



**C&S PAPER CO.,LTD.**

**2 0 2 1**  
**Annual Report**

## **Section I Important Notice, Contents and Definitions**

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

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

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

**Discrepancies in the sum of decimals in this report are caused by rounding.**

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

**The Company has described potential risk factors and countermeasures that may exist in its operations in Section III Discussion and Analysis of the Management and Section XI Future Development Prospects of the Company. Investors are advised to pay attention to the relevant contents.**

**The Board meeting has deliberated and approved the following profit distribution proposal: distribute a cash dividend of RMB 1.0 (tax included) for every 10 shares to all shareholders and issue 0 bonus shares (tax included) based on the Company's total share capital minus the number of repurchased shares as of the equity registration date of the Company's implementation of the profit distribution plan; meanwhile, no capital reserve will be converted into share capital.**

## Contents

Section I Important Notice, Contents and Definitions .....	1
Section II Company Profile and Key Financial Indicators .....	6
Section III Discussion and Analysis of the Management .....	11
Section IV Corporate Governance .....	47
Section V Environmental and Social Responsibilities .....	89
Section VI Significant Events .....	97
Section VII Changes in Shareholding and Information of Shareholders .....	123
Section VIII Particulars of Preference Shares .....	135
Section IX Corporate Bonds .....	136
Section X Financial Report .....	137

## **Documents Available for Inspection**

1. The 2021 Annual Report affixed with the signature of the Company's Legal Representative
2. Financial statements affixed with official stamps and the signatures of the Company's Legal Representative, the person in charge of accounting, and the person in charge of accounting department of the Company
3. Original of the audit report affixed with the stamp of the accounting firm as well as stamps and signatures of the certified public accountants
4. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed in the newspaper designated by the CSRC during the reporting period
5. Place for document inspection: Office of the Board of Directors

## Terms and Definitions

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

Mianyang Dolemi		Mianyang Dolemi Sanitary Products Co., Ltd.
Dazhou Dolemi		Dazhou Dolemi Sanitary Products Co., Ltd.
Guiyang Dolemi		Guiyang Dolemi Sanitary Products Co., Ltd.
Zhengzhou Dolemi		Zhengzhou Dolemi Sanitary Products Co., Ltd.
Xi'an Dolemi		Xi'an Dolemi Sanitary Products Co., Ltd.
Zhanjiang Dolemi		Zhanjiang Dolemi Sanitary Products Co., Ltd.
Yunnan Dolemi		Yunnan Dolemi Trading Co., Ltd.
Bloomage Jierou		Beijing Bloomage Jierou Biotechnology Co., Ltd.
Mazars		Mazars Certified Public Accountants (LLP)

## Section II Company Profile and Key Financial Indicators

### I. Company Information

Stock abbreviation	ZSJR	Stock code	002511
Stock exchange on which the shares are listed	Shenzhen Stock Exchange		
Chinese name of the Company	中顺洁柔纸业股份有限公司		
Abbreviation of Chinese name of the Company	中顺洁柔		
English name of the Company (if any)	C&S Paper Co., Ltd.		
Abbreviation of English name of the company (if any)	C&S		
Legal Representative of the Company	Liu Peng		
Registered address	No. 1 Longcheng Road, Dongsheng Town, Zhongshan City; an additional business premise is added: No. 136 Caihong Avenue, West District, Zhongshan City (F3, F4 F5 and stairwells of Building B1) (one business license and multiple business premises)		
Postal code of registered address	528414		
Historical changes of the Company's registered address	In order to optimize information of the specific registered address, the Company's registered address has been changed from "Shenglong Village, Tanbei, Dongsheng Town, Zhongshan City" to "No. 1 Longcheng Road, Dongsheng Town, Zhongshan City"; the actual address is not changed.		
Office address	No. 136 Caihong Avenue, West District, Zhongshan City		
Postal code of office address	528401		
Company website	<a href="https://www.zsjr.com">https://www.zsjr.com</a>		
Email	dsh@zsjr.com		

### II. Contact Persons and Contact Methods

	Sectary to the Board	Representative of securities affairs
Name	Zhang Haijun	Zhang Xia
Address	No. 136 Caihong Avenue, West District, Zhongshan City	No. 136 Caihong Avenue, West District, Zhongshan City
Tel	0760-87885678	0760-87885678

Fax	0760-87885669	0760-87885669
Email	dsh@zsjr.com	dsh@zsjr.com

### III. Information Disclosure and Location for Inspection of Documents

Websites on which the annual report is published as required by the stock exchange	Shenzhen Stock Exchange ( <a href="http://www.szse.cn">http://www.szse.cn</a> )
Media on which the annual report is published	<i>China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily</i> and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Location for inspection of the annual report	Office of the Board of Directors

### IV. Historical changes of the Company's Registration Information

Organization Code	914420007123239244
Changes in the Company's main businesses since listing (if any)	The Company's business scope was changed FROM "production and sales of high-class household paper products (excluding printing process); products being sold both at home and abroad" at the listing of the Company in 2010." TO "General items: manufacture of paper products; sales of paper products; Internet sales (excluding the sales of commodities requiring a permit); sales of daily necessities; sales of personal hygiene products; sales of household products; sales of sanitary products and disposable medical products; retail of cosmetics; wholesale of cosmetics; sales of knitwear; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-sue ceramic products; wholesale of kitchen utensils and daily groceries; R&D of kitchen utensils and daily groceries; retail of kitchen utensils and daily groceries; sales of Class I medical devices; manufacture of Class I medical devices; sales of Class II medical devices; sales of disinfectants (excluding hazardous chemicals). (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law) Licensed items: import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval); manufacture of Class II medical devices; operation of Class III medical devices; manufacture of Class III medical devices. (For items that must be approved in accordance with the law, companies may carry out business operations upon approval by relevant departments, and the specific business items are subject to the approval document or the permit issued by competent department) (Such items as involved in the business scope of the Company are: import and export of goods; import and export of technologies; operation of Class II and Class III medical devices; manufacture of Class II and Class III medical devices.) (The above items do not involve special management measures for the access of foreign investment.)"
Changes of controlling shareholder (if any)	None



## V. Other Relevant Information

Accounting firm engaged by the Company

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

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

Applicable  Not applicable

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

Applicable  Not applicable

## VI. Main Accounting Data and Financial Indicators

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

Yes  No

	2021	2020	Changes over last year	2019
Operating income (RMB)	9,149,870,464.80	7,823,528,416.32	16.95%	6,634,914,352.68
Net profit attributable to shareholders of the listed company (RMB)	581,097,222.93	905,889,081.41	-35.85%	603,832,650.83
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss (RMB)	567,912,188.04	891,552,986.81	-36.30%	588,728,468.59
Net cash flow from operating activities (RMB)	1,319,579,606.83	828,200,862.25	59.33%	1,360,374,901.86
Basic earnings per share (RMB/share)	0.45	0.70	-35.71%	0.47
Diluted earnings per share (RMB/share)	0.44	0.69	-36.23%	0.46
Weighted average return on net assets	11.82%	19.86%	-8.04%	16.42%
	End of 2021	End of 2020	Changes over end of last year	End of 2019
Total assets (RMB)	7,523,281,973.84	7,478,439,747.77	0.60%	6,026,271,823.64
Net assets attributable to shareholders of the listed company (RMB)	4,903,552,661.58	5,042,146,076.42	-2.75%	4,077,004,459.23

The lower of the net profits before and after deducting the non-recurring profit and loss in the most recent three accounting years is

all negative, and the audit report of the most recent year shows that the Company's ability to continue operations is uncertain.

Yes  No

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

Yes  No

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

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

Applicable  Not applicable

No such differences for the reporting period

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

Applicable  Not applicable

No such differences for the reporting period

## VIII. Major Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	2,102,126,213.63	2,145,515,622.75	2,027,210,890.87	2,875,017,737.55
Net profit attributable to shareholders of the listed company	271,122,802.99	136,038,514.16	77,263,562.65	96,672,343.13
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	267,298,568.37	131,689,666.32	77,203,406.36	91,720,546.99
Net cash flow from operating activities	334,905,166.23	402,960,621.96	141,257,300.73	440,456,517.91

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

Yes  No

## IX. Non-recurring Items and Amounts

Applicable  Not applicable

Unit: RMB

Item	Amount in 2021	Amount in 2020	Amount in 2019	Description
------	----------------	----------------	----------------	-------------

Profits/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-2,054,550.41	-2,980,604.57	-2,002,045.02	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company's normal business)	22,379,246.83	28,533,162.96	18,422,795.06	
Profits/losses from assets entrusted to others for investment or management	365,973.72	3,868,134.28	333,745.61	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds
Other non-operating income and expenses except for the aforementioned items	-4,941,142.49	-13,442,144.41	1,320,617.95	
Less: Influence of income tax	2,564,492.76	1,642,453.66	2,970,931.36	
Total	13,185,034.89	14,336,094.60	15,104,182.24	--

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

Applicable  Not applicable

The Company has no other profit and loss items that meet the definition of non-recurring profit and loss.

Descriptions where the Company defines any non-recurring profit and loss items listed in the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items during the reporting period

Applicable  Not applicable

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

## Section III Discussion and Analysis of the Management

### I. Status of the Industry in Which the Company Is Located during the Reporting Period

#### (I) Analysis of industry status quo

Under the influence of the pandemic, the economy at large encountered great downward pressure in 2021. Meanwhile, the household paper industry faced a certain degree of operating pressure due to multiple factors such as rising raw material prices, fierce market competition, and unsmooth global supply chain and power cuts/production restrictions in some regions. The excess capacity formed by the rapid growth in recent years and the large production capacity base of the entire industry have slowed down its pace of growth. Despite so, the growth rate in China will still surpass the global average.

#### (II) Development trends of the industry

1. Elimination of outdated production capacity will give more market opportunities to first-tier enterprises. Competent government departments at all levels have strengthened supervision, administration and enforcement of the household paper industry and promulgated a series of regulations and policies, including the *Development Policy of the Paper Industry*, the *Notice of the State Council on Printing and Distributing the Comprehensive Work Plan for Energy Conservation and Emission Reduction*, the *Discharge Standard of Water Pollutants for the Pulp and Water Industry*, the *Norm of Water Intake for Paper Products*, *The Twelfth Five-Year Plan for Paper Industry Development*, and the *Catalogs for the Management of Imported Wastes*. Companies with unreasonable economic scale, high energy and water consumption or not up to discharge standards were shut down or ordered for rectification within a time frame. Thus, a large number of backward production capacities have been eliminated. With increasingly stringent environmental protection polices, backward capacities and SMEs with poor anti-risk capabilities will be phased out at an accelerated speed, and the industry concentration level is expected to further increase.

2. Operating models are continually innovated and product structures are constantly optimized. With regard to the marketing of the household paper industry, except for traditional distributors and modern supermarkets, e-commerce channels are continuously expanded while their shares are rapidly growing. Some leading companies have been promoting social media marketing such as WeChat public accounts, Weibo, and live webcasting, and have increased inputs in the development of e-commerce channels. At the same time, in order to cater to the rapidly growing demands of consumers, companies continue to carry out product innovations, upgrade product specifications and packaging designs, optimize product structures, and develop new products by capturing in time changes in the consumption concepts of consumers. Diversified operating models emerge in the industry and

product structures are further optimized.

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

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

## **II. Principal Businesses of the Company during the Reporting Period**

Mr. Deng Yingzhong, founder of the Company, initiated his entrepreneurial process in 1979. Starting from intensive paper processing, the Company has developed into a diversified group company integrating R&D, production and sales after forty plus years of striving. It is among the first batch of household paper companies listed on China A-shares. The Company, with an adherence to the business philosophy of "building product, enterprise and professional brands", practices the "All We Care Is You" value proposition and continues to provide consumers with healthy, safe, environmental-friendly, comfortable and convenient products and services.

Currently the Company features three major brands, namely C&S, Sun and Dolemi. Main products include toilet paper, facial tissues, paper handkerchiefs, napkins, wet wipes, kitchen tissues, personal care products (sanitary pads), baby diapers, facial towels, etc. Specifics are given in the following:

### **(I) Household paper**

Face series: Face series are soft, delicate and pliable. Being wettable, the products can be used as face towels. Among them, the oil painting series combine quality and artistry and are therefore praised as "artwork of paper tissues".

Lotion series: Specially developed for female and infant consumers, the products contain moisturizing cream. With selected high-quality 100% virgin wood pulp and quality moisturizing cream, the paper is soft, delicate and

smooth. It is the professional moisturizing facial tissue brand trusted by consumers.

Natural Wood series: Made of 100% imported virgin wood pulp, the products are soft and pliable and meet the EU and U.S. requirements for food contact material testing. Consumers can feel rest assured for its high quality.

C&S Jin Zun series: The products are made from 100% imported raw wood pulp and the paper is thick, pliable, and reliable.

Sun series: The products use 100% virgin wood pulp. Targeting at the youth market, the brand serves as a powerful supplement to the Company's primary brand "C&S".

Wipe series: The Company offers a variety of wet wipe products catering to different user groups (including but not limited to adults, children and infants) and different purposes (including but not limited to cleaning wipes, wet toilet paper and wet wipes for equipment use). From basic skin cleansing to advanced care, the series can meet increasingly segmented demands and provide a better experience to consumers.

Kitchen towel series: Using 100% virgin wood pulp, the kitchen paper towels boast stronger oil-absorption and water-absorption power and are up to the EU and U.S. Requirements for food contact material testing, thereby better satisfying the multi-functional wiping needs of households. Meanwhile, the kitchen wet wipes boast expedite decontamination power without hurting hands.

## **(II) Personal care products**

The Company streamlined the personal care product business and anchored a new track for business development. It is committed to offering healthy life solutions with products + services for the whole family and all life scenarios. Revolving around the "Healthy Life" brand matrix, the Company hopes to re-create brand values. In addition, the Company has built self-operated online sales channels for care products based on e-commerce platforms to achieve omni retail.

## **(III) Quality health products**

Cleansing towel series: To address user pain points, the products make constant innovations in technology, materials and craftsmanship and select 100% plant cellulose fibers. The thicker 100g Cleaning Towel series have been introduced, which are committed to offering the optimal experience to consumers.

Business travel series: With the change of lifestyle, the Company understands that people are increasingly concerned about the hygiene problem during business travels. In view of this, it has developed the business travel series such as disposable compressed towels, rinse-free antibacterial hand sanitizers, alcohol sanitary pads, etc. These products are easy to carry, clean and hygienic and can guard the health of consumers anytime, anywhere. Among them, disposable compressed towels, disposable bath towels, etc. are made of plant fibers that are natural, environmental friendly and degradable. They really make travel easy.

Household series: The kitchen towels adopt advanced ultrasonic non-adhesive composite technology and double-sided texture design, with stronger water and oil absorption. With an ultra-high volume of 140 g/m<sup>2</sup>, the products are strong, tough, scrub-resistant, and not easy to flocculate and deform. In addition, the products are up

to EU and U.S. requirements for food contact material testing.

Mask series: Since the outbreak of the pandemic in 2020, in response to the call of the government, the Company started to produce masks to meet the demands for anti-pandemic materials. Its medical surgical masks feature “efficient filtration, low breathing resistance and comfortable wearing”. In the future, C&S will continue to escort the breathing health of consumers.

#### **(IV) Commercial channel products**

In addition to home use, the commercial channel products target at wider use scenarios such as office buildings, government departments, enterprises and institutions, factories, airports, hotels, restaurants, entertainment venues, department stores, etc. We offer a full range of cleansing and sanitation solutions and may customize products and services according to customer needs.

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

### **III. Analysis of Core Competitiveness**

#### **1. Belonging to the first echelon of the domestic household paper industry**

The Company is a top-performing enterprise in the first echelon of the domestic household paper industry with products available at all channels and both at home and abroad. In addition, it actively taps overseas markets including Southeast Asia, North Asia, Australia, the Middle East, and North America.

#### **2. Constantly optimized product structure and continuously improved product competitiveness**

The Company boasts three major brands, namely C&S, Sun and Dolemi. Main products include paper rolls, coreless rolls, facial tissues, tissue handkerchiefs, wipes (including wet toilet paper), personal care products, baby diapers, face towels, kitchen towels, etc.

The Company continues to optimize product structure and increase the sales proportion of high-end, high-margin products and non-roll categories. Efforts have been stepped up for the terminal sales of the Oil Painting, Face,

Lotion and other high-end, high-margin series. Precise brand marketing strategy combined with multi-channel sales layout will help improve the distribution and penetration of high-end, high-margin products, drive the growth of their shares, and hence steadily improve the profit margin and profitability of products.

In the context of COVID-19, consumers become increasingly concerned of health protection, which has driven their differentiated demands for high-end tissue paper. In view of this, C&S has grasped the changing trend of the market and precisely developed alcohol wet wipes, sanitary wipes, facial cleansing towel, compressed towel, disposable bath towel, mouthwash, mask and other non-traditional dry wipe products. In addition, high-end, high-margin non-traditional dry wipes have been positioned as a strategic category that will be prioritized in the future.

### **3. Professional and effective management team**

The R&D, production, procurement, quality control, marketing and sales teams have successively introduced excellent professionals since 2014. At present, the Company boasts the most outstanding R&D, production, branding and marketing teams in the industry. As such, its new product R&D, product quality, branding, sales and marketing have been effectively solidified. Most of the mid-level managers of the marketing team are core, backbone employees who have served in the Company for more than five years, with high sense of loyalty and strong professional competence. They can lead sales teams to work hard according to the strategic goals of the Company and promote the healthy and stable development of various business indicators. The management team of the Company has formulated long-term and strategic plans in line with actual situation of the Company, industry development level, and market demands. Moreover, the management team is capable of making reasonable decisions on operation management issues with relation to R&D, production, marketing, investment and financing, and effectively implementing such decisions. The excellent management team fundamentally guarantees the Company's competitiveness and sustainable development in the future.

### **4. Nationwide marketing network**

The Company has been building and improving its marketing networks with reasonable layout based on its keen and strategic insights. It has guaranteed its profitability by expanding its channels from a single dealer channel in 2015 to five channels at present, i.e. GT (General Trade), KA (Key Account), AFH (Away From Home), EC (E-Commerce), and RC (Retail Consumer). Its current marketing network covers most of the prefecture-level (and county-level) cities. Products are directly sold to counties and then distributed to towns. This helps achieve segmented and flat market operation and expand the dealer network.

Additionally, while ensuring the smooth operation of other channels, the Company has established a professional e-commerce operation team, devoted more resources to e-commerce platforms, built and strengthened the corresponding supply chain system, and intensified its routine operation management. At present, it has cemented long-term strategic cooperation with mainstream well-known platforms. The Company has strengthened the layout of emerging business models such as new retail, O2O and content marketing, while efforts have been



stepped up for livestream shopping and community group buying. In addition, it has developed an AFH service team for AFH channels and customer bases to match the growing AFH market. In response to the market changes of modern KA channels, the Company actively adjusts strategies and strives to improve efficiency and effectiveness of resource inputs.

Attributable to a robust sales network plus quality and diversified products, the Company is able to constantly consolidate its market basis, improve consumer experience, and enhance brand reputation, which can help achieve sustainable and stable growth in the future.

#### **5. Nationwide layout of production bases**

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

#### **6. Product quality at an international level**

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

#### **7. Good R&D capabilities**

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

#### **8. Advanced production equipment**

The Company drives development with technological progress and has introduced advanced papermaking equipment and processing equipment from Austria, Germany, Italy, Japan and other countries. The diversified equipment can produce a variety of products that can meet the differentiated needs of consumers. As a first-tier enterprise, the Company occupies a leading position in the industry when it comes to the scale and automation of production equipment. Advanced technology and highly automated equipment have strengthened the Company's

efficiency, further satisfied ever-growing market demands, and served as an unstoppable driving force to development.

### **9. Outstanding environmental protection awareness and technology**

Along with the deepening of industrialization, the concept of environmental protection has been deeply rooted among the people. The Company has adhered to the concept of "seeking green benefits and fulfilling corporate social responsibilities", and utilized advanced environmental protection technologies to pursue its objective of environmental protection. Its waste water and gas emissions are superior to the national standards. The Company actively fulfills its corporate social responsibilities and actively responds to China's strategic goals of "carbon peaking" in 2030 and "carbon neutrality" in 2060 by fully supporting and enforcing various environmental protection requirements of the government. In the future, the advantages and anti-risk capabilities of C&S in energy conservation and emission reduction will be further highlighted.

## **IV. Analysis of Principal Businesses**

### **1. Overview**

The situation of pandemic prevention and control was still challenging while international politics and economy remained complex during 2021. Under the influence of factors such as continual rise in material and energy prices, increasingly intensified market competition, consumers' more sensitivity to prices and more cautious consumption attitude, the household paper industry faces certain pressure and challenges in the short run. The management of the Company actively responds to such a severe situation through a series of effective actions like continued optimization of category structure, product innovation and upgrading, brand building and intensive channel cultivation, to promote the stable growth of sales. In 2021, the Company registered an operating income of RMB9.150 billion, up by 16.95% over the previous year. Lower-than-expected sales prices of major products and rising material and energy prices led to the increase of production costs. Meanwhile, the Company actively expanded and developed channels and increased strategic investment in brand promotion. As a result, the profitability has declined. The net profit attributable to shareholders of the Company was RMB581 million in 2021, a year-on-year decrease of 35.85%.

#### **(1) Continuously optimizing category structure and building channels in a deep and meticulous manner to promote steady sales growth**

During the reporting period, the Company continued to develop new products through innovations while adjusting the structure of existing categories. With a focus on brand building, C&S has accelerated the introduction and improved coverage of high-margin products, which has increased the sales shares of high-end, high-margin products and non-roll paper categories. Moreover, in order to adapt to changes in the consumption patterns of consumers, while ensuring the smooth operation of other channels, C&S has strengthened the layout and

development of new retail channels such as e-commerce and community group buying. Efforts have been stepped up in the construction of online distribution network and the upgrading of online operation and management system. The Company actively embraces livestream shopping and community group buying and explores more effective ways of traffic attraction. All these have enabled better market performances of high-margin and innovative products.

### **(2) Keeping up with new trends of consumption and establishing a standardized brand matrix through brand upgrading**

In 2021, the Company optimized its three business segments of household paper, personal care products and quality health products around the three scenarios of household care, personal care and travel care. In the household paper sector, driven by the dual brands of C&S and Sun, the Company continues to strengthen its high-end and young-oriented features and consolidate the influence of the parent brand on the sub-brand. Diversified professionals with rich experience in paper products and in beauty and skin care categories have been introduced, while the operation team for the Sun brand was re-organized with independent accounting, flat operation and flexible innovation. A clearer product positioning and hierarchical sequence have been defined after sorting out existing products, to create a more competitive product matrix. In addition, the Company also improved the high-end product line, launched a new brand strategy and effectively integrated resources. All these efforts have facilitated the quality development of the Company and its brands.

### **(3) Enhance product competitiveness with innovation and upgrading**

Product quality is always put at the forefront of development. The Company boasts a complete product development system as well as strong independent R&D capabilities and excellent product formula technologies. In 2021, in line with market developments and consumers' increasingly diversified product needs, the Company initiated innovative product development in household paper, quality health products and other business sectors for different usage scenarios and user groups. Efforts have been stepped up in the construction of internal R&D teams and cooperation with external scientific research institutions. Product matrix and sequence in various sectors were upgraded and optimized, with a focus on improving product quality and user experience. Design and innovation iterations have better satisfied consumer needs which are well received by consumers. This further increases user stickiness and consolidates product competitiveness.

### **(4) Improving organizational structure and building a talent development system to stimulate the vitality of corporate development**

2021 is an important year for the Company's reform and strategic development. Talent team building is of crucial importance to corporate development. Valuing and respecting employees and giving full play to their talents have been an eternal theme of the Company in the course of development. As such, C&S further improved its organizational structure, rank system and remuneration system and put in place diversified incentive mechanisms, to ensure the sound and standardized operation and management of the Company on one hand and fully stimulate

the vitality of employees and teams on the other. The Company attaches great importance to the cultivation of employees and always puts talent at the focal point of corporate development. Therefore, it constantly improves the talent management and development system and offers fair development channels and diverse education and training opportunities for employees. For this purpose, the Learning and Talent Development Center was officially established. The Company will establish a comprehensive internal talent pool for all levels, formulate an efficient talent echelon training mechanism and actively transform learning outcomes. All these will help build a future- and learning-oriented team and activate the new engine of corporate development. A priority of the Company is team cohesion and humanized care and management of employees. In order to enhance employees' sense of belonging and happiness, C&S has built simple and efficient communication channels and adopted a series of measures.

**(5) Successfully completing second phase unlocking/exercise of the stock incentive plan, thereby stimulating employees' enthusiasm for work**

During the reporting period, the Company successfully completed the unlocking of first-grant and reserved restricted shares in the second unlock period as well as the exercise of stock options in the second exercise period under the *2018 Stock Option and Restricted Stock Incentive Plan*. In this way employees could share the fruits of corporate development, which is conducive to stimulating their continual enthusiasm for work, tapping the value of all employees and laying a solid foundation for the long-term stable development of the Company.

**(6) Fulfilling corporate social responsibilities by supporting each other and passing on love**

As a national enterprise, C&S has never forgotten its original intention while forging ahead. The Company is enthusiastic about charity and actively fulfills corporate social responsibilities. In 2021, C&S was actively involved in pandemic prevention and control, flood relief, poverty alleviation, and other causes of promoting social, economic and cultural development. In joint efforts with the China Charity Federation, Guangzhou Charity Association, Zhongshan Charity Association and other charity organizations of various regions, the Company donated cash and materials with a cumulative worth over RMB14 million. Wherein, facing the severe flood in Zhengzhou and other regions in July 2021, the Company, in cooperation with several charity organizations including the Red Cross Society of China Zhengzhou Branch, quickly donated disaster relief materials with a total value of more than RMB2.5 million to disaster-stricken areas. As such, it has been awarded titles of "2021 Top 500 Chinese Corporate Philanthropists" and "2021 Top 500 Chinese Companies of Flood Relief Donations". In addition, the Company teamed up with the Chinese Dance Sport Federation and the China Ballroom Dance Federation and organized the "C&S Cup" dance competition. Meanwhile, C&S and Shenzhen Media Foundation jointly established the "Learning Fund" to actively promote the educational public welfare undertaking. Moreover, the Company carried out in-depth cooperation with Zhongshan Women and Children's Federation and jointly established the "Women's Home", with a purpose of promoting the entrepreneurship of moms, conducting welfare activities for children, caring for the health of women, and protecting the rights and interests of women and children.

Item	2021 (RMB)	2020 (RMB)	YoY changes (%)	2019 (RMB)
------	------------	------------	-----------------	------------

Operating income	9,149,870,464.80	7,823,528,416.32	16.95%	6,634,914,352.68
Operating cost	5,863,049,104.38	4,590,904,040.35	27.71%	4,005,421,052.70
Selling expenses	1,986,544,514.02	1,544,562,244.71	28.62%	1,369,553,843.95
Administrative expenses	341,144,204.30	364,914,344.30	-6.51%	294,516,937.35
Finance expenses	-7,261,174.19	-18,001,546.24	59.66%	21,476,411.75
Net cash flow from operating activities	1,319,579,606.83	828,200,862.25	59.33%	1,360,374,901.86

## 2. Operating income and cost

### (1) Composition of operating income

Unit: RMB

	2021		2020		YoY changes
	Amount	Proportion in operating income	Amount	Proportion in operating income	
Total operating income	9,149,870,464.80	100%	7,823,528,416.32	100%	16.95%
By industry					
Household paper	8,658,308,172.33	94.63%	7,499,908,172.64	95.86%	15.45%
Personal care	76,965,968.19	0.84%	100,000,774.38	1.28%	-23.03%
Others	414,596,324.28	4.53%	223,619,469.30	2.86%	85.40%
By product					
Finished products	8,713,110,024.38	95.23%	7,585,449,858.45	96.96%	14.87%
Semi-finished products	22,164,116.14	0.24%	14,459,088.57	0.18%	53.29%
Others	414,596,324.28	4.53%	223,619,469.30	2.86%	85.40%
By region					
Domestic	8,950,419,612.11	97.82%	7,652,670,691.06	97.82%	16.96%
Overseas	199,450,852.69	2.18%	170,857,725.26	2.18%	16.74%
By sales model					
Traditional	4,391,370,600.48	47.99%	4,245,105,604.08	54.26%	3.45%
Non-traditional	4,343,903,540.04	47.48%	3,354,803,342.94	42.88%	29.48%
Others	414,596,324.28	4.53%	223,619,469.30	2.86%	85.40%

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

√ Applicable □ Not applicable

Unit: RMB

	Operating income	Operating cost	Gross profit margin	YoY changes of operating income	YoY changes of operating cost	YoY changes of operating gross profit margin
By industry						
Household paper	8,658,308,172.33	5,455,519,068.17	36.99%	15.45%	25.63%	-5.11%
By product						
Finished products	8,713,110,024.38	5,481,370,370.28	37.09%	14.87%	25.51%	-5.34%
By region						
Domestic	8,950,419,612.11	5,740,188,110.38	35.87%	16.96%	27.57%	-5.33%
By sales model						
Traditional	4,391,370,600.48	2,858,854,536.20	34.90%	3.45%	14.65%	-6.36%
Non-traditional	4,343,903,540.04	2,642,267,718.22	39.17%	29.48%	40.11%	-4.62%

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

□ Applicable √ Not applicable

**(3) Whether the Company's goods sales income is greater than the labor service income**

√ Yes □ No

Industry	Item	Unit	2021	2020	YoY changes
Household paper	Sales volume	"0000" boxes	14,758.23	11,691.68	26.23%
	Production volume	"0000" boxes	14,982.63	11,691.94	28.14%
	Inventory	"0000" boxes	977.36	882.65	10.73%

Reasons for YoY changes of relevant data over 30%

□ Applicable √ Not applicable

**(4) Performance of major sales contracts and major procurement contracts already signed by the Company as of the end of the reporting period**

□ Applicable √ Not applicable

**(5) Composition of operating costs**

By industry and product

Unit: RMB

Industry	Item	2021		2020		YoY changes
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Household paper	Principal business cost	5,455,519,068.17	93.05%	4,342,663,520.12	94.59%	25.63%
Personal care	Principal business cost	45,603,186.25	0.78%	36,713,107.52	0.80%	24.21%
Others	Other business cost	361,926,849.96	6.17%	211,527,412.71	4.61%	71.10%

Unit: RMB

Product	Item	2021		2020		YoY changes
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Finished products	Principal business cost	5,481,370,370.28	93.49%	4,367,115,588.55	95.13%	25.51%
Semi-finished products	Principal business cost	19,751,884.14	0.34%	12,261,039.09	0.27%	61.09%
Others	Other business cost	361,926,849.96	6.17%	211,527,412.71	4.61%	71.10%

Description: None

**(6) Whether there are changes to the consolidated scope during the reporting period** Yes  No

As of December 31, 2021, the Company has 28 subsidiaries that are included in the consolidated scope, as detailed in “Note IX. Equities in Other Entities”. Compared with last year, ten subsidiaries have been newly added into while one subsidiary has been deleted from the consolidated scope during the reporting period. For details, see “Note VIII. Changes in Consolidated Scope”.

**(7) Whether there are significant changes or adjustments to the Company’s businesses, products or services during the reporting period** Applicable  Not applicable**(8) Major customers and suppliers**

Major customers of the Company

Total sales to the top five customers (RMB)	2,837,641,647.30
Proportion of sales to top five customers in total annual sales	31.01%

Proportion of sales to related party among the top five customers in total annual sales	0.00%
---	-------

## Information of the top five customers of the Company

No.	Name of customer	Sales amount (RMB)	Proportion in total annual sales
1	1st	1,077,211,583.41	11.77%
2	2nd	760,468,402.80	8.31%
3	3rd	532,628,247.02	5.82%
4	4th	269,613,897.11	2.95%
5	5th	197,719,516.96	2.16%
Total	--	2,837,641,647.30	31.01%

## Other description of major customers

Applicable  Not applicable

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

## Major suppliers of the Company

Total purchase amount from the top five suppliers (RMB)	2,394,581,210.24
Proportion of the total purchase amount from the top five suppliers in total annual purchase amount	46.60%
Proportion of purchase amount from related parties among the top five suppliers in total annual purchase amount	0.00%

## Information of the top five suppliers of the Company

No.	Name of supplier	Purchase amount (RMB)	Proportion in total annual purchase amount
1	1st	1,075,003,945.68	20.92%
2	2nd	562,316,616.08	10.94%
3	3rd	341,035,034.55	6.64%
4	4th	217,354,596.68	4.23%
5	5th	198,871,017.25	3.87%
Total	--	2,394,581,210.24	46.60%

## Other description of major suppliers

Applicable  Not applicable

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

### 3. Expenses

Unit: RMB

	2021	2020	YoY changes	Description of significant changes
--	------	------	-------------	------------------------------------



Selling expenses	1,986,544,514.02	1,544,562,244.71	28.62%	
Administrative expenses	341,144,204.30	364,914,344.30	-6.51%	
Finance expenses	-7,261,174.19	-18,001,546.24	59.66%	Financial expenses: This item recorded an increase of RMB10,740,372.05 or 59.66% in the reporting period compared with the same period in 2020, mainly owing to the increase in exchange losses and gains during the reporting period.
R&D expenses	211,964,212.18	190,298,633.61	11.39%	

#### 4. R&D investment

√ Applicable □ Not applicable

Name of main R&D project	Project purpose	Project progress	Intended goals	Expected impact on the future development of the Company
Development and launch of the natural wood kitchen paper	Use high-yield pulp to improve paper performance and advocate the concept of environmental protection.	Completed	All performance indicators are up to design requirements and better than national standards; new products are unveiled.	The natural wood kitchen paper series have been developed and launched. The series advocate environmental protection and have enriched the kitchen paper category of the Company. In addition, the series have helped tap the natural wood high-absorbent paper towel markets in overseas such as South Korea.
Development of antibacterial tissue paper and toilet paper products	With the raging of the pandemic, offer personal cleansing products to consumers. The product can remain bacteriostatic and clean after wiping, while the discarded objects are environmental friendly and can inhibit the growth of bacteria.	Completed	The antibacterial rate of the tissue reaches 90%; new products are unveiled.	The antibacterial series (tissue handkerchiefs, soft-packaged and box-packaged facial tissues, paper rolls and paper towels) have been developed, which have enriched product categories and improved product competitiveness in the context of the pandemic.
Development of the water-in-oil tissue handkerchief series	Further improve product quality on the basis of the oil painting series.	In progress Progress within the planned timeline	Water locking + wettable	The oil painting mini tissue handkerchiefs have become one of the Company's highest-end and best-selling products.

Development of the Lotion series	Use shea butter and Prinsepia utilis Royle oil in the Lotion series, to add to the selling points of and upgrade the level of products.	Completed	Improve the skin feeling of consumers and ensure stable formulation compatibility.	The Lotion series (portable facial tissue and facial tissue products) contain shea butter and Prinsepia utilis Royle oil, which has improved product competitiveness.
Replacing plastic packaging with paper packaging for commercial channel products	Respond to the “dual-carbon” policy and meet the environmental protection requirements for product export.	Completed	Obtain export orders and gradually promote such replacement in the packaging of other domestic products.	Pursue green development and fulfill corporate social responsibilities. Use paper to replace plastic and achieve mass production and sales of paper rolls, tissues, paper towels and napkins sold in commercial channels, to improve product competitiveness in the international market.
Launch of the 100g Cleansing Towel series	Develop a face towel that uses pure plant fiber while completely surpassing traditional towels in terms of performance and experience.	Completed	The 100g Cleansing Towel series feature plant fiber and cool diamond pattern. The products are stylish with strong cleansing effect but yet soft.	They are well liked by consumers with sales having doubled.

## Information on R&amp;D personnel of the Company

	2021	2020	Change ratio
Number of R&D personnel	409	397	3.02%
Proportion of R&D personnel	5.81%	6.00%	-0.19%
Educational structure of R&D personnel	—	—	—
Bachelor	69	67	2.99%
Master	1	1	0.00%
Associate degree and lower	339	329	3.04%
Age structure of R&D personnel	—	—	—
Under 30	95	89	6.74%
30~ 40	190	193	-1.55%
Above 40	124	115	7.83%

## R&amp;D investment of the Company

	2021	2020	Change ratio
Amount of R&D investment (RMB)	211,964,212.18	190,298,633.61	11.39%
Proportion of R&D investment in total operating income	2.32%	2.43%	-0.11%
Amount of capitalized R&D investment (RMB)	0.00	0.00	0.00%
Proportion of capitalized R&D investment in total R&D investment	0.00%	0.00%	0.00%

Reason for and impact of marked changes in the composition of the Company's R&D personnel

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## 5. Cash flow

Unit: RMB

Item	2021	2020	YoY changes
Sub-total of cash inflow from operating activities	9,097,936,828.93	7,802,290,765.25	16.61%
Sub-total of cash outflow from operating activities	7,778,357,222.10	6,974,089,903.00	11.53%
Net cash flow from operating activities	1,319,579,606.83	828,200,862.25	59.33%
Sub-total of cash inflow from investing activities	61,466,670.02	179,801,840.88	-65.81%
Sub-total of cash outflow from investing activities	708,619,852.14	561,677,417.02	26.16%
Net cash flow from investing activities	-647,153,182.12	-381,875,576.14	-69.47%
Sub-total of cash inflow from financing activities	222,066,759.33	411,994,677.00	-46.10%
Sub-total of cash outflow from financing activities	1,141,254,963.40	481,103,146.23	137.22%
Net cash flow from financing activities	-919,188,204.07	-69,108,469.23	-1230.07%

Net increase in cash and cash equivalents	-252,236,460.02	374,037,282.75	-167.44%
---	-----------------	----------------	----------

Major influencing factors for significant YoY changes in relevant data

Applicable  Not applicable

1. Net cash flow from operating activities: This item recorded an increase of RMB491,378,744.58 or 59.33% in the reporting period compared with 2020, mainly owing to the increase in sales revenue during the reporting period.

2. Net cash flow from investing activities: This item recorded a decrease of RMB265,277,605.98 or 69.47% in the reporting period compared with 2020, mainly owing to the decrease in the received principal of wealth management products and the increase in payment for engineering equipment during the reporting period.

3. Net cash flow from financing activities: This item recorded a decrease of RMB850,079,734.84 or 1230.07% in the reporting period compared with 2020, mainly owing to the decrease in cash received from borrowings and the increase in repurchased shares during the reporting period.

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

Applicable  Not applicable

## V. Analysis of Non-principal Businesses

Applicable  Not applicable

Unit: RMB

	Amount	Proportion in total profit	Explanation of reason	Is it consistently applied?
Investment income	365,973.72	0.05%	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds	No
Profit and loss from changes in fair value		0.00%		
Asset impairment	-27,791,339.98	-4.16%	Provision for impairment of inventories or fixed assets	No
Non-operating income	3,810,360.34	0.57%	Income from fine and compensation, others, and government grants	No
Non-operating expense	12,059,080.49	1.81%	External donations and others	No

## VI. Analysis of Assets and Liabilities

### 1. Significant changes in the composition of assets

Unit: RMB

	End of 2021		Beginning of 2021		Proportion changes	Description of significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	875,052,493.12	11.63%	1,125,196,199.56	15.02%	-3.39%	
Accounts receivable	1,177,831,399.28	15.66%	1,051,423,939.59	14.04%	1.62%	
Contract assets		0.00%		0.00%	0.00%	
Inventory	1,467,631,516.95	19.51%	1,661,274,495.32	22.18%	-2.67%	
Investment property	33,138,481.74	0.44%	34,575,365.94	0.46%	-0.02%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fixed assets	3,129,371,506.40	41.60%	2,792,587,302.21	37.28%	4.32%	
Construction work in progress	134,875,696.94	1.79%	275,904,617.95	3.68%	-1.89%	Construction work in progress: This item recorded a decrease of RMB141,028,921.01 or 51.12% in the reporting period compared with the beginning of 2021, mainly owing to the fact that certain construction work in progress reached the usable state and was thereby transferred to fixed assets during the reporting period.
Right-of-use assets	14,300,520.77	0.19%	12,852,715.53	0.17%	0.02%	
Short-term borrowings		0.00%	142,942,941.34	1.91%	-1.91%	Short-term borrowings: This item recorded a decrease of RMB142,942,941.34 or 100.00% in the reporting period compared with the beginning of 2021, mainly owing to the decrease in short-term loans from banks during the reporting period.
Contract liabilities	164,360,443.34	2.18%	137,333,617.40	1.83%	0.35%	
Long-term		0.00%		0.00%	0.00%	

borrowings						
Lease liabilities	5,565,928.14	0.07%	8,089,819.67	0.11%	-0.04%	Lease liabilities: This item recorded an increase of RMB2,523,891.53 or 31.20% in the reporting period compared with the beginning of 2021, mainly owing to the increase in lease liabilities that are reclassified as due within one year that during the reporting period.

