equity investments is greater than the fair value share of the identifiable net assets entitled of the investee at the time of investment, the initial investment of the long-term equity investments shall not be adjusted. If the initial investment cost of long-term equity investments is lower than the fair value share of the identifiable net assets entitled of the investee at the time of investment, the difference shall be recognized as profit and loss of the current period and the cost of the long-term equity investments shall be adjusted at the same time.

When the equity method is used, return on investment and other comprehensive income shall be respectively determined based on the share of net profit or loss and other comprehensive income realized by the investee that shall be attributable or assumed, and the book value of long-term equity investments shall be adjusted at the same time. Attributable share shall be calculated based on the profit or cash dividends declared by the investee and the book value of long-term equity investments shall be accordingly decreased. In respect to other changes of owner's equity of the investee in addition to net profit or loss, other comprehensive income and profit distribution, the book value of long-term equity investments shall be adjusted and recognized as capital surplus. When confirming the share of the investee's net profit and loss, the Company shall confirm the investee's net profit after adjustment based on the fair value of the identifiable net assets of the investee at the acquisition of the investment. Where the accounting policy and accounting period adopted by the investee differs from those of the Company, the investee's financial statements shall be adjusted according to the Company's accounting policy and accounting period, and the return on investment and other comprehensive income shall be recognized accordingly. Where the transactions are between the Company and the associates and joint ventures, and the assets that are invested or sold do not constitute business, unrealized internal transaction profits and losses incurred between the Company and the associates and joint ventures shall be offset with the part attributable to the Company which is calculated on a due pro-rata basis, and the return on investment shall be recognized on this basis. However, unrealized internal transaction losses incurred between the Company and the investees shall not be offset if they fall under the impairment losses on assets transferred.

When confirming the limit of net loss incurred by the investee, the limit is the extent that the book value of the long-term equity investments and other long-term equity that substantially constitutes a net investment in the investment target is written down to zero. Additionally, if the Company has obligations to assume additional losses of the investee, provisions are recognized according to the expected obligation, and recognized as investment losses for the period. Where the investee records net profit in the future, the Company resumes and recognizes the profit-sharing amount after such amount makes up the unrecognized loss-sharing amount.

23. Investment property

Measurement model for investment property

Measurement by the cost method

Depreciation or amortization method

Investment properties are real estate held to generate rental income or earn capital gains or both. Investment properties include land use rights leased out, land use rights held for transfer after appreciation, buildings leased out, etc.

Investment property is initially measured at cost. Subsequent costs are included in the investment property's cost only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably; other subsequent costs are recognized as profit and loss of the current period when incurred.

The Company adopts the cost model for subsequent measurement of investment property, and depreciates or amortizes it according to policies consistent with those for buildings or land use rights.

Impairment test method and impairment provision method for investment property are detailed in "Note V (31)".

Investment properties are derecognized when they are disposed of or permanently withdrawn from use and it is expected that no economic benefit can be generated from its disposal. The income from selling, transferring, writing off or destroying investment property, less its book value and relevant taxes and fees, is recognized as profit and loss of the current period.

24. Fixed assets

(1) Recognition conditions

Fixed assets are tangible assets with a useful life of more than one accounting year that are held for production or supply of goods or labor services, for rental to third parties, or for use in the organizations.

Fixed assets shall only be recognized when relevant economic interest may flow into the Company and costs thereof can be reliably measured. Fixed assets shall be initially measured at cost and by taking into account the impact of estimated disposal expense.

(2) Depreciation method

Type	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Properties and buildings	Straight-line depreciation	10 to 30 years	5%. 10%	3.00%, 3.17% to 9.00%,

				9.50%
Equipment	Straight-line depreciation	2 to 20 years	5%. 10%	4.50%, 4.75% to 45.00%, 47.50%
Motor vehicles	Straight-line depreciation	5 to 14 years	5%. 10%	6.43%, 6.79% to 18.00%, 19.00%
Office equipment	Straight-line depreciation	3 to 8 years	5%. 10%	11.25%, 11.88% to 30.00%, 31.67%
Production equipment	Straight-line depreciation	2 to 5 years	5%. 10%	18.00%, 19.00% to 45.00%, 47.50%

Estimated residual value refers to the current amount where, supposed the service life of a fixed asset has expired and it is in the expected status of such expiration, the Company obtains from the disposal of such asset after the estimated disposal expense is deducted.

(3) Determination basis, pricing method and depreciation method of fixed assets acquired under finance leases

Leases of assets where substantially all the risks and rewards of ownership have been transferred are classified as finance leases. Title may or may not eventually be transferred. The fixed asset leased in through finance leases adopts the same depreciation policy self-owned fixed assets. If it can be reasonably ascertained that the ownership of the asset leased can be obtained by the expiration of the tenancy, the asset is depreciated over its service life; if not, the asset is depreciated over the shorter of the tenancy and the service life of the leased asset.

25. Construction work in process

Construction work in progress is measured at actual project expenditure, comprising project expenditure incurred during construction and other necessary cost incurred.

The Company's Construction work in progress is transferred to fixed assets when the assets are ready for their intended use. If the fixed assets under construction have reached the expected usable status but have not yet completed the final account for completed project, they shall be recognized as fixed assets according to the estimated value, and accrue depreciation. After the completion of the final account for completed project, the original estimated value is adjusted according to the actual cost, but the original accrued depreciation amount is not adjusted.

Impairment test method and impairment provision method for Construction work in progress are detailed in "Note V (31)".

26. Borrowing costs

Borrowing costs include interest on borrowings, amortizations of discounts or premiums, incidental expenses, exchange difference resulting from foreign-currency borrowings, etc. The borrowing costs that can be directly attributable to the acquisition, construction or production of an asset eligible for capitalization shall be capitalized if the capital expenditures have been incurred, the borrowing costs have been incurred, or the necessary purchase, construction or production activities to make the asset reach the expected available or marketable state have begun. When the assets with the purchase, construction or production meeting the capitalization conditions reach the expected available or marketable state, they cease to be capitalized. Any other borrowing costs are recognized as an expense in the period when they are incurred.

The amount of interest that shall be capitalized is determined based on the interest expenses incurred in the period when a specifically borrowed fund is obtained less any income earned on the unused borrowing fund as a deposit in a bank or as a temporary investment. Where funds are borrowed for a general purpose, the amount of interest that shall be capitalized is determined by multiplying the part of the accumulative asset disbursements in excess of the weighted average asset disbursement for the specifically borrowed fund by the capitalization rate of the general borrowing used. The capitalization rate is the weighted average interest rates applicable to the general-purpose borrowings.

During the capitalization, all exchange differences arising from earmarked foreign-currency borrowings shall be capitalized; exchange differences arising from general-purpose foreign-currency borrowings shall be recognized as profit and loss of the current period.

Assets eligible for capitalization refer to assets such as fixed assets, investment real estates and inventories that can reach the expected available or marketable status after a long period of purchase, construction or production activities.

If the acquisition, construction or production of an asset eligible for capitalization is continuously suspended for over three months for abnormal reasons, capitalization of the borrowing costs shall be suspended, until the acquisition, construction or production of the asset is resumed.

27. Biological assets: None

28. Oil & gas assets: None

29. Right-of-use assets: None

30. Intangible assets

(1) Pricing method, service life, and impairment test

Intangible assets refer to identifiable non-monetary assets without physical substance owned or controlled by the Company.

Intangible assets are initially measured at cost. Costs of intangible assets are included in intangible assets' book value, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other costs of intangible assets are recognized as profit and loss of the current period when incurred.

Land use rights acquired are generally accounted for as intangible assets. With respect to self-built buildings including plants, the relevant land use right expenses and buildings' construction costs are accounted for as intangible assets and fixed assets, respectively. For purchased houses and buildings, the price paid is distributed between the land use right and the building. If it is difficult to distribute, it shall all be included in fixed assets.

From the beginning of use of intangible assets with finite service life, the accumulated amount of the original value less estimated net residual value and the provisions for asset impairment set aside shall be amortized evenly in stages by straight-line method over their service life. Intangible assets with uncertain service lives are not amortized.

The Company reviews the service life and amortization method of intangible asset with finite service life at the end of the reporting period, and a change therein (if any) shall be accounted for as a change in accounting estimates. Additionally, the Company reviews the service life and amortization method of intangible asset with uncertain service life. If there is evidence that the period when it brings economic benefits to the enterprise is foreseeable, its service life shall be estimated and it is amortized according to the amortization policy for intangible assets with finite service life.

Impairment test method and impairment provision method for intangible assets are detailed in "Note V (31)".

(2) Accounting policy for expenditure on internal research and development

The Company classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognized as profit and loss of the current period when incurred.

Expenditure on the development phase is recognized as intangible asset when all the following criteria are met, while expenditure in the development phase that does not meet the following criteria is recognized as profit and loss of the current period when incurred:

- 1) technically feasible to complete the intangible asset so that it will be available for use or sale;
- 2) the intention to complete the intangible asset and use or sell it;
- 3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- 4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- 5) the ability to measure reliably the expenditure attributable to the intangible asset during the development.

Where the expenditure on research and development incurred cannot be classified into the expenditure on research phase or the expenditure on development phase, it shall be recognized as profit and loss of the current period when incurred.

31. Long-term asset impairment

The Company determines on the balance sheet date whether there is any indication that the non-current and non-financial assets may have been impaired, including fixed assets, construction work in progress, intangible assets with limited service life, and investment properties measured using the cost model, and long-term equity investments in subsidiaries, joint ventures and associates. If there is any indication that the asset is likely to be impaired, the Company will estimate the recoverable amount and carry out the impairment test. Impairment tests shall be conducted each year for goodwill and intangible assets with uncertain service life and not yet in use, whether or not there is any indication of impairment.

If an impairment test shows that the recoverable amount of an asset is lower than its book value, the difference is recognized as a provision for impairment and recognized as the impairment loss. The recoverable amount is determined based on the higher of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of asset is determined according to the price of the sales agreement in fair trade. If there is no sales agreement but an active market for the asset, the fair value is determined according to the price offered by the buyer for the asset. If there is neither sales agreement nor active market for the asset, the fair value of the asset shall be estimated based on the best information available. The disposal costs include legal fees, relevant taxes and fees, as well as handling fees related to the disposal of asset, and the direct costs incurred to ensure the asset reaches the marketable state. The present value of the expected future cash flow of an asset shall be determined by the discounted cash at an appropriate discount

rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. Provisions for asset impairment are calculated and recognized on an individual basis. If it is difficult to estimate the recoverable amount of individual assets, the Company will determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. Asset group refers to the smallest asset portfolio which can independently generate cash inflows.

When an impairment test is performed on the goodwill separately listed in the financial statement, book value of such goodwill is apportioned to the asset group or combination of asset groups that can benefit from the synergy effect of business combination. If the test result shows that the recoverable amount of the asset group or combination of asset groups is lower than their book value, corresponding impairment losses on goodwill will be recognized. The impairment loss shall first offset against the book value of goodwill that is apportioned to asset group or a combination of asset groups, and then offset against the book value of assets excluding goodwill in the asset group or the combination of asset groups on a pro-rata basis according to the proportion of their book value. Once the aforementioned asset impairment loss is recognized, it will not be reversed in subsequent accounting periods even if the value can be recovered.

32. Long-term unamortized expenses

Long-term unamortized expenses are expenses which have been incurred but shall be amortized over a period longer than one year, including the reporting period and the future periods. Long-term unamortized expenses shall be amortized based on the straight-line method over the expected benefit period.

33. Contract liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Contract assets and liabilities within a single contract should be presented on a net basis. If the net amount is debit balance, it shall be presented in the item of "contract assets" or "other non-current assets" based on its liquidity. If the net amount is credit balance, it shall be presented in the item of "contract liabilities" or "other non-current liabilities" based on its liquidity.

34. Employee remuneration

(1) Accounting treatment method for short-term remuneration

Short-term remuneration includes salaries, bonuses, allowances and subsidies, employee welfare, medical insurance fees, maternity insurance fees, employment injury insurance fees, housing provident funds, labor union

fees, staff education funds, and non-monetary welfare. The Company shall, within the accounting period when its employees provide service, recognize actual short-term remuneration as liabilities which shall be recognized as profit and loss of the current period or relevant asset costs. Wherein, non-monetary benefits are measured at fair value.

(2) Accounting treatment method for post-employment benefits

Post-employment benefit includes basic endowment insurance, unemployment insurance, etc. It also includes defined contribution plans. Where defined contribution plans are adopted, the corresponding amount payable shall be recognized as profit and loss of the current period or relevant asset costs in which it is incurred.

(3) Accounting treatment method for dismissal benefits

If the Company terminates the labor relationship with an employee before the employee's labor contract expires, or proposes to give the employee compensation for encouraging the employee to voluntarily accept dismissal, the liabilities arising from the compensation giving to the employee for the termination of the labor relationship with the employee shall be recognized as profit and loss of the current period, when the Company cannot unilaterally withdraw the termination of the labor relationship plan or the dismissal proposal, or when it recognizes the costs related to the restructuring of the payment of the dismissal benefits, whichever is earlier. However, if it is expected that the dismissal benefits cannot be paid in full within twelve months after the end of the annual reporting period, they shall be accounted for according to other long-term employee remunerations.

Internal retirement schemes for employees shall be accounted for following the same principles of the above dismissal benefits. Where the salaries and social insurance fees of early retirees to be paid by the Company from the date when employees stop providing services to the normal retirement date meet the recognition conditions for projected liabilities, they shall be recognized as profit and loss of the current period.

(4) Accounting treatment method for other long-term employee benefits

Other long-term benefits provided by the Company to employees that meet the conditions of the defined contribution plan are accounted for in accordance with the defined contribution plan; other long-term benefits are accounted for in accordance with the defined benefit plan.

35. Lease liabilities: None**36. Provision**

An obligation related to contingent issues and meeting the following conditions shall be deemed a provision: (1) such an obligation is a current one assumed by the Company; (2) fulfilling such an obligation might cause economic benefits to flow out of the Company; and (3) the amount of such an obligation is measurable reliably.

On the balance sheet date, a provision is measured at the best estimate of the expenditure required to settle the related present obligation, with comprehensive consideration of factors such as the risks, uncertainty and time value of money relating to a contingency.

A provision is separately recognized as an asset and the recognized compensation amount shall not exceed the book value of the provision, when all or part of the expenses required to pay off the provision are expected to be compensated by a third party and the amount of compensation is basically determined to be receivable.

37. Share-based payment

Share-based payment is the transaction made through granting equity instruments or bearing the liabilities recognized based on such instruments in exchange for services rendered by employees or other parties. The Company's share-based payment includes equity-settled share-based payment and cash-settled share-based payment.

(1) Equity-settled share-based payment

Where the share payment is settled through equity for acquisition of service from employees, it shall be measured at the fair value of the equity instruments granted to the employees. If the right cannot be exercised until the vesting period ends or until the prescribed performance conditions are met, the amount of such fair value shall, based on the best estimate of the number of vested equity instruments, be recognized as the relevant costs or expenses by straight-line method; if the right can be exercised immediately following the grant, the amount of such fair value shall be recognized as the relevant costs or expenses on the grant date, and the capital reserve shall be increased accordingly.

On each balance sheet date within the vesting period, the Company carries out the best estimation based on such follow-up information such as the variation of the number of vested staff acquired recently, and revises the number of estimated vested equity instruments. The impact of the above estimates shall be recognized as the relevant costs or expenses of the current period, and the capital reserve shall be adjusted accordingly.

For an equity-settled share-based payment in return for the service of any other party, if the fair value of the service of any other party can be reliably measured, it shall be measured at the fair value of the service of any other party on the acquisition date; if the fair value of the service of any other party cannot be reliably measured,

but the fair value of the equity instruments can be reliably measured, it shall be measured at the fair value of the equity instruments on the acquisition date and included in the relevant costs or expenses, and the shareholders' equity shall be increased correspondingly.

(2) Cash-settled share payment

The cash-settled share-based payment shall be measured at the fair value of the Company's liabilities determined based on shares or other equity instruments. If the right may be exercised immediately after the grant, relevant costs or expenses shall be recognized the grant date, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting period ends or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be recognized as the relevant costs or expenses at the fair value of the liability undertaken by the Company, and liabilities shall be increased accordingly.

The fair value of liabilities is re-measured and any change thereto is recognized as profit and loss of the current period on each balance sheet date and settlement date prior to settlement of the relevant liabilities.

38. Preference shares, perpetual bonds and other financial instruments: None

39. Revenue

Accounting policy for recognition and measurement of revenue

The revenue is recognized when the customers take control of the relevant goods or services if the contract between the Company and the customers meet all the following conditions: 1) the parties to the contract have approved such contract and undertake to perform their respective obligations; 2) the contract has specified the rights and obligations of the parties thereto and in connection with the transfer of goods or provision of labor services; 3) the contract sets out clear payment terms related to the transfer of goods; 4) the contract has commercial substance, meaning that the performance thereof will change the risk, time distribution or amount of the Company's future cash flow; 5) the Company is very likely to recover the consideration obtained by transferring goods to customers.

On the enforcing date of the contract, the Company identifies all individual performance obligations in the contract, and apportions the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the goods. When determining the transaction price, the Company has considered the impact of such factors including variable consideration, major financing component of the contract, non-cash consideration, and consideration payable to the customer.

