



SHANDONG CHENMING PAPER HOLDINGS LIMITED

2021 Interim Report

August 2021

I Important Notice, Table of Contents and Definitions

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

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

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

The Company is exposed to various risk factors such as macro-economic fluctuation, adjustment of state policy and competition in the industry. Investors should be aware of investment risks. For further details, please refer to the risk exposures of the Company and the measures to be taken to address them as set out in Management Discussion and Analysis.

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

I Important Notice, Table of Contents and Definitions

Table of Contents

I	Important Notice, Table of Contents and Definitions	1
II	Company Profile and Key Financial Indicators	5
III	Management Discussion and Analysis	9
IV	Corporate Governance	24
V	Environmental and Social Responsibility	26
VI	Material Matters	33
VII	Changes in Share Capital and Shareholders	46
VIII	Preference Shares	51
IX	Bonds	53
X	Financial Report	57

I Important Notice, Table of Contents and Definitions

Documents Available for Inspection

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

I Important Notice, Table of Contents and Definitions

Definitions

Item		Definition
Company, Group, Chenming Group or Chenming Paper	means	Shandong Chenming Paper Holdings Limited and its subsidiaries
Parent Company or Shouguang Headquarters	means	Shandong Chenming Paper Holdings Limited
Chenming Holdings	means	Chenming Holdings Company Limited
Shenzhen Stock Exchange	means	Shenzhen Stock Exchange
Stock Exchange	means	The Stock Exchange of Hong Kong Limited
CSRC	means	China Securities Regulatory Commission
Shandong CSRC	means	Shandong branch of China Securities Regulatory Commission
Zhanjiang Chenming	means	Zhanjiang Chenming Pulp & Paper Co., Ltd.
Jiangxi Chenming	means	Jiangxi Chenming Paper Co., Ltd.
Wuhan Chenming	means	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.
Shanghai Chenming	means	Shanghai Chenming Industry Co., Ltd.
Huanggang Chenming	means	Huanggang Chenming Pulp & Paper Co., Ltd.
Chenming (HK)	means	Chenming (HK) Limited
Jilin Chenming	means	Jilin Chenming Paper Co., Ltd.
Shouguang Meilun	means	Shouguang Meilun Paper Co., Ltd.
Chenming Sales Company	means	Shandong Chenming Paper Sales Company Limited
Finance Company	means	Shandong Chenming Group Finance Co., Ltd.
Chenming Leasing	means	Shandong Chenming Financial Leasing Co., Ltd. and its subsidiaries
Chenming GDR Fund	means	Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Chenrong Fund	means	Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)
Chen Chuang Fund	means	Weifang Chen Chuang Equity Investment Fund Partnership (Limited Partnership)
Changjiang Chenming Equity Investment Fund	means	Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)
Chendu Equity Investment	means	Weifang Chendu Equity Investment Partnership (Limited Partnership)
Corporate Bonds	means	17 Chenming Bond 01 and 18 Chenming Bond 01
Preference Shares	means	Chenming You 01, Chenming You 02 and Chenming You 03
Perpetual Bonds	means	17 Lu Chenming MTN001
reporting period	means	the period from 1 January 2021 to 30 June 2021
the beginning of the year or the period	means	1 January 2021
the end of the interim period or the period	means	30 June 2021

II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	晨鳴紙業	Stock code	000488
	晨鳴 B		200488
	晨鳴優 03		140005
Stock exchanges on which the shares are listed	Shenzhen Stock Exchange		
Stock abbreviation	Chenming Paper	Stock code	01812
Stock exchanges on which the shares are listed	The Stock Exchange of Hong Kong Limited		
Legal name in Chinese of the Company	山東晨鳴紙業集團股份有限公司		
Legal short name in Chinese of the Company	晨鳴紙業		
Legal name in English of the Company (if any)	SHANDONG CHENMING PAPER HOLDINGS LIMITED		
Legal short name in English of the Company (if any)	SCPH		
Legal representative of the Company	Chen Hongguo		

II. Contact persons and contact methods

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

III. Other information

1. Contact methods of the Company

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

Applicable Not applicable

There was no change of the registered address, office address, postal code, website and email of the Company during the reporting period. Please refer to 2020 Annual Report for details.

2. Information disclosure and places for inspection

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

Applicable Not applicable

There was no change of the newspapers designated by the Company for information disclosure, designated websites for the publication of the interim report as approved by CSRC and places for inspection of the Company's interim report during the reporting period. Please refer to 2020 Annual Report for details.

II Company Profile and Key Financial Indicators

IV. Major accounting data and financial indicators

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

Yes No

	The reporting period	The corresponding period of the prior year	Increase/decrease for the reporting period as compared to the corresponding period of the prior year
Revenue (RMB)	17,172,816,354.53	13,599,805,765.86	26.27%
Net profit attributable to shareholders of the Company (RMB)	2,021,095,417.54	516,326,703.48	291.44%
Net profit after extraordinary gains or losses attributable to shareholders of the Company (RMB)	1,964,718,180.70	67,882,116.23	2,794.31%
Net cash flows from operating activities (RMB)	4,747,185,521.94	2,327,033,784.68	104.00%
Basic earnings per share (RMB per share)	0.604	0.051	1,084.31%
Diluted earnings per share (RMB per share)	0.604	0.051	1,084.31%
Rate of return on weighted average net assets	8.94%	0.84%	Increase by 8.1 percentage points
	As at the end of the reporting period	As at the end of the prior year	Increase/decrease as at the end of the reporting period as compared to the end of the prior year
Total assets (RMB)	90,601,029,144.35	91,575,457,828.62	-1.06%
Net assets attributable to shareholders of the Company (RMB)	23,295,559,729.26	24,276,968,789.00	-4.04%

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

Net profit attributable to shareholders of the Company does not exclude the effect on interest of perpetual bonds and the dividends on Preference Shares paid and declared to be paid. When calculating financial indicators such as earnings per share and the rate of return on weighted average net assets, the interest on perpetual bonds from 1 January 2021 to 30 June 2021 of RMB44,481,369.86 and the dividend on Preference Shares paid and declared to be paid in 2021 of RMB207,065,968.66 are deducted.

II Company Profile and Key Financial Indicators

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

VI. Items and amounts of extraordinary gains or losses

Applicable Not applicable

Unit: RMB

Item	Amount	Explanation
Profit or loss from disposal of non-current assets (including write-off of provision for assets impairment)	48,674,753.15	
Government grants (except for the government grants closely related to the normal operation of the company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	125,144,721.79	
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	-89,980,570.69	
Consumable biological assets subsequently measured at fair value	-9,139,121.20	
Other non-operating income and expenses other than the above items	15,264,970.71	
Less: Effect of income tax	30,517,886.75	
Effect of minority interests (after tax)	3,069,630.17	
Total	56,377,236.84	—

II Company Profile and Key Financial Indicators

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

Applicable Not applicable

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

III Management Discussion and Analysis

I. Principal activities of the Company during the Reporting Period

(I) Overview of the Company's business during the reporting period

1. Business overview

The Company is a large modern conglomerate principally engaged in pulp production and paper making. Its key indicators in respect of economic efficiency have been in a leading position in the industry in China for over 20 consecutive years. The Company has been on the Fortune 500 China list for 12 years. Taking “revitalising the Chinese papermaking industry” as its mission, the Company has been cultivating in depth its principal business of paper making and leading the development direction of the industry. The Company has committed itself to implementing a pulp and paper integration strategy, and takes the lead in laying out the entire industrial chain, with 6 production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places, with annual pulp and paper production capacity of more than 11 million tonnes. It is the only large-scale pulp and paper integrated company in China that achieves a balance between pulp and paper production. During the reporting period, the machine-made paper business was the major source of revenue and profit of the Company, and there was no significant change in the principal activities of the Company.

As a leading player in the papermaking industry of China, the Company attaches great importance to technology research and development and brand benefits. It has scientific research institutions including the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre, Shandong Pulp and Paper Making Laboratory, and the Guangdong Pulp and Paper Production Technology Research Center and has obtained 322 national patents including 26 patents for invention, with 7 products selected as national new products. The Company has obtained 15 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 63 provincial technological innovation projects. The Company has pioneered to obtain the ISO9001 quality certification, ISO14001 environmental protection certification and FSC-COC certification among its industry peers. It boasts the largest and most advanced pulping and papermaking production lines in the world, with products covering more than 200 types in seven series under five major categories, including high-end offset paper, white paper board, coated paper, light weight coated paper, household paper, electrostatic copy paper and thermal paper. The Company owns “CHENMING BIYUNTIAN”, “GOLDEN MINGYANG”, “CHENMING CLOUDY MIRROR”, “CHENMING CLOUDLY LION”, “CHENMING SNOW SHARK”, “CHENMING EAGLE”, “CHENMING GONGHAO”, “XINGZHILIAN”, “FOREST LOVE” and other brands, with each major product ranking among the highest in terms of market share in China.

During the reporting period, under the leadership of the Board and the management of the Company, the Group focused on the development of its principal activities, i.e. pulp production and paper making, stabilised production and product quality, and carried out joint management for all tasks, thereby achieving overall improvement of the Company's operating quality. Meanwhile, as the papermaking industry became more prosperous, the prices of the Company's major paper types rose year on year. The cost advantage brought by the strategy of pulp and paper integration was outstanding, and the Company's profitability was further enhanced. In the first half of 2021, the Company completed the production of machine-made paper of 2.83 million tonnes, recorded sales of 2.58 million tonnes, and achieved revenue of RMB17,173 million, representing a year-on-year increase of 2.91%, 4.45% and 26.27%, respectively. Total profit and net profit attributable to equity holders of the Company were RMB2,340 million and RMB2,021 million respectively, up by 160.14% and 291.44% year on year.

III Management Discussion and Analysis

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

(I) Overview of the Company's business during the reporting period (Cont'd)

2. Operation model

(1) Purchase model

The Company has established a supply chain management centre which adopts a supply chain management model of “centralised procurement by the Group, source as the first priority, hierarchical separation and one-vote veto”. Through continuous improvement of the procurement information system, the Company has fully realised machine control management, and optimised the authorisation approval process, effectively establishing a standardised procurement management system. Based on the needs of production bases, the Group integrates the resources of related parties and implements centralised procurement. The Company seeks sources and high-quality suppliers through industry exhibitions, on-site inspections and competitive factory research to strengthen procurement at source and reduce procurement costs; introduces a supplier competition mechanism by establishing a three-level joint review mechanism for suppliers and implementing a system of eliminating substandard suppliers, so as to improve supply quality; and actively optimises raw material pricing against price risks using futures tools, realising futures pricing benefits. Meanwhile, the Company actively cooperates with financial institutions and third parties in the supply chain financial business, and fully utilises the funds from contributing parties to lower procurement costs, deepen strategic cooperation and enhance supply chain competitiveness.

(2) Production model

The Company has committed itself to implementing a pulp and paper integration strategy. Adhering to the concept of “placing green development and environmental protection as its priority”, the Company has actively promoted clean production and vigorously carried out energy conservation and emission reduction, aiming to be a resource-saving and environmentally friendly model enterprise. It is innovating an integrated use of resources and a circular industrial development mode, and an “ecological chain” featuring resources, products and recycled resources has been established. As for production process, the Company takes planned management as the focus and implements a hierarchical planned management model for the Group, the Company, factories and workshops. Its production volume is determined based on the sales, its production is arranged scientifically, and its inventories are under strict control. The Group has set up a production scheduling centre to monitor the operation of the production lines of each subsidiary around the clock on a real-time basis, so as to ensure normal production. It has actively built and promoted the MES management system, and realised the timely information transfer between the management and the production control unit through bridging the gap between the ERP and DCS systems.

(3) Marketing model

The Company has always adhered to the marketing concept of “Good faith, Win-Win and Sharing” while wholeheartedly serving its customers. The Company has a relatively mature sales network, and has set up specialised sales companies responsible for the development of domestic and overseas markets, product sales, and formulation of sales policies. The sales companies' management systems are divided into product lines, product companies, management areas, and branches to achieve matrix management. The sales companies are divided into product companies of cultural paper series, coated paper series, electrostatic paper series, special paper series and household paper series according to product line. Each product company has its administrative district. A regional general manager is responsible for his/her administrative district, under which branch companies are set up. The chief representatives of the branch companies have full authority to deal with branch business.

The Company has implemented a three-level scheduling mechanism. Branch companies, administrative districts, and sales companies schedule task indicators daily to ensure the effective implementation of the plans. It sticks to a “four-level visit mechanism” to gain deep market insights and meet customer needs. Meanwhile, by leveraging its comprehensive information systems, the Company has realised IT-based management. It has also established and improved the complaint handling system and customer satisfaction system to enhance the Company's marketing management level.

III Management Discussion and Analysis

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

(I) Overview of the Company's business during the reporting period (Cont'd)

2. Operation model (Cont'd)

(4) R&D Mode

The Company is market-oriented, and innovation is its driving force. It highly values technological R&D, and has formed a variety of R&D modes such as independent R&D, technology introduction, and industry-university-research cooperation. At present, the Company has a number of domestically leading innovative R&D platforms, including the national enterprise technology centre, the post-doctoral working station, the state certified CNAS pulp and paper testing centre, Shandong Pulp and Paper Making Engineering Lab and the Guangdong Pulp and Paper Production Technology Research Centre, which have enhanced its independent innovation capabilities. Meanwhile, on the basis of introducing internationally advanced pulp and paper production lines and advanced technologies, the Company has made technological improvements and re-innovations, and established new standards for processes and product quality, forming distinctive core technologies. The Company also works hard on the following aspects: carrying out academic research with colleges and universities and R&D institutions such as Qilu University of Technology, Qingdao University of Science and Technology, Tianjin University of Science and Technology, and Institute of Chemical Industry of Forest Products of the Chinese Academy of Forestry, introducing, digesting and absorbing scientific research and innovation achievements, accelerating the industrialisation of new and high technologies, optimising product mix, and improving the competitiveness of its products in the market.

(II) The basic situation of the industry where the Company operated during the reporting period

The paper making industry is one of the basic industries of the national economy. It has the typical characteristics of large-scale industrial production, such as continuous and efficient operation, and significant economies of scale. The paper making industry is also vitally interrelated with social and economic development as well as people's daily life. Not only is the paper making industry the provider of basic goods and materials, but it also makes a lot of important materials related to packaging, construction, chemical industry, electronics, energy, transportation, national security and other fields. The paper making industry plays an irreplaceable role in the national economy. Due to the supply-side reform, the supply and demand of the paper making industry have been growing at a steady pace in recent years, creating a relatively stable production and sale environment. The increase in the societal demands, the implementation of more environmental protection policies, the continuous advances in technology, and the changes in the supply of resources have resulted in an accelerating reduction of the production capacity of low-end products, the increasing concentration ratio of the industry, and an improving industrial pattern. According to the 2020 Annual Report of China's Paper Industry, in 2020, there were approximately 2,500 companies engaged in the production and paper and paper board in China, down by 7.41% as compared to last year, while the nationwide paper and paper board production volume was 112,600,000 tonnes, up by 4.60% as compared to last year. Currently, China's economy has transformed from rapid growth to high quality development, and green transformation and development are necessary for high-quality development. Looking forward, as driven by environmental protection policies, the paper making industry chain will expand and deepen, and the implementation of forestry, pulp and paper integration will become the major development trend of the paper making industry.

In the first half of 2021, in the face of a complex and ever changing domestic and external environment, the whole nation conscientiously implemented the decisions and deployments of the Central Committee of the Communist Party and the State Council, and continued to consolidate and expand on the basis of the results of epidemic prevention and control as well as the economic and social development. China's economy continued to recover steadily, and production demand continued to rebound, while quality and efficiency had steadily improved, and economic development had shown a stable and improving trend. The papermaking industry is an important basic raw material industry closely related to the national economy and social development. During the reporting period, due to the boost of upstream raw material costs and the recovery of downstream demand, the prosperity of the papermaking industry increased, driving the price of paper products to rise. At the same time, as the price of pulp continued to rise steadily, the prospects were good for the large pulp and paper integrated enterprises, and the benefits of the papermaking sector had increased significantly. According to the data from the National Bureau of Statistics of China, the total profit of industrial enterprises above designated size in the papermaking and paper product industry from January to June 2021 was RMB48.430 billion, a year-on-year increase of 77.10%.

III Management Discussion and Analysis

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

(II) The basic situation of the industry where the Company operated during the reporting period (Cont'd)

The Company is a leading pulpmaking and papermaking enterprise in China and one of the top 500 Chinese enterprises. It has been honoured over 200 titles above the provincial level including the China May 1st Labour Prize, the National Spiritual Civilisation Advanced Unit, the Top 10 Best Light Industry Enterprises in China, and the Outstanding Contribution Prize in Business Administration in China. During the reporting period, the Company had always adhered to the general keynote of a green, low-carbon, recycling and sustainable development, persistently deepening and focusing on the development of its principal activities, and vigorously implementing the innovation-driven strategy. Adhering to the pulp and paper integrated development strategy, the Company had created a layout of three major production bases, with Shouguang in the north, Huanggang in the middle and Zhanjiang in the south. At present, the Company has annual pulp and paper production capacity of more than 11 million tonnes, making it the only domestic paper manufacturer that achieves a balance between paper and pulp production capacity. In the next step, guided by the national key direction of “adhering to the new development concept and building new development trend at the new development stage”, the Company will focus on the construction of its production base in Huanggang Chenming in Hubei to further improve the level of its production base construction. At the same time, the Company will solidly promote high-quality development, comprehensively improve its corporate management and operational quality, enhance its corporate anti-risk capabilities, and continuously optimise and improve various performance indicators so as to achieve steady progress in economic benefits and stable long-term corporate development, thereby striving to become a globally competitive world-class enterprise group.

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

As at 30 June 2021, the Group's current ratio was 70.57%. The quick ratio was 57.01%. The gearing ratio was 69.94%.

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

The Group's sources of capital primarily came from cash inflow generated from operating activities, borrowings from financial institutions, public issuance of corporate bonds in the capital market, as well as issuance of privately placed bonds, and medium-term notes in the interbank market.

As at 30 June 2021, the total bank borrowings, corporate bonds and medium-term notes of the Group were RMB41,771 million, RMB1,528 million and RMB1,797 million, respectively (as at the end of the prior year: the total bank borrowings, corporate bonds, medium-term notes and short-term commercial paper of the Group were RMB43,807 million, RMB1,537 million, RMB3,389 million and RMB157 million, respectively). As at 30 June 2021, the Group had monetary funds of RMB16,394 million (as at the end of the prior year: RMB17,760 million) in total (For the breakdown of monetary funds, please refer to X. VII. 1 Note on Monetary Funds in this report).

To strengthen its financial management, the Group established and optimised its strict internal control system on cash and capital management. The liquidity and repayment ability of the Group were in a good condition. As at 30 June 2021, the Group had 12,683 employees. The total staff remuneration for the first half of 2021 amounted to RMB665.5967 million (The Group had 12,752 employees in 2020. The total staff remuneration for 2020 amounted to RMB1,296.8978 million).

There will be no major investment project of the Company during the second half of 2021.

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

For details of the assets with restricted ownership of the Group as at 30 June 2021, please refer to X. VII. 64. Details of assets with restricted ownership or right to use in this report.

For details of the contingent event required to be disclosed by the Group as at 30 June 2021, please refer to X. VII. 35 Provisions.

III Management Discussion and Analysis

III. Analysis of Core Competitiveness

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

1. Advantages of pulp and paper integration

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

2. Scale advantages

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

3. Product advantages

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

4. Industry layout advantages

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

5. Advantages in technical equipment

“One cannot make brick without straw.” The Company highly values the introduction and upgrades of technical equipment and boasts the largest and most advanced pulping and paper making production line in the world. The Company’s major production equipment has been imported from internationally renowned manufacturers, including Metso and Valmet of Finland, Voith of Germany, Andritz of Austria, etc. and reached the advanced international level. For the moment, the Company has three paper machines with a paper width of more than 11 metres, which ensures production efficiency and product quality.

III Management Discussion and Analysis

6. Advantages in research and innovation

The Company, Zhanjiang Chenming, Shouguang Meilun, Jiangxi Chenming, Jilin Chenming, Huanggang Chenming and Wuhan Chenming are high and new technology enterprises. Supported by the national enterprise technology centre and the post-doctoral working station, in recent years, the Company has vigorously implemented innovation promotion strategy, actively carried out in-depth industry-university-research cooperation with various prestigious domestic universities and research institutes, put more and more efforts in technical innovation and scientific research and development to develop new products with high technology contents and high added value as well as proprietary technologies. As at the end of the reporting period, the Company had obtained 322 national patents including 26 patents for invention, 7 products selected as national new products, 15 science and technology progress awards above the provincial level and undertaken five national science and technology projects and 63 provincial technological innovation projects.

7. Team management advantages

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

8. Advantages in environmental governance capacity

The Company has actively upheld the concept of "lucid waters and lush mountains are invaluable assets", adhered to the development idea of "placing green development and environmental protection as its priority", always regarded environmental protection as the "life project", clung to the green development model of clean production and resource recycling, and earnestly shoulder the corporate responsibility of environmental protection. In recent years, the Company and its subsidiaries have constructed the pollution treatment facilities including the alkali recovery system, middle water treatment system, middle water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental indicators of the Company rank high in the country and in the world. At present, the Company adopts the world's most advanced "ultrafiltration membrane + reverse osmosis membrane" technology to complete the reclaimed water recycling membrane treatment project, which is the largest middle water reuse project in the domestic paper industry. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water of 170,000 cubic metres every day.

III Management Discussion and Analysis

IV. Analysis of principal operations

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

Year-on-year changes in major financial information

Unit: RMB

	During the reporting period	During the corresponding period of the prior year	Increase/ decrease year on year	Reason for the change
Revenue	17,172,816,354.53	13,599,805,765.86	26.27%	Sales volume and selling prices of machine-made paper increased year on year during the reporting period
Operating costs	11,861,060,977.92	10,679,861,701.47	11.06%	Sales volume of machine-made paper increased year on year during the reporting period
Selling and distribution expenses	147,622,738.74	158,180,752.19	-6.67%	
Administrative expenses	492,048,555.49	491,987,245.33	0.01%	
Finance expenses	1,318,942,156.16	1,346,217,562.46	-2.03%	
Research and development expenditure	757,021,354.57	548,557,146.89	38.00%	The Company stepped up its efforts in research and development during the reporting period
Net cash flows from operating activities	4,747,185,521.94	2,327,033,784.68	104.00%	Profitability of the Company increased year on year during the reporting period
Net cash flows from investing activities	-905,349,346.97	94,823,534.32	-1,054.77%	During the reporting period, the Company introduced strategic investors to increase the capital of its subsidiaries through investing in GDR Fund and Chendu Fund
Net cash flows from financing activities	-3,585,858,074.31	-3,094,384,197.10	-15.88%	The debt reduction of the Company increased year on year during the reporting period

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

Applicable Not applicable

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

III Management Discussion and Analysis

IV. Analysis of principal operations (Cont'd)

Components of revenue

Unit: RMB

	During the reporting period		During the corresponding period of the prior year		Increase/ decrease
	Amount	% of revenue	Amount	% of revenue	
Total revenue	17,172,816,354.53	100%	13,599,805,765.86	100%	26.27%

By industry

Machine-made paper	14,898,851,438.25	86.76%	11,558,358,972.70	84.99%	28.90%
Financial leasing	206,068,787.05	1.20%	523,141,507.84	3.85%	-60.61%
Construction materials	174,782,023.02	1.02%	178,629,808.17	1.31%	-2.15%
Electricity and steam	133,159,820.59	0.78%	77,835,853.84	0.57%	71.08%
Chemicals	71,994,410.87	0.42%	65,927,709.45	0.48%	9.20%
Others	1,687,959,874.75	9.83%	1,195,911,913.86	8.79%	41.14%

By product

White paper board	5,031,520,246.65	29.30%	3,188,834,251.43	23.45%	57.79%
Duplex press paper	3,729,414,241.14	21.72%	3,132,410,469.07	23.03%	19.06%
Coated paper	2,407,632,283.00	14.02%	1,791,146,258.55	13.17%	34.42%
Electrostatic paper	1,840,465,965.29	10.72%	1,869,067,585.37	13.74%	-1.53%
Anti-sticking raw paper	572,174,748.36	3.33%	480,463,979.97	3.53%	19.09%
Household paper	213,590,905.00	1.24%	241,727,203.09	1.78%	-11.64%
Other machine-made paper	1,104,053,048.81	6.43%	854,709,225.22	6.28%	29.17%
Financial leasing	206,068,787.05	1.20%	523,141,507.84	3.85%	-60.61%
Construction materials	174,782,023.02	1.02%	178,629,808.17	1.31%	-2.15%
Electricity and steam	133,159,820.59	0.78%	77,835,853.84	0.57%	71.08%
Chemicals	71,994,410.87	0.42%	65,927,709.45	0.48%	9.20%
Others	1,687,959,874.75	9.83%	1,195,911,913.86	8.79%	41.14%

By geographical segment

Mainland China	15,414,291,096.68	89.76%	11,957,574,405.64	87.92%	28.91%
Other countries and regions	1,758,525,257.85	10.24%	1,642,231,360.22	12.08%	7.08%

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

√ Applicable □ Not applicable

III Management Discussion and Analysis

IV. Analysis of principal operations (Cont'd)

Components of revenue (Cont'd)

Unit: RMB

	Revenue	Operating costs	Gross profit margin	Increase/ decrease of revenue as compared to the corresponding period of the prior year	Increase/ decrease of operating costs as compared to the corresponding period of the prior year	Increase/ decrease of gross profit margin as compared to the corresponding period of the prior year
By industry						
Machine-made paper	14,898,851,438.25	9,967,695,799.94	33.10%	28.90%	5.56%	14.79%
By product						
White paper board	5,031,520,246.65	2,764,170,127.37	45.06%	57.79%	5.93%	26.89%
Duplex press paper	3,729,414,241.14	2,817,367,964.89	24.46%	19.06%	11.28%	5.28%
Coated paper	2,407,632,283.00	1,524,778,960.64	36.67%	34.42%	4.75%	17.94%
Electrostatic paper	1,840,465,965.29	1,404,931,305.16	23.66%	-1.53%	-5.46%	3.18%
By geographical segment						
Mainland China	15,414,291,096.68	10,439,773,729.02	32.27%	28.91%	13.56%	9.15%

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

Applicable Not applicable

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

Applicable Not applicable

The revenue from white paper board and coated paper increased by 57.79% and 34.42% year on year, respectively, due to the significant rise of the selling prices of white paper board and coated paper as compared to the corresponding period of the prior year.

V. Analysis of non-principal operations

Applicable Not applicable

III Management Discussion and Analysis

VI. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	As at the end of the reporting period		As at the end of the prior year		Percentage change	Description
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Accounts receivable financing	921,201,223.62	1.02%	488,385,666.76	0.53%	0.49%	Mainly due to the increase in the number of bills held at the end of the reporting period as compared to the beginning of the year.
Prepayments	695,582,134.61	0.77%	964,290,512.36	1.05%	-0.28%	Mainly due to the decrease of the Company's raw material prepayment.
Inventories	6,901,922,518.26	7.62%	5,135,293,347.82	5.61%	2.01%	Mainly due to the increased inventories of finished products as at the end of the reporting period.
Non-current assets due within one year	3,637,802,641.72	4.02%	4,222,744,207.34	4.61%	-0.59%	Mainly due to the continuous reduction of the financial leasing business during the reporting period.
Long-term receivables	3,645,414,234.30	4.02%	4,658,884,857.95	5.09%	-1.07%	Mainly due to the reclassification of long-term receivables to non-current assets due within one year.
Other non-current financial assets	1,221,910,000.00	1.35%	145,910,000.00	0.16%	1.19%	Mainly due to the increase of external investments of GDR Fund and Chendu Fund during the reporting period.
Bills payable	3,632,929,014.89	4.01%	2,998,936,736.34	3.27%	0.74%	Mainly due to the increase of payment for goods with bills by the Company during the reporting period.
Contract liabilities	2,186,935,751.42	2.41%	1,051,147,044.74	1.15%	1.27%	Mainly due to the increase of advance payments for goods from customers to the Company during the reporting period.
Non-current liabilities due within one year	5,252,532,028.56	5.80%	7,160,949,615.93	7.82%	-2.02%	Mainly due to the repayment of medium-term notes due within one year by the Company during the reporting period.
Bonds payable	-	0.00%	1,536,877,351.46	1.68%	-1.68%	Mainly due to the reclassification of bonds payable to non-current liabilities due within one year.
Other equity instruments	3,234,750,000.00	3.57%	5,473,500,000.00	5.98%	-2.41%	Mainly due to the redemption of RMB2.25 billion Preference Shares by the Company during the reporting period.

III Management Discussion and Analysis

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

2. Major Assets Overseas

Applicable Not applicable

3. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchases during the period	Disposal during the period	Other changes	Closing balance
1. Held-for-trading financial assets (excluding derivative financial assets)	192,907,800.62	-91,718,919.59	-94,495,936.12					101,188,881.03
2. Other non-current financial assets	145,910,000.00				1,096,000,000.00	20,000,000.00		1,221,910,000.00
3. Consumable biological assets measured at fair value	1,535,386,865.44	-9,139,121.20	10,963,540.78		14,372,201.75	25,370,224.50		1,515,249,721.49

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

Yes No

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

Unit: RMB

Item	Carrying amount as at the end of the period	Reasons for such restriction
Monetary funds	11,767,734,654.88	As deposits for bank acceptance bills and letters of credit, deposit reserves, etc.
Held-for-trading financial assets	50,594,440.51	As collateral for margin financing
Accounts receivable financing	28,550,798.44	As collateral for letters of guarantee and letters of credit
Fixed assets	10,957,342,646.52	As collateral for bank borrowings and long-term payables
Intangible assets	1,226,330,911.70	As collateral for bank borrowings and long-term payables
Investment properties	4,865,390,729.36	As collateral for bank borrowings
Total	28,895,944,181.41	

VII. Analysis of Investments

1. Overview

Applicable Not applicable

Investments during the reporting period (RMB)	Investments during the corresponding period of the prior year (RMB)	Change
882,210,000.00	42,000,000.00	2,000.50%

III Management Discussion and Analysis

VII. Analysis of Investments (Cont'd)

2. Material equity investments during the reporting period

Applicable Not applicable

Unit: RMB

Name of investee	Principal activities	Form of investment	Investment amount	Shareholding	Source of fund	Partner(s)	Period of investment	Product type	Progress as at the date of balance sheet	Estimated return	Profit or loss from investment for the period	Involvement in lawsuit	Date of disclosure (if any)	Disclosure index (if any)
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Equity investment and related consulting services	Capital increase	627,210,000.00	79.00%	Self-owned funds	Weifang Hengxin Capital Management Co., Ltd., Weifang Financial Holding Group Co., Ltd., etc.	Operating period of 7 years, subject to extension of 2 years after maturity	Privately placed	Completed	-	14,958,315.10	No	26 August 2020	http://www.cninfo.com.cn
Weifang Chendu Equity Investment Partnership (Limited Partnership)	Engaging in investment activities	Newly established	255,000,000.00	79.69%	Self-owned funds	Guodo Venture Capital Co., Ltd. (Qingdao) Asset Management Co., Ltd.	Investment operation period of 3 years, automatic extension upon maturity	Privately placed	Completed	-	-129,801.91	No	26 June 2021	http://www.cninfo.com.cn
Total	-	-	882,210,000.00	-	-	-	-	-	-	-	14,828,513.19	-	-	-

3. Material non-equity investments during the reporting period

Applicable Not applicable

4. Financial asset investment

(1) Security investments

Applicable Not applicable

Unit: RMB

Type of security	Stock code	Abbreviation of stock name	Accounting Initial investment cost	Accounting measurement model	Book value at the beginning of the reporting period	Profit or loss from changes in fair value in the current period	Accumulated changes in fair value included in equity	Purchased amount in the current period	Sold amount in the current period	Profit or loss during the reporting period	Book value at the end of the reporting period	Classification in accounts	Source of fund
Domestic and foreign shares	09688	China Bohai Bank	195,684,817.15	Measured at fair value	192,907,800.62	-91,718,919.59	-94,495,936.12	0.00	0.00	-91,718,919.59	101,188,881.03	Held-for-trading financial assets	Self-owned funds and borrowings
Total			195,684,817.15	-	192,907,800.62	-91,718,919.59	-94,495,936.12	0.00	0.00	-91,718,919.59	101,188,881.03	-	-

Disclosure date of announcement in relation to the consideration and approval of securities investments by the Board 20 June 2020

Disclosure date of announcement in relation to the consideration and approval of securities investments by the shareholders' general meeting Not applicable

(2) Derivatives investments

Applicable Not applicable

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

III Management Discussion and Analysis

VIII. Disposal of material assets and equity interest

1. Disposal of material assets

Applicable Not applicable

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

2. Disposal of material equity interest

Applicable Not applicable

Counterparty(ies)	Equity interest disposed of	Disposal date	Transaction consideration (RMB'0,000)	Net profit contribution to the Company from the beginning of the period up to the disposal date (RMB'0,000)	Effect of disposal on the Company	Net profit contribution to the Company on equity disposal as a percentage of total net profit (%)	Pricing basis of disposal of equity interest	Related party or not	Relationship with counterparty(ies)	Relevant asset title fully transferred or not	Carried out on schedule or not, if not, the reasons and measures taken by the Company	Disclosure date	Disclosure index
Zhanjiang Junchen Trading Co., Ltd.	Zhanjiang Chenming New-style Wall Materials Co., Ltd.	1 January 2021	1,258.00	0.00	Beneficial for resources integration of the Company, asset portfolio optimisation, and concentration of competitive edges on principle businesses to improve quality and efficiency.	0.03%	Appraised value	No	Not related party	Yes	Transfer completed	Not applicable	Not applicable

IX. Analysis of major subsidiaries and investees

Applicable Not applicable

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

Unit: RMB

Name of company	Type of company	Principal activities	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of duplex press paper, electrostatic paper, and white paper board	5,550,000,000.00	27,968,609,732.51	8,531,283,710.67	6,537,009,866.50	1,235,353,245.55	1,083,122,863.93
Shouguang Meilun Paper Co., Ltd.	Subsidiary	Production and sale of coated paper, cultural paper, household paper and chemical pulp	4,801,045,519.00	16,752,365,153.30	8,295,101,099.34	4,447,905,629.92	250,274,945.94	232,335,249.64
Huanggang Chenming Pulp & Paper Co., Ltd.	Subsidiary	Production and sale of chemical pulp	2,850,000,000.00	7,104,363,783.74	2,865,289,275.10	1,378,126,424.78	253,700,412.82	217,348,708.27

III Management Discussion and Analysis

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

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Name of company	Methods to acquire and dispose of subsidiaries during the reporting period	Effect on overall production and operation and results
Weifang Chendu Equity Investment Partnership (LLP)	Newly established	Net profit decreased by RMB0.13 million.
Zhanjiang Chenming New-style Wall Materials Co., Ltd.	Transfer of 100% equity interest	Net profit increased by RMB0.68 million.