High proportion of overseas assets

Applicable  Not applicable

## 2. Assets and liabilities measured at fair value

Applicable  Not applicable

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

Item	December 31, 2021	Reason for restriction
Monetary funds (RMB)	77,254,817.42	Security deposits for issuing letter of credit and notes
Total (RMB)	77,254,817.42	

## VII. Analysis of Investment

### 1. Overview

Applicable  Not applicable

Investment amount during the reporting period (RMB)	Investment amount of previous year (RMB)	Changes
708,619,852.14	561,677,417.02	26.16%

### 2. Major equity investment during the reporting period

Applicable  Not applicable

### 3. Major non-equity investment during the reporting period

Applicable  Not applicable

#### 4. Financial asset investment

##### (1) Security investment

Applicable  Not applicable

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

##### (2) Derivative investment

Applicable  Not applicable

Unit: RMB10,000

Name of the operator for derivative investment	Related relationship	Whether related party transaction	Type	Initial investment amount	Start date	End date	Investment amount at the beginning of the period	Amount bought in during the period	Amount sold during the period	Amount of impairment provision (if any)	Investment amount at the end of the period	Proportion of the investment amount at the end of the period in the Company's net assets at the end of the period	Actual profit or loss amount during the period
Industrial Bank	None	No	Sell USD put option	584.39	November 22, 2021	November 30, 2021	0	584.39	584.39	0	0	0.00%	1.43
Total				584.39	--	--	0	584.39	584.39	0	0	0.00%	1.43
Source of fund				Self-owned fund									
Litigation involved (if applicable)				Not applicable									
Disclosure date of the announcement regarding the Board's approval of derivative investment (if any)				December 15, 2020									
Disclosure date of the announcement regarding the shareholder meeting's approval of derivative investment (if any)				None									
Risk analysis and control measures of derivative positions during the reporting				Risk analysis: 1. Price fluctuation risk: Price fluctuations of underlying interest rates and exchange rates may lead to price changes of the financial derivatives, thereby causing losses; 2.									

<p>period (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks)</p>	<p>Internal control risk: Derivative trading is highly specialized and complicated, which may result in risks arising from poor internal control; 3. Liquidity risk: Transaction may become unable to be completed due to insufficient market liquidity; 4. Performance risk: The derivative contract may become unable to be fulfilled at maturity, thereby leading to default risk; 5. Legal risk: Relevant laws and regulations may be changed or the counterparty may violate relevant laws and regulations such that the contract cannot be normally executed, causing losses to the Company.</p> <p>Control measures: 1. Select financial derivatives with strong liquidity and controllable risks for trading; 2. Derivative trading should follow the primary principle of hedging for risks caused by exchange rate fluctuations to the greatest extent; operation strategies will be adjusted in a timely manner according to market conditions, to better hedge risks; 3. Carefully choose the counterparty of the derivative trading; 4. Assign specified personnel to continuously monitor the derivative contracts who will report cases of great market fluctuations or increased risks or significant floating profits or losses to the management of the Company timely, so as to respond actively; 5. Only conduct derivative trading with qualified financial institutions such as large commercial banks, to avoid possible legal risks.</p>
<p>Changes in market price or fair value of invested derivatives during the reporting period; analysis on fair value of derivatives should disclose the specific methods used as well as the setting of relevant assumptions and parameters</p>	<p>None</p>
<p>Whether there are significant changes to the accounting policies and specific accounting principles for derivatives during the reporting period compared with previous reporting period</p>	<p>No</p>
<p>Opinions of independent directors on the Company's derivative investment and risk control</p>	<p>The Company and its subsidiaries use foreign currency to pay for raw material purchases, so when the exchange rate fluctuates, exchange gains and losses will have a certain impact on the Company's business performance. Therefore, it is reasonable for the Company and subsidiaries to use financial tools to hedge exchange rate and interest rate risks. Moreover, the Company has formulated the <i>Management System on Financial Derivative Trading</i> to effectively regulate derivative investment and control derivative trading risks. There is no situation that damages the interests of shareholders of the Company.</p>

## 5. Use of raised funds

Applicable  Not applicable

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



## **VIII. Major Asset and Equity Sales**

### **1. Sales of major assets**

Applicable  Not applicable

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

### **2. Sales of major equity**

Applicable  Not applicable

## IX. Analysis of Main Holding and Joint-stock Companies

√ Applicable □ Not applicable

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

Unit: RMB

Company name	Company type	Principal businesses	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Jiangmen C&S	Subsidiary	R&D, production, and sales (including online sales): household paper, maternal and infant products, cosmetics, wipes, non-woven products, daily necessities, and cleaning supplies; sales (including online sales) of Class I and II medical devices. (The above items do not involve special management measures for the access of foreign investment) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments)	RMB345,985,032	1,780,552,592.09	1,480,447,512.18	1,549,237,057.08	147,293,548.73	126,564,846.03
Yunfu C&S	Subsidiary	R&D, production, wholesale, retail and online sales: household paper, sanitary products, maternal and infant products, daily necessities, cosmetics, medical devices, sanitary materials, non-woven fabrics and products, polymer materials and products, daily sundries, and disinfection supplies (excluding hazardous chemicals); wholesale, retail and online sales: food; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or	RMB650 million	2,203,509,133.31	1,356,504,806.54	3,184,105,149.86	287,089,326.26	246,098,218.58

		involving administrative approval); warehousing services (limited to warehouses qualified in fire protection without hazardous chemicals). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)						
Sichuan C&S	Subsidiary	Licensed items: production of sanitary products and disposable medical supplies; import and export of goods (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments, and the specific business items are subject to the approval document or the permit issued by relevant department). General items: sales of sanitary products and disposable medical supplies; sales of personal hygiene products; sales of daily necessities; manufacture of paper products; sales of paper products; manufacture of paper; manufacture of daily chemical products; sales of daily chemical products; sales of Class II medical devices; sales of Class I medical devices; manufacture of industrial textile products; sales of industrial textile products; manufacture of maternal and infant products; sales of maternal and infant products. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.)	RMB100 million	1,187,672,569.40	868,180,562.01	2,023,676,110.69	130,603,235.26	111,230,529.50

Hubei C&S	Subsidiary	Licensed items: production of sanitary products and disposable medical supplies; production of cosmetics (for items that must be approved in accordance with the law, companies may carry out business operations upon approval by relevant departments, and the specific business items are subject to the approval document or the permit issued by competent department). General items: sales of sanitary products and disposable medical supplies; retail of cosmetics; wholesale of cosmetics; manufacture of paper; sales of personal hygiene products; sales of knitwear; manufacture of maternal and infant products; sales of maternal and infant products; sales of paper products; manufacture of paper products; sales of daily necessities; sales of daily chemical products; sales of disinfectants (excluding hazardous chemicals); Internet sales (excluding the sales of commodities requiring a permit); sales of Class I medical devices; sales of Class II medical devices; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	RMB200 million	1,781,450,251.71	460,785,928.00	1,782,485,499.79	113,996,786.97	85,403,378.15
--------------	------------	--	----------------	------------------	----------------	------------------	----------------	---------------

Acquisition and disposal of subsidiaries during the reporting period

Applicable  Not applicable

Description of main holding and joint-stock companies

**X. Structured Entities Controlled by the Company**

Applicable  Not applicable

## **XI. Outlook of the Company's Future Development**

### **(I) Development strategy and planning of the Company**

Adhering to the goal of “building a century-old enterprise and creating a market value of hundred billion”, the Company practices the “targeted, people-oriented” action principle by bearing consumers, partners and employees in mind. It will continue to improve shareholder returns, optimize the experience of and reputation among consumers, and elevate the sense of belonging and happiness of employees.

The Company has defined the goal of strengthening basic management from 2022 to 2024. Specifically, it will comprehensively streamline and optimize the business processes, management system and structure of each operation and management sector including sales, marketing, finance, production, procurement and supply chain, gradually improve IT and data construction, and gradually enhance HR management and talent training and cultivation mechanism. In addition, it will gradually establish driven financial management and supply chain management systems, gradually set up an open, fair, efficient and professional procurement system, and comprehensively strengthen product quality and safe production management. Moreover, the Company will step up efforts for audit supervision, comprehensively enhance basic management capabilities and improve the refined management level, while reducing costs and increasing efficiency. All these will help consolidate the foundation for its long-term, healthy development.

The Company will always adhere to the core business of household paper and continuously solidify product layout and market competitiveness in the industry. Meanwhile, related diversified categories will be tried out as supplements.

As a member of the first echelon in China's household paper industry, the Company always puts product quality in the first place as it firmly believes that product is the lifeline of an enterprise. That is why it has been insisting on using advanced equipment and first-class raw materials to produce high-quality products. The Company will continue to improve its independent research and development capabilities and strengthen cooperation with external research and development institutions to enrich product formulas, optimize production processes and meet multi-level and differentiated market demands.

The Company will continue to optimize product structure and consolidate the coordinated management of traditional paper tissue, personal health care and quality health products. Moreover, high-end, high-margin non-traditional dry wipes have been positioned as a strategic category that will be prioritized in the future. Resources have been integrated to promote high-end, high-margin products such as the Oil Painting series, Lotion series, kitchen towels, wet toilet paper, facial tissues, Dolemi sanitary pads, and disposal products, which intends to drive the continual growth of their shares and steadily improve the Company's gross profit margin and

profitability.

The Company will continue to enforce the management requirements of building first-class brands, systems and staff team. Under the guiding marketing idea of “progressing through multiple channels, improving both volume and profit, transforming way of thinking while maintaining the correct and evolving the new”, the Company strives to build a marketing team and marketing concept featuring co-existence, co-prosperity, co-construction and co-development. By comprehensively optimizing product power, channel power and organizational power and consolidating basic business functions and marketing standardization, it has improved the execution and organizational strength of the marketing team in an all-round manner. Moreover, the Company constantly enhances its data-driven management ability and continuously improves and enriches incentive mechanisms for sales teams to seize channel network and terminal resources.

In line with market environment and sales progress, the Company will deploy production capacity in an orderly manner to achieve a dynamic balance between production and sales.

Horizontal integration and strategic alliance with key customers and leading enterprises will be continued by the Company.

## **(II) Major risks faced by the Company**

### **1. Risk of great fluctuations in pulp prices**

Pulp is an international bulk raw material and its price is obviously affected by the world economic cycle. With the repeated outbreak of the pandemic in early 2021, pulp imports encountered unstable shipping schedules and blocked transportation. Coupled with factors such as RMB appreciation, buying inflation and mismatch between supply and demand, pulp prices first surged and then eased back. Pulp is the primary raw material of the Company's production, accounting for 40%-60% of the total production costs. Therefore, substantial fluctuations in pulp prices pose a risk to the Company.

### **2. Risk of exchange rate fluctuation**

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

### **3. Risk of regional market competition**

Household paper is a vast market in China in terms of both geography and market space. Given the low unit value, transportation expenses taking up a large part of the sales price, and limitations of the transportation radius, the main competition in the household paper industry lies in regional markets. High-end, mid-end, and low-end products compete in regional markets, with the influence of spending power and consumption habit. Judging from

the development trend of the industry, mid- and high-end household paper of national brands has more competitive edge. However, at present, some regional brands have an advantage in some regional markets. Compared with overseas counterparts, China's household paper industry requires continued integration. The Company embraces production bases and a sales network across the country and offers mid- and high-end products under national brands. Nevertheless, it is inescapable from the risk of regional market competition.

#### **4. Risk of industrial policies**

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

#### **5. Risk of safe production**

Most of the materials involved in the household paper industry are flammable, including the main raw material of pulp, the main packing materials of plastic-film packing bags and cartons, the semi-finished product of body paper, and finished products. Due to the characteristics of low unit value and large market consumption, household paper manufacturers have to keep a mass of pulp, packing materials, and semi-finished and finished products from the entry of raw materials into the plant to the delivery of products to the market. Thus, fire can cause enormous losses to such manufacturers. In view of this, the Company has formulated strict fire management regulations for raw materials and semi-finished and finished products, established a full-time safety management department, equipped adequate fire protection equipment in production areas, and bought full insurance for risky properties. As such, the Company's fire safety risk is low. In addition, a large number of production lines have been put into use, which may pose certain occupational health hazard and cause harm to the occupational health of employees.



In response to possible occupational health hazards, the Company, at the equipment design and procurement stages, requires suppliers to carry out intrinsic safety design and fulfill the protection measures during the installation process. At the same time, the Company has passed the ISO45001 occupational health and safety (OHS) management system and continues to maintain its effective operations to reduce the occupational health and safety risks of employees. Even though the execution of all these measures has enabled the overall safe production risk to be controllable, the Company still faces certain safe production risks.

#### **6. Risk of logistics transportation**

In 2021, the COVID-19 pandemic has hindered domestic and foreign logistics transportation by sea and land to varying degrees, affecting both the Company's procurement and sales and upstream suppliers and downstream dealers. In other words, the Company has suffered from multiple dimensions. Though impacts of the pandemic are phased and temporary, risks are unavoidable for the Company as being at the mid- and downstream of the household paper industry chain.

## XII. Reception of Researches, Communications, Interviews and Other Activities

√ Applicable □ Not applicable

Reception time	Reception location	Reception method	Type of reception object	Reception object	Main content discussed and information provided	Index of the basic situation of the survey
April 28, 2021	/	Telephone communication	Institution	Aviva-COFCO Life Insurance, CITIC Securities, China Securities, ZTF Securities, Zhongtai Securities self-owned equity investment, CS Richland Asset, CICC Asset Management, Zheshang Securities, Topassets Management, CMS Asset Management, China Merchants Fund, Changsheng Fund Management, Changjun Capital Management (Shenzhen) Co., Ltd., Changjiang Securities, Changjiang Pension Insurance Co., Ltd., Great Wall Securities, Chang'an Assets, Chang'an International Trust, Golden Trust Sinopac Fund Management Co., Ltd., Genesis Capital, Yinhua Fund Management, Galaxy AMC, Symbol Investment (Shanghai) Co., Ltd., Industrial Securities, Xingtai Capital Management Limited, New Silk Road Investment, New China Fund, Atlantis Investment Management, Southwest Securities, Longwin Investment, Wanlian Securities, TF Securities, First-Trust Fund Management, Manulife Teda Fund Management, Taida Dingsheng Investment Management, Shenzhen Minsen Investment, Shenwan Hongyuan Securities, Shanghai Aerovelocity Asset Management CO., Ltd., Shanghai Yijinghui Asset, Shanghai Xianhu Investment Management Co., Ltd., Shanghai Qinyuan Investment, Shanghai Jujin Investment Co., Ltd., Perseverance Asset Management L.L.P., Orient Securities Asset Management Company Limited, Shanghai Chongshan Investment Co., Ltd., Shanghai CR Assets Investment Management Co., Ltd., Pinpoint Asset Management Limited, Taihang Capital Management, Qian Hai Life Insurance Co., Ltd., First Seafont Fund, AXA SPDB Investment Managers, Ping'an Asset Management Co., Ltd., Penghua Fund Management Co., Ltd., Ningbo High-Flyer Quant	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.

				Investment Management Partnership (Limited Partnership), China Southern Asset Management Co., Ltd., Morgan Stanley Fund, Orchid Asia, Commando Capital, Kaiyuan Securities, First Seafront Fund, Jingheng Investment, Invesco Great Wall Fund, Invesco Investment, Harvest Fund Management Co., Ltd., CoStone Capital, China Universal Asset Management, HSBC Bank, HSBC Qianhai Securities Limited, China Everwin Asset, Huaxi Securities, Huatai Securities, Huarong Securities Fund Department, Huachuang Securities, HuaAn Securities, HuaAn Fund Management Co., Ltd., Citibank, Hongde Fund Management Co., Ltd., Hongta Securities, Haitong Securities, Sinolink Securities, GH Shining Asset Management, Sealand Securities Asset Management Subsidiary, GuoDu Securities, GF Securities, GF Fund, JH Investment Management Co., Ltd., Everbright PGIM Fund Management Co., Ltd., Granford Capital, Gaozhi (Shanghai) Investment Management Co., Ltd., Goldman Sachs Asset Management, Crown Nice Investments, Huarong Securities Fund Department, Hua Chuang Securities, HuaAn Securities, HuaAn Funds, Hongde Fund, Founder Securities self-trading, FountainCap Research & Investment, Northeast Ronghui Securities Asset Management Co., Ltd., Aistar Ventures, Bohai Life Insurance Co., Ltd., Bin Yuan Capital, AceCamp International Limited, Beijing ZhiKai Investment Management Co., Ltd., Beijing Keywise Capital Management Limited, Kendall Square Capital, Beijing Hongcheng Capital Co., Ltd., Essence Securities, Shanghai Ivy Assets Management Co., Ltd., WT Asset Management Limited, Vontobel Asset Management Asia Pacific Limited, TORQ, Tiger Pacific Capital L.P., Schonfeld, Point72 Asset Management, Oasis Fund, Morgan Stanley, Millennium Capital, LYGH Capital, JK Capital, Golden Nest		
April 29, 2021	/	Telephone communication	Institution	LyGH Capital, R-Rock Investment, Fujian Haoshan Asset Management Co., Ltd., Orchid Asia Investment Group, Goldman Sachs Investment Management, Yijinghui Asset, Ningbo High-Flyer Quant Investment Management Partnership (Limited Partnership), CSFG Asset Management	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.

			<p>Limited, Jinshi Tongfang Technology Development Co., Ltd., Kadensa Capital, Tourmaline Asset, Optimas Capital, Ninety One Investment, Capital Fund, DAPU Asset Management, Zheshang Fund, Zheshang Securities, Rencent International Asset Management Company Limited, Cayman Asset, BOCHK Asset Management, Banyan Partners, ICBC Credit Suisse Fund, Ruihe Investment, Pinpoint Investment, BoYuan Investment, Cinda Australia Bank Fund, Guotai Junan Securities, OP Capital, Tianfeng Tiancheng Asset, Xinghua Asset Management, Shoreline Capital, Huapu Asset, CITIC Securities, Xinran Investment, Ivy Assets, Shanghai Senjin Investment, Sunflower Investment, Goldman Sachs Asset, Shanghai Luyong Asset, Yude Capital, CP Capital, Sumitomo Mitsui DS Asset Management, CICC, Foresight Investment, Rising Asset Management, Wukong Investment, West Lead Fund, Kendall Square Capital, JRL Assets, Cathay Securities Investment Trust, Chase Cloud Asset, Mars Asset, CCB Fund, Ganyuan Trading Co., Ltd., Hua Xi Securities, Dingfeng Asset, Changxin Fund, Springs Capital, KS Fund, Debon Securities, Lead House Investment, Hanhe Capital, Cranford Capital, Guosen Securities Asset Management, Windsor Capital, Shenzhen Finest Asset Management, PinPoint Investment, Tianhong Fund, New China Asset, China Merchants Securities, Upright Asset, CICC AMD, Anxin Asset Management, Xijing Investment, Shanghai Q.M. Fortune Management Partnership (Limited Partnership), Purest Assets, Founder Securities Equity Investment Department, Shanghai Minghe Investment Management Co., Ltd., Dajia Asset Management, Minsheng Wealth Investment Management Co., Ltd., BOC Wealth Management, Fangyuan Fund, BOC International Securities Asset Management Department, Platina Capital Management Limited (HK), FountainCap Research &amp; Investment (Hong Kong) Co., Ltd., Shenghua Wealth Investment Management Co., Ltd., Chengyi Capital, Dongguan Securities, Guotai Junan Securities, China Life Franklin, TEDA Manulife Fund Management Co., Ltd., Zhongtai Innovation Capital</p>		
--	--	--	---	--	--

				Management Co., Ltd., Rorschach Capital, Virtue First Investment, Banyan Partners, Beijing Aotianqi Investment Management Co., Ltd., Shining Stone Capital, Bank of China Investment Management, Shelwood Fund, Orchid Asia, Balings Fund, Lide Investment Holding, Pinebridge Investment, Eurizon Capital, TX Capital, Ankaa Capital, HSZ Investment, SPQ Asia Capital, Bosheng, Sunshine Insurance, Fidelity, Golden Nest, ROC, Knight Investment, Pinpoint, Dongxing Securities, Point72, DymonAsia Capital, Dawn Capital, Destination Capital, Manulife, EFG Asset Management, Golden Nest, Orchid Asia, ICBCI Investment Management, Citibank, Oberweis, Fuh Hwa Trust, Fountain Cap, WT, Macquarie Investment Management Business Trust, Athena Capital, Kenrich Partners, Bran Asset Management, Millennium Capital Management (Hong Kong) Limited, Goldman Sachs Asset Management, Tiger Pacific Capital LP, JK Capital Management Ltd., Citi Private Bank, Everest 8 capital		
May 07, 2021	/	Others	Others	Investors attending the online meeting of 2020 annual report briefing	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.
August 31, 2021	/	Telephone communication	Institution	Southern Asset Management, E Fund, Springs Capital, Harvest Fund, Invesco Great Wall Fund, Bank of Communications Schroders, Wells Fargo Fund, Dongfanghong Asset Management, Rongtong Capital, BOSC Asset, TEDA Manulife, Essence Securities, CICC Asset Management, China Post Life Insurance, China Life Security Fund, Zheshang Fund, Wanjia Fund, Jiahe Fund, China Europe Fund, Australia Bank Capital, Bin Yuan Capital, Bohai Huijin Asset Management Co., Ltd., Goldman Sachs Assets, Huabao Capital Fund, Huili Assets, Jiulian Assets, Liger Capital, Morgan Stanley Fund, Changxin Fund, Changsheng Fund, HuaAn Funds, Lion Fund, Koike Capital, New Silkroutes, ICBC Credit Suisse, Galaxy Fund, Zheshang Securities self-trading unit, Rabbit Fund, Centennial Asset, CS Richland	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.

				Asset, Red Elephant Investment, Gao Yi Assets, Magic Square Investment, Guohai Asset Management, First Seafront Fund, SWS MU Fund Management, Everbright Prudential, Qinyuan Investment, CITIC Asset Management, East Money Fund, Chengan Assets, Caitong Asset Management, Yijinghui, Bohai Huijin Securities, Haitong Securities self-trading unit, Kaiyuan Light Industry, Kaiyuan Securities, Guojin Securities, Guotai Junan Securities, Huatai Securities, HSBC Qianhai Securities, ZTF Securities, Debon Securities, China Merchants Securities, Zheshang Securities, Hualin Securities, Golden Nest Capital, Alliance Bernstein, Lazard, Wfund, Greencourt, Goldennest, Anatole, Pinpoint, Point72, Y2 Capital		
October 27, 2021	/	Telephone communication	Institution	Wisdomshire, Jiufu Fund, Essence Securities self-trading unit, Xiangsheng Asset, Guolian Life, Chengsheng Investment, ICBC Credit Suisse, Galaxy Fund, Wanjia Fund, Industrial Securities Global, E Fund, Great Wall Wealth Asset Management, Mingyu Asset, United Vision Asset Management, China Asset Management, Qiyao Investment, Century Securities, CS Richland Asset, Soochow Securities, China Merchants Securities, Southern Asset Management, Caitong Asset Management, Zheshang Securities self-trading unit, Magic Square Quantitative, Danyi Investment, Xinhua Asset, Goldman Sachs, Red Elephant Investment, Everbright Securities Asset Management, Generali China, Wanlian Securities, Chengan Assets, CCB Pension, Taikang Asset Management, Huatai Assets, China Europe Fund, China Life Security Fund, Chongyun Investment, HSBC Jintrust, Xingyin Wealth Management, Morgan Stanley, Ping An Asset Management, Huaan Securities self-trading, Bank of China Securities Asset Management, Ruiyang Investment, Huashang Fund, Morgan Stanley Huaxin Fund Management, China Post Life Insurance, Zheshang Fund, Everbright Prudential, Debon Fund, Honest Asset Management Co., Ltd., Minsheng Royal Fund Management, Shanghai Guandao Asset Management Co., Ltd., CICC Asset Management	Status quo and future development plan of the Company	Please refer to the record sheet of IR activities disclosed on CNINFO for details.

			<p>Department, Cinda Australia Bank Fund, Golden Eagle Fund, Qianhai Life Insurance, Hengfu Investment, Huabao Fund, Aijian self-trading, Essence Asset Management, Tianhong Fund, China Overseas Fund Management Co., Ltd., Jinglin Asset, Shenzhen Dadao Zhicheng Investment Management Partnership, Invesco Great Wall Fund, Essence Fund, China Universal Fund, CICC Asset Management, Nord Fund, SPDB Security Sheng, Ping An Pension, Cathay Pacific Fund, GH Shining Asset Management, China Life Asset Management, CITIC Asset Management, Guangdong Huizheng Investment Management Co., Ltd., AIA Asset Management Co., Ltd., Soochow Fund, Morgan Stanley, King tower Asset Management, Anatole, Value Partner</p>		
--	--	--	--	--	--

## Section IV Corporate Governance

### I. Basic Situation of Corporate Governance

#### 1. Basic situation of corporate governance

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

##### (1) In respect of shareholders and general meetings

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

##### (2) In respect of shareholders and the Company

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

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

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

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

The Board of Supervisors of the Company currently comprises 3 directors, among which one is employee supervisor. The Company conducts the selection of supervisors in strict accordance with provisions of the *Company Law* and the *Articles of Association*, and the number and composition of the Board of Supervisors meet



requirements of laws and regulations. All supervisors earnestly perform their duties as per requirements of the *Rules of Procedure of the Board of Supervisors* and other relevant regulations, to supervise the decision-making procedures and resolutions of the Board of Directors and the Company's legal operations and to effectively oversee the legality and compliance of directors, managers and other senior executives of the Company in their duty performance.

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

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

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

The Secretary of the Board of Directors of the Company is responsible for IR management while the Office of the Board of Directors carries out daily affairs of IR management. In order to further strengthen and improve IR management, the Company has formulated the *Investor Relations Management System*, the *Investor Compliant Management System*, and the *Administrative Measures for the Reception of Institutional Investors*. IR activities must be conducted in strict accordance with relevant provisions and it is strictly forbidden to disclose any undisclosed information of the Company. Personnel from the Office of the Board of Directors are dedicated to answering calls of investors, replying their emails, and responding to questions raised by investors on relevant interaction platforms, to maintain smooth and sound communication with investors. Response of investors has been positive.

The Office of the Board of Directors is responsible for the reception of investors and archival of relevant documents. Dedicated personnel are arranged to well receive investor visits. The Company properly arranges individual investors, analysts and fund managers who come to the Company for onsite research to visit the sites of the Company, discuss with them and sign the *Letter of Commitment* with them for information confidentiality. Records are well documented for each visit and the IR activity form is submitted to Shenzhen Stock Exchange within two trading days. On the basis of not violating relevant provisions of CSRC, Shenzhen Stock Exchange and the Company's *Information Disclosure Management System*, situations of the Company are presented in an objective, true, accurate and complete manner. The Company attaches great importance to IR management in its daily work by actively communicating with investors, understanding relevant situations, and listening to relevant suggestions. Attention is also paid to the cultivation of healthy long-term investors.

The Company will continue the good work in information disclosure and IR management, and ensure true, accurate, timely and complete information disclosure and smooth, convenient, fair and effective communication channels with investors.

(7) In respect of information disclosure and transparency

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

## (8) In respect of stakeholders

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

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

During the reporting period, the Company revised the *Rules of Procedure of the Board of Directors*, the *Rules of Procedure of the General Meeting of Shareholders*, the *Rules of Procedure of the Board of Supervisors*, the *Working Rules of the Audit Committee*, the *Working Rules of the Nomination Committee*, the *Working Rules of the Remuneration and Appraisal Committee*, the *Working Rules of the Strategy Committee*, the *Working Rules of the General Manager*, and the *Articles of Association* based on its operating conditions and relevant provisions. These have timely improved its governance and internal control management system.

Whether there are significant differences between the Company's actual status of corporate governance and laws, administrative regulations and CSRC normative documents on the governance of listed companies

Yes  No

There were no significant differences between the Company's actual conditions and laws, administrative regulations and CSRC normative documents on listed company governance.

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

The Company operates in strict compliance with the *Company Law* and the *Articles of Association*. It is independent from the controlling shareholder in terms of business, personnel, assets, institution, finance, etc. and has independent and complete business systems and independent management capabilities.

1. In respect of business: The Company has independent and complete supply, R&D, production and sales systems as well as the ability to operate independently in the market. It can independently conduct business, accounting and decision making and independently assume responsibilities and risks, without any reliance on the controlling shareholder or any other related party.

2. In respect of personnel: The Company has formed a complete system in terms of labor, personnel and salary management and has established an independent HR department to manage labor, personnel and salary independently of the controlling shareholder. It owns an independent workforce while its directors, supervisors and senior management have been created legally in accordance with the *Company Law*, the *Articles of Association* and other relevant laws and regulations. All senior managers work in the Company and collect salary without holding any position other than the director or supervisor in the controlling shareholder/its subsidiaries.

3. In respect of asset: The property relationship between the Company and the controlling shareholder is clear. The Company possesses independent legal person assets as well as production systems, auxiliary production systems and supporting facilities relating to production and operation. In addition, it independently owns lands, plants, equipment and machinery relating to production and operation. The Company completely controls all assets.

There is no situation in which assets and funds are appropriated by the controlling shareholder, thereby impairing interests of the Company.

4. In respect of institution: The Company has set up a sound organizational system aligned to its own production and operation needs. It functions independently and well without any subordination relationship with functional departments of the controlling shareholder.

5. In respect of finance: The Company has set up an independent financial and accounting department equipped with full-time financial personnel. It has also established an independent accounting system and a standardized financial management system and is able to make decisions relating to financial matters independently. The Company opens independent bank accounts and files for tax returns and performs taxation obligations independently. There is no shared bank account or mixed tax payment with the controlling shareholder.

### III. Horizontal Competition

Applicable  Not applicable

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

### 1. Shareholder meetings during the reporting period

Session of meeting	Type	Ratio of investor participation	Date of convening	Date of disclosure	Resolutions of the meeting
2021 First Extraordinary General Meeting	Extraordinary general meeting of shareholders	53.68%	January 21, 2021	January 22, 2021	Deliberated and approved: 1. <i>Proposal on Election of Non-Independent Directors of the Fifth Session of the Board of Directors</i> ; 2. <i>Proposal on Election of Independent Directors of the Fifth Session of the Board of Directors</i> ; 3. <i>Proposal on Election of Shareholder Representative Supervisors of the Fifth Session of the Board of Supervisors</i> ; 4. <i>Proposal on Changing the Business Scope and Amending the Articles of Association of the Company</i>
2021 Second Extraordinary General Meeting	Extraordinary general meeting of shareholders	54.85%	January 29, 2021	January 30, 2021	Deliberated and passed: 1. <i>Proposal on Building a New 400,000-ton Household</i>

					<i>Paper Project; 2. Proposal on Use of Self-owned Idle Funds for Reverse Repo of Treasury Bonds in 2021;</i>
2021 Third Extraordinary General Meeting	Extraordinary general meeting of shareholders	54.72%	April 07, 2021	April 08, 2021	Deliberated and approved: 1. <i>Proposal on By-election of Non-Independent Directors of the Fifth Session of the Board of Directors;</i> 2. <i>Proposal on Amending the Articles of Association of the Company</i>
2020 Annual General Meeting of Shareholders	Annual general meeting	54.78%	May 19, 2021	May 20, 2021	Deliberated and approved: 1. <i>Proposal on the 2020 Annual Report and Its Summary;</i> 2. <i>Proposal on the 2020 Work Report of the Board of Directors;</i> 3. <i>Proposal on the 2020 Work Report of the Board of Supervisor;</i> 4. <i>Proposal on the 2020 Final Financial Accounts;</i> 5. <i>Proposal on 2020 Profit Distribution Plan;</i> 6. <i>Proposal on the Remuneration of Directors in 2020;</i> 7. <i>Proposal on the Remuneration of Supervisor in 2020;</i> 8. <i>Proposal on Changing the Business Premise and Amending the Articles of Association of the Company</i>
2021 Fourth Extraordinary General Meeting	Extraordinary general meeting of shareholders	57.22%	June 07, 2021	June 08, 2021	Deliberated and approved: 1. <i>Phase III Employee Stock Ownership Plan (Draft) and Its Summary;</i> 2. <i>Administrative Measures for the Phase III Employee Stock Ownership Plan;</i> 3. <i>Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of</i>

					<p><i>Directors to Handle Matters Relating to the Phase III Employee Stock Ownership Plan; 4. Proposal on Continued Engagement of the Accounting Firm; 5. Proposal on Amending the Articles of Association of the Company; 6. Proposal on Amending the Rules of Procedure of the General Meeting of Shareholders; 7. Proposal on Amending the Rules of Procedure of the Board of Directors; 8. Proposal on Amending the Rules of Procedure of the Board of Supervisors; 9. Proposal on the Repurchase and Deregistration of Partial Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i></p>
2021 Fifth Extraordinary General Meeting	Extraordinary general meeting of shareholders	52.87%	November 17, 2021	November 18, 2021	<p>Deliberated and approved: 1. <i>Proposal on By-election of Non-Independent Directors of the Fifth Session of the Board of Directors</i></p>
2021 Sixth Extraordinary General Meeting	Extraordinary general meeting of shareholders	53.86%	December 20, 2021	December 21, 2021	<p>Deliberated and approved: 1. <i>Proposal on the Repurchase and Deregistration of Partial Reserved Restricted Stocks under the 2018 Stock Option and Restricted Stock Incentive Plan; 2. Proposal on Amending the Articles of Association of the Company; 3. Proposal on the Company's Application for Credit Lines from Banks in 2022; 4. Proposal on the Company's Provision of</i></p>

												Guarantee to Subsidiaries in 2022; 5. Proposal on Use of Self-owned Idle Funds for Reverse Repo of Treasury Bonds in 2022; 6. Proposal on the Company's Provision of Credit Guarantee to Dealers in 2022; 7. Proposal on By-election of Shareholder Representative Supervisors of the Fifth Session of the Board of Supervisors
--	--	--	--	--	--	--	--	--	--	--	--	---

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

Applicable  Not applicable

## V. Particulars of Directors, Supervisors and Senior Management

### 1. Basic information

Name	Position	Position status	Gender	Age	Start date of term of office	End date of term of office	Number of shares held at the beginning of the period	Increase of shares during the period	Decrease of shares during the period	Other changes (shares)	Number of shares held at the end of the period	Reason for change
Deng Yingzhong	Director	Incumbent	Male	71	December 12, 2008	January 20, 2024	6,752,811				6,752,811	
Liu Peng	Chairman	Incumbent	Male	42	April 12, 2021	January 20, 2024		61,300			61,300	Share increase
Liu Peng	President	Incumbent	Male	42	March 22, 2021	January 20, 2024						
Deng Guanbiao	Vice Chairman	Incumbent	Male	44	December 12, 2011	January 20, 2024	4,957,473				4,957,473	
Deng Guanjie	Vice Chairman	Incumbent	Male	38	June 22, 2020	January 20, 2024	1,200,974				1,200,974	

Zhang Yang	Director	Incumbent	Male	45	November 17, 2021	January 20, 2024					210,000	
Zhang Yang	Vice President	Incumbent	Male	45	July 12, 2021	January 20, 2024						
He Haidi	Independent Director	Incumbent	Male	54	March 10, 2017	March 09, 2023						
He Guoquan	Independent Director	Incumbent	Male	46	January 21, 2021	January 20, 2024						
Liu Die	Independent Director	Incumbent	Male	44	January 21, 2021	January 20, 2024						
Yue Yong	Vice President	Incumbent	Male	56	July 09, 2019	January 20, 2024	10,537,741		872,500		9,665,241	Share decrease
Li Zhaojin	Vice President	Incumbent	Male	59	April 12, 2021	January 20, 2024		10,800			10,800	Share increase
Deng Wenxi	Vice President	Incumbent	Female	48	April 27, 2021	January 20, 2024		21,100			21,100	Share increase
Zhao Ming	Vice President	Incumbent	Male	44	November 30, 2021	January 20, 2024					35,000	
Lin Tiande	Vice President	Incumbent	Male	42	November 30, 2021	January 20, 2024					317,521	
Zhang Haijun	Board Secretary, Vice President	Incumbent	Male	48	August 23, 2021	January 20, 2024						
Dong Ye	Chief Financial Officer	Incumbent	Male	58	December 12, 2011	January 20, 2024	228,725			15,000	243,725	Exercise of stock operations
Chen Haiyuan	Chairman of the Board of Supervisors	Incumbent	Male	68	September 22, 2015	January 20, 2024		16,900			16,900	Share increase
Liang Yongliang	Supervisor	Incumbent	Male	43	December 12, 2011	January 20, 2024						
Zhang Gao	Supervisor	Incumbent	Male	48	December 20,	January 20, 2024					72,000	

					2021							
Zeng Yi	Director	Resigned	Female	46	January 31, 2018	January 21, 2021						
Huang Hongyan	Independent Director	Resigned	Male	52	January 06, 2015	January 21, 2021						
Ge Guangrui	Independent Director	Resigned	Female	55	January 06, 2015	January 21, 2021						
Yue Yong	Director	Resigned	Male	56	January 21, 2021	March 18, 2021						
Deng Guanbiao	President	Resigned	Male	44	January 06, 2015	March 09, 2021						
Deng Yingzhong	Chairman	Resigned	Male	71	December 12, 2008	April 09, 2021						
Dai Zhenji	Director	Resigned	Male	56	June 15, 2020	April 28, 2021	1,670,000		142,500	-1,100,000	427,500	Cancellation of restricted shares due to resignation; exercise of stock options
Dai Zhenji	Joint President	Resigned	Male	56	June 22, 2020	April 28, 2021						
Li Youquan	Supervisor	Resigned	Male	43	January 31, 2018	July 12, 2021	62,280	3,000			65,280	Share increase
Zhou Qichao	Vice President	Resigned	Male	42	June 30, 2017	July 29, 2021	498,672		124,600		374,072	Share decrease
Zhou Qichao	Board Secretary	Resigned	Male	42	August 16, 2017	July 29, 2021						
Ye Longfang	Vice President	Resigned	Male	46	July 09, 2019	October 27, 2021	150,000				150,000	
Liu Jinfeng	Director	Resigned	Male	46	September 11, 2015	March 23, 2022	2,410,550		601,200		1,809,350	Share decrease
Liu Jinfeng	Vice President	Resigned	Male	46	January 31, 2018	March 23, 2022						
Total	--	--	--	--	--	--	28,469,226	113,100	1,740,800	-1,085,000	26,391,047	--

Whether there is any resignation of directors and supervisors or dismissal of senior management within their term of office during the



reporting period

Yes  No

1. On March 18, 2021, Mr. Yue Yong resigned from the position of Director; after resignation, he still serves as the Vice President of the Company.
2. On March 19, 2021, Mr. Deng Guanbiao resigned from the position of President; after resignation, he still serves as the Vice Chairman and member of the Strategy Committee of the Company.
3. On April 9, 2021, Mr. Deng Yingzhong resigned from the position of Chairman; after resignation, he still serves as the Director and Chairman of the Strategy Committee of the Company.
4. On April 28, 2021, Mr. Dai Zhenji resigned from the position of Director and Joint President; after resignation, he no longer holds any position in the Company.
5. On July 12, 2021, Mr. Li Youquan resigned from the position of Supervisor; after resignation, he no longer holds any position in the Company.
6. On July 29, 2021, Mr. Zhou Qichao resigned from the position of Board Secretary and Vice President; after resignation, he no longer holds any position in the Company.
7. On October 27, 2021, Mr. Ye Longfang resigned from the position of Vice President; after resignation, he no longer holds any position in the Company.
8. On March 23, 2022, Mr. Liu Jinfeng resigned from the position of Director and Vice President; after resignation, he still holds other positions in the Company.

Changes in directors, supervisors and senior management of the Company

Applicable  Not applicable

Name	Position	Type	Date	Reason
Zeng Yi	Director	Resigned upon expiry of term of office	January 21, 2021	Expiry of term of office
Huang Hongyan	Independent Director	Resigned upon expiry of term of office	January 21, 2021	Expiry of term of office
Ge Guangrui	Independent Director	Resigned upon expiry of term of office	January 21, 2021	Expiry of term of office
He Guoquan	Independent Director	Elected	January 21, 2021	Elected upon the change of board of directors
Liu Die	Independent Director	Elected	January 21, 2021	Elected upon the change of board of directors
Yue Yong	Director	Resigned	March 18, 2021	Voluntary resign
Deng Guanbiao	President	Dismissed	March 09, 2021	Voluntary resign
Liu Peng	President	Appointed	March 22, 2021	Appointed by the board of directors
Deng Yingzhong	Chairman	Resigned	April 09, 2021	Voluntary resign
Liu Peng	Chairman	Elected	April 12, 2021	Elected by the board of directors
Li Zhaojin	Vice President	Appointed	April 12, 2021	Appointed by the board of directors

Deng Wenxi	Vice President	Appointed	April 27, 2021	Appointed by the board of directors
Dai Zhenji	Director, Joint President	Resigned	April 28, 2021	Voluntary resign
Li Youquan	Supervisor	Resigned	July 12, 2021	Voluntary resign
Zhang Yang	Vice President	Appointed	July 12, 2021	Appointed by the board of directors
Zhou Qichao	Board Secretary, Vice President	Dismissed	July 29, 2021	Voluntary resign
Zhang Haijun	Board Secretary, Vice President	Appointed	August 23, 2021	Appointed by the board of directors
Ye Longfang	Vice President	Dismissed	October 27, 2021	Voluntary resign
Zhang Yang	Director	Elected	November 17, 2021	Elected by the general meeting of shareholders
Lin Tiande	Vice President	Appointed	November 30, 2021	Appointed by the board of directors
Zhao Ming	Vice President	Appointed	November 30, 2021	Appointed by the board of directors
Zhang Gao	Supervisor	Elected	December 20, 2021	Elected by the general meeting of shareholders
Liu Jinfeng	Director, Vice President	Resigned	March 23, 2022	Voluntary resign

## 2. Main working experience

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

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

Liu Peng, male, has a bachelor's degree and is a CPC member and of Chinese nationality. He successively served as the President of Industrial Bank Jiangmen Branch and Zhongshan Branch. He acts as the Chairman of the Company from March 2021 and the President of the Company from April 2021.