With respect to each individual performance obligation of the contract, the Company will recognize the transaction price apportioned to such obligation as revenue based on the progress of performance during the relevant performance periods, if any of the following conditions is met: 1) the customer obtains and consumes the

economic benefits brought by the Company's performance during such performance; 2) the customer can control the goods in progress during the Company's performance; 3) the goods produced from the Company's performance has irreplaceable use, and in respect of the portion of revenue arising from the Company's performance completed to date, the Company is entitled to collect revenue during the entire validity period of the contract. The progress of performance is determined according to the nature of the transferred goods using the input or output method. When such progress cannot be reasonably determined, if the costs incurred are expected to be compensated, the Company recognizes revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined.

If none of the aforesaid conditions is met, the Company will recognize the transaction price apportioned to such individual performance obligation when the customer obtains the control over relevant goods. To decide whether the customer has obtained the control over goods, the Company takes into account the following indications: 1) the enterprise has the present right to collection for the goods, meaning the customer bears the present obligation to payment for the goods; 2) the enterprise has passed the legal title to the goods to the customer, meaning the customer has had the legal title to the goods; 3) the enterprise has transferred the physical possession of the goods to the customer, meaning the customer has had the physical possession of the goods; 4) the enterprise has transferred the major risks and remunerations concerning the title to the goods to the customer, meaning the customer has obtained the major risks and remunerations concerning the title to the goods; 5) the customer has accepted the goods; 6) other indications to show that the customer has obtained the control over the goods.

Generally, the Company's business of goods selling only comprises the performance obligation of transferring the goods. The control of the goods is transferred when they are sent out and the Company receives the signed receipt and other documents from the customer, so the Company confirms the realization of revenue at that point in time. The discounts, rewards and other arrangements in some contracts between the Company and customers constitute variable consideration. The Company uses the expected value method or the most likely amount to determine the best estimates for variable consideration, but the transaction price containing variable consideration shall not exceed the amount of cumulatively recognized revenue that is unlikely to have major reversals when the relevant uncertainties are eliminated.

40. Government grants

Government grants are monetary or non-monetary assets acquired by the Company from the government free of charge, excluding the capital invested by the government as an investor and granted corresponding owner's equity. Government grants are classified into government grants related to assets and government grants related to income. The Company defines the government grants for purchasing or constructing or otherwise forming long-term assets as asset-related government grants; other government grants are defined as the income-related government grants. Government grants shall be measured at the amount received or receivable if they are

monetary assets. Non-monetary government grants shall be measured at fair value; if the fair value cannot be reliably obtained, they shall be measured at the nominal amount. The government grants measured at the nominal amount shall be directly recognized as the profit and loss of the current period.

Asset-related government grants are recognized as deferred income, and included in the profit and loss of the current period in stages according to a reasonable and systematic method over the service life of the relevant assets. The income-related government grants shall be recognized as deferred income if they are used to compensate relevant expenses or losses in subsequent periods, and shall be recognized as profit and loss of the current period during the recognition of related expenses; the grants used to compensate related expenses or losses already incurred shall be directly recognized as profit and loss of the current period.

The government grants related to both assets and income shall be accounted for by distinguishing different parts; if it is difficult to distinguish, they shall be, as a whole, classified as income-related government grants.

Government grants related to the Company's daily activities shall be recognized as other profit and loss or write down relevant costs according to the essence of economic business; those unrelated to the Company's daily activities shall be recognized as non-operating income and expenditure.

If the recognized government grants need to be returned and there is relevant deferred income balance, the book balance of relevant deferred income shall be written off, and the excess shall be recognized as profit and loss of the current period; otherwise, government grants shall be directly recognized as profit and loss of the current period.

41. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

On the balance sheet date, the Company measures a current tax liability (or asset) arising from the current and prior periods based on the amount of income tax expected to be paid by the Company (or returned by tax authority) calculated by related tax laws. The taxable income which is the basis for calculation of the current income tax is calculated after appropriate adjustments to the pretax accounting profits for the reporting period.

(2) Deferred income tax assets and deferred income tax liabilities

For the difference between the book value of certain assets and liabilities and their tax bases, and the temporary differences between the book values and the tax bases of items, of which the tax bases can be determined for tax purposes according to the tax laws but which have not been recognized as assets and liabilities, the Company recognizes deferred income tax assets and deferred income tax liabilities using the balance sheet debt method.

Where the taxable temporary differences arise from the initial recognition of goodwill and the initial recognition of an asset or liability arising from the transaction that is not a business combination, nor, at the time of the transaction, affects neither accounting profit and taxable profit (or deductible loss), the relevant deferred income tax liability shall not be recognized. Additionally, in respect of taxable temporary difference associated with

investments in subsidiaries, joint ventures and associates, where the Company can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future, the relevant deferred income tax liability shall not be recognized. Other than the above exceptions, the Company shall recognize deferred income tax liabilities arising out from all other taxable temporary differences.

Where the deductible temporary differences arise from the initial recognition of an asset or liability arising from the transaction that is not a business combination, nor, at the time of the transaction, affects neither accounting profit and taxable profit (or deductible loss), the relevant deferred income tax liability shall not be recognized. Additionally, in respect of deductible temporary difference associated with investments in subsidiaries, joint ventures and associates, where it is probable that the temporary differences will not be reversed in the foreseeable future or taxable profit will not be available against which the deductible temporary differences can be utilized in the future, the relevant deferred income tax liability shall not be recognized. Other than the above exceptions, the Company recognizes a deferred tax asset for other deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The tax effects of deductible losses and taxes available for carrying over are recognized as an asset when it is probable that future taxable profits would be available against which these losses can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws.

The book value of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilized. Such write-down is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Income tax expenses

Income taxes comprise current income tax and deferred income tax.

The current income tax and deferred income tax expense or income is recognized as the profit and loss of the current period except that the current income tax and deferred income tax is related to transactions or events, which are recognized as other comprehensive income or directly recognized as shareholders' equity, and thus recognized as other comprehensive income or shareholders' equity, and that the book value of goodwill is adjusted due to deferred income tax arising from business combination.

42. Leases

(1) Accounting treatment method for operating lease

1) The Company records operating lease business as the lessee

Lease payments under an operating lease are recognized on a straight-line basis over the lease term, and recognized as the cost of the related asset or as profit and loss of the current period. Initial direct costs are recognized as the profit and loss of the current period. Contingent rentals are recognized as profit and loss of the current period when they are actually incurred.

2) The Company records operating lease business as the lessor

Lease income under an operating lease are recognized on a straight-line basis over the lease term, and recognized as profit and loss of the current period. The large-amount initial direct costs are capitalized when incurred, and recognized as profit and loss of the current period on the same basis as the recognized lease income over the lease term; the small-amount initial direct costs are recognized as profit and loss of the current period when incurred. Contingent rentals are recognized as profit and loss of the current period when they are actually incurred.

(2) Accounting treatment method for finance lease

Leases of assets where substantially all the risks and rewards of ownership have been transferred are classified as finance leases. Title may or may not eventually be transferred.

43. Other important accounting policies and accounting estimates: None

44. Significant changes of accounting policies and accounting estimates

(1) Significant changes of accounting policies

Applicable Not applicable

Contents and reasons for changes to accounting policies	Approval procedure	Remarks
On July 5, 2017, the Ministry of Finance issued the revised <i>Accounting Standards for Business Enterprises No. 14 -- Revenue</i> (C.K. [2017] No. 22), requiring that enterprises listed both within the borders and abroad as well as enterprises listed	On February 25, 2020, the Company convened the 21st meeting of the fourth session of the Board of Directors and the 17th meeting of the fourth session of the Board of Supervisors, and approved the <i>Proposal on Changes to Accounting</i>	Details can be found in the <i>Announcement on Changes to Accounting Policies</i> (Announcement No.: 2020-10) dated February 26, 2020 on CNINFO (http://www.cninfo.com.cn).

abroad and adopting IFRS or Accounting Standards for Business Enterprises to prepare financial statements should implement these revised Standards from January 1, 2018; other enterprises listed within China shall implement these revised Standards from January 1, 2020.	<i>Policies.</i>	
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1) Accounting policy changes resulted from the execution of the New Revenue Standards

The Ministry of Finance promulgated the *Accounting Standards for Business Enterprises No. 14 –Revenue* (C.K. [2017] No. 22) (hereafter referred to as the “New Revenue Standards”) on July 5, 2017. Upon deliberation, the 21st meeting of the fourth session of the Board of Directors passed a resolution on February 25, 2020 that the Company would implement the New Revenue Standards from January 1, 2020.

The New Revenue Standards set up a new revenue recognition model to regulate revenues generated from contracts with customers. In order to implement the New Revenue Standards, the Company reassessed the recognition, measurement, accounting and presentation of revenues from major contracts. Pursuant to the New Revenue Standards, the Company chose to only adjust the accumulative impact amount for contracts that have not been completed on January 1, 2020. The amounts of retained earnings and other relevant items in the financial statements at the beginning of the period for the first time adoption of the new standards (i.e. January 1, 2020) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted.

2) Major changes and impacts upon implementation of the New Revenue Standards are as follows:

The Company changes the contractual consideration received from customers in advance for the transfer of goods from the “payments received in advance” item to the “contract liabilities” item for presentation.

The Company’s implementation of the New Revenue Standards did not have an impact on the retained earnings at the beginning of 2020. Impacts on other relevant items in the financial statements dated January 1, 2020 are listed in the following:

Unit: RMB

Statement item	Amount on December 31, 2019 (prior to changes)		Amount on January 1, 2020 (after changes)	
	Consolidated statement	Parent Company’s statement	Consolidated statement	Parent Company’s statement
Payments received in	142,476,562.31	28,227,454.47		

advance				
Contract liabilities			142,476,562.31	28,227,454.47

(2) Significant changes of accounting estimates

Applicable Not applicable

(3) Description on the adjustment of relevant items in the financial statements at the beginning of the year for the first time adoption of the New Revenue Standards and the new leasing standards since 2020

Applicable

Whether to adjust the subjects of the balance sheet at the beginning of the year

Yes No

Consolidated balance sheet

Unit: RMB

Item	December 31, 2019	January 1, 2020	Adjustment number
Current assets:			
Monetary funds	703,746,624.42	703,746,624.42	
Settlement reserve			
Lending to banks and other financial institutions			
Tradable financial assets			
Derivative financial assets			
Notes receivable	301,904.32	301,904.32	
Accounts receivable	807,772,897.68	807,772,897.68	
Accounts receivable financing			
Prepayments	14,877,757.16	14,877,757.16	
Premium receivable			
Reinsurance payables			

Reinsurance contract reserves receivable			
Other receivables	8,240,417.99	8,240,417.99	
Including: Interest receivable			
Dividends receivable			
Financial assets held under resale agreements			
Inventory	986,405,689.17	986,405,689.17	
Contract assets			
Assets held for sale	57,073,059.69	57,073,059.69	
Non-current assets due within one year			
Other current assets	165,567,805.78	165,567,805.78	
Total current assets	2,743,986,156.21	2,743,986,156.21	
Non-current assets:			
Loans and advances to customers			
Investments in creditor's rights			
Investments in other creditor's rights			
Long-term receivable			
Long-term equity investment			
Investment in other equity instruments			
Other non-current financial assets			

Investment property	36,039,381.30	36,039,381.30	
Fixed assets	2,921,392,106.87	2,921,392,106.87	
Construction work in progress	55,734,236.91	55,734,236.91	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	168,731,781.83	168,731,781.83	
Development expenses			
Goodwill	64,654.15	64,654.15	
Long-term deferred expenses	13,686,397.24	13,686,397.24	
Deferred income tax assets	80,331,080.17	80,331,080.17	
Other non-current assets	6,306,028.96	6,306,028.96	
Total non-current assets	3,282,285,667.43	3,282,285,667.43	
Total assets	6,026,271,823.64	6,026,271,823.64	
Current liabilities:			
Short-term borrowings	14,721,492.38	14,721,492.38	
Borrowings from PBC			
Placements from banks and other financial institutions			
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable	202,653,860.31	202,653,860.31	

Accounts payable	578,212,781.22	578,212,781.22	
Payments received in advance	142,476,562.31		-142,476,562.31
Contract liabilities		142,476,562.31	142,476,562.31
Proceeds from financial assets sold under repo			
Customer bank deposits and due to banks and other financial institutions			
Funds from securities trading agency			
Funds from securities underwriting agency			
Employee remuneration payable	106,413,600.27	106,413,600.27	
Tax and fees payable	101,670,618.11	101,670,618.11	
Other payables	635,834,511.05	635,834,511.05	
Including: Interests payable	173,259.89	173,259.89	
Dividends payable	452,536.50	452,536.50	
Transaction fee and commission receivable			
Reinsurance payable			
Liabilities held for sale			
Non-current liabilities due within one year	32,400,000.00	32,400,000.00	
Other current liabilities			
Total current liabilities	1,814,383,425.65	1,814,383,425.65	
Non-current liabilities:			

Insurance contract reserves			
Long-term borrowings	22,500,000.00	22,500,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term employee remuneration payable			
Provision			
Deferred income	82,367,831.33	82,367,831.33	
Deferred income tax liabilities	30,016,107.43	30,016,107.43	
Other non-current liabilities			
Total non-current liabilities	134,883,938.76	134,883,938.76	
Total liabilities	1,949,267,364.41	1,949,267,364.41	
Owner's equity:			
Share capital	1,308,891,273.00	1,308,891,273.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	760,731,416.57	760,731,416.57	
Less: Treasury shares	104,792,649.00	104,792,649.00	

Other comprehensive income			
Special reserves			
Surplus reserves	53,205,582.86	53,205,582.86	
General reserves			
Retained earnings	2,058,968,835.80	2,058,968,835.80	
Total equity attributable to owners of the parent company	4,077,004,459.23	4,077,004,459.23	
Equities of minority shareholders			
Total owner's equity	4,077,004,459.23	4,077,004,459.23	
Total liabilities and owners' equities	6,026,271,823.64	6,026,271,823.64	

Description of adjustment

Balance sheet of the Parent Company

Unit: RMB

Item	December 31, 2019	January 1, 2020	Adjustment number
Current assets:			
Monetary funds	156,202,659.45	156,202,659.45	
Tradable financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	127,203,426.87	127,203,426.87	
Accounts receivable financing			
Prepayments	2,565,716.66	2,565,716.66	
Other receivables	637,511,752.54	637,511,752.54	

Including: Interest receivable			
Dividends receivable			
Inventory	84,567,041.98	84,567,041.98	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	129,377,576.74	129,377,576.74	
Total current assets	1,137,428,174.24	1,137,428,174.24	
Non-current assets:			
Investments in creditor's rights			
Investments in other creditor's rights			
Long-term receivable			
Long-term equity investment	1,231,245,128.96	1,231,245,128.96	
Investment in other equity instruments			
Other non-current financial assets			
Investment property	18,745,192.09	18,745,192.09	
Fixed assets	222,724,273.70	222,724,273.70	
Construction work in progress	35,260,100.44	35,260,100.44	
Productive biological assets			

Oil & gas assets			
Right-of-use assets			
Intangible assets	21,259,498.66	21,259,498.66	
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	18,366,334.29	18,366,334.29	
Other non-current assets	4,521,074.21	4,521,074.21	
Total non-current assets	1,552,121,602.35	1,552,121,602.35	
Total assets	2,689,549,776.59	2,689,549,776.59	
Current liabilities:			
Short-term borrowings			
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	325,506,510.90	325,506,510.90	
Payments received in advance	28,227,454.47		-28,227,454.47
Contract liabilities		28,227,454.47	28,227,454.47
Employee remuneration payable	24,280,403.99	24,280,403.99	
Tax and fees payable	3,225,793.88	3,225,793.88	
Other payables	167,279,884.09	167,279,884.09	
Including: Interests payable			

Dividends payable	452,536.50	452,536.50	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	548,520,047.33	548,520,047.33	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term employee remuneration payable			
Provision			
Deferred income	7,062,818.69	7,062,818.69	
Deferred income tax liabilities	5,575,323.82	5,575,323.82	
Other non-current liabilities			
Total non-current liabilities	12,638,142.51	12,638,142.51	
Total liabilities	561,158,189.84	561,158,189.84	
Owner's equity:			
Share capital	1,308,891,273.00	1,308,891,273.00	
Other equity instruments			

Including: Preference shares			
Perpetual bonds			
Capital reserve	690,241,724.38	690,241,724.38	
Less: Treasury shares	104,792,649.00	104,792,649.00	
Other comprehensive income			
Special reserves			
Surplus reserves	53,084,248.58	53,084,248.58	
Retained earnings	180,966,989.79	180,966,989.79	
Total owner's equity	2,128,391,586.75	2,128,391,586.75	
Total liabilities and owners' equities	2,689,549,776.59	2,689,549,776.59	

Explanation of adjustment

(4) Description on the retrospective adjustment of previous comparable data at the first time adoption of the new Revenue Standards and the new leasing standards in 2020

Applicable Not applicable

45. Others: None

VI. Taxes

1. Main tax types and tax rates

Tax	Tax basis	Tax rate
Value-added tax	Taxable VAT (calculated based on the difference of deducting the amount of input tax which is allowed to be deducted in the current period from the result of multiplying taxable sales by applicable tax rate)	13%

City construction and maintenance tax	Turnover tax paid	5%, 7%
Corporate income tax	Taxable income	15%, 16.5%, 20%, 25%, progressive rate
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	1.5%, 2%

Description of disclosure if different income tax rates apply to different corporate taxpayers

Name of taxpayer	Income tax rate
C&S Paper Co., Ltd., Zhongshan Zhongshun Trading Co., Ltd., C&S (Hubei) Paper Co., Ltd., Xiaogan C&S Trading Co., Ltd., Zhejiang Zhongshun Paper Co., Ltd., Chengdu Zhongshun Paper Co., Ltd., Hangzhou Jie Rou Trading Co., Ltd., Beijing C&S Paper Co., Ltd., and Sun Daily Necessities Co., Ltd.	25%
C&S (Zhongshan) Paper Co., Ltd., C&S (Dazhou) Paper Co., Ltd., Shanghai Huicong Paper Co., Ltd., and C&S (Yunfu) Trading Co., Ltd.	20%
Zhong Shun International Co., Ltd., and C&S Hong Kong Co., Ltd. (Note 1)	16.50%
Jiangmen Zhongshun Paper Co., Ltd., C&S (Sichuan) Paper Co., Ltd., and C&S (Yunfu) Paper Co., Ltd.	15%
C&S (Macao) Co., Ltd. (Note 2)	Progressive rate

2. Tax incentive

Jiangmen Zhongshun Paper Co., Ltd. was certified as a high-tech enterprise of Guangdong Province in 2018, and was awarded the *Certificate of High-tech Enterprise* (No. GR201844008474) on November 28, 2018, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2020.