X. Structured entities controlled by the Company

Applicable Not applicable

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

1. Macroeconomic and policy risk

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

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

2. Risk of intensifying market competition

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

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

III Management Discussion and Analysis

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

3. Risk of price fluctuation of raw materials

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

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

4. Environmental protection policy risk

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

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

5. Risk on financial leasing business

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

Chenming Leasing has comprehensive risk prevention and control measures for the Company's financial leasing business, with strong risk resistance and low risk of default. At present, Financial Leasing Company continues to implement the business strategy of continuous reduction.

IV Corporate Governance

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

1. General meetings during the reporting period

Meeting	Type of meeting	Attendance rate of investors	Convening date	Disclosure date	Resolutions of meeting
2021 first extraordinary general meeting	Extraordinary general meeting	24.42%	9 March 2021	10 March 2021	http://www.cninfo.com.cn
2021 first class meeting for holders of domestic-listed shares	Class meeting	25.11%	9 March 2021	10 March 2021	http://www.cninfo.com.cn
2021 first class meeting for holders of overseas listed shares	Class meeting	21.43%	9 March 2021	10 March 2021	http://www.cninfo.com.cn
2020 annual general meeting	Annual general meeting	23.09%	18 June 2021	19 June 2021	http://www.cninfo.com.cn

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

Applicable Not applicable

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

Applicable Not applicable

Name	Position	Type	Date	Reason
Zhao Xuegang	Deputy general manager	Resignation	25 March 2021	Resignation from the position of deputy general manager for personal reasons.
Li Xinggui	Supervisor	Resignation	19 April 2021	Resignation from the position of staff representative supervisor due to work adjustment.
Sang Ailing	Supervisor	Elected	19 April 2021	Elected as a staff representative supervisor at the twelfth meeting of the ninth session of the staff representative meeting of the Company.

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

Applicable Not applicable

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

IV Corporate Governance

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

Applicable Not applicable

1. On 30 March 2020, the ninth extraordinary meeting of the ninth session of the Board of the Company considered and approved the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary and other resolutions. On the same date, the fourth extraordinary meeting of the ninth session of the Supervisory Committee of the Company considered and approved the above resolutions and verified the list of proposed participants of the incentive scheme. Independent Directors of the Company issued independent opinions on the incentive scheme.
2. On 3 April 2020, the Company announced the list of participants through the Company's internal website for a period from 3 April 2020 to 12 April 2020. During the period, the Supervisory Committee of the Company and relevant departments did not receive any objection against the proposed participants. The Supervisory Committee verified the list of participants under the grant of the incentive scheme.
3. On 15 May 2020, the Resolution in Relation to the 2020 Restricted Share Incentive Scheme of Shandong Chenming Paper Holdings Limited (Draft) and Its Summary and other resolutions were considered and approved at the 2020 second extraordinary general meeting, the 2020 first class meeting for holders of domestic-listed shares and the 2020 first class meeting for holders of overseas-listed shares of the Company. On 16 May 2020, the Company disclosed the Self-Examination Report for the Trading of Shares of the Company by Insiders and Participants of the 2020 Restricted A Share Incentive Scheme.
4. On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Company and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company, approving the grant of 79,600,000 restricted A shares to 111 participants at the grant price of RMB2.85 per share on 29 May 2020.
5. On 15 July 2020, the 79,600,000 restricted A shares granted to the participants were listed.

For details, please refer to the relevant announcements published on CNINFO on 31 March 2020, 6 May 2020, 8 May 2020, 16 May 2020, 30 May 2020 and 9 July 2020, respectively.

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

(I) Compliance with the Code on Corporate Governance

The Company maintained high standards of corporate governance through various internal controls. The Board reviews the corporate governance practices of the Company from time to time to enhance the corporate governance standards of the Company. The Company had fully complied with all the principles and code provisions of the Code on Corporate Governance as set out in Appendix 14 to the Hong Kong Listing Rules during the reporting period.

(II) Securities transactions by Directors

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

V Environmental and Social Responsibility

I. Major environmental protection matters

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

Yes No

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented		Approved total emissions	Excessive emissions	
						Total emissions	Total emissions			
Shandong Chenming Paper Holdings Limited	SO ₂	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 5.59mg/m ³	35mg/m ³	Power plant no. 1: 6.34t	160.32t/year	No	
					Power plant no. 2: 4.89mg/m ³		Power plant no. 2: 5.27t			
	NO _x	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 38.7mg/m ³	50mg/m ³	Power plant no. 1: 43.5t	233.91t/year	No	
					Power plant no. 2: 39.4mg/m ³		Power plant no. 2: 43.2t			
	Particulates	Organised emission	2	Chenming Industrial Park	Power plant no. 1: 0.974mg/m ³	5mg/m ³	Power plant no. 1: 1.08t	23.39t/year	No	
					Power plant no. 2: 0.848mg/m ³		Power plant no. 2: 0.937t			
	COD	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 171mg/L	300mg/L	Sewage outlet no. 1: 504t	6,510.74t/year	No	
					Sewage outlet no. 2: 164mg/L		Sewage outlet no. 2: 937t			
	Ammonia nitrogen	Indirect emission	2	Chenming Industrial Park	Sewage outlet no. 1: 2.47mg/L	30mg/L	Sewage outlet no. 1: 6.83t	650.7t/year	No	
					Sewage outlet no. 2: 1.38mg/L		Sewage outlet no. 2: 7.56t			
	Shouguang Meilun Paper Co., Ltd.	SO ₂	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 8.85mg/m ³	35mg/m ³	Power plant no. 1: 21.1t	423.11t/year	No
						Power plant no. 2: 10.9mg/m ³	(self-owned power plant),	Power plant no. 2: 23.5t		
Alkali recovery: 1.84mg/m ³						(Chemical pulp mill)	Alkali recovery: 8.43t			
Lime kiln: 8.65mg/m ³							Lime kiln: 4.98t			
Power plant no. 1: 32.4mg/m ³						50mg/m ³	Power plant no. 1: 75.1t			
Power plant no. 2: 33.4mg/m ³						(self-owned power plant),	Power plant no. 2: 69.8t			
NO _x		Organised emission	4	Chenming Industrial Park	Alkali recovery: 69.7mg/m ³	100mg/m ³	Alkali recovery: 331t	1,363.59t/year	No	
					Lime kiln: 16.5mg/m ³	(Chemical pulp mill)	Lime kiln: 10.2t			
					Power plant no. 1: 0.894mg/m ³	5mg/m ³	Power plant no. 1: 2.1t			
					Power plant no. 2: 0.9mg/m ³	(self-owned power plant),	Power plant no. 2: 1.87t			
					Alkali recovery: 1.54mg/m ³	(Chemical pulp mill)	Alkali recovery: 7.09t			
					Lime kiln: 2.31mg/m ³		Lime kiln: 1.27t			
Particulates	Organised emission	4	Chenming Industrial Park	Power plant no. 1: 0.894mg/m ³	5mg/m ³	Power plant no. 1: 2.1t	138.063t/year	No		
				Power plant no. 2: 0.9mg/m ³	(self-owned power plant),	Power plant no. 2: 1.87t				

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Approved total emissions	Excessive emissions
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	SO ₂	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 2.42mg/m ³ 75T/h furnace: 1.73mg/m ³	50mg/m ³	1.51t	102.58t/year	No
	NO _x	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 22.9mg/m ³ 75T/h furnace: 18.67mg/m ³	100mg/m ³	14.87t	205.16t/year	No
	Particulates	Organised emission	2	Within Qianneng Electric Power factory area	130T/h furnace: 1.05 mg/m ³ 75T/h furnace: 1.77mg/m ³	20mg/m ³	1.02t	41.032t/year	No
	COD	Direct emission	1	Total wastewater discharge	28mg/L	80mg/L	37.39t	184.3t/year	No
	Ammonia nitrogen	Direct emission	1	Total wastewater discharge	0.41mg/L	8mg/L	0.55t	17.3t/year	No
Jiangxi Chenming Paper Co., Ltd.	SO ₂	Organised emission	1	Thermal power plant	22.28mg/m ³	200mg/m ³	82.67t	806t/year	No
	NO _x	Organised emission	1	Thermal power plant	81.23mg/m ³	200mg/m ³	164.14t	806t/year	No
	Particulates	Organised emission	1	Thermal power plant	10.21mg/m ³	30mg/m ³	13.30t	127.30t/year	No
	COD	Direct emission	1	Total sewage discharge	38mg/L	90mg/L	179.80t	1,260t/year	No
Jilin Chenming Paper Co., Ltd.	Ammonia nitrogen	Direct emission	1	Total sewage discharge	2.15mg/L	8mg/L	10.12t	112t/year	No
	SO ₂	Organised emission	3	Within factory area (2 in use, 1 spare)	11.95mg/m ³	100mg/m ³	8.54t	97t/year	No
	NO _x	Organised emission	3	Within factory area (2 in use, 1 spare)	33mg/m ³	100mg/m ³	22.38t	213t/year	No
	Particulates	Organised emission	3	Within factory area (2 in use, 1 spare)	12.3mg/m ³	30mg/m ³	8.65t	51.66t/year	No
	COD	Indirect emission	1	Total sewage discharge	48.99mg/L	90mg/L	118.39t	357t/year	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Ammonia nitrogen	Indirect emission	1	Total sewage discharge	1.04mg/L	8mg/L	2.43t	34t/year	No
	SO ₂	Organised emission	5	Within factory area	Alkali recovery: 9.181mg/m ³ Power plant 1#: 1.313mg/m ³ Power plant 2#: 2.518mg/m ³ Power plant 3#: 3.611mg/m ³ Power plant 4#: 3.221mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 35mg/m ³	38.213t	620t/year	No

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

Name of company or subsidiary	Name of major pollutants and specific pollutants	Way of emission	Number of emission outlets	Distribution of emission outlets	Pollutant emission standards implemented		Total emissions	Approved total emissions	Excessive emissions
					Emission concentration				
Huanggang Chenming Pulp & Paper Co., Ltd.	NOx	Organised emission	5	Within factory area	Alkali recovery: 135.145mg/m ³ Power plant 1#: 10.719mg/m ³ Power plant 2#: 8.653mg/m ³ Power plant 3#: 9.286mg/m ³ Power plant 4#: 12.235mg/m ³	Alkali recovery: 200mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 50mg/m ³	408.365t	2,169.70t/year	No
	Particulates	Organised emission	5	Within factory area	Alkali recovery: 19.715mg/m ³ Power plant 1#: 0.795mg/m ³ Power plant 2#: 1.141mg/m ³ Power plant 3#: 1.074mg/m ³ Power plant 4#: 1.971mg/m ³	Alkali recovery: 30mg/m ³ 1#2#3#4# circulating fluidised bed boilers: 10mg/m ³	58.942t	196t/year	No
	COD	Direct emission	1	Within factory area	46.897mg/L	90mg/L	378.055t	1,943t/year	No
	Ammonia nitrogen	Direct emission	1	Within factory area	0.888mg/L	8mg/L	7.410t	43.9t/year	No
	Total phosphorus	Direct emission	1	Within factory area	0.232mg/L	0.8mg/L	1.878t	21.36t/year	No
	Total nitrogen	Direct emission	1	Within factory area	4.943mg/L	12mg/L	40.012t	320.4t/year	No
	SO ₂	Organised emission	1	Lime kiln chimney	26.95mg/m ³	850mg/m ³	9.63t	471.289t/year	No
	SO ₂	Organised emission	1	Alkali furnace chimney	6.82mg/m ³	200mg/m ³	7.49t		No
	NOX	Organised emission	1	Alkali furnace chimney	171.99mg/m ³	200mg/m ³	349.17t	1,132.716t/year	No
	Particulates	Organised emission	1	Lime kiln chimney	8.74mg/m ³	200mg/m ³	2.21t	129.07t/year	No
	Particulates	Organised emission	1	Alkali furnace chimney	9.89mg/m ³	30mg/m ³	14.05t		No
	COD	Indirect emission	1	Total wastewater discharge	14mg/L	150mg/L	62.76t	398.911t/year	No
	Ammonia nitrogen	Indirect emission	1	Total wastewater discharge	0.09mg/L	14mg/L	0.39t	39.891t/year	No

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

Construction and operation of facilities for pollution prevention and control

- (1) The Company and its subsidiaries strictly comply with laws, regulations and relevant rules regarding environmental protection of the central and local government. The construction of projects strictly adheres to the “three simultaneities” on environmental protection. In order to ensure pollutants are discharged strictly in accordance with the requirements under laws and regulations and disposed properly, production and operation strictly comply with the national Law on the Prevention and Control of Environmental Pollution, Law on the Prevention and Control of Water Pollution, Law on the Prevention and Control of Air Pollution, Action Plan for Prevention and Control of Water Pollution and Law on the Prevention and Control of Environmental Pollution by Solid Waste and other laws.
- (2) In recent years, the Company and its subsidiaries have invested more than RMB8 billion to construct the pollution treatment facilities including the alkali recovery system, middle water treatment system, middle water reuse system, white water recovery system and black liquor comprehensive utilisation system. The environmental indicators of the Company rank high in the country and in the world. At present, the Company adopts the world’s most advanced “ultrafiltration membrane + reverse osmosis membrane” technology to complete the reclaimed water recycling membrane treatment project. The reclaimed water recycle rate reaches more than 75%. The reclaimed water quality meets drinking water standards, which can save fresh water every day 170,000 cubic metres.
- (3) Each subsidiary’s organised emission outlets are equipped with an online monitoring system for real-time monitoring. All subsidiaries have their own power plants. Each self-owned plant has its own environmental protection facilities for de-dusting, desulphurisation and denitrification. Denitrification is conducted through SCR or SNCR, while desulphurisation is primarily conducted through gypsum desulphurisation (ammonia desulphurisation is adopted in the self-owned plant of Jiangxi Chenming). Substantially all of the emissions indicators are below the national and local execution standards. Other alkali recovery boilers and lime kilns are also in compliance with the emission standards.

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

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

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

Emergency plan for emergency environmental incidents

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

V Environmental and Social Responsibility

I. Major environmental protection matters (Cont'd)

Environmental self-monitoring programme

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

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

Administrative Penalty for environmental problems during the reporting period

On 17 December 2020, the Nanchang Municipal Ecological Environment Bureau, together with the Northern Jiangxi Commissioner's Office and the Environmental Information Center, inspected the wastewater station of Jiangxi Chenming Paper Co., Ltd. and found that there were some online equipment operation and maintenance and management irregularities, including pasting the operation passwords of wastewater online monitoring equipment on the wall. Although the normal operation of the monitoring equipment was not guaranteed, no environmental pollution was caused as a result. Hence Jiangxi Chenming was fined RMB21,000 in accordance with the law.

In response to the above issues, Jiangxi Chenming immediately organised the rectification of online facilities, changed the passwords of online devices, strengthened the operation and maintenance management of online devices, and regularly conducted comparison to ensure the authenticity of the data and the normal operation of the equipment.

Other environmental information to be disclosed

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

Other environmental protection related information

Other environmental protection related information is announced at the 「自測公示」 section of the Company's website.

V Environmental and Social Responsibility

II. Fulfilment of Social Responsibility

The Company is always committed to taking its corporate social responsibilities. 2021 is the opening year of China's 14th Five-Year Plan and the national economy maintain its steady and sound growth momentum. The Company takes "revitalising the Chinese papermaking industry" as its mission and adheres to the general keynote of a green, low-carbon, recycling and sustainable development, persistently deepening and focusing on the development of its principal activities to continuously increase its profitability level. With high-quality development, the Company always strives to capitalise on its development results to benefit the communities, actively fulfil its social responsibilities, and continue to make efforts in areas such as shareholders' equity, employee rights, environmental protection and poverty alleviation. The Company performs these responsibilities with integrity in a pragmatic and efficient manner in order to achieve a "win-win" situation between economic, social and ecological benefits.

1. Fulfilment of responsibilities regarding shareholders' equity

The recognition and support of shareholders is the driving force to promote a sustainable and healthy development of the Company, and it is the Company's duty and responsibility to protect the rights and interests of its shareholders. During the reporting period, the Company strictly followed the Articles of Association and the Rules of Procedures for the General Meetings of Shareholders and convened four general meetings of shareholders by combining on-site and online voting to ensure that shareholders, especially small and medium shareholders, fully exercise their voting rights. On 18 June 2021, the Company convened the 2020 annual general meeting to consider and approve the 2020 Profit Distribution Plan to distribute a cash dividend of RMB1.85 (tax inclusive) to holders of ordinary shares per 10 ordinary shares, and a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the Preference Shares to holders of the second and third tranches of the Preference Shares. As of the disclosure date of this report, the 2020 profit distribution plan had been implemented and completed. Since 2003, the Company had implemented a profit distribution plan every year and had distributed cash dividends to shareholders for 19 consecutive years, providing all shareholders a continuous and stable return on investment.

2. Fulfilment of responsibilities regarding employee rights

For a long time, the Company has been adhering to the principle of people orientation, cherishing the value of its employees, focusing on employee growth, continuously enhancing the professional standard of its employees, improving the working environment of its employees, and fully protecting the legitimate rights and interests of its employees. Hence, the Company has been awarded the honorary title of National Model Workers' Home. During the reporting period, the Company adhered to the "safety first and prevention first" policy. Centred on the theme of "eliminating hidden dangers of accidents and strengthening safety lines of defence", the Company carried out activities such as safe production month and accident emergency drills, organised hidden danger investigation and management, and strengthened the work safety awareness of its employees to ensure their health and safety. At the same time, the evaluation mechanism and performance appraisal system was improved, and multi-level vocational training was carried out through online learning platforms and cadre teaching to actively create a "dedicating, motivating and progressive" working atmosphere. To increase employee happiness and cohesion, the Company implemented free on-the-job dining for in-service employees, and carried out activities such as billiard games, fun sports games and cool summer games. Through the establishment of employee mutual aid foundations, it had helped more than 200 employees in need. Hence, our employees were gathering their endogenous motivation in happiness in realising an organic unity of employee development and corporate vision.

V Environmental and Social Responsibility

II. Fulfilment of Social Responsibility (Cont'd)

3. Fulfilment of responsibilities regarding environmental protection

The Company has always been adhering to the principle of environmental protection, thoroughly implementing the national energy conservation and environmental protection policies, and unwaveringly following the path of a green, low-carbon and recycling development. The Company takes the lead in exploring the black liquor resource recovery technology, and has launched the largest alkali recycling project in the domestic papermaking industry, and built the first domestic medium-pressure steam generator with the utilisation of alkali furnaces which could save 750,000 tonnes of standard coal per annum, with the alkali recovery rate reaching 99.8%. Adopting the world's most advanced "ultrafiltration membrane + reverse osmosis membrane" technology, the Company has launched a reclaimed water recycling membrane treatment project, with a reclaimed water recycling rate reaching over 75% and the quality of the treated water meeting the drinking water standard. At the same time, the Company has explored the model of integrated use of innovative resources and circular industrial development, and built three major circular economy ecological chains of "resources-products-recycled resources".

4. Fulfilment of responsibilities regarding poverty alleviation

While standardising operations, paying taxes according to law, and creating economic value, the Company actively participates in social welfare undertakings, fulfils social responsibilities, and creates social value. In the first half of 2021, the Company continued to support charitable projects such as "Sunrise Aid for Education", "Sunset Assistance to Elderly" and "Rehabilitation and Medical Assistance", and actively took the lead in participating in the "Daily Donation with Compassion" activity in Shouguang by donating RMB1 million to Shouguang Federation of Trade Unions. At the same time, the Company was dedicated to the fight against the epidemic and poverty alleviation. The Company donated 40 tonnes of disinfectant to Wuchuan Municipal Government to help Wuchuan fight against the epidemic. The Company also actively participated in the "Guangdong Poverty Alleviation Day" activity and donated a total of RMB11 million, making positive contributions to the targeted poverty alleviation work.

Being grateful and to give back to society, the Company's sustainable and healthy development is inseparable from the cultivation of society. The Company will always keep in mind its inspiration and mission. While optimising and strengthening the principal activity of pulp and papermaking and improving economic benefits, the Company has active high-quality performance in social responsibilities, realising the benign interaction between corporate economic value and social value and creating shared value so as to make new and more contributions to promote a harmonious development of economy, society and environment and to fully demonstrate the responsibility of a leading enterprise in China's papermaking industry.

VI Material Matters

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

Applicable Not applicable

During the reporting period, there was no undertaking made by parties involved in undertakings including the Company's beneficial controllers, shareholders, related parties, bidders and the Company during the reporting period or prior periods but subsisting to the end of the reporting period.

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

Applicable Not applicable

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

III. External guarantees against the rules and regulations

Applicable Not applicable

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

IV. Engagement or dismissal of accounting firms

Has the interim financial report been audited?

Yes No

The interim financial report is unaudited.

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

Applicable Not applicable

VI. Opinions of the Board regarding the "modified auditor's report" for the prior year

Applicable Not applicable

VII. Matters related to bankruptcy and reorganisation

Applicable Not applicable

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

VIII. Litigation

Material litigation and arbitration

Applicable Not applicable

The Company was not involved in any material litigation and arbitration during the reporting period.

Other litigations

Applicable Not applicable

VI Material Matters

IX. Punishment and rectification

√ Applicable Not applicable

Name	Type	Reason	Type of investigation punishment	Conclusion (if any)	Disclosure date	Disclosure index
Jiangxi Chenming Paper Co., Ltd.	Subsidiary	Improper operation and management of online monitoring equipment	General administrative penalties	On 17 December 2020, the Nanchang Municipal Ecological Environment Bureau, together with the Northern Jiangxi Commissioner's Office and the Environmental Information Center, inspected the wastewater station of Jiangxi Chenming Paper Co., Ltd. and found that there were some online equipment operation and maintenance and management irregularities, including pasting the operation passwords of wastewater online monitoring equipment on the wall. Although the normal operation of the testing equipment was not guaranteed, no environmental pollution was caused as a result. Hence Jiangxi Chenming was fined RMB21,000 in accordance with the law.	Not applicable	Not applicable

VI Material Matters

IX. Punishment and rectification (Cont'd)

Rectification

Applicable Not applicable

In response to the above issues, Jiangxi Chenming immediately organised the rectification of online facilities, changed the passwords of online devices, strengthened the operation and maintenance management of online devices, and regularly conducted comparison to ensure the authenticity of the data and the normal operation of the monitoring equipment.

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

Applicable Not applicable

XI. Significant related party transactions

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

Applicable Not applicable

There was no related party transactions associated with day-to-day operation of the Company during the reporting period.

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

Applicable Not applicable

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

3. Related party transaction connected to joint external investment

Applicable Not applicable

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

4. Related creditors' rights and debts transactions

Applicable Not applicable

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

Yes No

VI Material Matters

XI. Significant related party transactions (Cont'd)

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

Creditor's rights receivable from related parties:

Related party	Relationship with the Company	Reason	Were there any non-operating capital occupation	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount recovered during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Group	Financial support	No	1,630.72	0.00	0.00	6.00%	49.19	1,630.72
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Group	Financial support	No	6,847.61	0.00	0.00	6.00%	179.49	7,027.10

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

The above creditors' rights do not affect the ordinary operation of the Company. Moreover, they have catered to the needs for development of existing businesses of Shouguang Meite Environmental and Weifang Sime Darby West Port and lowered the financing costs.

Debts payable to any related party:

Related party	Relationship with the Company	Reason	Opening balance (RMB'0,000)	Amount increased during the current period (RMB'0,000)	Amount recovered during the current period (RMB'0,000)	Interest rate	Interest for the current period (RMB'0,000)	Closing balance (RMB'0,000)
Chenming Holdings Company Limited	The controlling shareholder of the Company	Financial support	0.00	21,000.00	20,300.00	Market interest rate	106.44	700.00
Guangdong Nanyue Bank Co., Ltd.	An associate of the Group	Borrowing	171,666.46	70,000.00	70,000.00	Market interest rate	504.04	171,666.46

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

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

5. Deals with related financial companies and financial companies controlled by the company

Applicable Not applicable

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

6. Other significant related party transactions

Applicable Not applicable

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

VI Material Matters

XII. Material contracts and implementation

1. Custody, contracting and leasing

(1) Custody

Applicable Not applicable

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

(2) Contracting

Applicable Not applicable

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

(3) Leasing

Applicable Not applicable

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

2. Significant guarantees

Applicable Not applicable

During the reporting period, the Company provided guarantee to subsidiaries and the guarantee amount incurred was RMB4,844.9246 million. The subsidiaries provided guarantee to their subsidiaries and the guarantee amount incurred was RMB94.3175 million.

As at 30 June 2021, the balance of the external guarantee provided by the Company (including the guarantee to its subsidiaries by the Company and the guarantee provided to subsidiaries by subsidiaries) amounted to RMB10,578.4911 million, representing 45.41% of the equity attributable to shareholders of the Company as at the end of June 2021.

Unit: RMB'0,000

External guarantees of the Company and its subsidiaries (excluding guarantees to subsidiaries)								
Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (date of agreement)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee
								to related parties or not
Weifang Sime Darby West Port Co., Ltd	24 July 2017	17,500.00	20 December 2017	12,240.00	General guarantee	10 years	No	No
Zhanjiang Runbao Trading Co., Ltd.	4 December 2020	16,000.00	4 December 2020	16,000.00	Pledge	2 years	No	No
Zhanjiang Dingjin Trading Co., Ltd.	4 December 2020	13,558.19	4 December 2020	13,558.19	Pledge	2 years	No	No
Total external guarantees approved during the reporting period (A1)		0.00	Total actual external guarantees during the reporting period (A2)					0.00
Total external guarantees approved at the end of the reporting period (A3)		47,058.19	Balance of total actual guarantees at the end of the reporting period (A4)					41,798.19

VI Material Matters

XII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

Guarantees between the Company and its subsidiaries as at the end of June in 2021								
Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (date of agreement)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Zhanjiang Chenming Pulp & Paper Co., Ltd.	30 March 2019	1,088,000.00	12 July 2019	442,177.84	General guarantee	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	27 March 2020	150,000.00			General guarantee	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	22 June 2021	Decreased by 10,000.00						
Shandong Chenming Group Finance Co., Ltd.	30 March 2019	500,000.00			General guarantee	5 years	No	No
Shandong Chenming Group Finance Co., Ltd.	25 March 2021	Decreased by 200,000.00						
Shandong Chenming Paper Sales Co., Ltd.	30 March 2019	600,000.00	9 March 2020	77,375.40	General guarantee	5 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	26 March 2015	100,000.00			General guarantee	8 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	30 March 2016	300,000.00			General guarantee	7 years	No	No
Shandong Chenming Financial Leasing Co., Ltd.	25 March 2021	Decreased by 200,000.00						
Huanggang Chenming Pulp & Paper Co., Ltd.	26 March 2015	400,000.00	5 January 2017	76,390.00	General guarantee	8 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	30 March 2016	550,000.00			General guarantee	7 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	25 March 2021	Decreased by 450,000.00						
Jiangxi Chenming Paper Co., Ltd.	30 March 2019	350,000.00	28 June 2019	174,578.44	General guarantee	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	30 March 2019	100,000.00	9 July 2020	63,358.81	General guarantee	5 years	No	No
Shouguang Meilun Paper Co., Ltd.	27 March 2020	400,000.00			General guarantee	5 years	No	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	18 October 2019	100,000.00			General guarantee	3 years	No	No
Chenming (HK) Limited	30 March 2019	500,000.00	30 April 2019	45,390.53	General guarantee	5 years	No	No
Chenming (HK) Limited	25 March 2021	100,000.00			General guarantee	3 years	No	No
Shouguang Chenming Import and Export Trade Co., Ltd.	30 March 2019	50,000.00			General guarantee	5 years	No	No
Jilin Chenming Paper Co., Ltd.	30 March 2019	150,000.00	20 January 2021	11,658.00	General guarantee	5 years	No	No
Zhanjiang Chenming Arboriculture Development Co., Ltd.	30 March 2019	10,000.00			General guarantee	5 years	No	No
Nanchang Chenming Arboriculture Development Co., Ltd.	27 March 2020	10,000.00			General guarantee	3 years	No	No
Shanghai Chenming Industry Co., Ltd.	11 October 2018	400,000.00			General guarantee	3 years	No	No
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	30 March 2019	300,000.00	23 December 2020	11,000.00	General guarantee	5 years	No	No
Shanghai Hongtai Real Estate Co., Ltd.	27 March 2020	140,000.00			General guarantee	10 years	No	No
Shanghai Hongtai Property Management Co., Ltd.	27 March 2020	10,000.00			General guarantee	5 years	No	No
Chenming (Overseas) Co., Ltd.	27 March 2020	100,000.00			General guarantee	5 years	No	No
Chenming (Singapore) Co., Ltd.	27 March 2020	100,000.00			General guarantee	5 years	No	No

VI Material Matters

XII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

Guarantees between the Company and its subsidiaries as at the end of June in 2021

Name of obligee	Date of the related announcement disclosing the guarantee amount	Amount of guarantee	Guarantee date (date of agreement)	Guarantee provided	Type of guarantee	Term	Fulfilled or not	Guarantee to related parties or not
Hainan Chenming Technology Co., Ltd.	4 December 2020	40,000.00			General guarantee	3 years	No	No
Hainan Chenming Technology Co., Ltd.	22 June 2021	10,000.00			General guarantee	3 years	No	No
Huanggang Chenming Pulp & Paper Technology Co., Ltd.	25 March 2021	500,000.00			General guarantee	10 years	No	No
Shandong Chenming Commercial Factoring Co., Ltd.	25 March 2021	100,000.00			General guarantee	3 years	No	No
Qingdao Chenming Nonghai Financial Leasing Co., Ltd.	25 March 2021	20,000.00			General guarantee	3 years	No	No
Guangzhou Chenming Financial Leasing Co., Ltd.	25 March 2021	20,000.00			General guarantee	3 years	No	No
Kunshan Tuohan Plastic Products Co., Ltd.	25 March 2021	10,000.00			General guarantee	3 years	No	No
Shandong Chenming Panels Co., Ltd.	25 March 2021	5,000.00			General guarantee	3 years	No	No
Shouguang Chenming Floor Board Co., Ltd.	25 March 2021	5,000.00			General guarantee	3 years	No	No
Shouguang Hongyi Decorative Packaging Co., Ltd.	25 March 2021	5,000.00			General guarantee	3 years	No	No
Shouguang Hongxin Printing and Packaging Co., Ltd.	25 March 2021	5,000.00			General guarantee	3 years	No	No
Shouguang Chenming Modern Logistic Co., Ltd.	25 March 2021	5,000.00			General guarantee	3 years	No	No
Shandong Grand View Hotel Co., Ltd.	25 March 2021	5,000.00			General guarantee	3 years	No	No
Shouguang Chenming Papermaking Machine Co., Ltd.	25 March 2021	5,000.00			General guarantee	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (B1)		Decreased by 65,000.00			Total amount of guarantee provided for subsidiaries during the reporting period (B2)			484,492.46
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (B3)		6,393,000.00			Total balance of guarantee provided for subsidiaries as at the end of the reporting period (B4)			901,929.02

VI Material Matters

XII. Material contracts and implementation (Cont'd)

2. Significant guarantees (Cont'd)

Name of obligee	Date of the related announcement disclosing the guarantee amount	Guarantees between subsidiaries as at the end of June in 2021					Fulfilled or not	Guarantee to related parties or not
		Amount of guarantee	Guarantee date (date of agreement)	Guarantee provided	Type of guarantee	Term		
Chenming (HK) Limited	30 March 2019	200,000.00	2 April 2019	9,690.15	General guarantee	5 years	No	No
Chenming (HK) Limited	30 March 2019	100,000.00	17 March 2021	9,431.75	General guarantee	5 years	No	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	7 August 2020	12,000.00	7 August 2020	12,000.00	General guarantee	1 year	No	No
Shouguang Meilun Paper Co., Ltd.	4 December 2020	20,000.00	4 December 2020	20,000.00	Pledge	2 years	No	No
Shouguang Meilun Paper Co., Ltd.	4 December 2020	42,400.00	4 December 2020	41,000.00	Pledge	3 years	No	No
Wuhan Chenming Hanyang Paper Holdings Co., Ltd	4 December 2020	3,000.00	4 December 2020	2,500.00	Pledge	3 years	No	No
Huanggang Chenming Pulp & Paper Co., Ltd.	4 December 2020	20,000.00	4 December 2020	19,500.00	Pledge	3 years	No	No
Total amount of guarantee provided for subsidiaries approved during the reporting period (C1)		0.00		Total amount provided for subsidiaries during the reporting period (C2)				9,431.75
Total amount of guarantee provided for subsidiaries approved as at the end of the reporting period (C3)		397,400.00		Total balance of guarantee provided for subsidiaries as at the end of the reporting period (C4)				114,121.90

Total amount of guarantee provided (i.e. sum of the above three guarantee amount)			
Total amount of guarantee approved during the reporting period (A1+B1+C1)	Decreased by	Total amount of guarantee during the reporting period (A2+B2+C2)	493,924.21
	65,000.00		
Total amount of guarantee approved as at the end of the reporting period (A3+B3+C3)	6,837,458.19	Total balance of guarantee as at the end of the reporting period (A4+B4+C4)	1,057,849.11
The percentage of total amount of guarantee provided (i.e. A4+B4+C4) to the net assets of the Company			45.41%
Of which:			
Balance of guarantee provided for shareholders, beneficial controllers and its related parties (D)			0
Balance of guarantee directly or indirectly provided for obligors with gearing ratio over 70% (E)			88,375.40
Total amount of guarantee provided in excess of 50% of net assets (F)			0
Sum of the above three amount of guarantee (D+E+F)			88,375.40
For the unexpired guarantee contract, the guarantee liability has occurred during the reporting period or there is evidence showing that it is possible to bear joint liability for repayment			No
Providing external guarantees in violation of prescribed procedures			No

3. Entrusted wealth management

Applicable Not applicable

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

4. Material contracts in day-to-day operation

Applicable Not applicable

5. Other material contracts

Applicable Not applicable

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

XIII. Other matters of significance

√ Applicable Not applicable

1. Change of listing venue of the domestic listed foreign shares and their listing and trading on the Main Board of the Stock Exchange of Hong Kong Limited by conversion

On 9 March 2021, the Company held the 2021 first extraordinary general meeting, the 2021 first class meeting for holders of domestic-listed shares, and the 2021 first class meeting for holders of overseas-listed shares. Proposal on the Domestic Listed Foreign Shares of the Company Changing Listing Venue to be Listed and Traded on the Main Board of the Stock Exchange of Hong Kong Limited by Way of Conversion and related matters were considered and approved. On 29 June 2021, the Company received the CSRC Acceptance Notice of the Application for Administrative Permission issued by the China Securities Regulatory Commission, stating that it has decided to accept the administrative license application.