Deng Guanbiao, male and born in 1978, is of Chinese nationality and has the permanent residency in Republic of Gambia and the permanent resident status in Macao Special Administrative Region. He holds a bachelor's degree.

Starting to work in Zhongshan Zhongshun Paper Manufacturing Co., Ltd. in 1999, he was once a director and Deputy General Manager of that company and a director and General Manager of the Company. He served as the General Manager of the Company from 2015 to March 2021 and has been the Vice Chairman of the Company since 2011.

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

Zhang Yang, male and born in 1977, is of Chinese nationality and has no permanent residency abroad. He worked as the Sales Manager of Sichuan C&S from 2006 to September 2009 and successively as the Sales Manager, General Sales Manager and General Trade Manager of Chengdu C&S from October 2007 to June 2014. Afterwards, he served as the Deputy General Manager of the Company from January 2015 to January 2018 and as a director of the Company from December 2015 to January 2018. From July 2014 to June 2021, he was the General Manager of the Southwest Region of the Company. He acts as the Vice President of the Company from July 2021 and the director of the Company from November 2021.

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

He Guoquan, male and born in 1976, is of Chinese nationality and has no permanent residency abroad. He has a bachelor's degree and is a senior certified public accountant in China and Australia, an international certified internal auditor, and national accounting leading talent as ascertained by the Ministry of Finance. He once served as a non-independent director of Singapore-listed Debao Property Group and resigned in 2018. From 1997 to January 2022, he worked as a partner in GP Certified Public Accountants (Limited Liability Partnership). In January 2022, he joined the Guangdong Sinong Certified Public Accountants LLP and has been working there ever since. He has been as an independent director of the Company since January 2021.

Liu Die, male and born in 1978, is of Chinese nationality and has no permanent residency abroad. He graduated from South-Central University for Nationalities in 2005 with a master's degree in law theory. He passed the national judicial examination and obtained the lawyer's qualification certificate in 2004. From 2007 to 2018, he successively served as a lawyer in Guangdong Yashang Law Firm, Guangdong Hengyun Law Firm, and Guangdong Xiangshan Law Firm. Currently, he is the lead lawyer in Guangdong Liu Zhi Jun Law Firm. He acts as an independent director of the Company since January 2021.

Yue Yong, male and born in 1966, is of Chinese nationality. He joined Zhongshan Zhongshun Paper Manufacturing Co., Ltd. in 1993 and successively served as the Production Manager of Zhongshan Zhongshun and the General Manager of C&S (Sichuan) Paper Co., Ltd. He was a director and Deputy General Manager of Zhongshan Zhongshun between 2005 and 2008. Afterwards, he became a director and Vice President of the Company from 2009 to 2015. He has been the Procurement President since 2015 and the Vice President of the Company since July 2019.

Li Zhaojin, male and born in April 1962, is from Taiwan China and has a bachelor's degree. He joined the Gold Hongye Paper Group in 2005 and successively served as the Production Manager, Papermaking (Pre-production) General Manager, Manufacturing General Manager, etc. Mr. Li started to work for the Company since November 2019 and acts as the Vice President of the Company since April 2021.

Deng Wenxi, female and born in 1974, graduated from the University of Hong Kong with a master's degree. She worked as the General Branding Manager of Hengan International Group from April 2009 to May 2018. From June 2018 to December 2020, she served successively as the General Manager of the Marketing Center of Dongguan DeRucci Bedding Co., Ltd. and CEO of Guangdong DD-Generc, an entity invested by DeRucci's subordinate investment platform. She has been the Vice President of the Company from April 2021.

Zhao Ming, male and born in 1978, is of Chinese nationality and has a college degree. From 2005 to 2019, he successively worked in Hengan Group, Mengniu Dairy, Hulling Group, and Taison Group. From September 2019 to October 2021, he served as the General Manager of the North China Region of the Company. He has been the Vice President of the Company from November 2021.

Lin Tiande, male and born in 1980, is of Chinese nationality and has a college degree. Mr. Lin joined the Company in March 2003 and successively held positions of Director of the Engineering Department, Project Manager, General Manager of Jiangmen C&S, General Manager of Zhongshan C&S, Deputy General Production Manager, Production Director, and General Production Manager. He was the General Manager of the Technology Center from March 2020 and October 2021. He has been the Vice President of the Company from November 2021.

Zhang Haijun, male, was born in 1974 and has a bachelor's degree. From 1997 to 2001, he was engaged in financial work in Jiaozuo Coal Group. Later, he joined Zhongshan Zhongshun Paper Manufacturing Co., Ltd., first responsible for the financial and auditing work in 2004 and 2005 and then as the Manger of the Investment Management Department from 2006 to November 2008. He acted as the Board Secretary of the Company from December 2008 to December 2011 and then as the Vice President and Board Secretary from December 2011 to August 2017. From 2012 to 2018, he concurrently served as the independent director of Guangdong Fuxin Technology Co., Ltd. He has been the Vice President and Board Secretary of the Company since August 2021.

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

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

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

Zhao Gao, male and born in 1974, is of Chinese nationality and has a bachelor's degree. He worked in Jianglu Machinery Factory from July 1997 to May 2005. Afterwards, he joined Zhongshan Zhongshun Paper Manufacturing Co., Ltd. and served as an engineer in the project department from May 2005 to September 2006. From September 2006 to October 2010, he was the Engineering Department Manager and Procurement Department Manager of Zhejiang C&S. Since October 2010, he has been serving in the Company as the Equipment Manager of the Engineering Department, Vice President of Equipment and Engineering Director of the Technology Center in succession. He has been a supervisor of the Company since December 2021.

Positions in shareholder entities

√ Applicable □ Not applicable

Name	Name of shareholder entity	Position held in shareholder entity	Start date of term of office	End date of term of office	Whether receiving remuneration and allowance from shareholder entity
Deng Yingzhong	Guangdong Zhongshun Paper Group Co., Ltd.	Legal representative and executive director	May 28, 1999		No
Deng Yingzhong	Chung Shun Co.	Legal representative	June 01, 1996		No
Deng Guanbiao	Guangdong Zhongshun Paper Group Co., Ltd.	Supervisor	May 28, 1999		No
Description on position held in	None				

shareholder entity	
-----------------------	--

Positions in other entities

√ Applicable □ Not applicable

Name	Name of other entity	Position held in other entity	Start date of term of office	End date of term of office	Whether receiving remuneration and allowance from other entity
Deng Yingzhong	Shenzhen Zhongshun Caizhi Investment Co., Ltd.	General Manager			No
Deng Yingzhong	Bama Zhongshun Health Products Co., Ltd.	Director			No
Deng Yingzhong	Guangdong Zhongshun Paper Group Co., Ltd.	Executive Director			No
Deng Guanbiao	Shenzhen Zhongshun Caizhi Investment Co., Ltd.	Supervisor			No
Deng Guanbiao	Shenzhen Jinju Investment Co., Ltd.	Director			No
Deng Guanbiao	Zhongshan Zhongshun Caizhi Trading Co., Ltd.	Supervisor			No
Deng Guanbiao	Guangdong Zhongshun Paper Group Co., Ltd.	Supervisor			No
Deng Guanbiao	Household Paper and Paperboard Subcommittee of the National Paper Industry Standardization Technical Committee	Member			No
Deng Guanjie	Shenzhen Jinju Investment Co., Ltd.	Supervisor			No
Deng Guanjie	Zhongshan Zhongshun Caizhi Trading Co., Ltd.	Manager and Executive Director			No
Deng Guanjie	Shenzhen Zhongshun Caizhi Investment Co., Ltd.	Executive Director			No
Liu Peng	China National Household Paper Industry Association	Deputy Director			No
He Haidi	University of Electronic Science and Technology of China, Zhongshan Institute	Associate Researcher			Yes
He Guoquan	Guangdong Sinong Certified Public Accountants LLP	Partner			Yes
Liu Die	Guangdong Liu Zhi Jun Law Firm	Lead Lawyer			Yes

Zhang Haijun	Zhongshan Jufengbao Trading Co., Ltd.	Manager, Executive Director and Legal Representative			Yes
Description on position held in other entity	None				

Penalties by regulatory authorities on the Company's directors, supervisors and senior management both incumbent and resigned during the reporting period in the last three years

Applicable  Not applicable

### 3. Remuneration of directors, supervisors and senior management

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

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

Remunerations of directors and senior management are determined by the Remuneration and Review Committee under the Board of Directors. Wherein, remunerations of senior management are executed after being approved by the Board of Directors, while those of directors should be first deliberated and approved by the Board of Directors and then submitted to the general meeting of shareholders for approval. Remunerations of supervisors should be first deliberated and approved by the Board of Supervisors and then submitted to the general meeting of shareholders for approval.

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

Remunerations of directors, supervisors and senior management are determined based on the Company's *Remuneration Management System for Directors, Supervisors and Senior Management (April 2019)* as well as their performance appraisal results and the operational results of the Company, with reference to the remuneration level of the industry.

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

Remuneration of the Company's incumbent non-independent directors, supervisors and senior management comprises two parts of fixed salary and annual performance salary. Wherein, the fixed salary has been distributed monthly based on performance appraisal results; annual performance salary will be distributed after the annual performance appraisal of the aforementioned personnel upon the end of the business year. Independent directors receive a fixed annual salary from the Company.

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

Unit: RMB10,000

Name	Position	Gender	Age	Position status	Total remuneration before tax received from the Company	Whether receiving remuneration from related parties of the

						Company
Deng Yingzhong	Director	Male	71	Incumbent	501.64	No
Liu Peng	Chairman, President	Male	42	Incumbent	608.17	No
Deng Guanbiao	Vice Chairman	Male	44	Incumbent	102.75	No
Deng Guanjie	Vice Chairman	Male	38	Incumbent	153.63	No
Zhang Yang	Director, Vice President	Male	45	Incumbent	334.53	No
He Haidi	Independent Director	Male	54	Incumbent	10	No
He Guoquan	Independent Director	Male	48	Incumbent	8.8	No
Liu Die	Independent Director	Male	44	Incumbent	8.8	No
Yue Yong	Vice President	Male	56	Incumbent	303.7	No
Li Zhaojin	Vice President	Male	59	Incumbent	242.18	No
Deng Wenxi	Vice President	Female	48	Incumbent	161.56	No
Zhao Ming	Vice President	Male	44	Incumbent	164.17	No
Lin Tiande	Vice President	Male	42	Incumbent	103.75	No
Zhang Haijun	Board Secretary	Male	48	Incumbent	79.53	No
Dong Ye	Chief Financial Officer	Male	58	Incumbent	103.7	No
Chen Haiyuan	Chairman of the Board of Supervisors	Male	68	Incumbent	5.75	No
Liang Yongliang	Supervisor	Male	43	Incumbent	40.5	No
Zhang Gao	Supervisor	Male	48	Incumbent	44.39	No
Zeng Yi	Director	Female	46	Resigned	1.5	No
Huang Hongyan	Independent Director	Male	52	Resigned	0.8	No
Ge Guangrui	Independent Director	Female	55	Resigned	0.8	No
Dai Zhenji	Director, Joint President	Male	56	Resigned	136.81	No
Zhou Qichao	Vice President, Secretary of the Board of Directors	Male	42	Resigned	67.46	No
Li Youquan	Supervisor	Male	43	Resigned	14.2	No
Ye Longfang	Vice President	Male	46	Resigned	83.17	No
Liu Jinfeng	Director, Vice President	Male	46	Resigned	410.02	No
Total	--	--	--	--	3,692.31	--



## VI. Performance of Duties by Directors during the Reporting Period

### 1. Board meetings during the reporting period

Session of meeting	Date of convening	Date of disclosure	Resolutions of the meeting
30th Meeting of the Fourth Session of the Board of Directors	January 05, 2021	January 06, 2021	Deliberated and approved: 1. Proposal on Election of Non-Independent Directors of the Fifth Session of the Board of Directors; 2. Proposal on Election of Independent Directors of the Fifth Session of the Board of Directors; 3. Proposal of the Company on Share Repurchase; 4. Proposal on Increasing the Business Scope and Amending the Articles of Association of the Company 5. Proposal of the Board of Directors on Convening 2021 First Extraordinary General Meeting
31st Meeting of the Fourth Session of the Board of Directors	January 13, 2021	January 14, 2021	Deliberated and passed: 1. Proposal on Building a New 400,000-ton Household Paper Project; 2. Proposal on Use of Self-owned Idle Funds for Reverse Repo of Treasury Bonds in 2021; 3. Proposal of the Board of Directors on Convening 2021 Second Extraordinary General Meeting
1st Meeting of the Fifth Session of the Board of Directors	January 21, 2021	January 22, 2021	Deliberated and approved: 1. Proposal on Election of Chairman of the Fifth Session of the Board of Directors; 2. Proposal on Election of Vice Chairman of the Fifth Session of the Board of Directors; 3. Proposal on Election of Members of Special Committees of the Fifth Session of the Board of Directors; 4. Proposal on Appointing the President and Joint President of the Company; 5. Proposal on Appointing the Vice President of the Company; 6. Proposal on Appointing the Secretary to the Board of the Company; 7. Proposal on Appointing the Chief Financial Officer of the Company; 8. Proposal on Appointing the Person in Charge of the Audit Department; 9. Proposal on Appointing the Representative of Securities Affairs
Second Meeting of the Fifth Session of the Board of Directors	March 22, 2021	March 23, 2021	Deliberated and approved: 1. Proposal on Appointing the President of the Company; 2. Proposal on By-election of Non-Independent Directors of the Fifth Session of the Board of Directors; 3. Proposal on Appointing the Additional Representative of Securities Affairs; 4. Proposal on Amending the Working Rules of the Strategy Committee; 5. Proposal on Amending the

			<i>Articles of Association of the Company; 6. Proposal of the Board of Directors on Convening 2021 Third Extraordinary General Meeting</i>
Third Meeting of the Fifth Session of the Board of Directors	April 12, 2021	April 13, 2021	Deliberated and approved: <i>1. Proposal on Election of Chairman of the Fifth Session of the Board of Directors; 2. Proposal on Appointing the Vice President of the Company; 3. Proposal on By-election of Members of the Strategy Committee</i>
Fourth Meeting of the Fifth Session of the Board of Directors	April 27, 2021	April 29, 2021	Deliberated and approved: <i>1. Proposal on the 2020 Annual Report and Its Summary; 2. Proposal on the 2020 Work Report of the General Manager; 3. Proposal on the 2020 Work Report of the Board of Directors; 4. Proposal on the 2020 Environmental, Social and Governance (ESG) Report; 5. Proposal on the 2020 Internal Control Assessment Report; 6. Proposal on the 2020 Final Financial Accounts; 7. Proposal on 2020 Profit Distribution Plan; 8. Proposal on the Remuneration of Senior Management in 2020; 9. Proposal on the Remuneration of Directors in 2020; 10. Proposal on Appointing the Vice President of the Company; 11. Proposal on Changing the Business Premise and Amending the Articles of Association of the Company; 12. Proposal of the Board of Directors on Convening 2020 Annual General Meeting; 13. Proposal on the Full Text and Main Body of the First Quarter Report 2021</i>
Fifth Meeting of the Fifth Session of the Board of Directors	May 21, 2021	May 22, 2021	Deliberated and approved: <i>1. Deliberated the Proposal on Adjusting the Price and Cap Amount of the Company's Share Repurchase; 2. Deliberated the Proposal on Changes to Accounting Policies; 3. Deliberated the Proposal on Appointing the Person in Charge of the Audit Department; 4. Deliberated the Proposal on the Phase III Employee Stock Ownership Plan (Draft) and Its Summary; 5. Deliberated the Administrative Measures for the Phase III Employee Stock Ownership Plan; 6. Deliberated the Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Relating to the Phase III Employee Stock Ownership Plan; 7. Deliberated the Proposal on Continued Engagement of the Accounting Firm; 8. Deliberated the Proposal on Amending the Articles of Association of the Company; 9. Deliberated the Proposal on</i>

			<p><i>Amending the Rules of Procedure of the Board of Directors; 10. Deliberated the Proposal on Amending the Rules of Procedure of the General Meeting of Shareholders; 11. Deliberated the Proposal on Amending the Working Rules of the General Manager; 12. Deliberated the Proposal on Amending the Working Rules of the Audit Committee; 13. Deliberated the Proposal on Amending the Working Rules of the Remuneration and Review Committee; 14. Deliberated the Proposal on Amending the Working Rules of the Nomination Committee; 15. Deliberated the Proposal on Amending the Working Rules of the Strategy Committee; 16. Proposal on Achieving the Unlock Conditions of the Second Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan; 17. Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan; 18. Proposal on the Repurchase and Deregistration of Partial Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan; 19. Proposal on the Deregistration of Partial Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan; 20. Proposal of the Board of Directors on Convening 2021 Fourth Extraordinary General Meeting</i></p>
Sixth Meeting of the Fifth Session of the Board of Directors	June 18, 2021	June 19, 2021	Deliberated and approved: <i>Proposal on Adjusting the Exercise Price of Stock Options under 2018 Stock Option and Restricted Stock Incentive Plan</i>
Seventh Meeting of the Fifth Session of the Board of Directors	July 12, 2021	July 13, 2021	Deliberated and approved: <i>Proposal on Appointing the Vice President of the Company</i>
Eighth Meeting of the Fifth Session of the Board of Directors	July 29, 2021	July 30, 2021	Deliberated and approved: <i>Proposal on Adjusting the Price of the Company's Share Repurchase</i>
Ninth Meeting of the Fifth Session of the Board of Directors	August 23, 2021	August 24, 2021	Deliberated and approved: <i>Proposal on Appointing the Vice President and the Secretary to the Board of the Company</i>
Tenth Meeting of the Fifth Session of the Board of Directors	August 30, 2021	August 31, 2021	Deliberated and approved: <i>Proposal on the Company's</i>

Session of the Board of Directors			<i>2021 Semi-annual Report and Its Summary</i>
Eleventh Meeting of the Fifth Session of the Board of Directors	October 27, 2021	October 28, 2021	Deliberated and approved: 1. <i>Proposal on the Company's Third Quarter Report 2021 and Its Summary</i> ; 2. <i>Proposal on By-election of Non-Independent Directors of the Fifth Session of the Board of Directors</i> ; 3. <i>Proposal on Appointing the Representative of Securities Affairs</i> . 4. <i>Proposal of the Board of Directors on Convening 2021 Fifth Extraordinary General Meeting</i>
Twelfth Meeting of the Fifth Session of the Board of Directors	November 30, 2021	December 01, 2021	Deliberated and approved: 1. <i>Proposal on By-election of Members of the Audit Committee</i> ; 2. <i>Proposal on Terminating the Phase III Employee Stock Ownership Plan</i> ; 3. <i>Proposal on Appointing the Vice President of the Company</i> ; 4. <i>Proposal on Achieving the Unlock Conditions of the Second Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i> ; 5. <i>Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i> ; 6. <i>Proposal on the Repurchase and Deregistration of Partial Reserved Restricted Stocks under the 2018 Stock Option and Restricted Stock Incentive Plan</i> ; 7. <i>Proposal on the Deregistration of Partial Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i> ; 8. <i>Proposal on Amending the Articles of Association of the Company</i> ; 9. <i>Proposal on the Company's Application for Credit Lines from Banks in 2022</i> ; 10. <i>Proposal on the Company's Provision of Guarantee to Subsidiaries in 2022</i> ; 11. <i>Proposal on Carrying Out Derivative Trading in 2022</i> 12. <i>Proposal on Use of Self-owned Idle Funds to Purchase Wealth Management Products in 2022</i> ; 13. <i>Proposal on Use of Self-owned Idle Funds for Reverse Repo of Treasury Bonds in 2022</i> ; 14. <i>Proposal on the Company's Provision of Credit Guarantee to Dealers in 2022</i> ; 15. <i>Proposal on Routine Related Party Transactions</i> ; 16. <i>Proposal of the Board of Directors on Convening 2021 Sixth Extraordinary General Meeting</i>

## 2. Directors' attendance to Board meetings and general meetings of shareholders

Directors' attendance to Board meetings and general meetings of shareholders							
Name of director	Number of Board meetings required to attend during the reporting period	Number of Board meetings attended in person	Number of Board meetings attended via communication methods	Number of Board meetings attended by proxy	Number of absence	Any failure in attending in person for two consecutive meetings	Number of general shareholder meetings attended
Deng Yingzhong	14	5	9	0	0	No	4
Liu Peng	10	5	5	0	0	No	4
Deng Guanbiao	14	5	9	0	0	No	4
Deng Guanjie	14	5	9	0	0	No	7
Zhang Yang	1	1	0	0	0	No	1
He Haidi	14	7	7	0	0	No	6
He Guoquan	12	4	8	0	0	No	6
Liu Die	12	4	8	0	0	No	6
Ge Guangrui (resigned)	2	1	1	0	0	No	1
Huang Hongyan (resigned)	2	1	1	0	0	No	1
Zeng Yi (resigned)	2	0	2	0	0	No	0
Dai Zhenji (resigned)	6	4	2	0	0	No	2
Yue Yong (resigned)	3	3	0	0	0	No	1
Liu Jinfeng (resigned)	14	3	11	0	0	No	4

Explanation of failure in attending in person for two consecutive meetings

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

## 3. Objections by directors to the Company's relevant matters

Whether directors raised objections to relevant matters of the Company

Yes  No

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

#### 4. Other descriptions on directors' performance of duty

Whether opinions from directors were adopted

Yes  No

Description on whether opinions from directors were adopted

During the reporting period, all the directors of the Company performed their duties faithfully and diligently in strict accordance with relevant regulations of the China Securities Regulatory Commission and Shenzhen Stock Exchange as well as relevant provisions of the *Articles of Association of the Company*. They actively attended relevant meetings on time, carefully reviewed various proposals, paid attention to the Company's production, operation and financial status at all times, and put forward valuable, professional opinions to the Company's development strategies and corporate governance improvement. All these have effectively strengthened the Company's standardized operation and improved its scientific decision-making level. Moreover, independent directors of the Company have presented impartial independent opinions with regard to the Company's share repurchase, equity incentive plan, employee stock ownership plan, annual profit distribution, external guarantee, estimation of routine related-party transactions, etc., which has effectively safeguarded the legitimate rights and interests of investors especially the small and medium investors.

## VII. Particulars of the Special Committees under the Board of Directors during the Reporting Period

Name of committee	Members	Number of meetings convened	Date of convening	Contents	Important opinions and suggestions raised	Other situations of duty performance	Specifics of objections (if any)
Strategy Committee under the Board of Directors	Deng Yingzhong, Deng Guanbiao, Yue Yong, He Haidi	1	January 21, 2021	Deliberated: <i>Matters Concerning the Election of the Chairman of the Strategy Committee of the Fifth Session of the Board of Directors;</i>	The Strategy Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Strategy Committee</i> ; the proposal was passed unanimously.	None	None
Nomination Committee under the Board of Directors	He Haidi, He Guoquan, Liu Jinfeng	8	January 21, 2021	Deliberated: 1. <i>Proposal on Appointing the President and Joint President of the Company;</i> 2. <i>Proposal on Appointing the Vice President of the Company;</i> 3. <i>Proposal on Appointing the Secretary to the Board of the Company;</i> 4. <i>Proposal on Appointing the Chief Financial Officer of the Company;</i> 5. <i>Matters Concerning the Election of the Chairman of the Nomination Committee of the Fifth Session of the Board of Directors;</i>	The Nomination Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposals according to the actual situation of the Company; all proposals were unanimously passed.	None	None
			March 18, 2021	Deliberated: <i>Proposal on Appointing the President of the Company;</i>	The Nomination Committee carried out work diligently and responsibly in strict accordance with relevant regulatory	None	None

					requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.		
			April 02, 2021	Deliberated: <i>Proposal on Appointing the Vice President of the Company</i> ;	The Nomination Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.	None	None
			April 16, 2021	Deliberated: <i>Proposal on Appointing the Vice President of the Company</i> ;	The Nomination Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.	None	None
			July 05, 2021	Deliberated: <i>Proposal on Appointing the Vice President of the Company</i> ;	The Nomination Committee carried out work diligently and responsibly in strict	None	None



				accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.		
		August 17, 2021	Deliberated: <i>Proposal on Appointing the Vice President and the Secretary to the Board of the Company;</i>	The Nomination Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.	None	None
		October 20, 2021	Deliberated: <i>Proposal on By-election of Non-Independent Directors of the Fifth Session of the Board of Directors;</i>	The Nomination Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.	None	None
		November 12, 2021	Deliberated: <i>Proposal on Appointing the Vice</i>	The Nomination Committee carried out	None	None

				<i>President of the Company;</i>	work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Nomination Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.		
Remuneration and Review Committee under the Board of Directors	Liu Die, He Haidi, Deng Guanjie	4	January 21, 2021	Deliberated: <i>Matters Concerning the Election of the Chairman of the Remuneration and Review Committee of the Fifth Session of the Board of Directors;</i>	The Remuneration and Review Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Remuneration and Review Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.	None	None
			April 12, 2021	Deliberated: 1. <i>Proposal on the Remuneration of Senior Management in 2020;</i> 2. <i>Proposal on the Remuneration of Directors in 2020;</i>	The Remuneration and Review Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Remuneration and Review Committee</i> . The Committee reviewed and fully discussed the proposals according to the actual situation of the Company; all proposals were unanimously passed.	None	None

			May 18, 2021	<p>Deliberated:</p> <p>1. <i>Proposal on Achieving the Unlock Conditions of the Second Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan;</i></p> <p>2. <i>Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan;</i></p>	<p>The Remuneration and Review Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Remuneration and Review Committee</i>. The Committee reviewed and fully discussed the proposals according to the actual situation of the Company; all proposals were unanimously passed.</p>	None	None
			November 26, 2021	<p>Deliberated:</p> <p>1. <i>Proposal on Achieving the Unlock Conditions of the Second Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan;</i></p> <p>2. <i>Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan;</i></p>	<p>The Remuneration and Review Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Remuneration and Review Committee</i>. The Committee reviewed and fully discussed the proposals according to the actual situation of the Company; all proposals were unanimously passed.</p>	None	None
Audit Committee under the Board of Directors	He Guoquan, Liu Die, Dai Zhenji (resigned on April 28, 2021), Zhang Yang	4	April 23, 2021	<p>Deliberated:</p> <p>1. Second-time communication between the governance layer and Mazars Certified Public Accountants (LLP) regarding the audit of the 2020 financial statements;</p> <p>2. <i>Audit Report of Q1 2021</i></p>	<p>The Audit Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Audit Committee</i>. The Committee reviewed and fully discussed the</p>	None	None

(by-election on November 30, 2021)			3. <i>Work Plan for Q3 2021</i> 4. <i>Audit Report on External Guarantees in Q1 2021; Audit Report on External Investments in Q1 2021; Audit Report on the Purchase and Sales of Assets in Q1 2021; Audit Report on Related Party Transactions in Q1 2021; Audit Report on the Appropriation of Funds by Controlling Shareholder and Its Related Parties in Q1 2021</i>	proposals according to the actual situation of the Company; all proposals were unanimously passed.		
	May 20, 2021		Deliberated the proposal on engaging Mazars Certified Public Accountants (LLP) as the audit institution for 2021 financial statements	The Audit Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Audit Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.	None	None
	October 27, 2021		Deliberated: 1. Report on main audit items in Q2 and Q3 2021 2. Report on the audit results regarding financial information disclosure of 2021 Semi-annual Report 3. Report on supervision work in Q2 and Q3 2021 4. Report on supervision of bidding in Q2 and Q3 2021	The Audit Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Audit Committee</i> . The Committee reviewed and fully discussed the proposals according to the actual situation of the Company; all proposals were unanimously passed.	None	None

				5. Audit work plan for Q4 2021			
			November 30, 2021	Mazars Certified Public Accountants (LLP)'s inclusion of operating income and selling expense as the key matter of this audit	The Audit Committee carried out work diligently and responsibly in strict accordance with relevant regulatory requirements as well as provisions of the <i>Articles of Association</i> and the <i>Working Rules of the Audit Committee</i> . The Committee reviewed and fully discussed the proposal according to the actual situation of the Company; the proposal was unanimously passed.	None	None

### VIII. Work of the Board of Supervisors

Whether the Board of Supervisors discovered risks in supervisory activities during the reporting period

Yes  No

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

## IX. Employees of the Company

### 1. Number, profession composition and education level of employees

Number of in-service employees of the Parent Company at the end of the reporting period	1,063
Number of in-service employees of the major subsidiaries at the end of the reporting period	5,977
Total number of in-service employees at the end of the reporting period	7,040
Total number of employees receiving remuneration in the reporting period	7,227
Number of retired employees whose expenses are borne by the Parent Company and its major subsidiaries	4
Composition of professions	
Type of professions	Number of staff in the profession
Production staff	2,565
Sales staff	3,050
Technical staff	615
Finance staff	131
Administrative staff	679
Total	7,040
Education level	
Type of education level	Number of persons
University graduates or above	698
College graduates	1,609
High school graduates or below	4,733
Total	7,040

### 2. Remuneration policy

The Company has established the following reward and incentive policies:

1. Bonus Package Program for Marketing Team 2021 (including the remuneration program for sales management)
2. Reward Program for Team Breakthroughs of the Marketing Department 2021—Business Team
3. Indicator Competition Program of the Marketing Department 2021—Business Team
4. Reward Program for Production Team 2021
5. Indicator Competition Program of the Production Department 2021
6. Reward Program for Accounting Team 2021

7. Reward Program for Finance Team 2021
8. Reward Program for Supply Chain Team 2021
9. Management System of C&S Paper for Marketing Staff Promotion 2021
10. Procurement Reward Program 2021

### 3. Training program

Training programs carried out by the Company in 2021 are as follows:

1. 2021 Mentorship Program: Amoeba operation to achieve optimal performance; advanced coaching, downward management (guidance and empowerment, motivation and training of subordinates) + upward management.
2. 2021 Voyage Program: Plan formulation in 2021 to achieve optimal performance; leadership, downward management (guidance and empowerment, motivation and training of subordinates) + upward management.
3. 2021 Starter Program: Becoming effective managers, five obstacles to team collaboration, workplace communication, seven major QC techniques, organizational planning and execution.
4. 2021 Meet Program: Corporate culture, selling points + display principles of major products, five obstacles to team collaboration, manager role cognition and growth, establishment of efficient workplace interpersonal relations, factory internship and factory management knowledge.
5. 2021 Commander Program: Five obstacles to team collaboration, Lead to Excellence workshop, communication essentials (management direction).
6. 2021 Lighthouse Program: 13 online courses + 2 days offline on teaching skills and course development.

### 4. Labor outsourcing

Applicable  Not applicable

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

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

Applicable  Not applicable

During the reporting period, the Company strictly implemented the *Articles of Association*, the *Dividend Management Regulations*, and the *Shareholder Return Plan for the Next Three Years (2020-2022)*, which specified the Company's dividend distribution standards, ratio and decision-making procedures. This could guarantee the continuity and stability of dividend distribution policies from an institutional perspective and fully protect the legitimate rights and interests of minority investors.

Special explanation on cash dividend policy	
Whether the policy complies with provisions of the Articles of Association or requirements of the resolutions made on the shareholders' general meeting:	Yes
Whether dividend standards and ratio are definite and clear:	Yes
Whether relevant decision-making procedure and mechanism are well-established:	Yes
Whether independent directors have performed duties and played their roles properly:	Yes
Whether minority shareholders have sufficient opportunities to express opinions and requests, and whether their legitimate rights and interests were sufficiently protected:	Yes
Where the cash dividend policy undergoes any adjustment or change, whether the conditions and procedures are compliant and transparent:	Not applicable

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

Applicable  Not applicable

Profit distribution and conversion of capital reserve to share capital during the reporting period

Applicable  Not applicable

Number of bonus shares for every 10 shares	0
Amount of dividend for every 10 shares (tax included) (RMB)	1.00
Basis of the shares for distribution proposal	1,286,097,106
Amount of cash dividends (RMB) (tax included)	128,609,710.60
Cash dividend amount in other ways (such as share repurchase) (RMB)	661,249,972.28
Total amount of cash dividends (including other ways) (RMB)	789,859,682.88
Distributable profit (RMB)	438,410,203.56
Proportion of total cash dividends (including other ways) in distributable profit	100%

#### Cash dividend of the reporting period

If the Company is in the growth period and there are major capital expenditure arrangements, when the profit is distributed, the proportion of cash dividends in this profit distribution should be at least 20%.

#### Details of the profit distribution proposal or share conversion proposal from capital reserve

1. Profit distribution plan in 2019: Based on the number of shares of the Company's total share capital minus the number of repurchased shares as at the equity registration date of the implementation of this profit distribution plan, distribute a cash dividend



of RMB0.75 (tax included) for every 10 shares to all shareholders; no bonus shares will be issued and no capital reserve will be converted into share capital.

2. Profit distribution plan in 2020: Based on the number of shares of the Company's total share capital minus the number of repurchased shares as at the equity registration date of the implementation of this profit distribution plan, distribute a cash dividend of RMB1.00 (tax included) for every 10 shares to all shareholders; no bonus shares will be issued and no capital reserve will be converted into share capital.

In addition, the Company conducted share repurchase in 2020 and ended the share repurchase plan on May 21, 2020. A total of 1,895,900 shares were repurchased, with a total amount of RMB27,680,721.76. Article 7 of the *SZSE Guidelines No. 9 for the Self-discipline and Supervision of Listed Companies—Repurchase of Shares* stipulates that "Where a listed company uses cash as the consideration and repurchases shares through offer or centralized bidding, the amount paid for share repurchase shall be deemed as cash dividend, which shall be included in the calculation of relevant cash dividend ratios of the year". Therefore, the amount paid by the Company for share repurchase, i.e. RMB27,680,721.76, is considered as cash dividend.

3. Profit distribution proposal in 2021: Based on the number of shares of the Company's total share capital minus the number of repurchased shares as at the equity registration date of the implementation of this profit distribution plan, distribute a cash dividend of RMB1.00 (tax included) for every 10 shares to all shareholders; no bonus shares will be issued and no capital reserve will be converted into share capital.

In addition, the Company conducted share repurchase in 2021 and repurchased a total of 24,863,087 shares from January 27, 2021 to November 24, 2021, with a total amount of RMB661,249,972.28. Article 7 of the *SZSE Guidelines No. 9 for the Self-discipline and Supervision of Listed Companies—Repurchase of Shares* stipulates that "Where a listed company uses cash as the consideration and repurchases shares through offer or centralized bidding, the amount paid for share repurchase shall be deemed as cash dividend, which shall be included in the calculation of relevant cash dividend ratios of the year". Therefore, the amount paid by the Company for share repurchase, i.e. RMB661,249,972.28, is considered as cash dividend.

Note: The above table uses the total share capital as of March 31, 2022 minus the number of shares repurchased by the Company as the basis for calculation. According to the principle of distribution ration remaining unchanged, the number at implementation will be adjusted based on the total share capital as at the equity registration date of the implementation of the profit distribution plan, and the specific amount shall be subject to the actual distribution.

## **XI. Implementation of the Stock Incentive Plan, Employee Stock Ownership Plan, and Other Employee Incentives of the Company**

Applicable  Not applicable

### **1. Equity incentive**

On May 21, 2021, the Company convened the 5th meeting of the fifth session of the Board of Directors and the 3rd meeting of the fifth session of the Board of Supervisors, which considered and approved the *Proposal on Achieving the Unlock Conditions of the Second Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. There were 499 holders of restricted stocks meeting the unlock conditions, and the number of stocks that could be unlocked was 4,809,045. The unlock date of these restricted stocks was June 30, 2021. The above meetings also reviewed and approved the *Proposal on the Repurchase and Deregistration of Partial Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. The Board of Directors of the Company

approved to repurchase and deregister a total of 2,021,305 restricted shares that had been granted but not unlocked. In addition, the aforesaid meetings also deliberated and approved the *Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. There were 2,274 holders of stock options meeting the exercise conditions, and the number of options that could be exercised was 2,948,559. The *Proposal on the Repurchase and Deregistration of Partial Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was also considered and approved. The Board agreed to deregister 1,294,091 options that had been granted but not exercised.

On June 18, 2021, the Company held the 6th meeting of the fifth session of the Board of Directors and the 4th meeting of the fifth session of the Board of Supervisors, which reviewed and approved the *Proposal on Adjusting the Exercise Price of Stock Options*. Pursuant to the Company's profit distribution plan in 2020 and relevant provisions of the *2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, the Company adjusted the exercise price of first-granted stock options from RMB8.572/share to RMB8.472/share, and adjusted the exercise price of reserved stock options from RMB13.965/share to RMB13.865/share.

On July 6, 2021, the cancellation procedures for 1,294,091 first-granted stock options that had been granted but not exercised were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On October 27, 2021, the repurchase and cancellation procedures for 2,021,305 first-granted restricted shares that had been granted but not unlocked were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On November 30, 2021, the Company convened the 12th meeting of the fifth session of the Board of Directors and the 7th meeting of the fifth session of the Board of Supervisors, which considered and approved the *Proposal on Achieving the Unlock Conditions of the Second Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. A total of 37 incentive recipients of the reserved restricted stocks met the unlock conditions of the second unlock period, and the number of stocks that could be applied for unlock was 714,832. The unlock date was December 14, 2021. The above meetings also reviewed and approved the *Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. A total of 70 incentive recipients of the reserved stock options met the exercise conditions of the second exercise period, and the number of options that could be exercised was 609,375. In addition, the *Proposal on the Repurchase and Deregistration of Partial Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was also reviewed and approved. The Company agreed to repurchase and deregister 139,428 restricted shares that had been granted but not unlocked. In addition, the *Proposal on the Repurchase and Deregistration of Partial Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was also considered and approved. The Company agreed to deregister 105,525 stock options that had been granted but not exercised.

On December 7, 2021, the cancellation procedures for 105,525 reserved stock options that had been granted but not exercised were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On March 15, 2022, the cancellation procedures for 139,428 reserved restricted shares that had been granted but not unlocked were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

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

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

√ Applicable □ Not applicable

Unit: share

Name	Position	Number of stock options held at the beginning of the period	Number of stock options newly granted in the period	Number of shares exercisable during the period	Number of shares exercised during the period	Exercise price of shares exercised during the period	Number of stock options held at the end of the period	Market price at the end of the reporting period	Number of shares subject to selling restrictions at the beginning of the period	Number of shares unlocked during the period	Number of shares subject to selling restrictions newly granted in the period	Grant price of shares subject to selling restrictions	Number of shares subject to selling restrictions at the end of the period
Zhang Yang	Director, Vice President								210,000	90,000			120,000
Yue Yong	Vice President								770,000	330,000			440,000
Dong Ye	Chief Financial Officer	35,000		15,000	15,000	8.472	20,000	16.71	105,000	45,000			60,000
Lin Tiande	Vice President								45,500	19,500			26,000
Zhao Ming	Vice President								35,000	15,000			20,000
Zhang Gao	Supervisor								38,500	16,500			22,000
Ye Longfang (resigned)	Vice President	350,000		150,000			350,000	16.71					
Dai Zhenji (resigned)	Director, Joint	700,000		300,000	300,000	8.572	0	16.71	1,400,000	0			0

	President												
Liu Jinfeng (resigned)	Director, Vice President	700,000		300,000			700,000	16.71	756,000	324,000			432,000
Total	--	1,785,000	0	765,000	315,000	--	1,070,000	--	3,360,000	840,000	0	--	1,120,000
Remarks (if any)	<p>1. During the second exercise period for stock options awarded in the first grant and reserved stock options under the <i>2018 Stock Option and Restricted Stock Incentive Plan</i>, the exercise ratio was 30% and the start dates for exercise was June 30, 2021 and December 14, 2021, respectively. Mr. Dong Ye and Mr. Dai Zhenji exercised the rights during the reporting period while Mr. Liu Jinfeng and Ye Longfang did not exercise the rights during the reporting period.</p> <p>2. During the second unlocking period for restricted stocks awarded in the first grant and reserved restricted stocks under the <i>2018 Stock Option and Restricted Stock Incentive Plan</i>, the unlocking ratio was 30% and the dates of releasing from sales restrictions were June 30, 2021 and December 14, 2021, respectively. The restricted shares held by the above staff at the beginning of the period have been unlocked as per 30%.</p> <p>3. Mr. Dai Zhenji resigned on April 28, 2021. As of the end of the reporting period, the Company has repurchased and deregistered the restricted shares and stock options awarded to him but not yet unlocked.</p> <p>4. Mr. Ye Longfang resigned on October 27, 2021. Stock options awarded to him but not yet exercised will be deregistered in accordance with relevant regulations.</p> <p>5. Mr. Liu Jinfeng resigned his positions of director and Vice President on March 23, 2022.</p>												

Performance appraisal and incentives of senior management

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

The Company rolled out the second phase equity incentive plan in December 2018 under which employees were motivated in the form of restricted shares + stock options. The unlocking/exercise for the second phase was completed during the reporting period.