C&S (Sichuan) Paper Co., Ltd. was certified as a high-tech enterprise of Sichuan Province in 2020, and was awarded the *Certificate of High-tech Enterprise* (No. GR202051001193) on September 11, 2020, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2020.

C&S (Yunfu) Paper Co., Ltd. was certified as a high-tech enterprise of Guangdong Province in 2020, and was awarded the *Certificate of High-tech Enterprise* (No. GR202044006774) on December 9, 2020, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2020.

In accordance with relevant provisions of the *Announcement of the State Administration of Taxation on Issues Concerning the Implementation of the Inclusive Income Tax Deduction and Exemption Policies for Small Low-profit Enterprises* (STA Doc. [2019] No. 2), the policy on inclusive income tax deduction and exemption for

small low-profit enterprises is applicable to C&S (Zhongshan) Paper Co., Ltd., C&S (Dazhou) Paper Co., Ltd., Shanghai Huicong Paper Co., Ltd., and C&S (Yunfu) Trading Co., Ltd. in 2020. To be specific, the annual taxable income of these enterprises that is not more than RMB1 million shall be included in their taxable income at the reduced rate of 25%, with the applicable corporate income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in their taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

3. Others

Note 1: C&S Hong Kong Co., Ltd. is a Hong Kong-based company incorporated according to the laws of Hong Kong, and adopts the tax laws thereof. The tax rate for its income tax is 16.50%;

Note 2: C&S (Macao) Co., Ltd. is a Macao-based company incorporated according to the laws of Macao. Its complementary tax adopts a progressive rate (tax on taxable income that is less than MOP300,000 is exempted, and the taxable income that is more than MOP300,000 is taxed at 12%).

VII. Notes to Items of the Consolidated Financial Statements

1. Monetary fund

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Cash on hand	36,349.55	76,152.38
Bank deposits	1,047,785,634.71	675,589,471.75
Other monetary funds	77,374,215.30	28,081,000.29
Total	1,125,196,199.56	703,746,624.42
Including: Total deposits in overseas banks	99,311,423.25	63,089,915.23

Other description:

Balance of other monetary funds at the end of the reporting period is the security deposit for issuing letters of credit and bank acceptance bill and balance of Alipay. Refer to "Note VII (81)" for circumstances where ownership of monetary funds is restricted.

2. Transactional financial assets: None

3. Derivative financial assets: None

4. Notes receivable

(1) Notes receivable presentation by category

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bill	724,419.74	301,904.32
Total	724,419.74	301,904.32

If the bad debt reserve of notes receivable is set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on bad debt reserve:

Applicable Not applicable

(2) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Wherein, the amount of recovered or transferred back bad debt reserve in the reporting period is important:

Applicable Not applicable

(3) Notes receivable that the Company has pledged at the end of the reporting period: None

(4) Notes receivable that the Company has endorsed or discounted at the end of the reporting period and are not due on the balance sheet date: None

(5) Notes that are transferred to notes receivable because the drawer does not perform the contract at the end of the reporting period: None

Other descriptions:

1. The Company has no pledged notes receivable as at the end of the year.
2. The Company has no derecognized notes receivable that are endorsed or discounted but not due as at the end of the year.
3. The Company has no notes that are transferred to notes receivable because the drawer does not perform the contract as at the end of the year.

(6) Notes receivable actually written off in the reporting period: None**5. Accounts receivable****(1) Accounts receivable disclosure by category**

Unit: RMB

Type	Balance at the end of the year					Balance at the beginning of the year				
	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Accounts receivable for which bad debt reserve is set aside individually	34,567,651.21	3.17%	10,681,068.59	30.90%	23,886,582.62	34,567,651.21	4.11%	10,681,068.59	30.90%	23,886,582.62
Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	1,054,953,298.93	96.83%	27,415,941.96	2.60%	1,027,537,356.97	805,681,115.48	95.89%	21,794,800.42	2.71%	783,886,315.06
Including:										
Portfolio based on aging	1,054,953,298.93	96.83%	27,415,941.96	2.60%	1,027,537,356.97	805,681,115.48	95.89%	21,794,800.42	2.71%	783,886,315.06
Total	1,089,520,950.14	100.00%	38,097,010.55	3.50%	1,051,423,939.59	840,248,766.69	100.00%	32,475,869.01	3.87%	807,772,897.68

Bad debt reserve set aside individually: 10,681,068.59

Unit: RMB

Name	Balance at the end of the period			
	Book balance	Impairment provision	Provision ratio	Reason for provision
Institution 1	28,279,537.67	8,218,072.46	29.06%	It is difficult to recover all goods payments due

				to the poor business performance of the customer.
Institution 2	6,288,113.54	2,462,996.13	39.17%	It is difficult to recover all goods payments due to the poor business performance of the customer.
Total	34,567,651.21	10,681,068.59	--	--

Bad debt reserve set aside in portfolios: 27,415,941.96

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Provision ratio
Within the credit period	900,595,441.14	18,011,908.84	2.00%
Credit period - 1 year	147,420,485.43	7,371,024.27	5.00%
1 to 2 years	2,605,538.69	390,830.80	15.00%
2 to 3 years	3,186,429.84	955,928.95	30.00%
3 to 5 years	918,309.47	459,154.74	50.00%
Over 5 years	227,094.36	227,094.36	100.00%
Total	1,054,953,298.93	27,415,941.96	--

Description of reason for the portfolio:

Accounts receivable with the same aging have similar credit risk characteristics.

If the bad debt reserve of accounts receivable is set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on bad debt reserve:

Applicable Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	1,048,015,926.57
1 to 2 years	2,605,538.69

2 to 3 years	3,186,429.84
Over 3 years	35,713,055.04
3 to 4 years	28,542,337.67
4 to 5 years	2,795,515.45
Over 5 years	4,375,201.92
Total	1,089,520,950.14

(2) Bad debt reserve that is set aside, recovered or transferred back

Provision of bad debt reserve of the reporting period:

Unit: RMB

Type	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Accounts receivable	32,475,869.01	5,735,079.40		113,937.86		38,097,010.55
Total	32,475,869.01	5,735,079.40		113,937.86		38,097,010.55

Wherein, the amount of recovered or transferred back bad debt reserve in the reporting period is important: None

(3) Accounts receivable actually written off in the reporting period

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	113,937.86

Description of write-offs of important accounts receivable: None

(4) Top five debtors in closing balance of accounts receivable

Unit: RMB

Name of institution	Balance of accounts receivable at	Percentage in total balance of	Balance for bad debt reserve at
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	the end of the period	accounts receivable at the end of the period	the end of the period
1st	289,513,741.56	26.57%	5,790,274.83
2nd	118,555,127.86	10.88%	3,789,979.81
3rd	59,957,146.79	5.50%	1,659,474.39
4th	58,786,865.25	5.40%	1,175,737.31
5th	32,383,538.18	2.97%	647,670.76
Total	559,196,419.64	51.32%	

(5) Accounts receivable derecognized due to transfer of financial assets

The Company has no accounts receivable derecognized due to the transfer of financial assets as at the end of the reporting period.

(6) Amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable

The Company has no amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable as at the end of the reporting period.

Other description: None

6. Accounts receivable financing

Increase and decrease of accounts receivable financing and changes in fair value in the reporting period

Applicable Not applicable

If the provisions for asset impairment of accounts receivable financing are set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on provisions for asset impairment:

Applicable Not applicable

7. Prepayments

(1) Prepayments presentation by aging

Unit: RMB

Aging	Balance at the end of the period		Balance at the beginning of the period	
	Amount	Percentage	Amount	Percentage
Within 1 year	26,819,108.57	100.00%	14,430,801.70	97.00%
1 to 2 years			446,955.46	3.00%
Total	26,819,108.57	--	14,877,757.16	--

Explanation on the reason of untimely settlement of prepayments whose age exceeds one year with significant amount: None

(2) Top five payees in closing balance of prepayment

The Company's total prepayment amount of the top five payees in closing balance of prepayment is RMB15,636,993.89, accounting for 58.31% of closing balance of prepayment.

8. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	15,824,945.56	8,240,417.99
Total	15,824,945.56	8,240,417.99

(1) Interest receivable

1) Classification of interest receivable

2) Significant overdue interest

Other description: None

3) Provision of bad debt reserve

Applicable Not applicable

(2) Dividends receivable

1) Classification of dividends receivable: None

2) Significant dividends receivable exceeding one year: None

3) Provision of bad debt reserve

 Applicable Not applicable

Other description: None

(3) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Margins and deposits	4,621,457.93	4,098,736.90
Current accounts	5,350,546.55	3,395,872.47
Reserve	1,704,120.13	1,621,094.57
Others	5,999,332.44	255,741.34
Total	17,675,457.05	9,371,445.28

2) Provision of bad debt reserve

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2020	1,131,027.29			1,131,027.29
Balance as at January 1,	—	—	—	—

2020 in the reporting period				
Provision in the reporting period	727,073.31			727,073.31
Write-off in the reporting period	7,589.11			7,589.11
Balance as at December 31, 2020	1,850,511.49			1,850,511.49

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	13,675,426.56
1 to 2 years	1,463,727.95
2 to 3 years	2,172,174.66
Over 3 years	364,127.88
3 to 4 years	109,354.05
4 to 5 years	27,844.60
Over 5 years	226,929.23
Total	17,675,457.05

3) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Provision of bad debt reserve of the reporting period:

Unit: RMB

Category	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Other receivables	1,131,027.29	727,073.31		7,589.11		1,850,511.49

Total	1,131,027.29	727,073.31		7,589.11		1,850,511.49
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4) Other receivables actually written off in the reporting period

Unit: RMB

Item	Write-off amount
Other receivables actually written off	7,589.11

Description on the write-offs of other receivables: None

5) Top five debtors in closing balance of other accounts receivable

Unit: RMB

Name of institution	Nature of the amount	Balance at the end of the period	Aging	Percentage in total balance of other receivables at the end of the period	Balance of bad debt reserve at the end of the period
1st	Others	5,431,871.82	Within 1 year	30.73%	271,593.59
2nd	Margins and deposits	1,100,000.00	2-3 years	6.22%	330,000.00
3rd	Margins and deposits	786,229.23	1-2 years, over 5 years	4.45%	276,229.23
4th	Margins and deposits	650,000.00	Within 1 year, 2-3 years	3.68%	182,500.00
5th	Others	381,138.93	Within 1 year, 1-2 years	2.16%	31,582.19
Total	--	8,349,239.98	--	47.24%	1,091,905.01

6) Receivables involving government grants: None**7) Other receivables derecognized due to the transfer of financial assets: None****8) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of other receivables: None****9. Inventory**

Whether the Company needs to comply with requirements for disclosure in the real estate industry: No

(1) Classification of inventories

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment of inventories or provision for contract performance cost	Book value	Book balance	Provision for impairment of inventories or provision for contract performance cost	Book value
Raw materials	1,148,312,808.05	133,039.11	1,148,179,768.94	524,569,054.30	11,942.85	524,557,111.45
Work-in-process products	40,777,441.76	306,847.08	40,470,594.68	47,577,009.45	357,365.13	47,219,644.32
Commodity stocks	410,313,722.29	2,738,280.52	407,575,441.77	375,752,356.14	1,562,936.40	374,189,419.74
Packages	32,644,525.84	145,489.07	32,499,036.77	24,152,524.80	154,311.71	23,998,213.09
Low-value consumables	13,889,922.62	529,767.94	13,360,154.68	11,353,098.88	675,834.25	10,677,264.63
Materials for consigned processing	19,189,498.48		19,189,498.48	5,764,035.94		5,764,035.94
Total	1,665,127,919.04	3,853,423.72	1,661,274,495.32	989,168,079.51	2,762,390.34	986,405,689.17

(2) Provision for impairment of inventories or provision for contract performance cost

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period		Decrease in the current period		Balance at the end of the period
		Provision	Others	Reversal or written off	Others	
Raw materials	11,942.85	346,679.55		225,583.29		133,039.11
Work-in-process products	357,365.13	522,955.12		573,473.17		306,847.08
Commodity stocks	1,562,936.40	2,872,026.41		1,696,682.29		2,738,280.52
Packages	154,311.71	272,785.17		281,607.81		145,489.07
Low-value consumables	675,834.25	625,420.70		771,487.01		529,767.94
Total	2,762,390.34	4,639,866.95		3,548,833.57		3,853,423.72

(3) Explanation that balance of inventory at the end of the reporting period includes amount of capitalization of borrowing costs**(4) Explanation on amortized amount of contract performance cost in the reporting period****10. Contract assets**

If the bad debt reserve of contract assets is set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on bad debt reserve:

Applicable Not applicable

Provision for impairment of contract assets in the reporting period

Other description: None

11. Assets held for sale

Unit: RMB

Item	Book balance at the	Impairmen	Book value at	Fair value	Estimated	Estimated
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	end of the period	t provision	the end of the period		disposal fee	disposal time
Immovable assets of the old factory of Hubei C&S (including land use rights)	57,073,059.69		57,073,059.69	66,285,118.00		December 31, 2020
Total	57,073,059.69		57,073,059.69	66,285,118.00		--

Other description:

In December 2019, in order to boost the investment and construction of Phase II of the high-end household paper project in the industrial zone in the Economic Development Area of Xiaonan District, Xiaogan City, the Company signed an agreement on the acquisition of the immovable assets in the old factory of Hubei C&S (including land use rights) upon consultation with Xiaonan District People's Government of Xiaogan City. The Company believed that the immovable assets of the old factory of Hubei C&S (including land use rights) could be sold immediately in the current situation, according to similar transactions where such assets were sold. The Company signed a binding purchase agreement with Xiaogan Changxing Investment Co., Ltd. and Xiaonan District People's Government of Xiaogan City regarding the transfer of such assets in December 2019. The Agreement contained important terms and conditions including the price and time of the transaction as well as penalty for breach of contract that was strict enough. Therefore, there is little possibility for the agreement to be significantly changed or canceled. The Company originally estimated that the ultimate transfer would be completed before December 2020. However, under the impact of the Covid-19 pandemic in 2020, the government shifted its focus to anti-pandemic work with people's interests above everything else. Especially, Xiaogan City of Hubei Province was one of the hardest-hit areas, so the government has put all efforts in the fight against the virus and post-pandemic economic rejuvenation. As a result, it was unable to pay all asset transfer amount within the agreed period. As of the reporting date, the Company has received most of the asset transfer payment (RMB58.14 million).

12. Non-current assets due within one year: None

13. Other current assets

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Reverse repos of treasury bonds		87,105,000.00
Wealth management products	50,000,000.00	40,000,000.00
Input VAT to be deducted	51,550,834.13	32,822,256.90

Prepaid corporate income tax	33,735.17	5,640,548.88
Total	101,584,569.30	165,567,805.78

Other description: None

14. Investments in creditor's rights

Provisions for asset impairment

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable Not applicable

Other description: None

15. Other investments in creditor's rights

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable Not applicable

Other description: None

16. Long-term receivables

(1) Long-term receivables

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable Not applicable

(2) Long-term receivables derecognized due to the transfer of financial assets

(3) Amounts of assets and liabilities that are formed by the transfer and ongoing involvement of long-term receivables

Other description: None

17. Long-term equity investment: None

18. Investment in other equity instruments: None

19. Other non-current financial assets: None

20. Investment property

(1) Investment property measured at cost

Applicable Not applicable

Unit: RMB

Item	Properties and buildings	Land use rights	Construction work in progress	Total
I. Original Book Value				
1. Balance at the beginning of the period	31,142,650.03	21,661,131.29		52,803,781.32
2. Increase in the current period				
(1) External purchase				
(2) Inventory\fixed assets\transfer from construction work in progress				
(3) Increase in business combination				
3. Decrease in the current period	70,017.11			70,017.11
(1) Disposal	70,017.11			70,017.11
(2) Other transfers out				
4. Balance at the end of the period	31,072,632.92	21,661,131.29		52,733,764.21

II. Accumulated Depreciation and Amortization				
1. Balance at the beginning of the period	11,923,174.46	4,841,225.56		16,764,400.02
2. Increase in the current period	1,100,254.54	321,695.40		1,421,949.94
(1) Provision or amortization	1,100,254.54	321,695.40		1,421,949.94
3. Decrease in the current period	27,951.69			27,951.69
(1) Disposal	27,951.69			27,951.69
(2) Other transfers out				
4. Balance at the end of the period	12,995,477.31	5,162,920.96		18,158,398.27
III. Impairment Provision				
1. Balance at the beginning of the period				
2. Increase in the current period				
(1) Provision				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Balance at the end of the period				
IV. Book Value				
1. Book value at the end of the period	18,077,155.61	16,498,210.33		34,575,365.94

2. Book value at the beginning of the period	19,219,475.57	16,819,905.73	36,039,381.30
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(2) Investment property measured at fair value

Applicable Not applicable

(3) Investment property that the certificate of title has not been issued

The Company does not have investment property that the certificate of title has not been issued as at the end of the year.