For details, please refer to the relevant announcements (announcement no.: 2021-003, 2021-018 and 2021-053) of the Company published on CNINFO on 30 January, 10 March and 1 July 2021.

2. Full redemption of the first-tranche Preference Shares

On 18 February 2021, the Company held the eighteenth extraordinary meeting of the ninth session of the Board to consider and approve the Resolution on Redemption of the First-tranche Preferred Shares. On 17 March 2021, the Company paid a total of RMB2,348.1 million in redemption to shareholders of the first-tranche Preference Shares to fully redeem 22.5 million shares of the first-tranche Preference Shares of the Company. On 18 March 2021, the Company received the Redemption Results Statement from the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. The redemption and delisting of Chenming You 01 was completed.

For details, please refer to the relevant announcements (announcement no.: 2021-013, 2021-014, 2021-016, 2021-017, 2021-019, 2021-020, 2021-022, 2021-023) of the Company published on CNINFO on 19 February, 26 February, 5 March, 12 March, 16 March and 19 March 2021.

3. The 2020 profit distribution plan

On 18 June 2021, the Company convened the 2020 annual general meeting, at which the proposed 2020 profit distribution plan was considered and approved. Based on the total number of ordinary shares of the Company as at the end of 2020 of 2,984,208,200 shares and the 589,005,236 simulated ordinary shares converted from the second and third tranche Preference Shares using a conversion ratio of 1 share valued at RMB3.82 as at the end of 2020, a cash dividend of RMB1.85 (tax inclusive) was to be distributed to ordinary shareholders for every 10 shares held; a cash dividend of RMB1.85 (tax inclusive) per 10 simulated ordinary shares converted from the second and third tranche Preference Shares was to be distributed to holders of Preference Shares. No bonus shares would be issued and there was no increase of share capital from reserves. The cash dividend distributed to ordinary shareholders amounted to RMB552,078,517.00 and a variable cash dividend distributed to holders of the second and third tranche Preference Shares amounted to RMB108,965,968.66. In the event of changes in the total share capital of the Company before the dividend distribution registration date, the total profits distribution shall remain unchanged while the percentage of allocation will be adjusted accordingly.

For details, please refer to the relevant announcement (announcement no.: 2021-044) of the Company published on CNINFO on 19 June 2021.

VI Material Matters

XIII. Other matters of significance (Cont'd)

4. Information disclosure index for 2021

Announcement No.	Subject matter	Date of publication	Publication website and index
2021-001	Announcement on the Release of Pledge of Shares held by Shareholders	5 January 2021	http://www.cninfo.com.cn
2021-002	Announcement on the Release of Pledge and Continued Pledge of Shares held by Shareholders	19 January 2021	http://www.cninfo.com.cn
2021-003	Announcement on Resolutions of the Seventeenth Extraordinary Meeting of the Ninth Session of the Board	30 January 2021	http://www.cninfo.com.cn
2021-004	Notice of the 2021 First Extraordinary General Meeting, the 2021 First Class Meeting for Holders of Domestic-listed Shares and the 2021 First Class Meeting for Holders of Overseas-listed Shares	30 January 2021	http://www.cninfo.com.cn
2021-005	Announcement on the Solicitation of Voting Rights by the Independent Director	30 January 2021	http://www.cninfo.com.cn
2021-006	Announcement on Receipt of Government Subsidies by Wholly-owned Subsidiaries	30 January 2021	http://www.cninfo.com.cn
2021-007	Supplemental Notice on Convening the 2021 First Extraordinary General Meeting, the 2021 First Class Meeting for Holders of Domestic-listed Shares and the 2021 First Class Meeting for Holders of Overseas-listed Shares	3 February 2021	http://www.cninfo.com.cn
2021-008	Announcement on Unusual Movement in Share Trading	4 February 2021	http://www.cninfo.com.cn
2021-009	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary for Financing	10 February 2021	http://www.cninfo.com.cn
2021-010	Announcement on Receipt of High and New Technology Enterprise Certificate by a Subsidiary	10 February 2021	http://www.cninfo.com.cn
2021-011	Amendment Announcement on The Proposal on the Domestic Listed Foreign Shares of the Company Changing Listing Venue to be Listed and Traded on the Main Board of The Stock Exchange of Hong Kong Limited by way of Conversion	18 February 2021	http://www.cninfo.com.cn
2021-012	Announcement on Unusual Movement in Share Trading	18 February 2021	http://www.cninfo.com.cn
2021-013	Announcement in respect of Resolutions of the Eighteenth Extraordinary Meeting of the Ninth Session of the Board of Directors	19 February 2021	http://www.cninfo.com.cn
2021-014	The First Indicative Announcement on the Redemption of the First-tranche Preference Shares	19 February 2021	http://www.cninfo.com.cn
2021-015	Announcement on Unusual Movement in Share Trading	19 February 2021	http://www.cninfo.com.cn

VI Material Matters

XIII. Other matters of significance (Cont'd)

4. Information disclosure index for 2021 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2021-016	The Second Indicative Announcement on the Redemption of the First-tranche Preference Shares	26 February 2021	http://www.cninfo.com.cn
2021-017	The Third Indicative Announcement on the Redemption of the First-tranche Preference Shares	5 March 2021	http://www.cninfo.com.cn
2021-018	Announcement on Resolution of the 2021 First Extraordinary General Meeting, the 2021 First Class Meeting for Holders of Domestic-listed Shares, and the 2021 First Class Meeting for Holders of Overseas-listed Shares	10 March 2021	http://www.cninfo.com.cn
2021-019	Announcement on the Full Redemption and Delisting of the First-tranche Preference Shares	12 March 2021	http://www.cninfo.com.cn
2021-020	The First Indicative Announcement on the Delisting of the First-tranche Preference Shares	12 March 2021	http://www.cninfo.com.cn
2021-021	Supplemental Announcement on the Poll Results of 2021 First Class Meeting for Holders of Overseas-listed Shares	13 March 2021	http://www.cninfo.com.cn
2021-022	Announcement on the Delisting of the First-tranche Preference Shares	16 March 2021	http://www.cninfo.com.cn
2021-023	Announcement on the Redemption Result of the First-tranche Preference Shares	19 March 2021	http://www.cninfo.com.cn
2021-024	Announcement in respect of Resolutions of the Eighth Meeting of the Ninth Session of the Board of Directors	26 March 2021	http://www.cninfo.com.cn
2021-025	Announcement on Resolutions of the Eighth Extraordinary Meeting of the Ninth Session of the Supervisory Committee	26 March 2021	http://www.cninfo.com.cn
2021-026	Notice of 2020 Annual General Meeting	26 March 2021	http://www.cninfo.com.cn
2021-027	Announcement on Appointment of Auditor for 2021	26 March 2021	http://www.cninfo.com.cn
2021-028	Announcement on the Adjustment to the Guarantee Amount for Certain Subsidiaries	26 March 2021	http://www.cninfo.com.cn
2021-029	Announcement on Carrying out Factoring Business of Accounts Receivable	26 March 2021	http://www.cninfo.com.cn
2021-030	Announcement on the Receipt of Financial Assistance and Related Party Transaction	26 March 2021	http://www.cninfo.com.cn
2021-031	Announcement on the Resignation of Senior Management of the Company	26 March 2021	http://www.cninfo.com.cn
2021-032	2020 Annual Report Summary	26 March 2021	http://www.cninfo.com.cn
2021-033	Announcement on the 2020 Annual Online Performance Briefing	26 March 2021	http://www.cninfo.com.cn
2021-034	Announcement on the Signing of the Convertible Bond Strategic Cooperation Framework Agreement	26 March 2021	http://www.cninfo.com.cn

VI Material Matters

XIII. Other matters of significance (Cont'd)

4. Information disclosure index for 2021 (Cont'd)

Announcement No.	Subject matter	Date of publication	Publication website and index
2021-035	Supplemental Announcement in respect of Resolutions of the Eighth Meeting of the Ninth Session of the Board of Directors	27 March 2021	http://www.cninfo.com.cn
2021-036	Shandong Chenming Paper Holdings Limited Announcement on Payment of 2021 Interest with Respect to the First Tranche of Corporate Bonds Publicly Issued to Qualified Investors in 2018	31 March 2021	http://www.cninfo.com.cn
2021-037	Announcement on the Release of Pledge of Shares held by Shareholders	2 April 2021	http://www.cninfo.com.cn
2021-038	2021 First Quarterly Results Forecast	7 April 2021	http://www.cninfo.com.cn
2021-039	2021 First Quarterly Report	20 April 2021	http://www.cninfo.com.cn
2021-040	Announcement on the Resignation of Employee Representative Supervisors and the By-election of Supervisors	20 April 2021	http://www.cninfo.com.cn
2021-041	Announcement on Pledge of Shareholders' Shares	22 April 2021	http://www.cninfo.com.cn
2021-042	Announcement on the Development of Financing Business and the Provision of Guarantees	30 April 2021	http://www.cninfo.com.cn
2021-043	Announcement on Receipt of Government Subsidies by Subsidiaries	15 June 2021	http://www.cninfo.com.cn
2021-044	Announcement on Resolutions of 2020 Annual General Meeting	19 June 2021	http://www.cninfo.com.cn
2021-045	Announcement in respect of Provision of Guarantee in Favour of a Subsidiary	23 June 2021	http://www.cninfo.com.cn
2021-046	Announcement on Resolutions of the Nineteenth Extraordinary Meeting of the Ninth Session of the Board of Directors	26 June 2021	http://www.cninfo.com.cn
2021-047	Announcement on Capital Increase and Introduction of Strategic Investors of a Majority-owned Subsidiary	26 June 2021	http://www.cninfo.com.cn
2021-048	Announcement on the Development of Equipment Financing Business	26 June 2021	http://www.cninfo.com.cn
2021-049	Announcement on External Investment	26 June 2021	http://www.cninfo.com.cn
2021-050	Announcement in respect of Provision of Guarantee in Favour of Subsidiaries by a Wholly-owned Subsidiary	26 June 2021	http://www.cninfo.com.cn
2021-051	Announcement on Receipt of Government Subsidies by the Subsidiary Zhanjiang Chenming	26 June 2021	http://www.cninfo.com.cn
2021-052	Announcement on Pledge of Shareholders' Shares	29 June 2021	http://www.cninfo.com.cn

XIV. Matters of significant of subsidiaries of the Company

√ Applicable Not applicable

1. Introduction of strategic investors by Shouguang Meilun

On 25 June 2021, the 19th extraordinary meeting of the ninth session of the Board of the Company considered and approved the Proposal on Capital Contribution and Introduction of Strategic Investors of a Majority-owned Subsidiary. The Company introduced CCB Financial Assets Investment Company Limited (on behalf of the CCB Investment-Shandong Development Debt-to-Equity Swap Investment Scheme) and SWSC Innovation Investment Co., Ltd. to contribute capital to Shouguang Meilun. CCB Financial Assets Investment Company Limited (on behalf of the CCB Investment-Shandong Development Debt-to-Equity Swap Investment Scheme) and SWSC Innovation made a capital contribution amount of RMB1.4 billion and RMB0.2 billion, respectively.

For details, please refer to the relevant announcement (announcement no.: 2021-047) of the Company published on CNINFO on 26 June 2021.

VII Changes in Share Capital and Shareholders

I. Changes in shares

1. Changes in shares

Unit: share

	Opening balance		Change during the reporting period (+/-)					Closing balance	
	Amount	Percentage	New issue	Bonus issue	Shares converted		Subtotal	Amount	Percentage
					from reserves	Others			
I. Restricted shares	90,276,324	3.03%			-5,722,041	-5,722,041		84,554,283	2.83%
1. Shares held by other domestic investors	90,276,324	3.03%			-5,722,041	-5,722,041		84,554,283	2.83%
Including: Shares held by domestic natural persons	90,276,324	3.03%			-5,722,041	-5,722,041		84,554,283	2.83%
II. Non-restricted shares	2,893,931,876	96.97%			5,722,041	5,722,041		2,899,653,917	97.17%
1. RMB ordinary shares	1,659,241,360	55.60%			5,722,041	5,722,041		1,664,963,401	55.79%
2. Domestic listed foreign shares	706,385,266	23.67%						706,385,266	23.67%
3. Overseas listed foreign shares	528,305,250	17.70%						528,305,250	17.70%
III. Total number of shares	2,984,208,200	100.00%						2,984,208,200	100.00%

The reasons for such changes

Applicable Not applicable

- ① According to the Practice Guidance for the Company's Shares Held by the Directors, Supervisors and Senior Management of the Listed Companies of Shenzhen Stock Exchange, during the reporting period, 18,750 restricted RMB ordinary shares (A shares) held by Supervisors who resigned became non-restricted shares.
- ② On 15 July 2020, 79,600,000 A shares granted to the participants under the 2020 Restricted A Shares Incentive Scheme of the Company were issued and listed. From 1 January 2021, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited had adjusted the calculation base of the transfer quota for directors and senior management granted restricted shares, and 5,703,291 restricted RMB ordinary shares (A shares) became non-restricted shares.

Approval of changes in shareholding

Applicable Not applicable

Transfer of shares arising from changes in shareholding

Applicable Not applicable

Progress of share repurchase

Applicable Not applicable

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

Applicable Not applicable

VII Changes in Share Capital and Shareholders

I. Changes in shares (Cont'd)

1. Changes in shares (Cont'd)

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: share

Name of shareholders	Restricted shares at the beginning of period	Restricted shares released during the period	Restricted shares increased during the period	Restricted shares at the end of period	Reason for restriction	Date of release from restriction
Chen Hongguo	28,310,033	5,000,000		23,310,033	Restricted share of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	In accordance with the equity incentive plan (draft) and relevant requirements for shares held by Directors, Supervisors and Senior Management
Li Xueqin	3,645,991	645,991		3,000,000	Restricted share of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	In accordance with the equity incentive plan (draft) and relevant requirements for shares held by Directors, Supervisors and Senior Management
Li Weixian	2,060,900	57,300		2,003,600	Restricted share of the participants of the Share Incentive Scheme Locked-up shares of Directors, Supervisors and Senior Management	In accordance with the equity incentive plan (draft) and relevant requirements for shares held by Directors, Supervisors and Senior Management
Li Dong	75,000	18,750		56,250	Locked-up shares of Directors, Supervisors and Senior Management	Under relevant requirements for shares held by Directors, Supervisors and Senior Management
Total	34,091,924	5,722,041		28,369,883	—	—

II. Issuance and listing of securities

Applicable Not applicable

VII Changes in Share Capital and Shareholders

III. Total number of shareholders and shareholdings

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	177,220, of which 156,912 were holders of A shares, 19,973 were holders of B shares and 335 were holders of H shares	Total number of holders of Preference Shares with restored voting right as at the end of the reporting period (if any) (see note 8)	0
---	--	---	---

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

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period		Number of restricted shares held	Number of non-restricted shares held	Share pledged, marked or locked-up	
								Status of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	State-owned legal person	15.32%	457,322,919	0	0	0	457,322,919	Pledged	256,530,000
HKSCC NOMINEES LIMITED	Overseas legal person	12.52%	373,523,125	164,000	0	0	373,523,125		
CHENMING HOLDINGS (HONG KONG) LIMITED	Overseas legal person	12.20%	364,131,563	0	0	0	364,131,563		
Chen Hongguo	Domestic natural person	1.04%	31,080,044	0	23,310,033	0	7,770,011		
HONG KONG SECURITIES CLEARING COMPANY LIMITED	Overseas legal person	0.94%	28,200,060	-5,968,270	0	0	28,200,060		
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	Overseas legal person	0.63%	18,733,524	11,101,597	0	0	18,733,524		
SHANDONG SUN HOLDINGS GROUP CO., LTD.	Domestic non-state-owned legal person	0.61%	18,181,717	18,181,717	0	0	18,181,717		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.50%	14,771,945	0	0	0	14,771,945		
MORGAN STANLEY & CO. INTERNATIONAL PLC	Overseas legal person	0.47%	14,092,721	13,873,612	0	0	14,092,721		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.46%	13,628,646	506,700	0	0	13,628,646		
Strategic investors or general legal persons who become the top ten ordinary shareholders due to the placement of new shares (if any)	Nil								
Related party relationship or acting in concert among the above shareholders	A shareholder, Chenming Holdings (Hong Kong) Limited, which is an overseas legal person, is a wholly-owned subsidiary of a shareholder, Chenming Holdings Company Limited, which is a state-owned legal person. Hence, they are persons acting in concert under the Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. A shareholder, Chen Hongguo, is the legal representative, chairman and general manager of Chenming Holdings Company Limited. Save for the above, it is not aware that any other shareholders of tradable shares are persons acting in concert. It is also not aware that any other shareholders of tradable shares are related to each other.								
Explanation of the aforementioned shareholders' entrusted/entrusted voting rights and waiver of voting rights	Nil								
Special explanation for designated repurchase accounts among the top 10 shareholders	Nil								

VII Changes in Share Capital and Shareholders

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

Name of shareholder	Shareholdings of the top ten non-restricted ordinary shareholders		
	Number of non-restricted ordinary shares held as at the end of the reporting period	Class of shares	Number
CHENMING HOLDINGS COMPANY LIMITED	457,322,919	RMB ordinary shares	457,322,919
HKSCC NOMINEES LIMITED	373,523,125	Overseas listed foreign shares	373,523,125
CHENMING HOLDINGS (HONG KONG) LIMITED	364,131,563	Domestic listed foreign shares	210,717,563
		Overseas listed foreign shares	153,414,000
HONG KONG SECURITIES CLEARING COMPANY LIMITED	28,200,060	RMB ordinary shares	28,200,060
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED	18,733,524	Domestic listed foreign shares	18,733,524
SHANDONG SUN HOLDINGS GROUP CO., LTD.	18,181,717	RMB ordinary shares	18,181,717
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	14,771,945	Domestic listed foreign shares	14,771,945
MORGAN STANLEY & CO. INTERNATIONAL PLC	14,092,721	Domestic listed foreign shares	14,092,721
VANGUARD EMERGING MARKETS STOCK INDEX FUND	13,628,646	Domestic listed foreign shares	13,628,646
GOLDMAN SACHS INTL	11,676,419	Domestic listed foreign shares	11,676,419

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

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

Securities margin trading of top 10 ordinary shareholders, if any

Chenming Holdings Company Limited held 457,322,919 RMB ordinary shares, of which 379,522,919 shares were held through ordinary account and 77,800,000 shares were held through credit guarantee security account.

Shandong Sun Holdings Group Co., Ltd. held 18,181,717 RMB ordinary shares, of which no share was held through ordinary account and 18,181,717 shares were held through credit guarantee security account.

VII Changes in Share Capital and Shareholders

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

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

Yes No

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

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

Applicable Not applicable

There were no changes in the shareholding of Directors, Supervisors and Senior Management of the Company during the reporting period. For details, please refer to the 2020 annual report.

V. Change of controlling shareholders or beneficial controllers

Change of controlling shareholders during the reporting period

Applicable Not applicable

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

Change of beneficial controllers during the reporting period

Applicable Not applicable

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

VIII Preference Shares

Applicable Not applicable

I. Issue and listing of preference shares during the reporting period

Applicable Not applicable

There was no issue and listing of preference shares during the reporting period.

II. Holders of Preference Shares and their shareholdings

Unit: share

Total number of holders of Preference Shares as at the end of the reporting period 6

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

Name of shareholder	Nature of shareholder	Preference shareholding	Number of Preference Shares held at the end of the reporting period	Changes (increase or decrease) during the reporting period	Shares pledged or locked-up	Status of shares	Number
BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD. – HUILI NO.136 SINGLE CAPITAL TRUST	Others	28.44%	6,400,000	0			
BEIJING YIBEN ZHONGXING INVESTMENT MANAGEMENT CO., LTD.	Domestic non-state-owned legal person	27.11%	6,100,000	-6,400,000	Pledged		6,100,000
SHANGHAI SHIJIE BUSINESS CONSULTING CO., LTD.	Domestic non-state-owned legal person	18.40%	4,140,100	0	Pledged		4,140,000
HENGFENG BANK CO., LTD.	Domestic non-state-owned legal person	13.33%	3,000,000	-1,000,000			
LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO. 1 ASSET MANAGEMENT PLAN	Others	7.02%	1,580,000	900,000			
LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO. 2 ASSET MANAGEMENT PLAN	Others	5.69%	1,279,900	100,000			

Description of different requirements on other terms of Preference Shares held other than dividend distribution and residual property distribution (note 4)

Nil

Related party relationship or acting in concert among the top ten holders of Preference Shares, and between the top ten holders of Preference Shares and the top ten ordinary shareholders

The aforesaid holders of Preference Shares, “LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO.1 ASSET MANAGEMENT PLAN” and “LEAD CAPITAL MANAGEMENT CO., LTD. – LEAD CAPITAL – LI DE YING NO.2 ASSET MANAGEMENT PLAN”, are persons acting in concert. Save for the above, it is not aware that whether the remaining holders of Preference Shares are persons acting in concert. It is also not aware that the aforesaid holders of Preference Shares and the top ten ordinary shareholders are related to each other.

VIII Preference Shares

III. Repurchase or conversion

Applicable Not applicable

1. Repurchase

Applicable Not applicable

Start date of the repurchase period	End date of the repurchase period	Repurchase price (RMB/share)	Pricing principle	Number of shares repurchased	Proportion of shares repurchased	Total amount of funds for repurchase (RMB)	Term of the repurchase of shares	Source of funds for the repurchase	Entity to exercise the repurchase option
17 March 2021	17 March 2021	104.36	In accordance with the Prospectus of Non-public Issuance of Preference Shares, the redemption price of "Chenming You 01" shall be the par value of the Preference Shares (RMB100 per share) plus the amount of dividend declared but not yet paid for the current period (i.e. RMB4.36 per share)	22,500,000	100.00%	2,348,100,000.00	N/A	Self-owned funds	The Company

Impact on the capital structure of the Company

On 17 March 2021, the Company paid a total of RMB2,348.1 million in redemption to shareholders of the first-tranche Preference Shares to fully redeem 22.5 million shares of the first-tranche Preference Shares of the Company, and the delisting of "Chenming You 01" was completed. As at the end of the reporting period, the total number of the Preference Shares of the Company changed from 45 million shares to 22.5 million shares, with "Chenming You 02" accounting for 10 million shares and "Chenming You 03" accounting for 12.5 million shares.

Procedures in respect of the repurchase of Preference Shares

On 13 February 2015, the Resolution on the Company's Proposal on the Non-public Issue of Preference Shares was considered and approved at the 2015 first extraordinary general meeting of the Company. According to the Company's proposal on the non-public issue of Preference Shares, with the authority of the general meeting and under the framework and principles approved by the general meeting, the Board shall handle every matter related to the redemption with full power subject to related requirements, approval under laws and regulations as well as market conditions.

On 18 February 2021, the Resolution on Redemption of the First-tranche Preference Shares was considered and approved at the 18th extraordinary meeting of the ninth session of the Board of the Company. The independent Directors issued independent opinions, agreeing the Company to redeem "Chenming You 01" in full.

2. Conversion

Applicable Not applicable

There was no conversion during the reporting period.

IV. Resumption and exercise of voting rights

Applicable Not applicable

There was no resumption and exercise of voting rights conferred by Preference Shares during the reporting period.

V. Accounting policy and reasons thereof

Applicable Not applicable

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

IX Bonds

Applicable Not applicable

I. Enterprise bonds

Applicable Not applicable

The Company had no enterprise bonds during the reporting period.

II. Corporate Bonds

Applicable Not applicable

1. Basic information on Corporate Bonds

Name of bond	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate	Payment method	Trading venue
The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2017 (phase I)	17 Chenming Bond 01	112570	17 August 2017	21 August 2017	21 August 2022	9,000	7.28%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.	Shenzhen Stock Exchange
The public issuance of the Corporate Bonds of Shandong Chenming Paper Holdings Limited to qualified investors in 2018 (phase I)	18 Chenming Bond 01	112641	29 March 2018	2 April 2018	2 April 2023	35,000	7.60%	Interest is paid annually. The principal amount and the last interest payment will be paid on the maturity date.	Shenzhen Stock Exchange
Investor eligibility arrangement (if any)	Online subscription: Public investors with A share security account opened under China Securities Depository and Clearing Co., Ltd. Offline subscription: Institutional investors with A share security account opened under China Securities Depository and Clearing Co., Ltd.								
Applicable trading mechanism	Dual listing and trading on the centralised bidding system and the Integrated Negotiated Trading Platform of the Shenzhen Stock Exchange								
Whether there are delisting risks (if any) and countermeasures	No								

Overdue and outstanding bonds

Applicable Not applicable

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

Applicable Not applicable

3. Adjustment of credit rating results during the reporting period

Applicable Not applicable

IX Bonds

II. Corporate Bonds (Cont'd)

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

Applicable Not applicable

The repayment guarantee measures of “17 Chenming Bond 01” and “18 Chenming Bond 01” include: setting up a special repayment working group; opening special accounts for proceeds; engaging GF Securities as the bond custodian of the bonds, and entering into the bond custody agreement with GF Securities to systematically guarantee the timely and full repayment of bond principal and interests; formulating bondholders’ meeting rules for the bonds and making reasonable and systematic arrangements to guarantee the timely and full repayment of bond principal and interests; undertaking to make strict information disclosure. The Company has designated the planning and finance department to be in charge of the coordination of bond repayment.

The Company has set up special accounts for bonds with Bank of China Limited, Shandong Branch for the bonds, and entered into the Agreement on the Supervision of Special Accounts for Corporate Bonds with Bank of China Limited, Shandong Branch (as the supervising bank of the special accounts) and GF Securities, stipulating that the special accounts shall be used specifically for receipt, deposit, transfer and repayment of principal and interest of bond proceeds, so as to ensure that the bond proceeds are used strictly in accordance with the provisions of the prospectuses, and to ensure the timely collection and transfer of bond repayments. The Company has engaged GF Securities as the bond custodian for the bonds in accordance with the Administrative Measures and entered into the Bond Custody Agreement with GF Securities. The Company has strictly fulfilled its obligation of information disclosure.

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

IX Bonds

III. Non-financial corporate debt financing instruments

Applicable Not applicable

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

Name of bond	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Outstanding amount of the bonds (RMB'0,000)	Interest rate	Payment method	Trading venue
2017 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	17 Lu Chenming MTN001	101779001	2017-07-11	2017-07-12	N/A	100,000.00	8.97%	Perpetual mid-term notes. Interest is paid annually and the principal is repaid upon maturity.	Inter-bank bond market
2018 second tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	18 Lu Chenming MTN002	101801569	2018-12-27	2018-12-28	2021-12-28	60,000.00	7.5%	Interest is paid annually and the principal is repaid upon maturity.	Inter-bank bond market
2019 first tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	19 Lu Chenming MTN001	101900930	2019-07-15	2019-07-17	2022-07-17	70,000.00	6.5%	Interest is paid annually and the principal is repaid upon maturity.	Inter-bank bond market
2019 second tranche of medium-term notes of Shandong Chenming Paper Holdings Limited	19 Lu Chenming MTN002	101901058	2019-08-09	2019-08-13	2022-08-13	50,000.00	6.5%	Interest is paid annually and the principal is repaid upon maturity.	Inter-bank bond market
Investor eligibility arrangement (if any)			Nil						
Applicable trading mechanism			Inter-bank bond market trading mechanism						
Whether there are delisting risks (if any) and countermeasures			N/A						

Overdue and outstanding bonds

Applicable Not applicable

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

Applicable Not applicable

3. Adjustment of credit rating results during the reporting period

Applicable Not applicable

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

Applicable Not applicable

IX Bonds

IV. Convertible bonds

Applicable Not applicable

The Company had no convertible bonds during the reporting period.

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

Applicable Not applicable

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

Unit: RMB'0,000

Item	As at the end of	As at the end of	Increase/decrease
	the reporting period	the prior year	as at the end of the reporting period as compared to the end of the prior year
Current ratio	70.57%	70.29%	0.28%
Gearing ratio	69.94%	71.83%	-1.89%
Quick ratio	57.01%	60.23%	-3.22%
	The reporting period	The corresponding period of the prior year	Increase/decrease of the reporting period as compared to corresponding period of the prior year
Net profit after extraordinary gains or losses	196,471.82	6,788.21	2,794.31%
Proportion of EBITDA to total debts	8.97%	5.19%	3.78%
Interest coverage ratio	2.99	1.76	69.89%
Cash interest coverage ratio	4.70	2.77	69.68%
EBITDA interest coverage ratio	4.00	2.72	47.06%
Loans payment ratio	100.00%	100.00%	0.00%
Interest payment ratio	100.00%	100.00%	0.00%

X Financial Report

I. Auditors' Report

Is the interim report audited

Yes No

The interim financial report is unaudited.