The Company introduced the second phase employee stock ownership plan in 2019 to motivate directors, senior executives and backbone employees. The liquidation and distribution of the plan were completed in January 2021.

## 2. Implementation of the employee stock ownership plan

Applicable  Not applicable

All valid employee stock ownership plans during the reporting period

Scope of employees	Number of	Total shares held	Changes	Proportion to	Source of
--------------------	-----------	-------------------	---------	---------------	-----------

	entitled employees			the total share capital of the listed company	funds for implementing the plan
Directors, senior executives and backbone employees of the Company	66	11,709,583	The Company convened the 18th meeting of the fourth session of the Board of Directors on November 11, 2019, which reviewed and approved the <i>Proposal on the Phase II Employee Stock Ownership Plan (Draft) and Its Summary</i> . In accordance with market conditions, the Company canceled financing from banks, with all funds being raised by participants themselves. Relevant terms and provisions were revised at the same time.	0.91%	Employees' legitimate remuneration, self-raised funds and other methods permitted by laws and administrative regulations

Shareholdings of directors, supervisors and senior management in the Employee Stock Ownership Plan during the reporting period

Name	Position	Number of shares held at the beginning of the reporting period	Number of shares held at the end of the reporting period	Proportion to the total share capital of the listed company
Deng Yingzhong	Director	1,810,402	0	0.00%
Deng Guanbiao	Vice Chairman	724,161	0	0.00%
Deng Guanjie	Vice Chairman	724,161	0	0.00%
Zhang Yang	Director, Vice President	460,083	0	0.00%
Yue Yong	Vice President	724,161	0	0.00%
Lin Tiande	Vice President	12,069	0	0.00%
Dong Ye	Chief Financial Officer	241,387	0	0.00%
Dai Zhenji (resigned)	Director, Joint President	724,161	0	0.00%
Zhou Qichao (resigned)	Board Secretary, Vice President	724,161	0	0.00%
Ye Longfang (resigned)	Vice President	362,080	0	0.00%
Liu Jinfeng (resigned)	Director, Vice President	724,161	0	0.00%

Changes in asset management institution during the reporting period

Applicable  Not applicable

Changes in equity due to disposal of shares by holders during the reporting period

Applicable  Not applicable

Exercise of shareholder rights during the reporting period

None

Other situations of the employee stock ownership plan during the reporting period and explanation

Applicable  Not applicable

The lockup period for the Phase II Employee Stock Ownership Plan expired on November 28, 2020. As of

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

Changes in the members of the management committee of the employee stock ownership plan

Applicable  Not applicable

Financial impact of the employee stock ownership plan on the listed company during the reporting period and related accounting treatment

Applicable  Not applicable

Termination of employee stock ownership plan during the reporting period

Applicable  Not applicable

The Company held the 5th meeting of the fifth session of the Board of Directors and the Fourth Extraordinary General Meeting on May 21 and June 7, 2021, respectively, which considered and approved the *Proposal on the Phase III Employee Stock Ownership Plan (Draft) and Its Summary* and other relevant proposals. As such, the implementation of the Phase III Employee Ownership Plan was approved.

On November 30, 2021, the Company convened the 12th meeting of the fifth Session of the Board of Directors and the 7th meeting of the fifth Session of the Board of Supervisors, which reviewed and approved the *Proposal on Terminating the Phase III Employee Stock Ownership Plan*. Ever since review procedures for the Phase III plan were complement, the management of the Company has been actively promoting its implementation and has communicated with employee representatives many times regarding its specific implementation. Employees participating in this Plan fully recognize the original intention of the Plan. The Company has held internal communication meetings and actively communicated with financial institutions to carry out financing work. However, considering changes in relevant financial policies plus market reasons, it is difficult to continue pushing forward the Plan. To better safeguard the interests of the Company, shareholders and employees, the Company has decided to terminate the Phase III Employee Stock Ownership Plan upon careful consideration in accordance with relevant regulations.

Other description: None

### 3. Other employee incentives

Applicable  Not applicable

## XII. Construction and Implementation of Internal Control Systems during the Reporting Period

### 1. Internal control construction and implementation

During the reporting period, the Company continued to improve its internal control system and strengthen the supervision function of internal audit. It streamlined and improved the functions and responsibilities of the Audit Committee and internal audit departments and solidified the supervision power under the leadership of the Board of Directors. Supervision was strengthened with regard to internal audit department's implementation of the

internal control system, while the depth and breadth of internal audit work were enhanced. In addition, the Company continued to strengthen the internal control awareness and responsibilities of executives and employees, so that they fully understand the importance of a complete internal control system in improving corporate management, enhancing risk prevention and control and facilitating the high-quality quality of enterprises. The Company also solidified the compliance operation awareness to ensure the effective enforcement of the internal control system, improve standardized operation level and enable healthy and sustainable corporate development. Based on the identification of material internal control defects of the financial report category, the Company has no material internal control defect of financial reports as at the base date of the internal control assessment report. The Company has maintained effective internal control over financial reporting in accordance with requirements of the enterprise internal control standard system and other relevant regulations. Based on the identification of material internal control defects of the non-financial report category, the Company has no material internal control defect of non-financial reports as at the base date of the internal control assessment report.

## 2. Particulars of material internal control defects detected during the reporting period

Yes  No

## XIII. Management and Control of the Company for Subsidiaries during the Reporting Period

Name of company	Integration plan	Integration progress	Problems in integration	Solutions taken	Solution progress	Subsequent solution plan
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

## XIV. Self-assessment Report on Internal Control or Internal Control Audit Report

### 1. Self-assessment report on internal control

Date of disclosure of the full text of the internal control assessment report	April 28, 2022
Disclosure index of full text of the internal control assessment report	Please refer to the <i>2021 Self-assessment Report on Internal Control of C&amp;S Paper Co., Ltd.</i> published on CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) for details.
Percentage of total assets of units included in the assessment scope to the total assets in the Company's consolidated financial statements	99.73%
Percentage of total operating income of units included in the assessment scope to the operating income in the Company's	99.96%

consolidated financial statements		
Defect identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	<p>Material defect: refers to one or a combination of control defects that may cause the Company to materially deviate from the objectives of internal control. When there are one or several material defects in internal control, it should be concluded that the internal control is invalid in the internal control assessment report.</p> <p>(1) Directors, supervisors and senior management have committed fraud and caused serious losses and severe adverse impacts to the company.</p> <p>(2) Corrections were made to published financial reports due to significant accounting errors.</p> <p>(3) Significant errors in the current financial reports were identified by the certified public accountants but not by internal control.</p> <p>(4) The internal control and supervision by the company's audit committee and internal audit were invalid, or significant problems were found but not corrected.</p> <p>Major defect: refers to one or a combination of defects in internal control that is with less severity than a material defect, but may still cause the Company to deviate from the objectives of internal control. A major defect is less severe than a material defect and would not seriously endanger the overall effectiveness of internal control, but should arouse the sufficient attention of the board of directors and managers.</p> <p>(1) Failure to select and apply accounting policies based on generally accepted accounting standards;</p> <p>(2) There were one or multiple defects in the financial reports of the current period that did not meet the criteria for material defect.</p> <p>(3) There were one or multiple defects in the control of the financial reporting process at the end of the period such that the authenticity and completeness of the prepared financial reports could not be reasonably guaranteed.</p> <p>General defect: refers to defects other than material</p>	<p>Non-financial report defects are identified mainly based on their degree of impact on business processes and their probability of occurrence.</p> <p>A defect is termed as a general defect if its probability of occurrence is low or the defect reduces work efficiency or effectiveness, or increases the uncertainty of effects or causes deviations from expected objectives.</p> <p>A defect is termed as a major defect if its probability of occurrence is relatively high or the defect significantly reduces work efficiency or effectiveness, or significantly increases the uncertainty of effects or causes obvious deviations from expected objectives.</p> <p>A defect is termed as a material defect if its probability of occurrence is high or the defect severely reduces work efficiency or effectiveness, or severely increases the uncertainty of effects or causes severe deviations from expected objectives.</p>



	defect or major defect.	
Quantitative criteria	<p>General defect: The misstated amount is less than 0.5% of operating income.</p> <p>Major defect: The misstated amount is between 0.5% (inclusive) and 1.5% of the operating income.</p> <p>Material defect: The misstated amount is more than 1.5% (inclusive) of operating income.</p>	<p>General defect: The direct property losses are less than 0.5% of operating income.</p> <p>Major defect: The direct property losses are between 0.5% (inclusive) and 1.5% of operating income.</p> <p>Material defect: The direct property losses are more than 1.5% (inclusive) of operating income.</p>
Number of material defects in financial reports		0
Number of material defects in non-financial reports		0
Number of major defects in financial reports		0
Number of major defects in non-financial reports		0

## 2. Internal control audit report

Applicable  Not applicable

## XV. Rectification of Detected Problems in the Corporate Governance Special Action of Listed Companies

Not applicable

## Section V Environmental and Social Responsibilities

### I. Main Environmental Protection Issues

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

Yes  No

Name of company or subsidiary	Main pollutants and particular pollutants	Ways of discharge	Number of discharge outlets	Distribution of discharge outlets	Concentration of discharge	Implemented pollutant discharge standards	Total discharge	Total approved discharge	Excessive discharge
Jiangmen C&S	Waste water - COD	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	31.873 mg/L	200 mg/L	13.751t	335.600 t/a	None
Jiangmen C&S	Waste water - Ammonium nitrate	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	2.576 mg/L	8 mg/L	1.111t	13.4 t/a	None
Jiangmen C&S	Waste water - Total nitrogen	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	7.949 mg/L	12 mg/L	3.43t	/	None
Jiangmen C&S	Waste water - Total phosphorus	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	0.045 mg/L	0.8 mg/L	0.019t	/	None
Sichuan C&S	Waste water - COD	Discharge to the water purification station through urban sewage pipeline after treatment	1	Production waste water discharge (DW001) flows through the channel into the main outlet DW002 (confluent with domestic waste water)	48 mg/L	80 mg/L	50.188t	96 t/a	None

Sichuan C&S	Waste water - Ammonium nitrate	Discharge to the water purification station through urban sewage pipeline after treatment	1	Production waste water discharge (DW001) flows through the channel into the main outlet DW002 (confluent with domestic waste water)	0.203 mg/L	8 mg/L	0.2121t	9.6 t/a	None
Sichuan C&S	Waste gas - PM (particulate matter)	Discharge directly through the flue	3	Three chimneys (2# boiler is the standby boiler, monitoring when being used)	1# boiler 2.5 mg/m <sup>3</sup> 2# boiler 0 mg/m <sup>3</sup> 3# boiler 2.7 mg/m <sup>3</sup>	20 mg/Nm <sup>3</sup>	0.2738t	/	None
Sichuan C&S	Waste gas - Nitrogen oxide	Discharge directly through the flue	3	Three chimneys (2# boiler is the standby boiler, monitoring when being used)	1# boiler 27 mg/m <sup>3</sup> 2# boiler 0 mg/m <sup>3</sup> 3# boiler 29 mg/m <sup>3</sup>	150 mg/Nm <sup>3</sup>	5.0359t	31.35 t/a	None
Sichuan C&S	Waste gas - Sulfur dioxide	Discharge directly through the flue	3	Three chimneys (2# boiler is the standby boiler, monitoring when being used)	0	50 mg/Nm <sup>3</sup>	0	/	None
Zhejiang C&S	Waste water - COD	Discharge to Jiaying Industrial Sewage Treatment Plant through municipal pipe after treatment	1	Centralized processing facilities in the factory	49.02 mg/L	500 mg/L	9.7551 mg/L	13.97 t/a	None
Zhejiang C&S	Waste water - Ammonium nitrate	Discharge to Jiaying Industrial Sewage Treatment Plant through municipal pipe after treatment	1	Centralized processing facilities in the factory	2.069 mg/L	35 mg/L	0.43 mg/L	9.78 t/a	None
Tangshan C&S	Waste water - COD	Discharge to the Lvyuan Sewage Treatment Plant in the zone after being treated by the	1	Main outlet of the zone (Lvyuan Sewage Treatment Plant)	28.3 mg/L	≤ 50mg/L	7.4t	16.5 t/a	None

		plant sewage treatment station							
Tangshan C&S	Waste water - Ammonium nitrate	Discharge to the Lvyuan Sewage Treatment Plant in the zone after being treated by the plant sewage treatment station	1	Main outlet of the zone (Lvyuan Sewage Treatment Plant)	0.466 mg/L	≤ 5mg/L	0.124t	1.65 t/a	None
Tangshan C&S	Waste gas - PM (particulate matter)	Discharge directly through the flue	1	One chimney	2.2 mg/m <sup>3</sup>	≤ 5 mg/m <sup>3</sup>	0.17t	2.46 t/a	None
Tangshan C&S	Waste gas - Nitrogen oxide	Discharge directly through the flue	1	One chimney	20.54 mg/m <sup>3</sup>	≤ 30 mg/m <sup>3</sup>	1.6t	18.46 t/a	None
Tangshan C&S	Waste gas - Sulfur dioxide	Discharge directly through the flue	1	One chimney	0 mg/m <sup>3</sup>	≤ 10 mg/m <sup>3</sup>	0	6.15 t/a	None
Hubei C&S	Waste water - COD	Discharge indirectly (discharge to Biquan Sewage Treatment Plant through municipal pipe after treatment)	1	Discharge to Biquan Sewage Treatment Plant after pre-processing with centralized processing facilities in the factory,	133 mg/L	≤ 400mg/L	51.33 t/a	152.25 t/a	None
Hubei C&S	Waste water - Ammonium nitrate	Discharge indirectly (discharge to Biquan Sewage Treatment Plant through municipal pipe after treatment)	1	Discharge to Biquan Sewage Treatment Plant after pre-processing with centralized processing facilities in the factory,	7.13 mg/L	≤ 30mg/L	3.55 t/a	15.25 t/a	None
Hubei C&S	Waste gas - PM (particulate matter)	Organized discharge (dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)	1	One chimney	9.69 mg/m <sup>3</sup>	≤ 30 mg/m <sup>3</sup>	10.09 t/a	28.63 t/a	None
Hubei C&S	Waste gas - Sulfur	Organized discharge	1	One chimney	56 mg/m <sup>3</sup>	≤ 200	63.87 t/a	203.87 t/a	None

	dioxide	(dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)				mg/m <sup>3</sup>			
Hubei C&S	Waste gas - Nitrogen oxide	Organized discharge (dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)	1	One chimney	86 mg/m <sup>3</sup>	≤ 200 mg/m <sup>3</sup>	86.49 t/a	239.85 t/a	None
Yunfu C&S	Waste water - COD	Discharge directly	1	Sewage treatment station in the factory	≅ 80 mg/l	80 mg/L	70.66 t/a	197.71 t/a	None
Yunfu C&S	Waste water - Ammonium nitrate	Discharge directly	1	Sewage treatment station in the factory	≅ 8 mg/l	8 mg/L	7.01 t/a	19.76 t/a	None

### **Construction and operation of pollution prevention and control facilities**

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

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

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

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

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

(1) Administrative permits: According to the *Measures for the Administration of Pollutant Discharge Permit of the Ministry of Environmental Protection of the People's Republic of China*, the applications were submitted to the Environmental Protection Bureau. All the subsidiaries and branches completed the renewal and change of the pollutant discharge permit in June 2021.

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

### **Emergency plan for sudden environmental events**

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

(2) Emergency response supplies, training and drill: The Company has matched the corresponding emergency response supplies according to the requirements of the *Emergency Plan for Sudden Environmental Events*. Emergency response measures for hazardous chemicals have been prepared according to environmental protection requirements, and necessary labor protection supplies and emergency response supplies have been provided in accordance with safety technical instructions, and checked and updated regularly. The Company regularly carries out emergency training and drill and suitability assessment of the emergency plan to ensure the effectiveness and enforceability of the emergency plan.

### **Environmental self-monitoring program**

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

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

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

(4) The self-monitoring data of pollutant discharge and environmental monitoring plans are disclosed on provincial disclosure websites for key pollution source information while paper reports are submitted to the Environmental Protection Bureau for archival.

Administrative penalties due to environmental issues during the reporting period

Name of company or subsidiary	Reason of penalty	Violation	Penalty result	Impact on production and operation of the listed company	Rectification measures of the Company
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Other environmental information that should be disclosed

(1) Emission permit information and environmental protection information related to emission permit requirements are available on national emission permit management information platform; in the event that competent government departments in the localities of the subsidiaries and branches have additional requirements, such information is published on the platform for environmental information reporting prescribed by the local government authority.

(2) Other environmental protection-related information is available in the "News" section of the Company's website.

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

Applicable  Not applicable

In order to further reduce pollution, improve resource utilization efficiency and reduce production costs as well as heat consumption and emission, Zhejiang C&S, under the advocacy of competent local government departments, implemented 19 cleaner production programs, which achieved tangible results and attained the expected goals for cleaner production and carbon reduction.

Other relevant information on environmental protection: None

## II. Corporate Social Responsibilities

The Company actively fulfills and discloses corporate social responsibilities (CSR). Abiding by the principle of integrity and its commitments, it strives to safeguard the legitimate rights and interests of all stakeholders including shareholders, employees, consumers, partners and the society at large and thereby makes due contribution to sustainable development of the society and the environment. For details on CSR fulfillment, please refer to the Company's *2021 Environmental, Social and Governance (ESG) Report* published on the designated information disclosure media [www.cninfo.com.cn](http://www.cninfo.com.cn).

## III. Efforts Regarding Poverty Alleviation and Rural Revitalization

As a nation enterprise with important social influence and a leading enterprise in the household paper industry, the Company actively responds to the call of national policies to consolidate and expand poverty alleviation and rural revitalization work. Specifics are as follows:

1. In January 2021, Jiangmen C&S organized party members to visit local elderly in need and donated supplies worth RMB3,200.
2. In June 2021, Jiangmen C&S organized party members to visit local widows and lonely elderlies before the Dragon Boat Festival and donated a total of RMB4,182 in supplies. In addition, in order to support the education development of Shuangshui Town, Jiangmen C&S participated in the fundraising activity of "Dr. Huang Kejing School Smart Blackboard Program" organized by the local education promotion association and contributed RMB50,000.



3. In November 2021, Jiangmen C&S donated RMB30,000 to support the road construction project of the Yaqian Villagers Committee, Shuangshui Town.
4. In December 2021, Sichuan C&S participated in the “Ten Thousand Enterprises Aiding Ten Thousand Villages” – Heishui County Revitalization Project organized by Pengzhou Municipal Federation of Industry and Commerce and donated RMB5,000.

## Section VI Significant Events

### I. Implementation of Commitments

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

√ Applicable □ Not applicable

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

			after they leave office.			
Equity incentive commitments	Liu Jinfeng	Other commitments	He promises not to sell all their shares (including shares obtained from exercise and other shares) within six months after the end of the exercise of the last stock options. Besides, they promise to strictly conform to stock trading-related laws and regulations.	November 12, 2020	During the implementation of the equity incentive plan	Strictly observed
	Dong Ye, Ye Longfang	Other commitments	They promise not to sell all their shares (including shares obtained from exercise and other shares) within six months after the end of the exercise of the last stock options. Besides, they promise to strictly conform to stock trading-related laws and regulations.	June 25, 2021	During the implementation of the equity incentive plan	Strictly observed
Other commitments to minority shareholders	Deng Yingzhong, Deng Guanbiao, Deng Guanjie, and Guangdong Zhongshun Paper Group Co., Ltd.	Not-to-compete commitments	They promise not to compete with the Company in the same business.	January 01, 2009	Long-term	Strictly observed
	C&S Paper Co., Ltd.	Cash dividend commitments	Cash dividends shall be distributed when dividend conditions are met. The Board of Directors of the Company shall comprehensively consider industry characteristics, development stage, business model, profitability, and major capital spending (if any), distinguish the following circumstances, and propose differentiated cash dividend policies in compliance with the procedures stipulated in the <i>Articles of Association</i> .	August 28, 2014	Long-term	Strictly observed
	C&S Paper Co., Ltd.	Other commitments	The 2019 repurchase plan was terminated due to objective reasons. The Company will perform the necessary procedures and immediately restart the repurchase work upon the end of the exercise period.	May 21, 2020	The Company reviewed and passed the share repurchase plan on January 5, 2021, and will continue the share repurchase	Completed

					plan/	
	Deng Yingzhong	Other commitments	He promises not to reduce any shares of the Company he holds within six months upon the completion of the share increase plan, not to engage in insider trading and short-term trading, and not to trade shares of the Company during sensitive periods in strict accordance with relevant laws and regulations.	November 04, 2020	Within six months from the completion of the share increase plan (November 05, 2020 - May 04, 2021)	Completed
	Chen Haiyuan	Other commitments	He promises not to reduce any shares of the Company he holds within six months upon the completion of the share increase plan, not to engage in insider trading and short-term trading, and not to trade shares of the Company during sensitive periods in strict accordance with relevant laws and regulations.	May 18, 2021	Within six months from the completion of the share increase plan (May 29, 2021 - November 28, 2021)	Completed
	Li Zhaojin	Other commitments	He promises not to reduce any shares of the Company he holds within six months upon the completion of the share increase plan, not to engage in insider trading and short-term trading, and not to trade shares of the Company during sensitive periods in strict accordance with relevant laws and regulations.	May 12, 2021	Within six months from the completion of the share increase plan (May 19, 2021 - November 18, 2021)	Completed
	Liu Peng	Other commitments	He promises not to reduce any shares of the Company he holds within six months upon the completion of the share increase plan, not to engage in insider trading and short-term trading, and not to trade shares of the Company during sensitive periods in strict accordance with relevant laws and regulations.	May 13, 2021	Within six months from the completion of the share	Completed

					increase plan (May 14, 2021 - November 13, 2021)	
	Li Youquan	Other commitments	He promises not to reduce any shares of the Company he holds within six months upon the completion of the share increase plan, not to engage in insider trading and short-term trading, and not to trade shares of the Company during sensitive periods in strict accordance with relevant laws and regulations.	May 11, 2021	Within six months from the completion of the share increase plan (May 12, 2021 - November 11, 2021)	Completed
	Deng Wenxi	Other commitments	She promises not to reduce any shares of the Company he holds within six months upon the completion of the share increase plan, not to engage in insider trading and short-term trading, and not to trade shares of the Company during sensitive periods in strict accordance with relevant laws and regulations.	May 11, 2021	Within six months from the completion of the share increase plan (May 13, 2021 - November 12, 2021)	Completed
	Deng Yingzhong	Other commitments	For all employees who purchase C&S Paper stocks (no less than 1,000 shares) between May 10 and May 31, 2021 and hold them continuously until May 30, 2022 while still serving in the Company by then, any losses incurred from the aforesaid stocks will be fully compensated by Mr. Deng Yingzhong while any profits generated will entirely belong to the employee.	May 07, 2021	May 10, 2021 - June 30, 2022	Strictly observed
	Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Other commitments	They promise not to reduce or pledge any shares they hold directly or indirectly in the Company in any way from May 9, 2021 to May 30, 2022, including new shares added due to the transfer of capital reserve into share capital or distribution of stock dividends for the aforementioned shares during the	May 09, 2021	May 10, 2021 - May 30, 2022	Strictly observed

			commitment period. For any violation of the above commitment, all the incurred earnings will belong to the Company.			
	Liu Peng, Chen Haiyuan, Liang Yongliang, Li Youquan, Yue Yong, Zhou Qichao, Ye Longfang, Dong Ye, Li Zhaojin, and Deng Wenxi	Other commitments	They promise not to reduce or pledge any shares they hold directly or indirectly in the Company from the date when the <i>Letter of Commitment</i> is signed (i.e. May 14, 2021) to December 31, 2021, including new shares added due to the transfer of capital reserve into share capital or distribution of stock dividends for the aforementioned shares during the commitment period. For any violation of the above commitment, all the incurred earnings will belong to the Company.	May 14, 2021	May 14, 2021 - December 31, 2021	Completed
	Zhou Qichao	Other commitments	He promises not to reduce any shares he or his parents, spouse or children hold in the Company directly or indirectly in the Company in any way within 12 months from the last reduction of the Company's shares in 2021 (i.e. February 5, 2021), including new shares added due to the transfer of capital reserve into share capital or distribution of stock dividends for the aforementioned shares during the commitment period. For any violation of the above commitment, all the incurred earnings will belong to the Company.	July 10, 2021	February 05, 2021 - February 4, 2022	Strictly observed
Whether commitments are fulfilled on time	Yes					

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

Applicable  Not applicable

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

Applicable  Not applicable

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

## **III. External Guarantee in Violation of Prescribed Procedures**

Applicable  Not applicable

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

## **VI. Explanation by the Board of Directors of the “Non-standard Audit Report” of the Latest Period**

Applicable  Not applicable

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

Applicable  Not applicable

## **VI. Explanation of Changes in Accounting Policies and Estimates or Correction of Significant Accounting Errors Compared with the Financial Report of Last Fiscal Year**

Applicable  Not applicable

### **1. Accounting policy changes**

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

On December 7, 2018, the Ministry of Finance issued the revised *Accounting Standards for Business Enterprises No. 21 -- Leases* (C.K. [2018] No. 35) (hereinafter referred to as the “New Lease Standards”). As passed under a resolution at the 5th meeting of the fifth session of the Board of Directors on May 21, 2021, the Company started to enforce the aforesaid New Lease Standards from January 1, 2021 and adjusted related accounting policies accordingly.

Pursuant to the New Lease Standards, for contracts that already exist prior to the enforcement of the new standards, the Company chooses not to re-evaluate whether they are a lease or contain a lease.

The Company only adjusts the cumulative impact number for lease contracts that have been yet been completed as of January 1, 2021. The amounts of retained earnings and other relevant items in the financial statements at the

beginning of the period for the first time adoption of the new standards (i.e. January 1, 2021) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted.

The Company's specific processing and its impact on the date of first-time adoption of the new standards (i.e. January 1, 2021) are as follows:

**A The Company as the lessee:**

For finance leases on the adoption date of the new standards, if the Company is the lessee, it measures the right-of-use assets and lease liabilities according to the original book value of the financial leased assets and the financial lease payables. For operating leases on the adoption date of the new standards, the Company, as the lessee, measures lease liabilities according to the present value of the remaining lease payments discounted at the incremental borrowing rate on the adoption date of the new standards; the unpaid rent accrued on an accrual basis under the original lease standards is included in the remaining lease payments.

For operating leases prior to the adoption date of the new standards, the Company measures the right-of-use asset based on the amount equal to the lease liability and makes necessary adjustments based on prepaid rents. The Company conducts an impairment test on the right-of-use assets on the adoption date and adjusts the book value of the right-of-use assets.

For operating leases where the leased assets belong to low-value assets prior to the adoption date, the Company does not recognize as right-of-use assets and lease liabilities. For operating leases other than low-value asset leases at the adoption date, the Company applies one or more of the following simplified treatments for each lease:

- Leases to be completed within 12 months of the adoption date are treated as short-term leases;
- When measuring lease liabilities, the same discount rate is used for leases with similar characteristics;
- The measurement of the right-of-use assets excludes initial direct costs;
- If there is an option to renew or terminate the lease, the Company determines the lease term based on the actual exercise of the option before the adoption date and other latest conditions;
- If there is a lease change before the adoption date, the company will carry out accounting treatment according to the final arrangement of the lease change.

**B. Main changes and impacts of the implementation of the New Lease Standards**

The houses and buildings leased by the company were originally treated as operating leases. According to the new standards, on January 1, 2021, the Company recognized right-of-use assets of RMB 12,852,715.53, lease liabilities of RMB 8,089,819.67, and non-current liabilities due within one year of RMB 4,762,895.86.

Impacts on the financial statements dated January 1, 2021 are listed in the following:

Statement item	Amount on December 31, 2020 (prior to change)		Amount on January 1, 2021 (after change)	
	Consolidated statement	Parent Company's statement	Consolidated statement	Parent Company's statement
Right-of-use assets			12,852,715.53	3,161,008.25
Lease liabilities			8,089,819.67	1,858,811.04
Non-current liabilities due within one year			4,762,895.86	1,302,197.21

The weighted average of the incremental borrowing rate used by the Company on its lease liabilities in its balance sheet dated January 1, 2021 is 4.75%.

The adjustment process for the difference between the unpaid minimum lease payments for major operating leases at the end of 2020 as disclosed in its 2020 annual financial statements and those included in lease liabilities on January 1, 2021 is as follows:



Item	Consolidated statement	Parent Company's statement
Minimum lease payments of major operating leases at December 31, 2020	14,874,019.59	3,189,784.64
Less: Lease payments with simplified treatment	1,295,863.18	
Including: Short-term lease	1,295,863.18	
Low-value asset lease		
Adjusted minimum lease payments of major operating leases at January 1, 2021	13,578,156.41	3,189,784.64
Weighted average of incremental borrowing rates	4.75%	4.75%
Balance of lease liabilities on January 1, 2021	12,852,715.53	3,161,008.25
Including: Lease liabilities due within one year	4,762,895.86	1,302,197.21

## 2. Changes of accounting estimates

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

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

√ Applicable □ Not applicable

The Company invested and founded C&S (Jiangsu) Paper Co., Ltd. on February 25, 2021, with a registered capital of RMB200 million. C&S Paper holds 100% of its equity. C&S (Jiangsu) Paper Co., Ltd. was incorporated into the scope of consolidated statements from February 2021. Currently, C&S (Jiangsu) Paper has started operating activities.

On May 19, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Yunnan Jiaqu Trading Co., Ltd. jointly invested and established Yunnan Dolemi Trading Co., Ltd., with a registered capital of RMB4 million. Dolemi Sanitary Products holds 60% of the shares while Yunnan Jiaqu holds 40% of the shares. The Company has incorporated Yunnan Dolemi Trading Co., Ltd. into the scope of its consolidated statements since May 2021. Yunnan Dolemi Trading Co., Ltd. was dissolved and canceled on October 19, 2021, and the Company no longer incorporated it into the scope of consolidated statements from the date of cancellation.

On May 20, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Luzhou Longmatan District Jisheng Trading Co., Ltd. jointly invested and established Luzhou Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1.5 million. Dolemi Sanitary Products holds 60% of the shares while Jisheng Trading holds 40% of the shares. The Company has incorporated Luzhou Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since May 2021. Currently, Luzhou Dolemi has started operating activities.

On June 08, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Sichuan Zhong'en Liancheng Technology Co., Ltd. jointly invested and established Mianyang Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1.5 million. Dolemi Sanitary Products holds 60% of the shares while Zhong'en Liancheng holds 40% of the shares. The Company has incorporated Mianyang Dolemi Sanitary

Products Co., Ltd. into the scope of its consolidated statements since June 2021. Currently, Mianyang Dolemi has started operating activities.

On July 12, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Henan Duoxian Trading Co., Ltd. jointly invested and established Zhengzhou Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1 million. Dolemi Sanitary Products holds 60% of the shares while Duoxian Trading holds 40% of the shares. The Company has incorporated Zhengzhou Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since July 2021. Currently, Zhengzhou Dolemi has not started operating activities.

On July 14, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Dazhou Jiatai Trading Co., Ltd. jointly invested and established Dazhou Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1.5 million. Dolemi Sanitary Products holds 60% of the shares while Jiatai Trading holds 40% of the shares. The Company has incorporated Dazhou Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since July 2021. Currently, Dazhou Dolemi has started operating activities.

On August 6, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Guizhou Fangsheng Trading Co., Ltd. jointly invested and established Guiyang Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB2 million. Dolemi Sanitary Products holds 60% of the shares while Guizhou Fangsheng Trading holds 40% of the shares. The Company has incorporated Guiyang Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since August 2021. Currently, Guiyang Dolemi has started operating activities.

On August 18, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Zhanjiang Wei's Trading Co., Ltd. jointly invested and established Zhanjiang Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1 million. Dolemi Sanitary Products holds 60% of the shares while Zhanjiang Wei's Trading holds 40% of the shares. The Company has incorporated Zhanjiang Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since August 2021. Currently, Zhanjiang Dolemi has not started operating activities.

On September 01, 2021, the Company and Bloomage Biotechnology Corporation Limited jointly invested and established Beijing Bloomage Jierou Biotechnology Co., Ltd., with a registered capital of RMB10 million. The Company holds 51% of the shares while Bloomage Biotechnology holds 49% of the shares. The Company has incorporated Beijing Bloomage Jierou Biotechnology Co., Ltd. into the scope of its consolidated statements since September 2021. Currently, Bloomage Jierou has started operating activities.

On September 02, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Xi'an Boyu Hengchang Trading Co., Ltd. jointly invested and established Xi'an Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1 million. Dolemi Sanitary Products holds 60% of the shares while Boyu Hengchang Trading holds 40% of the shares. The Company has incorporated Xi'an Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since September 2021. Currently, Xi'an Dolemi has not started operating activities.

## VIII. Engagement and Dismissal of Accounting Firm

Accounting firm engaged

Name of the domestic accounting firm	Mazars Certified Public Accountants (LLP)
Remuneration for the domestic accounting firm (RMB 10,000)	156
Consecutive years of auditing service provided by the domestic accounting firm	3
Name of domestic certified public accountants	Wang Bing, Pan Guiquan
Consecutive years of auditing service provided by domestic certified public accountants	3

Whether the accounting firm was changed in the reporting period

Yes  No

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

Applicable  Not applicable

## IX. The Company Facing Delisting after the Disclosure of the Annual Report

Applicable  Not applicable

## X. Matters relating to Bankruptcy and Restructuring

Applicable  Not applicable

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

## XI. Material Litigations and Arbitrations

Applicable  Not applicable

There were no material litigations or arbitrations during the reporting period. Other litigations of the Company are as follows:

Basic information of the litigation (arbitration)	Amount involved (RMB 10,000)	Whether projected liabilities were incurred	Litigation (arbitration) progress	Hearing results and influences of the litigation (arbitration)	Execution of judgment of the litigation (arbitration)
Zhongshan Trading v. Shenzhen Yongxinghua Trading Co., Ltd., Feng, & Liang over sales contract dispute	660.37	No	Both the first instance and the second instance ruled that Zhongshan Trading won the case.	The verdict of second instance came into force. Zhongshan Trading has applied for execution.	In execution

Zhongshan Trading v. Guangzhou Yingjing Trade Co., Ltd. over sales contract dispute	31.36	No	The first instance supported all the claims by Zhongshan Trading.	The verdict of first instance came into force. Zhongshan Trading has applied for execution.	The first round of execution ended. No properties have been recovered.
Zhongshan Trading v. Shanghai Tongli Trading Co., Ltd. and eight natural person defendants including Liu over sales contract dispute	2,932.01	No	Both the first instance and the second instance ruled that Zhongshan Trading won the case.	The verdict of second instance came into force. Zhongshan Trading has applied for execution.	In execution
Yin v. C&S Paper over the right to health dispute	30.25	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance ruled that C&S won the case. The second instance sent the case back to the first instance court for a retrial. The first instance retrial has made a verdict. C&S has filed an appeal.	The second instance accepted the appeal; pending trial and judgment.	Not applicable
Sichuan C&S v. Xi'an Minsheng Department Store Management Co., Ltd. over contract dispute	5.65	No	The case was mediated and closed in the first instance.	Xi'an Minsheng has not fulfilled the repayment obligation in line with the paper of civil mediation. Sichuan C&S has applied for legal enforcement.	The first round of enforcement ended; RMB15,000 were recovered
Zhongshan Trading v. Guangzhou Jv Se Mai Ke Internet Service Co., Ltd. over sales contract dispute	28.55	No	The first instance supported all the claims by Zhongshan Trading.	The verdict came into force. Zhongshan Trading has applied for execution.	First round of execution ended. No fund was recovered.
Xiaogan C&S v. Wuhan Xincheng Tongda Trading Co., Ltd. over sales contract dispute	525.16	No	The case was mediated and closed in the first instance (with a mediation amount of RMB4.4961 million).	The counterparty has not fulfilled obligation in line with the paper of civil mediation; Xiaogan C&S has applied for legal enforcement..	In execution
Yunfu C&S v. Yu	31.08	No	The first instance has	The verdict came into force.	In execution

over sales contract dispute			ruled in favor of the company.	Yunfu C&S has applied for execution.	
Zhongshan Trading v. Hefei Suning Fresh Food Supermarket Procurement Co., Ltd. over right to claims of bills	475.27	No	The first instance has accepted the case; pending trial and judgment	The first instance has accepted the case; pending trial and judgment	Not applicable
Chongqing Xianshida Human Resources Management Co., Ltd. v. C&S Paper over service contract dispute	30	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance is being heard; pending judgment	The first instance is being heard; pending judgment	Not applicable
Yan v. Yunfu C&S over labor arbitration distribute	4.85	No	Labor arbitration has made a ruling	Main arbitration claims of the counterparty were rejected; the counterparty did not file for lawsuit, so execution has been completed.	Execution completed
Qiu v. Yunfu C&S over labor arbitration distribute	16.53	No	Labor arbitration has made a ruling	Main arbitration claims of the counterparty were rejected; the counterparty did not file for lawsuit, so execution has been completed.	Execution completed
Tangshan C&S v. Huangshan Langshuo Hotel Management Co., Ltd. over arrear dispute	7.97	No	The first instance supported all the claims by Tangshan C&S.	Tangshan C&S will apply for legal enforcement after the first instance verdict comes into effect.	Not applicable
Tangshan C&S v. Lijiang Yile Hotel Management Co., Ltd. over arrear dispute	3.1	No	The first instance has accepted the case; pending trial and judgment	The first instance has accepted the case; pending trial and judgment	Not applicable
Fan v. Yunfu C&S over labor arbitration distribute	17.36	No (Note: Whether projected liabilities will be incurred cannot be determined prior to	Labor arbitration has accepted the case; pending hearing	Labor arbitration has accepted the case; pending hearing and judgment	Not applicable

		the verdict.)			
Zhang v. Jiangmen C&S over labor arbitration distribute	84.92	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance has made a ruling, with all claims against the company being dismissed.	The counterparty appealed; pending trial and judgment	Not applicable
Lu v. Jiangmen C&S over labor arbitration distribute	62.71	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance has made a ruling, with all claims against the company being dismissed.	The counterparty appealed; pending trial and judgment	Not applicable
Tan v. Jiangmen C&S over labor arbitration distribute	121.39	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance has made a ruling, with all claims against the company being dismissed.	The counterparty appealed; pending trial and judgment	Not applicable

## XII. Penalties and Rectifications

Applicable  Not applicable

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

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

Applicable  Not applicable

## XIV. Material Related Party Transactions

### 1. Related party transactions relating to daily operations

Applicable  Not applicable

Party of related party transaction	Related relationship	Type of related party transaction	Content of related party transaction	Pricing rules of related party transaction	Price of related party transactions	Amount of related party transaction (RMB1 0,000)	Proportion in the amount of similar transactions	Approved transaction limit (RMB1 0,000)	Whether to outstrip the approved limit	Settlement of related party transaction	Available market prices for similar transactions	Date of disclosure	Index of disclosure

Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	294.81	22.05%	294.81	No	Transfer settlement	Market fair price	December 06, 2019	2019-93
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	33.36	2.50%	33.36	No	Transfer settlement	Market fair price	October 30, 2020	2020-82
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	1.3	0.10%		Yes	Transfer settlement	Market fair price		
Pengzhou Enjoying Life Trading Co., Ltd.	A company in which the son of the Company's Vice President Yue Yong holds 50% equity and serves as a supervisor	Daily operation transaction	Sale of goods	Market fair price	Market fair price	237.22	0.03%	150	Yes	Transfer settlement	Market fair price	December 16, 2020	2020-99
Sichuan West Enjoying Life Trading Co., Ltd.	A company in which the son of the	Daily operation transaction	Sale of goods and promotion fee	Market fair price	Market fair price	56.53	0.02%	50	Yes	Transfer settlement	Market fair price	December 16, 2020	2020-99

	Company's Vice President Yue Yong holds 50% equity and serves as a supervisor												
Chongqing Qinyue Trading Co., Ltd.	A company in which the spouse of the brother of the Company's Vice President Yue Yong holds 99% equity	Daily operation transaction	Sale of goods	Market fair price	Market fair price		0.00%	100	No	Transfer settlement	Market fair price	December 16, 2020	2020-99
Total				--	--	623.22	--	628.17	--	--	--	--	--
Details of returns of large sales			Not applicable										
Where the total amount of daily related-party transactions occurred in the current period is estimated by category, actual performance during the reporting period (if any)			Among the excessive amounts of related party transactions in the reporting period, RMB13,000 is for renting properties from the related party, RMB872,200 is for the sales of goods to the related party, and RMB65,300 is for the related party's provision of services to the Company and the Company's sales of goods to the related party. They fall within the authority of the Chairman of the Company and can be implemented without the approval of the Board of Directors.										
Reason(s) for a large difference between the transaction price and the market reference price (if applicable)			Exercise at fair price										



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

Applicable  Not applicable

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

## 3. Related party transactions relating to joint outbound investment

Applicable  Not applicable

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

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

Applicable  Not applicable

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

## 5. Transactions with related party financial companies

Applicable  Not applicable

The Company did not have deposit, loan, credit or other financial business transactions with financial companies that have related relationship and the associated related parties.