21. Fixed assets

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Fixed assets	2,792,587,302.21	2,921,392,106.87
Total	2,792,587,302.21	2,921,392,106.87

(1) Information on fixed assets

Unit: RMB

Item	Properties and buildings	Equipment	Office equipment	Motor vehicles	Production equipment	Total
I. Original Book Value						
1. Balance at the beginning of the period	1,055,604,437.13	2,958,625,080.21	47,464,949.76	15,446,847.51	69,259,291.88	4,146,400,606.49
2. Increase in the current period	66,939,711.30	97,821,291.65	10,951,427.25	1,740,223.44	10,081,107.77	187,533,761.41
(1) Purchase		2,143,089.37	10,203,739.83	1,740,223.44	5,832,610.78	19,919,663.42
(2)	66,939,711.30	95,678,202.28	747,687.42		4,248,496.99	167,614,097.99

Inventory\fixed assets\transfer from construction work in progress						
(3) Increase in business combination						
3. Decrease in the current period	2,521,774.14	41,693,285.43	3,733,832.28		48,290.60	47,997,182.45
(1) Disposal or scrap	2,521,774.14	41,693,285.43	3,733,832.28		48,290.60	47,997,182.45
4. Balance at the end of the period	1,120,022,374.29	3,014,753,086.43	54,682,544.73	17,187,070.95	79,292,109.05	4,285,937,185.45
II. Accumulated Depreciation						
1. Balance at the beginning of the period	190,985,787.16	952,947,310.00	22,508,285.71	7,191,366.34	32,365,697.61	1,205,998,446.82
2. Increase in the current period	40,086,159.01	236,975,142.10	6,815,097.93	1,268,020.74	9,300,712.53	294,445,132.31
(1) Provision	40,086,159.01	236,975,142.10	6,815,097.93	1,268,020.74	9,300,712.53	294,445,132.31
3. Decrease in the current period	444,915.23	19,780,749.33	3,299,420.35		37,666.72	23,562,751.63
(1) Disposal or scrap	444,915.23	19,780,749.33	3,299,420.35		37,666.72	23,562,751.63
4. Balance at the end of the period	230,627,030.94	1,170,141,702.77	26,023,963.29	8,459,387.08	41,628,743.42	1,476,880,827.50
III. Impairment						

Provision						
1. Balance at the beginning of the period		18,970,596.52	29,332.40		10,123.88	19,010,052.80
2. Increase in the current period		14,186,655.02	1,219.51		51,865.96	14,239,740.49
(1) Provision		14,186,655.02	1,219.51		51,865.96	14,239,740.49
3. Decrease in the current period		16,741,281.27	29,332.40		10,123.88	16,780,737.55
(1) Disposal or scrap		16,741,281.27	29,332.40		10,123.88	16,780,737.55
4. Balance at the end of the period		16,415,970.27	1,219.51		51,865.96	16,469,055.74
IV. Book Value						
1. Book value at the end of the period	889,395,343.35	1,828,195,413.39	28,657,361.93	8,727,683.87	37,611,499.67	2,792,587,302.21
2. Book value at the beginning of the period	864,618,649.97	1,986,707,173.69	24,927,331.65	8,255,481.17	36,883,470.39	2,921,392,106.87

(2) Information on temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Equipment	34,175,187.87	16,895,212.30	16,415,970.27	864,005.30	
Office equipment	6,001.36	4,561.85	1,219.51	220.00	
Production equipment	182,633.33	130,267.37	51,865.96	500.00	

Total	34,363,822.56	17,030,041.52	16,469,055.74	864,725.30	
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(3) Fixed assets acquired through finance lease: None

(4) Fixed assets leased through operating lease: None

(5) Fixed assets that the certificate of title has not been issued

Unit: RMB

Item	Book value	Reasons for the certificate of title having not been issued
Workshops of Zhejiang C&S	3,741,710.06	Processing
Plants and warehouses of Tangshan Branch	46,916,577.15	Processing
Workshops, warehouses, and dormitories of Hubei C&S	148,272,896.93	Processing
Total	198,931,184.14	

Other description

There was no limitation on the ownership of fixed assets of the Company at the end of the reporting period.

(6) Disposal of fixed assets

Other description: None

22. Construction work in process

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Construction work in process	275,904,617.95	55,734,236.91
Total	275,904,617.95	55,734,236.91

(1) Construction work in progress

Unit: RMB

Project	Balance at the end of the period	Balance at the beginning of the period
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	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction work of Tangshan Branch				35,260,100.44		35,260,100.44
Construction work of Jiangmen C&S	1,028,646.43		1,028,646.43	8,149,431.17		8,149,431.17
Construction work of Yunfu C&S	24,342,285.15		24,342,285.15	6,611,423.72		6,611,423.72
Construction work of Hubei C&S	244,523,934.15		244,523,934.15	5,219,006.80		5,219,006.80
Construction work of Zhejiang C&S	249,608.17		249,608.17	494,274.78		494,274.78
Construction work of Sichuan C&S	5,760,144.05		5,760,144.05			
Total	275,904,617.95		275,904,617.95	55,734,236.91		55,734,236.91

(2) Changes of significant construction work in progress in the current period

Unit: RMB

Project	Budget number	Balance at the beginning of the year	Increase in the current period	Amount of fixed assets transferred in the current period	Decrease in the current period	Balance at the end of the year	Proportion of the cumulative construction input in budget	Construction progress	Accumulative amount of interest capitalization	Including: Amount of interest capitalization in	Interest capitalization rate in the current period	Source of fund
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										the period		
Construc tion work of Tangsha n Branch	335,775, 000.00	35,260,1 00.44	20,832,4 59.99	56,092,5 60.43			0.00	19.61%	19.61%			Others
Construc tion work of Jiangme n C&S	25,712,3 78.02	8,149,43 1.17	17,429,2 22.81	24,550,0 07.55			1,028,64 6.43	99.48%	99.48%			Others
Construc tion work of Yunfu C&S	101,430, 908.80	6,611,42 3.72	59,756,1 36.05	42,025,2 74.62			24,342,2 85.15	76.34%	76.34%			Others
Construc tion work of Hubei C&S	1,353,00 0,000.00	5,219,00 6.80	254,551, 411.81	15,246,4 84.46			244,523, 934.15	71.46%	71.46%			Others
Construc tion work of Zhejiang C&S	5,540,87 1.83	494,274. 78	5,014,14 8.00	5,258,81 4.61			249,608. 17	99.41%	99.41%			Others
Construc tion work of Sichuan C&S	30,949,9 19.11	0.00	30,201,1 00.37	24,440,9 56.32			5,760,14 4.05	97.58%	97.58%			Others

Total	1,852,40	55,734,2	387,784,	167,614,		275,904,	--	--				--
	9,077.76	36.91	479.03	097.99		617.95						

(3) Construction-in-progress provision set aside in the current period

There was no situation where the recoverable amount of the construction work in progress is lower than the book value which required provisions in the Company in the reporting period.

(4) Construction materials

Other description: None

23. Productive biological assets

(1) Productive biological assets measured at cost

Applicable Not applicable

(2) Productive biological assets measured at fair value

Applicable Not applicable

24. Oil & gas assets

Applicable Not applicable

25. Right-of-use assets

Other description: None

26. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Application software	Trademark right	Total
I. Original Book Value						
1. Balance at the beginning of the period	189,064,322.15	1,342,721.84		12,433,710.50	168,370.83	203,009,125.32
2. Increase in the current period				6,385,724.17	0.00	6,385,724.17
(1) Purchase				6,385,724.17	0.00	6,385,724.17
(2) Internal R&D						
(3) Increase in business combination						
3. Decrease in the current period						
(1) Disposal						
4. Balance at the end of the period	189,064,322.15	1,342,721.84		18,819,434.67	168,370.83	209,394,849.49
II. Accumulated Amortization						
1. Balance at the beginning of the period	26,533,474.35	790,967.09		6,784,531.22	168,370.83	34,277,343.49
2. Increase in the current period	2,917,485.79	94,269.96		2,749,978.01		5,761,733.76
(1) Provision	2,917,485.79	94,269.96		2,749,978.01		5,761,733.76
3. Decrease in the current period						
(1) Disposal						

4. Balance at the end of the period	29,450,960.14	885,237.05		9,534,509.23	168,370.83	40,039,077.25
III. Impairment Provision						
1. Balance at the beginning of the period						
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period						
(1) Disposal						
4. Balance at the end of the period						
IV. Book Value						
1. Book value at the end of the period	159,613,362.01	457,484.79		9,284,925.44		169,355,772.24
2. Book value at the beginning of the period	162,530,847.80	551,754.75		5,649,179.28		168,731,781.83

The intangible assets generated other than internal R&D of the Company at the end of the period occupy 0.00% of the balance of intangible assets.

(2) Information on the land use rights that the certificate of title has not been issued

Other description: None

27. Development expenses

Other description: None

28. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of investee or the matters forming goodwill	Balance at the beginning of the period	Increase in the current period		Decrease in the current period		Balance at the end of the period
		Formed by business combination		Disposal		
Merger of Zhongshan Jie Rou Paper involving enterprises not under common control	64,654.15					64,654.15
Total	64,654.15					64,654.15

(2) Provision for impairment of goodwill

Relevant information on the asset group or asset group portfolio in which the goodwill is located

Explain the method to confirm the process of goodwill impairment test, key parameters (e.g. the growth rate in the predictive period when predicting the present value of future cash flow, the growth rate in the stable period, profit rate, discount rate, and predictive period), and the goodwill impairment loss:

After conducting the asset impairment test by combining the goodwill with corresponding asset groups, there was no impairment as at June 30, 2020, and provisions at the end of the reporting period were not set aside.

Influence of the goodwill impairment test

Other description: None

29. Long-term unamortized expenses

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Amortized amount of the current period	Other decreases	Balance at the end of the period
Use rights of sewage discharge	3,763,858.78		1,455,259.85		2,308,598.93

Decoration fees of office buildings	8,942,538.46	19,387,140.38	5,964,044.63		22,365,634.21
Electricity use rights	980,000.00	1,191,750.00	210,000.00		1,961,750.00
Total	13,686,397.24	20,578,890.38	7,629,304.48		26,635,983.14

Other description: None

30. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets that were not offset

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	37,236,661.77	8,048,641.53	33,522,565.26	7,354,388.34
Unrealized profit in internal transaction	59,038,241.84	11,427,908.55	32,400,998.88	6,052,001.45
Deductible loss	157,221,067.56	39,305,266.89	133,306,241.56	33,326,560.39
Provision for impairment of inventories	3,853,423.72	702,165.91	2,762,390.34	535,522.47
Provision for impairment of fixed assets	16,469,055.74	2,795,038.08	19,010,052.80	3,472,180.20
Equity incentive cost	136,647,479.87	33,312,991.30	73,883,673.67	17,319,732.41
Accrued expenses	60,267,582.48	15,066,895.62	49,082,779.64	12,270,694.91
Deferred income	2,833,819.12	708,454.78		
Total	473,567,332.10	111,367,362.66	343,968,702.15	80,331,080.17

(2) Deferred income tax liabilities that were not offset

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Pre-tax deduction of fixed assets at one time as stipulated in the tax law	190,069,258.27	35,903,653.30	152,874,671.45	30,016,107.43
Total	190,069,258.27	35,903,653.30	152,874,671.45	30,016,107.43

(3) Presentation of deferred income tax assets or liabilities by the net amount after offset

Unit: RMB

Item	Offset amount of the deferred income tax assets and liabilities at the end of the reporting period	Balance of the deferred income tax assets or liabilities after offset at the end of the reporting period	Offset amount of the deferred income tax assets and liabilities at the beginning of the reporting period	Balance of the deferred income tax assets or liabilities after offset at the beginning of the reporting period
Deferred income tax assets		111,367,362.66		80,331,080.17
Deferred income tax liabilities		35,903,653.30		30,016,107.43

(4) Breakdown of unconfirmed deferred income tax assets

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Deductible temporary differences	2,710,860.27	84,331.04
Total	2,710,860.27	84,331.04

(5) Deductible losses of the unconfirmed deferred income tax assets due in the next year

Other description: None

31. Other non-current assets

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayment for software	2,027,042.24		2,027,042.24	3,326,948.93		3,326,948.93
Prepayment for engineering equipment	26,000,909.91		26,000,909.91	2,979,080.03		2,979,080.03
Total	28,027,952.15		28,027,952.15	6,306,028.96		6,306,028.96

Other description: None

32. Short-term borrowings**(1) Classification of short-term borrowings**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Guaranteed borrowings	142,942,941.34	14,721,492.38
Total	142,942,941.34	14,721,492.38

(2) Short-term borrowings overdue but unpaid

There were no short-term borrowings overdue but unpaid in the Company at the end of the reporting period.

33. Tradable financial liabilities

Other description: None

34. Derivative financial liabilities

Other description: None

35. Notes payable

Unit: RMB

Category	Balance at the end of the period	Balance at the beginning of the period
Banker's acceptance	234,887,563.22	202,653,860.31
Total	234,887,563.22	202,653,860.31

The total amount of the notes payable due but unpaid at the end of the reporting period is RMB0.00.

36. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Accounts payable	761,519,389.26	578,212,781.22
Total	761,519,389.26	578,212,781.22

(2) Significant accounts payable with aging over one year

The Company has no significant accounts payable with aging over one year in the reporting period.

37. Payments received in advance

(1) List of payments received in advance

(2) Significant payments received in advance with aging over one year

38. Contract liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Advances on sales	137,333,617.40	142,476,562.31
Total	137,333,617.40	142,476,562.31

39. Employee remuneration payable**(1) List of employee remuneration payable**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
I. Short-term Compensation	106,224,592.83	667,758,043.16	650,476,516.56	123,506,119.43
II. Post-employment Benefits - Defined Contribution Plan	189,007.44	14,805,067.85	14,975,567.61	18,507.68
III. Dismissal Benefits		1,091,053.15	1,091,053.15	
Total	106,413,600.27	683,654,164.16	666,543,137.32	123,524,627.11

(2) List of short-term remuneration

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Salary, bonus and subsidy	105,632,187.56	607,176,927.11	590,213,332.43	122,595,782.24
2. Employee welfare		24,566,473.91	24,566,473.91	
3. Social insurance premiums	138,180.30	18,123,146.79	18,008,560.58	252,766.51
Including: Medical insurance	123,961.21	16,122,317.17	15,996,172.85	250,105.53
Employment injury insurance	7,474.96	453,061.36	460,369.26	167.06
Maternity insurance	6,744.13	1,547,768.26	1,552,018.47	2,493.92
4. Housing provident fund	235,586.00	14,778,764.05	14,640,039.05	374,311.00
5. Labor union fee and staff education fee	218,638.97	3,112,731.30	3,048,110.59	283,259.68

Total	106,224,592.83	667,758,043.16	650,476,516.56	123,506,119.43
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(3) List of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Basic endowment insurance	182,767.82	14,307,295.62	14,472,135.90	17,927.54
2. Unemployment insurance	6,239.62	497,772.23	503,431.71	580.14
Total	189,007.44	14,805,067.85	14,975,567.61	18,507.68

Other description: There was no delinquency of employee remuneration payable in the Company at the end of the reporting period.