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: Shandong Chenming Paper Holdings Limited

Unit: RMB

Item	30 June 2021	31 December 2020
CURRENT ASSETS:		
Monetary funds	16,393,514,831.45	17,759,537,598.98
Financial assets held for trading	101,188,881.03	192,907,800.62
Accounts receivable	1,814,158,093.60	1,984,931,665.82
Accounts receivable financing	921,201,223.62	488,385,666.76
Prepayments	695,582,134.61	964,290,512.36
Other receivables	2,269,274,220.18	2,417,240,559.46
Including: Interest receivable		
Dividend receivable		
Inventories	6,901,922,518.26	5,135,293,347.82
Non-current assets due within one year	3,637,802,641.72	4,222,744,207.34
Other current assets	3,174,933,090.46	2,716,918,695.85
Total current assets	35,909,577,634.93	35,882,250,055.01
NON-CURRENT ASSETS:		
Long-term receivables	3,645,414,234.30	4,658,884,857.95
Long-term equity investments	3,957,602,691.69	3,906,158,402.45
Other non-current financial assets	1,221,910,000.00	145,910,000.00
Investment property	5,864,080,247.34	5,943,159,568.00
Fixed assets	36,554,340,755.44	37,651,706,658.97
Construction in progress	220,315,554.79	179,857,941.83
Right-of-use assets	201,808,375.55	205,876,719.75
Intangible assets	1,630,226,450.23	1,774,624,509.33
Goodwill	32,916,531.95	32,916,531.95
Long-term prepaid expenses	51,004,948.82	51,061,485.49
Deferred income tax assets	1,074,398,436.81	1,084,164,679.14
Other non-current assets	237,433,282.50	58,886,418.75
Total non-current assets	54,691,451,509.42	55,693,207,773.61
Total assets	90,601,029,144.35	91,575,457,828.62
CURRENT LIABILITIES:		
Short term borrowings	33,167,277,711.37	32,793,992,957.86

X Financial Report

II. Financial Statements (Cont'd)

1. Consolidated Balance Sheet (Cont'd)

Item	30 June 2021	31 December 2020
Bills payable	3,632,929,014.89	2,998,936,736.34
Accounts payable	3,540,439,024.95	4,042,430,732.31
Contract liabilities	2,186,935,751.42	1,051,147,044.74
Employee benefits payable	264,189,760.62	232,376,585.31
Taxes payable	297,515,949.58	652,647,840.63
Other payables	2,543,329,575.93	1,956,715,367.83
Including: Interest payable	114,998,461.03	178,992,959.85
Dividend payable	661,044,485.66	
Non-current liabilities due within one year	5,252,532,028.56	7,160,949,615.93
Other current liabilities	-	157,037,833.35
Total current liabilities	50,885,148,817.32	51,046,234,714.30
NON-CURRENT LIABILITIES:		
Long-term borrowings	6,973,604,410.20	8,077,150,979.15
Bonds payable		1,536,877,351.46
Lease liabilities	60,507,444.90	60,271,769.90
Long-term payables	2,294,420,531.46	2,295,309,357.74
Provisions	325,259,082.28	325,259,082.28
Deferred income	1,625,472,296.55	1,637,996,636.51
Deferred income tax liabilities	6,123,405.17	6,572,535.97
Other non-current liabilities	1,197,016,666.67	789,521,686.07
Total non-current liabilities	12,482,403,837.23	14,728,959,399.08
Total liabilities	63,367,552,654.55	65,775,194,113.38
OWNERS' EQUITY:		
Share capital	2,984,208,200.00	2,984,208,200.00
Other equity instruments	3,234,750,000.00	5,473,500,000.00
Including: Preference Shares	2,238,750,000.00	4,477,500,000.00
Perpetual Bonds	996,000,000.00	996,000,000.00
Capital reserves	5,259,395,722.26	5,321,911,413.75
Less: Treasury shares	226,860,000.00	226,860,000.00
Other comprehensive income	-503,780,907.79	-561,686,607.66
Surplus reserves	1,212,009,109.97	1,212,009,109.97
General risk provisions	74,122,644.20	74,122,644.20
Retained profit	11,261,714,960.62	9,999,764,028.74
Total equity attributable to owners of the Company	23,295,559,729.26	24,276,968,789.00
Minority interest	3,937,916,760.54	1,523,294,926.24
Total owners' equity	27,233,476,489.80	25,800,263,715.24
Total liabilities and owners' equity	90,601,029,144.35	91,575,457,828.62

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

2. Balance sheet of the Company

Unit: RMB

Item	30 June 2021	31 December 2020
CURRENT ASSETS:		
Monetary funds	5,353,674,088.80	4,720,330,804.07
Bills receivable	2,214,270,000.00	1,470,720,000.00
Accounts receivable	888,035,432.20	694,836,561.24
Accounts receivable financing	32,503,281.77	24,339,933.19
Prepayments	649,108,811.53	1,697,770,445.12
Other receivables	12,578,118,025.08	10,637,425,503.02
Including: Dividend receivable	600,000,000.00	200,000,000.00
Inventories	910,467,941.76	637,293,495.29
Non-current assets due within one year	25,000,000.00	146,934,211.22
Other current assets	40,621,651.83	45,764,272.71
Total current assets	22,691,799,232.97	20,075,415,225.86
NON-CURRENT ASSETS:		
Long-term receivables	61,662,304.85	64,762,373.99
Long-term equity investments	23,098,730,054.75	22,192,108,035.92
Other non-current financial assets	121,910,000.00	141,910,000.00
Fixed assets	3,867,514,839.29	3,984,339,880.51
Construction in progress	83,773,845.17	80,192,749.46
Intangible assets	527,484,352.71	534,900,368.31
Deferred income tax assets	344,372,815.11	418,717,829.13
Other non-current assets		
Total non-current assets	28,105,448,211.88	27,416,931,237.32
Total Assets	50,797,247,444.85	47,492,346,463.18
CURRENT LIABILITIES:		
Short-term borrowings	13,549,861,184.52	10,929,616,612.59
Bills payable	9,329,871,983.83	7,603,416,890.27
Accounts payable	3,434,010,104.64	812,111,491.23
Contract liabilities	2,206,531,454.37	156,487,086.88
Staff remuneration payables	102,061,005.75	89,416,732.50
Tax payables	99,800,601.54	147,669,266.97
Other payables	1,779,557,232.73	5,869,352,883.62
Including: Interest payable	87,838,138.92	97,497,305.56
Dividend payable	661,044,485.66	
Non-current liabilities due within one year	1,896,218,473.69	2,374,029,490.27
Other current liabilities		312,130,833.35
Total current liabilities	32,397,912,041.07	28,294,231,287.68

X Financial Report

II. Financial Statements (Cont'd)

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

Item	30 June 2021	31 December 2020
NON-CURRENT LIABILITIES:		
Long-term borrowings	828,500,000.00	1,295,000,000.00
Bonds payable		439,957,250.00
Long-term payables	479,023,939.84	631,776,192.80
Provisions	325,259,082.28	325,259,082.28
Deferred income	36,614,078.19	38,017,165.55
Other non-current liabilities	1,197,016,666.67	1,194,883,344.67
Total non-current liabilities	2,866,413,766.98	3,924,893,035.30
Total liabilities	35,264,325,808.05	32,219,124,322.98
OWNERS' EQUITY:		
Share capital	2,984,208,200.00	2,984,208,200.00
Other equity instruments	3,234,750,000.00	5,473,500,000.00
Including: Preference Shares	2,238,750,000.00	4,477,500,000.00
Perpetual bonds	996,000,000.00	996,000,000.00
Capital reserves	5,139,388,499.31	5,124,308,464.42
Less: Treasury shares	226,860,000.00	226,860,000.00
Surplus reserves	1,199,819,528.06	1,199,819,528.06
Retained profit	3,201,615,409.43	718,245,947.72
Total owners' equity	15,532,921,636.80	15,273,222,140.20
Total liabilities and owners' equity	50,797,247,444.85	47,492,346,463.18

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated income statement

Unit: RMB

Item	First half of 2021	First half of 2020
I. Total revenue	17,172,816,354.53	13,599,805,765.86
Including: Revenue	17,172,816,354.53	13,599,805,765.86
II. Total operating costs	14,740,489,809.82	13,331,852,506.55
Including: Operating costs	11,861,060,977.92	10,679,861,701.47
Taxes and surcharges	163,794,026.94	107,048,098.21
Sales and distribution expenses	147,622,738.74	158,180,752.19
General and administrative expenses	492,048,555.49	491,987,245.33
Research and development expense	757,021,354.57	548,557,146.89
Finance expenses	1,318,942,156.16	1,346,217,562.46
Including: Interest expenses	1,399,107,777.11	1,439,500,160.77
Interest income	221,507,514.16	276,115,018.97
Plus: Other income	123,098,748.58	133,433,974.45
Investment income ("-" denotes loss)	98,631,701.79	136,893,482.97
Including: Investment income from associates and joint ventures	82,955,115.52	120,115,440.96
Gain on change in fair value ("-" denotes loss)	-99,119,691.89	-9,246,743.86
Credit impairment loss ("-" denotes loss)	-279,757,983.46	-257,855,903.60
Loss on impairment of assets ("-" denotes loss)	-	-163,717.76
Gain on disposal of assets ("-" denotes loss)	48,920,358.12	-4,705,886.89
III. Operating profit ("-" denotes loss)	2,324,099,677.85	266,308,464.62
Plus: Non-operating income	18,721,283.64	642,400,117.78
Less: Non-operating expenses	2,332,530.96	9,007,544.18
IV. Total profit ("-" denotes loss)	2,340,488,430.53	899,701,038.22
Less: Income tax expenses	274,057,779.20	237,960,188.15
V. Net profit ("-" denotes loss)	2,066,430,651.33	661,740,850.07
(I) Classification according to the continuity of operation		
1. Net profit from continuing operations ("-" denotes loss)	2,066,430,651.33	661,740,850.07
(II) Classification according to ownership		
1. Net profit attributable to shareholders of the Company	2,021,095,417.54	516,326,703.48
2. Profit or loss of minority interest	45,335,233.79	145,414,146.59
VI. Net other comprehensive income after tax	50,956,682.73	-108,564,087.60
Net other comprehensive income after tax attributable to shareholders of the Company	50,956,682.73	-108,564,087.60
(I) Other comprehensive income that cannot be reclassified to profit and loss in subsequent periods		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods	50,956,682.73	-108,564,087.60
1. Translation differences of financial statements denominated in foreign currency	50,956,682.73	-108,564,087.60

X Financial Report

II. Financial Statements (Cont'd)

3. Consolidated income statement (Cont'd)

Item	First half of 2021	First half of 2020
VII. Total comprehensive income	2,117,387,334.06	553,176,762.47
Total comprehensive income attributable to shareholders of the Company	2,072,052,100.27	407,762,615.88
Total comprehensive income attributable to minority interest	45,335,233.79	145,414,146.59
VIII. Earnings per share:		
(I) Basic earnings per share	0.604	0.051
(II) Diluted earnings per share	0.604	0.051

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

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

4. Income statement of the Company

Unit: RMB

Item	First half of 2021	First half of 2020
I. Revenue	4,683,453,465.64	3,847,193,657.53
Less: Operating costs	3,511,074,075.94	3,148,005,927.42
Taxes and surcharges	42,172,707.76	20,730,087.42
Sales and distribution expenses	6,054,328.93	4,616,320.89
General and administrative expenses	133,937,050.37	159,106,436.16
Research and development expense	183,256,544.45	128,662,995.77
Finance expenses	206,076,531.65	380,567,325.04
Including: Interest expenses	442,271,605.59	803,815,024.42
Interest income	304,371,806.49	512,123,486.08
Plus: Other income	2,494,987.66	4,164,682.46
Investment income ("-" denotes loss)	2,679,672,292.80	682,669,031.07
Including: Investment income from associates and joint ventures	-4,587,981.17	-1,660,968.93
Credit impairment loss ("-" denotes loss)	29,056,014.19	15,237,901.51
Loss on impairment of assets ("-" denotes loss)		-
Gain on disposal of assets ("-" denotes loss)	4,656,034.96	16,102,859.30
II. Operating profit ("-" denotes loss)	3,316,761,556.15	723,679,039.17
Plus: Non-operating income	486,916.50	54,685,565.61
Less: Non-operating expenses	389,511.26	1,252,862.97
III. Total profit ("-" denotes total loss)	3,316,858,961.39	777,111,741.81
Less: Income tax expenses	74,345,014.02	-34,907.18
IV. Net profit ("-" denotes net loss)	3,242,513,947.37	777,146,648.99
(I) Net profit from continuing operations ("-" denotes net loss)	3,242,513,947.37	777,146,648.99
V. Net other comprehensive income after tax		
(I) Other comprehensive income that cannot be reclassified to profit and loss		
(II) Other comprehensive income that will be reclassified to profit and loss		
VI. Total comprehensive income	3,242,513,947.37	777,146,648.99
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement

Unit: RMB

Item	First half of 2021	First half of 2020
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	19,245,544,236.25	14,322,440,708.60
Tax rebates received	1,118,668.30	1,619,978.70
Cash received relating to other operating activities	1,036,500,713.48	1,563,110,217.95
Subtotal of cash inflows from operating activities	20,283,163,618.03	15,887,170,905.25
Cash paid for goods and services	12,689,406,657.79	11,303,287,012.69
Cash paid to and for employees	639,736,604.16	550,988,794.51
Payments of taxes and surcharges	1,207,344,439.05	622,011,647.05
Cash paid relating to other operating activities	999,490,395.09	1,083,849,666.32
Subtotal of cash outflows from operating activities	15,535,978,096.09	13,560,137,120.57
Net cash flows from operating activities	4,747,185,521.94	2,327,033,784.68
II. Cash flows from investing activities:		
Cash received from investments	20,000,000.00	–
Cash received from investment income	36,500,000.00	1,200,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	104,108,628.71	85,956,320.00
Net cash received from disposal of subsidiaries and other business units	4,503,417.80	217,547,669.15
Cash received relating to other investing activities	251,414,794.52	129,197,968.06
Subtotal of cash inflows from investing activities	416,526,841.03	433,901,957.21
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	221,876,188.00	143,811,622.89
Cash paid on investments	1,100,000,000.00	19,266,800.00
Cash paid relating to other investing activities	–	176,000,000.00
Subtotal of cash outflows from investing activities	1,321,876,188.00	339,078,422.89
Net cash flows from investing activities	-905,349,346.97	94,823,534.32

II. Financial Statements (Cont'd)

5. Consolidated cash flow statement (Cont'd)

Item	First half of 2021	First half of 2020
III. Cash flows from financing activities:		
Cash received from investments	2,500,000,000.00	294,820,000.00
Including: Cash received from subsidiaries from minority investment	2,500,000,000.00	67,960,000.00
Cash received from borrowings	15,114,516,924.13	15,228,878,371.99
Cash received relating to other financing activities	2,734,332,351.51	1,356,957,000.00
Subtotal of cash inflows from financing activities	20,348,849,275.64	16,880,655,371.99
Cash repayments of amounts borrowed	16,987,908,936.87	14,282,539,084.68
Cash paid for dividend and profit distribution or interest payment	1,427,506,125.27	1,710,006,370.47
Including: Dividend and profit paid by subsidiaries to minority shareholders	48,309,125.87	8,375,000.00
Cash paid relating to other financing activities	5,519,292,287.81	3,982,494,113.94
Subtotal of cash outflows from financing activities	23,934,707,349.95	19,975,039,569.09
Net cash flows from financing activities	-3,585,858,074.31	-3,094,384,197.10
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-19,367,887.88	-4,518,518.55
V. Net increase in cash and cash equivalents	236,610,212.78	-677,045,396.65
Plus: Balance of cash and cash equivalents as at the beginning of the period	4,389,169,963.79	2,890,328,027.41
VI. Balance of cash and cash equivalents as at the end of the period	4,625,780,176.57	2,213,282,630.76

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

X Financial Report

II. Financial Statements (Cont'd)

6. Cash flow statement of the Company

Unit: RMB

Item	First half of 2021	First half of 2020
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	5,570,459,385.98	4,646,172,812.15
Tax rebates received	90,900.00	—
Cash received relating to other operating activities	163,966,043.41	155,230,403.66
Subtotal of cash inflows from operating activities	5,734,516,329.39	4,801,403,215.81
Cash paid for goods and services	3,201,957,139.47	2,208,540,497.88
Cash paid to and for employees	175,948,976.35	174,694,134.98
Payments of taxes and surcharges	176,576,815.11	58,848,554.36
Cash paid relating to other operating activities	301,406,268.10	450,670,347.73
Subtotal of cash outflows from operating activities	3,855,889,199.03	2,892,753,534.95
Net cash flows from operating activities	1,878,627,130.36	1,908,649,680.86
II. Cash flows from investing activities:		
Cash received from investments	20,000,000.00	217,547,669.15
Cash received from investment income	2,284,760,273.97	682,430,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	847,248.68	85,956,320.00
Net cash received from disposal of subsidiaries and other business units	—	—
Cash received relating to other investing activities	251,414,794.52	129,197,968.06
Subtotal of cash inflows from investing activities	2,557,022,317.17	1,115,131,957.21
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	—	5,310,913.00
Cash paid on investments	882,210,000.00	—
Net cash paid for acquisition of subsidiaries and other business units	—	—
Cash paid relating to other investing activities	—	—
Subtotal of cash outflows used in investing activities	882,210,000.00	5,310,913.00
Net cash flows from investing activities	1,674,812,317.17	1,109,821,044.21

X Financial Report

II. Financial Statements (Cont'd)

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

Item	First half of 2021	First half of 2020
III. Cash flows from financing activities:		
Cash received from investments	–	226,860,000.00
Cash received from borrowings	10,020,478,661.27	9,807,671,284.37
Cash received relating to other financing activities	156,665,920.24	794,457,000.00
Subtotal of cash inflows from financing activities	10,177,144,581.51	10,828,988,284.37
Cash repayments of amounts borrowed	8,736,105,095.52	9,591,880,585.58
Cash paid for dividend and profit distribution or interest payment	219,435,214.79	327,204,654.73
Cash paid relating to other financing activities	4,871,112,670.18	2,963,023,405.21
Subtotal of cash outflows from financing activities	13,826,652,980.49	12,882,108,645.52
Net cash flows from financing activities	-3,649,508,398.98	-2,053,120,361.15
IV. Effect of foreign exchange rate changes on cash and cash equivalents	2,460,284.82	86,290.34
V. Net increase in cash and cash equivalents	-93,608,666.63	965,436,654.26
Plus: Balance of cash and cash equivalents as at the beginning of the period	301,284,723.52	136,328,721.71
VI. Balance of cash and cash equivalents as at the end of the period	207,676,056.89	1,101,765,375.97

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

II. Financial Statements (Cont'd)

7. Consolidated statement of changes in owners' equity (Cont'd)
Amount for the prior period

Unit: RMB

Item	January to June 2020											Total owners' equity		
	Equity attributable to owners of the Company										Minority interest			
	Share Capital	Preference shares	Other equity instruments	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions			Retained profit	Others
I. Balance as at the end of prior year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	-	5,086,686,427.30	-	-879,482,035.10	1,212,009,109.97	74,122,644.20	9,306,288,617.38	-	25,165,743,863.75	1,170,029,016.80	26,339,772,880.55
II. Balance as at the beginning of the year	2,904,608,200.00	4,477,500,000.00	2,988,000,000.00	-	5,086,686,427.30	-	-879,482,035.10	1,212,009,109.97	74,122,644.20	9,306,288,617.38	-	25,165,743,863.75	1,170,029,016.80	26,339,772,880.55
III. Changes in the period ("-" denotes decrease)	78,600,000.00	-	-	-	177,314,104.00	226,860,000.00	-100,282,332.31	-	-	-191,882,963.68	516,328,703.48	-282,111,191.99	173,949,146.59	-88,182,045.40
(I) Total comprehensive income	-	-	-	-	177,314,104.00	226,860,000.00	-100,282,332.31	-	-	-191,882,963.68	516,328,703.48	-282,111,191.99	173,949,146.59	-88,182,045.40
(II) Capital paid in and reduced by owners	78,600,000.00	-	-	-	177,314,104.00	226,860,000.00	-100,282,332.31	-	-	-191,882,963.68	516,328,703.48	-282,111,191.99	173,949,146.59	-88,182,045.40
1. Ordinary shares paid by owners	78,600,000.00	-	-	-	177,314,104.00	226,860,000.00	-100,282,332.31	-	-	-191,882,963.68	516,328,703.48	-282,111,191.99	173,949,146.59	-88,182,045.40
2. Amount of share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance as at the end of the period	2,984,208,200.00	4,477,500,000.00	2,988,000,000.00	-	5,264,000,531.30	226,860,000.00	-979,794,467.41	-	1,212,009,109.97	9,114,386,653.70	-	24,907,622,671.76	1,343,978,163.39	26,251,610,835.15

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

II. Financial Statements (Cont'd)

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

Amounts for the period

Unit: RMB

Item	January to June 2021										Total owners' equity	
	Share capital	Preference shares	Other equity instruments	Share capital	Treasury shares	Less: comprehensive income	Other income	Special reserves	Surplus reserves	Retained profit		Others
I. Balance as at the end of the prior year	2,984,208,200.00	4,477,500,000.00	996,000,000.00	5,124,308,464.42	226,860,000.00	1,199,819,528.06	718,245,947.72	15,273,222,140.20				
II. Balance as at the beginning of the year	2,984,208,200.00	4,477,500,000.00	996,000,000.00	5,124,308,464.42	226,860,000.00	1,199,819,528.06	718,245,947.72	15,273,222,140.20				
III. Changes in the period ("-" denotes decrease)		-2,238,750,000.00		15,080,034.89			2,483,369,461.71	259,669,496.60				
(I) Total comprehensive income							3,242,513,947.37	3,242,513,947.37				
(II) Capital paid in and reduced by owners		-2,238,750,000.00		15,080,034.89								
1. Capital paid by holders of other equity instruments					-11,250,000.00							
2. Amount of share-based payments recognised in owners' equity				26,330,034.89								
(III) Profit distribution							-759,144,485.66	-759,144,485.66				
1. Distribution to owners (or shareholders)							-759,144,485.66	-759,144,485.66				
IV. Balance as at the end of the period	2,984,208,200.00	2,238,750,000.00	996,000,000.00	5,139,388,499.31	226,860,000.00	-	3,201,615,409.43	15,532,921,636.80				

II. Financial Statements (Cont'd)

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

Amount for the prior period

Unit: RMB

Item	January to June 2020										Total owners' equity
	Share capital	Preference shares	Other equity instruments	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	
I. Balance as at the end of the prior year	2,904,603,200.00	4,477,500,000.00	2,988,000,000.00		4,953,557,435.19	4,953,557,435.19			1,199,819,528.06	812,690,534.91	17,336,175,698.16
II. Balance as at the beginning of the year	2,904,603,200.00	4,477,500,000.00	2,988,000,000.00		4,953,557,435.19	4,953,557,435.19			1,199,819,528.06	812,690,534.91	17,336,175,698.16
III. Changes in the period ("-" denotes decrease)	79,600,000.00				146,264,104.00	226,860,000.00				68,936,981.83	67,941,085.83
(I) Total comprehensive income					146,264,104.00	226,860,000.00				777,146,648.99	777,146,648.99
(II) Capital paid in and reduced by owners	79,600,000.00				146,264,104.00	226,860,000.00					-995,896.00
1. Ordinary shares paid by owners	79,600,000.00				146,264,104.00	226,860,000.00					-995,896.00
(III) Profit distribution										-708,209,667.16	-708,209,667.16
1. Distribution to owners (or shareholders)										-708,209,667.16	-708,209,667.16
IV. Balance as at the end of the period	2,984,203,200.00	4,477,500,000.00	2,988,000,000.00		5,099,821,539.19	226,860,000.00			1,199,819,528.06	881,627,516.74	17,404,116,783.99

Legal Representative:
Chen Hongguo

Financial controller:
Dong Lianming

Head of the financial department:
Zhang Bo

III. General Information of the Company

1. Company overview

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

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

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

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

As at 30 June 2021, the total share capital of the Company was changed to 2,984,208,200 shares. For details, please refer to Note VII. 38.

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

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

The financial statements and notes thereto were approved by the board of directors of the Group (the “Board”) on 26 August 2021.

2. Scope of consolidation

Subsidiaries of the Group included in the scope of consolidation in 2021 totalled 76. For details, please refer to Note IX “Equity in other entities”. The scope of consolidation of the Group during the year had one more company included and one company less compared to the prior year. For details, please refer to Note VIII “Changes in the scope of consolidation”.

IV. Basis of Preparation of the Financial Statements

1. Basis of preparation

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

The financial statements are presented on a going concern.

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

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates are indicated as follows:

The Company and its subsidiaries are principally engaged in machine-made paper, electricity and heat, construction materials, paper making chemical products, financial leasing, hotel management and other operations. The Company and its subsidiaries formulated certain specific accounting policies and accounting estimates for the transactions and matters such as revenue recognition, determination of performance progress and R&D expenses based on their actual production and operation characteristics pursuant to the requirements under the relevant accounting standards for business enterprises. For details, please refer to this Note V. 35 “Revenue”. For the critical accounting judgments and estimates made by the management, please refer to Note V. 39 “Change of Significant accounting policies and accounting estimates”.

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

These financial statements have been prepared in conformity with the ASBEs, which truly and fully reflect the financial position of the consolidated entity and the Group as at 30 June 2021 and relevant information such as the operating results and cash flows of the consolidated entity and the Company for the first half of 2021.

2. Accounting period

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

3. Operating cycle

The operating cycle of the Group lasts for 12 months.

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

4. Functional currency

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

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

Business combinations refer to the transactions or events in which two or more separate enterprises merged as a single reporting entity. Business combinations are divided into business combinations under common control and not under common control.

(1) Business combination under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. The party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being merged. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the period in which they are incurred.

(2) Business combination not under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

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

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

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

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. Transaction cost attributable to equity or debt securities issued by the acquirer as consideration is included in the initial costs. Contingent consideration involved is charged to the combination cost at its fair value on the acquisition date, in the event that adjustment on the contingent consideration is required as a result of new or additional evidence in relation to circumstances existed on the acquisition date emerges within 12 months from the acquisition date, the combination goodwill shall also be adjusted. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values on the acquisition date. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred tax assets due to non-fulfilment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognised in the profit or loss of the period.

For combination of business not under common control achieved by several transactions, these several transactions will be judged whether they belong to "transactions in a basket" in accordance with the judgement standards on "transactions in a basket" as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Rule of 51 to "Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements". If they belong to "transactions in a basket", they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note V. 17 "Long-term equity investments", and if they do not belong to "transactions in a basket", they are accounted for in separate financial statements and consolidated financial reports:

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

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

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

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. In respect of any other comprehensive income attributable to the equity interest in the acquiree prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time of disposal (i.e. to be transferred to investment income for the period, except for the changes arising from remeasuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree).

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is remeasured at fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree (i.e. to be transferred to investment income at the acquisition date, except for the changes arising from remeasuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree) is transferred to investment income in the period of the acquisition date.

6. Preparation of consolidated financial statements

(1) Scope of consolidation

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

(2) Basis for preparation of the consolidated financial statements

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

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

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

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

(2) Basis for preparation of the consolidated financial statements (Cont'd)

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

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

(3) Accounting treatment for loss of control over subsidiaries

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

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

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

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

(1) Joint operations

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

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

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

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

7. Classification of joint arrangements and accounting treatment for joint ventures (Cont'd)

(1) Joint operations (Cont'd)

- D. the revenue from sale of output from joint operations according to its share;
- E. the fees solely incurred by it and fees incurred from joint operations according to its share.

(2) Joint ventures

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

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

8. Standards for recognising cash and cash equivalents

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

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

(1) Foreign currency operations

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

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

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

9. Foreign currency operations and translation of statements denominated in foreign currency (Cont'd)

(2) Translation of financial statements denominated in foreign currency

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

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

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

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

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

10. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

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

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

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

10. Financial instruments (Cont'd)

(2) Classification and measurement of financial assets

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

Financial assets measured at amortised cost

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

10. Financial instruments (Cont'd)

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

Financial assets measured at fair value through profit or loss

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

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

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

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

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

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

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

10. Financial instruments (Cont'd)

(3) Classification and measurement of financial liabilities

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

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortised cost

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

Classification between financial liabilities and equity instruments

A financial liability is a liability if:

- ① it has a contractual obligation to pay in cash or other financial assets to other parties.
- ② it has a contractual obligation to exchange financial assets or financial liabilities under potential adverse condition with other parties.
- ③ it is a non-derivative instrument contract which will or may be settled with the entity's own equity instruments, and the entity will deliver a variable number of its own equity instruments according to such contract.
- ④ it is a derivative instrument contract which will or may be settled with the entity's own equity instruments, except for a derivative instrument contract that exchanges a fixed amount of cash or other financial asset with a fixed number of its own equity instruments.

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

10. Financial instruments (Cont'd)

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

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

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

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

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

(4) Derivative financial instruments

The Group's derivative financial instruments are mainly forward foreign exchange contracts, which are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value. A derivative financial instrument is recognised as an asset when the fair value is positive and as a liability when the fair value is negative. Any gain or loss arising from changes in fair value and not complying with the accounting requirements on hedging shall be recognised in profit or loss for current period.

(5) Fair value of financial instruments

The methods for determining the fair value of the financial assets or financial liabilities are set out in Note V. 40.

(6) Impairment of financial assets

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

Financial assets measured at amortised cost;

Debt investments measured at fair value through other comprehensive income;

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

10. Financial instruments (Cont'd)

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

Measurement of ECLs

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

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

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

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

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

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

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

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

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

10. Financial instruments (Cont'd)

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

Measurement of ECLs (Cont'd)

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

A. Bills receivable

Bills receivable portfolio 1: Bank acceptance bills

Bills receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: Factoring receivables

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

Accounts receivable portfolio 3: Due from related party customers

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

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

Other receivables

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

Other receivables portfolio 1: Amount due from government authorities

Other receivables portfolio 2: Amount due from related parties

Other receivables portfolio 3: Other receivables

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

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

10. Financial instruments (Cont'd)

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

Long-term receivables

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

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

A. Finance lease receivables

Finance lease receivables portfolio 1: Receivables not past due

Finance lease receivables portfolio 2: Overdue receivables

B. Other long-term receivables

Other long-term receivables portfolio 1: Deposits receivable

Other long-term receivables portfolio 2: Other receivables

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

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

Debt investments and other debt investments

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

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

10. Financial instruments (Cont'd)

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

Assessment of significant increase in credit risk

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

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

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

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

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

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

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

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

Credit-impaired financial assets

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

Significant financial difficulty of the issuer or debtor;

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

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

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

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

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

10. Financial instruments (Cont'd)

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

Presentation of provisions for ECLs

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

Write-offs

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

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

(7) Transfer of financial assets

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

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

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

(8) Offset of financial assets and financial liabilities

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

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

11. Bills receivable

Method for determining the ECLs of bills receivable

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

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

12. Accounts receivable

Method for determining the ECLs of accounts receivable

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

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

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

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

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

13. Accounts receivable financing

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

14. Other receivables

Determination and accounting treatment of ECLs of other receivables

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

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

15. Inventories

(1) Classification of inventories

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

(2) Pricing of inventories dispatched

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

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

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

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

15. Inventories (Cont'd)

(3) Recognition of net realisable value of inventories and provision for inventory impairment

Net realisable value of inventories refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and taxes and levies. The realisable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events.

At the balance sheet date, provision for inventory impairment is made when the cost is higher than the net realisable value. The Group usually make provision for inventory impairment based on categories of inventories. At the balance sheet date, in case the factors causing inventory impairment no longer exists, the original provision for inventory impairment shall be reversed.

(4) Inventory stock taking system

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

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

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

Packaging materials for turnover are amortised when issued for use.

16. Contract assets

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

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

17. Contract costs

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

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

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

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

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

17. Contract costs (Cont'd)

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

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

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

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

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

18. Held for sale

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

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

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

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

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

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

18. Held for sale (Cont'd)

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

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

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

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

19. Long-term receivables

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

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

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

20. Long-term equity investments

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

(1) Determination of initial investment cost

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

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

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

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

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

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the investment cost of the long-term equity investment. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, adjustment shall be made to the carrying amount of the long-term equity investment, and the difference shall be charged to profit or loss for the current period.

Under the equity method, investment gain and other comprehensive income shall be recognised based on the Company's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying amount of long-term equity investment shall be adjusted and included in the capital reserves (other capital reserves). The Group shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto according to the accounting policies and accounting periods of the Group.

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

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

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

For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the initial investment cost under the equity method shall be the aggregate of fair value of previously held equity investment and additional investment cost on the date of transfer. The difference between the fair value and carrying amount of previously held equity investment on the date of transfer and the accumulated change in fair value originally included in other comprehensive income shall be recognised in the profit or loss for the current period under the equity method.

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

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

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

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

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

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

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

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

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

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

(4) Method for impairment test and measurement of impairment provision

For the method for making impairment provision for the investment in subsidiaries, associates and joint ventures, please refer to Note V. 27.

21. Investment property

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

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

For the method for making impairment provision for the investment property adopted cost method for subsequent measurement, please refer to Note V. 27.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

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

22. Fixed assets

(1) Conditions for recognition

Fixed assets of the Group are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed assets are recognised only if the Company is very likely to receive economic benefits from the asset and its cost can be measured reliably. A fixed asset of the Group shall be initially measured at actual cost when acquired.

(2) Depreciation method

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

The Group adopts the straight-line method for depreciation. Provision for depreciation will be started when the fixed asset reaches its expected usable state, and stopped when the fixed asset is derecognised or classified as a non-current asset held for sale. Without regard to the depreciation provision, the Group determines the depreciation rate by category, estimated useful lives and estimated residual value of the fixed assets. Where, for the fixed assets for which depreciation provision is made, to determine the depreciation rate, the accumulated amount of the fixed asset depreciation provision that has been made shall be deducted.

The impairment test method and impairment provision method of the fixed assets are set out in Note V. 27.

The Group will re-check the useful lives, estimated net residual value and depreciation method of the fixed assets at the end of each year. When there is any difference between the useful lives estimate and the originally estimated value, the useful lives of the fixed asset shall be adjusted. When there is any difference between the estimated net residual value estimate and the originally estimated value, the estimated net residual value shall be adjusted.

For the overhaul expense incurred by the Group during the regular inspection on the fixed assets, if there is concrete evidence to prove that it meets the fixed asset recognition condition, it shall be included in the cost of fixed asset; if it does not meet the fixed asset recognition condition, it shall be included in the profit or loss for the current period. The depreciation of fixed assets shall be continued in the intervals of the regular overhaul of the fixed asset.

23. Construction in progress

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

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

The method for impairment provision of construction in progress is set out in Note V. 27.

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

24. Borrowing costs

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

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

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

(2) Capitalisation period of borrowing costs

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

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

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

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

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

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

25. Right-of-use assets

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

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

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

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

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

(3) For the methods of impairment test and impairment provision of right-of-use assets, please refer to Note V. 27.

26. Intangible assets

(1) Measurement method, useful life and impairment testing

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

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

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

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

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

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

The impairment method for the intangible assets is set out in Note V. 27.

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

26. Intangible assets (Cont'd)

(2) Accounting policy for internal research and development expenditure

Research and development expenditure of the Group is divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase and the development phase are recognised in profit or loss in the current period.

27. Long-term asset impairment

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

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

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

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

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

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

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

28. Long-term prepaid expenses

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

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

29. Contract liabilities

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

30. Employee benefits

(1) Scope of employee benefits

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

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

(2) Short-term staff remuneration

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

(3) Post-employment benefits

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

Defined contribution plans

Defined contribution plans include basic pension insurance and unemployment insurance, both of which are operated and managed by the government authorities and are non-refundable, whereas the Company has no access nor any discretion after making contributions, and hence there were not any forfeited contributions as under paragraph 26(2) of appendix 16 of the Hong Kong Listing Rules for the financial year ended 31 December 2020. In other words, the Group did not forfeit any contributions on behalf of its employees who leave the plan prior to vesting fully in such contributions. Hence, there were no such an issue whether forfeited contributions may be used by the Group under paragraph 26(2) of appendix 16 of the Hong Kong Listing Rules for the Group.