## 6. Transactions between financial companies controlled by the Company and related parties

Applicable  Not applicable

Financial companies controlled by the Company did not have deposit, loan, credit or other financial business transactions with related parties.

## 7. Other significant related party transactions

Applicable  Not applicable

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

## XV. Significant Contracts and Their Performance

### 1. Custody, contracting and leasing matters

#### (1) Custody

Applicable  Not applicable

During the reporting period, there was no custody.

#### (2) Contracting

Applicable  Not applicable

During the reporting period, there was no contracting.

### (3) Leasing

Applicable  Not applicable

Description of leasing matters

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

On October 29, 2020, the Company convened the 28th meeting of the fourth session of the Board of Directors and the 22nd meeting of the fourth session of the Board of Supervisors, on which the *Proposal on Adding to Related-Party Leasing Transactions* was reviewed and approved. The Board of Directors of the Company agreed that the Company's wholly-owned subsidiary, C&S (Yunfu) Paper Co., Ltd., leased the real estate jointly owned by the actual controllers of the Company Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie to be used as its R&D center. The lease term is from November 1, 2020 to December 31, 2021, and the total rent involved is RMB389,300. During the deliberation of this proposal, the Company's three related directors, Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie, withdrew from voting, while the remaining six attending directors unanimously approved this related party transaction. The three independent directors of the Company respectively issued *Prior Approval Opinions* and *Opinions of Independent Directors* on the proposal, agreeing to submit the proposal to the Board of Directors for deliberation and agreeing to the related party transaction.

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

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

Applicable  Not applicable

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

of the total profits of the Company during the reporting period.

## 2. Material guarantee

√ Applicable □ Not applicable

Unit: RMB10,000

External guarantee of the Company and subsidiaries (excluding guarantee for subsidiaries)										
Name of guarantee object	Disclosure date of relevant announcement on guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Guarantee of the Company for subsidiaries										
Name of guarantee object	Disclosure date of relevant announcement on guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Zhongshan Trading	December 15, 2020	15,000	October 18, 2021	2,858.85	Joint and several liability guarantee	None	None	2021.10.18-2024.9.7	No	No
Zhongshan Trading	December 15, 2020	13,600	March 02, 2021	11,696.66	Joint and several liability guarantee	None	None	2021.3.2-2026.3.1	No	No
Zhongshan Trading	December 05, 2019	25,000	December 15, 2020	0	Joint and several liability guarantee	None	None	2020.12.15-2024.12.9	No	No
Zhongshan Trading	December 15, 2020	15,000	September 24, 2021	4,609.26	Joint and several liability guarantee	None	None	2021.9.24-2024.7.7	No	No
Zhongshan Trading	December 15, 2020	50,000	August 21, 2021	2,270.46	Joint and several liability	None	None	2021.8.21-2025.5.11	No	No

					guarantee					
Zhongshan Trading	December 15, 2020	16,000	September 15, 2021	500	Joint and several liability guarantee	None	None	2021.9.15-2024.12.31	No	No
Jiangmen C&S	December 15, 2020	12,000	October 26, 2021	3,043.37	Joint and several liability guarantee	None	None	2021.10.26-2024.9.12	No	No
Jiangmen C&S	December 05, 2019	10,000	November 16, 2020	3,954.7	Joint and several liability guarantee	None	None	2020.11.26-2023.11.25	No	No
Jiangmen C&S	December 15, 2020	15,000	May 13, 2021	0	Joint and several liability guarantee	None	None	2021.5.13-2024.3.30	No	No
Jiangmen C&S	December 05, 2019	5,000	December 23, 2020	1,258.97	Joint and several liability guarantee	None	None	2020.12.23-2025.12.23	No	No
Yunfu C&S	December 05, 2019	8,000	April 14, 2020	0	Joint and several liability guarantee	None	None	2020.4.14-2028.4.14	No	No
Yunfu C&S	December 05, 2019	5,000	November 20, 2020	800	Joint and several liability guarantee	None	None	2020.11.20-2023.12.31	No	No
Yunfu C&S	December 15, 2020	20,000	October 26, 2021	2,906.39	Joint and several liability guarantee	None	None	2021.10.26-2024.9.12	No	No
Yunfu C&S	December 15, 2020	15,000	May 13, 2021	0	Joint and several liability guarantee	None	None	2021.5.13-2024.3.30	No	No
Yunfu C&S	December 15, 2020	5,000	September 27, 2021	1,399.33	Joint and several liability guarantee	None	None	2021.9.27-2023.12.16	No	No

Hubei C&S	December 15, 2020	10,000	December 03, 2021	0	Joint and several liability guarantee	None	None	2021.12.3-2026.9.29	No	No
Zhongshan Trading, Hubei C&S, and Macao C&S	December 15, 2020	9,560.7	June 01, 2021	1,395.56	Joint and several liability guarantee	None	None	2021.6.1-2023.4.22	No	No
Jiangmen C&S, Yunfu C&S, Hubei C&S	December 19, 2018	25,000	January 08, 2019	0	Joint and several liability guarantee	None	None	2019.1.8-2022.1.8	No	No
C&S Hong Kong, Zhong Shun International, Macao C&S	December 15, 2020	31,869	November 04, 2021	4,802.72	Joint and several liability guarantee	None	None	2021.11.4-2025.7.31	No	No
C&S Hong Kong, Zhong Shun International	December 15, 2020	16,593.22	September 08, 2021	0	Joint and several liability guarantee	None	None	2021.9.8-2023.9.8	No	No
C&S Hong Kong, Macao C&S	December 15, 2020	32,696	March 17, 2021	1,375.12	Joint and several liability guarantee	None	None	2021.3.17-2025.12.31	No	No
C&S Hong Kong, Zhong Shun International, Macao C&S	December 05, 2019	40,473.63	February 12, 2020	6,612.2	Joint and several liability guarantee	None	None	2020.2.12-2022.2.12	No	No
C&S Hong Kong, Macao	December 05, 2019	12,747.6	February 25, 2020	0	Joint and several liability	None	None	2020.2.25-2022.2.25	No	No

C&S					guarantee					
C&S Hong Kong, Macao C&S	December 15, 2020	6,373.80	December 03, 2021		Joint and several liability guarantee	None	None	2021.12.3-2025.9.24	No	No
C&S Hong Kong, Macao C&S	December 05, 2019	15,297.12	March 27, 2020	1,300.26	Joint and several liability guarantee	None	None	2020.3.27-2023.2.19	No	No
C&S Hong Kong, Zhong Shun International, Macao C&S	December 15, 2017	17,655.84	September 28, 2018		Joint and several liability guarantee	None	None	2018.9.28-2022.8.31	No	No
C&S Hong Kong, Zhong Shun International, Macao C&S	December 05, 2019	19,121.4	January 30, 2020	710.29	Joint and several liability guarantee	None	None	2020.1.30-2023.1.30	No	No
Macao C&S	December 15, 2017	7,011.18	March 23, 2018		Joint and several liability guarantee	None	None	2018.3.23-2022.9.23	No	No
Macao C&S	December 15, 2017	7,000	August 15, 2018		Joint and several liability guarantee	None	None	2018.8.15-2025.8.15	No	No
Macao C&S	December 15, 2020	19,121.4	November 12, 2021	6,392.92	Joint and several liability guarantee	None	None	2021.11.12-2024.10.20	No	No
C&S Hong Kong, Zhong Shun International, Macao C&S	December 05, 2019	22,308.3	September 01, 2020	2,244.48	Joint and several liability guarantee	None	None	2020.9.1-2022.7.9	No	No

Total approved amount of guarantee for subsidiaries during the reporting period (B1)	302,814.12	Total actual amount of guarantee for subsidiaries during the reporting period (B2)	43,250.64							
Total approved amount of guarantee for subsidiaries at the end of the reporting period (B3)	522,429.19	Total actual guarantee balance to subsidiaries at the end of the reporting period (B4)	60,131.54							
Guarantee of subsidiaries to subsidiaries										
Name of guarantee object	Disclosure date of relevant announcement on guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Total amount of the Company's guarantee (the sum of the first three items)										
Total approved amount of guarantee during the reporting period (A1 + B1 + C1)	302,814.12	Total actual amount of guarantee during the reporting period (A2 + B2 + C2)	43,250.64							
Total approved amount of guarantee at the end of the reporting period (A3 + B3 + C3)	522,429.19	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	60,131.54							
Proportion of the total actual amount of guarantee (A4 + B4 + C4) in the net assets of the Company			12.26%							
Wherein:										
Balance of guarantee for shareholders, actual controllers and their related parties (D)			0							
Balance of debt guarantee provided directly or indirectly for objects whose asset-liability ratio exceeds 70% (E)			23,330.79							
Amount of guarantees in excess of 50% of net assets (F)			0							
Total amount of the above three guarantees (D + E + F)			23,330.79							
Description of situations that the guarantee liability has occurred or there is evidence showing that the Company may be jointly and severally			None							

liable for undue guarantee contracts during the reporting period (if any)	
Description of providing external guarantee in violation of prescribed procedures (if any)	None

Detailed description on the guarantees with different types: None

### 3. Entrusting others to manage cash assets

#### (1) Entrusted wealth management

Applicable  Not applicable

Overview of entrusted wealth management during the reporting period

Unit: RMB10,000

Specific type	Source of entrusted wealth management funds	Incurred amount of entrusted wealth management	Undue balance	Amount overdue but not recovered	Amount overdue but not recovered with impairment having been accrued
Wealth management product of securities company	Self-owned fund	9,500	1,000	0	0
Wealth management product of bank	Self-owned fund	1,000	0	0	0
<b>Total</b>		<b>10,500</b>	<b>1,000</b>	<b>0</b>	<b>0</b>

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

Applicable  Not applicable

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

Applicable  Not applicable

#### (2) Entrusted loans

Applicable  Not applicable

There were no entrusted loans during the reporting period.

### 4. Other significant contracts

Applicable  Not applicable

There were no other significant contracts during the reporting period.

## XVI. Other Significant Events

Applicable  Not applicable

### 1. Reelection of directors and supervisors



The Company convened the 30th meeting of the fourth session of the Board of Directors and the 24th meeting of the fourth session of the Board of Supervisors on January 5, 2021 and the 2021 First Extraordinary General Meeting on January 21, 2021, which elected non-independent directors and independent directors of the fifth session of the Board of Directors and non-employee-representative supervisors. On January 12, 2021, the Company convened the employee representative meeting and elected employee representative supervisors. For details, please refer to the relevant announcement released by the Company on [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **2. New 400,000-ton high-grade household paper project**

The Company convened the 31st meeting of the fourth session of the Board of Directors on January 13, 2021, which reviewed and adopted the *Proposal on Building a New 400,000-ton High-grade Household Paper Project*. The new project aims to promote the Company to further expand its production capacity, meet the demands for future sales growth in East China market, and create new profit growth points for the Company. With a total projected investment of RMB2.55 billion and a planned capacity of 400,000 tons, the project will be implemented in phases. The first phase is planned to have an investment of RMB600 million and an output of 100,000 tons of high grade household paper. For details, please refer to the relevant announcement released by the Company on [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **3. Share repurchase**

On January 5, 2021, the Company held the 30th meeting of the fourth session of the Board of Directors which reviewed and passed the *Proposal on Share Repurchase of the Company*. The Company plans to repurchase shares of the Company via centralized bidding transaction, and the shares to be repurchased will be used for equity incentives or employee stock ownership plans. The share repurchase expired on January 5, 2022. The Company repurchased a total of 24,863,087 shares, accounting for 1.8942% of its total share capital. The highest and lowest transaction price was RMB34.50/share and RMB16.48/share, respectively, and the total transaction amount was RMB 661,249,972.28 (excluding transaction fee). For details, please refer to the relevant announcement released by the Company on [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **4. Phase III Employee Stock Ownership Plan**

The Company held the 5th meeting of the fifth session of the Board of Directors and the Fourth Extraordinary General Meeting on May 21 and June 7, 2021, respectively, which considered and approved the *Proposal on the Phase III Employee Stock Ownership Plan (Draft) and Its Summary* and other relevant proposals. As such, the implementation of the Phase III Employee Ownership Plan was approved.

On November 30, 2021, the Company convened the 12th meeting of the fifth Session of the Board of Directors and the 7th meeting of the fifth Session of the Board of Supervisors, which reviewed and approved the *Proposal on Terminating the Phase III Employee Stock Ownership Plan*. Ever since review procedures for the Phase III plan were complement, the management of the Company has been actively promoting its implementation and has communicated with employee representatives many times regarding its specific implementation. Employees participating in this Plan fully recognize the original intention of the Plan. The Company has held internal communication meetings and actively communicated with financial institutions to carry out financing work. However, considering changes in relevant financial policies plus market reasons, it is difficult to continue pushing forward the Plan. To better safeguard the interests of the Company, shareholders and employees, the Company has decided to terminate the Phase III Employee Stock Ownership Plan upon careful consideration in accordance with

relevant regulations. For details, please refer to the relevant announcement released by the Company on [www.cninfo.com.cn](http://www.cninfo.com.cn).

### **5. Proposal of the actual controller for employees to increase shareholding of the Company**

On May 9, 2021, the Company received the *Letter on Proposing All Employees to Increase Shareholding of the Company* from the director and actual controller of the Company Mr. Deng Yingzhong. Based on his confidence in the Company's sustained development in the future, Mr. Deng called on employees of the Company and subsidiaries to actively buy in stock of the Company. He also promised: "For all employees who purchase C&S Paper stocks (no less than 1,000 shares) between May 10 and May 31, 2021 and hold them continuously until May 30, 2022 while still serving in the Company by then, any losses incurred from the aforesaid stocks will be fully compensated by Mr. Deng Yingzhong while any profits generated will entirely belong to the employee." The commitment hereof is not due yet as of the end of the reporting period. For details, please refer to the relevant announcement released by the Company on [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **XVII. Significant Events of Subsidiaries of the Company**

√ Applicable □ Not applicable

### **1. High-tech enterprise certification**

The *Certificate of High-tech Enterprise* of C&S (Yunfu) Paper Co., Ltd. and C&S (Sichuan) Paper Co., Ltd., two wholly-owned subsidiaries of the Company, was re-certified upon expiration. Within three years after certification and archival, the two subsidiaries can enjoy a preferential rate of corporate income tax at 15%.

### **2. Changes of industrial and commercial registration**

(1) C&S (Sichuan) Paper Co., Ltd., C&S (Yunfu) Paper Co., Ltd., Jiangmen Zhongshun Paper Co., Ltd., C&S (Hubei) Paper Co., Ltd. and C&S (Yunfu) Trading Co., Ltd. expanded their scope of business, and have completed the change registration with the industrial and commercial department and collected the new business licenses.

(2) The Company's wholly-owned subsidiary C&S (Yunfu) Trading Co., Ltd. was changed to "Yunfu Hengtai Trading Co., Ltd."

### **3. Newly established/joint stock companies**

(1) The Company established a wholly-owned subsidiary, C&S (Jiangsu) Paper Co., Ltd., as the entity to implement the 400,000-ton high-grade household paper project.

(2) Out of business development needs, the Company invested and established 8 joint-stock companies in 2021: Luzhou Dolemi Sanitary Products Co., Ltd. (the Company subscribed RMB900,000 through its wholly-owned subsidiary Dolemi Sanitary Products Co., Ltd. and holds 60% of the shares); Mianyang Dolemi Sanitary Products Co., Ltd. (the Company subscribed RMB900,000 through its wholly-owned subsidiary Dolemi Sanitary Products Co., Ltd. and holds 60% of the shares); Dazhou Dolemi Sanitary Products Co., Ltd. (the Company subscribed RMB900,000 through its wholly-owned subsidiary Dolemi Sanitary Products Co., Ltd. and holds 60% of the shares); Guiyang Dolemi Sanitary Products Co., Ltd. (the Company subscribed RMB1.2 million through its wholly-owned subsidiary Dolemi Sanitary Products Co., Ltd. and holds 60% of the shares); Zhengzhou Dolemi Sanitary Products Co., Ltd. (the Company subscribed RMB600,000 through its wholly-owned subsidiary Dolemi Sanitary Products Co., Ltd. and holds 60% of the shares); Xi'an Dolemi Sanitary Products Co., Ltd. (the Company

subscribed RMB600,000 through its wholly-owned subsidiary Dolemi Sanitary Products Co., Ltd. and holds 60% of the shares); Zhanjiang Dolemi Sanitary Products Co., Ltd. (the Company subscribed RMB600,000 through its wholly-owned subsidiary Dolemi Sanitary Products Co., Ltd. and holds 60% of the shares); Beijing Bloomage Jierou Biotechnology Co., Ltd. (the Company subscribed RMB5.1 million and holds 51% of the shares)

## Section VII Changes in Shareholding and Information of Shareholders

### I. Changes in Share Capital

#### 1. Changes in shares

Unit: share

	Before change		Increase/decrease (+, -) of this change					After change	
	Number	Percentage	New shares issued	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number	Percentage
I. Shares subject to selling restrictions	36,858,323	2.81%	236,250			-9,533,973	-9,297,723	27,560,600	2.10%
1. Shares held by the state									
2. Shares held by state-owned legal person									
3. Shares held by other domestic shareholders	34,906,289	2.66%	11,250			-7,952,539	-7,941,289	26,965,000	2.05%
Including: Shares held by domestic legal persons									
Shares held by domestic natural persons	34,906,289	2.66%	11,250			-7,952,539	-7,941,289	26,965,000	2.05%
4. Shares held by foreign shareholders	1,952,034	0.15%	225,000			-1,581,434	-1,356,434	595,600	0.05%
Including: Shares held by foreign legal persons									
Shares held by foreign natural persons	1,952,034	0.15%	225,000			-1,581,434	-1,356,434	595,600	0.05%
II. Shares without selling restrictions	1,274,840,644	97.19%	2,888,811			7,300,778	10,189,589	1,285,030,233	97.90%
1. RMB-denominated ordinary shares	1,274,840,644	97.19%	2,888,811			7,300,778	10,189,589	1,285,030,233	97.90%
2. Domestic listed foreign shares									
3. Overseas listed foreign									

shares									
4. Others									
III. Total number of shares	1,311,698,967	100.00%	3,125,061			-2,233,195	891,866	1,312,590,833	100.00%

## Explanation on changes in shares

Applicable  Not applicable

1. During January 1, 2021 and February 28, 2021, vesting incentive recipients of stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the right of 461,478 shares in the first exercisable period. As a result, the Company's total share capital increased by 461,478 shares.

2. During the first unlock period for restricted shares awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan*, 24 incentive recipients were unable to unlock the shares since they left the Company or failed to pass performance appraisal or unable to unlock all the shares since they passed the performance appraisal but failed to get a full mark and therefore could only unlock shares proportioned to their mark. As a result, the Company had to repurchase and cancel a total of 211,890 restricted shares that had been granted but not unlocked. The deregistration procedures for the aforementioned restricted shares had been completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited as at March 3, 2021. As a result, the Company's total share capital decreased by 211,890 shares.

3. During the second unlock period for restricted shares awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan*, 96 incentive recipients were unable to unlock the shares since they left the Company or failed to pass performance appraisal or unable to unlock all the shares since they passed the performance appraisal but failed to get a full mark and therefore could only unlock shares proportioned to their mark. As a result, the Company had to repurchase and cancel a total of 2,021,305 restricted shares that had been granted but not unlocked. The repurchase and deregistration procedures for the aforementioned restricted shares had been completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited as at October 27, 2021. As a result, the Company's total share capital decreased by 2,021,305 shares.

4. During June 30, 2021 and December 31, 2021, vesting incentive recipients of stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the right of 2,663,583 shares in the second exercisable period. As a result, the Company's total share capital increased by 2,663,583 shares.

## Approval of changes in shares

Applicable  Not applicable

1. The Board of Directors' disposition of the exercise matters for the first exercise period of restricted stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* had been authorized by the 2019 First Extraordinary General Meeting and reviewed and approved by the 23rd meeting of the fourth session of the Board of Directors, the 19th meeting of the fourth session of the Board of Supervisors, the 28th meeting of the fourth session of the Board of Directors, and the 22nd meeting of the fourth session of the Board of Supervisors.

2. The Board of Directors' disposition of the repurchase and deregistration matters for the first unlocking of reserved restricted shares under the *2018 Stock Option and Restricted Stock Incentive Plan* had been authorized by the 2019 First Extraordinary General Meeting and reviewed and approved by the 28th meeting of the fourth session of the Board of Directors and 22nd meeting of the fourth session of the Board of Supervisors.

3. The Board of Directors' disposition of the repurchase and deregistration matters for the second unlocking of first-grant restricted shares under the *2018 Stock Option and Restricted Stock Incentive Plan* had been authorized

by the 2019 First Extraordinary General Meeting and reviewed and approved by the 5th meeting of the fifth session of the Board of Directors and 3rd meeting of the fifth session of the Board of Supervisors.

4. The Board of Directors' disposition of the exercise matters for the second exercise period of restricted stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* had been authorized by the 2019 First Extraordinary General Meeting and reviewed and approved by the 5th meeting of the fifth session of the Board of Directors, the 3rd meeting of the fifth session of the Board of Supervisors, the 12th meeting of the fifth session of the Board of Directors, and the 7th meeting of the fifth session of the Board of Supervisors.

Transfer of title of changed shares

Applicable  Not applicable

Impact of share changes on basic earnings per share and diluted earnings per share, net assets per share attributable to ordinary shareholders of the Company, and other financial indicators in last year and the latest period

Applicable  Not applicable

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

Applicable  Not applicable

## 2. Changes in shares subject to selling restrictions

Applicable  Not applicable

Unit: share

Shareholder's name	Number of shares subject to selling restrictions at the beginning of the period	Increase in shares subject to selling restrictions during the period	Number of shares released from selling restrictions during the period	Number of shares subject to selling restrictions at the end of the year	Reason for Selling restrictions	Date of release from selling restrictions
Deng Yingzhong	5,064,608			5,064,608	Lock-up shares of senior management	Long-term
Liu Peng		45,975		45,975	Lock-up shares of senior management; the increase in restricted shares is due to the proportional locking of shareholding increase.	Long-term
Deng Guanbiao	3,718,105			3,718,105	Lock-up shares of senior management	Long-term
Deng Guanjie	900,730			900,730	Lock-up shares of senior management	Long-term
Zhang Yang		37,500		37,500	Lock-up shares of senior management; the increase	Long-term

					in restricted shares is due to the locking of shares proportional to the position of the senior management.	
Yue Yong	9,261,243	247,500	2,045,438	7,463,305	Lock-up shares of senior management; the increase in restricted shares is due to the locking of unlocked restricted shares proportional to the position of the senior management.	Long-term
Li Zhaojin		8,100		8,100	Lock-up shares of senior management; the increase in restricted shares is due to the proportional locking of shareholding increase.	Long-term
Deng Wenxi		15,825		15,825	Lock-up shares of senior management; the increase in restricted shares is due to the proportional locking of shareholding increase.	Long-term
Zhao Ming		6,250		6,250	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shares proportional to the position of the senior management.	Long-term
Lin Tiande		212,141		212,141	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shares proportional to the position of the senior management.	Long-term
Dong Ye	119,794	45,000	42,000	122,794	Lock-up shares of senior management; the increase in restricted shares is due to the locking of unlocked restricted shares and	Long-term

					exercised stock options proportional to the position of the senior management.	
Chen Haiyuan		12,675		12,675	Lock-up shares of senior management; the increase in restricted shares is due to the proportional locking of shareholding increase.	Long-term
Zhang Gao		32,000		32,000	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shares proportional to the position of the supervisor.	Long-term
Li Youquan (resigned)	33,300	11,100		44,400	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shares upon resignation.	Release of selling restrictions in accordance with relevant regulations
Zhou Qichao (resigned)	497,754		123,682	374,072	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shares upon resignation.	Release of selling restrictions in accordance with relevant regulations
Ye Longfang (resigned)	112,500	37,500		150,000	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shares upon resignation.	Release of selling restrictions in accordance with relevant regulations
Dai Zhenji (resigned)	265,034	225,000	62,534	427,500	Lock-up shares of senior management; the increase in restricted shares is due to the locking of exercised stock options proportional to the position of the senior management.	Release of selling restrictions in accordance with relevant regulations
Liu Jinfeng (resigned)	1,579,475	243,000	446,563	1,375,912	Lock-up shares of senior management; the increase in restricted shares is due to the locking of unlocked restricted shares	Release of selling restrictions in accordance with relevant regulations



					proportional to the position of the senior management.	
Equity incentive recipients	15,305,780		7,757,072	7,548,708	In accordance with <i>2018 Stock Option and Restricted Stock Incentive Plan (Draft)</i> , the second unlocking was conducted for partial restricted stocks awarded in the first grant and partial reserved stocks in 2021; 30% of the shares were unlocked; 40% of the shares of the third phase were still locked.	Pursuant to <i>2018 Stock Option and Restricted Stock Incentive Plan (Draft)</i>
Total	36,858,323	1,179,566	10,477,289	27,560,600	--	--

## II. Issuance and Listing of Securities

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

Applicable  Not applicable

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

Applicable  Not applicable

1. During January 1, 2021 and February 28, 2021, vesting incentive recipients of stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the right of 461,478 shares in the first exercisable period. As a result, the Company's total share capital increased by 461,478 shares.

2. During the first unlock period for restricted shares awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan*, 24 incentive recipients were unable to unlock the shares since they left the Company or failed to pass performance appraisal or unable to unlock all the shares since they passed the performance appraisal but failed to get a full mark and therefore could only unlock shares proportioned to their mark. As a result, the Company had to repurchase and cancel a total of 211,890 restricted shares that had been granted but not unlocked. The deregistration procedures for the aforementioned restricted shares had been completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited as at March 3, 2021. As a result, the Company's total share capital decreased by 211,890 shares.

3. During the second unlock period for restricted shares awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan*, 96 incentive recipients were unable to unlock the shares since they left the

Company or failed to pass performance appraisal or unable to unlock all the shares since they passed the performance appraisal but failed to get a full mark and therefore could only unlock shares proportioned to their mark. As a result, the Company had to repurchase and cancel a total of 2,021,305 restricted shares that had been granted but not unlocked. The repurchase and deregistration procedures for the aforementioned restricted shares had been completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited as at October 27, 2021. As a result, the Company's total share capital decreased by 2,021,305 shares.

4. During June 30, 2021 and December 31, 2021, vesting incentive recipients of stock options awarded in the first grant and reserved stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the right of 2,663,583 shares in the second exercisable period. As a result, the Company's total share capital increased by 2,663,583 shares.

### 3. Internal employee shares

Applicable  Not applicable

## III. Information of Shareholders and Actual Controllers

### 1. Total number of shareholders

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Shares held at the end of the reporting period	Increase/decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares without selling restrictions	Pledged, marked or frozen	
							Share status	Number
Total number of ordinary shareholders as at the end of the reporting period								
Total number of ordinary shareholders at the end of the month preceding the disclosure date of the annual report								
Total number of preferred shareholders whose voting rights were resumed at the end of the reporting period (if any) (see Note VIII)								
Total number of preferred shareholders whose voting rights were resumed at the end of the month preceding the disclosure date of the annual report (if any) (see Note VIII)								
Shareholdings of shareholders with more than 5% or the top 10 shareholders								
Guangdong Zhongshun Paper Group Co., Ltd.	Domestic non-state-owned legal person	28.62%	375,655,958			375,655,958		
Chung Shun Co.	Foreign legal	20.30%	266,504,789			266,504,789		

	person							
Hong Kong Securities Clearing Co., Ltd.	Foreign legal person	4.58%	60,108,758	Share reduction		60,108,758		
Ernest Partners LLC — Client funds	Foreign legal person	0.79%	10,402,100	New		10,402,100		
Yue Yong	Domestic natural person	0.74%	9,665,241	Share reduction	7,903,305	1,761,936		
# Lin Zuohua	Domestic natural person	0.63%	8,217,510	New		8,217,510		
Deng Yingzhong	Domestic natural person	0.51%	6,752,811		5,064,608	1,688,203		
# Zhongshan Xinda Investment Management Co., Ltd.	Domestic non-state-owned legal person	0.47%	6,123,636	Share increase		6,123,636		
Deng Guanbiao	Domestic natural person	0.38%	4,957,473		3,718,105	1,239,368		
Hua Life Insurance Co., Ltd. - Self-owned funds	Others	0.36%	4,692,263	Share increase		4,692,263		
Strategic investors or general legal persons becoming top ten shareholders due to private placement of new shares (if any) (see Note 3)	Not applicable							
Description on the related relationship or parties acting-in-concert arrangements among the above shareholders	<p>1. Among the top ten shareholders mentioned above, Mr. Deng Yingzhong and Mr. Deng Guanbiao are among the actual controllers of the Company; Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are the enterprises controlled by actual controllers of the Company, i.e. Mr. Deng Yingzhong, Deng Guanbiao and Deng Guanjie. That is, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are related parties. Mr. Yue Yong is an incumbent senior manager of the Company.</p> <p>2. Except for the above situation, it is unknown to the Company whether there is related party relationship among other shareholders, or whether there is acting-in-concert among other shareholders as stipulated in the <i>Administrative Measures for the Disclosure of Information on Changes in Shareholders' Shareholding of Listed Companies</i>.</p>							
Description on entrusting/being entrusted with voting rights and waiver of voting rights by the aforementioned shareholders:	Not applicable							
Description on special repurchase	There is a special repurchase account "C&S Paper Special Repurchase Securities Account"							

account among top 10 shareholders (if any) (see note 10)	among the top 10 shareholders. As of the end of the reporting period, this repurchase account held 26,758,987 shares, with a shareholding ratio of 2.04%. Pursuant to relevant regulations, it is not included in the list of top 10 shareholders.		
Shareholdings of top 10 shareholders not subject to selling restrictions			
Name of shareholder	Number of shares held not subject to selling restrictions	Type of shares	
		Type of shares	Number
Guangdong Zhongshun Paper Group Co., Ltd.	375,655,958	RMB-denominated ordinary shares	375,655,958
Chung Shun Co.	266,504,789	RMB-denominated ordinary shares	266,504,789
Hong Kong Securities Clearing Co., Ltd.	60,108,758	RMB-denominated ordinary shares	60,108,758
Ernest Partners LLC — Client funds	10,402,100	RMB-denominated ordinary shares	10,402,100
# Lin Zuohua	8,217,510	RMB-denominated ordinary shares	8,217,510
# Zhongshan Xinda Investment Management Co., Ltd.	6,123,636	RMB-denominated ordinary shares	6,123,636
Hua Life Insurance Co., Ltd. - Self-owned funds	4,692,263	RMB-denominated ordinary shares	4,692,263
Cheng'an Asset Management Co., Ltd. — Cheng'an 99 Chuancheng No. 1 Private Equity Securities Investment Fund	4,499,913	RMB-denominated ordinary shares	4,499,913
Li Hong	4,297,300	RMB-denominated ordinary shares	4,297,300
ABC — CSI Smallcap 500 ETF	4,170,889	RMB-denominated ordinary shares	4,170,889
Description on the related relationship or parties acting-in-concert among the top ten ordinary shareholders without selling restrictions and between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders	<p>1. Among the top ten shareholders mentioned above, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are the enterprises controlled by actual controllers of the Company, i.e. Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie. That is, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are related parties.</p> <p>2. Except for the above situation, it is unknown to the Company whether there is related party relationship among other shareholders, or whether there is acting-in-concert among other shareholders as stipulated in the <i>Administrative Measures for the Disclosure of Information on Changes in Shareholders' Shareholding of Listed Companies</i>.</p>		
Description on the top 10 ordinary shareholders' participation in margin trading and securities lending business (if any) (see Note 4)	<p>1. Shareholder Lin Zuohua holds 8,217,510 shares through a client credit transaction guarantee securities account;</p> <p>2. Shareholder Zhongshan Xinda Investment Management Co., Ltd. holds 6,120,602 shares</p>		

	through a client credit transaction guarantee securities account.
--	---

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

Yes  No

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

## 2. Controlling shareholder of the Company

Nature of controlling shareholder: Natural person holding

Type of controlling shareholder: Legal person

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

Changes of controlling shareholders during the reporting period

Applicable  Not applicable

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

## 3. Actual controller and person acting in concert

Nature of actual controller: Domestic natural person

Type of actual controller: Natural person

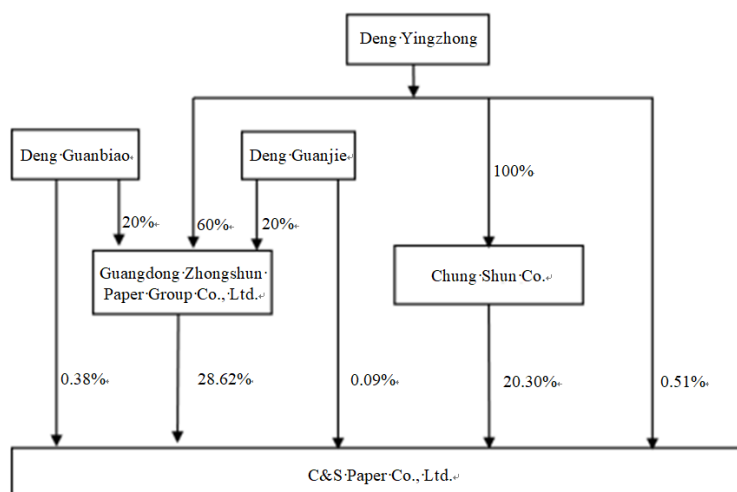
Name	Relationship with actual controller	Nationality	Whether having obtained the right of abode in other countries or regions
Deng Yingzhong	Self	Chinese	No
Deng Guanbiao	Self	Chinese	Yes
Deng Guanjie	Self	Chinese	No
Main occupation and position	Refer to Section IV. "Corporate Governance" --> "Particulars of Directors, Supervisors and Senior Management" --> "Main working experience" for details.		
Holding of domestic and overseas listed companies over the past ten years	None		

Changes of actual controllers during the reporting period

Applicable  Not applicable

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

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



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

Applicable  Not applicable

#### 4. Share pledge by controlling shareholder or largest shareholder and person acting in concert reaching 80% of shareholding

Applicable  Not applicable

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

Applicable  Not applicable

Name of legal person shareholder	Legal representative or person in charge of the institution	Date of establishment	Registered capital	Principal activities or management activities
Chung Shun Co.	Deng Yingzhong	June 01, 1996	HKD10,000	No engagement in any specific business except for holding the Company's equities

#### 6. Restrictions on share reductions of controlling shareholder, actual controller, restructuring parties and other commitment subjects

Applicable  Not applicable

### IV. Implementation of Share Repurchase during the Reporting Period

Implementation progress of share repurchase

Applicable  Not applicable

Disclosure time of the plan	Number of shares to be repurchased	Proportion to total share capital	Expected repurchase amount	Expected repurchase time	Purpose of repurchase shares	Number of shares repurchased	Proportion of repurchased shares to the underlying stock involved in equity incentive plan (if any)
January 06, 2021	14,666,667 - 22,222,222 shares (estimated based on the cap repurchase price RMB45/share as reviewed and approved by the Board)	1.12%-1.69% shares (calculated based on the share range that can be repurchased estimated as per cap repurchase price RMB45/share as reviewed and approved by the Board)	RMB660 million - RMB1 billion	Within the 12 months from the date of approval by the Board (January 6, 2021 - January 5, 2022)	Stock incentive plan or employee stock ownership plan	24,863,087	1.89%

Implementation of share repurchase by centralized bidding

Applicable  Not applicable

## **Section VIII Particulars of Preference Shares**

Applicable  Not applicable

The Company had no preference shares during the reporting period.



## Section IX Corporate Bonds

Applicable  Not applicable

## Section X Financial Report

### I. Audit Report

Type of auditor's opinion	Standard unqualified
Signing date of the Audit Report	April 26, 2022
Name of auditing organization	Mazars Certified Public Accountants (LLP)
Reference number of the Audit Report	Zhong-Huan-Shen-Zi (2022) No. 0510117
Name of certified public accountants	Wang Bing, Pan Guiquan

#### Audit Report

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

#### I. Opinion

We have audited the accompanying financial statements of C&S Paper Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and the Parent Company's balance sheet as at December 31, 2021, the consolidated and the Parent Company's income statement, the consolidated and the Parent Company's cash flow statement, and the consolidated and the Parent Company's statement of the changes in equity for 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the consolidated and the Parent Company's financial position as of December 31, 2021, and the consolidated and the Parent Company's operating results and cash flows for 2021.

#### II. Basis of Opinion

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

#### III. Key Audit Matters

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

## (I) Recognition of operating income

Key audit matter	How the matter was addressed in our audit
<p>As stated in Note VI (34) in the Company's financial statements, the Company recorded an operating income of RMB9,149,870,464.80 in 2021. Since the amount of operating income is significant and a key performance indicator, there is a relatively high inherent risk, so we identify the recognition of operating income as a key audit matter.</p>	<p>Our audit procedures included:</p> <p>(1) We obtained an understanding of and evaluated the internal control design over the recognition of operating income and its operating effectiveness;</p> <p>(2) We obtained an understanding and evaluated whether policies for recognizing operating income were in compliance with requirements of accounting standards for business enterprises via interviewing the management, consulting the Company's accounting policies, etc.;</p> <p>(3) We checked whether there were any abnormalities in the operations of the Company's major customers and whether there was related relationship between such customers and the Company or its related parties by checking the business registration information of the customers and contracts with them;</p> <p>(4) We adopted the sampling method to select some customers and send them the confirmation letter to verify the balance of accounts receivable, the balance of prepayment, and the amount of sales income;</p> <p>(5) In respect of domestic sales, we adopted the sampling method to check the large-value contracts and sales orders as well as their corresponding invoices, outbound orders, delivery orders, customer receipts, etc.; for export sales, we used the sampling method to check large-value contracts and sales orders as well as their corresponding invoices, customs declarations, freight bills of lading, customer receipts, etc.;</p> <p>(6) We conducted cutoff test for operating income to assess whether operating income was recognized in an appropriate period.</p>

## (II) Recognition of selling expenses

Key audit matter	How the matter was addressed in our audit
<p>As stated in Note VI(36) in the Company's financial statements, the Company recorded a selling expense of RMB1,986,544,514.02 in 2021, accounting for 21.71% of operating income. Since selling expense has a great impact on the Company's financial results, which may cause a major misstatement risk, we identify the recognition of selling expense as a</p>	<p>Our audit procedures included:</p> <p>(1) We obtained an understanding of and evaluated the internal control design over the recognition of selling expense and its operating effectiveness;</p> <p>(2) We obtained the detailed list of selling expenses, and analyzed the reasonableness of each expense item based on features of the Company's businesses; we also analyzed the proportion of main expense items in the main business income and whether the change trend of selling expense consistent with that of income;</p> <p>(3) We conducted a spot check of main items under selling expense and selected and</p>

key audit matter.	checked some selling expense vouchers against corresponding contracts, invoices, bank receipts and other original documents, as well as the Company's sales promotion policies, remuneration policies, etc.;
	(4) We conducted cutoff test for selling expense to assess whether selling expense was recognized across periods.

#### IV. Other information

The Company's management is responsible for other information. Other information includes the information included in the Company's 2021 Annual Report, but excludes the financial statements and our audit report.