40. Tax and fees payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Value-added tax	25,574,167.63	40,202,978.00
Corporate income tax	79,266,423.94	53,355,863.46
Individual income tax	1,840,329.83	1,419,250.54
City construction and maintenance tax	1,593,768.94	1,943,704.81
Property tax	1,087,129.90	1,074,531.92
Education surcharges	829,794.94	998,926.69
Local education surcharges	524,068.91	665,951.12
Land use tax	796,430.89	796,430.83
Stamp tax	596,629.80	561,017.55
Disabled security fund	334,989.76	364,478.02
Environmental protection tax	97,465.13	218,414.57
Resource tax	66,855.20	69,070.60

Total	112,608,054.87	101,670,618.11
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Other description: None

41. Other payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Interest payable		173,259.89
Dividend payable	1,437,466.77	452,536.50
Other payables	753,407,113.32	635,208,714.66
Total	754,844,580.09	635,834,511.05

(1) Interest payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Interest of long-term borrowings with interest repayment by installment and principal repayment upon maturity		85,143.46
Interest payable of short-term borrowings		88,116.43
Total		173,259.89

(2) Dividends payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Dividends for restricted shares	1,437,466.77	452,536.50
Total	1,437,466.77	452,536.50

Other descriptions, including important dividends payable exceeding one year, and the reasons for non-payment that should be disclosed: None

(3) Other payables**1) Other payables based on amount nature**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Unpaid fees	658,391,225.24	502,706,478.59
Repurchase obligation of restricted shares	68,800,189.53	104,792,649.00
Margins and deposits	20,964,424.40	15,743,185.19
Authorized collection and payment of individual income tax under the equity incentive	2,877,482.40	9,354,253.42
Others	2,373,791.75	2,612,148.46
Total	753,407,113.32	635,208,714.66

2) Other important payables with aging exceeding one year

Unit: RMB

Item	Balance at the end of the period	Reason for unsettlement or not carry-over
1st	6,323,465.21	Not yet settled
Total	6,323,465.21	--

Other description: None

42. Liabilities held for sale: None**43. Non-current liabilities due within one year**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Long-term borrowings due within one year		32,400,000.00
Total		32,400,000.00

Other description: None

44. Other current liabilities

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Tax pending changeover	17,628,086.63	
Total	17,628,086.63	

45. Long-term borrowings**(1) List of long-term borrowings**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Guaranteed borrowings		22,500,000.00
Total		22,500,000.00

Other descriptions, including the interval of interest rate: None

46. Bonds payable**(1) Bonds payable: None**

(2) Changes in the increase and decrease of the bonds payable (excluding other financial instruments such as preference shares and perpetual bonds that are divided into financial liabilities): None

(3) Descriptions of the conditions for converting conditions and time of converting bonds: None

(4) Descriptions of other financial instruments that are divided into financial liabilities

Basic information on other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds: None

Description of the basis for other financial instruments to be divided into financial liabilities: None

Other description: None

47. Lease liabilities

Other description: None

48. Long-term payables**(1) Long-term payables listed based on amount nature**

Other description: None

(2) Special payables

Other description: None

49. Long-term employee remuneration payable**(1) Table of long-term employee remuneration payable****(2) Changes of the defined benefit plan**

Other description: None

50. Projected liabilities

Other descriptions, including description of important assumptions and estimations relevant to significant project liabilities: None

51. Deferred income

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period	Reason
Government grants	82,367,831.33	42,985,900.00	10,252,573.20	115,101,158.13	Government grants related to assets
Total	82,367,831.33	42,985,900.00	10,252,573.20	115,101,158.13	--

Projects involving government grants:

Unit: RMB

Liability item	Balance at the beginning of the period	Increased amount of grants in the current period	Amount included in non-operating income in the current period	Amount included in other income in the current period	Amount of offset costs in the current period	Other changes	Balance at the end of the period	Related to asset/income
Support funds for sewage centralized water treatment project	1,093,500.00			121,500.00			972,000.00	Related to asset
Ex-post funds awarded to the first batch of the union enterprises for technical transformation in 2017	4,716,165.98			634,586.64			4,081,579.34	Related to asset
Support funds for the technical transformation of equipment production line	4,447,359.44			806,623.44			3,640,736.00	Related to asset
Support funds for enterprise technical upgrading		3,880,000.00		660,311.90			3,219,688.10	Related to asset
Subsidies for the infrastructure construction of new factory in Hubei	31,607,370.32			1,071,436.32			30,535,934.00	Related to asset
Provincial funds for traditional industry transformation projects		1,000,000.00		89,285.70			910,714.30	Related to asset
Subsidies for the expansion of the high-grade household paper project with an annual output of 25,000 tons	2,066,666.79			159,999.96			1,906,666.83	Related to asset

Discount interest funds for imported equipment	2,633,468.75			193,875.00			2,439,593.75	Related to asset
Financial support funds for construction expansion of 25,000-ton high-grade household paper project	8,078,701.55			625,447.80			7,453,253.75	Related to asset
Subsidies for "water treatment" project construction	1,524,940.00			155,078.64			1,369,861.36	Related to asset
Subsidies for sewage treatment station	3,142,045.43			477,272.76			2,664,772.67	Related to asset
Special funds for capacity expansion of 25,000-ton high-grade household paper project	2,395,833.26			575,000.04			1,820,833.22	Related to asset
Support funds for the construction of environmental protection facilities	3,351,587.39			319,047.60			3,032,539.79	Related to asset
Support funds for equipment of Phase II project	11,438,819.16			1,971,248.16			9,467,571.00	Related to asset
Support funds for the transformation of Phase I project	3,708,873.26	13,063,500.00		599,715.61			16,172,657.65	Related to asset
Support funds for the construction of Automated Storage & Retrieval System	2,162,500.00	20,000,000.00		973,529.42			21,188,970.58	Related to asset
Project fund for automatic production line reconstruction		2,042,400.00		652,433.33			1,389,966.67	Related to asset
Subsidy funds for the smart factory project		3,000,000.00		166,180.88			2,833,819.12	Related to asset
Total	82,367,831.33	42,985,900.00		10,252,573.			115,101,158.	

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Other description: None

52. Other non-current liabilities

Other description: None

53. Share capital

Unit: RMB

	Balance at the beginning of the period	Increase and decrease of this change (+ and -)					Balance at the end of the period
		Issuance of additional shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	
Total number of shares	1,308,891,273.00	3,610,416.00			-1,014,612.00	2,595,804.00	1,311,487,077.00

For details about changes in the Company's share capital in the reporting period, please refer to "1. Development history of the company in III. Basic Information of the Company of Section XII" for details.

54. Other equity instruments

(1) Basic information on other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds: None

(2) Table of changes in other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds

Other description: None

55. Capital reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period

Capital premium (share premium)	595,936,687.24	34,809,136.79	3,948,642.06	626,797,181.97
Other capital reserve	164,794,729.33	120,299,657.28	4,885,063.53	280,209,323.08
Total	760,731,416.57	155,108,794.07	8,833,705.59	907,006,505.05

Other descriptions, including increase/decrease in the reporting period and reasons of change:

(1) The exercise of stock options awarded in the first grant and the exercise of reserved stock options as per the *2018 Stock Option and Restricted Stock Incentive Plan* increased “capital reserve-share premium” by RMB34,809,136.79 and decreased “capital reserve-other capital reserve” by RMB4,885,063.53. The repurchase and deregistration of incentive stocks decreased “capital reserve-other capital reserve” by RMB3,948,642.06.

(2) The Company set aside provision for equity incentive costs and fees in the reporting period and RMB95,705,148.72 was included in "capital reserve - other capital reserve". Difference between the deductible amount before tax under the *2018 Stock Option and Restricted Stock Incentive Plan* and recognized book expense was confirmed as deferred income tax asset and RMB24,594,508.56 was included in "capital reserve - other capital reserve".

56. Treasury shares

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Restricted shares	104,792,649.00		35,992,459.47	68,800,189.53
Ordinary shares		27,680,721.76		27,680,721.76
Total	104,792,649.00	27,680,721.76	35,992,459.47	96,480,911.29

Other descriptions, including increase/decrease in the reporting period and reasons of change:

Notes: (1) The first unlock period unlocked 5,593,428 shares of first-grant stock options at RMB4.33/share and 765,270 shares of reserved stock options at RMB7.02/share granted under the *2018 Stock Option and Restricted Stock Incentive Plan*. Totally RMB29,591,738.64 was included in the decrease of the current period. The total amount of revocable cash dividends of RMB 1,437,466.77 was included in the decrease of the current period.

(2) As some incentive recipients for stocks awarded in the first grant left the Company or failed to pass the appraisal, the Company repurchased and deregistered 802,722 shares with RMB4.33 per share. As some incentive recipients for reserved stocks left the Company or failed to pass the appraisal, the Company repurchased and deregistered 211,890 shares with RMB7.02 per share. Totally 1,014,612 shares were repurchased with an amount of RMB4,963,254.06, which was included in the decrease of the current period.

(3) The share repurchase amount of RMB27,680,721.76 was included in the increase of the current period.

57. Other comprehensive income: None

58. Special reserves

Other descriptions, including increase/decrease in the reporting period and reasons of change: None

59. Surplus reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Statutory surplus reserve	53,205,582.86	8,263,675.41		61,469,258.27
Total	53,205,582.86	8,263,675.41		61,469,258.27

Explanation of surplus reserves, including increase/decrease in the reporting period and reasons of change: None

60. Retained earnings

Unit: RMB

Item	Current period	Last period
Retained earnings before adjustment at the end of the last period	2,058,968,835.80	1,490,758,189.02
Retained earnings at the beginning of the period after adjustment	2,058,968,835.80	1,490,758,189.02
Plus: Net profit attributable to owners of the parent company of the current period	905,889,081.41	603,832,650.83
Less: Withdraw of statutory surplus reserve	8,263,675.41	5,900,899.85
Dividends on ordinary shares payable	97,930,094.41	29,721,104.20
Retained earnings at the end of the period	2,858,664,147.39	2,058,968,835.80

Details on adjusting retained earnings at the beginning of the period:

(1) As a result of retrospective adjustments according to the *Accounting Standards for Business Enterprises* and its related new provisions, the impact on retained earnings at the beginning of the period was RMB0.00.

(2) Due to the changes in accounting policies, the impact on retained earnings at the beginning of the period was RMB0.00.

(3) Due to the correction of material accounting errors, the impact on retained earnings at the beginning of the period was RMB0.00.

(4) Due to the changes in the scope of combination caused by the same control, the impact on retained earnings at the beginning of the period was RMB0.00.

(5) Other adjustments affected retained earnings at the beginning of the period by a total of RMB0.00.

61. Operating income and operating cost

Unit: RMB

Item	Incurred in the current period		Incurred in the last period	
	Income	Cost	Income	Cost
Principal business	7,599,908,947.02	4,379,376,627.64	6,565,754,364.57	3,941,747,959.00
Other businesses	223,619,469.30	211,527,412.71	69,159,988.11	63,673,093.70
Total	7,823,528,416.32	4,590,904,040.35	6,634,914,352.68	4,005,421,052.70

Whether the lower of the audited net profit before and after deduction of non-recurring profits and losses is negative:

Yes No

Information related to income:

Unit: RMB

Contract classification	Branch 1	Branch 2		Total
By product type	7,823,528,416.32			7,823,528,416.32
Including:				
Household paper	7,499,908,172.64			7,499,908,172.64
Personal care	100,000,774.38			100,000,774.38
Others	223,619,469.30			223,619,469.30
By operating region	7,823,528,416.32			7,823,528,416.32
Including:				
Domestic	7,652,670,691.06			7,652,670,691.06

Abroad	170,857,725.26			170,857,725.26
Including:				
Including:				
Including:				
Including:				
Including:				
Total	7,823,528,416.32			7,823,528,416.32

Information related to performance obligation: None

Information related to the transaction price apportioned to the remaining performance obligation:

The amount of income corresponding to the obligations of contract performance with an executed contract that is not performed or fully performed at the end of the reporting period is RMB32,714,606.53, of which the income of RMB32,714,606.53 is expected to be confirmed as income in the year of 2021.

Other description: None

62. Tax and surcharges

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
City construction and maintenance tax	20,149,751.80	12,936,585.63
Education surcharges	9,597,106.24	6,897,849.76
Resource tax	107,367.57	111,579.16
Property tax	9,604,943.14	8,636,350.56
Land use tax	3,492,720.58	3,335,708.17
Vehicle and vessel tax	18,240.00	17,355.00
Stamp tax	6,425,868.35	5,715,389.63
Local education surcharges	6,368,693.14	4,593,846.46
Environmental protection tax	348,227.27	571,538.10
Total	56,112,918.09	42,816,202.47

Other description: None

63. Selling expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Employee remuneration	289,793,524.85	243,696,299.26
Product promotion fees	891,673,851.97	607,944,031.45
Transportation expenses	90,696,221.79	297,280,743.60
Advertising expenses	117,926,339.81	88,475,224.58
Shopping mall management fees	101,261,590.30	82,659,469.17
Traveling expenses	24,141,592.40	21,502,938.35
Rental fees	17,791,905.46	12,325,145.27
Business entertainment expenses	2,004,195.01	1,682,162.96
Others	9,273,023.12	13,987,829.31
Total	1,544,562,244.71	1,369,553,843.95

Other description: None

64. Administrative expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Employee remuneration	123,787,011.29	122,518,188.82
Equity incentive cost	95,705,148.72	51,897,249.18
Depreciation and amortization fees	64,793,200.48	48,088,129.24
Office allowance	28,815,372.03	23,650,606.93
Consulting service fees	11,152,882.86	14,358,982.09
Outsourcing warehouse management fees	13,476,942.90	10,775,007.49
Business entertainment expenses	4,250,313.01	4,599,026.44
Traveling expenses	2,007,217.94	4,418,275.25
Environmental protection fees	2,920,486.57	2,504,089.42

Rental fees	4,972,311.62	2,101,996.13
Others	13,033,456.88	9,605,386.36
Total	364,914,344.30	294,516,937.35

Other description: None

65. R&D expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Employee remuneration	35,421,883.98	30,880,261.59
Direct investment	123,888,034.21	123,639,467.65
Depreciation and amortization fees	26,261,981.44	18,810,812.39
Other expenses	4,726,733.98	3,043,745.71
Total	190,298,633.61	176,374,287.34

Other description: None

66. Finance expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Interest fees	2,903,635.12	13,452,104.83
Less: interest income	8,202,097.37	3,504,368.80
Exchange profit and loss	-18,603,312.21	4,507,136.43
Transaction fee	5,954,447.70	6,987,828.86
Others	-54,219.48	33,710.43
Total	-18,001,546.24	21,476,411.75

Other description: None

67. Other income

Unit: RMB

Sources of other income	Incurred in the current period	Incurred in the last period
Refund of individual income tax	702,121.74	
Financial support funds allocated by the bureau of finance	7,892,985.55	
Subsidies for internship, employment, job stabilization and training	6,168,474.94	
Support funds for equipment of Phase II project	1,971,248.16	246,480.84
Support policy rewards of the bureau of economy, science and information technology	1,310,000.00	
Infrastructure construction subsidies for the new factory of Hubei C&S	1,071,436.32	535,718.15
Support funds for the construction of Automated Storage & Retrieval System	973,529.42	150,000.00
VAT exemption for employment of retired soldiers and poor population	961,750.00	850,100.03
Support funds for equipment and technology upgrading	806,623.44	228,640.56
Provincial support funds for enterprise technical upgrading	660,311.90	
Reconstruction project of automatic production lines	652,433.33	
Ex-post funds awarded to the first batch of the union enterprises for the technical transformation in 2017	634,586.64	684,763.88
Partial 2013-2017 financial support funds of the Management Committee of Pengzhou Industrial Development Zone, Sichuan Province	625,447.80	625,447.83
Support funds for the transformation of	599,715.61	74,926.74

Phase I project		
25,000 tons capacity expansion project of Tangshan Branch	575,000.04	575,000.04
Financial support for the sewage treatment station project of Tangshan Branch	477,272.76	357,954.57
Special award funds for the restructuring of industrial enterprises	410,000.00	
Subsidies of production resumption and development under Covid-19 impact	320,000.00	
Support funds for the construction of environmental protection facilities	319,047.60	319,047.60
Award for breakthroughs with increases in businesses	300,000.00	
Subsidies for supporting enterprises to expand import and export scale	257,200.00	
Subsidies for photovoltaic power rooftop	224,640.00	
Import interest discounts on imported equipment in 2014	193,875.00	193,875.00
Subsidy funds for the smart factory project	166,180.88	
Special funds for the construction expansion of the 25,000-ton household paper project	159,999.96	159,999.96
Subsidies for water treatment project	155,078.64	155,078.64
Wage subsidiaries of Hong Kong	126,835.56	
Financial support for sewage centralized water treatment project	121,500.00	121,500.00
Provincial funds for traditional industry transformation projects	89,285.70	
Employment subsidies from the epidemic prevention and control fund	73,156.71	

Enterprise assistance funding plan of the ten billion anti-epidemic fund	66,525.00	
Social security subsidies from the labor and employment administration	53,532.00	
Support fund for advanced energy conservation and cleaner production in 2020	30,000.00	
Subsidies for epidemic prevention and control	24,750.00	
Energy efficiency special fund 2019	20,000.00	
Management system certification rewards 2018	10,000.00	
Subsidies for pandemic prevention system building of enterprises by the bureau of economy, science, and information technology	9,000.00	
One-off subsidy for delayed resumption of work	7,440.00	
Subsidies for industrial patents	3,300.00	
Technical transformation funds of the Finance Division, Shuangshui Town, Xinhui District, Jiangmen City		6,243,528.93
Financial support funds for industry collaboration in 2018 from the Finance Bureau of Luoding City		1,677,400.00
Subsidies for the renovation of coal-fired boilers from the Environmental Protection Bureau of Yutian County		800,000.00
Subsidy funds for high-tech enterprise evaluation and certification (cultivation) from the Finance Bureau, Luoding City in		800,000.00

2018		
Fourth batch of municipal industrial development funds in 2019 from the Central Treasury Payment Center of Pengzhou City		600,000.00
Tax incremental awards 2018		307,100.00
Provincial subsidies from Pengzhou Municipal Bureau of Commerce and Investment Promotion		156,000.00
Development subsidies for high-tech enterprises		150,000.00
Total	29,224,284.70	16,012,562.77

68. Return on investment

Unit: RMB

Items	Incurred in the current period	Incurred in the last period
Others	3,868,134.28	333,745.61
Total	3,868,134.28	333,745.61

Other description:

"Others" refer to returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds of the Company.