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

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

30. Employee benefits (Cont'd)

(4) Termination benefits

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

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

(5) Other long-term employee benefits

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

31. Lease liabilities

(1) Initial measurement

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

1) *Lease payments*

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

2) *Discount rate*

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

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

31. Lease liabilities (Cont'd)

(2) Subsequent measurement

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

The interest expense on the lease liabilities in each period during the lease term is calculated using a constant periodic rate of interest and is recognised in profit or loss for the current period, except for the interest expense to be capitalised. The periodic rate of interest is the discount rate used by the Company in the initial measurement of lease liabilities, or the revised discount rate used by the Company when the Company has to remeasure the lease liabilities based on a revised discount rate due to a change in the lease payments or lease modifications.

(3) Remeasurement

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

32. Provisions

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

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

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

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

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

33. Share-based payments

(1) Category of share-based payment

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

(2) Determination of fair value of equity instruments

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

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

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

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

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

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

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

33. Share-based payments (Cont'd)

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

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

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

34. Preference Shares, Perpetual Bonds and other financial instruments

(1) Classification of financial liabilities and equity instruments

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

(2) Accounting treatment of Preference Shares, Perpetual Bonds and other financial instruments

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

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

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

35. Revenue

(1) General principles

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

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

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

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

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

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

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

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

35. Revenue (Cont'd)

(1) General principles (Cont'd)

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

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

(2) Specific methods

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

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

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

36. Government grants

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

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

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

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

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

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

36. Government grants (Cont'd)

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

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

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

37. Deferred income tax assets/deferred income tax liabilities

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

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

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

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

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

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

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

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

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

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

38. Lease

(1) Identification of leases

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

(2) The Group as lessee

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

The accounting policy for right-of-use assets is set out in Note V. 25.

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

Short-term lease

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

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

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

38. Lease (Cont'd)

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

Short-term lease (Cont'd)

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

- Low-value machinery and equipment
- Transportation vehicles

Low-value asset lease

A low-value asset lease is a lease that the value of a single leased asset is below RMB2,000,000 when it is a new asset.

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

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

(3) The Group as lessor

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

Operating lease

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

(4) Sublease

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

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

38. Lease (Cont'd)

(5) Sale and leaseback

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

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

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

39. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not Applicable

(2) Changes in significant accounting estimates

Applicable Not Applicable

(3) Adjustment to the relevant items in the financial statements at the beginning of the year due to the first adoption of the New Leases Standard in 2021

Not applicable

(4) Reason for retrospective adjustment to the comparative data in the prior period due to the first adoption of the New Leases Standard in 2021

Applicable Not Applicable

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

40. Others

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

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

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

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

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

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

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

VI. Taxation

1. Main tax types and tax rates

Tax type	Tax Base	Tax rate
Value added tax (VAT)	Taxable income	13/9/6
Urban maintenance and construction tax	Turnover tax payable	7
Enterprise income tax (EIT)	Taxable income	25
Property tax	Rental income and property price	1.2/12

Disclosure of taxable entities subject to different EIT tax rates

Name of taxable entity	EIT tax rate (%)
Shandong Chenming Paper Holdings Limited	15
Shouguang Meilun Paper Co., Ltd.	15
Jilin Chenming Paper Co., Ltd.	15
Jiangxi Chenming Paper Co., Ltd.	15
Zhanjiang Chenming Pulp & Paper Co., Ltd.	15
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	15
Huanggang Chenming Pulp & Paper Co., Ltd.	15
Kunshan Tuoan Plastic Products Co., Ltd.	15
Shouguang Shun Da Customs Declaration Co, Ltd.	10
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	10
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Nanchang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT
Chenming Arboriculture Co., Ltd.	Exempt from EIT
Yangjiang Chenming Arboriculture Development Co., Ltd.	Exempt from EIT

2. Tax incentives

(1) Enterprise income tax

On 16 August 2018, the Group received a high and new technology enterprise certificate with a certification number of GR201837000311. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, the Group is subject to a corporate income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

Shouguang Meilun Paper Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR201837000455 on 16 August 2018. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Shouguang Meilun is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

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

VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

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

Zhanjiang Chenming Pulp & Paper Co., Ltd., a subsidiary of the Group, received a high and new technology enterprise certificate with a certification number of GR20184400547 on 28 November 2018. Pursuant to the requirements under the Law of the People's Republic of China on Enterprise Income Tax and the relevant policies, Zhanjiang Chenming is subject to an enterprise income tax rate of 15% of taxable income, and is entitled to the preferential treatment from 2018 to 2020.

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

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

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

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

Shouguang Shun Da Customs Declaration Co, Ltd. and Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd., which are subsidiaries of the Group, are small and micro enterprises. Pursuant to the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13), the annual taxable income of a small low-profit enterprise that is more than RMB1 million but not exceeding RMB3 million shall be included in its taxable income at a reduced rate of 50%, with the applicable enterprise income tax rate of 10%.

VI. Taxation (Cont'd)

2. Tax incentives (Cont'd)

(1) Enterprise income tax (Cont'd)

Guangdong Chenming Panels Co., Ltd., a subsidiary of the Group, meets the requirements of Rule 99 of the Regulations for the Implementation of Law of the People's Republic of China on Enterprise Income Tax (Decree No. 512 of the State Council of the People's Republic of China) and the Notice of the Ministry of Finance and the State Taxation Administration on Issues Concerning the Implementation of the Catalogue of Preferential Tax Treatments for Comprehensive Resource Utilisation Enterprises (Cai Shui [2008] No. 47): since 1 January 2008, for enterprises that derive income from the products listed in the Catalogue which are in line with related national or industry standards by making use of the resources listed in the Catalogue as the main raw materials, taxable income will be calculated at a reduced rate of 90% of the total revenue for that year. To be entitled to the above tax benefits, the ratio of the resources listed in the Catalogue and the raw materials used for the product shall be consistent with the required technical standards stated in the Catalogue.

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

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

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shandong Chenming Panels Co., Ltd., a subsidiary of the Group, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2021.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Shouguang Chenming Cement Co., Limited, a subsidiary of the Company, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2021.

Pursuant to the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources (Cai Shui [2015] No. 78), taxpayers who sell self-produced products and services applying integrated use of resources may enjoy the immediate VAT refund policy. Guangdong Chenming Panels Co., Ltd., a subsidiary of the Company, produces products applying integrated use of resources, and is therefore subject to the immediate VAT refund policy in 2021.

VII. Notes to items of the consolidated financial statements

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	2,903,620.96	2,161,684.57
Bank deposit	4,622,876,555.61	4,387,725,487.05
Other monetary funds	11,767,734,654.88	13,369,650,427.36
Total	16,393,514,831.45	17,759,537,598.98
Of which: Total deposits in overseas banks	561,226,417.07	229,837,092.53

Other explanations

- ① Other monetary funds of RMB7,889,043,053.81 were the guarantee deposit for the application for bank acceptance with the banks by the Group;
- ② Other monetary funds of RMB1,871,619,947.75 were the guarantee deposit for the application for letter of credit with the banks by the Group;
- ③ Other monetary funds of RMB1,532,022,545.14 were the guarantee deposit for the application for guarantees with the banks by the Group;
- ④ Other monetary funds of RMB50,000,000.00 were the guarantee deposit for the application for loans with the banks by the Group;
- ⑤ Other monetary funds of RMB143,420,000.00 were the Group's statutory reserve deposits at the People's Bank of China;
- ⑥ Other monetary funds of RMB9,670,354.00 were locked-up due to litigations, resulting in restriction on the use of that account's balance;
- ⑦ Bank deposit included interest receivable of RMB271,958,754.18.

2. Financial assets held for trading

Unit: RMB

Item	Closing balance	Opening balance
Financial assets measured at fair value through profit or loss	101,188,881.03	192,907,800.62
Of which:		
Equity instrument investments	101,188,881.03	192,907,800.62
Total	101,188,881.03	192,907,800.62

Other explanation:

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

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

3. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Bad debt provision		Carrying amount	Amount	Percentage	Bad debt provision		Carrying amount
			Amount	Provision percentage				Amount	Provision percentage	
Accounts receivable assessed individually for impairment	318,325,746.32	13.62%	318,325,746.32	100.00%		338,943,643.26	13.7%	338,943,643.26	100.00%	
Accounts receivable assessed collectively for impairment	2,018,546,104.45	86.38%	204,388,010.85	10.13%	1,814,158,093.60	2,135,216,813.32	86.30%	150,285,147.50	7.04%	1,984,931,665.82
Of which:										
Accounts receivable from related parties	1,199,064.72	0.05%	59,811.28	4.99%	1,139,253.44	2,000,017.96	0.08%	87,306.27	4.37%	1,912,711.69
Accounts receivable from non-related parties	1,701,489,663.04	72.81%	138,233,778.56	8.12%	1,563,255,884.48	1,815,359,418.67	73.37%	97,096,893.56	5.35%	1,718,262,525.11
Factoring receivables	315,857,376.69	13.52%	66,094,421.01	20.93%	249,762,955.68	317,857,376.69	12.85%	53,100,947.67	16.71%	264,756,429.02
Total	2,336,871,850.77	100.00%	522,713,757.17	22.37%	1,814,158,093.60	2,474,160,456.58	100.00%	489,228,790.76	19.77%	1,984,931,665.82

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

3. Accounts receivable (Cont'd)

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

Items assessed collectively for impairment:

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

Unit: RMB

Name	Book balance	Closing balance Provision for bad debts	Provision percentage
Within 1 year	1,199,064.72	59,811.28	4.99%
Total	1,199,064.72	59,811.28	—

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

Unit: RMB

Name	Book balance	Closing balance Provision for bad debts	Provision percentage
Within 1 year	1,516,568,359.64	75,895,519.81	5.00%
1 to 2 years	26,841,149.32	2,636,550.27	9.82%
2 to 3 years	100,179,071.22	11,383,928.65	11.36%
Over 3 years	57,901,082.86	48,317,779.83	83.45%
Total	1,701,489,663.04	138,233,778.56	—

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

3. Accounts receivable (Cont'd)

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

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

Unit: RMB

Name	Book balance	Closing balance Provision for bad debts	Provision percentage
Within 1 year	0.00	0.00	0.00%
1 to 2 years	167,718,416.69	28,512,130.84	17.00%
2 to 3 years	148,138,960.00	37,582,290.17	25.37%
Total	315,857,376.69	66,094,421.01	—

Disclosure by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	1,517,767,424.36	1,822,584,474.74
1 to 2 years	194,559,566.01	379,812,071.80
2 to 3 years	248,318,031.22	87,426,356.99
Over 3 years	376,226,829.18	184,337,553.05
Subtotal	2,336,871,850.77	2,474,160,456.58
Provision for bad debts	522,713,757.17	489,228,790.76
Total	1,814,158,093.60	1,984,931,665.82

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Accounts receivable with provision for bad debt	489,228,790.76	65,298,080.13	24,375,703.85	1,299,472.95	6,137,936.92	522,713,757.17
Total	489,228,790.76	65,298,080.13	24,375,703.85	1,299,472.95	6,137,936.92	522,713,757.17

Note: Other changes are disposal of subsidiaries during the period.

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

3. Accounts receivable (Cont'd)

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

The top five accounts receivable based on closing balance of debtors for the period amounted to RMB521,931,696.14 in total, accounting for 22.33% of the total closing balance of accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB26,096,584.81 in total.

4. Accounts receivable financing

Unit: RMB

Item	Closing balance	Opening balance
Bills receivable	921,201,223.62	488,385,666.76
Total	921,201,223.62	488,385,666.76

Changes (increase or decrease) during the period and change in fair value of accounts receivable financing

Applicable Not applicable

If the provision for impairment of accounts receivable financing is made in accordance with the general model of ECLs, please disclose the information about provision for impairment with reference to the way of disclosure of other receivables:

Applicable Not applicable

5. Prepayments

(1) Disclosure of prepayments stated according to ageing analysis

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	607,221,765.55	87.30%	871,877,663.55	90.42%
1 to 2 years	88,360,369.06	12.70%	92,412,848.81	9.58%
Total	695,582,134.61	-	964,290,512.36	-

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

Top five prepayments according to closing balance of prepaid units for the period amounted to RMB273,416,339.52, which accounted for 39.31% of the closing balance of the total accounts payable.

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

6. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	2,269,274,220.18	2,417,240,559.46
Total	2,269,274,220.18	2,417,240,559.46

(1) Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Open credit	2,075,007,543.45	2,184,530,376.61
Guarantee deposit	33,031,885.35	9,579,812.57
Insurance premium	617,242.43	519,803.12
Reserve and borrowings	25,467,008.58	35,466,058.33
Others	135,150,540.37	187,144,508.83
Total	2,269,274,220.18	2,417,240,559.46

2) Particulars of bad debt provision

Unit: RMB

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	ECLs for the next 12 months	ECLs over the entire life (not credit-impaired)	ECLs over the entire life (credit-impaired)	
Balance as at 1 January 2021	140,645,700.07		402,660,101.59	543,305,801.66
Balance as at 1 January 2021 for the period	-	-	-	-
Provision for the period	68,684,323.17		2,099,829.32	70,784,152.49
Reversal for the period	74,841,399.01		17,917,679.69	92,759,078.70
Write-off for the period	15,582.40			15,582.40
Other changes	9,827.97			9,827.97
Balance as at 30 June 2021	134,463,213.86		386,842,251.22	521,305,465.08

Note: Other changes were caused by disposal of Zhanjiang Chenming Newstyle Wall Materials Co., Ltd. during the period.

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

Applicable Not applicable

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

6. Other receivables (Cont'd)

(1) Other receivables (Cont'd)

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

Disclosed by ageing

Unit: RMB

Ageing	Closing balance	Opening balance
Within 1 year (including 1 year)	1,538,418,810.65	1,356,457,308.62
1 to 2 years	949,091,474.36	813,310,977.70
2 to 3 years	119,206,732.50	634,042,365.77
Over 3 years	183,862,667.75	156,735,709.03
Subtotal	2,790,579,685.26	2,960,546,361.12
Less: Bad debt provision	521,305,465.08	543,305,801.66
Total	2,269,274,220.18	2,417,240,559.46

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

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision for other receivables	543,305,801.66	70,784,152.49	92,759,078.70	15,582.40	9,827.97	521,305,465.08
Total	543,305,801.66	70,784,152.49	92,759,078.70	15,582.40	9,827.97	521,305,465.08

Note: Other deductions are the disposal of subsidiaries during the period.

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

6. Other receivables (Cont'd)

(1) Other receivables (Cont'd)

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

The top five other accounts receivable based on closing balance of debtors for the period amounted to RMB2,048,615,346.66 in total, accounting for 73.41% of the total closing balance of other accounts receivable. The closing balance of the corresponding bad debt provision amounted to RMB198,653,622.35 in total.

7. Inventories

(1) Categories of inventories

Unit: RMB

Item	Book balance	Closing balance		Opening balance		Carrying amount
		Impairment provision for inventories or performance costs	Carrying amount	Impairment provision for inventories or performance costs	Carrying amount	
Raw materials	1,923,849,842.30	20,535,018.69	1,903,314,823.61	1,712,610,505.63	20,535,018.69	1,692,075,486.94
Work-in-process products	168,807,300.68		168,807,300.68	128,761,554.31		128,761,554.31
Goods in stock	2,999,936,294.14		2,999,936,294.14	1,464,455,062.79		1,464,455,062.79
Consumable biological assets	1,515,249,721.49		1,515,249,721.49	1,535,386,865.44		1,535,386,865.44
Developing products	314,614,378.34		314,614,378.34	314,614,378.34		314,614,378.34
Total	6,922,457,536.95	20,535,018.69	6,901,922,518.26	5,155,828,366.51	20,535,018.69	5,135,293,347.82

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

7. Inventories (Cont'd)

(2) Impairment provision for inventories or performance costs

Unit: RMB

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	20,535,018.69					20,535,018.69

8. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	3,637,802,641.72	4,222,744,207.34
Total	3,637,802,641.72	4,222,744,207.34

9. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
VAT recoverable	935,039,690.72	1,041,552,455.22
Prepaid tax	71,437,914.25	53,146,519.47
Receivables under financial lease due within one year	1,082,406,809.15	601,364,577.40
Factoring receivables due within one year	555,154,041.32	596,856,928.35
Prepaid expenses	436,636,302.42	329,739,882.81
Other payments	94,258,332.60	94,258,332.60
Total	3,174,933,090.46	2,716,918,695.85

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

10. Long-term receivables

(1) Particulars of long-term receivables

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount	
Financial leasing payments	8,804,858,990.32	1,216,417,328.04	7,588,441,662.28	9,963,461,389.49	1,103,339,754.72	8,860,121,634.77	4%-20%
Less: Unrealised financing income	554,639,036.73		554,639,036.73	351,498,895.63		351,498,895.63	
Less: Non-current assets due within one year	4,565,549,280.03	974,150,909.28	3,591,398,370.75	4,624,874,317.67	585,446,099.51	4,039,428,218.16	
Subtotal	3,684,670,673.56	242,266,418.76	3,442,404,254.80	4,987,088,176.19	517,893,655.21	4,469,194,520.98	
Deposit for financial leasing	277,800,000.00		277,800,000.00	412,239,088.74		412,239,088.74	
Less: Unrealised financing income	28,385,749.53		28,385,749.53	39,232,762.59		39,232,762.59	
Less: Non-current assets due within one year	46,404,270.97		46,404,270.97	183,315,989.18		183,315,989.18	
Subtotal	203,009,979.50		203,009,979.50	189,690,336.97		189,690,336.97	
Total	3,887,680,653.06	242,266,418.76	3,645,414,234.30	5,176,778,513.16	517,893,655.21	4,658,884,857.95	

Particulars of bad debt impairment provision

Bad debt provision	Phase 1	Phase 2	Phase 3	Total
	ECLs for the next 12 months	ECLs over the entire life (not credit-impaired)	ECLs over the entire life (credit-impaired)	
Balance as at 1 January 2021	1,480,724.26		516,412,930.95	517,893,655.21
Balance as at 1 January 2021 during the period	-	-	-	-
Reversal for the period	163,301.64		275,463,934.81	275,627,236.45
Balance as at 30 June 2021	1,317,422.62		240,948,996.14	242,266,418.76

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

Applicable Not applicable

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

11. Long-term equity investments

Unit: RMB

Investee	Opening balance (carrying amount)	Additional contribution	Withdrawn contribution	Change for the period						Closing balance (carrying amount)	Closing balance of impairment provision
				Investment gain or loss recognised under equity method	Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision	Others		
I. Joint venture											
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	4,945,742.03			1,242,575.51			500,000.00				5,688,317.54
Weifang Sime Darby West Port Co., Ltd.	81,943,506.92			-90,771.22							81,852,735.70
Shouguang Meite Environmental Technology Co., Ltd.	17,087,192.44			-451,198.35							16,635,994.09
Weifang Chenrong New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership)	199,705,636.28			17,501,451.16			16,959,843.42				200,247,244.02
Weifang Xingxing United Chemical Co., Ltd.	91,874,385.12			-725,059.41							91,149,325.71
Subtotal	395,556,462.79			17,476,997.69			17,459,843.42				395,573,617.06
II. Associates											
Jiangxi Jiangbao Media Colour Printing Co. Ltd.											
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,401,659.62			-6,105,696.08							46,295,963.54
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	198,549,926.27			343,561.57							198,893,487.84
Jiangxi Chenming Port Co., Ltd.	1,310,585.65			-246,185.91							1,064,399.74
Goldtrust Futures Co., Ltd.	189,366,931.59			-6,055,220.25							183,311,711.34
Chenming (Qingdao) Asset Management Co., Ltd.	8,674,551.18			22,349.05							8,696,900.23
Guangdong Nanyue Bank Co., Ltd.	3,060,298,285.35			77,519,309.45		6,949,017.14	21,000,000.00				3,123,766,611.94
Subtotal	3,510,601,939.66			65,478,117.83		6,949,017.14	21,000,000.00				3,562,029,074.63
Total	3,906,158,402.45			82,955,115.52		6,949,017.14	38,459,843.42				3,957,602,691.69

X Financial Report

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

12. Other non-current financial assets

Unit: RMB

Item	Closing balance	Opening balance
Investment in debt instruments	1,100,000,000.00	4,000,000.00
Investment in equity instruments	121,910,000.00	141,910,000.00
Total	1,221,910,000.00	145,910,000.00

13. Investment property

(1) Investment property under the cost method

Applicable Not applicable

Unit: RMB

Item	Housing and building structure	Total
I. Original carrying amount		
1. Opening balance	6,446,222,194.78	6,446,222,194.78
2. Increase during the period	1,841,533.04	1,841,533.04
(1) Other	1,841,533.04	1,841,533.04
3. Decrease during the period		
4. Closing balance	6,448,063,727.82	6,448,063,727.82
II. Accumulated depreciation and accumulated amortisation		
1. Opening balance	503,062,626.78	503,062,626.78
2. Increase during the period	80,920,853.70	80,920,853.70
(1) Provision or amortisation	80,920,853.70	80,920,853.70
3. Decrease during the period		
4. Closing balance	583,983,480.48	583,983,480.48
III. Provision for impairment		
IV. Carrying amount		
1. Closing carrying amount	5,864,080,247.34	5,864,080,247.34
2. Opening carrying amount	5,943,159,568.00	5,943,159,568.00

(2) Investment property under the fair value method

Applicable Not applicable

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

14. Fixed assets

Item	Unit: RMB	
	Closing balance	Opening balance
Fixed assets	36,554,310,527.18	37,651,706,658.97
Disposal of fixed assets	30,228.26	
Total	36,554,340,755.44	37,651,706,658.97

(1) Particulars of fixed assets

Item	Unit: RMB				
	Housing and building structure	Machinery and equipment	Vehicles	Electronic equipment and others	Total
I. Original carrying amount:					
1. Opening balance	10,640,660,046.65	44,092,418,191.46	308,616,664.66	456,461,101.41	55,498,156,004.18
2. Increase during the period	76,884,998.10	56,397,693.62	2,431,186.96	4,010,485.51	139,724,364.19
(1) Acquisition	5,070,546.78	56,397,693.62	2,431,186.96	4,010,485.51	67,909,912.87
(2) Other increases	71,814,451.32				71,814,451.32
3. Decrease during the period	41,982,979.47	56,454,482.42	9,832,690.37	89,746,900.33	198,017,052.59
(1) Disposal or retirement	20,441,645.96	26,851,014.38	9,391,079.64	88,779,933.62	145,463,673.60
(2) Other deductions	21,541,333.51	29,603,468.04	441,610.73	966,966.71	52,553,378.99
4. Closing balance	10,675,562,065.28	44,092,361,402.66	301,215,161.25	370,724,686.59	55,439,863,315.78
II. Accumulated depreciation					
1. Opening balance	2,055,823,328.64	15,125,890,831.31	182,038,050.14	276,762,643.94	17,640,514,854.03
2. Increase during the period	126,136,626.04	923,630,492.59	11,541,324.84	22,344,615.20	1,083,653,058.67
(1) Provision	126,136,626.04	923,630,492.59	11,541,324.84	22,344,615.20	1,083,653,058.67
3. Decrease during the period	9,196,494.90	24,283,398.56	8,281,045.82	1,809,630.56	43,570,569.84
(1) Disposal or retirement	3,909,353.07	10,132,145.43	8,041,881.78	1,516,369.06	23,599,749.34
(2) Other deductions	5,287,141.83	14,151,253.13	239,164.04	293,261.50	19,970,820.50
4. Closing balance	2,172,763,459.78	16,025,237,925.34	185,298,329.16	297,297,628.58	18,680,597,342.86
III. Provision for impairment					
1. Opening balance	27,808,852.79	170,676,515.34	13,889.13	7,435,233.92	205,934,491.18
2. Increase during the period					
(1) Provision					
3. Decrease during the period		979,045.44			979,045.44
(1) Disposal or retirement		979,045.44			979,045.44
4. Closing balance	27,808,852.79	169,697,469.90	13,889.13	7,435,233.92	204,955,445.74
IV. Carrying amount					
1. Closing carrying amount	8,474,989,752.71	27,897,426,007.42	115,902,942.96	65,991,824.09	36,554,310,527.18
2. Opening carrying amount	8,557,027,865.22	28,795,850,844.81	126,564,725.39	172,263,223.55	37,651,706,658.97

Other explanation: Other deductions in the original amount and accumulated depreciation are due to the selling of the subsidiary Zhanjiang Chenming Newstyle Wall Materials Co., Ltd. during the period.

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

14. Fixed assets (Cont'd)

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Housing and building structure	76,252,901.86	21,471,411.70	3,103,215.82	51,678,274.34	
Machinery and equipment	1,021,802,729.82	536,559,530.93	166,037,071.06	319,206,127.83	
Transportation equipment	25,020.51	21,917.50	1,883.01	1,220.00	
Electronic equipment	1,167,911.72	1,043,812.64	34,063.64	90,035.44	
Total	1,099,248,563.91	559,096,672.77	169,176,233.53	370,975,657.61	

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

Unit: RMB

Item	Carrying amount	Reason for not yet obtaining property right certificates
Housing and building structure (Zhanjiang Chenming Pulp & Paper Co., Ltd.)	1,030,792,226.30	Under application
Housing and building structure (Huanggang Chenming Pulp & Paper Co., Ltd.)	512,518,573.49	Under application
Housing and building structure (Shouguang Meilun Paper Co., Ltd.)	483,380,108.53	Under application
Housing and building structure (Jilin Chenming Paper Co., Ltd.)	384,659,520.77	Under application
Housing and building structure (Jiangxi Chenming Paper Co., Ltd.)	208,341,021.49	Under application
Housing and building structure (Shandong Chenming Paper Holdings Limited)	115,152,708.00	Under application
Housing and building structure (Wuhan Chenming Hanyang Paper Holdings Co., Ltd.)	78,337,160.26	Under application
Housing and building structure (Chengdu Chenming Culture Communication Co., Ltd.)	12,323,614.94	Under application

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

15. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	212,365,974.34	171,178,595.73
Materials for project	7,949,580.45	8,679,346.10
Total	220,315,554.79	179,857,941.83

Note: Construction in progress in the above table means constructions in progress less materials for project.

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Technological modification project	97,153,954.16		97,153,954.16	59,209,256.24		59,209,256.24
Fly ash cement ceramsite production project	54,246,139.19		54,246,139.19	54,246,139.19		54,246,139.19
Household paper project (Phase II) (Meilun)	10,623,447.20		10,623,447.20	10,210,593.75		10,210,593.75
Light calcium carbonate project (Meilun)	15,371,226.55		15,371,226.55	13,836,002.27		13,836,002.27
Others	64,659,665.41	29,688,458.17	34,971,207.24	63,365,062.45	29,688,458.17	33,676,604.28
Total	242,054,432.51	29,688,458.17	212,365,974.34	200,867,053.90	29,688,458.17	171,178,595.73

(2) Materials for project

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Special materials	7,949,580.45		7,949,580.45	8,679,346.10		8,679,346.10
Total	7,949,580.45		7,949,580.45	8,679,346.10		8,679,346.10

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

16. Right-of-use assets

Unit: RMB

Item	Land use rights	Housing and building structure	Total
I. Original carrying amount			
1. Opening balance	219,101,390.27	5,571,378.54	224,672,768.81
2. Decrease during the period	441,950.75		441,950.75
(1) Sublease	441,950.75		441,950.75
3. Closing balance	218,659,439.52	5,571,378.54	224,230,818.06
II. Accumulated depreciation			
1. Opening balance	18,548,990.80	247,058.26	18,796,049.06
2. Increase during the period	3,820,811.57	138,727.87	3,959,539.44
(1) Provision	3,820,811.57	138,727.87	3,959,539.44
3. Decrease during the period	333,145.99		333,145.99
(1) Sublease	333,145.99		333,145.99
4. Closing balance	22,036,656.38	385,786.13	22,422,442.51
III. Provision for impairment			
IV. Carrying amount			
1. Closing carrying amount	196,622,783.14	5,185,592.41	201,808,375.55
2. Opening carrying amount	200,552,399.47	5,324,320.28	205,876,719.75

17. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Software	Patents	Certificates of third party right	Total
I. Original carrying amount					
1. Opening balance	2,191,720,025.23	21,573,963.25	27,358,613.05	15,908,674.87	2,256,561,276.40
2. Increase during the period		430,015.51			430,015.51
(1) Acquisition		430,015.51			430,015.51
3. Decrease during the period	128,966,741.06	57,153.12			129,023,894.18
(1) Disposal	128,966,741.06	57,153.12			129,023,894.18
4. Closing balance	2,062,753,284.17	21,946,825.64	27,358,613.05	15,908,674.87	2,127,967,397.73
II. Accumulated amortisation					
1. Opening balance	448,158,030.38	20,561,952.90	911,953.77	12,304,830.02	481,936,767.07
2. Increase during the period	22,634,438.90	994,100.43	1,367,930.65	2,649,202.12	27,645,672.10
(1) Provision	22,634,438.90	994,100.43	1,367,930.65	2,649,202.12	27,645,672.10
3. Decrease during the period	11,841,491.67				11,841,491.67
(1) Disposal	11,841,491.67				11,841,491.67
4. Closing balance	458,950,977.61	21,556,053.33	2,279,884.42	14,954,032.14	497,740,947.50
III. Impairment provision					
IV. Carrying amount					
1. Closing carrying amount	1,603,802,306.56	390,772.31	25,078,728.63	954,642.73	1,630,226,450.23
2. Opening carrying amount	1,743,561,994.85	1,012,010.35	26,446,659.28	3,603,844.85	1,774,624,509.33

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

18. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period Arising from business combinations	Decrease during the period Disposal	Closing balance
Shandong Chenming Panels Co., Ltd.	5,969,626.57			5,969,626.57
Jilin Chenming Paper Co., Ltd.	14,314,160.60			14,314,160.60
Kunshan Tuoan Plastic Products Co., Ltd.	26,946,905.38			26,946,905.38
Total	47,230,692.55			47,230,692.55

(2) Provision for impairment of goodwill

Unit: RMB

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

Note: The Group assessed the recoverable amount of goodwill and determined that the goodwill related to the Group's panel and plastic business was not impaired. With the category of the principal activities as the basis for determining the reporting segments, the Group regards Shandong Chenming Panels Co., Ltd. and Kunshan Tuoan Plastic Products Co., Ltd. as two separate asset groups. Their recoverable amount is determined based on the present value of the estimated future cash flows. Future cash flows are determined based on the financial budget for 2021 to 2025 as approved by the management, and adopt 7.28% as the discount rate which is the interest rate of the 5-year bonds issued by the Company in 2018. The cash flows for more than 5 years are calculated based on the growth rate of 5%. Other key assumptions used in estimating future cash flows include the estimated sales and gross profit based on the performance of such asset group in the past and the expectation to market development by the management. The management believes that any reasonable change in the above assumptions will not result in the total book value of the asset group Shandong Chenming Panels Co., Ltd. and the asset group Kunshan Tuoan Plastic Products Co., Ltd. exceeding its recoverable amount.

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

19. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortisation during the period	Other deductions	Closing balance
Woodland expenses	9,036,428.60		302,898.00		8,733,530.60
Others	42,025,056.89	1,737,095.39	1,490,734.06		42,271,418.22
Total	51,061,485.49	1,737,095.39	1,793,632.06		51,004,948.82

20. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	2,581,199,406.29	607,142,610.54	2,210,402,262.82	509,732,949.61
Unrealised profit arising from intra-group transactions	223,445,636.80	55,861,409.20	205,628,008.40	51,407,002.10
Outstanding payables	491,129,734.58	74,450,015.62	538,679,932.17	88,774,034.53
Deferred income	138,559,855.82	20,783,978.37	127,445,713.46	21,358,762.71
Deductible loss	1,959,592,584.00	316,160,423.08	2,445,427,000.05	400,915,339.22
Debt reconstructing			47,906,363.94	11,976,590.97
Total	5,393,927,217.49	1,074,398,436.81	5,575,489,280.84	1,084,164,679.14

(2) Deferred income tax liabilities before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset valuation increment from business combinations involving entities not under common control	40,822,701.13	6,123,405.17	43,816,906.47	6,572,535.97
Total	40,822,701.13	6,123,405.17	43,816,906.47	6,572,535.97

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

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

(3) The breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	141,286,586.65	59,564,220.72
Deductible loss	668,089,327.64	776,900,858.71
Total	809,375,914.29	836,465,079.43

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

Unit: RMB

Year	Closing amount	Opening amount	Remark
2021		66,234,527.65	
2022	156,438,853.14	187,801,057.21	
2023	128,426,672.96	138,151,854.93	
2024	156,201,868.17	108,619,258.72	
2025	200,865,382.78	276,094,160.20	
2026	26,156,550.59		
Total	668,089,327.64	776,900,858.71	-

21. Other non-current assets

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Prepayments for land transfer fees	211,072,250.68		211,072,250.68			
Prepayments for engineering and equipment	26,361,031.82		26,361,031.82	58,886,418.75		58,886,418.75
Total	237,433,282.50		237,433,282.50	58,886,418.75		58,886,418.75

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

22. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Mortgage borrowings	275,331,174.98	279,524,407.05
Pledged borrowings	60,000,000.00	35,075,833.33
Guaranteed borrowings	7,005,407,751.87	7,536,960,272.39
Credit borrowings	9,528,352,184.52	8,189,875,845.09
Discounted borrowings	16,298,186,600.00	16,752,556,600.00
Total	33,167,277,711.37	32,793,992,957.86

Explanation of the classification of short-term borrowings:

① For classification and amount of mortgage borrowing and mortgage borrowing, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII; ② For classification and amount of pledged borrowing and mortgage borrowing, please see notes in relation, please see 1. Monetary funds and 63. Assets with restricted ownerships or right to use in Note VII; ③ Overdue short-term borrowings: total outstanding accounts payable as at the end of the year amounted to RMB0.00.