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

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

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

#### V. Responsibilities of Management and Governance Layer for Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,

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

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

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

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

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

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion. We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we comply with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in tiny minority circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars Certified Public Accountants (LLP)

Chinese Certified Public Accountant: Wang Bing

Chinese Certified Public Accountant: Pan Guiquan

Wuhan, PRC

April 26, 2022

## II. Financial Statements

Unit of financial statements: RMB

### 1. Consolidated balance sheet

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

December 31, 2021

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	875,052,493.12	1,125,196,199.56
Settlement reserve		
Lending to banks and other financial institutions		
Tradable financial assets		
Derivative financial assets		
Notes receivable	2,327,060.20	724,419.74
Accounts receivable	1,177,831,399.28	1,051,423,939.59
Accounts receivable financing		
Prepayments	36,685,769.73	26,819,108.57
Premium receivable		
Reinsurance payables		
Reinsurance contract reserves receivable		
Other receivables	12,353,794.41	15,824,945.56
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventory	1,467,631,516.95	1,661,274,495.32
Contract assets		
Assets held for sale	57,073,059.69	57,073,059.69
Non-current assets due within one year		

Other current assets	123,530,879.96	101,584,569.30
Total current assets	3,752,485,973.34	4,039,920,737.33
Non-current assets:		
Loans and advances to customers		
Investments in creditor's rights		
Investments in other creditor's rights		
Long-term receivable		
Long-term equity investment		
Investment in other equity instruments		
Other non-current financial assets		
Investment property	33,138,481.74	34,575,365.94
Fixed assets	3,129,371,506.40	2,792,587,302.21
Construction work in progress	134,875,696.94	275,904,617.95
Productive biological assets		
Oil & gas assets		
Right-of-use assets	14,300,520.77	
Intangible assets	168,453,928.11	169,355,772.24
Development expenses		
Goodwill	64,654.15	64,654.15
Long-term deferred expenses	16,762,904.09	26,635,983.14
Deferred income tax assets	182,185,944.85	111,367,362.66
Other non-current assets	91,642,363.45	28,027,952.15
Total non-current assets	3,770,796,000.50	3,438,519,010.44
Total assets	7,523,281,973.84	7,478,439,747.77
Current liabilities:		
Short-term borrowings		142,942,941.34
Borrowings from PBC		
Placements from banks and other financial institutions		
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable	334,969,632.58	234,887,563.22
Accounts payable	829,113,780.31	761,519,389.26

Payments received in advance		
Contract liabilities	164,360,443.34	137,333,617.40
Proceeds from financial assets sold under repo		
Customer bank deposits and due to banks and other financial institutions		
Funds from securities trading agency		
Funds from securities underwriting agency		
Employee remuneration payable	139,551,406.46	123,524,627.11
Tax and fees payable	107,184,810.97	112,608,054.87
Other payables	854,872,178.78	754,844,580.09
Including: Interests payable		
Dividends payable	1,352,746.20	1,437,466.77
Transaction fee and commission receivable		
Reinsurance payable		
Liabilities held for sale		
Non-current liabilities due within one year	8,616,487.38	
Other current liabilities	21,250,613.29	17,628,086.63
Total current liabilities	2,459,919,353.11	2,285,288,859.92
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	5,565,928.14	
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	104,483,429.54	115,101,158.13
Deferred income tax liabilities	46,514,550.50	35,903,653.30



Other non-current liabilities		
Total non-current liabilities	156,563,908.18	151,004,811.43
Total liabilities	2,616,483,261.29	2,436,293,671.35
Owner's equity:		
Share capital	1,312,457,555.00	1,311,487,077.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	940,742,686.19	907,006,505.05
Less: Treasury shares	722,243,283.39	96,480,911.29
Other comprehensive income		
Special reserves		
Surplus reserves	106,984,275.42	61,469,258.27
General reserves		
Retained earnings	3,265,611,428.36	2,858,664,147.39
Total equity attributable to owners of the parent company	4,903,552,661.58	5,042,146,076.42
Equities of minority shareholders	3,246,050.97	
Total owner's equity	4,906,798,712.55	5,042,146,076.42
Total liabilities and owners' equities	7,523,281,973.84	7,478,439,747.77

Legal representative: Liu Peng Person in charge of accounting: Dong Ye Person in charge of accounting department: Xu Xianjing

## 2. Balance sheet of the Parent Company

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	58,690,877.05	170,229,178.13
Tradable financial assets		
Derivative financial assets		
Notes receivable	10,185.51	
Accounts receivable	171,055,039.37	92,647,372.33
Accounts receivable financing		
Prepayments	3,867,904.95	7,940,396.34
Other receivables	128,580,102.05	136,987,584.64

Including: Interest receivable		
Dividends receivable		
Inventory	120,747,222.55	156,605,546.36
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	23,545,158.50	52,517,725.87
Total current assets	506,496,489.98	616,927,803.67
Non-current assets:		
Investments in creditor's rights		
Investments in other creditor's rights		
Long-term receivable		
Long-term equity investment	1,945,421,378.56	1,928,113,219.50
Investment in other equity instruments		
Other non-current financial assets		
Investment property	17,160,598.03	17,939,329.51
Fixed assets	238,119,182.14	257,354,688.59
Construction work in progress	114,301,119.02	
Productive biological assets		
Oil & gas assets		
Right-of-use assets	2,207,428.16	
Intangible assets	27,486,332.17	25,205,232.21
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	68,572,899.42	46,811,106.77
Other non-current assets	82,852,575.28	2,619,959.27
Total non-current assets	2,496,121,512.78	2,278,043,535.85
Total assets	3,002,618,002.76	2,894,971,339.52
Current liabilities:		
Short-term borrowings		
Tradable financial liabilities		

Derivative financial liabilities		
Notes payable		
Accounts payable	792,444,139.83	420,061,168.44
Payments received in advance		
Contract liabilities	38,166,115.55	17,388,431.01
Employee remuneration payable	42,822,592.18	44,678,713.21
Tax and fees payable	7,119,037.16	5,995,417.05
Other payables	103,779,839.13	126,072,040.24
Including: Interests payable		
Dividends payable	1,352,746.20	1,437,466.77
Liabilities held for sale		
Non-current liabilities due within one year	1,125,486.62	
Other current liabilities	5,334,195.60	2,260,496.03
Total current liabilities	990,791,406.07	616,456,265.98
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	1,083,172.96	
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	4,648,115.81	5,855,467.25
Deferred income tax liabilities	7,528,901.04	7,202,336.33
Other non-current liabilities		
Total non-current liabilities	13,260,189.81	13,057,803.58
Total liabilities	1,004,051,595.88	629,514,069.56
Owner's equity:		
Share capital	1,312,457,555.00	1,311,487,077.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		

Capital reserve	863,078,990.57	831,693,206.19
Less: Treasury shares	722,243,283.39	96,480,911.29
Other comprehensive income		
Special reserves		
Surplus reserves	106,862,941.14	61,347,923.99
Retained earnings	438,410,203.56	157,409,974.07
Total owner's equity	1,998,566,406.88	2,265,457,269.96
Total liabilities and owners' equities	3,002,618,002.76	2,894,971,339.52

### 3. Consolidated income statement

Unit: RMB

Item	2021	2020
I. Total Operating Income	9,149,870,464.80	7,823,528,416.32
Including: Operating income	9,149,870,464.80	7,823,528,416.32
Interest income		
Gross earned premiums		
Service charge and commission income		
II. Total Operating Cost	8,460,986,513.10	6,728,790,634.82
Including: Operating costs	5,863,049,104.38	4,590,904,040.35
Interest expenses		
Service charge and commission expenses		
Surrender value		
Net compensation expenses		
Net appropriation of insurance reserve		
Policy dividends expenses		
Reinsurance costs		
Tax and surcharges	65,545,652.41	56,112,918.09
Selling expenses	1,986,544,514.02	1,544,562,244.71
Administrative expenses	341,144,204.30	364,914,344.30
R&D expenses	211,964,212.18	190,298,633.61
Finance expenses	-7,261,174.19	-18,001,546.24
Including: Interest fees	1,872,913.37	2,903,635.12

Interest income	10,512,490.53	8,202,097.37
Plus: Other income	24,094,502.50	29,224,284.70
Return on investment ("-" indicates loss)	365,973.72	3,868,134.28
Including: Return on investment in associates and joint ventures		
Income from the derecognition of financial assets measured at amortized cost		
Exchange gains ("-" indicates loss)		
Gains from net exposure hedging ("-" indicates loss)		
Gains from changes in fair value ("-" indicates loss)		
Credit impairment losses ("-" indicates loss)	-9,360,485.52	-6,462,152.71
Asset impairment losses ("-" indicates loss)	-27,791,339.98	-15,863,724.17
Return on disposal of assets ("-" indicates loss)	-462,228.42	-1,630,681.60
III. Operating Profit ("-" indicates loss)	675,730,374.00	1,103,873,642.00
Plus: Non-operating income	3,810,360.34	5,429,670.00
Less: Non-operating expenditure	12,059,080.49	20,912,859.12
IV. Total Profit ("-" indicates total loss)	667,481,653.85	1,088,390,452.88
Less: Income tax expense	86,436,599.78	182,501,371.47
V. Net Profit ("-" indicates net loss)	581,045,054.07	905,889,081.41
i. Classified by operation continuity		
1. Net profit from continued operation ("-" indicates net loss)	581,045,054.07	905,889,081.41
2. Net profit from discontinued operation ("-" indicates net loss)		
ii. Classified by attribution of ownership		
1. Net profit attributable to owners of the parent company	581,097,222.93	905,889,081.41
2. Minority shareholders' profits and	-52,168.86	

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

income attributable to minority shareholders		
VII. Total Comprehensive Income	581,045,054.07	905,889,081.41
Total comprehensive income attributable to owners of the parent company	581,097,222.93	905,889,081.41
Total comprehensive income attributable to minority shareholders	-52,168.86	
VIII. Earnings per Share:		
i. Basic earnings per share	0.45	0.70
ii. Diluted earnings per share	0.44	0.69

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

Legal representative: Liu Peng Person in charge of accounting: Dong Ye Person in charge of accounting department: Xu Xianjing

#### 4. Income statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Operating Income	2,383,117,016.30	1,632,515,354.88
Less: Operating cost	2,116,546,576.95	1,377,798,965.81
Tax and surcharges	6,699,681.18	5,201,738.09
Selling expenses	173,898,463.88	127,888,051.22
Administrative expenses	135,461,184.59	179,278,540.50
R&D expenses		
Finance expenses	-7,098,965.55	-5,095,985.70
Including: Interest fees	134,353.98	
Interest income	1,173,475.32	2,906,543.07
Plus: Other income	4,353,161.48	1,988,938.21
Return on investment ("-" indicates loss)	482,704,072.79	143,256,231.99
Including: Return on investment in associates and joint ventures		
Profits from derecognition of financial assets at amortized cost		

Gains from net exposure hedging ("-" indicates loss)		
Gains from changes in fair value ("-" indicates loss)		
Credit impairment losses ("-" indicates loss)	-628,473.64	-457,064.44
Asset impairment losses ("-" indicates loss)	-2,273,866.23	-572,411.86
Return on disposal of assets ("-" indicates loss)		-613,479.84
II. Operating Profit ("-" indicates loss)	441,764,969.65	91,046,259.02
Plus: Non-operating income	737,533.42	393,442.74
Less: Non-operating expenditure	7,335,396.44	15,848,705.74
III. Total Profit ("-" indicates total loss)	435,167,106.63	75,590,996.02
Less: Income tax expense	-19,983,064.82	-7,045,758.08
IV. Net Profit ("-" indicates net loss)	455,150,171.45	82,636,754.10
i. Net profit from continued operation ("-" indicates net loss)	455,150,171.45	82,636,754.10
ii. Net profit from discontinued operation ("-" indicates net loss)		
V. Net Amount of Other Comprehensive Income after Tax		
i. Other comprehensive income not able to be reclassified into the profit or loss		
1. Changes of re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred into the profit or loss under equity method		
3. Changes in fair value of investment in other equity instruments		
4. Changes in fair value of credit risk of the enterprise		
5. Others		
ii. Other comprehensive income reclassified into the profit or loss		



1. Other comprehensive income to be transferred into the profit or loss under equity method		
2. Changes in fair value of investment in other creditor's rights		
3. Financial assets reclassified into other comprehensive income		
4. Impairment provision for credit of investment in other creditor's rights		
5. Reserve of cash flow hedge		
6. Converted difference in foreign currency financial statements		
7. Others		
VI. Total Comprehensive Income	455,150,171.45	82,636,754.10
VII. Earnings per Share:		
i. Basic earnings per share		
ii. Diluted earnings per share		

## 5. Consolidated cash flow statement

Unit: RMB

Item	2021	2020
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	9,026,736,956.62	7,641,541,541.60
Net increase in deposits from customers, banks and non-bank financial institutions		
Net increase in due to central banks		
Net increase in placements from other financial institutions		
Cash received from the premium of direct insurance contracts		
Net cash from reinsurance business		

Net increase in deposits and investment of the insured		
Cash obtained from interest, net fee and commission		
Net increase in placements from banks and other financial institutions		
Net increase in repo service fund		
Net cash from agent securities trading		
Tax rebates	868,062.36	8,043,686.95
Cash received related to other operating activities	70,331,809.95	152,705,536.70
Sub-total of cash inflow from operating activities	9,097,936,828.93	7,802,290,765.25
Cash paid for goods purchased and services rendered	5,434,415,226.04	4,999,555,647.15
Net loans and advances to customers		
Net increase in deposits with the central bank, banks and non-bank financial institutions		
Cash paid for claims of direct insurance contracts		
Net increase in placements with banks and non-bank financial institutions		
Cash paid for interest, fee and commission		
Cash paid for dividends of the insured		
Cash paid to and on behalf of employees	838,638,770.81	665,109,162.40
Tax payments	584,815,507.83	534,941,400.79
Cash payments related to other operating activities	920,487,717.42	774,483,692.66
Sub-total of cash outflow from operating activities	7,778,357,222.10	6,974,089,903.00
Net cash flow from operating activities	1,319,579,606.83	828,200,862.25

II. Cash Flows from Investing Activities:		
Cash from realization of investment		
Cash received from the return on investments	365,973.72	3,868,134.28
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	11,062,476.47	48,828,706.60
Net amount of cash received from the disposal of subsidiaries and other operating organizations	38,219.83	
Cash received related to other investing activities	50,000,000.00	127,105,000.00
Sub-total of cash inflow from investing activities	61,466,670.02	179,801,840.88
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	636,140,768.78	511,677,417.02
Cash paid for investments		
Net increase in pledged loans		
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	72,479,083.36	50,000,000.00
Sub-total of cash outflow from investing activities	708,619,852.14	561,677,417.02
Net cash flows from investing activities	-647,153,182.12	-381,875,576.14
III. Cash Flows from Financing Activities:		
Cash received from capital contribution	34,820,899.15	28,101,700.23
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	187,245,860.18	383,892,976.77
Cash received related to other financing activities		

Sub-total of cash inflow from financing activities	222,066,759.33	411,994,677.00
Cash paid for repayments of borrowings	328,879,098.49	301,057,260.06
Cash payment for interest expenses and distribution of dividends or profits	129,946,347.96	99,989,760.28
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash payments related to other financing activities	682,429,516.95	80,056,125.89
Sub-total of cash outflow from financing activities	1,141,254,963.40	481,103,146.23
Net cash flows from financing activities	-919,188,204.07	-69,108,469.23
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	-5,474,680.66	-3,179,534.13
V. Net Increase in Cash and Cash Equivalents	-252,236,460.02	374,037,282.75
Plus: Opening balance of cash and cash equivalents	1,050,034,135.72	675,996,852.97
VI. Closing Balance of Cash and Cash Equivalents	797,797,675.70	1,050,034,135.72

## 6. Cash flow statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	2,271,872,550.53	1,317,396,402.58
Tax rebates		120,214.00
Cash received related to other operating activities	807,061,207.28	1,834,396,504.14
Sub-total of cash inflow from operating activities	3,078,933,757.81	3,151,913,120.72
Cash paid for goods purchased and services rendered	1,619,835,759.07	985,895,534.46
Cash paid to and on behalf of	186,144,361.74	127,413,062.62

employees		
Tax payments	44,702,981.48	31,053,247.68
Cash payments related to other operating activities	897,857,291.76	1,414,912,983.81
Sub-total of cash outflow from operating activities	2,748,540,394.05	2,559,274,828.57
Net cash flow from operating activities	330,393,363.76	592,638,292.15
<b>II. Cash Flows from Investing Activities:</b>		
Cash from realization of investment		
Cash received from the return on investments	482,704,072.79	143,256,231.99
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	10,290.00	48,336.80
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	50,000,000.00	127,105,000.00
Sub-total of cash inflow from investing activities	532,714,362.79	270,409,568.79
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	177,904,868.68	32,119,334.97
Cash paid for investments	7,740,000.00	665,600,000.00
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	10,000,000.00	50,000,000.00
Sub-total of cash outflow from investing activities	195,644,868.68	747,719,334.97
Net cash flows from investing activities	337,069,494.11	-477,309,766.18
<b>III. Cash Flows from Financing Activities:</b>		
Cash received from capital contribution	31,560,899.15	28,101,700.23

Cash received from borrowings		
Cash received related to other financing activities		
Sub-total of cash inflow from financing activities	31,560,899.15	28,101,700.23
Cash paid for repayments of borrowings	9,477,423.45	
Cash payment for interest expenses and distribution of dividends or profits	128,727,133.02	97,014,306.99
Cash payments related to other financing activities	676,395,258.62	32,970,709.24
Sub-total of cash outflow from financing activities	814,599,815.09	129,985,016.23
Net cash flows from financing activities	-783,038,915.94	-101,883,316.00
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	-1,731.44	254,432.97
V. Net Increase in Cash and Cash Equivalents	-115,577,789.51	13,699,642.94
Plus: Opening balance of cash and cash equivalents	169,851,203.76	156,151,560.82
VI. Closing Balance of Cash and Cash Equivalents	54,273,414.25	169,851,203.76

## 7. Consolidated statement of changes in owner's equity

Amount of the current period

Unit: RMB

Item	2021													Equity of minority shareholders	Total owner's equity
	Owner's equity attributable to the Parent Company											Subtotal			
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings		Others		
		Preference shares	Preferred shares	Others											
I. Balance at the End of Last Year	1,311,487,077.00				907,006,505.05	96,480,911.29			61,469,258.27		2,858,664,147.39		5,042,146,076.42		5,042,146,076.42
Plus: Alternation to accounting policies															
Correction to previous errors															
Business combinations involving enterprises under common control															
Others															
II. Balance at the Beginning of	1,311,487,077.00				907,006,505.05	96,480,911.29			61,469,258.27		2,858,664,147.39		5,042,146,076.42		5,042,146,076.42

the Year	0													
III. Changes in the Period ("-" Indicates Decrease)	970,478.00			33,736,181.14	625,762,372.10			45,515,017.15		406,947,280.97		-138,593,414.84	3,246,050.97	-135,347,363.87
i. Total comprehensive income										581,097,222.93		581,097,222.93	-52,168.86	581,045,054.07
ii. Capital contributed or decreased by owner	970,478.00			33,736,181.14	625,762,372.10							-591,055,712.96	3,298,219.83	-587,757,493.13
1 Ordinary shares contributed by owners	3,131,211.00			31,164,564.50								34,295,775.50	3,260,000.00	37,555,775.50
2 Capital contributed by owners of other equity instruments														
3 Share based payments recognized as owner's equity	-2,160,733.00			2,571,616.64	-35,487,600.13							35,898,483.77		35,898,483.77
4 Others					661,249,972.23							-661,249,972.23	38,219.83	-661,211,752.40
iii. Profit distribution								45,515,017.15		-174,149,941.96		-128,634,924.81		-128,634,924.81
1 Appropriation of surplus reserves								45,515,017.15		-45,515,017.15				
2 Appropriation of general risk reserves														
3 Distribution to owners (or shareholders)										-128,634,924.81		-128,634,924.81		-128,634,924.81
4 Others														
iv. Interior balance from owner's equity														
1 Added capital (or share capital) from capital reserves														
2 Added capital (or share														



capital) from surplus reserves															
3 Compensation of loss with surplus reserves															
4 Retained earnings of carry-over of the defined benefit plan															
5 Retained earnings of carry-over of other comprehensive income															
6 Others															
v. Special reserves															
1 Appropriation for the period															
2 Use for the period															
vi. Others															
IV. Closing Balance of the Period	1,312,457,555.00				940,742,686.19	722,243,283.39			106,984,275.42		3,265,611,428.36		4,903,552,661.58	3,246,050.97	4,906,798,712.55

Amount of last period

Unit: RMB

Item	2020														Equity of minority shareholders	Total owner's equity
	Owner's equity attributable to the Parent Company												Subtotal			
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Others				
	Preferential	Preferred	Other													

		re	etu	rs										
		nc	al											
		e	bo											
		sh	nd											
		are	s											
		s												
I. Balance at the End of Last Year	1,308,891,273.00				760,731,416.57	104,792,649.00			53,205,582.86		2,058,968,835.80		4,077,004,459.23	4,077,004,459.23
Plus: Alternation to accounting policies														
Correction to previous errors														
Business combinations involving enterprises under common control														
Others														
II. Balance at the Beginning of the Year	1,308,891,273.00				760,731,416.57	104,792,649.00			53,205,582.86		2,058,968,835.80		4,077,004,459.23	4,077,004,459.23
III. Changes in the Period ("-" Indicates Decrease)	2,595,804.00				146,275,088.48	-8,311,737.71			8,263,675.41		799,695,311.59		965,141,617.19	965,141,617.19
i. Total comprehensive income											905,889,081.41		905,889,081.41	905,889,081.41
ii. Capital contributed or decreased by owner	2,595,804.00				146,275,088.48	-8,311,737.71							157,182,630.19	157,182,630.19
1 Ordinary shares contributed by owners	3,610,416.00				34,809,136.79								38,419,552.79	38,419,552.79
2 Capital contributed by owners														

of other equity instruments														
3 Share based payments recognized as owner's equity	-1,014,612.00			111,465,951.69	-35,992,459.47							146,443,799.16		146,443,799.16
4 Others					27,680,721.76							-27,680,721.76		-27,680,721.76
iii. Profit distribution								8,263,675.41	-106,193,769.82			-97,930,094.41		-97,930,094.41
1 Appropriation of surplus reserves								8,263,675.41	-8,263,675.41					
2 Appropriation of general risk reserves														
3 Distribution to owners (or shareholders)									-97,930,094.41			-97,930,094.41		-97,930,094.41
4 Others														
iv. Interior balance from owner's equity														
1 Added capital (or share capital) from capital reserves														
2 Added capital (or share capital) from surplus reserves														
3 Compensation of loss with surplus reserves														
4 Retained earnings of carry-over of the defined benefit plan														
5 Retained earnings of carry-over of other comprehensive income														

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

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

Amount of the current period

Unit: RMB

Item	2021												
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity	
		Preference shares	Perpetual bonds	Others									
I. Balance at the End of Last Year	1,311,487,077.00				831,693,206.19	96,480,911.29			61,347,923.99	157,409,974.07		2,265,457,269.96	
Plus: Alternation to accounting policies													
Correction to previous errors													
Others													
II. Balance at the Beginning of the Year	1,311,487,077.00				831,693,206.19	96,480,911.29			61,347,923.99	157,409,974.07		2,265,457,269.96	
III. Changes in the Period ("-")	970,478.00				31,385,784.38	625,762,372.10			45,515,017.15	281,000,229.49		-266,890,863.08	

Indicates Decrease)												
i. Total comprehensive income										455,150,171.45		455,150,171.45
ii. Capital contributed or decreased by owner	970,478.00				31,385,784.38	625,762,372.10						-593,406,109.72
1 Ordinary shares contributed by owners	3,131,211.00				31,164,564.50							34,295,775.50
2 Capital contributed by owners of other equity instruments												
3 Share based payments recognized as owner's equity	-2,160,733.00				221,219.88	-35,487,600.13						33,548,087.01
4 Others						661,249,972.23						-661,249,972.23
iii. Profit distribution									45,515,017.15	-174,149,941.96		-128,634,924.81
1 Appropriation of surplus reserves									45,515,017.15	-45,515,017.15		
2 Distribution to owners (or shareholders)										-128,634,924.81		-128,634,924.81
3 Others												
iv. Interior balance from owner's equity												
1 Added capital (or share capital) from capital reserves												
2 Added capital (or share capital) from surplus reserves												
3 Compensation of loss with surplus reserves												
4 Retained earnings of carry-over of the defined benefit plan												

5 Retained earnings of carry-over of other comprehensive income											
6 Others											
v. Special reserves											
1 Appropriation for the period											
2 Use for the period											
vi. Others											
IV. Closing Balance of the Period	1,312,457,555.00				863,078,990.57	722,243,283.39			106,862,941.14	438,410,203.56	1,998,566,406.88

Amount of last period

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preference shares	Perpetual bonds	Others								
I. Balance at the End of Last Year	1,308,891,273.00				690,241,724.38	104,792,649.00			53,084,248.58	180,966,989.79		2,128,391,586.75
Plus: Alternation to accounting policies												
Correction to previous errors												
Others												
II. Balance at the Beginning of the Year	1,308,891,273.00				690,241,724.38	104,792,649.00			53,084,248.58	180,966,989.79		2,128,391,586.75

III. Changes in the Period ("-" Indicates Decrease)	2,595,804.00				141,451,481.81	-8,311,737.71			8,263,675.41	-23,557,015.72		137,065,683.21
i. Total comprehensive income										82,636,754.10		82,636,754.10
ii. Capital contributed or decreased by owner	2,595,804.00				141,451,481.81	-8,311,737.71						152,359,023.52
1 Ordinary shares contributed by owners	3,610,416.00				34,809,136.79							38,419,552.79
2 Capital contributed by owners of other equity instruments												
3 Share based payments recognized as owner's equity	-1,014,612.00				106,642,345.02	-35,992,459.47						141,620,192.49
4 Others						27,680,721.76						-27,680,721.76
iii. Profit distribution									8,263,675.41	-106,193,769.82		-97,930,094.41
1 Appropriation of surplus reserves									8,263,675.41	-8,263,675.41		
2 Distribution to owners (or shareholders)										-97,930,094.41		-97,930,094.41
3 Others												
iv. Interior balance from owner's equity												
1 Added capital (or share capital) from capital reserves												
2 Added capital (or share capital) from surplus reserves												
3 Compensation of loss with surplus reserves												
4 Retained earnings of carry-over of												

the defined benefit plan												
5 Retained earnings of carry-over of other comprehensive income												
6 Others												
v. Special reserves												
1 Appropriation for the period												
2 Use for the period												
vi. Others												
IV. Closing Balance of the Period	1,311,487,077.00				831,693,206.19	96,480,911.29			61,347,923.99	157,409,974.07		2,265,457,269.96



### III. Basic Information of the Company

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

As at December 31, 2021, the Company has had a registered capital of RMB1,312,457,555.00 and a share capital of RMB1,312,457,555.00.

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

Form of organization: Company limited by shares

Registered address: No. 1 Longcheng Road, Dongsheng Town, Zhongshan City

Office address of the headquarters of the Company: No. 136 Caihong Avenue, West District, Zhongshan City

2. Business nature and main business activities of the Company

C&S Paper Co., Ltd. and its subsidiaries (hereafter collectively referred to as "the Company") are in the household paper industry. The Company mainly engages in the following: R&D, production, processing and sales (including online sales): high-end household paper series products, tissue boxes, sanitary products, cosmetics, non-woven products, daily necessities (limited to daily plastic products, daily metal products, daily rubber products, and daily ceramic products), daily chemical products (excluding hazardous chemicals), and Class I medical devices; operation and production of Class II and Class III medical devices.

3. Actual controller of the Company

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

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

The financial statements were approved for issue by the Board of Directors of the Company on April 26, 2022.

5. Consolidation scope of financial statements

As of December 31, 2021, the Company has 28 subsidiaries that are included in the consolidated scope, as detailed in "Note IX. Equities in Other Entities". Compared with last year, ten subsidiaries have been newly added into while one subsidiary has been deleted from the consolidated scope during the reporting period. For details, see "Note VIII. Changes in Consolidated Scope".

### IV. Preparation Basis for Financial Statements

#### 1. Basis of preparation

The financial statements of the Company have been prepared on a going concern basis based on actual transactions and events and according to the *Accounting Standards for Business Enterprises - Basic Standards* promulgated by the Ministry of Finance (MOF No. 33 Document and No. 76 Revision), the 42 accounting standards, *Guidelines for the Application of the Accounting Standards for Business Enterprises*, interpretation to the accounting standards for business enterprises and other relevant regulations that are successively promulgated on or after February 15, 2006 (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), and rules set out in *No. 15 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies - General Rules for Financial Statements* (2014 Revision) issued by China Securities

Regulatory Commission based on actual transactions and events.

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

## **2. Going concern**

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

## **V. Significant Accounting Policies and Accounting Estimates**

Specific accounting policies and accounting estimates:

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

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

The financial statements of the Company conform to the requirements set out in the Accounting Standards for Business Enterprises. The statements truthfully and completely reflect the financial status of the Company as of December 31, 2021 as well as its operating results, cash flow, and other relevant information during 2021. In addition, the financial statements of the Company are also in accordance with disclosure requirements for financial statements and notes in No. 15 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies - General Rules for Financial Statements of the China Securities Regulatory Commission (2014 Revision) in all material aspects

### **2. Accounting period**

The accounting period of the Company is divided into annual and interim periods. Interim periods refer to any reporting period shorter than a full accounting year. The accounting year of the Company is from January 1 to December 31 of each calendar year.

### **3. Operating cycle**

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

#### **4. Standard currency for accounting**

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

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

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

##### **(1) Business combinations involving enterprises under common control**

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

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

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

##### **(2) Business combinations involving enterprises not under common control**

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

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

them shall be confirmed as goodwill. If the costs of business combinations are lower than the fair values of the identifiable net assets of the acquiree on the acquisition date, the fair values of identifiable assets, liabilities and contingent liabilities as well as the measurement of combination costs shall be reassessed; if, upon reassessment, the business combination costs are still lower than the fair values of the identifiable net assets of the acquiree, the difference shall be included in profits and losses of the current period.

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

For business combinations not under common control that are achieved through multiple steps, whether they can be regarded as package deals shall be judged in accordance with *Notice No.5 of the Interpretation of Accounting Standards for Business Enterprises of the Ministry of Finance* (C.K. [2012] No.19), and the standards of “package deals” set out in Article 51 of the *Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements* (please refer to Note V (6) "methods for preparation of consolidated financial statements" (2)). In the event that the combination is regarded as "package deals", accounting treatment shall be done by referring to the descriptions in previous paragraphs of this section and “Note V (22) Long-term equity investments” herein; if not, accounting treatment shall be done by distinguishing individual financial statements from consolidated financial statements:

In individual financial statements, the initial investment costs shall be the sum of the book value of the equity investment of the acquiree held before the acquisition date and the new investment costs on the acquisition date; if other comprehensive income is involved in the equities of the acquiree before the acquisition date, accounting processing shall be done for the comprehensive income related to this investment by adopting the same basis for directly disposing of relevant assets or liabilities of the acquiree during the disposal of this investment.

In consolidated financial statements, the equities of the acquiree held before the acquisition date shall be re-measured at the fair value of the equities on the acquisition date, and the difference between the fair value and the book value shall be recognized as the return on investment of the current period; if other comprehensive income is involved in the equities of the acquiree before the acquisition date, accounting processing shall be done for the comprehensive income related to this investment by adopting the same basis for directly disposing of relevant assets or liabilities of the acquiree.

## **6. Methods for preparation of consolidated financial statements**

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

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

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

## (2) Methods for preparation of consolidated financial statements

The Company shall include the subsidiaries in the scope of consolidation from the date it acquires the actual control over the net assets and the decision-making of production and operations of such subsidiaries; accordingly, the Company shall terminate including them in the scope of consolidation from the date it loses the actual control. In terms of subsidiaries already disposed of, the operating results and cash flows before the disposal date have been included in the consolidated income statements and the consolidated cash flow statements appropriately; as for subsidiaries disposed in the current period, the opening balance in the consolidated balance sheet shall not be adjusted. In case of subsidiaries added through business combinations not under the same control, the operating results and cash flows after the acquisition date have been included in the consolidated income statements and the consolidated cash flow statements appropriately, and the opening and comparative balance in the consolidated balance sheet shall not be adjusted. In case of subsidiaries added through business combinations under the same control, the operating results and cash flows of the combined party from the beginning of the period in which the combination happens to the combination date have been included in the consolidated income statements and the consolidated cash flow statements appropriately, and the comparative balance in the consolidated balance sheet shall be adjusted simultaneously.

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

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

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

If the Parent Company loses control of a subsidiary due to partial disposal of equity investment or other reasons, it shall re-measure the remaining equity at fair value on the date of loss of control. The sum of consideration obtained from equity disposal and fair value of the remaining equity, minus the difference between the Parent Company's share of the subsidiary's net assets that is continuously calculated from the acquisition date, shall be recognized as investment income for the reporting period when the loss of control takes place. Accounting processing shall be done for the other comprehensive income related to this investment in the subsidiary's equities by adopting the same basis for directly disposing of relevant assets or liabilities of the acquiree during the loss of control (that is, except for the changes caused by re-measurement of the net liabilities or net assets of the defined benefit plan by the previous subsidiary, others shall be transferred to the return on investment of the current period). After that, subsequent measurement shall be done for the remaining equity of this part as per relevant provisions in the *Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment* or the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. See "Note V (22) Long-term equity investments" or "Note V (10) Financial instruments" for details.

If the Company disposes of investments in a subsidiary's equities by steps via transactions until it loses control, it shall check whether these transactions from disposal of the investments in the subsidiary's equities to the loss of

control are package deals. If the terms, conditions, and economic effects of transactions on disposing of equity investment in the subsidiary conform to one or more of the following circumstances, that means these multiple transactions should be treated as package deals in accounting processing: 1) Those transactions are reached at the same time or after taking into consideration the influence of each other; 2) those transactions together produce a complete commercial outcome; 3) the occurrence of one transaction depends on the occurrence of at least one other transaction; 4) one transaction alone does not seem to be economical, but all those transactions are economical when are considered as a whole. If those transactions are package deals, each transaction shall be treated as a transaction that results in loss of control of the subsidiary in accounting processing. However, the difference between each disposal price before loss of control and the Parent Company's share of the subsidiary's net assets corresponding to the disposal investment shall be recognized as other comprehensive income in the consolidated financial statements and, upon loss of control, transferred to the profit and loss of the current reporting period.

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

None

## **8. Criteria for recognition of cash and cash equivalents**

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

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

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

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

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

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

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

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

Foreign-currency financial statements of overseas operations shall be translated into RMB financial statements by

the following methods: The assets and liabilities in the balance sheet shall be converted at the spot exchange rate on the balance sheet date; except "undistributed profits", all the other owner's equity items are converted at the spot exchange rate at the time of occurrence. Income and expense items in the income statement shall be translated using the foreign exchange rates ruling at the dates of the transactions. The undistributed profit at the beginning of the year is the previous year's undistributed profit at the end of the year after conversion; the undistributed profit at the end of the period is allocated and recognized to each item according to the converted profits; the difference between the total of asset and liability items and shareholders' equity items after conversion is considered as foreign currency translation difference and recognized as other comprehensive income. Translation of comparative financial statements shall be subject to the above provisions.

## 10. Financial instruments

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

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

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

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

#### 1) Financial assets measured at amortized cost

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

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

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

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

recognized as the profit and loss of the current period.

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

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

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

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

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

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

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

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

##### 2) Other financial liabilities

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

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

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

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



with which the Company is faced due to changes in the financial asset values.

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

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

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

#### (4) Derecognition of financial liabilities

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

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

#### (5) Offsetting financial assets and financial liabilities

When the Company has the statutory right to offset the recognized amount of financial assets and financial liabilities, and this statutory right is currently enforceable, and the Company plans to net the financial assets or simultaneously realize the financial assets and pay off the financial liabilities, the financial assets and financial liabilities are presented in the balance sheet at the net amount after offsetting each other. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other.

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

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there are active markets for a financial instrument, the Company establishes its fair value by using quotes in the active markets. Quotes in active markets refer to prices that are readily available on a regular basis from exchanges, brokers, trade associations, pricing service institutions, etc., and represent the prices of market transactions that actually occur in a fair trade. If there is no active market, the Company establishes fair value by using valuation techniques. Valuation techniques include reference to price used in recent market transactions between knowledgeable, willing parties, reference to

the current fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models, etc. During valuation, the Company adopts the valuation techniques that are applicable under current circumstances and supported by sufficient available data and other information, selects the input values that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transaction of the relevant assets or liabilities, and preferentially uses the relevant observable inputs. Unobservable input values are used where the relevant observable input values are not available or are not practicable.

#### (7) Equity instruments

An equity instrument refers to a contract that can prove the Company owns the remaining equity in the assets after deducting all liabilities. The Company's issuance (including refinancing), repurchase, sales or cancellation of equity instruments are treated as changes in equities, and transaction costs related to equity transactions are deducted from equities. The Company does not recognize changes in the fair value of equity instruments. The distribution of dividends by equity instruments (including "interests" generated by instruments that are classified as equity instruments) during their period existence shall be treated as profit distribution.

#### (8) Impairment of financial assets

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

##### 1) Methods for recognizing impairment reserves

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

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

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

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

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

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

PD in the entire duration with the changes in the coming 12 months.

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

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

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

### 4) Accounting treatment methods for impairment of financial assets

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

### 5) Methods for recognizing credit losses of financial assets

#### a. Notes receivable

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

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

#### b. Accounts receivable

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

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

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

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

#### c. Other receivables

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

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

**11. Notes receivable**

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

**12. Accounts receivable**

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

**13. Accounts receivable financing**

None

**14. Other receivables**

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

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

**15. Inventories****(1) Classification of inventories**

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

**(2) Pricing methods for inventory acquisition and delivery**

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

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

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

On the balance sheet date, inventories are measured at the lower of costs and the net realizable value. When the net realizable value is lower than costs, the Company sets aside provisions for inventory impairment. Provisions for inventory impairment are set aside based on the difference between the cost of individual inventory item and its net realizable value. For inventories with a large quantity but a low unit value, provisions for inventory impairment are set aside according to inventory category.

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

**(4) The perpetual inventory system is adopted for the inventories.****(5) Amortization method for low-value consumables and packages**

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

## 16. Contract assets

The Company recognizes the contract amounts where the customer has not paid the consideration but the Company has fulfilled its contractual obligation while the claim to the amount from the customer is not unconditional (i.e. Only dependent on the passage of time) as contract assets in the balance sheet. Contract assets and contract liabilities under the same contract are presented on a net basis; contract assets and contract liabilities under different contracts are not offset.

## 17. Contract costs

If the incremental cost incurred by the Company for obtaining a contract is expected to be recovered, the cost of obtaining the contract is recognized as an asset. However, if the amortization period of the asset does not exceed one year, it is included into the profit and loss of the period as it occurs.

If the contract cost does not fall within other enterprise accounting standards than the *Accounting Standards for Business Enterprises No. 14 -- Revenue* and meet the following conditions at the same time, it is considered as contract performance cost and recognized as asset: 1) the cost is directly related to an existing or expected contract including direct labor, direct material or manufacturing overhead (or similar expenses), or the cost has been expressly defined as borne by the customer, or the cost is incurred solely as a result of the contract; 2) the cost increases the Company's future resources to perform contractual obligations; and 3) the cost is expected to be recovered.

Contract cost-related assets are amortized on the same basis of goods revenue recognition relating to the asset and included in the profit and loss of the current period.

## 18. Assets held for sale

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

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

after deducting the selling expenses, the previously written down amount shall be restored, and reversed within the amount of the asset impairment losses recognized for non-current assets as per the Standards for Assets Held for Sale applicable after the assets are classified into those held for sale, and the reversed amount shall be recognized as the profit and loss of the current period. Besides, the book value of the reversed amount shall be increased in proportion according to the proportion of the book value of the non-current assets specified in the Standards for Assets Held for Sale applicable to those except for the goodwill in the disposal group. The book value of the goodwill that has been deducted, and the asset impairment losses recognized before the non-current assets are classified into assets held for sale as per the Standards for Assets Held for Sale shall not be reversed.

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

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

#### **19. Investments in creditor's rights**

None

#### **20. Other investments in creditor's rights**

None

#### **21. Long-term receivables**

None

#### **22. Long-term equity investments**

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

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

(1) Determination of investment cost

For long-term equity investments obtained from combination of enterprises under common control, the share of

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

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

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

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

#### (2) Subsequent measurement and recognition of profit and loss

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

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

When the cost method is used, the long-term equity investments are calculated according to the initial investment cost. In the event that the investment is added or recovered, the cost of the long-term equity investments shall be adjusted. With the exception of the price actually paid at the acquisition of investment or cash dividends or profits included in consideration, declared but not issued yet, the return on investment of the current period shall be recognized according to the cash dividends or profits declared to be issued by the investee.

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

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

When the equity method is used, return on investment and other comprehensive income shall be respectively

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

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

### **23. Investment property**

Measurement model for investment property

Measurement by the cost method

Depreciation or amortization method

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

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

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

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

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



## 24. Fixed assets

### (1) Recognition conditions

Fixed assets are tangible assets with a useful life of more than one accounting year that are held for production or supply of goods or labor services, for rental to third parties, or for use in the organizations. Fixed assets shall only be recognized when relevant economic interest may flow into the Company and costs thereof can be reliably measured. Fixed assets shall be initially measured at cost and by taking into account the impact of estimated disposal expense.

### (2) Depreciation method

Category	Depreciation method	Depreciation life	Residual value rate	Annual depreciation rate
Properties and buildings	Straight-line depreciation	10 to 30 years	5%. 10%	3.00%, 3.17% to 9.00%, 9.50%
Equipment	Straight-line depreciation	2 to 20 years	5%. 10%	4.50%, 4.75% to 45.00%, 47.50%
Motor vehicles	Straight-line depreciation	5 to 14 years	5%. 10%	6.43%, 6.79% to 18.00%, 19.00%
Office equipment	Straight-line depreciation	3 to 8 years	5%. 10%	11.25%, 11.88% to 30.00%, 31.67%
Production equipment	Straight-line depreciation	2 to 5 years	5%. 10%	18.00%, 19.00% to 45.00%, 47.50%

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

### (3) Determination basis, pricing method and depreciation method of fixed assets acquired under finance leases: Not applicable

## 25. Construction work in process

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

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

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

## 26. Borrowing costs

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

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

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

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

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

## 27. Biological assets

None

## 28. Oil & gas assets

None

## 29. Right-of-use assets

Impairment test method and impairment provision method for right-of-use assets are detailed in "Note V (42) Leases".