69. Profit of net exposure hedging

Other description: None

70. Income from changes in fair value

Other description: None

71. Credit impairment loss

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Bad debt loss from other receivables	-727,073.31	-160,682.27
Impairment loss from accounts receivable	-5,735,079.40	-2,617,879.60
Total	-6,462,152.71	-2,778,561.87

Other description: None

72. Asset impairment loss

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
II. Impairment Loss of Inventories and Contract Performance Cost	-1,623,983.68	-727,254.87
V. Impairment Loss of Fixed Assets	-14,239,740.49	-18,326,205.31
Total	-15,863,724.17	-19,053,460.18

Other description: None

73. Return on disposal of assets

Unit: RMB

Source	Incurred in the current period	Incurred in the last period
Disposal of fixed assets	-1,630,681.60	198,268.96
Total	-1,630,681.60	198,268.96

74. Non-operating income

Unit: RMB

Item	Incurred in the current period	Incurred in the last period	Amount recognized as profit or loss for the current period
Profit from damage and retirement of non-current assets	147,882.19	128,947.02	147,882.19
Including: Fixed assets	147,882.19	128,947.02	147,882.19
Intangible assets			

Donations accepted			
Government grants not related to daily activities of the enterprise	11,000.00	2,410,232.29	11,000.00
Income from fine and compensation	3,993,312.79	1,937,871.09	3,993,312.79
Amounts with no payments required	614,936.63	415,420.52	614,936.63
Others	662,538.39	959,085.78	662,538.39
Total	5,429,670.00	5,851,556.70	5,429,670.00

Government grants recognized as profit and loss of the current period:

Unit: RMB

Grants	Issuer	Reason	Nature and type	Whether the grant affected the profit and loss of the year	Whether a special grant	Amount incurred in the current period	Amount incurred in the last period	Related to asset/income
Party building funds for new economic organizations and new social organizations from the Mobile Party Member Management Service Center of	Mobile Party Member Management Service Center of Dongsheng Town, Zhongshan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	10,000.00		Related to income

Dongsheng Town, Zhongshan City								
Subsidies for west district from the Human Resources and Social Security Bureau of Zhongshan City	Social Security Bureau of Zhongshan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	1,000.00		Related to income
Financial support funds for enterprises in 2015 from the Industrial Development Zone Management Committee of Pengzhou City, Sichuan Province	Industrial Development Zone Management Committee of Pengzhou City, Sichuan Province	Grant	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		1,295,600.00	Related to income
Subsidies for stable employment	Labor and Employment Administration of Pengzhou City, Sichuan Province	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially	No	No		252,028.31	Related to income

			necessary product					
Funds for construction of party member service center from the Finance Division of Xiaonan Economic Development Zone, Hubei Province	Finance Division of Xiaonan Economic Development Zone, Hubei Province	Grant	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		200,000.00	Related to income
Subsidies for stable employment in 2018 from the Labor and Employment Administration of Xiaonan District, Xiaogan City	Labor and Employment Administration of Xiaonan District, Xiaogan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		135,000.00	Related to income
Subsidies for enterprise social insurance from the Labor and Employment Administration of Xiaonan	Labor and Employment Administration of Xiaonan District, Xiaogan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		128,000.00	Related to income

District, Xiaogan City								
Government support fund 2017 from the Bureau of Economy and Information Technology Pengzhou City	Bureau of Economy and Information Technology Pengzhou City	Reward	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		100,000.00	Related to income
Online subsidy in 2017 from the Jiaxing Port District (Comprehensive Free Trade Zone) Brigade, Comprehensive Administrative Law Enforcement Detachment, Jiaxing City	Jiaxing Port District (Comprehensive Free Trade Zone) Brigade, Comprehensive Administrative Law Enforcement Detachment, Jiaxing City	Grant	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		80,000.00	Related to income
Refund of employment stabilization from Social Insurance Bureau of	Social Insurance Bureau of Yutian County	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially	No	No		65,312.15	Related to income

Yutian County			necessary product					
Subsidies for employment stabilization from Zhongshan Human Resources and Social Security Bureau	Special payment account of Zhongshan Human Resources and Social Security Bureau	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		41,498.83	Related to income
Special funds for promoting the stable growth of foreign trade	Zhongshan Bureau of Commerce	Grant	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		41,093.00	Related to income
Subsidies for stable employment from Labor and Employment Administration of Xiaonan District, Xiaogan City	Labor and Employment Administration of Xiaonan District, Xiaogan City	Grant	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		32,200.00	Related to income
Subsidies for water-saving enterprises from Water	Water Authority of Yutian County	Grant	Grants received as a result of compliance with local government policies such as	No	No		30,000.00	Related to income

Authority of Yutian County			investment attraction and other local support policies					
Compensation for employment of enterprise employee from Labor and Employment Administration of Xiaonan District, Xiaogan City	Labor and Employment Administration of Xiaonan District, Xiaogan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		8,000.00	Related to income
Unemployment insurance from the Social Insurance Fund Administration of Luoding City	Social Insurance Fund Administration of Luoding City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		1,500.00	Related to income
Total						11,000.00	2,410,232.29	

Other description: None

75. Non-operating expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the last period	Amount recognized as profit or loss of the current period
External donations	15,470,536.45	741,655.70	15,470,536.45

Loss from damage and retirement of non-current assets	1,497,805.16	2,329,261.00	1,497,805.16
Including: Fixed assets	1,497,805.16	2,329,261.00	1,497,805.16
Intangible assets			
Others	3,944,517.51	1,250,103.74	3,944,517.51
Total	20,912,859.12	4,321,020.44	20,912,859.12

Other description: None

76. Income tax expenses

(1) Table of income tax expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Current income tax expense	181,314,018.95	109,627,747.60
Deferred income tax expense	1,187,352.52	7,538,310.24
Total	182,501,371.47	117,166,057.84

(2) Adjustment process of accounting profits and income tax expenses

Unit: RMB

Item	Incurred in the current period
Total profit	1,088,390,452.88
Income tax expenses calculated at the statutory/applicable tax rate	272,097,613.22
Impacts of different tax rates applied to subsidiaries	-92,418,323.76
Impacts of adjustments to income taxes during the prior period	-17,976,884.62
Impacts of non-deductible costs, expenses and losses	20,798,966.63
Income tax expenses	182,501,371.47

Other description: None

77. Other comprehensive income

Please refer to the notes for details.

78. Items of the cash flow statement**(1) Cash received related to other operating activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Current accounts	49,688,516.72	34,915,227.30
Fiscal appropriation	60,126,856.61	55,389,320.76
Interest income	8,196,797.10	3,531,225.34
Authorized collection of individual income tax under the equity incentive	22,976,763.21	19,769,719.72
Authorized collection of payments for the first Employee Stock Ownership Plan		131,997,028.57
Others	11,716,603.06	3,761,793.02
Total	152,705,536.70	249,364,314.71

Explanation of cash received related to other operating activities: None

(2) Cash payments related to other operating activities

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Expenses paid	550,689,649.13	580,514,369.25
Current accounts	178,777,668.81	52,916,045.49
Authorized payment of individual income tax under the equity incentive	26,757,243.77	20,737,286.80
Authorized payment of Phase I employee stock ownership plan		131,997,028.57

External donations	14,145,244.02	126,370.00
Others	4,113,886.93	1,027,896.90
Total	774,483,692.66	787,318,997.01

Explanation of cash paid related to other operating activities: None

(3) Cash received related to other investing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Principal repayment on maturity of wealth management products	40,000,000.00	
Principal repayment on maturity of treasury bonds reverse repo	87,105,000.00	
Total	127,105,000.00	

Explanation of cash received related to other investment activities: None

(4) Cash payments related to other investing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Purchasing wealth management products	50,000,000.00	40,000,000.00
Purchase of treasury bonds reverse repo products		87,105,000.00
Total	50,000,000.00	127,105,000.00

Explanation of cash paid related to other investment activities: None

(5) Cash received related to other financing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Payments of employee stock ownership plan		94,613,430.64

Collection of security deposits for bills and letters of credit		16,140,348.47
Total		110,753,779.11

(6) Cash payments related to other financing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Deposits of security deposits for bills, letters of guarantee and letters of credit	47,412,150.07	
Repurchase and deregistration of equity incentives	4,963,254.06	460,054.74
Share repurchase	27,680,721.76	
Total	80,056,125.89	460,054.74

Explanation of cash paid related to other financing activities: None

79. Supplementary information to cash flow statement

(1) Supplementary information to cash flow statement

Unit: RMB

Supplementary information	Amount of the current period	Amount of last period
1. Reconciliation of net profit to cash flows from operating activities:	--	--
Net Profit	905,889,081.41	603,832,650.83
Plus: Provisions for asset impairment	22,325,876.88	21,832,022.05
Depreciation of fixed assets, oil and gas assets and productive biological assets	298,227,998.50	256,437,191.50
Depreciation of use right assets		
Intangible asset amortization	5,761,733.76	5,271,129.93
Long-term unamortized expenses	7,629,304.48	857,321.08

Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" indicates income)	1,630,681.60	-198,268.96
Losses from fixed assets write-off ("-" indicates income)	1,349,922.97	2,200,313.98
Losses from changes in fair value ("-" indicates income)		
Finance expenses ("-" indicates income)	6,083,169.25	12,775,051.46
Investment losses ("-" indicates income)	-3,868,134.28	-333,745.61
Decrease in deferred income tax assets ("-" indicates increase)	-4,700,193.35	-8,473,165.51
Increase in deferred income tax liabilities ("-" indicates decrease)	5,887,545.87	16,011,475.75
Decrease in inventories ("-" indicates increase)	-673,208,087.17	-128,117,214.81
Decrease in operating receivables ("-" indicates increase)	-283,241,489.30	-25,573,783.82
Increase in operating payables ("-" indicates decrease)	442,728,302.91	551,956,674.81
Others	95,705,148.72	51,897,249.18
Net cash flows from operating activities	828,200,862.25	1,360,374,901.86
2. Significant investment and financing activities not involving cash:	--	--
Conversion of debt to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents:	--	--
Balance of cash at the end of the period	1,050,034,135.72	675,996,852.97
Less: Balance of cash at the beginning of the period	675,996,852.97	371,129,472.06
Plus: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of		

the period		
Net increase in cash and cash equivalents	374,037,282.75	304,867,380.91

(2) Net cash paid to acquire subsidiaries during the period

Other description: None

(3) Net cash received from the disposal of subsidiaries during the period

Other description: None

(4) Constitution of cash and cash equivalents

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
I. Cash	1,050,034,135.72	675,996,852.97
Including: Cash on hand	36,349.55	76,152.38
Bank deposits always available for payment	1,047,785,634.71	675,589,471.75
Other monetary funds always available for payment	2,212,151.46	331,228.84
III. Balance of Cash and Cash Equivalents at the End of the Period	1,050,034,135.72	675,996,852.97

Other description: None

80. Notes to items in the statement of changes in owner's equity

Description on the name and amount of items under "Others" whose closing balance in last year was adjusted and other relevant issues: None

81. Assets with restricted right to use or ownership

Unit: RMB

Item	Book value at the end of the period	Reason for restriction
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Other monetary funds	75,162,063.84	Security deposits for issuing letter of credit and notes
Total	75,162,063.84	--

Other description: None

82. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Balance of foreign currency at the end of the period	Conversion rate	Balance of converted RMB at the end of the period
Monetary funds	--	--	300,324,631.68
Including: USD	44,976,762.61	6.5483	294,521,334.60
EUR			
HKD	6,871,059.77	0.8446	5,803,297.08
Accounts receivable	--	--	134,768,125.93
Including: USD	17,172,702.19	6.5483	112,452,005.75
EUR			
HKD	26,422,117.19	0.8446	22,316,120.18
Long-term borrowings	--	--	
Including: USD			
EUR			
HKD			
Other receivables			18,250.47
Including: HKD	21,608.42	0.8446	18,250.47
Accounts payable			270,776,743.22
Including: USD	41,334,220.06	6.5483	270,668,873.22
EUR	13,400.00	8.0500	107,870.00

Other payables			936,644.12
Including: HKD	1,108,979.54	0.8446	936,644.12
Short-term borrowings			52,896,691.34
Including: USD	8,077,927.30	6.5483	52,896,691.34

Other description: None

(2) For overseas business entities, especially important ones, disclose their main overseas business address, the standard currency for accounting and selection basis. If there are changes in the standard currency for accounting, reasons shall be also provided.

Applicable Not applicable

Overseas business entity	Business address	Standard currency for accounting
Zhong Shun International Co., Ltd.	Hong Kong	RMB
C&S Hong Kong Co., Ltd.	Hong Kong	RMB
C&S (Macao) Co., Ltd.	Macao	RMB

83. Hedges

Disclosure of hedged items and related hedging instruments and qualitative and quantitative information about hedged risks according to the type of hedging: None

84. Government grants

(1) Basic information on government grants

Unit: RMB

Category	Amount	Reporting items	Amount recognized as profit or loss for the current period
Related to asset	42,985,900.00	Deferred income	
Related to asset	10,252,573.20	Other income	10,252,573.20
Related to income	18,269,589.76	Other income	18,269,589.76
Related to income	11,000.00	Non-operating income	11,000.00

Total	71,519,062.96		28,533,162.96
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(2) Return of government grants

Applicable Not applicable

Other description:

Please refer to Note VII (51), (67) and (74) for details.

85. Others**VIII. Changes in the Consolidated Scope****1. Business combinations of enterprises not under common control****(1) Business combinations of enterprises not under common control in the reporting period**

Other description: None

(2) Combination costs and goodwill

Method of determining the fair value of combination costs and descriptions of contingent consideration and its changes: None

Main reasons for the formation of huge goodwill: None

Other description: None

(3) Acquiree's identifiable assets and liabilities on the acquisition date

Method of determining the fair value of identifiable assets and liabilities: None

Acquiree's contingent liabilities assumed in a business combination: None

Other description: None

(4) Profit or loss arising from the recalculation based on fair value of equities held before the acquisition date

Whether there are transactions through which business combination is achieved in stages while control is obtained

within the reporting period

Yes No

(5) Descriptions of being unable to determine the consideration or the fair value of acquiree's identifiable assets and liabilities on the acquisition date or at the end of the current period of combination

None

(6) Other descriptions

None

2. Business combinations of enterprises under common control

(1) Business combinations of enterprises under common control in the current period

Other description: None

(2) Combination costs

Description on contingent consideration and its changes: None

Other description: None

(3) Book value of assets and liabilities of the combined party on the date of combination

Contingent liabilities of the combined party assumed in a business combination: None

Other description: None

3. Reverse purchase

Basic information of transactions, basis for transactions constituting reverse purchase, whether assets and liabilities retained by listed companies constitute a business and its basis, determination of combination costs, adjustment of equity amount and calculation when dealing as equity transactions: None

4. Disposal of subsidiaries

Whether there is situation that one disposal of investment in a subsidiary results in a loss of control

Yes No

Whether there is situation that the disposal of investment in a subsidiary is achieved in stages through multiple transactions while the control is lost in the reporting period

Yes No

5. Changes in the scope of consolidation due to other reasons

Description of changes in the scope of combination due to other reasons (establishment or liquidation of subsidiaries, etc.) and related situations: None

The Company and its wholly-owned subsidiary Zhongshan Zhongshun Trading Co., Ltd. jointly invested and established Dolemi Sanitary Products Co., Ltd. with a registered capital of RMB50 million. The Company holds 60% of the shares while Zhongshan Zhongshun Trading holds 40% of the shares. Since December 2020, the Company has incorporated Dolemi Sanitary Products Co., Ltd into the scope of its consolidated statements. Currently, Dolemi Sanitary Products has no operating activities.