23. Bills payable

Unit: RMB

Item	Closing balance	Opening balance
Commercial acceptance bills	1,816,089,052.29	984,661,462.19
Bank acceptance bills	1,816,839,962.60	2,014,275,274.15
Total	3,632,929,014.89	2,998,936,736.34

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

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

24. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods	2,846,452,304.68	3,416,069,031.99
Payment for equipment	171,284,544.60	260,995,383.02
Payment for engineering	141,094,426.64	139,679,646.76
Others	381,607,749.03	225,686,670.54
Total	3,540,439,024.95	4,042,430,732.31

(2) Significant advance receipts for over 1 year

Unit: RMB

Item	Closing balance	Reasons
BEIJING GUODIAN FUTONG SCIENCE AND DEVELOPMENT CO., LTD.	46,122,225.40	Quality guarantee deposit
OMYA HAIMING (NANCHANG) CHEMICAL CO. LTD.	16,000,000.00	Quality guarantee deposit
CHINA ENERGY ENGINEERING GROUP GUANGZHOU ELECTRIC POWER DESIGN INSTITUTE CO., LTD.	14,128,415.00	Quality guarantee deposit
ZHEJIANG JNDIA PIPELINE INDUSTRY CO., LTD.	10,556,896.91	Quality guarantee deposit
CSSC 704TH RESEARCH INSTITUTE	7,263,929.00	Quality guarantee deposit
Total	94,071,466.31	-

25. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advance loans	2,186,935,751.42	1,051,147,044.74
Total	2,186,935,751.42	1,051,147,044.74

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

26. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term remuneration	231,749,583.09	665,596,739.51	633,424,471.85	263,921,850.75
II. Retirement benefit plan-defined contribution scheme	627,002.22	103,997,435.53	104,356,527.88	267,909.87
III. Termination benefits		219,835.00	219,835.00	
Total	232,376,585.31	769,814,010.04	738,000,834.73	264,189,760.62

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	170,642,761.74	539,324,293.60	513,512,375.29	196,454,680.05
2. Staff welfare		26,232,148.70	26,232,148.70	
3. Social insurance premium	585,607.73	47,823,645.25	48,275,268.91	133,984.07
Of which: Medical insurance premium	575,413.71	43,096,714.67	43,667,538.94	4,589.44
Work-related injury insurance premium	3,538.60	3,040,833.94	3,006,158.52	38,214.02
Maternity insurance premium	6,655.42	1,686,096.64	1,601,571.45	91,180.61
4. Housing provident funds	7,998,911.38	36,494,364.13	36,363,639.78	8,129,635.73
5. Union funds and workers' education	30,774,839.48	13,472,605.48	4,569,443.80	39,678,001.16
6. Other short-term remuneration	21,747,462.76	2,249,682.35	4,471,595.37	19,525,549.74
Total	231,749,583.09	665,596,739.51	633,424,471.85	263,921,850.75

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance premiums	559,683.60	99,998,398.95	100,490,658.84	67,423.71
2. Unemployment insurance premiums	67,318.62	3,999,036.58	3,865,869.04	200,486.16
Total	627,002.22	103,997,435.53	104,356,527.88	267,909.87

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

27. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	146,270,920.28	274,637,537.42
Value added tax	54,512,695.27	294,438,467.26
Land use tax	13,381,808.86	7,522,959.20
Property tax	22,028,641.92	9,232,558.17
Urban maintenance and construction tax	1,488,643.17	10,137,043.67
Educational surcharges	1,509,812.72	8,112,168.27
Individual income tax	41,736,958.86	41,648,852.90
Stamp duty	3,170,695.43	2,630,037.02
Land appreciation tax	4,153,352.86	2,024,028.20
Environmental Protection Tax	4,762,420.21	2,263,933.52
Resource tax	4,500,000.00	255.00
Total	297,515,949.58	652,647,840.63

28. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	114,998,461.03	178,992,959.85
Dividend payable	661,044,485.66	
Other payables	1,767,286,629.24	1,777,722,407.98
Total	2,543,329,575.93	1,956,715,367.83

(1) Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on borrowings	27,160,322.11	81,495,654.29
Interest on corporate bonds	7,116,611.16	17,401,472.25
Interest on medium-term notes	80,721,527.76	80,095,833.31
Total	114,998,461.03	178,992,959.85

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

28. Other payables (Cont'd)

(2) Dividend payable

Unit: RMB

Item	Closing balance	Opening balance
Ordinary shares dividends	552,078,517.00	
Dividends of preferred stocks/perpetual bonds classified as equity instruments	108,965,968.66	
Total	661,044,485.66	

(3) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Open credit	607,351,554.68	625,546,672.65
Deposit	262,051,453.61	259,341,777.01
Accrued expenses	469,043,342.97	525,268,287.87
The obligation to repurchase shares under the share incentive scheme	226,860,000.00	226,860,000.00
Others	201,980,277.98	140,705,670.45
Total	1,767,286,629.24	1,777,722,407.98

2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reasons
NINE DRAGONS DAWEI HOLDINGS CO., LTD.	30,000,000.00	Deposit
SHOUGUANG LONGYUAN PAPER COATING CO., LTD.	13,350,000.00	Deposit
SHANGHAI YINHU INDUSTRY CO., LTD.	13,000,000.00	Open credit
STATE-OWNED SHOUGUANG QINGSHUIPO FARM	8,800,000.00	Open credit
WUHAN TIANRUI PAPER CO., LTD.	7,341,708.00	Deposit
Total	72,491,708.00	

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

29. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year	1,630,025,500.00	2,935,835,697.30
Bonds payable due within one year	1,527,790,296.70	
Long-term payables due within one year	1,490,109,514.28	1,621,095,530.96
Lease liabilities due within one year	4,606,717.58	4,606,717.58
Other non-current liabilities due within one year	600,000,000.00	2,599,411,670.09
Total	5,252,532,028.56	7,160,949,615.93

30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Short-term bonds payable	–	157,037,833.35
Total	–	157,037,833.35

Increase/decrease in short-term bonds payable:

Unit: RMB

Name of commercial paper	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Closing balance
2020 first tranche of super & short-term commercial paper	300,000,000.00	2020-04-22	270 days	299,550,000.00	157,037,833.35		6,065,416.68		163,103,250.03	0.00
Total	–	–	–	299,550,000.00	157,037,833.35		6,065,416.68		163,103,250.03	0.00

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

31. Long-term borrowings

(1) Types of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Secured borrowings	4,319,788,510.20	4,618,249,057.65
Guarantee borrowings	2,325,101,400.00	4,319,737,618.80
Credit borrowings	1,958,740,000.00	2,075,000,000.00
Less: Long-term borrowings due within ones year	1,630,025,500.00	2,935,835,697.30
Total	6,973,604,410.20	8,077,150,979.15

32. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
17 Chenming Bond 01- Chenming Group	89,957,250.00	89,957,250.00
18 Chenming Bond 01- Chenming Group	350,013,500.00	350,000,000.00
Chenming USD Bonds	1,087,819,546.70	1,096,920,101.46
Subtotal	1,527,790,296.70	1,536,877,351.46
Less: Bonds payable due within one year	1,527,790,296.70	
Total	-	1,536,877,351.46

(2) Increase/decrease in bonds payable (excluding other financial instruments such as Preference Shares and Perpetual Bonds classified as financial liabilities)

Unit: RMB

Bond name	Par value	Date of issue	Term	Amount
17 Chenming Bond 01- Chenming Group	1,200,000,000.00	2017/8/22	5 years	1,198,200,000.00
18 Chenming Bond 01- Chenming Group	350,000,000.00	2018/4/2	5 years	350,000,000.00
Chenming USD Bonds	1,137,120,600.00	2019/8/6	2.6 years	1,125,276,863.46
Subtotal	2,687,120,600.00			2,673,476,863.46

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

32. Bonds payable (Cont'd)

(2) Increase/decrease in bonds payable (excluding other financial instruments such as Preference Shares and Perpetual Bonds classified as financial liabilities) (Cont'd)

Bond name	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/discount	Redemption during the period	Changes in foreign exchange gains and losses	Closing balance	Of which the amount due within one year
17 Chenming Bond 01- Chenming Group	89,957,250.00						89,957,250.00	89,957,250.00
18 Chenming Bond 01- Chenming Group	350,000,000.00			13,500.00			350,013,500.00	350,013,500.00
Chenming USD Bonds	1,096,920,101.46					9,100,554.76	1,087,819,546.70	1,087,819,546.70
Subtotal	1,536,877,351.46			13,500.00	-	9,100,554.76	1,527,790,296.70	1,527,790,296.70

33. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payments payable	81,362,458.45	85,933,149.45
Less: Unrecognised financing expenses	16,248,295.97	21,054,661.97
Subtotal	65,114,162.48	64,878,487.48
Less: Lease liabilities due within one year	4,606,717.58	4,606,717.58
Total	60,507,444.90	60,271,769.90

34. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	2,294,420,531.46	2,295,309,357.74
Total	2,294,420,531.46	2,295,309,357.74

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

34. Long-term payables (Cont'd)

(1) Long-term payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Retention for the financial leasing operations	1,000,000.00	64,196,192.92
China Development Bank Special Funds	488,000,000.00	517,500,000.00
Contributions by other partners	267,000,000.00	34,210,000.00
Financial leasing	3,028,530,045.74	3,300,498,695.78
Subtotal	3,784,530,045.74	3,916,404,888.70
Less: Long-term payables due within one year	1,490,109,514.28	1,621,095,530.96
Total	2,294,420,531.46	2,295,309,357.74

35. Provisions

Unit: RMB

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

Other explanations, including the explanations on significant assumptions and estimation related to significant provision:

In February 2017, Arjowiggins HKK2 Limited ("HKK2 Company") submitted a H share winding-up petition to Hong Kong High Court due to a joint venture dispute, which required a compensation for economic loss of RMB167 million and interest thereon, and legal costs of USD3.54 million and arbitration fee of HK\$3.3 million and interest thereon to HKK2. The Company made provision of RMB320 million for such pending litigation in 2017. On 5 August 2020, Hong Kong High Court rejected the Group's appeal. The Group is seeking ways of appeal again to safeguard the lawful rights and interests of the Company and the investor community.

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

36. Deferred income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	1,637,996,636.51	53,605,132.80	66,129,472.76	1,625,472,296.55	Financial provision
Total	1,637,996,636.51	53,605,132.80	66,129,472.76	1,625,472,296.55	-

Items in respect of government grants:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Include in other income for the period	Other changes	Closing balance	Asset-related/income-related
Project fund for National technological support scheme	1,287,825.00	-	82,350.00	-	1,205,475.00	Asset-related
Sewage treatment and water conservation reconfiguration project	59,601,116.33	-	6,555,470.06	-	53,045,646.27	Asset-related
Huanggang forestry-pulp-paper project	653,165,566.26	-	12,513,108.90	13,216,025.00	627,436,432.36	Asset-related
Zhanjiang forestry-pulp-paper project	54,901,230.11	-	2,047,316.46	-	52,853,913.65	Asset-related
Financial subsidies for technical transformation project	155,686,141.08	-	5,767,903.86	-	149,918,237.22	Asset-related
Funding for environmental protection	677,639,567.56	-	25,296,070.94	-	652,343,496.62	Asset-related
Huanggang Pulp and Paper Project Phase II	-	53,605,132.80	-	-	53,605,132.80	Asset-related
Others	35,715,190.17	-	651,227.54	-	35,063,962.63	Asset-related
Total	1,637,996,636.51	53,605,132.80	52,913,447.76	13,216,025.00	1,625,472,296.55	Asset-related

X Financial Report

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

37. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Medium-term notes	1,797,016,666.67	3,388,933,356.16
Subtotal	1,797,016,666.67	3,388,933,356.16
Less: Other non-current liabilities due within one year	600,000,000.00	2,599,411,670.09
Total	1,197,016,666.67	789,521,686.07

Other explanation:

38. Share capital

Unit: RMB

	Opening balance	Increase/decrease during the year (+/-)				Subtotal	Closing balance
		New issue	Bonus issue	Shares converted	Others		
Total number of shares	2,984,208,200.00					2,984,208,200.00	

39. Other equity instruments

(1) Preference Shares, Perpetual Bonds and other financial instruments outstanding at the end of the period

Outstanding financial instruments	Year of issuance	Accounting classification	Dividend or interest rate	Issue price	Issue size	Amount (RMB)	Maturity date or renewal status	Condition for conversion	Conversion
17 Lu Chenming MTN001	2017	Equity instrument	8.97%	100.00	10,000,000.00	1,000,000,000.00	No defined maturity date	None	Non-convertible
Chenming You 02	2016	Equity instrument	5.17%	100.00	10,000,000.00	1,000,000,000.00	No defined maturity date	None	Non-convertible
Chenming You 03	2016	Equity instrument	5.17%	100.00	12,500,000.00	1,250,000,000.00	No defined maturity date	None	Non-convertible
Total						3,250,000,000.00			

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

39. Other equity instruments (Cont'd)

(2) Changes in Preference Shares, Perpetual Bonds and other financial instruments outstanding at the end of the period

Unit: RMB

Outstanding financial instruments	Beginning of the period		Increase during the period		Decrease during the period		End of the period	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
17 Lu Chenming MTN001	10,000,000.00	996,000,000.00					10,000,000.00	996,000,000.00
Chenming You 01	22,500,000.00	2,238,750,000.00			22,500,000.00	2,238,750,000.00		
Chenming You 02	10,000,000.00	999,000,000.00					10,000,000.00	999,000,000.00
Chenming You 03	12,500,000.00	1,239,750,000.00					12,500,000.00	1,239,750,000.00
Total	55,000,000.00	5,473,500,000.00			22,500,000.00	2,238,750,000.00	32,500,000.00	3,234,750,000.00

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

The Company non-publicly issued Preference Shares amounting to RMB4,500 million on 17 March, 17 August and 22 September 2016 respectively. The proceeds net of issue costs amounted to RMB4,477.50 million. On 17 March 2021, the Company exercised the option to redeem preference shares amounting to RMB2,250 million.

40. Capital reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	4,619,101,981.31	82,404,273.62	171,250,000.00	4,530,256,254.93
Other capital reserves	702,809,432.44	26,330,034.89		729,139,467.33
Total	5,321,911,413.75	108,734,308.51	171,250,000.00	5,259,395,722.26

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

- ① the Group recognised the capital reserve during the vesting period for the share-based payments of RMB26,330,034.89;
- ② the Group repaid other equity instruments – Perpetual Bonds with a decrease of capital reserves of RMB11,250,000.00;
- ③ the Group acquired non-controlling interest in Wuhan Chenming Hanyang Paper Holdings Co., Ltd. with a decrease of capital reserves of RMB160,000,000.00;
- ④ other investors made unilateral investments in Shouguang Meilun Paper Co., Ltd., a subsidiary of the Group, which caused a decrease in the shareholding of the Group without loss of control, and an increase of capital reserves of RMB82,404,273.62.

X Financial Report

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

41. Treasury shares

Unit: RMB

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

42. Other comprehensive income

Unit: RMB

Item	Opening balance	Incurred before income tax for the period	During the period		Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
			Less: Transferred from other comprehensive income in prior periods to profit or loss during the period	Less: Transferred from other comprehensive income in prior periods to retained earnings during the period				
I. Other comprehensive income that cannot be reclassified to profit or loss in subsequent periods								
II. Other comprehensive income that will be reclassified to profit and loss in subsequent periods	-561,686,607.66	57,905,699.87				57,905,699.87		-503,780,907.79
Including: Other comprehensive income that may be reclassified to profit and loss under the equity method	-12,359,143.50	6,949,017.14				6,949,017.14		-5,410,126.36
Translation differences of financial statements denominated in foreign currency	-549,327,464.16	50,956,682.73				50,956,682.73		-498,370,781.43
Total other comprehensive income	-561,686,607.66	57,905,699.87				57,905,699.87		-503,780,907.79

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

43. General risk reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
General risk reserves	74,122,644.20			74,122,644.20
Total	74,122,644.20			74,122,644.20

44. Surplus reserves

Unit: RMB

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

45. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the end of the prior period before adjustment	9,999,764,028.74	9,306,269,617.38
Retained profit as at the beginning of the year after adjustment	9,999,764,028.74	9,306,269,617.38
Plus: Net profit for period attributable to shareholders of the parent company	2,021,095,417.54	516,326,703.48
Less: Transfer of statutory surplus reserves		
Ordinary dividend payable	552,078,517.00	437,433,593.74
Preference shares dividend payable	207,065,968.66	270,776,073.42
Retained profit as at the end of the period	11,261,714,960.62	9,114,386,653.70

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

46. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	16,368,937,751.59	11,107,531,244.57	12,956,373,458.78	10,200,246,961.22
Other activities	803,878,602.94	753,529,733.35	643,432,307.08	479,614,740.25
Total	17,172,816,354.53	11,861,060,977.92	13,599,805,765.86	10,679,861,701.47

Information related to revenue:

Unit: RMB

Category of contract	Machine-made				Total
	paper segment	Financial segment	Properties	Others	
Type of goods					
Including: Machine-made paper	14,898,851,438.25				14,898,851,438.25
Financial leasing		206,068,787.05			206,068,787.05
Electricity and steam	119,023,236.57			14,136,584.02	133,159,820.59
Construction materials				174,782,023.02	174,782,023.02
Paper chemicals	71,994,410.87				71,994,410.87
Hotel services				11,556,339.95	11,556,339.95
Others	1,339,213,809.06		58,732,734.96	278,456,990.78	1,676,403,534.80
Total	16,429,082,894.75	206,068,787.05	58,732,734.96	478,931,937.77	17,172,816,354.53

47. Taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Urban maintenance and construction tax	27,858,367.33	16,351,064.21
Educational surcharges	19,989,461.94	11,385,806.59
Property tax	37,450,589.35	35,765,283.62
Land use tax	24,349,448.93	15,431,134.06
Vehicle and vessel tax	85,669.29	12,010.68
Stamp duty	18,130,742.66	13,063,555.43
Water engineering funds	516,687.03	849,304.03
Environmental tax	10,751,303.03	7,919,659.65
Water resource tax	15,486,250.50	6,270,279.94
Land appreciation tax	9,175,506.88	
Total	163,794,026.94	107,048,098.21

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

48. Selling and distribution expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	70,949,714.14	58,686,281.82
Depreciation expenses	5,712,298.99	6,122,536.00
Office expenses	1,299,490.73	1,843,778.51
Selling commissions	7,029,390.00	21,030,123.34
Travel expenses	9,694,437.71	9,122,159.33
Business hospitality expenses	25,673,227.63	21,137,948.35
Warehouse expenses	252,549.57	1,116,656.86
Rental expenses	5,295,433.81	3,513,698.23
Others	21,716,196.16	35,607,569.75
Total	147,622,738.74	158,180,752.19

49. General and administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Wages and surcharges	169,081,336.44	158,698,083.16
Welfare expenses	34,628,571.86	29,416,491.43
Insurance premium	14,955,132.42	13,706,761.09
Depreciation expenses	51,326,963.11	58,348,214.94
Waste disposal expenses	1,035,662.97	6,215,674.32
Hospitality expenses	27,155,232.97	40,625,251.74
Amortisation of intangible assets	25,323,097.56	22,805,226.17
Production interruption loss	48,338,437.27	59,359,808.22
Repair fees	13,610,506.54	16,847,259.15
Share-based payments	26,330,034.89	
Others	80,263,579.46	85,964,475.11
Total	492,048,555.49	491,987,245.33

X Financial Report

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

50. R&D expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Installation expenses	372,517.00	609,432.49
Depreciation expenses	27,969,754.45	27,731,869.06
Consumption of raw materials	366,439,019.85	198,168,322.21
Consumption of semi-finished products	66,656,701.37	87,624,595.31
Consumption of auxiliary materials	100,156,151.93	78,527,925.39
Wages and surcharges	83,767,837.01	69,924,624.21
Welfare expenses	5,060,144.67	3,526,275.77
Housing provident funds	2,786,507.56	3,787,143.40
Insurance premium	15,104,675.76	8,279,960.27
Union funds	815,212.59	391,146.46
Utilities	86,755,891.97	69,857,222.28
Other expenses	1,136,940.41	128,630.04
Total	757,021,354.57	548,557,146.89

51. Finance expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	1,399,107,777.11	1,459,184,970.39
Less: capitalised interest amount	-	19,684,809.62
Interest income	221,507,514.16	276,115,018.97
Foreign exchange gains and losses	-35,419,357.17	-1,552,952.90
Bank charges and others	176,761,250.38	184,385,373.56
Total	1,318,942,156.16	1,346,217,562.46

52. Other income

Unit: RMB

Source of other income	Amount for the period	Amount for the prior period
Government grants – amortised deferred income included in profit or loss	52,913,447.76	54,911,499.81
Government grants – directly included in profit or loss	70,185,300.82	78,522,474.64
Total	123,098,748.58	133,433,974.45

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

53. Investment income

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income from long-term equity investments accounted for using the equity method	82,955,115.52	120,115,440.96
Investment gain on disposal of subsidiaries	676,586.27	16,778,042.01
Investment gain from holding other non-current financial assets	15,000,000.00	
Total	98,631,701.79	136,893,482.97

54. Gain on change in fair value

Unit: RMB

Source of gain on change in fair value	Amount for the period	Amount for the prior period
Financial assets held for trading	-89,980,570.69	
Of which: Gain on change in fair value from derivative financial instruments	-9,139,121.20	-9,246,743.86
Consumable biological assets measured at fair value		
Total	-99,119,691.89	-9,246,743.86

55. Credit impairment loss

Unit: RMB

Item	Amount for the period	Amount for the prior period
Bad debt loss of accounts receivable	-279,757,983.46	-257,855,903.60
Total	-279,757,983.46	-257,855,903.60

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

56. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
1. Loss on construction in progress impairment		-163,717.76
Total		-163,717.76

57. Asset disposal income

Unit: RMB

Source of asset disposal income	Amount for the period	Amount for the prior period
Net income from disposal of non-current assets	6,731,452.88	-4,705,886.89
Gain on disposal of intangible assets	42,188,905.24	
Total	48,920,358.12	-4,705,886.89

58. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in extraordinary gains or losses for the period
Government subsidy	2,045,973.21	633,778,881.76	2,045,973.21
Unpaid debt	4,275,104.92		4,275,104.92
Net income from disposal of fixed assets	1,255,005.76		1,255,005.76
Others	11,145,199.75	8,621,236.02	11,145,199.75
Total	18,721,283.64	642,400,117.78	18,721,283.64

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

59. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amounts included in extraordinary gains or losses for the period
Donation	80,000.00	5,144,077.88	80,000.00
Loss on destroyed and scrapped non-current assets	2,177,197.00	510,335.35	2,177,197.00
Others	75,333.96	3,353,130.95	75,333.96
Total	2,332,530.96	9,007,544.18	2,332,530.96

60. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	283,824,021.53	306,073,252.16
Deferred income tax expenses	-9,766,242.33	-68,113,064.01
Total	274,057,779.20	237,960,188.15

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	2,340,488,430.53
Income tax expenses calculated at statutory/applicable tax rates	351,073,264.58
Effect of different tax rates applicable to subsidiaries	13,690,303.26
Effect of adjustments for income tax for prior periods	-6,115,069.85
Profit and loss of joint ventures and associates accounted for using the equity method	-16,822,224.16
Effect of income not subject to tax	-416,521,913.64
Non-deductible costs, expenses and losses	17,573,270.97
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	-62,909,783.28
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred tax income assets	461,901,237.75
Tax effect of R & D fee deduction	-67,811,306.43
Income tax expense	274,057,779.20

X Financial Report

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

61. Other comprehensive income

Please refer to note 42 for the details.

62. Items on statements of cash flow

(1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Net proceedings from the financial leasing business	616,398,096.59	1,056,112,435.52
Government support fund	111,501,713.53	207,271,356.40
Interest income	208,877,644.50	202,247,580.26
Open credit and other income	99,723,258.86	97,478,845.77
Total	1,036,500,713.48	1,563,110,217.95

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Expenses and open credit	999,490,395.09	1,083,849,666.32
Total	999,490,395.09	1,083,849,666.32

(3) Cash received relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Recovery of consideration for equity transfer	251,414,794.52	129,197,968.06
Total	251,414,794.52	129,197,968.06

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Acquisition of Tuoan Plastic		176,000,000.00
Total		176,000,000.00

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

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

(5) Cash received relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Short-term commercial paper		144,457,000.00
Issuance of corporate bonds		350,000,000.00
Equipment financing	574,665,920.24	542,500,000.00
Decrease in restricted bank deposits during the period	1,526,876,431.27	
Debt financing receivable		320,000,000.00
Resale of medium-term notes	400,000,000.00	
Contribution from government platforms to GDR Fund and Chendu Fund	232,790,000.00	
Total	2,734,332,351.51	1,356,957,000.00

(6) Paid relating to other financing activities

Unit: RMB

Item	Amount for the period	Amount for the prior period
Repayment of short-term commercial paper and MTNs	2,145,000,000.00	190,000,000.00
Repayment of equipment sale and leaseback	996,692,287.81	1,304,243,353.95
Repayment of preference shares	2,250,000,000.00	
Payment of interest on preference shares	98,100,000.00	98,100,000.00
Payment of equity in China Development Bank funds	29,500,000.00	77,500,000.00
Repayment of bonds		900,000,000.00
Repayment of financial support from shareholders		708,440,865.27
Restricted bank deposits		704,209,894.72
Total	5,519,292,287.81	3,982,494,113.94

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

63. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	-	-
Net profit	2,066,430,651.33	661,740,850.07
Plus: Provision for impairment of assets		163,717.76
Credit impairment loss	279,757,983.46	257,855,903.60
Depreciation of fixed assets, depreciation of investment property, depreciation of right-of-use assets	1,168,533,451.81	1,103,977,619.973
Amortisation of intangible assets	27,645,672.10	24,470,203.82
Amortisation of long-term prepaid expenses	1,793,632.06	1,429,914.78
Loss on disposal of fixed assets, intangible assets and other long-term assets (“-” denotes gain)	-47,998,166.88	2,171,437.21
Loss on changes in fair value (“-” denotes gain)	99,119,691.89	-9,246,743.86
Finance expenses (“-” denotes gain)	1,399,107,777.11	1,439,500,160.77
Investment loss (“-” denotes gain)	-98,631,701.79	-136,893,482.97
Decrease in deferred income tax assets (“-” denotes increase)	9,766,242.33	-68,113,064.01
Increase in deferred income tax liabilities (“-” denotes decrease)	-449,130.80	-1,411,125.59
Decrease in inventories (“-” denotes increase)	-1,766,629,170.47	-927,140,737.58
Decrease in operating receivables (“-” denotes increase)	1,272,002,689.91	-1,749,063,323.95
Increase in operating payables (“-” denotes decrease)	336,735,899.88	1,727,592,454.67
Net cash flows from operating activities	4,747,185,521.94	2,327,033,784.68
2. Major investing and financing activities not involving cash settlements:	-	-
3. Net change in cash and cash equivalents:	-	-
Closing balance of cash	4,625,780,176.57	2,213,282,630.76
Less: Opening balance of cash equivalents	4,389,169,963.79	2,890,328,027.40
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	236,610,212.78	-677,045,396.64

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

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

(2) Cash and cash equivalents composition

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	4,625,780,176.57	4,389,169,963.79
Of which: Treasury cash	2,903,620.96	2,161,684.57
Bank deposit that can be used for payment at any time	4,622,876,555.61	4,387,008,279.22
Other monetary funds that can be used for payment at any time		
Deposit at central bank deposit that can be used for payment		
Amount due from banks		
Amount due to banks		
II. Cash equivalents		
Of which: Bond investment with maturity within 3 months		
III. Balance of cash and cash equivalent at end of period	4,625,780,176.57	4,389,169,963.79
Of which: Restricted cash and cash equivalents used by the Company or subsidiaries within the Group		

64. Assets with restricted ownerships or right to use

Unit: RMB

Item	Closing carrying amount	Reason for such restriction
Monetary funds	11,767,734,654.88	As deposits for bank acceptance bills and letters of credit, deposit reserves, etc.
Assets held for trading	50,594,440.51	As collateral for margin financing
Accounts receivable financing	28,550,798.44	As collateral for letters of guarantee and letters of credit
Fixed assets	10,957,342,646.52	As collateral for bank borrowings and long-term payables
Intangible assets	1,226,330,911.70	As collateral for bank borrowings and long-term payables
Investment property	4,865,390,729.36	As collateral for bank borrowings
Total	28,895,944,181.41	

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

65. Foreign currency items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds	–	–	558,658,365.42
Of which: USD	86,135,319.97	6.4601	556,442,780.52
EUR	170,396.00	7.6862	1,309,697.73
HKD	1,000,678.63	0.8320	832,564.62
GBP	8,197.90	8.9410	73,297.45
JPY	429.79	0.0584	25.10
Accounts receivables	–	–	114,157,874.90
Of which: USD	16,307,661.42	6.4601	105,349,123.52
JPY	150,834,783.90	0.0584	8,808,751.38
Accounts payable	–	–	243,629,557.02
Of which: USD	36,093,052.12	6.4601	233,164,725.98
EUR	1,351,899.31	7.6862	10,390,968.45
HKD	88,777.15	0.8320	73,862.59
Other receivables	–	–	1,238,689.06
Of which: USD	112,116.48	6.4601	724,283.67
EUR	66,925.84	7.6862	514,405.39
Other payables	–	–	160,000,505.89
Of which: USD	24,767,418.46	6.4601	160,000,000.00
JPY	8,662.50	0.0584	505.89
Short-term borrowings	–	–	1,653,255,791.89
Of which: USD	242,677,142.27	6.4601	1,567,718,606.78
HKD	102,809,116.72	0.832	85,537,185.11
Long-term borrowings	–	–	1,069,783,410.20
Of which: USD	165,598,583.64	6.4601	1,069,783,410.20
Non-current liabilities due within one year	–	–	1,507,726,046.70
Of which: USD	233,390,512.02	6.4601	1,507,726,046.70

- (2) Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal places of business, functional currency and basis. Reasons shall be disclosed if there is any change in the functional currency.

√ Applicable □ Not applicable

No.	Name of subsidiary	Principal place of business	Place of incorporation	Functional currency
1	Chenming GmbH	Hamburg, Germany	Hamburg, Germany	EUR
2	Chenming Paper Korea Co., Ltd.	Seoul, Korea	Seoul, Korea	KRW
3	Chenming (HK) Limited	Hong Kong, China	Hong Kong, China	USD
4	Chenming International Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
5	Chenming Paper Japan Co., Ltd.	Tokyo, Japan	Tokyo, Japan	JPY
6	Chenming Paper United States Co., Ltd.	Los Angeles, USA	Los Angeles, USA	USD
7	Chenming (Overseas) Limited	Hong Kong, China	Hong Kong, China	USD
8	Chenming (Singapore) Limited	Singapore	Singapore	USD

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

66. Government grants

(1) General information of government grants

Unit: RMB

Type	Amount	Reporting item	Amount included in the current profit and loss
Project Funding for National Key Technology Research and Development Program	1,205,475.00	Deferred income	82,350.00
Sewage treatment and water conservation transformation project	52,056,966.55	Deferred income	6,555,470.06
Huanggang Forest Pulp & Paper Integration Item	640,652,457.36	Deferred income	12,513,108.90
Zhanjiang Forest Pulp & Paper Integration Item	52,853,913.65	Deferred income	2,047,316.46
Financial subsidies for technical transformation items	149,918,237.22	Deferred income	5,767,903.86
Funding for environmental protection	652,343,496.62	Deferred income	25,296,070.94
Other	76,441,750.15	Deferred income	651,227.54
Working subsidies	28,000.00	Non-operating income	28,000.00
Subsidies for the pandemic	1,537,288.56	Other income and non-operating income	1,537,288.56
Industrial Development fund	22,359,939.85	Other income	22,359,939.85
Rewards for new high-tech enterprise	1,407,800.00	Other income	1,407,800.00
Refund of individual tax handling fee	210,242.13	Other income and non-operating income	210,242.13
Financial subsidies for technical transformation project	8,679,800.00	Other income	8,679,800.00
Subsidies for cultivation	200,000.00	Other income	200,000.00
Enterprise reform and development subsidies	400,000.00	Other income	400,000.00
Subsidies for talents	1,642,000.00	Other income and non-operating income	1,642,000.00
Subsidies for financing	340,000.00	Other income	340,000.00
Refund of tax	9,100,794.92	Other income	9,100,794.92
Employment stabilisation subsidies	532,808.62	Other income	532,808.62
Subsidies for forestation	2,430,191.20	Other income	2,430,191.20
Refund of VAT upon assessment	504,258.75	Other income	504,258.75
Government rewards	22,577,150.00	Other income and non-operating income	22,577,150.00
Others	281,000.00	Other income	281,000.00
Total	1,697,703,570.58	-	125,144,721.79

(2) The condition of the refund of government grants

√ Applicable Not applicable

Unit: RMB

Item	Amount	Reason
Infrastructure and environmental projects	13,216,025.00	Land return of Huanggang idle land

VIII. Change in scope of consolidation

1. Disposal of subsidiaries

Whether there is loss of control over subsidiaries on a single disposal

Yes No

Unit: RMB

Name of subsidiary	Consideration of disposal of equity interest	Shareholding of disposal of equity interest	Way of disposal of equity interest	Time of loss of control	Basis for determining the time of loss of control	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Remaining shareholding as of the date of loss of control	Carrying amount of remaining shareholding as of the date of loss of control	Fair value of remaining shareholding as of the date of loss of control	Gain or loss in fair value of remaining shareholding as of the date of loss of control	Determination and key assumption of fair value of remaining shareholding as of the date of loss of control	Relevant other comprehensive income of former subsidiary transferred to profit or loss
Zhanjiang Chenming New-style Viall Materials Co., Ltd.	12,580,000.00	100.00%	Transfer	2021-1-1	Without control	676,586.27						

Other explanation:

Whether there was disposal of the investment in a subsidiary in stages through multiple transactions and loss of control during the period

Yes No

2. Other reasons for change in scope of consolidation

During the year, the scope of consolidation had 1 newly established subsidiary, namely Weifang Chendu Equity Investment Partnership (Limited Partnership).