## 30. Intangible assets

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

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

Company.

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

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

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

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

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

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

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

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

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

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

## **31. Long-term asset impairment**

The Company determines on the balance sheet date whether there is any indication that the non-current and non-financial assets may have been impaired, including fixed assets, construction work in progress, intangible

assets with limited service life, and investment properties measured using the cost model, and long-term equity investments in subsidiaries, joint ventures and associates. If there is any indication that the asset is likely to be impaired, the Company will estimate the recoverable amount and carry out the impairment test. Impairment tests shall be conducted each year for goodwill and intangible assets with uncertain service life and not yet in use, whether or not there is any indication of impairment.

If an impairment test shows that the recoverable amount of an asset is lower than its book value, the difference is recognized as a provision for impairment and recognized as the impairment loss. The recoverable amount is determined based on the higher of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of asset is determined according to the price of the sales agreement in fair trade. If there is no sales agreement but an active market for the asset, the fair value is determined according to the price offered by the buyer for the asset. If there is neither sales agreement nor active market for the asset, the fair value of the asset shall be estimated based on the best information available. The disposal costs include legal fees, relevant taxes and fees, as well as handling fees related to the disposal of asset, and the direct costs incurred to ensure the asset reaches the marketable state. The present value of the expected future cash flow of an asset shall be determined by the discounted cash at an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. Provisions for asset impairment are calculated and recognized on an individual basis. If it is difficult to estimate the recoverable amount of individual assets, the Company will determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. Asset group refers to the smallest asset portfolio which can independently generate cash inflows.

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

### **32. Long-term unamortized expenses**

Long-term unamortized expenses are expenses which have been incurred but shall be amortized over a period longer than one year, including the reporting period and the future periods. Long-term unamortized expenses of the Company mainly include office building decoration costs, sewage use rights and electricity use rights. Long-term unamortized expenses shall be amortized based on the straight-line method over the expected benefit period.

### **33. Contract liabilities**

A contract liability is the Company's obligation to transfer goods to a customer for which the Company has received consideration from the customer. If the customer has paid contract consideration or the Company has obtained the unconditional right of collection before the Company transfer goods to the customer, the amount received or the receivable is recognized as contract liability at the earlier of the time when the customer actual

pays the amount and when the amount becomes due. Contract assets and contract liabilities under the same contract are presented on a net basis; contract assets and contract liabilities under different contracts are not offset.

### **34. Employee remuneration**

#### **(1) Accounting treatment method for short-term remuneration**

Short-term remuneration includes salaries, bonuses, allowances and subsidies, employee welfare, medical insurance fees, maternity insurance fees, employment injury insurance fees, housing provident funds, labor union fees, staff education funds, and non-monetary welfare. The Company shall, within the accounting period when its employees provide service, recognize actual short-term remuneration as liabilities which shall be recognized as profit and loss of the current period or relevant asset costs. Wherein, non-monetary benefits are measured at fair value.

#### **(2) Accounting treatment method for post-employment benefits**

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

#### **(3) Accounting treatment method for dismissal benefits**

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

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

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

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

### **35. Lease liabilities**

Recognition and accounting treatment methods of lease liabilities are detailed in "Note V (42) Leases".

### 36. Provision

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

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

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

### 37. Share-based payment

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

#### (1) Equity-settled share-based payment

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

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

For an equity-settled share-based payment in return for the service of any other party, if the fair value of the service of any other party can be reliably measured, it shall be measured at the fair value of the service of any other party on the acquisition date; if the fair value of the service of any other party cannot be reliably measured, but the fair value of the equity instruments can be reliably measured, it shall be measured at the fair value of the equity instruments on the acquisition date and included in the relevant costs or expenses, and the shareholders' equity shall be increased correspondingly.

#### (2) Cash-settled share payment

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

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

### **38. Preference shares, perpetual bonds and other financial instruments**

None

### **39. Revenue**

Accounting policy for recognition and measurement of revenue

Revenue is the total inflow of economic benefits unrelated to the capital invested by the shareholders which are formed in the daily activities of the Company and can lead to an increase in shareholders' equity. The revenue is recognized when the customers take control of the relevant goods (including services, same for below) if the contract between the Company and the customers meet all the following conditions: 1) the parties to the contract have approved such contract and undertake to perform their respective obligations; 2) the contract has specified the rights and obligations of the parties thereto and in connection with the transfer of goods or provision of labor services; 3) the contract sets out clear payment terms related to the transfer of goods; 4) the contract has commercial substance, meaning that the performance thereof will change the risk, time distribution or amount of the Company's future cash flow; 5) the Company is very likely to recover the consideration obtained by transferring goods to customers. Wherein, taking control of relevant goods means being able to control the use of the goods and obtain almost all economic benefits therefrom.

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

With respect to each individual performance obligation of the contract, the Company will recognize the transaction price apportioned to such obligation as revenue based on the progress of performance during the relevant performance periods, if any of the following conditions is met: 1) the customer obtains and consumes the economic benefits brought by the Company's performance during such performance; 2) the customer can control the goods in progress during the Company's performance; 3) the goods produced from the Company's performance has irreplaceable use, and in respect of the portion of revenue arising from the Company's performance completed to date, the Company is entitled to collect revenue during the entire validity period of the contract. The progress of performance is determined according to the nature of the transferred goods using the input or output method. When such progress cannot be reasonably determined, if the costs incurred are expected to be compensated, the Company recognizes revenue based on the amount of costs incurred, until the progress of performance can be reasonably determined.

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

transferred the major risks and remunerations concerning the title to the goods to the customer, meaning the customer has obtained the major risks and remunerations concerning the title to the goods; 5) the customer has accepted the goods; 6) other indications to show that the customer has obtained the control over the goods.

Generally, the Company's business of goods selling only comprises the performance obligation of transferring the goods. The control of the goods is transferred when they are sent out and the Company receives the signed receipt and other documents from the customer, so the Company confirms the realization of revenue at that point in time.

The discounts, rewards and other arrangements in some contracts between the Company and customers constitute variable consideration. The Company uses the expected value method or the most likely amount to determine the best estimates for variable consideration, but the transaction price containing variable consideration shall not exceed the amount of cumulatively recognized revenue that is unlikely to have major reversals when the relevant uncertainties are eliminated.

Different business models are adopted for different businesses, which may lead to the differences in the accounting policy for recognition of revenue.

None

#### **40. Government grants**

Government grants are monetary or non-monetary assets acquired by the Company from the government free of charge, excluding the capital invested by the government as an investor and granted corresponding owner's equity. Government grants are classified into government grants related to assets and government grants related to income. The Company defines the government grants for purchasing or constructing or otherwise forming long-term assets as asset-related government grants; other government grants are defined as the income-related government grants. Government grants shall be measured at the amount received or receivable if they are monetary assets. Non-monetary government grants shall be measured at fair value; if the fair value cannot be reliably obtained, they shall be measured at the nominal amount. The government grants measured at the nominal amount shall be directly recognized as the profit and loss of the current period.

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

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

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

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



#### 41. Deferred income tax assets/deferred income tax liabilities

##### (1) Current income tax

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

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

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

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

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

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

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

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

##### (3) Income tax expenses

Income taxes comprise current income tax and deferred income tax.

The current income tax and deferred income tax expense or income is recognized as the profit and loss of the current period except that the current income tax and deferred income tax is related to transactions or events, which are recognized as other comprehensive income or directly recognized as shareholders' equity, and thus

recognized as other comprehensive income or shareholders' equity, and that the book value of goodwill is adjusted due to deferred income tax arising from business combination.

## 42. Leases

A lease is a contract whereby the Company assigns or acquires the right to control the use of one or more identified assets for a specified period in exchange for or with payment of consideration. The Company evaluates whether a contract is a lease or contains a lease at its inception date.

### (1) The Company as the lessee

Main types of assets leased by the Company are properties and buildings.

#### i. Initial measurement

Except for short-term leases or low-value asset leases, the Company recognizes the right to use the leased asset during the lease term as a right-of-use asset and recognizes the present value of unpaid lease payments as a lease liability. When calculating the present value of lease payments, the Company adopts the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate.

#### ii. Follow-up measurement

The Company depreciates the right-of-use assets with reference to relevant depreciation provisions specified in the *Accounting Standards for Business Enterprises No. 4 - Fixed Assets* (see "Note IV ((15) Fixed Assets)"). If it is reasonably ascertained that the ownership of the asset will be transferred to the lessee at the end of the lease term, then depreciation period runs to the end of the useful life of the lease asset. If it cannot be reasonably ascertained that the ownership of the leased asset will be transferred to the lessee at the end of the lease term, then depreciation period runs to the earlier of the end of the useful life of the asset or the end of the lease term.

For lease liabilities, the Company calculates its interest expenses in each period of the lease term at a fixed periodic interest rate which is included in the profit and loss of the current period. Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss when they are actually incurred

After the commencement date of the lease term, when there is a change in the actual fixed payment amount, a change in the estimated payable amount of the guaranteed residual value, a change in the index or ratio used to determine the lease payment amount, or a change in the evaluation results or actual exercise of the purchase option, renewal option or termination option, the Company re-measures the lease liability according to the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero but the lease liability still needs to be further reduced, the Company includes the remaining amount in the profit and loss of the current period.

#### iii. Short-term leases and low-value asset leases

For short-term leases (leases with a term of not more than 12 months since the lease commencement date) and low-value asset leases Lease liabilities, the Company adopts a simplified approach, i.e. Not recognizing as right-of-use assets but as the cost of the related asset or as profit and loss of the current period in accordance with the straight-line method or other systematically reasonable methods during each period of the lease.

### (2) The Company as the lessor

On the lease commencement date, the company divides leases into finance leases and operating leases based on the substance of the transaction. Leases of assets where substantially all the risks and rewards of ownership have been transferred are classified as finance leases. Other leases than the finance leases are classified as operating

leases.

i. Operating lease

The Company adopts the straight-line method to recognize lease receipts from operating leases as rental income for each period of the lease term. Variable lease payments related to operating leases that are not included in lease receipts are included in the current profit and loss when they are actually incurred.

ii. Finance lease

The company recognizes the finance lease receivables and derecognizes the finance lease assets on the commencement date of the lease term. The financial lease receivables are initially measured by the net investment in the lease (the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the beginning of the lease term, discounted at the interest rate implicit in the lease), while interest income is calculated and recognized according to the fixed periodic interest rate in each period of the lease term. Variable lease payments obtained by the Company that are not included in the measurement of the net value of lease liabilities are included in the current profit and loss when they are actually incurred.

(1) **Accounting** treatment method for operating lease: Not applicable

(2) **Accounting treatment method for finance lease: Not applicable**

#### 43. Other important accounting policies and accounting estimates

None

#### 44. Significant changes of accounting policies and accounting estimates

##### (1) Significant changes of accounting policies

√ Applicable □ Not applicable

Contents and reasons for changes to accounting policies	Approval procedure	Remarks
On December 12, 2018, the Ministry of Finance issued the revised <i>Accounting Standards for Business Enterprises No. 21 -- Leases</i> (C.K. [2018] No. 35) (hereinafter referred to as the "New Lease Standards"), requiring that enterprises listed both within the borders and abroad as well as enterprises listed abroad and adopting IFRS or Accounting Standards for Business Enterprises to prepare financial statements should implement these revised Standards from January 1, 2019; other enterprises listed within China shall implement these revised Standards from January 1, 2021.	On May 21, 2021, the Company convened the 5th meeting of the fifth session of the Board of Directors and the 3rd meeting of the fifth session of the Board of Supervisors, and approved the <i>Proposal on Changes to Accounting Policies</i> .	Details can be found in the <i>Announcement on Changes to Accounting Policies</i> (Announcement No.: 2021-76) dated May 22, 2021 on CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ).

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

On December 7, 2018, the Ministry of Finance issued the revised *Accounting Standards for Business Enterprises No. 21 -- Leases* (C.K. [2018] No. 35) (hereinafter referred to as the "New Lease Standards"). As passed under a resolution at the 5th meeting of the fifth session of the Board of Directors on May 21, 2021, the Company started

to enforce the aforesaid New Lease Standards from January 1, 2021 and adjusted related accounting policies accordingly.

Pursuant to the New Lease Standards, for contracts that already exist prior to the enforcement of the new standards, the Company chooses not to re-evaluate whether they are a lease or contain a lease.

The Company only adjusts the cumulative impact number for lease contracts that have been yet been completed as of January 1, 2021. The amounts of retained earnings and other relevant items in the financial statements at the beginning of the period for the first time adoption of the new standards (i.e. January 1, 2021) are adjusted based on the accumulative impact amount at the first time adoption, while comparative financial information for the previous accounting periods is not adjusted.

The Company's specific processing and its impact on the date of fist-time adoption of the new standards (i.e. January 1, 2021) are as follows:

A. The Company as the lessee:

For finance leases on the adoption date of the new standards, if the Company is the lessee, it measures the right-of-use assets and lease liabilities according to the original book value of the financial leased assets and the financial lease payables. For operating leases on the adoption date of the new standards, the Company, as the lessee, measures lease liabilities according to the present value of the remaining lease payments discounted at the incremental borrowing rate on the adoption date of the new standards; the unpaid rent accrued on an accrual basis under the original lease standards is included in the remaining lease payments.

For operating leases prior to the adoption date of the new standards, the Company measures the right-of-use asset based on the amount equal to the lease liability and makes necessary adjustments based on prepaid rents. The Company conducts an impairment test on the right-of-use assets on the adoption date and adjusts the book value of the right-of-use assets.

For operating leases where the leased assets belong to low-value assets prior to the adoption date, the Company does not recognize as right-of-use assets and lease liabilities For operating leases other than low-value asset leases at the adoption date, the Company applies one or more of the following simplified treatments for each lease:

- Leases to be completed within 12 months of the adoption date are treated as short-term leases;
- When measuring lease liabilities, the same discount rate is used for leases with similar characteristics;
- The measurement of the right-of-use assets excludes initial direct costs;
- If there is an option to renew or terminate the lease, the Company determines the lease term based on the actual exercise of the option before the adoption date and other latest conditions;
- If there is a lease change before the adoption date, the company will carry out accounting treatment according to the final arrangement of the lease change.

B. Main changes and impacts of the implementation of the New Lease Standards

The houses and buildings leased by the company were originally treated as operating leases. According to the new standards, on January 1, 2021, the Company recognized right-of-use assets of RMB 12,852,715.53, lease liabilities of RMB 8,089,819.67, and non-current liabilities due within one year of RMB 4,762,895.86.

Impacts on the financial statements dated January 1, 2021 are listed in the following:

Statement item	Amount on December 31, 2020 (prior to change)		Amount on January 1, 2021 (after change)	
	Consolidated statement	Parent Company's statement	Consolidated statement	Parent Company's statement
Right-of-use assets			12,852,715.53	3,161,008.25
Lease liabilities			8,089,819.67	1,858,811.04
Non-current liabilities due			4,762,895.86	1,302,197.21

within one year				
-----------------	--	--	--	--

The weighted average of the incremental borrowing rate used by the Company on its lease liabilities in its balance sheet dated January 1, 2021 is 4.75%.

The adjustment process for the difference between the unpaid minimum lease payments for major operating leases at the end of 2020 as disclosed in its 2020 annual financial statements and those included in lease liabilities on January 1, 2021 is as follows:

Item	Consolidated statement	Parent Company's statement
Minimum lease payments of major operating leases at December 31, 2020	14,874,019.59	3,189,784.64
Less: Lease payments with simplified treatment	1,295,863.18	
Including: Short-term lease	1,295,863.18	
Low-value asset lease		
Adjusted minimum lease payments of major operating leases at January 1, 2021	13,578,156.41	3,189,784.64
Weighted average of incremental borrowing rates	4.75%	4.75%
Balance of lease liabilities on January 1, 2021	12,852,715.53	3,161,008.25
Including: Lease liabilities due within one year	4,762,895.86	1,302,197.21

## (2) Significant changes of accounting estimates

Applicable  Not applicable

## (3) Description on the adjustment of relevant items in the financial statements at the beginning of the year for the first time adoption of the new leasing standards since 2021

Applicable  Not applicable

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

Yes  No

Consolidated balance sheet

Unit: RMB

Item	December 31, 2020	January 01, 2021	Adjustment number
Current assets:			
Monetary funds	1,125,196,199.56	1,125,196,199.56	
Settlement reserve			
Lending to banks and other financial institutions			
Tradable financial assets			
Derivative financial assets			

Notes receivable	724,419.74	724,419.74	
Accounts receivable	1,051,423,939.59	1,051,423,939.59	
Accounts receivable financing			
Prepayments	26,819,108.57	26,819,108.57	
Premium receivable			
Reinsurance payables			
Reinsurance contract reserves receivable			
Other receivables	15,824,945.56	15,824,945.56	
Including: Interest receivable			
Dividends receivable			
Financial assets held under resale agreements			
Inventory	1,661,274,495.32	1,661,274,495.32	
Contract assets			
Assets held for sale	57,073,059.69	57,073,059.69	
Non-current assets due within one year			
Other current assets	101,584,569.30	101,584,569.30	
Total current assets	4,039,920,737.33	4,039,920,737.33	
Non-current assets:			
Loans and advances to customers			
Investments in creditor's rights			
Investments in other creditor's rights			
Long-term receivable			
Long-term equity investment			
Investment in other equity instruments			
Other non-current financial assets			

Investment property	34,575,365.94	34,575,365.94	
Fixed assets	2,792,587,302.21	2,792,587,302.21	
Construction work in progress	275,904,617.95	275,904,617.95	
Productive biological assets			
Oil & gas assets			
Right-of-use assets		12,852,715.53	12,852,715.53
Intangible assets	169,355,772.24	169,355,772.24	
Development expenses			
Goodwill	64,654.15	64,654.15	
Long-term deferred expenses	26,635,983.14	26,635,983.14	
Deferred income tax assets	111,367,362.66	111,367,362.66	
Other non-current assets	28,027,952.15	28,027,952.15	
Total non-current assets	3,438,519,010.44	3,451,371,725.97	12,852,715.53
Total assets	7,478,439,747.77	7,491,292,463.30	12,852,715.53
Current liabilities:			
Short-term borrowings	142,942,941.34	142,942,941.34	
Borrowings from PBC			
Placements from banks and other financial institutions			
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable	234,887,563.22	234,887,563.22	
Accounts payable	761,519,389.26	761,519,389.26	
Payments received in advance			
Contract liabilities	137,333,617.40	137,333,617.40	
Proceeds from financial assets sold under repo			
Customer bank deposits and due to banks and other			

financial institutions			
Funds from securities trading agency			
Funds from securities underwriting agency			
Employee remuneration payable	123,524,627.11	123,524,627.11	
Tax and fees payable	112,608,054.87	112,608,054.87	
Other payables	754,844,580.09	754,844,580.09	
Including: Interests payable			
Dividends payable	1,437,466.77	1,437,466.77	
Transaction fee and commission receivable			
Reinsurance payable			
Liabilities held for sale			
Non-current liabilities due within one year		4,762,895.86	4,762,895.86
Other current liabilities	17,628,086.63	17,628,086.63	
Total current liabilities	2,285,288,859.92	2,290,051,755.78	4,762,895.86
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		8,089,819.67	8,089,819.67
Long-term payable			
Long-term employee remuneration payable			
Provision			
Deferred income	115,101,158.13	115,101,158.13	
Deferred income tax	35,903,653.30	35,903,653.30	



liabilities			
Other non-current liabilities			
Total non-current liabilities	151,004,811.43	159,094,631.10	8,089,819.67
Total liabilities	2,436,293,671.35	2,449,146,386.88	12,852,715.53
Owner's equity:			
Share capital	1,311,487,077.00	1,311,487,077.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	907,006,505.05	907,006,505.05	
Less: Treasury shares	96,480,911.29	96,480,911.29	
Other comprehensive income			
Special reserves			
Surplus reserves	61,469,258.27	61,469,258.27	
General reserves			
Retained earnings	2,858,664,147.39	2,858,664,147.39	
Total equity attributable to owners of the parent company	5,042,146,076.42	5,042,146,076.42	
Equities of minority shareholders			
Total owner's equity	5,042,146,076.42	5,042,146,076.42	
Total liabilities and owners' equities	7,478,439,747.77	7,491,292,463.30	12,852,715.53

Explanation of adjustment

The Company started to adopt the New Lease Standards from January 1, 2021.

Balance sheet of the Parent Company

Unit: RMB

Item	December 31, 2020	January 01, 2021	Adjustment number
Current assets:			
Monetary funds	170,229,178.13	170,229,178.13	
Tradable financial assets			

Derivative financial assets			
Notes receivable			
Accounts receivable	92,647,372.33	92,647,372.33	
Accounts receivable financing			
Prepayments	7,940,396.34	7,940,396.34	
Other receivables	136,987,584.64	136,987,584.64	
Including: Interest receivable			
Dividends receivable			
Inventory	156,605,546.36	156,605,546.36	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	52,517,725.87	52,517,725.87	
Total current assets	616,927,803.67	616,927,803.67	
Non-current assets:			
Investments in creditor's rights			
Investments in other creditor's rights			
Long-term receivable			
Long-term equity investment	1,928,113,219.50	1,928,113,219.50	
Investment in other equity instruments			
Other non-current financial assets			
Investment property	17,939,329.51	17,939,329.51	
Fixed assets	257,354,688.59	257,354,688.59	
Construction work in progress			
Productive biological assets			

Oil & gas assets			
Right-of-use assets		3,161,008.25	3,161,008.25
Intangible assets	25,205,232.21	25,205,232.21	
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	46,811,106.77	46,811,106.77	
Other non-current assets	2,619,959.27	2,619,959.27	
Total non-current assets	2,278,043,535.85	2,281,204,544.10	3,161,008.25
Total assets	2,894,971,339.52	2,898,132,347.77	3,161,008.25
Current liabilities:			
Short-term borrowings			
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	420,061,168.44	420,061,168.44	
Payments received in advance			
Contract liabilities	17,388,431.01	17,388,431.01	
Employee remuneration payable	44,678,713.21	44,678,713.21	
Tax and fees payable	5,995,417.05	5,995,417.05	
Other payables	126,072,040.24	126,072,040.24	
Including: Interests payable			
Dividends payable	1,437,466.77	1,437,466.77	
Liabilities held for sale			
Non-current liabilities due within one year		1,302,197.21	1,302,197.21
Other current liabilities	2,260,496.03	2,260,496.03	
Total current liabilities	616,456,265.98	617,758,463.19	1,302,197.21

Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		1,858,811.04	1,858,811.04
Long-term payable			
Long-term employee remuneration payable			
Provision			
Deferred income	5,855,467.25	5,855,467.25	
Deferred income tax liabilities	7,202,336.33	7,202,336.33	
Other non-current liabilities			
Total non-current liabilities	13,057,803.58	14,916,614.62	1,858,811.04
Total liabilities	629,514,069.56	632,675,077.81	3,161,008.25
Owner's equity:			
Share capital	1,311,487,077.00	1,311,487,077.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	831,693,206.19	831,693,206.19	
Less: Treasury shares	96,480,911.29	96,480,911.29	
Other comprehensive income			
Special reserves			
Surplus reserves	61,347,923.99	61,347,923.99	
Retained earnings	157,409,974.07	157,409,974.07	
Total owner's equity	2,265,457,269.96	2,265,457,269.96	
Total liabilities and owners' equities	2,894,971,339.52	2,898,132,347.77	3,161,008.25

Explanation of adjustment

The Company started to adopt the New Lease Standards from January 1, 2021.

#### (4) Description on the retrospective adjustment of previous comparable data at the first time adoption of the new leasing standards in 2021

Applicable  Not applicable

#### 45. Others

None

### VI. Taxes

#### 1. Main tax types and tax rates

Tax	Tax basis	Tax rate
Value-added tax	Taxable VAT (calculated based on the difference of deducting the amount of input tax which is allowed to be deducted in the current period from the result of multiplying taxable sales by applicable tax rate)	13%, 9%
City construction and maintenance tax	Turnover tax paid	5%, 7%
Corporate income tax	Taxable income	15%, 16.5%, 20%, 25%, progressive rate
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%

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

Name of taxpayer	Income tax rate
C&S Paper Co., Ltd., Zhongshan Zhongshun Trading Co., Ltd., C&S (Hubei) Paper Co., Ltd., Zhejiang Zhongshun Paper Co., Ltd., Chengdu Zhongshun Paper Co., Ltd., Hangzhou Jie Rou Trading Co., Ltd., Beijing C&S Paper Co., Ltd., Sun Daily Necessities Co., Ltd., C&S (Dazhou) Paper Co., Ltd., Shanghai Huicong Paper Co., Ltd., Yunfu Hengtai Trading Co., Ltd., and C&S (Jiangsu) Paper Co., Ltd.	25%
C&S (Zhongshan) Paper Co., Ltd., Xiaogan C&S Trading Co., Ltd., Beijing Bloomage Jierou Biotechnology Co., Ltd., Dolemi Sanitary Products Co., Ltd., Luzhou Dolemi Sanitary Products Co., Ltd., Mianyang Dolemi Sanitary Products Co., Ltd., Zhengzhou Dolemi Sanitary Products Co., Ltd., Dazhou Dolemi Sanitary Products Co., Ltd., Guiyang Dolemi Sanitary Products Co., Ltd., Zhanjiang Dolemi Sanitary Products Co., Ltd., and Xi'an Dolemi Sanitary Products Co., Ltd.	20%
Zhong Shun International Co., Ltd., and C&S Hong Kong Co., Ltd. (Note 1)	16.50%
Jiangmen Zhongshun Paper Co., Ltd., C&S (Sichuan) Paper Co., Ltd., and C&S (Yunfu) Paper Co., Ltd.	15%

C&S (Macao) Co., Ltd. (Note 2)	Progressive rate
--------------------------------	------------------

## 2. Tax incentive

C&S (Sichuan) Paper Co., Ltd. was certified as a high-tech enterprise of Sichuan Province in 2020 and was awarded the *Certificate of High-tech Enterprise* (No. GR202051001193) in September, 2020, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2021.

C&S (Yunfu) Paper Co., Ltd. was certified as a high-tech enterprise of Guangdong Province in 2020 and was awarded the *Certificate of High-tech Enterprise* (No. GR202044006774) in December, 2020, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2021.

Jiangmen Zhongshun Paper Co., Ltd. was certified as a high-tech enterprise of Guangdong Province in 2021 and was awarded the *Certificate of High-tech Enterprise* (No. GR202144006582) in December 2021, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2021.

In accordance with relevant provisions of the *Announcement of the State Administration of Taxation on Issues Concerning the Implementation of the Inclusive Income Tax Deduction and Exemption Policies for Small Low-profit Enterprises* (STA Doc. [2019] No. 2), the policy on inclusive income tax deduction and exemption for small low-profit enterprises is applicable to C&S (Zhongshan) Paper Co., Ltd., Xiaogan C&S Trading Co., Ltd., Beijing Bloomage Jierou Biotechnology Co., Ltd., Dolemi Sanitary Products Co., Ltd., Luzhou Dolemi Sanitary Products Co., Ltd., Mianyang Dolemi Sanitary Products Co., Ltd., Zhengzhou Dolemi Sanitary Products Co., Ltd., Dazhou Dolemi Sanitary Products Co., Ltd., Guiyang Dolemi Sanitary Products Co., Ltd., Zhanjiang Dolemi Sanitary Products Co., Ltd., and Xi'an Dolemi Sanitary Products Co., Ltd. in 2021. To be specific, the annual taxable income of these enterprises that is not more than RMB1 million shall be included in their taxable income at the reduced rate of 25%, with the applicable corporate income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in their taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

## 3. Others

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

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

## VII. Notes to Items of the Consolidated Financial Statements

### 1. Monetary fund

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Cash on hand	46,249.83	36,349.55
Bank deposits	795,982,835.01	1,047,785,634.71

Other monetary funds	79,023,408.28	77,374,215.30
Total	875,052,493.12	1,125,196,199.56
Including: Total deposits in overseas banks	187,577,086.41	99,311,423.25

Other description

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

## 2. Tradable financial assets: None

## 3. Derivative financial assets: None

## 4. Notes receivable

### (1) Notes receivable presentation by category

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance bill	2,327,060.20	724,419.74
Total	2,327,060.20	724,419.74

Description of reason for the portfolio:

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

Applicable  Not applicable

### (2) Bad debt reserve that is set aside, recovered or transferred back in the reporting period: None

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

Applicable  Not applicable

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

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

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

Other description

1. The Company has no pledged notes receivable as at the end of the year.
2. The Company has no derecognized notes receivable that are endorsed or discounted but not due as at the end

of the year.

3. The Company has no notes that are transferred to notes receivable because the drawer does not perform the contract as at the end of the year.

**(6) Notes receivable actually written off in the reporting period: None**

**5. Accounts receivable**

**(1) Accounts receivable disclosure by category**

Unit: RMB

Category	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Accounts receivable for which bad debt reserve is set aside individually	41,279,711.95	3.37%	15,136,103.86	36.67%	26,143,608.09	34,567,651.21	3.17%	10,681,068.59	30.90%	23,886,582.62
Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	1,183,699,791.69	96.63%	32,012,000.50	2.70%	1,151,687,791.19	1,054,953,298.93	96.83%	27,415,941.96	2.60%	1,027,537,356.97
Including:										
Portfolio based on aging	1,183,699,791.69	96.63%	32,012,000.50	2.70%	1,151,687,791.19	1,054,953,298.93	96.83%	27,415,941.96	2.60%	1,027,537,356.97
Total	1,224,979,503.64	100.00%	47,148,104.36	3.85%	1,177,831,399.28	1,089,520,950.14	100.00%	38,097,010.55	3.50%	1,051,423,939.59

Bad debt reserve set aside individually: 15,136,103.86

Unit: RMB

Name	Balance at the end of the period			
	Book balance	Impairment provision	Ratio of provision	Reason for provision
Institution 1	28,208,040.02	8,218,072.46	29.13%	It is difficult to recover all goods payments due to the poor business performance of the customer.
Institution 2	6,955,035.27	4,455,035.27	64.05%	It is difficult to recover



				all goods payments due to the poor business performance of the customer.
Institution 3	6,116,636.66	2,462,996.13	40.27%	It is difficult to recover all goods payments due to the poor business performance of the customer.
<b>Total</b>	<b>41,279,711.95</b>	<b>15,136,103.86</b>	<b>--</b>	<b>--</b>

Bad debt reserve set aside individually: None

Bad debt reserve set aside in portfolios: 32,012,000.50

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Ratio of provision
Within the credit period	975,238,842.10	19,504,776.82	2.00%
Credit period - 1 year	202,205,978.40	10,110,298.92	5.00%
1 to 2 years	1,392,680.29	208,902.04	15.00%
2 to 3 years	1,807,523.87	542,257.16	30.00%
3 to 5 years	2,818,002.94	1,409,001.47	50.00%
Over 5 years	236,764.09	236,764.09	100.00%
<b>Total</b>	<b>1,183,699,791.69</b>	<b>32,012,000.50</b>	<b>--</b>

Description of reason for the portfolio:

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

Provision of bad debt reserve by portfolio: None

Description of reason for the portfolio:

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

Applicable  Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	1,184,399,855.77
1 to 2 years	1,392,680.29
2 to 3 years	1,807,523.87
Over 3 years	37,379,443.71
3 to 4 years	2,555,202.94

4 to 5 years	28,470,840.02
Over 5 years	6,353,400.75
Total	1,224,979,503.64

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

Provision of bad debt reserve of the reporting period:

Unit: RMB

Category	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Accounts receivable	38,097,010.55	9,051,093.81				47,148,104.36
Total	38,097,010.55	9,051,093.81				47,148,104.36

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

**(3) Accounts receivable actually written off in the reporting period: None**

**(4) Top five debtors in closing balance of accounts receivable**

Unit: RMB

Name of institution	Balance of accounts receivable at the end of the period	Percentage in total balance of accounts receivable at the end of the period	Balance for bad debt reserve at the end of the period
1st	406,560,913.28	33.19%	8,139,345.16
2nd	122,362,632.61	9.99%	4,359,565.43
3rd	69,572,677.96	5.68%	2,101,950.42
4th	37,571,182.23	3.07%	781,787.42
5th	31,175,720.24	2.54%	967,121.33
Total	667,243,126.32	54.47%	

**(5) Amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable**

The Company has no amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable as at the end of the reporting period.

Other description: None

**(6) Accounts receivable derecognized due to transfer of financial assets**

The Company has no accounts receivable derecognized due to the transfer of financial assets as at the end of the reporting period.

**6. Accounts receivable financing**

Increase and decrease of accounts receivable financing and changes in fair value in the reporting period

Applicable  Not applicable

If the provisions for asset impairment of accounts receivable financing are set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on provisions for asset impairment:

Applicable  Not applicable

**7. Prepayments****(1) Prepayments presentation by aging**

Unit: RMB

Aging	Balance at the end of the period		Balance at the beginning of the period	
	Amount	Percentage	Amount	Percentage
Within 1 year	36,685,769.73	100.00%	26,819,108.57	100.00%
Total	36,685,769.73	--	26,819,108.57	--

Explanation on the reason of untimely settlement of prepayments whose age exceeds one year with significant amount: None

**(2) Top five payees in closing balance of prepayment**

The Company's total prepayment amount of the top five payees in closing balance of prepayment is RMB29,191,661.23, accounting for 79.57% of closing balance of prepayment.

Other description: None

**8. Other receivables**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	12,353,794.41	15,824,945.56
Total	12,353,794.41	15,824,945.56

**(1) Interest receivable**

1) Classification of interest receivable: None

2) Significant overdue interest: None

Other description: None

**3) Provision of bad debt reserve** Applicable  Not applicable**(2) Dividends receivable**

1) Classification of dividends receivable: None

2) Significant dividends receivable exceeding one year: None

**3) Provision of bad debt reserve** Applicable  Not applicable

Other description: None

**(3) Other receivables**

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Margins and deposits	4,555,486.30	4,621,457.93
Current accounts	5,834,746.14	5,350,546.55
Reserve	2,167,837.76	1,704,120.13
Others	1,937,176.46	5,999,332.44
<b>Total</b>	<b>14,495,246.66</b>	<b>17,675,457.05</b>

**2) Provision of bad debt reserve**

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without	Expected credit losses in the whole duration (with	

		credit impairment)	credit impairment)	
Balance as at January 1, 2021	1,850,511.49			1,850,511.49
Balance as at January 1, 2021 in the reporting period	—	—	—	—
Provision in the reporting period	309,391.71			309,391.71
Write-off in the reporting period	18,450.95			18,450.95
Balance as at December 31, 2021	2,141,452.25			2,141,452.25

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable  Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	10,295,793.71
1 to 2 years	735,665.88
2 to 3 years	1,213,448.00
Over 3 years	2,250,339.07
3 to 4 years	2,113,667.62
4 to 5 years	82,454.05
Over 5 years	54,217.40
Total	14,495,246.66

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

Provision of bad debt reserve of the reporting period:

Unit: RMB

Category	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Other receivables	1,850,511.49	309,391.71		18,450.95		2,141,452.25
Total	1,850,511.49	309,391.71		18,450.95		2,141,452.25

Where the amount of recovered or reversed bad debt reserve in the reporting period is important: None

**4) Other receivables actually written off in the reporting period**

Unit: RMB

Item	Write-off amount
Other receivables actually written off	18,450.95

Description of write-offs of important other receivables: None

Description on the write-offs of other receivables: None

**5) Top five debtors in closing balance of other accounts receivable**

Unit: RMB

Name of institution	Nature of the amount	Balance at the end of the period	Aging	Percentage in total balance of other receivables at the end of the period	Balance of bad debt reserve at the end of the period
1st	Others	1,817,447.37	Within 1 year	12.54%	90,872.37
2nd	Margins and deposits	1,100,000.00	3-4 years	7.59%	550,000.00
3rd	Margins and deposits	750,000.00	Within 1 year, 2-3 years, 3-4 years	5.17%	320,000.00
4th	Margins and deposits	600,000.00	2-3 years	4.14%	180,000.00
5th	Margins and deposits	600,000.00	Within 1 year, 1-2 years, 2-3 years, 3-4 years	4.14%	171,750.00
Total	--	4,867,447.37	--	33.58%	1,312,622.37

**6) Receivables involving government grants**

Unit: RMB

Name of institution	Name of government grant project	Balance at the end of the period	Aging at the end of the period	Expected collection time, amount and basis
None				

**7) Other receivables derecognized due to the transfer of financial assets: None****8) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of other receivables: None****9. Inventories**

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

No

**(1) Classification of inventories**

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment of inventories or provision for contract performance cost	Book value	Book balance	Provision for impairment of inventories or provision for contract performance cost	Book value
Raw materials	886,711,194.32	5,050,118.51	881,661,075.81	1,148,312,808.05	133,039.11	1,148,179,768.94
Work-in-process products	50,455,115.89	188,464.55	50,266,651.34	40,777,441.76	306,847.08	40,470,594.68
Commodity stocks	458,467,589.59	4,792,993.52	453,674,596.07	410,313,722.29	2,738,280.52	407,575,441.77
Packages	43,288,272.57	465,044.89	42,823,227.68	32,644,525.84	145,489.07	32,499,036.77
Low-value consumables	24,525,776.59	820,943.23	23,704,833.36	13,889,922.62	529,767.94	13,360,154.68
Materials for consigned processing	15,501,132.69		15,501,132.69	19,189,498.48		19,189,498.48
<b>Total</b>	<b>1,478,949,081.65</b>	<b>11,317,564.70</b>	<b>1,467,631,516.95</b>	<b>1,665,127,919.04</b>	<b>3,853,423.72</b>	<b>1,661,274,495.32</b>

**(2) Provision for impairment of inventories or provision for contract performance cost**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period		Decrease in the current period		Balance at the end of the period
		Provision	Others	Reversal or written off	Others	
Raw materials	133,039.11	5,215,689.41		298,610.01		5,050,118.51
Work-in-process products	306,847.08	420,587.93		538,970.46		188,464.55
Commodity stocks	2,738,280.52	5,205,761.61		3,151,048.61		4,792,993.52
Packages	145,489.07	621,507.19		301,951.37		465,044.89
Low-value consumables	529,767.94	704,166.06		412,990.77		820,943.23
<b>Total</b>	<b>3,853,423.72</b>	<b>12,167,712.20</b>		<b>4,703,571.22</b>		<b>11,317,564.70</b>

**(3) Explanation that balance of inventory at the end of the reporting period includes amount of capitalization of borrowing costs: None**

**(4) Explanation on amortized amount of contract performance cost in the reporting period: None**

#### 10. Contract assets: None

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

Applicable  Not applicable

Provision for impairment of contract assets in the reporting period

Other description: None

#### 11. Assets held for sale

Unit: RMB

Item	Book balance at the end of the period	Impairment provision	Book value at the end of the period	Fair value	Estimated disposal fee	Estimated disposal time
Immovable assets of the old factory of Hubei C&S (including land use rights)	57,073,059.69		57,073,059.69	66,285,118.00		March 31, 2022
Total	57,073,059.69		57,073,059.69	66,285,118.00		--

Other description:

In December 2019, in order to boost the investment and construction of Phase II of the high-end household paper project in the industrial zone in the Economic Development Area of Xiaonan District, Xiaogan City, the Company signed an agreement on the acquisition of the immovable assets in the old factory of Hubei C&S (including land use rights) upon consultation with Xiaonan District People's Government of Xiaogan City. The Company believed that the immovable assets of the old factory of Hubei C&S (including land use rights) could be sold immediately in the current situation, according to similar transactions where such assets were sold. The Company signed a binding purchase agreement with Xiaogan Changxing Investment Co., Ltd. and Xiaonan District People's Government of Xiaogan City regarding the transfer of such assets in December 2019. The Agreement contained important terms and conditions including the price and time of the transaction as well as penalty for breach of contract that was strict enough. Therefore, there is little possibility for the agreement to be significantly changed or canceled. The Company originally estimated that the ultimate transfer would be completed before December 2020. However, under the impact of the COVID-19 pandemic in 2020, the government shifted its focus to anti-pandemic work with people's interests above everything else. Especially, Xiaogan City of Hubei Province was one of the hardest-hit areas, so the government has put all efforts in the fight against the virus and post-pandemic economic rejuvenation. As a result, it was unable to pay all asset transfer amount within the agreed period.

In 2021, the Company actively communicated with Xiaogan Changxing Investment Co., Ltd. and Xiaonan District



People's Government of Xiaogan City regarding asset delivery matters. However, the delivery was not completed at the end of 2021. The Company expects to finally complete the asset delivery in 2022.