6. Others: None

IX. Equities in Other Entities

1. Equities in subsidiaries

(1) Composition of the enterprise group

Name of subsidiary	Main business address	Registered address	Principal businesses	Shareholding percentage		Obtaining method
				Direct	Indirect	
Jiangmen Zhongshun Paper Co., Ltd.	Jiangmen, Guangdong	Jiangmen, Guangdong	R&D, production, and sales (including online sales): household paper, maternal and infant products, cosmetics, wipes, non-woven products, daily necessities, and cleaning supplies; sales (including online sales) of Class I and II medical devices. (The above items do not involve special management measures for the access of foreign investment.) (For	88.25%	11.75%	Capital contribution for establishment

			items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			
Zhejiang Zhongshun Paper Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	General items: manufacture of paper products; sales of paper products; sales of paper pulp; sales of personal hygiene products; sales of hygiene products and disposable medical products; sales of disinfectants (excluding hazardous chemicals); sales of Class I medical devices; retail of Class I medical devices; sales of Class II medical devices; retail of class II medical devices; wholesale of medical face masks; retail of medical face masks; sales of general merchandise; retail of daily necessities; sales of maternal and infant products; wholesale of kitchenware, sanitary ware and daily sundries; wholesale of cosmetics; retail of cosmetics; wholesale of needle textiles and raw materials; sales of needle textiles; sales of chemical industry products (excluding chemical products that need to be licensed); Internet sales (excluding the sales of commodities requiring a permit) (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	75.00%	25.00%	Capital contribution for establishment
C&S Hong Kong Co., Ltd.	Hong Kong	Hong Kong	Purchase of pulp		100.00%	Capital contribution for establishment

C&S (Yunfu) Paper Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	R&D, production, wholesale, retail and online sales: household paper, sanitary products, maternal and infant products, daily necessities, cosmetics, medical devices, sanitary materials, non-woven fabrics and products, polymer materials and products, daily sundries, and disinfectant products (excluding hazardous chemicals); wholesale, retail and online sales: food; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval); warehousing services (limited to warehouses qualified in fire protection without hazardous chemicals). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%	Capital contribution for establishment
Yunfu Hengtai Trading Co., Ltd. (note)	Yunfu, Guangdong	Yunfu, Guangdong	Wholesale, retain and online sales: paper, wood pulp, sanitary products, maternal and infant products, cosmetics, daily necessities, medical equipment, daily sundries, disinfection supplies (excluding dangerous chemicals); import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%	Capital contribution for establishment
C&S (Macao) Co., Ltd.	Macau	Macau	Wholesale, trade	100.00%	Capital contribution for establishment
Zhongshan	Zhongshan,	Zhongsha	Wholesale, retail and online sales (sales only on	100.00%	Business

Zhongshun Trading Co., Ltd.	Guangdong	n, Guangdong	third-party platforms) of paper supplies, paper products (excluding printing products), wood pulp, general merchandise, hygiene products, cosmetics, nonwoven products, chemical products for daily use, Class I medical devices and food; warehousing (excluding hazardous chemicals and precursor chemicals); import and export of goods and technologies; operations of Class II and Class III medical devices. (The above business scope involves food operations, import and export of goods, and import and export of technologies.) (Exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			combinations involving enterprises under common control
Xiaogan C&S Trading Co., Ltd.	Xiaogan, Hubei	Xiaogan, Hubei	Import, export and sales of paper products, general merchandise and pulp boards; sales of cosmetics, shower gel and sanitary pads; sales of baby products (excluding food) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)		100.00%	Business combinations involving enterprises under common control
Beijing C&S Paper Co., Ltd.	Beijing	Beijing	Sales of paper products, daily necessities, paper pulp, and pulp boards; import and export of goods. (The company may independently select business items and carry out business activities in accordance with the law; for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent		100.00%	Business combinations involving enterprises under common control

			departments based on contents of the approval; it is prohibited to engage in business activities of items prohibited and restricted by the city's industrial policies.)			control
Chengdu Zhongshun Paper Co., Ltd.	Pengzhou, Sichuan	Pengzhou, Sichuan	Sales of household paper, cleaning products, general merchandise, hygiene products, baby products, cosmetics, nonwoven products, feminine hygiene products, chemical products for daily use, daily necessities, medical devices, medical supplies and disinfectant products (excluding hazardous chemicals); e-commerce (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)		100.00%	Business combinations involving enterprises under common control
Hangzhou Jie Rou Trading Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Wholesale, retail: paper products, paper pulp, general merchandise; import and export of goods and technologies (exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained); other legitimate items that do not need approval according to the law) (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments)		100.00%	Business combinations involving enterprises under common control
Shanghai Huicong Paper Co., Ltd.	Shanghai	Shanghai	Household paper, paper pulp, pulp boards, import and export of goods and technologies. (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)		100.00%	Business combinations involving enterprises under common control

C&S (Hubei) Paper Co., Ltd.	Xiaogan, Hubei	Xiaogan, Hubei	Licensed items: production of sanitary products and disposable medical supplies; production of cosmetics (for items that must be approved in accordance with the law, companies may carry out business operations upon approval by relevant departments, and the specific business items are subject to the approval document or the permit issued by competent department). General items: sales of sanitary products and disposable medical supplies; retail of cosmetics; wholesale of cosmetics; manufacture of paper; sales of personal hygiene products; sales of knitwear; manufacture of maternal and infant products; sales of maternal and infant products; sales of paper products; manufacture of paper products; sales of daily necessities; sales of daily chemical products; sales of disinfectants (excluding hazardous chemicals); Internet sales (excluding the sales of commodities requiring a permit); sales of Class I medical devices; sales of Class II medical devices; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	93.375%	6.625%	Business combinations involving enterprises under common control
Zhong Shun International Co., Ltd.	Hong Kong, China	Hong Kong, China	Sales of paper products		100.00%	Business combinations involving enterprises under common control

C&S (Sichuan) Paper Co., Ltd.	Pengzhou, Sichuan	Pengzhou, Sichuan	Licensed items: production of sanitary products and disposable medical supplies; import and export of goods (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments, and the specific business items are subject to the approval document or the permit issued by relevant department). General items: sales of sanitary products and disposable medical supplies; sales of personal hygiene products; sales of daily necessities; manufacture of paper products; sales of paper products; manufacture of paper; manufacture of daily chemical products; sales of daily chemical products; sales of Class II medical devices; sales of Class I medical devices; manufacture of industrial textile products; sales of industrial textile products; manufacture of maternal and infant products; sales of maternal and infant products. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.)	100.00%		Business combinations involving enterprises under common control
C&S (Zhongshan) Paper Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Production, processing and sales: high-class household paper products (excluding printing process); import and export of pulp boards (exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Business combinations involving enterprises under common control
C&S (Dazhou)	Dazhou,	Dazhou,	R&D, production, processing, and sales (including	100.00%		Capital

Paper Co., Ltd.	Sichuan	Sichuan	online sales): household paper, tissue boxes, hygiene products, cosmetics, non-woven products, plastic products, metalware, rubber products, ceramics, baby products, feminine hygiene products and daily necessities; bamboo and forest trees planting; acquisition of raw materials of bamboo and wood for paper making; R&D, production and sales of bamboo pulp, wood pulp, bamboo chips and wood chips; combined heat and power and sales; warehouse leasing; processing and sales of lime and limestone; processing of industrial wastewater and gray water reuse; general import and export business; sales of construction materials, hardware and electrical products, and chemical products (excluding hazardous products). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			contribution for establishment
Sun Daily Necessities Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	R&D, production, processing, and online sales: paper products, hygiene products, cosmetics, nonwoven products, plastic products for daily use, chemical products for daily use, metalware for daily use, rubber products for daily use, and ceramics for daily use; import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	50.00%	50.00%	Capital contribution for establishment
Dolemi Sanitary Products Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	General items: manufacture of paper products; Internet sales (sales only on third-party platforms) (excluding the sales of commodities requiring a	60.00%	40.00%	Capital contribution for

		g	permit); sales of personal hygiene products; sales of household products, sales of hygiene products and disposable medical products; retail of cosmetics; sales of general merchandise; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			establishment
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Description of the difference between the percentage of shares held in a subsidiary and the percentage of voting rights: None

Basis for holding 50% or less than of the voting rights but controlling the investee, or holding 50% or more of the voting rights but not controlling the investee: None

Basis for controlling the important consolidated structured entities: None

Basis for determining whether the Company is an agent or a principal: None

Other descriptions: all shares held indirectly belong to the shares held by wholly-owned subsidiaries of the Company

(2) Important non-wholly-owned subsidiaries

Description that the percentage of shares held by minority shareholders in a subsidiary is different from the percentage of their voting rights: None

Other description: The Company does not have important non-wholly-owned subsidiaries.

(3) Main financial information of important non-wholly-owned subsidiaries

Other description: None

(4) Significant restrictions on the use of the assets and the repayment of the debts of the enterprise group

None

(5) Financial or other support provided to consolidated structured entities

Note: C&S (Yunfu) Co., Ltd. was changed to Yunfu Hengtai Trading Co., Ltd. in March 2021.

2. Transactions in which the share of owner's equity in a subsidiary changes while control of the subsidiary is still retained**(1) Description of changes in the share of owner's equity in the subsidiary**

None

(2) Impact of the transaction on the equity of minority shareholders and the equity attributable to owners of the Parent Company

Other description: There are no transactions of the Company in which the share of owner's equity in a subsidiary changes and control of the subsidiary is retained.

3. Interests in joint arrangements or associates**(1) Important joint ventures or associates**

Description that the percentage of shares in joint ventures or associates is different from the percentage of voting rights: None

Basis for holding less than 20% of the voting rights but with significant influence, or holding 20% or more of the voting rights but without significant influence: None

(2) Main financial information of important joint ventures

Other description: None

(3) Main financial information of important associates

Other description: None

(4) Summary financial information of unimportant joint ventures and associates

Other description: None

(5) Description of significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

None

(6) Excess losses incurred by joint ventures or associates

Other description: None

(7) Unconfirmed commitments related to the investment in joint ventures

None

(8) Contingent liabilities related to the investment in joint ventures or associates

None

4. Important joint operation

There was no important joint operation of the Company.

5. Interests in unconsolidated structured entities

Description of unconsolidated structured entities:

The Company does not have interests in unconsolidated structured entities.

6. Others

None

X. Risks Associated with Financial Instruments

The main financial instruments of the Company include monetary funds, notes receivable, accounts receivable, notes payable, accounts payable, other payables, loans, etc. Please refer to relevant items of "Note VII" for detailed information of all financial instruments. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are as follows. The management of the Company manages and monitors these risk exposures to ensure that the above risks are kept within control.

The Company adopts the sensitivity analysis method to analyze the possible impact of reasonable and possible

changes in risk variables on the profit and loss or shareholder equities in the current period. Since any risk variable rarely changes in isolation and the correlation between the variables will have a significant effect on the ultimate financial impact of changes in a certain risk variable, the following contents are under the consumption that changes of a variable are independent.

The goal of the Company's risk management is to strike a proper balance between risks and gains and to minimize the negative impact of risks on the business performance of the Company while maximizing the interests of shareholders and other equity investors. Based on this risk management goal, the basic strategy of the Company's risk management is to determine and analyze all kinds of risks faced by the Company, clarify the minimum of risk acceptance and conduct risk management, and monitor risks of all kinds in a timely and reliable manner to control risks within the limits.

1. Credit risk

Credit risk refers to the risk of financial losses of one party caused by the failure of the other party to perform its obligations. As of December 31, 2020, the largest credit exposure that may cause financial losses to the Company mainly comes from the losses of the Company's financial assets due to failure of the other contractual party to perform its obligations.

In order to reduce credit risk, the Company only conducts transactions with recognized customers with good credit status, and continuously monitors the accounts receivable through credit monitoring of existing customers and aging analysis to ensure that the Company does not face the risk of bad debts and keep the overall credit risk within control.

2. Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flow of financial instruments due to changes in market interest rates. The interest rate risk faced by the Company mainly comes from bank borrowings (please refer to "Note VII (32), (43) and (45)" for details). By developing a good relationship with banks and carrying out proper design of credit lines, types of credits, and credit terms, the Company ensures sufficient bank credit lines to meet its various financing needs. The risk of interest rate fluctuation can be reasonably reduced by shortening the term of a single loan and specially stipulating early prepayment terms.

3. Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuations in the fair value or future cash flow of financial instruments due to changes in foreign exchange rates. The Company tries its best to match foreign currency income with foreign currency expenditure to reduce foreign exchange risks.

Foreign exchange risks borne by the Company are mainly related to USD and HKD. Except for purchasing and selling in USD and HKD by its overseas subsidiaries, other major business activities of the Company are priced and settled in RMB. See "Note VII (82)" for the conversion of foreign currency financial assets and liabilities into RMB as of December 31, 2020. During the reporting period, the Company generated exchange profit and loss of

-RMB18,603,312.21.

Sensitivity analysis of foreign exchange risk:

Analysis assumption: On the basis that all other variables remain constant on the balance sheet date, the possible, reasonable changes of foreign exchange rate will have the following pre-tax effects on the Company's profit and loss and shareholders' equity in the current period:

Unit: RMB

Item	End of year	
	Impact on profit	Impact on shareholders' equity
Depreciation of RMB against foreign currency by 1.00%	-1,105,009.29	-1,105,009.29
Appreciation of RMB against foreign currency by 1.00%	1,105,009.29	1,105,009.29

4. Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle accounts by delivering cash or other financial assets. The Company's policy is to ensure that it has sufficient cash to repay mature debts. Liquidity risk is centrally controlled by the financial departments of the Company. The financial departments monitor cash balances, negotiable securities that can be cashed in at any time, and carry out rolling forecasts on cash flows in the next six months to ensure that the Company has sufficient funds to repay debts under all reasonable forecasts.

Financial liabilities held by the Company as of December 31, 2021 analyzed based on the maturity period of undiscounted remaining contractual obligations are as follows:

Unit: RMB

Item	Within 1 year	Over 1 year	Total
Short-term borrowing	142,942,941.34		142,942,941.34
Notes payable	234,887,563.22		234,887,563.22
Accounts payable	758,915,601.87	2,603,787.39	761,519,389.26
Other payables	675,601,882.84	79,242,697.25	754,844,580.09
Total	1,812,347,989.27	81,846,484.64	1,894,194,473.91

XI. Disclosure of Fair Value

1. Fair value of assets and liabilities measured at fair value at the end of the reporting period
2. Basis for determining the market price of recurring and non-recurring fair value measurement items in Level 1: None
3. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurement items in Level 2: None
4. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurement items in Level 3: None
5. Adjustment information and sensitivity analysis of unobservable parameters between the opening and closing book values of recurring fair value measurement items of Level 3: None
6. For recurring fair value measurement items with transfer between different levels, reasons for such transfer and policies for determining the time of conversion: None
7. Changes in valuation techniques within the reporting period and reasons for such changes: None
8. Fair value of financial assets and financial liabilities not measured at fair value: None
9. Others: None

XII. Related Parties and Related Party Transactions

1. Information on the Parent Company of the Company

Name of Parent Company	Registered address	Principal businesses	Registered capital	Shareholding percentage of the Parent Company to the Company	Percentage of voting right of the Parent Company to the Company
Guangdong Zhongshun Paper Group Co., Ltd.	Zhongshan, Guangdong	External investment; consulting of information on commodities	RMB30 million	28.64%	28.64%

		circulation (exclusive of real estate, labor services, financial futures, and studying abroad)			
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Information on the Company's Parent Company

The ultimate controller of the Company is Mr. Deng Yingzhong, the father, and Mr. Deng Guanbiao and Mr. Deng Guanjie, whose two sons.

Other description: None

2. Information on subsidiaries of the Company

See Note IX Equities in Other Entities for detailed information on the subsidiaries of the Company.

3. Information on the joint ventures and associates of the Company

Other descriptions

The Company does not have interests in joint venture arrangements or associate.

4. Information on other related parties

Name of other related parties	Relationship between other related parties and the Company
(Hong Kong) Zhongshun Co., Ltd.	The second-largest shareholder of the Company, with 20.32% of the Company's shares
Guangzhou Zhongshun Trade Co., Ltd.	A company controlled by the nephew and the husband of the niece of Mr. Deng Yingzhong, the Chairman of the Company
Bama Zhongshun Health Products Co., Ltd.	A company controlled by Guangdong Zhongshun Paper Group Co., Ltd., the Company's controlling shareholder
Yantai Zhongshun Network Technology Co., Ltd.	The partially-owned subsidiary of Bama Zhongshun Health Products Co., Ltd. controlled by the Company's controlling shareholders
Shenzhen Zhongshun Caizhi Investment Co., Ltd.	Formerly known as Zhongshun Industrial Investment (Shenzhen) Co., Ltd., a company controlled by the Company's actually

	controllers, i.e. Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie
Pengzhou Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor
Sichuan West Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor
Chongqing Qinyue Trading Co., Ltd.	A company where the senior manager Yue Yong's brother holds shares and serves as a supervisor

Other descriptions

Note: The Company's directors, supervisors, senior managers and their close family members are related parties of the Company.

5. Information on related party transactions

(1) Related party transactions for purchase and sale of goods, and provision and acceptance of labor services

Purchase of goods/acceptance of labor services

Unit: RMB

Related party	Content of related party transaction	Incurred in the current period	Approved transaction limit	Whether to outstrip the transaction limit	Incurred in the prior period
Bama Zhongshun Health Products Co., Ltd.	Purchase of water, office supplies			No	123,516.43

Table of sale of goods/provision of labor services

Unit: RMB

Related party	Content of related party transactions	Incurred in the current period	Incurred in the prior period
Pengzhou Lexiangshenghuo Trading Co., Ltd.	Sale of goods	1,378,011.50	1,096,199.07
Sichuan West Lexiangshenghuo Trading Co., Ltd.	Sale of goods	641,228.34	776,211.46

Chongqing Qinyue Trading Co., Ltd.	Sale of goods	330,512.87	726,966.96
Guangdong Zhongshun Paper Group Co., Ltd.	Sale of goods	56,637.17	

Explanation of the related party transactions for purchase and sale of goods, and provision and acceptance of labor services: None

(2) Related entrusted management/contracting and entrusting management/contracting out

Description of related entrusted party/contracting: None

Description of related entrusting management/contracting out: None

(3) Related lease

The Company as the lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease fee confirmed in the current period	Lease fee confirmed in the last period
Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie	Housing lease	3,004,787.91	1,742,553.60

Explanation of related lease: None

(4) Related guarantee

Explanation of related guarantee: None

(5) Interbank borrowing between related parties

(6) Asset transfer and debt reorganization between related parties

(7) Remuneration for key managers

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
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Remuneration for key managers	34,173,895.09	26,693,829.67
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(8) Other related party transactions**6. Receivables from and payables to related parties****(1) Receivables**

Unit: RMB

Item	Related party	Balance at the end of the period		Balance at the beginning of the period	
		Book balance	Impairment provision	Book balance	Impairment provision
Accounts receivable	Chongqing Qinyue Trading Co., Ltd.	60,876.03	3,043.80	130,446.49	2,608.93
Other receivables	Chongqing Qinyue Trading Co., Ltd.	44.63	2.23		

(2) Payables

Unit: RMB

Item	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Contract liabilities	Sichuan West Lexiangshenghuo Trading Co., Ltd.	195.90	4,783.90
Contract liabilities	Pengzhou Lexiangshenghuo Trading Co., Ltd.	1.67	503.67

7. Commitments of related parties: None**8. Others: None****XIII. Share-based Payment****1. Overall information on share-based payment**√ Applicable Not applicable

Unit: RMB

The Company's total amount of all equity instruments granted in the current period	0.00
The Company's total amount of all equity instruments exercised in the current period	9,969,114.00
The Company's total amount of all equity instruments expired in the current period	3,276,268.00
Scope of exercise prices and remaining contractual term of the Company's stock options issued as at the end of the reporting period	The grant price for restricted stock options awarded by the Company in the first grant period as at the end of reporting period is RMB8.572/share, and that for reserved stock options is RMB13.965/share; the validity period is from the grant date of the stock options to the date when all stock options are exercised or cancelled, with a maximum period of 60 months.