IX. Interest in other entities

1. Interest in subsidiaries

(1) Constitution of the Group

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making	100.00%		Establishment
Shouguang Meilun Paper Co., Ltd.	Shouguang	Shouguang	Paper making	62.4864%		Establishment
Jilin Chenming Paper Co., Ltd.	Jilin	Jilin	Paper making	100.00%		Acquisition
Huanggang Chenming Pulp & Paper Co., Ltd.	Huanggang	Huanggang	Pulp production	70.1493%	29.8507%	Establishment
Shandong Chenming Paper Sales Co., Ltd.	Shouguang	Shouguang	Sales of paper product	100.00%		Establishment
Shouguang Chenming Import and Export Trade Co., Ltd.	Shouguang	Shouguang	Trading	100.00%		Establishment
Jiangxi Chenming Supply Chain Management Co., Ltd.	Jiangxi	Jiangxi	Trading		70.00%	Establishment
Chenming GmbH	Germany	Germany	Paper product trading	100.00%		Establishment
Shouguang Chenming Papermaking Machine Co., Ltd.	Shouguang	Shouguang	Machinery manufacturing	100.00%		Establishment
Shouguang Hongxiang Printing and Packaging Co., Ltd.	Shouguang	Shouguang	Printing and packaging	100.00%		Acquisition
Shouguang Chenming Modern Logistic Co., Ltd.	Shouguang	Shouguang	Transportation	100.00%		Establishment
Jinan Chenming Paper Sales Co., Ltd.	Jinan	Jinan	Investment	100.00%		Establishment
			Management/Paper product Trading			
Huanggang Chenming Arboriculture Development Co., Ltd.	Huanggang	Huanggang	Arboriculture	100.00%		Establishment
Chenming Arboriculture Co., Ltd.	Wuhan	Wuhan	Arboriculture	100.00%		Establishment
Chenming Paper Korea Co., Ltd.	Korea	Korea	Paper product Trading	100.00%		Establishment
Shandong Chenming Power Supply Holdings Co., Ltd.	Shouguang	Shouguang	Power	100.00%		Establishment
Shouguang Shun Da Customs Declaration Co., Ltd.	Shouguang	Shouguang	Customs declaration	100.00%		Establishment
Shanghai Chenming Industry Co., Ltd.	Shanghai	Shanghai	Property investment and management	100.00%		Establishment
Shandong Chenming Group Finance Co., Ltd.	Jinan	Jinan	Finance	80.00%	20.00%	Establishment
Jiangxi Chenming Paper Co., Ltd.	Nanchang	Nanchang	Paper making	42.46%	47.49%	Establishment
Shouguang Chenming Art Paper Co., Ltd.	Shouguang	Shouguang	Paper making	75.00%		Establishment
Hailaer Chenming Paper Co., Ltd.	Hailaer	Hailaer	Paper making	75.00%		Establishment
Shandong Grand View Hotel Co., Ltd.	Shouguang	Shouguang	Catering	70.00%		Establishment
Wuhan Chenming Hanyang Paper Holdings Co., Ltd	Wuhan	Wuhan	Paper making	65.205%	34.645%	Establishment
Chengdu Chenming Culture Communication Co., Ltd	Chengdu	Chengdu	Marketing	100.00%		Establishment
Shandong Chenming Financial Leasing Co., Ltd.	Jinan	Jinan	Financial leasing		100.00%	Establishment
Qingdao Chenming Nonghai Financial Leasing Co., Ltd	Qingdao	Qingdao	Financial leasing		100.00%	Establishment
Chenming (HK) Limited	Hong Kong	Hong Kong	Paper product Trading		100.00%	Establishment
Shouguang Hongyi Decorative Packaging Co., Ltd.	Shouguang	Shouguang	Packaging		100.00%	Merger and acquisition
Shouguang Xinyuan Coal Co., Ltd.	Shouguang	Shouguang	Coal		100.00%	Merger and acquisition
Shouguang City Run Sheng Wasted Paper Recycle Co., Ltd.	Shouguang	Shouguang	Purchase and sale of waste		100.00%	Merger and acquisition

X Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Shouguang Wei Yuan Logistics Company Limited	Shouguang	Shouguang	Logistics		100.00%	Merger and acquisition
Shandong Chenming Panels Co., Ltd. S	Shouguang	Shouguang	Panels		100.00%	Merger and acquisition
Shouguang Chenming Floor Board Co., Ltd.	Shouguang	Shouguang	Floor Board		100.00%	Merger and acquisition
Shouguang Chenming Cement Co., Limited	Shouguang	Shouguang	Cement		100.00%	Establishment
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Wuhan	Wuhan	Thermal power		51.00%	Establishment
Shandong Chenming Investment Limited	Jinan	Jinan	Investment		100.00%	Establishment
Japan Chenming Paper Co., Ltd.	Japan	Japan	Paper product Trading		100.00%	Establishment
Chenming International Co., Ltd.	the United States	the United States	Paper product Trading		100.00%	Establishment
Zhanjiang Chenming Arboriculture Development Co., Ltd.	Zhanjiang	Zhanjiang	Arboriculture		100.00%	Establishment
Yangjiang Chenming Arboriculture Development Co., Ltd.	Yangjiang	Yangjiang	Arboriculture		100.00%	Establishment
Nanchang Chenming Arboriculture Development Co., Ltd.	Nanchang	Nanchang	Arboriculture		100.00%	Establishment
Guangdong Huirui Investment Co., Ltd.	Zhanjiang	Zhanjiang	Investment		100.00%	Establishment
Weifang Chendu Equity Investment Partnership (Limited Partnership)	Weifang	Weifang	Investment	79.75%		Establishment
Jilin Chenming New-style Wall Materials Co., Ltd	Jilin	Jilin	Wall materials		100.00%	Establishment
Jilin Chenming Logistics Co., Ltd.	Jilin	Jilin	Logistics		100.00%	Establishment
Jiangxi Chenming Logistics Co., Ltd.	Nanchang	Nanchang	Logistics		100.00%	Establishment
Fuyu Chenming Paper Co., Ltd.	Fuyu	Fuyu	Paper making		100.00%	Establishment
Zhanjiang Meilun Pulp & Paper Co., Ltd.	Zhanjiang	Zhanjiang	Paper making		100.00%	Establishment
Shanghai Chenming Financial Leasing Co., Ltd.	Shanghai	Shanghai	Financial leasing		100.00%	Establishment
Guangzhou Chenming Financial Leasing Co., Ltd.	Guangzhou	Guangzhou	Financial leasing		100.00%	Establishment
Shanghai Hongtai Real Estate Co., Ltd.	Shanghai	Shanghai	Real estate		100.00%	Merger and acquisition
Shanghai Hongtai Property Management Co., Ltd.	Shanghai	Shanghai	Property		100.00%	Merger and acquisition
Shandong Chenming Commercial Factoring Co., Ltd	Jinan	Jinan	Business factoring		100.00%	Establishment
Guangzhou Chenming Commercial Factoring Co., Ltd.	Guangzhou	Guangzhou	Business factoring		51.00%	Establishment
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	Qingdao	Qingdao	Trading	30.00%	70.00%	Establishment
Shandong Chenming Coated Paper Sales Co. Ltd	Shouguang	Shouguang	Paper product Trading	100.00%		Establishment
Zhanjiang Chenming Port Co., Ltd.	Zhanjiang	Zhanjiang	Port		100.00%	Establishment
Beijing Chenming Financial Leasing Co., Ltd.	Beijing	Beijing	Financial leasing		100.00%	Establishment
Chenming Paper United States Co., Ltd.	the United States	the United States	Paper product Trading	100.00%		Establishment
Guangdong Chenming Panels Co., Ltd.	Guangdong	Guangdong	Panels		100.00%	Establishment
Shanghai Chenming Pulp & Paper Sales Co., Ltd.	Shanghai	Shanghai	Paper product Trading		100.00%	Establishment
Meilun (BVI) Limited	Cayman	Cayman	Commerce		100.00%	Establishment
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Fund	79.00%		Establishment

X Financial Report

IX. Interest in other entities (Cont'd)

1. Interest in subsidiaries (Cont'd)

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

Name of subsidiary	Principle place of business	Place of incorporation	Nature of business	Shareholding		Acquisition
				Direct	Indirect	
Nanjing Chenming Culture Communication Co., Ltd.	Nanjing	Nanjing	Marketing		100.00%	Establishment
Chenming (Overseas) Co., Ltd.	Hong Kong	Hong Kong	Paper product Trading		100.00%	Establishment
Chenming (Singapore) Co., Ltd.	Singapore	Singapore	Paper product Trading		100.00%	Establishment
Kunshan Tuoan Plastic Products Co., Ltd.	Kunshan	Kunshan	Rubber and plastic		100.00%	Merger and acquisition
Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)	Huanggang	Huanggang	Fund		59.97%	Establishment
Hainan Chenming Technology Co., Ltd.	Haikou	Haikou	Wholesale and retail		100.00%	Establishment
Qingdao Chenming Import and Export Trade Co., Ltd.	Qingdao	Qingdao	Trading		100.00%	Establishment
Shanghai Herui Investment Co., Ltd.	Shanghai	Shanghai	Business services		100.00%	Merger and acquisition
Hubei Huanggang Chenming Equity Investment Fund Management Co., Ltd.	Huanggang	Huanggang	Capital market services		60.00%	Establishment
Shandong Dingkun Asset Management Partnership (Limited Partnership)	Shouguang	Shouguang	Business services		99.9001%	Establishment
Huanggang Chenming Paper Technology Co., Ltd.	Huanggang	Huanggang	Paper making		100.00%	Establishment
Huanggang Chenming Port Co., Ltd.	Huanggang	Huanggang	Port services		51.00%	Establishment

(2) Major non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Minority interest	Gain or loss attributable to minority interest during the period	Dividend to minority interest declared during the period	Closing balance of minority interest
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	0.15%	-50,546.40		1,045,973.30
Shouguang Chenming Art Paper Co., Ltd.	25.00%	3,051,292.80		101,801,479.58
Shouguang Meilun Paper Co., Ltd.	37.5136%	26,857,174.06		3,142,626,187.55
Jiangxi Chenming Paper Co., Ltd.	10.05%	19,612,578.62		367,067,860.45

IX. Interest in other entities (Cont'd)

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

(1) Changing in shareholding in subsidiaries

In March 2021, Weifang Chenchuang Equity Investment Partnership (Limited Partnership) made a unilateral capital injection into Shouguang Meilun Paper Co., Ltd. Upon completion of the capital increase, 13.04% equity interest in Shouguang Meilun Paper Co., Ltd. was acquired by Weifang Chenchuang Equity Investment Partnership (Limited Partnership), and the transaction did not result in the loss of our control of Shouguang Meilun Paper Co., Ltd. As of 30 June 2021, the transaction resulted in an increase in minority interest of RMB914.08 million; In June 2021, a capital increase of Shouguang Meilun Paper Co., Ltd. was contributed on the part of CCB Investment – Shandong Development Debt-to-Equity Swap Investment Scheme and SWSC Innovation Investment Co., Ltd. Upon completion of the capital increase, the companies respectively acquired 15.56% and 2.22% equity interest in Shouguang Meilun Paper Co., Ltd., and the transaction did not result in the loss of the Group's control over Shouguang Meilun Paper Co., Ltd. As of 30 June 2021, the transaction resulted in an increase in minority interest of RMB1,475.38 million.

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

Unit: RMB

	Capital injection from Weifang Chenchuang Equity Investment Partnership (Limited Partnership) to Shouguang Meilun Paper Co., Ltd.	Capital injection from CCB Investment – Shandong Development Debt-to-Equity Swap Investment Scheme and SWSC Innovation Investment Co., Ltd. to Shouguang Meilun Paper Co., Ltd.
Amount of capital increase	900,000,000.00	1,600,000,000.00
Share of net assets of the Group after the capital increase	5,325,833,586.12	5,185,746,328.76
Share of net assets of the Group before the capital increase	5,338,136,620.06	5,091,039,021.20
Difference	-12,303,033.94	94,707,307.56
Of which: capital reserve adjustment	-12,303,033.94	94,707,307.56

IX. Interest in other entities (Cont'd)

3. Interest in joint arrangements or associates

(1) Major joint ventures and associates

Name of joint venture and associate	Principle place of business	Place of incorporation	Nature of business	Shareholding		Accounting method
				Direct	Indirect	
Weifang Senda Meixi Port Co., Ltd.	Weifang	Weifang	Port construction	50.00%		Equity method
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Ningbo	Ningbo	Investment management	40.00%		Equity method
Weifang Xingxing United Chemical Co., Ltd.	Weifang	Weifang	Chemical	50.00%		Equity method
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Zhuhai	Zhuhai	Investment management	50.00%		Equity method
Goldtrust Futures Co., Ltd.	Changsha	Changsha	Futures	35.43%		Equity method
Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Weifang	Weifang	Investment management	44.44%		Equity method
Guangdong Nanyue Bank Co., Ltd.	Guangdong	Guangdong	Bank	16.62%		Equity method

(2) Key financial information of major joint ventures

Unit: RMB

Weifang Senda Meixi Port Co., Ltd.	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Current assets	21,067,416.92	11,717,494.06
Of which: Cash and cash equivalents	6,320,558.73	5,739,139.97
Non-current assets	517,498,148.33	526,006,172.67
Total assets	538,565,565.25	537,723,666.73
Current liabilities	23,673,313.64	17,876,446.30
Non-current liabilities	365,662,252.47	370,515,018.03
Total liabilities	389,335,566.11	388,391,464.33
Equity interest attributable to shareholders of the parent company	149,229,999.14	149,332,202.40
Share of net assets based on shareholding	74,614,999.57	74,666,101.20
Adjusting events		
– Unrealised profit arising from intra-group transactions	7,237,736.13	7,277,405.72
Carrying amount of investment in joint ventures	81,852,735.70	81,943,506.92
Revenue	37,344,708.25	31,672,998.02
Finance expenses	10,648,523.23	10,889,263.03
Net profit	-181,542.45	-5,760,422.34
Total comprehensive income	-181,542.45	-5,760,422.34

IX. Interest in other entities (Cont'd)

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

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

Weifang Xingxing United Chemical Co., Ltd.	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Current assets	114,252,508.29	118,868,385.80
Of which: Cash and cash equivalents	31,215,037.20	37,588,664.71
Non-current assets	22,351,329.70	24,644,081.09
Total assets	136,603,837.99	143,512,466.89
Current liabilities	26,444,484.12	26,318,294.93
Non-current liabilities	17,085,537.65	22,662,556.59
Total liabilities	43,530,021.77	48,980,851.52
Equity interest attributable to shareholders of the parent company	93,073,816.22	94,531,615.37
Share of net assets based on shareholding	46,536,908.11	47,265,807.69
Adjusting events		
– Unrealised profit arising from intra-group transactions	44,612,417.60	44,608,577.43
Carrying amount of investment in joint ventures	91,149,325.71	91,874,385.12
Revenue	404,300.88	25,838.06
Finance expenses	-121,109.94	-289,698.53
Net profit	-1,450,118.81	-2,919,579.59
Total comprehensive income	-1,450,118.81	-2,919,579.59

(3) Key financial information of major associates

Unit: RMB

Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Current assets	5,384,295.10	24,928,544.79
Non-current assets	192,276,706.00	171,877,206.00
Total assets	197,661,001.10	196,805,750.79
Current liabilities	15,225.42	19,749.95
Total liabilities	15,225.42	19,749.95
Equity interest attributable to shareholders of the parent company	197,645,775.68	196,786,000.84
Share of net assets based on shareholding	79,058,310.27	78,714,400.34
Adjusting events		
– Others	119,835,177.57	119,835,525.93
Carrying amount of investment in associate	198,893,487.84	198,549,926.27
Net profit	858,903.93	1,290,560.77
Total comprehensive income	858,903.93	1,290,560.77

X Financial Report

IX. Interest in other entities (Cont'd)

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

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

Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Current assets	30,336,819.04	5,788,211.20
Non-current assets	62,260,108.00	99,020,108.00
Total assets	92,596,927.04	104,808,319.20
Current liabilities	5,000.00	5,000.00
Total liabilities	5,000.00	5,000.00
Equity interest attributable to shareholders of the parent company	92,591,927.04	104,803,319.20
Share of net assets based on shareholding	46,295,963.52	52,401,659.62
Carrying amount of investment in associate	46,295,963.54	52,401,659.62
Net profit	-12,211,392.16	-60,941.72
Total comprehensive income	-12,211,392.16	-60,941.72

Goldtrust Futures Co., Ltd.	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Current assets	529,485,420.97	764,236,547.83
Non-current assets	23,842,620.20	18,545,737.98
Total assets	553,328,041.17	782,782,285.81
Current liabilities	332,962,582.62	544,534,428.24
Non-current liabilities	33,221,917.81	32,169,041.10
Total liabilities	366,184,500.43	576,703,469.34
Equity interest attributable to shareholders of the parent company	187,143,540.74	206,078,816.47
Share of net assets based on shareholding	66,311,319.36	73,013,724.68
Adjusting events		
– Goodwill	104,073,292.25	104,073,292.25
– Others	12,927,099.73	12,279,914.66
Carrying amount of investment in associate	183,311,711.34	189,366,931.59
Revenue	9,407,419.49	28,397,850.32
Net profit	-17,089,018.40	1,437,175.40
Total comprehensive income	-17,089,018.40	1,437,175.40

IX. Interest in other entities (Cont'd)

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

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

Weifang Chenrong Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Current assets	1,307,636.81	281.95
Non-current assets	450,000,000.00	450,000,000.00
Total assets	451,307,636.81	450,000,281.95
Current liabilities	15,000.00	15,000.00
Total liabilities	15,000.00	15,000.00
Equity interest attributable to shareholders of the parent company	451,292,636.81	449,985,281.95
Share of net assets based on shareholding	200,554,447.80	199,973,459.30
Adjusting events		
– Others	-307,203.78	-267,823.02
Carrying amount of investment in associate	200,247,244.02	199,705,636.28
Net profit	39,382,203.34	-1,245,446.38
Total comprehensive income	39,382,203.34	-1,245,446.38

Guangdong Nanyue Bank Co., Ltd.	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Current assets	44,183,321,267.53	70,627,194,227.70
Non-current assets	174,380,381,424.19	169,970,138,147.42
Total assets	218,563,702,691.72	240,597,332,375.12
Current liabilities	179,422,366,670.13	197,253,124,440.72
Non-current liabilities	22,193,008,432.14	24,930,860,850.46
Total liabilities	201,615,375,102.27	222,183,985,291.18
Equity interest attributable to shareholders of the parent company	16,948,327,589.45	18,413,347,083.94
Share of net assets based on shareholding	2,816,812,045.37	3,060,298,285.35
Carrying amount of investment in associate	3,123,766,611.94	3,060,298,285.35
Revenue	2,009,057,538.56	2,372,383,445.87
Net profit	734,646,824.76	746,448,582.48
Total comprehensive income	21,000,000.00	

X Financial Report

IX. Interest in other entities (Cont'd)

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

(4) Summary financial information of non-major joint ventures and associates

Unit: RMB

	Closing balance/ Amount for the period	Opening balance/ Amount for the prior period
Joint ventures:	-	-
Total carrying amount of investment	22,324,311.63	22,032,934.47
Total amount of the following items based on shareholding	-	-
- Net profit	791,377.16	482,644.77
Associates:	-	-
Total carrying amount of investment	9,761,299.97	9,985,136.83
Total amount of the following items based on shareholding	-	-
- Net profit	-223,836.86	-528,399.77

(5) Excess loss of joint ventures or associates

Unit: RMB

Name of joint ventures or associates	Accumulated unrecognised loss incurred for prior periods	Unrecognised loss (or share of net profit) for the period	Unaccumulated and unrecognised loss for the period
Arjo Wiggins Chenming Specialty Paper Co., Ltd.	7,308,869.16		7,308,869.16
Xuchang Chenming Paper Co., Ltd.	35,911,505.00	11,152,964.00	47,064,469.00

X. Risk relating to financial instruments

Main financial instruments of the Group include monetary funds, bills receivable, accounts receivable, other receivables, non-current assets due within one year, other current assets, other non-current financial assets, long-term receivables, short-term borrowings, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable and long-term payables. Details of financial instruments refer to related notes. The risks associated with these financial instruments and the risk management policies adopted by the Group to mitigate these risks are described below. The management of the Group manages and monitors these exposures to ensure that the above risks are controlled in a limited extent.

1. Risk management goals and policies

The Group aims to seek the appropriate balance between the risks and benefits in order to mitigate the adverse effects on the Group's financial performance from financial risk. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and devise corresponding internal control procedures, and to monitor risks faced by the Group. Such risk management policies and internal control systems are reviewed regularly to adapt to changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

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

1. Risk management goals and policies (Cont'd)

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

The board of directors is responsible to plan and establish the Group's risk management structure, make risk management policies and related guidelines, and supervise the implementation of risk management. The Group has already made risk management risks to identify and analyse risks exposed to the Group. These policies mentioned specific risks, covering market, credit risk and liquidity risk etc. The Group regularly assesses market environment and the operation of the Group changes to determine if to make alteration to risk management policy and systems. The Group's operation of the Group changes to determine if to make alteration to risk management policy and systems. The Group's risk management is implemented by Risk Management Committee according to the approval of the board of directors. The Risk Management Committee works closely with other business department of the Group to identify, evaluating and avoiding certain risks. The Group's internal audit department will audit the risk management control and procedures regularly and report the result to audit committee of the Group.

The Group spreads risks through diverse investment and business lines, and through making risk management policy to reduce risks of single industry, specific area and counterpart.

(1) Credit risks

Credit risk refers to risk associated with the default of contract obligation of a transaction counterparty.

The Group manages credit risk based category. Credit risks mainly arose from bank deposit, bills receivable, accounts receivable, other receivables and long-term receivables etc.

The Group's bank deposit mainly deposits in state-owned banks and other large and medium-sized listed banks. The Group anticipated that the bank deposit does not have significant credit risk.

For bill receivable, accounts receivables, other receivables and long-term receivables, the Group set related policies to control exposure of credit risks. The Group evaluates client's credit quality and set related credit period based on the client's financial status, credit records and other factors such as current market situation etc. The Group keeps monitor the client's credit record and for client with deteriorate credit records, the Group will ensure the credit risk is under control in whole by means of written notice of payment collection, shorten or cancel credit period.

The Group's debtor spread over different industry and area. The Group continued to assess the credit evaluation to receivables and purchase credit guarantee insurance if necessary.

The biggest credit risk exposure of the Group is the carrying amount of each financial asset in the balance sheet. The Group did not provide financial guarantee which resulted in credit risks.

The amount of top 5 accounts receivable of the Group accounted for 22.33% (2020: 21.47%) of the Group's total accounts receivables. The amount of top 5 other receivable of the Group accounted for 73.41% (2020: 81.22%) of the Group's total other receivables.

X Financial Report

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

1. Risk management goals and policies (Cont'd)

(2) Liquidity risks

Liquidity risk refers to the risks that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, we obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash was generated from capital and bank and other borrowings. As of 30 June 2021, the Group's unused bank loan credit is RMB41,077.6910 million (31 December 2020: 38,894.7823 million).

As at the end of the period, the financial assets and financial liabilities of the Group are analysed by their maturity date as below at their undiscounted contractual cash flows (unit: in ten thousand RMB):

Item	30 June 2021					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Financial assets:						
Monetary funds	1,639,351.48					1,639,351.48
Accounts receivable	151,776.74	19,539.07	24,831.81	37,539.57		233,687.19
Accounts receivable financing	92,120.12					92,120.12
Other receivables	153,841.88	94,909.15	11,920.67	8,937.35	9,448.92	279,057.97
Long-term receivables		47,113.76	403,793.60	3,420.00		454,327.36
Non-current assets due within one year	426,158.54					426,158.54
Other current assets	317,493.31					317,493.31
Total financial assets	2,780,742.07	161,561.98	440,546.08	49,896.92	9,448.92	3,442,195.97
Financial liabilities:						
Short-term borrowings	3,316,727.77					3,316,727.77
Bills payable	363,292.90					363,292.90
Accounts payable	354,043.90					354,043.90
Other payables	176,728.66					176,728.66
Non-current liabilities due within one year	525,253.20					525,253.20
Long-term borrowings		227,191.29	220,623.70	172,918.70	76,626.75	697,360.44
Lease liabilities		455.46	1,312.99	5,907.12		7,675.57
Long-term payables		112,863.46	52,477.66	1,043.45	72,750.00	239,134.57
Total financial liabilities and contingent liabilities	4,736,046.43	340,510.21	274,414.35	179,869.27	149,376.75	5,680,217.01

X Financial Report

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

1. Risk management goals and policies (Cont'd)

(2) Liquidity risks (Cont'd)

As at the beginning of the period, the financial assets and financial liabilities of the Group at the reporting date are analysed by their maturity date as below at their undiscounted contractual cash flows (in ten thousand RMB):

Item	31 December 2020					Total
	Within 1 year	1-2 years	2-3 years	3-4 years	Over 4 years	
Financial assets:						
Monetary funds	1,775,953.76					1,775,953.76
Accounts receivable	182,258.45	37,981.21	8,742.64	18,433.76		247,416.06
Accounts receivable financing	48,838.57					48,838.57
Other receivables	135,645.73	81,331.10	63,404.24	15,673.57		296,054.64
Long-term receivables		452,285.93	61,971.92	3,420.00		517,677.85
Other current assets	271,691.87					271,691.87
Non-current assets due within one year	422,274.42					422,274.42
Total financial assets	2,836,662.80	571,598.24	134,118.80	37,527.33		3,579,907.17
Financial liabilities:						
Short-term borrowings	3,279,399.30					3,279,399.30
Bills payable	299,893.67					299,893.67
Accounts payable	404,243.07					404,243.07
Other payables	177,772.24					177,772.24
Non-current liabilities due within one year	716,094.96					716,094.96
Other current liabilities	15,703.78					15,703.78
Long-term borrowings		258,446.95	203,956.69	10,909.00	334,402.46	807,715.10
Bonds payable		122,712.06			35,000.00	157,712.06
Lease liabilities		439.69	472.83	1,312.99	5,907.12	8,132.63
Long-term payables		151,420.09	66,617.10	16,778.59		234,815.78
Total financial liabilities and contingent liabilities	4,893,107.02	533,018.79	271,046.62	29,000.58	375,309.58	6,101,482.59

The financial liabilities disclosed above are based on cash flows that are not discounted and may differ from the carrying amount of the line items of the balance sheet. Financial guarantees issued do not represent the amount to be paid.

(3) Market risk

Market risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the changes in market price, including interest rate risk, exchange rate risk and other price risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of a financial instrument will be fluctuated due to the floating rate. Interest rate risk arises from recognised interest-bearing financial instrument and unrecognised financial instrument (e.g. loan commitments).

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

1. Risk management goals and policies (Cont'd)

(3) Market risk (Cont'd)

Interest rate risk (Cont'd)

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

The Group's finance department continuously monitors the interest rate position of the Group. At present, the Group did not enter into any interest rate hedging arrangements. However, the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Group's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

Interest bearing financial instrument held by the Group are as follows (in ten thousand RMB):

Item	Balance for the period	Balance for the prior year
Financial instrument with fixed interest rate		
Financial liabilities		
Of which: Short-term borrowings	3,316,727.77	3,279,399.30
Long-term borrowings	697,360.44	807,715.10
Bonds payable		153,687.74
Total	4,014,088.21	4,240,802.14
Financial instrument with float interest rate		
Financial assets		
Of which: Monetary funds	549,061.69	438,772.55
Total	549,061.69	438,772.55

The financial instruments held by the Group at the reporting date expose the Group to fair value interest rate risk. This sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and arisen from the recalculation of the above financial instrument issued at new interest rates. The non-derivative tools issued at floating interest rate held by the Group at the reporting date expose the Group to cash flow interest rate risk. The effect to the net profit and shareholder's equity illustrated in the sensitivity analysis as above is arisen from the effect to the annual estimate amount of interest expenses or revenue at the floating interest rate. The analysis is performed on the same basis for prior year.

X Financial Report

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

1. Risk management goals and policies (Cont'd)

(3) Market risk (Cont'd)

Exchange rate risk

Exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will be fluctuated due to the changes in foreign currency rates. Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The principal business of the Group is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, South Korean Won and Euro).

The following table details the financial assets and liabilities held by the Group which denominated in foreign currencies and amounted to RMB as at 30 June 2021 are as follows (in RMB ten thousands):

Item	Liabilities denominated in foreign currency		Asset denominated in foreign currency	
	As at the end of the period	As at the beginning of the period	As at the end of the period	As at the beginning of the period
USD	453,839.28	589,167.11	66,251.62	36,393.34
EUR	1,039.10	2,692.09	182.41	4,547.15
HKD	8,561.10	9,131.73	83.26	294.97
KRW				
JPY	0.05	0.05	880.88	880.88
GBP			7.33	4.64
Total	463,439.53	600,990.98	67,405.50	42,120.98

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

With other variables unchanged, the after-tax effect of the possible reasonable changes in the exchange rate of foreign currency to RMB on the current profit and loss of the Group is as follows (in RMB ten thousands):

Increase (decrease) in after-tax profits	Balance for the period		Balance for the period	
Increase in exchange rate of USD	5%	-19,379.38	5%	-27,638.69
Decrease in exchange rate of USD	-5%	19,379.38	-5%	27,638.69
Increase in exchange rate of Euro	5%	-42.83	5%	92.75
Decrease in exchange rate of Euro	-5%	42.83	-5%	-92.75

XI. Fair value

1. Fair value of assets and liabilities measured at fair value as at the end of the period

Unit: RMB

Item	Fair value as at the end of the period			Total
	Level 1	Level 2	Level 3	
I. Continuous measurement of fair value	-	-	-	-
(I) Financial liabilities held for trading	101,188,881.03			101,188,881.03
(1) Equity instrument investments	101,188,881.03			101,188,881.03
(II) Other non-current financial assets		1,221,910,000.00		1,221,910,000.00
(III) Biological assets		1,515,249,721.49		1,515,249,721.49
1. Consumable biological assets		1,515,249,721.49		1,515,249,721.49
Total assets continuously measured at fair value	101,188,881.03	2,737,159,721.49		2,838,348,602.52

2. Valuation techniques and qualitative and quantitative information for level 3 items measured on and not on a recurring basis

Unit: RMB

Item	Fair value as at the end of the period	Valuation techniques	Unobservable inputs	Range
Consumable biological assets:				
Forestry	1,515,249,721.49	Replacement cost method	Cost per mu for the first year of Eucalyptus	806 (ton/RMB)
			Cost per mu for the first year of Pines	592 (ton/RMB)
		Roll back method of market price	Unit price per ton of Eucalyptus wood	595 (ton/RMB)
			Unit price per ton of wet pine	435 (ton/RMB)
			Unit price per ton of Chinese fir	800 (ton/RMB)

X Financial Report

XI. Fair value (Cont'd)

3. Level 3 continuous measurement, adjustment between opening and closing value and sensitivity of unobservable inputs

The Company adopts sensitivity analysis techniques to analyse the possible effects of reasonable and probable changes in risk variables to profit or loss for the period or to the shareholders' equity. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant effect on the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

Item	Change in investment yield or discount rate	For the year		For the prior year	
		Impact on profit	Impact on shareholders' equity.	Impact on profit	Impact on shareholders' equity
Consumable biological assets	Increases by 1%	-37,734,399.41	-37,734,399.41	-32,178,275.96	-32,178,275.96
Consumable biological assets	Decreases by 1%	42,800,784.61	42,800,784.61	36,713,253.94	36,713,253.94

XII. Related parties and related party transactions

1. Parent company of the Company

Name of parent company	Place of incorporation	Business nature	Registered capital	Shareholding of the parent company in the Company	Voting right of the parent company in the Company
Chenming Holdings Co., Ltd.	Shouguang	Investment in manufacture of paper, electricity steam, and arboriculture	1,238,787,700	27.53%	27.53%

The ultimate controller of the Company is Shouguang State-owned Assets Supervision and Administration Office.

2. Subsidiaries of the Company

Please refer to Note IX. 1. Interest in subsidiaries for details.

3. Joint ventures and associates of the Company

Please refer to Note IX. 2. Interest in joint ventures or associates for details.

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

Name of joint ventures or associates	Relation
Shouguang Meite Environmental Technology Co., Ltd.	A joint venture of the Group
Weifang Xingxing United Chemical Co., Ltd.	A joint venture of the Group
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	A joint venture of the Group
Jiangxi Jiangbao Media Colour Printing Co., Ltd.	An associate of the Group
Chenming (Qingdao) Asset Management Co., Ltd.	An associate of the Group
Jiangxi Chenming Port Co., Ltd.	An associate of the Group
Weifang Sime Darby West Port Co., Ltd.	A joint venture of the Group
Guangdong Nanyue Bank Co., Ltd.	An associate of the Group

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

4. Other related parties

Name of other related parties	Relation
Shandong Shouguang Jinxin Investment Development Holdings Group Co., Ltd.	Shareholder of the Company's largest shareholder
Shouguang Henglian Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Shouguang Ruifeng Enterprise Investment Limited	Shareholder of the Company's largest shareholder
Chenming Holdings (Hong Kong) Limited	Subsidiary of the Company's largest shareholder
Zhanjiang Chenming Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Qingdao Hongji Weiye Investment Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengying Real Estate Co., Ltd.	Subsidiary of the Company's largest shareholder
Shouguang Hengtai Enterprise Investment Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Huixin Construction Materials Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Chenming Guangyuan Real Property Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Qingdao Chenming Nonghai Investment Co., Ltd. and its subsidiaries	A company invested by the Directors and senior management of the Company
Nanchang Chenjian New-style Wall Materials Co., Ltd.	A company invested by the Directors and senior management of the Company
Shouguang Hengde Real Estate Co., Ltd.	A company invested by the Directors and senior management of the Company
Zhejiang Huaming Investment Management Co., Ltd. and its subsidiaries	Directors served by the Company's Directors
Hebei Chenming Zhongjin Real Estate Development Co., Ltd. and its subsidiaries	Directors served by the Company's senior management
Wuhan Chenming Zhongjin Real Estate Co., Ltd. and its subsidiaries	Directors served by the Company's Supervisors in the past 12 months
Wuhan Rongsheng Zhongjin Development and Investment Co., Ltd. and its subsidiaries	Directors served by the Company's Supervisors in the past 12 months
Qingzhou Chenming Denaturation Amylum Co., Ltd.	Investee of the Company
Lide Technology Co., Ltd.	Investee of the Company
Chen Hongguo, Hu Changqing, Li Xingchun, Li Feng, Li Xueqin, Li Weixian, Li Zhenzhong, Dong Lianming and Yuan Xikun	Key management personnel

5. Related party transactions

(1) Purchase and sales of goods and rendering and receiving services

Table on purchase of goods/receiving of services

Unit: RMB

Related party	Details of related party transaction	Amount for the reporting period	Amount for the prior period
Shouguang Chenming Huisen Newstyle Construction Materials Co., Ltd.	Sales of electricity and steam	4,489,589.98	3,186,741.72
Shouguang Huixin Construction Materials Co., Ltd.	Sales of cement, coal, oil, etc.	1,183,941.17	2,422,678.94

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

5. Related party transactions (Cont'd)

(2) Guarantee

The Company as guarantor

Unit: RMB

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Weifang Sime Darby West Port Co., Ltd.	122,400,000.00	2017/12/20	2027/12/20	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	190,572,950.00	2021/3/11	2022/2/25	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	14,231,811.67	2021/2/4	2021/8/3	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	13,549,195.13	2021/3/5	2021/9/1	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	32,269,672.02	2021/3/24	2021/9/20	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	17,962,430.15	2021/3/26	2021/9/23	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	7,439,011.36	2021/3/8	2021/10/12	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	2,552,918.34	2021/3/8	2021/8/2	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	2,428,173.42	2021/3/15	2021/8/2	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	16,724,117.35	2021/3/17	2021/9/13	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	9,774,374.72	2021/3/19	2021/8/2	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	18,839,200.41	2021/4/15	2021/10/12	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	2,231,576.94	2021/4/21	2021/10/18	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	2,231,576.94	2021/4/21	2021/10/18	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	2,231,576.94	2021/4/21	2021/10/18	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	1,115,788.47	2021/4/21	2021/10/18	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	1,673,682.71	2021/4/28	2021/10/25	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	1,952,629.83	2021/4/29	2021/10/26	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	56,023,886.34	2021/5/4	2021/9/27	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	8,341,264.65	2021/5/12	2021/9/27	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	1,673,682.71	2021/6/15	2021/12/13	No
Shandong Chenming Paper Holdings Limited	Chenming (HK) Limited	50,085,736.71	2021/6/16	2021/12/13	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	3,900,000.00	2017/1/5	2021/9/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	36,260,000.00	2017/2/3	2021/9/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2021/12/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	40,160,000.00	2017/2/3	2022/3/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	33,420,000.00	2017/2/3	2022/6/26	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2020/10/22	2021/10/21	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	300,000,000.00	2020/12/23	2021/12/23	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	20,000,000.00	2021/4/20	2022/4/19	No
Shandong Chenming Paper Holdings Limited	Huanggang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2021/5/12	2021/5/11	No
Shandong Chenming Paper Holdings Limited	Jilin Chenming Paper Co., Ltd.	98,580,000.00	2021/1/20	2021/7/19	No
Shandong Chenming Paper Holdings Limited	Jilin Chenming Paper Co., Ltd.	18,000,000.00	2021/3/31	2022/3/8	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	200,000,000.00	2019/6/28	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	300,000,000.00	2019/7/1	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	85,000,000.00	2019/10/23	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	114,750,000.00	2019/11/22	2022/6/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2021/2/25	2022/2/24	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	99,000,000.00	2021/3/31	2022/3/30	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	73,000,000.00	2021/5/28	2022/5/27	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	150,000,000.00	2020/12/18	2021/12/17	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	12,920,200.00	2021/6/16	2021/12/10	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	90,000,000.00	2021/3/19	2022/3/18	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	100,000,000.00	2021/5/27	2022/5/23	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	16,473,255.00	2021/3/17	2021/9/13	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	30,140,898.26	2021/3/3	2021/8/30	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2021/6/10	2022/5/23	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021/6/15	2022/6/13	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021/6/23	2022/6/17	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	10,000,000.00	2021/6/24	2022/6/17	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	80,000,000.00	2021/6/18	2022/6/17	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	25,000,000.00	2021/6/21	2021/12/21	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	70,000,000.00	2021/4/16	2022/4/15	No
Shandong Chenming Paper Holdings Limited	Jiangxi Chenming Paper Co., Ltd.	49,500,000.00	2021/3/31	2022/3/30	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	253,301,644.84	2021/2/23	2021/8/23	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	420,452,396.28	2021/5/7	2022/4/29	No
Shandong Chenming Paper Holdings Limited	Shandong Chenming Paper Sales Co., Ltd.	100,000,000.00	2020/7/15	2021/7/12	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2020/12/23	2021/12/23	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2021/6/21	2022/6/21	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd.	10,000,000.00	2021/6/22	2022/5/30	No
Shandong Chenming Paper Holdings Limited	Shanghai Chenming Pulp & Paper Sales Co., Ltd.	80,000,000.00	2021/6/23	2022/5/30	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	124,976,460.75	2020/7/9	2021/7/9	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	112,481,429.12	2021/1/26	2021/7/26	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	100,000,000.00	2020/9/29	2021/9/29	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	132,532,591.40	2021/6/7	2021/12/4	No
Shandong Chenming Paper Holdings Limited	Shouguang Meilun Paper Co., Ltd.	163,597,622.70	2021/6/16	2021/12/14	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2019/7/12	2021/7/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	140,000,000.00	2019/12/4	2021/12/3	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	639,549,900.00	2019/12/27	2022/12/27	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021/1/15	2022/1/14	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	125,000,000.00	2021/1/20	2022/1/19	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,096,760.00	2021/2/5	2021/11/24	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	49,096,760.00	2021/2/5	2022/1/24	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021/1/5	2024/1/4	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	40,000,000.00	2021/2/9	2021/8/8	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2021/2/2	2022/2/1	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2021/2/19	2022/2/18	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	25,840,400.00	2021/3/26	2022/2/25	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2021/3/1	2021/8/28	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2021/3/2	2022/2/28	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,000,000.00	2021/2/5	2021/8/4	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2021/2/5	2021/8/4	No

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

5. Related party transactions (Cont'd)

(2) Guarantee (Cont'd)

Guarantor	Party being guaranteed	Amount under guarantee	Starting date of guarantee	Expiry date of Guarantee	Whether performance of guarantee is completed
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2021/2/20	2022/2/19	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/8/18	2021/8/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	67,000,000.00	2020/9/15	2021/9/14	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	99,600,000.00	2021/3/16	2021/9/12	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	110,000,000.00	2020/10/16	2021/10/15	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2020/10/16	2023/10/15	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/11/4	2021/11/3	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	45,220,700.00	2020/11/5	2021/10/13	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	115,000,000.00	2020/11/11	2023/11/10	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/11/12	2021/11/11	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	90,000,000.00	2020/11/16	2021/11/15	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	166,668,000.00	2020/11/18	2021/11/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2020/12/1	2021/11/30	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	200,000,000.00	2020/12/4	2021/12/3	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/12/10	2023/12/9	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2020/12/18	2021/12/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2020/12/18	2021/12/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	32,300,500.00	2020/12/24	2021/12/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,000,000.00	2021/3/10	2022/3/9	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	50,000,000.00	2021/4/8	2022/3/29	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021/4/19	2022/4/18	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	29,070,450.00	2021/4/30	2022/4/26	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	43,000,000.00	2021/5/1	2022/4/26	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	85,000,000.00	2021/5/8	2022/5/8	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	80,000,000.00	2021/5/12	2021/11/8	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	100,000,000.00	2021/5/28	2022/5/27	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	30,362,470.00	2021/6/16	2022/5/27	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	186,372,496.72	2021/6/20	2021/9/30	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	26,000,000.00	2021/6/18	2022/5/27	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	70,000,000.00	2021/6/18	2022/6/17	No
Shandong Chenming Paper Holdings Limited	Zhanjiang Chenming Pulp & Paper Co., Ltd.	9,000,000.00	2021/6/23	2021/12/20	No
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Chenming (HK) Limited	96,901,500.00	2019/3/28	2022/1/7	No
Jiangxi Chenming Paper Co., Ltd.	Chenming (HK) Limited	94,317,460.00	2021/3/17	2022/3/17	No
Shandong Chenming Financial Leasing Co., Ltd.	Zhanjiang Chenming Pulp & Paper Co., Ltd.	120,000,000.00	2020/8/5	2021/8/5	No
Shanghai Herui Investment Co., Ltd.	Shouguang Meilun Paper Co., Ltd.	200,000,000.00	2020/12/4	2022/6/27	No
Shanghai Herui Investment Co., Ltd.	Shouguang Meilun Paper Co., Ltd.	410,000,000.00	2020/12/4	2023/10/30	No
Shanghai Herui Investment Co., Ltd.	Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	25,000,000.00	2020/12/4	2023/10/30	No
Shanghai Herui Investment Co., Ltd.	Huanggang Chenming Pulp & Paper Co., Ltd.	195,000,000.00	2020/12/4	2023/10/30	No
Shandong Chenming Group Finance Co., Ltd.	Shandong Chenming Paper Holdings Limited	150,000,000.00	2021/6/23	2022/6/22	No
	Total	10,432,909,151.88			

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

5. Related party transactions (Cont'd)

(3) Related party lending and borrowing

Unit: RMB

Related party	Borrowing amount	Starting date	Expiry date	Description
Borrowing				
Chenming Holdings Co., Ltd.	210,000,000.00	1 January 2021	31 December 2021	
Guangdong Nanyue Bank Co., Ltd.	700,000,000.00	1 January 2021	31 December 2021	

6. Related party accounts receivable and accounts payable

(1) Accounts receivables

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Book balance	Bad debt	Book balance	Bad debt
Accounts receivable	Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	1,199,064.72	59,811.28	2,000,017.96	87,306.27
Other receivables	Weifang Sime Darby West Port Co., Ltd.	70,271,044.65	28,373,570.15	68,476,127.98	19,038,071.06
Other receivables	Shouguang Meite Environmental Technology Co., Ltd.	18,860,394.09	943,019.70	16,307,200.00	70,132.59

(2) Accounts payable

Unit: RMB

Item	Related party	Closing party	Opening balance
Accounts payable	Weifang Xingxing United Chemical Co., Ltd.	26,905,494.34	26,905,494.34
Other payables	Weifang Xingxing United Chemical Co., Ltd.	16,860,000.00	16,860,000.00
Other payables	Chenming Holdings Co., Ltd.	7,000,000.00	-
Accounts payable	Weifang Sime Darby West Port Co., Ltd.	11,276,253.67	-
Accounts payable	Shouguang Meite Environmental Technology Co., Ltd.	6,948,106.71	-
Other non-current liabilities	Guangdong Nanyue Bank Co., Ltd.		400,000,000.00

XIII. Share-based payment

1. General information of share-based payment

Applicable Not applicable

Unit: RMB

Total equity instruments of the Company granted during the period	None
Total exercised equity instruments of the Company during the period	None
Total invalid equity instruments of the Company during the period	None
Range of strike price and remaining periods of contracts of stock options excluding of which the Company issues at the end of the period	See explanation for details
Range of strike price and remaining periods of contracts of other equity instruments excluding of which the Company issues at the end of the period	None

Other explanation: the strike price of restricted shares is RMB2.85 per share. The shares shall be unlocked in separate batches, 40% of the shares shall unlock at 2022, 30% of the shares shall unlock at 2023 and 30% of the shares shall unlock at 2024.

2. Equity-settled share-based payment

Applicable Not applicable

Unit: RMB

The method of determining the fair value of equity instrument on the grant date	Ex-right price of grant of share
Basis for determining the quantity of exercisable equity instruments	See explanation for details
Reasons for significant difference between the current estimate and previous estimate	None
Accumulated amount of equity-settled share-based payment included in the capital reserve	58,816,960.12
Total amount of equity-settled share-based payment recognised in the current period	26,330,034.89

Other explanation: On 29 May 2020, the Resolution on the Matters Relating to Adjustments to the 2020 Restricted A Share Incentive Scheme of the Group and the Resolution in Relation to the Grant of Restricted Shares to the Participants were considered and approved at the tenth extraordinary meeting of ninth session of the Board and the fifth extraordinary meeting of the ninth session of the Supervisory Committee of the Company. It is determined that the grant date would be 29 May 2020, and the fair value of the restricted shares was the ex-rights price of the shares on the grant date. The Restricted Shares to be granted under the Incentive Scheme were “granted once and unlocked in batches”. For the period commencing from the first trading day after expiry of the 24-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed, 40% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 36-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked; for the period commencing from the first trading day after expiry of the 48-month period from the date on which the registration of the grant of the Restricted Shares is completed and ending on the last trading day of the 60-month period from the date on which the registration of the grant of the Restricted Shares is completed, 30% of the Restricted Shares will be unlocked. Meanwhile, during the three accounting years from 2021 to 2023, the Restricted Shares granted under the Incentive Scheme shall be subject to annual performance appraisal for unlocking. (for details of specific performance evaluation conditions, please refer to the announcement of the Company). At each balance sheet date during the vesting period, the Group, based on the latest information such as the latest update on the change in the number of entitled employees, will make best estimates to adjust the expected number of equity instruments that can be vested. As at the exercise date, the final estimated number of exercisable equity instruments should equal the actual number of exercisable equity instruments.

3. Cash-settled share-based payment

Applicable Not applicable

XIV. Undertaking and contingency

1. Significant commitments

Unit: RMB

Capital commitments contracted for but not yet necessary to be recognised on the balance sheet	Closing balance	Opening balance
Commitments in relation to acquisition and construction of long-term assets	269,719,611.42	236,106,766.83

2. Contingency

(1) Significant contingency as at the balance sheet date

In October 2005, the Company and Hong Kong Arjowiggins HKK2 Limited (“HKK2”) jointly established ArjoWiggins Chenming Specialty Paper Co., Ltd. in Shouguang, Shandong Province, which is engaged in the production of special paper, decoration paper and draft paper. However, such company experienced poor management due to financial crisis. Hence, such company was forced to dissolve in October 2008.

In October 2012, HKK2 submitted for arbitration application to Hong Kong International Arbitration Centre, Hong Kong Special Administration of PRC, on the ground of default of the joint venture agreement by the Company. In November 2015, Hong Kong International Arbitration Centre announced arbitration result, stating that the Company should compensate HKK2 with economic loss of RMB167 million, arbitration fee of HK\$3.30 million and legal fee of USD3.54 million, together with interest thereon calculated at 8% per annum. In October 2016, the Company received a statutory demand, stating that if the Company fails to perform the arbitration results within 21 days, the liquidation application on H shares of the Company will be submitted. Subsequently, HKK2 submitted H shares liquidation application to the arbitration centre.

In November 2016, the Company submitted application to the Court of First Instance of the High Court of the HKSAR and received an injunction, stating that “the applicant is prohibited from applying for liquidation on the Company”.

In February 2017, HKK2 submitted an appeal to the court. In June 2017, the court dismissed the injunction received by the Group. In the same month, the Group received the liquidation application submitted by the defendant to the High Court of Hong Kong, which alleged that the Group should compensate the defendant with economic loss of RMB167 million, legal fee of USD3.54 million and arbitration fee of HK\$3.30 million, together with interest thereon due to failure in compliance of the arbitration results.

In 2017, the Group made provision of RMB325,259,082.28 for the pending litigation.

Relevant appeal hearing of the Group on 15 July 2017 was completed in the Hong Kong High Court Appeal Court on the morning of 11 May 2018. At the end of the hearing, the court had instructed that another sentence be adjudicated.

On 5 August 2020, the Court of Appeal of the High Court of Hong Kong made a judgment and rejected our Company’s appeal request. The Company is seeking ways to re-appeal to protect the legal rights and interests of the Company and investors. However, as of 30 June 2021, the estimated loss was still uncertain. Therefore, the estimated liability must still be listed in the balance sheet.

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

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

XV. Post-balance sheet event

At 15 July 2021, the Company convened the twentieth extraordinary meeting of ninth session of the Board, and considered and approved the Resolution on the Matters Relating to redeeming the second and third tranches of the Preference shares, and agrees to redeem in full, Chenming You 02 and Chenming You 03, the redeeming price being the par value of the priority shares (RMB100 per share) plus current resolved payment of but unpaid fixed dividends (RMB5.17 per share), the redemption dates being the respective fixed dividend distribution dates of Chenming You 02 and Chenming You 03, namely 16 August 2021 and 22 September 2021. As of the reporting date of this report, the Company has completed the redemption and delisting process of Chenming You 02.

XVI. Other material matters

1. Segment information

(1) Basis for determination and accounting policies

According to the Group's internal organisational structure, management requirements and internal reporting system, the Group's operating business is divided into 5 reporting segments. These report segments are determined based on the financial information required by the company's daily internal management. The management of the Group regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The Group's reporting segments include:

- (1) Machine paper segment, which is responsible for production and sales of machine paper;
- (2) Financial services segment, which provides financial services;
- (3) Investment real estate segment, which is responsible for real estate rental;
- (4) Other segments, which is responsible for the above segments otherwise.

Segment report information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment when reporting to management. These accounting policies and measurement basis are consistent with the accounting policies and measurement basis used in preparing the financial statements.

(2) Financial Information of Reporting Segment

Unit: RMB

Item	Machine-made paper	Financial Services	Investment real estate	Others	Inter-segment offset	Total
Revenue	15,647,880,095.72	307,483,904.89	204,218,912.26	2,050,474,074.05	1,841,119,235.33	16,368,937,751.59
Operating costs	12,381,044,826.40	45,872,270.83	89,108,456.75	1,566,334,523.18	2,974,828,832.59	11,107,531,244.57
Total assets	105,777,817,055.34	19,551,306,927.34	6,340,554,629.61	10,124,440,524.82	51,193,089,992.76	90,601,029,144.35
Total liabilities	56,890,777,038.77	6,565,044,164.94	3,347,151,455.62	5,355,320,541.34	8,790,740,546.12	63,367,552,654.55

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

1. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Type	Book balance		Closing balance			Book balance		Opening balance		
	Amount	Percentage	Amount	ECL rate	Carrying value	Amount	Percentage	Amount	ECL rate	Carrying value
Accounts receivable assessed collectively for impairment	892,582,074.57	100.00%	4,546,642.37	0.51%	888,035,432.20	698,032,192.53	100.00%	3,195,631.29	0.46%	694,836,561.24
Of which:										
Accounts receivable from related party customers	887,202,829.40	99.40%			887,202,829.40	692,218,139.26	99.17%			692,218,139.26
Accounts receivable from non-related party customers	5,379,245.17	0.60%	4,546,642.37	84.52%	832,602.80	5,814,053.27	0.83%	3,195,631.29	54.96%	2,618,421.98
Total	892,582,074.57	100.00%	4,546,642.37	0.51%	888,035,432.20	698,032,192.53	100.00%	3,195,631.29	0.46%	694,836,561.24

Items assessed individually for impairment:

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

Unit: RMB

Ageing	Book balance	Closing balance Bad debt provision	ECL rate
Within 1 year	887,202,829.40		0.00%
Total	887,202,829.40		—

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

Unit: RMB

Ageing	Book balance	Closing balance Bad debt provision	ECL rate
Within 1 year	2,376,424.00	1,543,821.20	64.96%
1-2 years	0.00	0.00	
2-3 years	0.00	0.00	
Over 3 years	3,002,821.17	3,002,821.17	100.00%
Total	5,379,245.17	4,546,642.37	—

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

1. Accounts receivable (Cont'd)

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

Accounts receivable with collective provision for bad debts based on receivables from non-related parties
(Cont'd)

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs, please disclose the information about bad debt provision with reference to the way of disclosure of other receivables:

Applicable Not applicable

By ageing

Ageing	Book balance	Closing balance Bad debt provision	ECL rate
Within 1 year	889,579,253.40	1,543,821.20	0.17%
1-2 years	0.00	0.00	0.00%
2-3 years	0.00	0.00	0.00%
Over 3 years	3,002,821.17	3,002,821.17	100.00%
Total	892,582,074.57	4,546,642.37	-

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

Unit: RMB

Category	Opening balance	Provision	Changes in the period			Closing balance
			Recovery or reversal	Write-off	Others	
Bad debt provision of accounts receivables	3,195,631.29	1,434,777.93	83,766.85			4,546,642.37
Total	3,195,631.29	1,434,777.93	83,766.85			4,546,642.37

(3) Top five other receivables according to closing balance of debtors

The total amount of the Company's top five accounts receivable based on closing balance of debtors for the period was RMB892,002,690.31, which accounted for 99.79% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to RMB4,422,600.00.

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

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividend receivables	600,000,000.00	200,000,000.00
Other receivables	11,978,118,025.08	10,437,425,503.02
Total	12,578,118,025.08	10,637,425,503.02

(1) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Shandong Chenming Group Finance Co., Ltd.		200,000,000.00
Zhanjiang Chenming Pulp & Paper Co., Ltd.	600,000,000.00	
Total	600,000,000.00	200,000,000.00

(2) Other receivables

1) Other payables by nature

Unit: RMB

Nature	Closing book balance	Open book balance
Open credit	11,932,731,117.52	10,328,819,312.56
Guarantee deposit		7,312,361.03
Insurance premium	116,093.50	287,426.35
Reserve and borrowings	7,077,935.61	6,869,635.57
Others	38,192,878.45	94,136,767.51
Total	11,978,118,025.08	10,437,425,503.02

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

2. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

2) Particulars of bad debt provision

Unit: RMB

	Phase 1 ECLs for the next 12 months	Phase 2 ECLs over the entire life (not credit-impaired)	Phase 3 ECLs over the entire life (credit- impaired)	Total
Bad debt provision				
Balance as at 1 January 2021	90,410,049.59		65,082,456.61	155,492,506.20
Balance as at 1 January 2021 during the period	-	-	-	-
Provision for the period	11,024,963.20		786,420.82	11,811,384.02
Reversal for the period	25,120,610.61		17,097,798.68	42,218,409.29
Balance as at 30 June 2021	76,314,402.18		48,771,078.75	125,085,480.93

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

Applicable Not applicable

Disclosed by ageing

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	11,701,151,788.88
1-2 years	253,336,897.72
2-3 years	62,380,662.41
Over 3 years	86,334,157.00
Total	12,103,203,506.01
Less: Bad debt provision	125,085,480.93
Total	11,978,118,025.08

X Financial Report

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

2. Other receivables (Cont'd)

(2) Other receivables (Cont'd)

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

Provision of bad debt provision for the period:

Unit: RMB

Category	Opening balance	Provision	Changes in the period		Others	Closing balance
			Recovery or reversal	Write-off		
Bad debt provision for other receivables	155,492,506.20	11,811,384.02	42,218,409.29			125,085,480.93
Total	155,492,506.20	11,811,384.02	42,218,409.29			125,085,480.93

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

Unit: RMB

Name of entity	Nature	Closing balance	Maturity	Percentage to closing balance of other receivables	Closing balance of bad debt provision
Shanghai Chenming Financial Leasing Co., Ltd.	Open credit	2,608,700,000.00	Within 1 year	21.55%	0.00
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Open credit	1,903,166,425.75	Within 1 year	15.72%	0.00
Shandong Chenming Financial Leasing Co., Ltd.	Open credit	1,327,343,000.00	Within 1 year	10.97%	0.00
Shouguang Meilun Paper Co., Ltd.	Open credit	1,326,759,208.16	Within 1 year	10.96%	0.00
Shanghai Hongtai Real Estate Co., Ltd.	Open credit	1,097,071,450.89	Within 1 year	9.06%	0.00
Total	-	8,263,040,084.80	-	68.27%	0.00

3. Long-term equity investments

Unit: RMB

Item	Book balance	Closing balance		Book balance	Opening balance	
		Impairment provision	Carrying amount		Impairment provision	Carrying amount
Investment in subsidiaries	22,757,302,649.90		22,757,302,649.90	21,845,592,649.90		21,845,592,649.90
Investment in associates and joint ventures	347,421,950.81	5,994,545.96	341,427,404.85	352,509,931.98	5,994,545.96	346,515,386.02
Total	23,104,724,600.71	5,994,545.96	23,098,730,054.75	22,198,102,581.88	5,994,545.96	22,192,108,035.92

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

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

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (Carrying amount)	Change for the period			Closing balance (Carrying amount)	Closing balance of impairment provision
		Additional contribution	Withdrawn contribution	Impairment provision Others		
Chenming Paper Korea Co., Ltd.	6,143,400.00				6,143,400.00	
Chenming GmbH	4,083,235.00				4,083,235.00	
Hailaer Chenming Paper Co., Ltd.	12,000,000.00				12,000,000.00	
Huanggang Chenming Pulp & Paper Co., Ltd.	2,300,000,000.00	2,000,000.00			2,302,000,000.00	
Huanggang Chenming Arboriculture Development Co., Ltd.	70,000,000.00				70,000,000.00	
Jinan Chenming Investment Management Co., Ltd.	100,000,000.00				100,000,000.00	
Jiangxi Chenming Paper Co., Ltd.	822,867,646.40				822,867,646.40	
Shandong Chenming Power Supply Holdings Co., Ltd.	157,810,117.43				157,810,117.43	
Wuhan Chenming Hanyang Paper Holdings Co., Ltd.	264,493,210.21				264,493,210.21	
Shandong Grand View Hotel Co., Ltd.	80,500,000.00				80,500,000.00	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	5,082,500,000.00	27,500,000.00			5,110,000,000.00	
Shouguang Chenming Modern Logistic Co., Ltd.	10,000,000.00				10,000,000.00	
Shouguang Chenming Art Paper Co., Ltd.	113,616,063.80				113,616,063.80	
Shouguang Meilun Paper Co., Ltd.	4,449,441,979.31				4,449,441,979.31	
Shouguang Shun Da Customs Declaration Co, Ltd.	1,500,000.00				1,500,000.00	
Shandong Chenming Paper Sales Co., Ltd.	762,641,208.20				762,641,208.20	
Shouguang Chenming Import and Export Trade Co., Ltd.	250,000,000.00				250,000,000.00	
Shouguang Chenming Papermaking Machine Co., Ltd.	2,000,000.00				2,000,000.00	
Shouguang Chenming Hongxin Packaging Co., Ltd.	3,730,000.00				3,730,000.00	
Shandong Chenming Group Finance Co., Ltd.	4,000,000,000.00				4,000,000,000.00	
Chenming Arboriculture Co., Ltd.	45,000,000.00				45,000,000.00	
Shanghai Chenming Industrial Co., Ltd.	3,000,000,000.00				3,000,000,000.00	
Chenming (HK) Limited	118,067,989.55				118,067,989.55	
Chenming Paper USA Co., Ltd.	6,407,800.00				6,407,800.00	
Shandong Chenming Coated Paper Sales Co. Ltd.	20,000,000.00				20,000,000.00	
Weifang Chenming Growth Driver Replacement Equity Investment Fund Partnership (Limited Partnership)	162,790,000.00	627,210,000.00			790,000,000.00	
Weifang Chendu Equity Investment Partnership (Limited Partnership)		255,000,000.00			255,000,000.00	
Total	21,845,592,649.90	911,710,000.00			22,757,302,649.90	

X Financial Report

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

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

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Opening balance (Carrying amount)	Additional contribution	Withdrawn contribution	Investment gain or loss recognised under equity method	Change for the period			Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance (Carrying amount)	Closing balance of impairment provision
					Adjustment of other comprehensive income	Other change in equity interest						
I. Associates												
Jiangxi Jiangbao Media Colour Printing Co., Ltd.												
Zhuhai Dechen New Third Board Equity Investment Fund Company (Limited Partnership)	52,401,659.62			-6,105,696.08							46,295,963.54	
Ningbo Kaichen Huamei Equity Investment Fund Partnership (Limited Partnership)	198,549,926.27			343,561.57							198,893,487.84	
Chenming (Qingdao) Asset Management Co., Ltd.	8,674,551.18			22,349.05							8,696,900.23	
Subtotal	259,626,137.07			-5,739,785.46							253,886,351.61	
II. Joint ventures												
Shouguang Chenming Huisen New-style Construction Materials Co., Ltd.	4,945,742.03			1,242,575.51			500,000.00				5,688,317.54	
Weifang Sime Darby West Port Co., Ltd.	81,943,506.92			-90,771.22							81,852,735.70	
Subtotal	86,889,248.95			1,151,804.29			500,000.00				87,541,053.24	
Total	346,515,386.02			-4,587,981.17			500,000.00				341,427,404.85	

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

4. Revenue and operating costs

Item	Amount for the period		Amount for the prior period	
	Revenue	Costs	Revenue	Costs
Principal activities	4,032,722,509.28	2,973,878,062.69	3,138,096,400.01	2,554,698,324.61
Other activities	650,730,956.36	537,196,013.25	709,097,257.52	593,307,602.81
Total	4,683,453,465.64	3,511,074,075.94	3,847,193,657.53	3,148,005,927.42

Information related to revenue:

Category of contract	Machine-made paper segment		Others	Total
	Machine-made paper segment	Others		
Type of goods				
Including: Machine made paper	3,894,032,851.16			3,894,032,851.16
Material sales		409,810,971.82		409,810,971.82
Leasing		18,846,037.32		18,846,037.32
Others	138,689,658.12	222,073,947.22		360,763,605.34
Total	4,032,722,509.28	650,730,956.36		4,683,453,465.64

5. Investment gains

Item	Amounts during	
	the period	the prior period
Income from long-term equity investments accounted for using the cost method	2,669,260,273.97	681,230,000.00
Income from long-term equity investments accounted for using the equity method	-4,587,981.17	-1,660,968.93
Investment gain on disposal of long-term equity investments		3,100,000.00
Investment gain from other non-current financial assets during the holding period	15,000,000.00	
Total	2,679,672,292.80	682,669,031.07

XIIX. Supplementary information

1. Breakdown of extraordinary gains or losses for the current period

Applicable Not applicable

Unit: RMB

Item	Amount	Remark
Profit or loss from disposal of non-current assets (including write-off of asset impairment provision)	48,674,753.15	
Government grants (except for the government grants closely related to the normal operation of the Company and granted constantly at a fixed amount or quantity in accordance with a certain standard based on state policies) accounted for in profit or loss for the current period	125,144,721.79	
Except for effective hedging business conducted in the ordinary course of business of the Company, gain or loss arising from the change in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, as well as investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments	-89,980,570.69	
Consumable biological assets subsequently measured at fair value	-9,139,121.20	
Other gain or loss items within the definition of extraordinary gain or loss	15,264,970.71	
Less: Effect of income tax	30,517,886.75	
Effect of minority interest (after tax)	3,069,630.17	
Total	56,377,236.84	-

The Company defines non-recurring profit and loss according to the definition in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss and classifies non-recurring profit and loss listed in Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Their Securities to the Public – Non-recurring Profit and Loss as nonrecurring profit and loss, please explain the reason.

Applicable Not applicable

2. Return on net assets and earnings per share

Profit for the reporting period	Rate of return on net assets on weighted average basis	Earnings per share	
		Basic (RMB per share)	Diluted (RMB per share)
Net profit attributable to ordinary shareholders of the Company	8.94%	0.604	0.604
Net profit after extraordinary gains or losses attributable to ordinary shareholders of the Company	8.65%	0.585	0.585

When calculating financial indicators such as earnings per share and rate of return on weighted average net assets, the interest on perpetual bonds of RMB44,481,369.86 from 1 January 2021 to 30 June 2021 and the dividends issued and declared by preference shares of RMB207,065,968.66 in 2021 are deducted.

XIIX. Supplementary information (Cont'd)

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

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

Applicable Not applicable

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

Applicable Not applicable