Other description: None

2. Equity-settled share-based payment√ Applicable Not applicable

Unit: RMB

Method of determining the fair value of equity instruments at the grant date	1. Restricted shares: the stock closing prices at the grant date 2. Stock options: Black-Scholes model for option pricing 3. Employee stock ownership plan: the stock closing prices at the grant date.
Basis for determining the number of vested equity instruments	Upon approval of the general meeting of shareholders

Reasons for significant differences between current estimates and previous estimates	None
Cumulative amount of equity-settled share-based payments recognized as capital surplus	159,384,997.90
Total fees confirmed by the equity-settled share-based payment in the current period	95,705,148.72

Other description: None

3. Cash-settled share-based payment

Applicable Not applicable

4. Revision and termination of share-based payment

There was no revision and termination of share-based payment of the Company during the reporting period.

5. Others: None

XIV. Commitments and Contingencies

1. Significant commitments

Significant commitments on the balance sheet date: None

As at December 31, 2020, the Company had no significant commitments that should have been disclosed but are not disclosed.

2. Contingencies

(1) Significant contingent matters on the balance sheet date

As at December 31, 2020, the Company had no significant contingent matters that should have been disclosed but are not disclosed.

(2) Explanations are also necessary if the Company has no significant contingent matters to be disclosed

There are no significant contingent matters to be disclosed in the Company.

3. Others: None**XV. Events after Balance Sheet Date****1. Significant non-adjusting events:None****2. Profit distribution:None****3. Sales return: None:None****4. Explanation on other events after the balance sheet date: None****1. Important external investment**

The Company convened the 31st Meeting of the fourth session of the Board of Directors and the 2nd extraordinary meeting of shareholders on January 13, 2021 and January 29, 2021, respectively. The meetings reviewed and adopted the *Proposal on Building a New 400,000-ton High-grade Household Paper Project*. The new project aims to promote the Company to further expand its production capacity, meet the demands for future sales growth in East China market, and create new profit growth points for the Company. With a total projected investment of RMB2.550 billion and a planned capacity of 400,000 tons, the project will be implemented in phases. The first phase is planned to have an investment of RMB600 million and an output of 100,000 tons of high grade household paper.

In order to meet the development needs of the new project, the Company, with its own funds of RMB200 million, established a wholly-owned subsidiary C&S (Jiangsu) Paper Co., Ltd. on February 27, 2021 in Suqian City of Jiangsu Province.

On March 15, 2021, the Company signed the *Investment Agreement for the New 400,000-ton High-grade Household Paper Project* in Suqian with Sucheng District People's Government of Suqian City and the Management Committee of Yunhe Suqian Port Industrial Park, respectively.

2. Profit distribution plan

Pursuant to resolutions made on the fourth meeting of the fifth session of the Board of Directors on April 27, 2021, the profit distribution proposal in 2020 is as follows: distribute cash dividend of RMB 1.0 (tax included) for every 10 shares to all shareholders and issue 0 bonus shares (tax included) based on the Company's total share capital minus the number of repurchased shares as of the registration date of the Company's implementation of the profit

distribution plan; meanwhile, the Company will not transfer capital reserve into share capital. Where the Company's share capital changes due to repurchase and cancellation of restricted shares, option exercise, and other reasons on the future equity registration date for the implementation of the distribution plan, the Company will maintain the same distribution amount for every 10 shares and change the total distributed amount accordingly. This proposal can be implemented only after being reviewed and passed on the shareholder's general meeting.

XVI. Other Significant Matters

1. Corrections to previous accounting errors

(1) Retroactive restatement approach: None

(2) Prospective approach: None

2. Debt restructuring: None

3. Assets replacing

(1) Exchange of non-monetary assets: None

(2) Other asset replacing: None

4. Annuities plan: None

5. Operation discontinuation

Other description: None

6. Segment information

(1) Determination basis and accounting policies of reporting segments

The Company does not have operating segments with different economic features and hence has not identified operating segments according to internal organization structure, management requirements and internal reporting policies. Therefore, there was no information on reporting segments based on operating segments to be disclosed.

(2) Financial information on reporting segments: None

(3) Explanation on reasons if the Company has no reporting segments or is unable to disclose the total assets and liabilities of the reporting segments: None

(4) Other description: None

7. Other important transactions and matters that may affect the decisions of investors: None

8. Others

External guarantees of the Company

In 2020, the Company signed the *XIAOYIDA Business Cooperation Agreement* with Bank of China Limited Zhongshan branch and Shanghai Junmeng E-commerce Co., Ltd. (No. 2020-XYDXY-33725001), under which the bank offers a credit line of XIAOYIDA service up to RMB130 million to Shanghai Junmeng and the Company provides a joint and several liability guarantee. The line of credit is valid until June 4, 2021. As of December 31, 2020, Shanghai Junmeng had no financing balance of the XIAOYIDA service.

In 2020, Zhongshan Trading signed the *XIAOYIDA Business Cooperation Agreement* with Bank of China Limited Zhongshan branch and Wuhan Jie Rou E-commerce Co., Ltd. (No. 2020-XYDXY-33725002), under which the bank offers a credit line of XIAOYIDA service up to RMB80 million to Wuhan Jie Rou and the Company provides a joint and several liability guarantee. The line of credit is valid until June 4, 2021. As of December 31, 2020, Wuhan Jie Rou had no financing balance of the XIAOYIDA service.

XVII. Notes to Major Items of Financial Statements of the Parent Company

1. Accounts receivable

(1) Accounts receivable disclosure by category

Unit: RMB

Type	Balance at the end of the year					Balance at the beginning of the year				
	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	

Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	94,047,365.99	100.00%	1,399,993.66	1.49%	92,647,372.33	128,480,869.70	100.00%	1,277,442.83	0.99%	127,203,426.87
Including:										
Portfolio based on aging	56,099,681.03	59.65%	1,399,993.66	2.50%	54,699,687.37	44,573,108.11	34.69%	1,277,442.83	2.87%	43,295,665.28
Portfolio based on related parties	37,947,684.96	40.35%			37,947,684.96	83,907,761.59	65.31%			83,907,761.59
Total	94,047,365.99	100.00%	1,399,993.66	1.49%	92,647,372.33	128,480,869.70	100.00%	1,277,442.83	0.99%	127,203,426.87

Bad debt reserve set aside individually: None

Bad debt reserve set aside in portfolios: 1,399,993.66

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Book balance
Within the credit period	47,886,975.14	957,739.50	2.00%
Credit period - 1 year	8,058,493.48	402,924.67	5.00%
1 to 2 years	46,228.20	6,934.23	15.00%
2 to 3 years	107,984.21	32,395.26	30.00%
3 to 5 years			50.00%
Over 5 years			100.00%
Total	56,099,681.03	1,399,993.66	--

Description of reason for the portfolio:

Accounts receivable with the same aging have similar credit risk characteristics.

Description of reason for the portfolio: None

Provision of bad debt reserve by portfolio:

Description of reason for the portfolio:

If the bad debt reserve of accounts receivable is set aside according to general model of expected credit loss,

please refer to the disclosure method of other receivables to disclose relevant information on bad debt reserve:

Relevant information:

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	93,893,153.58
1 to 2 years	46,228.20
2 to 3 years	107,984.21
Total	94,047,365.99

(2) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Provision of bad debt reserve of the reporting period:

Unit: RMB

Type	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Accounts receivable	1,277,442.83	122,550.83				1,399,993.66
Total	1,277,442.83	122,550.83				1,399,993.66

(3) Accounts receivable actually written off in the reporting period

Description of write-offs of accounts receivable: The Company did not have written-off accounts receivable in the reporting period.

(4) Top five debtors in closing balance of accounts receivable

Unit: RMB

Name of institution	Balance of accounts receivable	Percentage in total balance of	Balance for bad debt reserve at
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	at the end of the period	accounts receivable at the end of the period	the end of the period
1st	16,054,158.77	17.07%	
2nd	11,773,496.66	12.52%	235,469.93
3rd	11,018,467.37	11.72%	
4th	10,804,984.84	11.49%	
5th	10,644,841.40	11.32%	295,062.16
Total	60,295,949.04	64.12%	

(5) Accounts receivable derecognized due to transfer of financial assets

The Company has no accounts receivable derecognized due to the transfer of financial assets as at the end of the reporting period.

(6) Amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable

The Company has no amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable as at the end of the reporting period.

Other description: None

2. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	136,987,584.64	637,511,752.54
Total	136,987,584.64	637,511,752.54

(1) Interest receivable**1) Classification of interest receivable: None****2) Significant overdue interest**

Other description: None

3) Provision of bad debt reserve Applicable Not applicable**(2) Dividends receivable****1) Classification of dividends receivable: None****2) Significant dividends receivable exceeding one year: None****3) Provision of bad debt reserve** Applicable Not applicable

Other description: None

(3) Other receivables**1) Classification of other receivables by nature**

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Current accounts	131,125,900.41	636,793,035.80
Reserve	639,681.19	702,001.66
Margins and deposits	113,606.00	31,500.00
Others	5,494,420.94	44,314.48
Total	137,373,608.54	637,570,851.94

2) Provision of bad debt reserve

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2020	59,099.40			59,099.40
Balance as at January 1, 2020 in the reporting period	—	—	—	—
Provision in the reporting period	334,513.61			334,513.61
Write-off in the reporting period	7,589.11			7,589.11
Balance as at December 31, 2020	386,023.90			386,023.90

Description of changes in the book balance where there are significant changes in provision for the current period

 Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	137,361,254.49
1 to 2 years	2,000.00
Over 3 years	10,354.05
4 to 5 years	8,354.05
Over 5 years	2,000.00
Total	137,373,608.54

3) Bad debt reserve that is set aside, recovered or transferred back in the reporting period

Provision of bad debt reserve of the reporting period:

Unit: RMB

Category	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Other receivables	59,099.40	334,513.61		7,589.11		386,023.90
Total	59,099.40	334,513.61		7,589.11		386,023.90

The amount of other accounts receivable written-off by the Company in the year was RMB7,589.11.

Where the amount of recovered or reversed bad debt reserve in the reporting period is important: None

4) Other receivables actually written off in the reporting period

Unit: RMB

Item	Write-off amount
Other receivables actually written off	7,589.11

Description on the write-offs of other receivables: None

5) Top five debtors in closing balance of other accounts receivable

Unit: RMB

Name of institution	Nature of the amount	Balance at the end of the period	Aging	Percentage in total balance of other receivables at the end of the period	Balance of bad debt reserve at the end of the period
1st	Current accounts	109,851,720.66	Within 1 year	79.97%	
2nd	Current accounts	15,148,739.75	Within 1 year	11.03%	
3rd	Others	5,431,871.82	Within 1 year	3.95%	271,593.59
4th	Current accounts	4,769,618.48	Within 1 year	3.47%	
5th	Others	226,614.54	Within 1 year	0.16%	11,330.73
Total	--	135,428,565.25	--	98.58%	282,924.32

6) Receivables involving government grants: None

7) Other receivables derecognized due to the transfer of financial assets: None

8) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of other receivables: None

3. Long-term equity investment

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	1,928,113,219.50		1,928,113,219.50	1,231,245,128.96		1,231,245,128.96
Total	1,928,113,219.50		1,928,113,219.50	1,231,245,128.96		1,231,245,128.96

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Increase/decrease in the period				Closing balance (book value)	Closing balance of impairment provision
		Increase in investment	Decrease in investment	Impairment Provision	Others		
Jiangmen Zhongshun Paper Co., Ltd.	697,499,879.18				1,114,942.29	698,614,821.47	
C&S (Sichuan) Paper Co., Ltd.	161,228,847.04				12,156,592.94	173,385,439.98	
C&S (Yunfu) Paper Co., Ltd.	135,405,965.05	518,000,000.00			4,431,500.37	657,837,465.42	

Zhongshan Zhongshun Trading Co., Ltd.	91,611,393.55				3,205,903.13	94,817,296.68	
Zhejiang Zhongshun Paper Co., Ltd.	51,259,117.44				5,265,402.71	56,524,520.15	
C&S (Hubei) Paper Co., Ltd.	43,037,008.50	147,600,000.00			5,379,236.63	196,016,245.13	
C&S (Yunfu) Trading Co., Ltd.	30,200,274.51					30,200,274.51	
C&S (Zhongshan) Paper Co., Ltd.	12,683,100.00					12,683,100.00	
C&S (Dazhou) Paper Co., Ltd.	6,000,000.00					6,000,000.00	
Chengdu Zhongshun Paper Co., Ltd.	1,237,694.60				-610,170.02	627,524.58	
Xiaogan C&S Trading Co., Ltd.	539,220.62				-227,752.96	311,467.66	
Zhong Shun International Co., Ltd.	281,784.47				503,258.27	785,042.74	
Sun Daily Necessities Co., Ltd.	200,000.00					200,000.00	
Hangzhou Jie Rou Trading Co., Ltd.	58,048.00				46,047.00	104,095.00	
Huicong Paper Co., Ltd.	2,796.00				3,130.18	5,926.18	
Total	1,231,245,128.96	665,600,000.00			31,268,090.54	1,928,113,219.50	

(2) Investment in associates and joint ventures**(3) Other description: None****4. Operating income and operating cost**

Unit: RMB

Item	Incurred in the current period		Incurred in the prior period	
	Income	Cost	Income	Cost
Principal business	1,034,162,235.27	822,204,492.12	986,520,042.70	803,354,181.11
Others	598,353,119.61	555,594,473.69	301,127,650.65	281,122,201.68
Total	1,632,515,354.88	1,377,798,965.81	1,287,647,693.35	1,084,476,382.79

Information related to income:

Unit: RMB

Contract classification	Branch 1	Branch 2		Total
By product type	1,632,515,354.88			1,632,515,354.88
Including:				
Household paper	1,025,893,623.14			1,025,893,623.14
Personal care	8,268,612.13			8,268,612.13
Others	598,353,119.61			598,353,119.61
By operating region	1,632,515,354.88			1,632,515,354.88
Including				
Domestic	1,632,515,354.88			1,632,515,354.88
Abroad	0.00			0.00
Including:				
Including:				
Including:				
Including:				
Including:				
Total	1,632,515,354.88			1,632,515,354.88

Information related to performance obligation: None

Information related to the transaction price apportioned to the remaining performance obligation:

The amount of income corresponding to the obligations of contract performance with an executed contract that is not performed or fully performed at the end of the reporting period is RMB5,720,659.36, of which the income of RMB5,720,659.36 is expected to be confirmed as income in the year of 2021.

Other description: None

5. Return on investment

Unit: RMB

Item	Incurred in the current period	Incurred in the last period
Income from long-term equity-based investment accounted for using the cost method	140,000,000.00	60,000,000.00
Others	3,256,231.99	333,745.61
Total	143,256,231.99	60,333,745.61

6. Others: None

XVIII. Supplementary Information

1. List of non-recurring profits and losses of the reporting period

Applicable Not applicable

Unit: RMB

Item	Amount	Description
Profits/losses from the disposal of non-current asset	-2,980,604.57	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the	28,533,162.96	

company's business)		
Profits/losses from assets entrusted to others for investment or management	3,868,134.28	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds
Other non-operating income and expenses except for the aforementioned items	-13,442,144.41	
Less: Influence of income tax	1,642,453.66	
Total	14,336,094.60	--

Reason shall be provided if the company defines non-recurring profit and loss items as defined or listed in the *No. 1 Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items.

Applicable Not applicable

2. Return on net assets and earnings per share

Profit in the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to the ordinary shareholders of the Company	19.86%	0.70	0.69
Net profit attributable to the ordinary shareholders of the Company after excluding non-recurring profit and loss	19.55%	0.69	0.68

3. Difference in accounting data under domestic and international accounting standards

(1) Net profit and net asset differences under International Financial Reporting Standards (IFRS) and Chinese Accounting Standards (CAS)

Applicable Not applicable

(2) Net profit and net asset differences under foreign accounting standards and Chinese Accounting Standards (CAS)

Applicable Not applicable

(3) Explanation of reasons for the differences between accounting data disclosed under domestic and overseas accounting standards. If differences are adjusted based on data audited by overseas audit institutions, the name of the institution should be noted.

4. Others

Section XIII Documents Available for Inspection

- 1. The Annual Report 2020 affixed with the signature of Mr. Deng Yinzhong, the Company's legal representative**
- 2. Financial statements affixed with the signatures and stamps of Mr. Deng Yingzhong, the legal representative of the Company, Mr. Dong Ye, person in charge of accounting, and Ms. Xu Xianjing, person in charge of accounting department of the Company**
- 3. Original of the audit report affixed with the stamp of Mazars Certified Public Accountants (LLP) and the signatures and stamps of certified public accountants Mr. Wang Bing and Mr. Pan Guiquan.**
- 4. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed in the newspaper designated by the CSRC during the reporting period**
- 5. Other relevant documents**
- 6. Place for document inspection: Office of the Board of Directors**