## 12. Non-current assets due within one year: None

## 13. Other current assets

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Wealth management products	10,000,000.00	50,000,000.00
Input VAT to be deducted	46,011,229.37	51,550,834.13
Large-denomination Certificate of Deposit	62,479,083.36	
Prepaid corporate income tax	5,040,567.23	33,735.17
<b>Total</b>	<b>123,530,879.96</b>	<b>101,584,569.30</b>

Other description: None

## 14. Investments in creditor's rights: None

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable  Not applicable

Other description: None

## 15. Other investments in creditor's rights

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable  Not applicable

Other description: None

## 16. Long-term receivables

### (1) Long-term receivables

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable  Not applicable

**(2) Long-term receivables derecognized due to the transfer of financial assets: None**

**(3) Amounts of assets and liabilities that are formed by the transfer and ongoing involvement of long-term receivables: None**

**17. Long-term equity investment: None**

**18. Investment in other equity instruments: None**

**19. Other non-current financial assets: None**

**20. Investment property**

**(1) Investment property measured at cost**

√ Applicable □ Not applicable

Unit: RMB

Item	Properties and buildings	Land use rights	Construction work in process	Total
I. Original Book Value				
1. Balance at the beginning of the period	31,072,632.92	21,661,131.29		52,733,764.21
2. Increase in the current period				
(1) External purchase				
(2) Inventory\fixed assets\transfer from construction work in progress				
(3) Increase in business combination				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Balance at the	31,072,632.92	21,661,131.29		52,733,764.21

end of the period				
II. Accumulated Depreciation and Amortization				
1. Balance at the beginning of the period	12,995,477.31	5,162,920.96		18,158,398.27
2. Increase in the current period	1,099,028.28	337,855.92		1,436,884.20
(1) Provision or amortization	1,099,028.28	337,855.92		1,436,884.20
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Balance at the end of the period	14,094,505.59	5,500,776.88		19,595,282.47
III. Impairment Provision				
1. Balance at the beginning of the period				
2. Increase in the current period				
(1) Provision				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Balance at the end of the period				
IV. Book Value				
1. Book value at the end of the period	16,978,127.33	16,160,354.41		33,138,481.74

2. Book value at the beginning of the period	18,077,155.61	16,498,210.33	34,575,365.94
--	---------------	---------------	---------------

**(2) Investment property measured at fair value**

Applicable  Not applicable

**(3) Investment property that the certificate of title has not been issued**

Other description

The Company does not have investment property that the certificate of title has not been issued as at the end of the reporting period.

**21. Fixed assets**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Fixed assets	3,129,371,506.40	2,792,587,302.21
Total	3,129,371,506.40	2,792,587,302.21

**(1) Information on fixed assets**

Unit: RMB

Item	Properties and buildings	Equipment	Office equipment	Motor vehicles	Production equipment	Total
I. Original Book Value						
1. Balance at the beginning of the period	1,120,022,374.29	3,014,753,086.43	54,682,544.73	17,187,070.95	79,292,109.05	4,285,937,185.45
2. Increase in the current period	221,540,475.10	462,760,491.66	6,801,127.34	5,512,453.21	16,296,410.71	712,910,958.02
(1) Purchase		357,457.51	5,660,378.30	5,512,453.21	5,963,410.63	17,493,699.65
(2) Inventory\fixed assets\transfer from construction work in progress	221,540,475.10	462,403,034.15	1,140,749.04		10,333,000.08	695,417,258.37
(3) Increase in business combination						

3. Decrease in the current period	222,162.15	31,607,659.05	385,452.39	707,005.81	1,141,249.87	34,063,529.27
(1) Disposal or scrap	222,162.15	31,607,659.05	385,452.39	707,005.81	1,141,249.87	34,063,529.27
4. Balance at the end of the period	1,341,340,687.24	3,445,905,919.04	61,098,219.68	21,992,518.35	94,447,269.89	4,964,784,614.20
II. Accumulated Depreciation						
1. Balance at the beginning of the period	230,627,030.94	1,170,141,702.77	26,023,963.29	8,459,387.08	41,628,743.42	1,476,880,827.50
2. Increase in the current period	47,902,864.38	273,681,898.27	8,599,848.62	1,785,655.14	12,062,059.01	344,032,325.42
(1) Provision	47,902,864.38	273,681,898.27	8,599,848.62	1,785,655.14	12,062,059.01	344,032,325.42
3. Decrease in the current period	63,072.68	14,150,091.09	345,766.68	145,574.55	874,526.63	15,579,031.63
(1) Disposal or scrap	63,072.68	14,150,091.09	345,766.68	145,574.55	874,526.63	15,579,031.63
4. Balance at the end of the period	278,466,822.64	1,429,673,509.95	34,278,045.23	10,099,467.67	52,816,275.80	1,805,334,121.29
III. Impairment Provision						
1. Balance at the beginning of the period		16,415,970.27	1,219.51		51,865.96	16,469,055.74
2. Increase in the current period	271,024.32	18,934,167.77	58,221.32		69,358.14	19,332,771.55
(1) Provision	271,024.32	18,934,167.77	58,221.32		69,358.14	19,332,771.55
3. Decrease in the current period		5,669,755.31	1,219.51		51,865.96	5,722,840.78
(1) Disposal		5,669,755.31	1,219.51		51,865.96	5,722,840.78

or scrap						
4. Balance at the end of the period	271,024.32	29,680,382.73	58,221.32		69,358.14	30,078,986.51
IV. Book Value						
1. Book value at the end of the period	1,062,602,840.28	1,986,552,026.36	26,761,953.13	11,893,050.68	41,561,635.95	3,129,371,506.40
2. Book value at the beginning of the period	889,395,343.35	1,828,195,413.39	28,657,361.93	8,727,683.87	37,611,499.67	2,792,587,302.21

**(2) Information on temporarily idle fixed assets**

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Equipment	65,694,545.99	33,818,928.73	29,951,407.05	1,924,210.21	
Office equipment	418,027.75	358,726.43	58,221.32	1,080.00	
Production equipment	147,951.48	68,293.34	69,358.14	10,300.00	
Total	66,260,525.22	34,245,948.50	30,078,986.51	1,935,590.21	

**(3) Fixed assets leased through operating lease: None****(4) Fixed assets that the certificate of title has not been issued**

Unit: RMB

Item	Book value	Reasons for the certificate of title having not been issued
Workshops, warehouses, and dormitories of Hubei C&S	157,047,508.26	Processing
Plants and warehouses of Tangshan Branch	45,719,124.58	Processing
Workshops of Zhejiang C&S	3,618,339.02	Processing
Total	206,384,971.86	

Other description: None

**(5) Disposal of fixed assets: None****22. Construction work in process**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Construction work in process	134,875,696.94	275,904,617.95
Total	134,875,696.94	275,904,617.95

**(1) Construction work in progress**

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction work of C&S Paper	10,160,431.64		10,160,431.64			
Construction work of Jiangmen C&S	3,894,339.75		3,894,339.75	1,028,646.43		1,028,646.43
Construction work of Zhejiang C&S	1,136,260.16		1,136,260.16	249,608.17		249,608.17
Construction work of Sichuan C&S	4,628,355.84		4,628,355.84	5,760,144.05		5,760,144.05
Construction work of Tangshan Branch	104,140,687.38		104,140,687.38			
Construction work of Hubei C&S	4,347,806.26		4,347,806.26	244,523,934.15		244,523,934.15
Construction work of Yunfu C&S	6,037,233.84		6,037,233.84	24,342,285.15		24,342,285.15
Construction work of Jiangsu C&S	530,582.07		530,582.07			
Total	134,875,696.94		134,875,696.94	275,904,617.95		275,904,617.95

**(2) Changes of significant construction work in progress in the current period**

Unit: RMB

Project	Budget number	Balance at the beginning of the period	Increase in the current period	Amount of fixed assets transferred in the current period	Decrease in the current period	Balance at the end of the period	Proportion of the cumulative construction input in budget	Construction progress	Accumulative amount of interest capitalization	Including: Amount of interest capitalization in the period	Interest capitalization rate in the current period	Source of fund
Construction work of C&S Paper	15,715,000.00		10,160,431.64			10,160,431.64	64.65%	64.65%				Others
Construction work of Jiangmen C&S	34,436,514.00	1,028,646.43	32,901,603.40	30,035,910.08		3,894,339.75	98.53%	98.53%				Others
Construction work of Zhejiang C&S	12,621,362.34	249,608.17	12,224,040.35	11,337,388.36		1,136,260.16	98.83%	98.83%				Others
Construction work of Sichuan C&S	20,392,201.82	5,760,144.05	14,030,371.51	15,162,159.72		4,628,355.84	97.05%	97.05%				Others
Construction work of Tangshan Branch	314,192,854.86		110,280,631.73	6,139,944.35		104,140,687.38	54.11%	54.11%				Others
Construction work of Hubei C&S	683,700,000.00	244,523,934.15	348,998,663.44	589,174,791.33		4,347,806.26	95.96%	95.96%				Others



Construction work of Yunfu C&S	58,280,000.00	24,342,285.15	25,262,013.22	43,567,064.53		6,037,233.84	85.60%	85.60%				Others
Construction work of Jiangsu C&S	695,600,000.00		530,582.07			530,582.07	0.08%	0.08%				Others
Total	1,834,937,933.02	275,904,617.95	554,388,337.36	695,417,258.37		134,875,696.94	--	--				--

### (3) Construction-in-progress provision set aside in the current period

Other description

There was no situation where the recoverable amount of the construction work in progress is lower than the book value which required provisions in the Company in the reporting period.

### (4) Construction materials: None

## 23. Productive biological assets

### (1) Productive biological assets measured at cost

Applicable  Not applicable

### (2) Productive biological assets measured at fair value

Applicable  Not applicable

## 24. Oil & gas assets

Applicable  Not applicable

## 25. Right-of-use assets

Unit: RMB

Item	Properties and buildings	Total
I. Original Book Value		
1. Balance at the beginning of the period	12,852,715.53	12,852,715.53
2. Increase in the current period	10,276,053.63	10,276,053.63

3. Decrease in the current period		
4. Balance at the end of the period	23,128,769.16	23,128,769.16
<b>II. Accumulated Depreciation</b>		
1. Balance at the beginning of the period		
2. Increase in the current period	8,828,248.39	8,828,248.39
(1) Provision	8,828,248.39	8,828,248.39
3. Decrease in the current period		
(1) Disposal		
4. Balance at the end of the period	8,828,248.39	8,828,248.39
<b>III. Impairment Provision</b>		
1. Balance at the beginning of the period		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		
4. Balance at the end of the period		
<b>IV. Book Value</b>		
1. Book value at the end of the period	14,300,520.77	14,300,520.77
2. Book value at the beginning of the period	12,852,715.53	12,852,715.53

Other description: None

## 26. Intangible assets

### (1) Intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patented technology	Application software	Trademark right	Total
I. Original Book						

Value						
1. Balance at the beginning of the period	189,064,322.15	1,342,721.84		18,819,434.67	168,370.83	209,394,849.49
2. Increase in the current period		390,566.04		5,654,345.39		6,044,911.43
(1) Purchase		390,566.04		5,654,345.39		6,044,911.43
(2) Internal R&D						
(3) Increase in business combination						
3. Decrease in the current period						
(1) Disposal						
4. Balance at the end of the period	189,064,322.15	1,733,287.88		24,473,780.06	168,370.83	215,439,760.92
II. Accumulated Amortization						
1. Balance at the beginning of the period	29,450,960.14	885,237.05		9,534,509.23	168,370.83	40,039,077.25
2. Increase in the current period	3,797,303.52	115,751.12		3,033,700.92		6,946,755.56
(1) Provision	3,797,303.52	115,751.12		3,033,700.92		6,946,755.56
3. Decrease in the current period						
(1)						

Disposal						
4. Balance at the end of the period	33,248,263.66	1,000,988.17		12,568,210.15	168,370.83	46,985,832.81
III. Impairment Provision						
1. Balance at the beginning of the period						
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period						
(1) Disposal						
4. Balance at the end of the period						
IV. Book Value						
1. Book value at the end of the period	155,816,058.49	732,299.71		11,905,569.91		168,453,928.11
2. Book value at the beginning of the period	159,613,362.01	457,484.79		9,284,925.44		169,355,772.24

The intangible assets generated other than internal R&D of the Company at the end of the period occupy 0.00% of the balance of intangible assets.

**(2) Information on the land use rights that the certificate of title has not been issued: None****27. Development expenses: None****28. Goodwill****(1) Original book value of goodwill**

Unit: RMB

Name of investee or the matters forming goodwill	Balance at the beginning of the period	Increase in the current period		Decrease in the current period		Balance at the end of the period
		Formed by business combination		Disposal		
Merger of Zhongshan Paper involving enterprises not under common control	64,654.15					64,654.15
Total	64,654.15					64,654.15

**(2) Provision for impairment of goodwill**

Unit: RMB

Name of investee or the matters forming goodwill	Balance at the beginning of the period	Increase in the current period		Decrease in the current period		Balance at the end of the period
		Provision		Disposal		
Total						

Relevant information on the asset group or asset group portfolio in which the goodwill is located

Explain the method to confirm the process of goodwill impairment test, key parameters (e.g. the growth rate in the predictive period when predicting the present value of future cash flow, the growth rate in the stable period, profit rate, discount rate, and predictive period), and the goodwill impairment loss:

Note: After conducting the asset impairment test by combining the goodwill with corresponding asset groups, there was no impairment as at December 31, 2021, and provisions at the end of the reporting period were not set aside.

Influence of the goodwill impairment test

Other description: None

**29. Long-term unamortized expenses**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Amortized amount of the current period	Other decreases	Balance at the end of the period
Use rights of sewage discharge	2,308,598.93		1,385,159.40		923,439.53
Decoration fees of office buildings	22,365,634.21	996,330.31	9,777,549.96		13,584,414.56
Electricity use rights	1,961,750.00	855,750.00	562,450.00		2,255,050.00
Total	26,635,983.14	1,852,080.31	11,725,159.36		16,762,904.09

Other description: None

### 30. Deferred income tax assets/deferred income tax liabilities

#### (1) Deferred income tax assets that were not offset

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	48,619,359.11	10,491,437.82	37,236,661.77	8,048,641.53
Unrealized profit in internal transaction	48,456,053.79	10,181,650.08	59,038,241.84	11,427,908.55
Deductible loss	396,983,644.42	99,145,338.70	157,221,067.56	39,305,266.89
Provision for impairment of inventories	11,317,564.70	1,862,027.54	3,853,423.72	702,165.91
Provision for impairment of fixed assets	30,078,986.51	5,111,314.51	16,469,055.74	2,795,038.08
Equity incentive cost	57,965,133.83	14,145,915.91	136,647,479.87	33,312,991.30
Accrued expenses	96,707,743.24	24,176,935.81	60,267,582.48	15,066,895.62
Deferred income	90,270,562.19	17,071,324.48	2,833,819.12	708,454.78
Total	780,399,047.79	182,185,944.85	473,567,332.10	111,367,362.66

#### (2) Deferred income tax liabilities that were not offset

Unit: RMB

Item	Balance at the end of the period		Balance at the beginning of the period	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities

Pre-tax deduction of fixed assets at one time as stipulated in the tax law	240,560,367.15	46,514,550.50	190,069,258.27	35,903,653.30
Total	240,560,367.15	46,514,550.50	190,069,258.27	35,903,653.30

**(3) Presentation of deferred income tax assets or liabilities by the net amount after offset**

Unit: RMB

Item	Offset amount of the deferred income tax assets and liabilities at the end of the reporting period	Balance of the deferred income tax assets or liabilities after offset at the end of the reporting period	Offset amount of the deferred income tax assets and liabilities at the beginning of the reporting period	Balance of the deferred income tax assets or liabilities after offset at the beginning of the reporting period
Deferred income tax assets		182,185,944.85		111,367,362.66
Deferred income tax liabilities		46,514,550.50		35,903,653.30

**(4) Breakdown of unconfirmed deferred income tax assets**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Deductible temporary differences		2,710,860.27
Total		2,710,860.27

**(5) Deductible losses of the unconfirmed deferred income tax assets due in the next year: None**

Other description: None

**31. Other non-current assets**

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayment for property purchase	56,147,845.00		56,147,845.00			
Prepayment for engineering equipment	34,786,139.79		34,786,139.79	26,000,909.91		26,000,909.91

Prepayment for software	708,378.66		708,378.66	2,027,042.24		2,027,042.24
Total	91,642,363.45		91,642,363.45	28,027,952.15		28,027,952.15

Other description: None

## 32. Short-term borrowings

### (1) Classification of short-term borrowings

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Guaranteed borrowings	0.00	142,942,941.34
Total		142,942,941.34

Description of classification of short-term borrowings: None

### (2) Short-term borrowings overdue but unpaid: None

Other description:

There were no short-term borrowings overdue but unpaid in the Company at the end of the reporting period.

## 33. Tradable financial liabilities: None

## 34. Derivative financial liabilities: None

## 35. Notes payable

Unit: RMB

Category	Balance at the end of the period	Balance at the beginning of the period
Banker's acceptance	334,969,632.58	234,887,563.22
Total	334,969,632.58	234,887,563.22

The total amount of the notes payable due but unpaid at the end of the reporting period is RMB0.00.

## 36. Accounts payable

### (1) List of accounts payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Accounts payable	829,113,780.31	761,519,389.26
Total	829,113,780.31	761,519,389.26



**(2) Significant accounts payable with aging over one year**

The Company has no significant accounts payable with aging over one year at the end of the reporting period.

**37. Payments received in advance****(1) List of payments received in advance: None****(2) Significant payments received in advance with aging over one year: None****38. Contract liabilities**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Advances on sales	164,360,443.34	137,333,617.40
Total	164,360,443.34	137,333,617.40

**39. Employee remuneration payable****(1) List of employee remuneration payable**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
I. Short-term Compensation	123,506,119.43	803,282,369.61	787,575,751.49	139,212,737.55
II. Post-employment Benefits - Defined Contribution Plan	18,507.68	55,186,747.36	54,866,586.13	338,668.91
III. Dismissal Benefits		419,395.38	419,395.38	
Total	123,524,627.11	858,888,512.35	842,861,733.00	139,551,406.46

**(2) List of short-term remuneration**

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Salary, bonus and subsidy	122,595,782.24	725,396,870.89	709,736,379.31	138,256,273.82
2. Employee welfare		27,611,513.61	27,611,513.61	
3. Social insurance	252,766.51	27,731,765.83	27,728,427.43	256,104.91

premiums				
Including: Medical insurance	250,105.53	23,770,884.37	23,786,710.42	234,279.48
Employment injury insurance	167.06	2,401,347.23	2,381,298.38	20,215.91
Maternity insurance	2,493.92	1,559,534.23	1,560,418.63	1,609.52
4. Housing provident fund	374,311.00	19,114,920.87	19,059,822.14	429,409.73
5. Labor union fee and staff education fee	283,259.68	3,427,298.41	3,439,609.00	270,949.09
Total	123,506,119.43	803,282,369.61	787,575,751.49	139,212,737.55

### (3) List of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
1. Basic endowment insurance	17,927.54	53,333,775.03	53,024,526.19	327,176.38
2. Unemployment insurance	580.14	1,852,972.33	1,842,059.94	11,492.53
Total	18,507.68	55,186,747.36	54,866,586.13	338,668.91

Other description:

There was no delinquency of employee remuneration payable by the Company at the end of the reporting period.

### 40. Tax and fees payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Value-added tax	47,434,141.38	25,574,167.63
Corporate income tax	47,999,180.89	79,266,423.94
Individual income tax	2,282,034.20	1,840,329.83
City construction and maintenance tax	3,157,814.56	1,593,768.94
Property tax	1,479,897.22	1,087,129.90
Education surcharges	1,525,822.40	829,794.94
Local education surcharges	1,017,214.96	524,068.91
Land use tax	845,611.47	796,430.89

Stamp tax	794,985.81	596,629.80
Security fund for the disabled	380,114.13	334,989.76
Environmental protection tax	183,923.63	97,465.13
Resource tax	84,070.32	66,855.20
<b>Total</b>	<b>107,184,810.97</b>	<b>112,608,054.87</b>

Other description: None

#### 41. Other payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Dividend payable	1,352,746.20	1,437,466.77
Other payables	853,519,432.58	753,407,113.32
<b>Total</b>	<b>854,872,178.78</b>	<b>754,844,580.09</b>

(1) Interest payable: None

(2) Dividends payable: None

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Dividends for restricted shares	1,352,746.20	1,437,466.77
<b>Total</b>	<b>1,352,746.20</b>	<b>1,437,466.77</b>

Other descriptions, including important dividends payable exceeding one year, and the reasons for non-payment that should be disclosed: None

(3) Other payables

##### 1) Other payables based on amount nature

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Unpaid fees	791,690,297.01	658,391,225.24
Repurchase obligation of restricted shares	33,312,589.40	68,800,189.53
Margins and deposits	17,980,073.86	20,964,424.40
Authorized collection and payment of individual income tax under the equity incentive	8,360,156.40	2,877,482.40
Others	2,176,315.91	2,373,791.75

Total	853,519,432.58	753,407,113.32
-------	----------------	----------------

**2) Other important payables with aging exceeding one year**

Unit: RMB

Item	Balance at the end of the period	Reason for unsettlement or not carry-over
1st	6,323,465.21	Not yet settled
Total	6,323,465.21	--

Other description: None

**42. Liabilities held for sale: None****43. Non-current liabilities due within one year**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Lease liabilities due within one year	8,616,487.38	4,762,895.86
Total	8,616,487.38	4,762,895.86

Other description: None

**44. Other current liabilities**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Tax pending changeover	21,250,613.29	17,628,086.63
Total	21,250,613.29	17,628,086.63

**45. Long-term borrowings: None****(1) List of long-term borrowings: None****46. Bonds payable****(1) Bonds payable: None****(2) Changes in the increase and decrease of the bonds payable (excluding other financial instruments such as preference shares and perpetual bonds that are divided into financial liabilities): None****(3) Descriptions of the conditions for converting conditions and time of converting bonds: None****(4) Descriptions of other financial instruments that are divided into financial liabilities: None****47. Lease liabilities**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Properties and buildings	14,182,415.52	12,852,715.53
Lease liabilities due within one year	-8,616,487.38	-4,762,895.86
<b>Total</b>	<b>5,565,928.14</b>	<b>8,089,819.67</b>

Other description: None

**48. Long-term payables: None****(1) Long-term payables listed based on amount nature: None****(2) Special payables: None****49. Long-term employee remuneration payable****(1) Table of long-term employee remuneration payable: None****(2) Changes of the defined benefit plan: None****50. Projected liabilities: None****51. Deferred income**

Unit: RMB

Item	Balance at the beginning of the	Increase in the current period	Decrease in the current period	Balance at the end of the period	Reason
------	---------------------------------	--------------------------------	--------------------------------	----------------------------------	--------

	period				
Government grants	115,101,158.13	4,000,000.00	14,617,728.59	104,483,429.54	Related to asset Government grants
Total	115,101,158.13	4,000,000.00	14,617,728.59	104,483,429.54	--

Projects involving government grants:

Unit: RMB

Liability item	Balance at the beginning of the period	Increased amount of grants in the current period	Amount included in non-operating income in the current period	Amount included in other income in the current period	Amount of offset costs in the current period	Other changes	Balance at the end of the period	Related to asset/income
Subsidies for the infrastructure construction of new factory in Hubei	30,535,934.00			1,071,436.32			29,464,497.68	Related to asset
Support funds for the construction of Automated Storage & Retrieval System	21,188,970.58			1,561,764.72			19,627,205.86	Related to asset
Support funds for the transformation of Phase I project	16,172,657.65			2,251,422.48			13,921,235.17	Related to asset
Support funds for equipment of Phase II project	9,467,571.00			1,955,301.73			7,512,269.27	Related to asset
Financial support funds for	7,453,253.75			625,447.80			6,827,805.95	Related to asset

construction expansion of 25,000-ton high-grade household paper project								
Subsidy funds for the smart factory project	2,833,819.12	4,000,000.00		1,794,486.82			5,039,332.30	Related to asset
Ex-post funds awarded to the first batch of the union enterprises for technical transformation in 2017	4,081,579.34			634,586.64			3,446,992.70	Related to asset
Support funds for the technical transformation of equipment production line	3,640,736.00			800,790.96			2,839,945.04	Related to asset
Support funds for the construction of environmental protection facilities	3,032,539.79			319,047.60			2,713,492.19	Related to asset
Support funds for enterprise technical upgrading	3,219,688.10			792,374.28			2,427,313.82	Related to asset
Discount interest	2,439,593.75			193,875.00			2,245,718.75	Related to asset

funds for imported equipment								
Subsidies for sewage treatment station	2,664,772.67			477,272.76			2,187,499.91	Related to asset
Subsidies for the expansion of the high-grade household paper project with an annual output of 25,000 tons	1,906,666.83			159,999.96			1,746,666.87	Related to asset
Special funds for capacity expansion of 25,000-ton high-grade household paper project	1,820,833.22			575,000.04			1,245,833.18	Related to asset
Subsidies for construction of the water treatment project	1,369,861.36			155,078.64			1,214,782.72	Related to asset
Support funds for sewage centralized water treatment project	972,000.00			121,500.00			850,500.00	Related to asset
Provincial funds for traditional industry	910,714.30			107,142.84			803,571.46	Related to asset



transformation projects								
Funds for reconstruction project of automatic production lines	1,389,966.67			1,021,200.00			368,766.67	Related to asset
Total	115,101,158.13	4,000,000.00		14,617,728.59			104,483,429.54	

Other description: None

## 52. Other non-current liabilities: None

## 53. Share capital

Unit: RMB

	Balance at the beginning of the period	Increase and decrease of this change (+ and -)					Balance at the end of the period
		Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	
Total number of shares	1,311,487,077.00	3,131,211.00			-2,160,733.00	970,478.00	1,312,457,555.00

Other description:

Changes in the Company's share capital during the year:

According to the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* approved at the 23rd meeting of the fourth session of the Board of Directors, the number of stock options that had met exercise conditions was 3,431,505 and the number of incentive recipients in conformity with the exercise conditions reached 2,522. The exercise period was from June 10, 2020 to February 26, 2021. According to the *Proposal on Achieving the Exercise Conditions of the First Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* approved at the 28th meeting of the fourth session of the Board of Directors, the number of stock options that have met exercise conditions was 640,389 and the number of incentive recipients in conformity with the exercise conditions reached 88. The exercise period was from November 17, 2020 to September 10, 2021. As of February 26, 2021, all the incentive recipients who had met the above exercise conditions have exercised their rights, and a total of 4,071,894 shares have been subscribed, of which 461,478 shares were subscribed in 2021.

The 5th meeting of the fifth session of the Board of Directors and the fourth extraordinary general meeting of 2021 reviewed and approved the *Proposal on the Repurchase and Deregistration of Partial Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. Pursuant to the proposal, as some incentive recipients were disqualified to hold incentive stocks after leaving the Company

or failing the appraisal or some recipients passed the appraisal but did not attain a full score and hence could not unlock all the stocks, the Company decided to repurchase and deregister total 2,021,305 restricted shares of 96 incentive recipients.

The 12th meeting of the fifth session of the Board of Directors and the sixth extraordinary general meeting of 2021 reviewed and approved the *Proposal on the Repurchase and Deregistration of Partial Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. Pursuant to the proposal, as some incentive recipients were disqualified to hold incentive stocks after leaving the Company or failing the appraisal or some recipients passed the appraisal but did not attain a full score and hence could not unlock all the stocks, the Company decided to repurchase and deregister total 139,428 restricted shares of 17 incentive recipients.

According to the *Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* approved at the 6th meeting of the fifth session of the Board of Directors, the number of stock options that had met exercise conditions was 2,948,559 and the number of incentive recipients in conformity with the exercise conditions reached 2,274. The exercise period was from June 30, 2021 to February 28, 2022. According to the *Proposal on Achieving the Exercise Conditions of the Second Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* approved at the 12th meeting of the fifth session of the Board of Directors, the number of stock options that have met exercise conditions was 609,375 and the number of incentive recipients in conformity with the exercise conditions reached 70. The exercise period is from December 14, 2021 to September 9, 2022. As of December 31, 2021, the incentive recipients who had met the above exercise conditions have successively begun to exercise their rights, and a total of 2,669,733 shares have been subscribed.

#### 54. Other equity instruments

**(1) Basic information on other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds: None**

**(2) Table of changes in other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds: None**

#### 55. Capital reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Capital premium (share premium)	626,797,181.97	31,164,564.50	7,570,302.21	650,391,444.26
Other capital reserve	280,209,323.08	16,491,219.65	6,349,300.80	290,351,241.93
Total	907,006,505.05	47,655,784.15	13,919,603.01	940,742,686.19

Other descriptions, including increase/decrease in the reporting period and reasons of change:

(1) The exercise of stock options awarded in the first grant and the exercise of reserved stock options as per the *2018 Stock Option and Restricted Stock Incentive Plan* increased “capital reserve-share premium” by RMB15,730,354.61 and decreased “capital reserve-other capital reserve” by RMB3,024,288.84. The repurchase

and deregistration of incentive stocks decreased “capital reserve-other capital reserve” by RMB6,730,945.65.

(2) The Company set aside provision for equity incentive costs and fees in the reporting period and RMB12,167,835.66 was included in "capital reserve - other capital reserve". Difference between the deductible amount before tax under the *2018 Stock Option and Restricted Stock Incentive Plan* and recognized book expense was confirmed as deferred income tax asset and RMB16,476,100.25 was included in "capital reserve - other capital reserve".

## 56. Treasury shares

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Restricted shares	68,800,189.53	84,720.57	35,572,320.70	33,312,589.40
Ordinary shares	27,680,721.76	661,249,972.23		688,930,693.99
Total	96,480,911.29	661,334,692.80	35,572,320.70	722,243,283.39

Other descriptions, including increase/decrease in the reporting period and reasons of change:

Notes: (1) The second unlock period unlocked 4,809,045 shares of first-grant stock options at RMB4.33/share and 714,832 shares of reserved stock options at RMB7.02/share granted under the *2018 Stock Option and Restricted Stock Incentive Plan*. Totally RMB25,841,285.49 was included in the decrease of the current period; the withdrawable cash dividend of RMB84,720.57 was included in the increase of the current period.

(2) As some incentive recipients for stocks awarded in the first grant left the Company or failed to pass the appraisal, the Company repurchased and deregistered 2,021,305 shares with RMB4.33 per share. As some incentive recipients for reserved stocks left the Company or failed to pass the appraisal, the Company repurchased and deregistered 139,428 shares with RMB7.02 per share. Totally 2,160,733 shares were repurchased with an amount of RMB9,731,035.21, which was included in the decrease of the current period.

(3) The repurchased shares with a total value of RMB661,249,972.23 was included in the increase of the current period.

## 57. Other comprehensive income: None

## 58. Special reserves: None

## 59. Surplus reserve

Unit: RMB

Item	Balance at the beginning of the period	Increase in the current period	Decrease in the current period	Balance at the end of the period
Statutory surplus reserve	61,469,258.27	45,515,017.15		106,984,275.42
Total	61,469,258.27	45,515,017.15		106,984,275.42

Explanation of surplus reserves, including increase/decrease in the reporting period and reasons of change:

In accordance with provisions of the *Company Law* and the *Articles of Association*, the Company appropriates 10% of the net profit as statutory surplus reserve. The appropriation will stop if the accumulated amount of

statutory surplus reserve reaches more than 50% of the Company's registered capital.

After the appropriation of the statutory surplus reserve, discretionary surplus reserve may be withdrawn. Upon approval, the discretionary surplus reserve may be used to make up for losses in previous years or to increase the share capital.

## 60. Retained earnings

Unit: RMB

Item	Current period	Last period
Retained earnings before adjustment at the end of the last period	2,858,664,147.39	2,058,968,835.80
Retained earnings at the beginning of the period after adjustment	2,858,664,147.39	2,058,968,835.80
Plus: Net profit attributable to owners of the parent company of the current period	581,097,222.93	905,889,081.41
Less: Appropriated statutory surplus reserve	45,515,017.15	8,263,675.41
Dividends on ordinary shares payable	128,634,924.81	97,930,094.41
Retained earnings at the end of the period	3,265,611,428.36	2,858,664,147.39

Details on adjusting retained earnings at the beginning of the period:

(1) As a result of retrospective adjustments according to the Accounting Standards for Business Enterprises and its related new provisions, the impact on retained earnings at the beginning of the period was RMB0.00.

(2) Due to the changes in accounting policies, the impact on retained earnings at the beginning of the period was RMB0.00.

(3) Due to the correction of material accounting errors, the impact on retained earnings at the beginning of the period was RMB0.00.

(4) Due to the changes in the scope of combination caused by the same control, the impact on retained earnings at the beginning of the period was RMB0.00.

(5) Other adjustments affected retained earnings at the beginning of the period by a total of RMB0.00.

## 61. Operating income and operating cost

Unit: RMB

Item	Incurred in the current period		Incurred in the prior period	
	Income	Cost	Income	Cost
Principal business	8,735,274,140.52	5,501,122,254.42	7,599,908,947.02	4,379,376,627.64
Other businesses	414,596,324.28	361,926,849.96	223,619,469.30	211,527,412.71
Total	9,149,870,464.80	5,863,049,104.38	7,823,528,416.32	4,590,904,040.35

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

Yes  No

Information related to income:

Unit: RMB

Contract classification	Branch 1	Branch 2		Total
By product type	9,149,870,464.80			9,149,870,464.80
Including:				
Household paper	8,658,308,172.33			8,658,308,172.33
Personal care	76,965,968.19			76,965,968.19
Others	414,596,324.28			414,596,324.28
By operating region	9,149,870,464.80			9,149,870,464.80
Including:				
Domestic	8,950,419,612.11			8,950,419,612.11
Abroad	199,450,852.69			199,450,852.69
By market or customer type				
Including:				
Contract type				
Including:				
By the time of goods transfer				
Including:				
By contract term				
Including:				
By sales channel	9,149,870,464.80			9,149,870,464.80
Including:				
Traditional	4,391,370,600.48			4,391,370,600.48
Non-traditional	4,343,903,540.04			4,343,903,540.04
Others	414,596,324.28			414,596,324.28
Total	9,149,870,464.80			9,149,870,464.80

Information related to performance obligation: None

Information related to the transaction price apportioned to the remaining performance obligation:

The amount of income corresponding to the obligations of contract performance with an executed contract that is not performed or fully performed at the end of the reporting period is RMB54,001,894.59, of which the income of RMB54,001,894.59 is expected to be confirmed as income in the year of 2022.

Other description: None

**62. Tax and surcharges**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
City construction and maintenance tax	23,259,197.19	20,149,751.80
Education surcharges	11,299,182.73	9,597,106.24
Resource tax	108,953.60	107,367.57
Property tax	11,076,937.04	9,604,943.14
Land use tax	3,209,808.34	3,492,720.58
Vehicle and vessel tax	11,340.00	18,240.00
Stamp tax	8,115,643.88	6,425,868.35
Local education surcharges	7,766,237.20	6,368,693.14
Environmental protection tax	698,352.43	348,227.27
<b>Total</b>	<b>65,545,652.41</b>	<b>56,112,918.09</b>

Other description: None

**63. Selling expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	392,220,286.40	289,793,524.85
Product promotion fees	1,178,898,284.39	891,673,851.97
Transportation expenses	101,585,932.85	90,696,221.79
Advertising expenses	164,748,600.16	117,926,339.81
Shopping mall management fees	91,587,702.20	101,261,590.30
Traveling expenses	28,835,492.13	24,141,592.40
Rental fees	14,115,005.94	17,791,905.46
Depreciation of use right assets	2,970,607.66	
Business entertainment expenses	3,862,187.81	2,004,195.01
Others	7,720,414.48	9,273,023.12
<b>Total</b>	<b>1,986,544,514.02</b>	<b>1,544,562,244.71</b>

Other description: None

**64. Administrative expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	139,371,643.54	123,787,011.29
Equity incentive cost	12,688,659.70	95,705,148.72
Depreciation and amortization fees	72,707,033.97	64,793,200.48
Office allowance	32,926,203.90	28,815,372.03
Consulting service fees	18,499,710.79	11,152,882.86
Outsourcing warehouse management fees	25,599,685.04	13,476,942.90
Business entertainment expenses	6,017,041.93	4,250,313.01
Traveling expenses	2,922,435.63	2,007,217.94
Environmental protection fees	3,080,326.43	2,920,486.57
Rental fees	4,916,595.12	4,972,311.62
Depreciation of use right assets	5,562,026.99	
Others	16,852,841.26	13,033,456.88
<b>Total</b>	<b>341,144,204.30</b>	<b>364,914,344.30</b>

Other description: None

**65. R&D expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	38,282,563.30	35,421,883.98
Direct investment	141,887,483.28	123,888,034.21
Depreciation and amortization fees	26,981,304.24	26,261,981.44
Others	4,812,861.36	4,726,733.98
<b>Total</b>	<b>211,964,212.18</b>	<b>190,298,633.61</b>

Other description: None

**66. Finance expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Interest fees	1,872,913.37	2,903,635.12
Less: Interest income	10,512,490.53	8,202,097.37
Exchange profit and loss	-3,248,733.35	-18,603,312.21

Transaction fee	4,627,217.45	5,954,447.70
Others	-81.13	-54,219.48
<b>Total</b>	<b>-7,261,174.19</b>	<b>-18,001,546.24</b>

Other description: None

## 67. Other income

Unit: RMB

Sources of other income	Incurred in the current period	Incurred in the prior period
Refund of individual income tax	1,715,525.67	702,121.74
Support funds for the transformation of Phase I project	2,251,422.48	599,715.61
Support funds for equipment of Phase II project	1,955,301.73	1,971,248.16
Subsidy funds for the smart factory project	1,794,486.82	166,180.88
Enterprise operation contribution award	1,708,500.00	
Support funds for the construction of Automated Storage & Retrieval System	1,561,764.72	973,529.42
Subsidies for Hubei C&S's new factory infrastructure construction	1,071,436.32	1,071,436.32
Funds for reconstruction project of automatic production lines	1,021,200.00	652,433.33
Subsidies for R&D, famous-brand and high-quality products, and income/efficiency increase	1,020,000.00	
VAT exemption for employment of retired soldiers and poor population	934,150.00	961,750.00
Subsidies for internship, employment, job stabilization and training	920,646.29	6,168,474.94
Support funds for the technical transformation of equipment	800,790.96	806,623.44
Special funds for business development	800,000.00	
Support funds for enterprise technical upgrading	792,374.28	660,311.90
Subsidies for renovation	700,000.00	
Ex-post funds awarded to the first batch of the union enterprises for the technical transformation in 2017	634,586.64	634,586.64



2013-2017 financial support funds of the Management Committee of Pengzhou Industrial Development Zone, Sichuan Province	625,447.80	625,447.80
25,000 tons capacity expansion project of Tangshan Subsidiary	575,000.04	575,000.04
Financial support for the sewage treatment station project of Tangshan Subsidiary	477,272.76	477,272.76
Support funds for the construction of environmental protection facilities	319,047.60	319,047.60
Subsidies for employees' training while working	297,000.00	
Technical demonstration subsidies for water intake points	280,000.00	
Social security subsidies from the labor and employment administration	234,000.00	53,532.00
Special award funds for the restructuring of industrial enterprises	210,900.00	410,000.00
Subsidies for foreign trade stabilization	200,000.00	
Import interest discounts on imported equipment in 2014	193,875.00	193,875.00
Special subsidy for the construction expansion of the 25,000-ton household paper project	159,999.96	159,999.96
Subsidies for construction of the water treatment project	155,078.64	155,078.64
Financial support for sewage centralized water treatment project	121,500.00	121,500.00
Provincial funds for traditional industry transformation projects	107,142.84	89,285.70
Tax contribution reward	100,000.00	
Subsidies for job creation for the poor	97,995.00	
Rewards for creation of odor-free enterprise	62,752.29	
Enterprise support funds	50,000.00	
Financial rewards for cleaner production transformation	50,000.00	
Subsidies for social insurance premiums	31,604.66	

Government's quality award 2020	30,000.00	
Subsidies for encouraging scaled development of enterprises	20,000.00	
Rewards to "two outstanding and one advanced" recipients (outstanding party affair worker, outstanding party member, and advanced grass-root party organization)	10,000.00	
Subsidies for renovating old projects with new technologies and techniques	3,000.00	
Subsidies for supporting enterprises to expand import and export scale	700.00	257,200.00
Financial support funds allocated by the bureau of finance		7,892,985.55
Support policy rewards of the bureau of economy, science and information technology		1,310,000.00
Subsidies for production resumption under COVID-19		320,000.00
Award for breakthroughs with increases in businesses		300,000.00
Subsidies for photovoltaic power rooftop		224,640.00
Wage subsidiaries of Hong Kong		126,835.56
Employment subsidies from the pandemic prevention and control fund		73,156.71
Enterprise assistance funding plan of the ten billion anti-pandemic fund		66,525.00
Support fund for advanced energy conservation and cleaner production in 2020		30,000.00
Subsidies for pandemic prevention and control		24,750.00
Energy efficiency special fund 2019		20,000.00
Management system certification rewards 2018		10,000.00
Subsidies for pandemic prevention system building of enterprises by the bureau of economy, science, and information technology		9,000.00

One-off subsidy for delayed resumption of work		7,440.00
Subsidies for industrial patents		3,300.00
Total	24,094,502.50	29,224,284.70

**68. Return on investment**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Others	365,973.72	3,868,134.28
Total	365,973.72	3,868,134.28

Other description:

"Others" refer to returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds of the Company.

**69. Profit of net exposure hedging: None****70. Income from changes in fair value: None****71. Credit impairment loss**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Bad debt loss from other receivables	-309,391.71	-727,073.31
Bad debt loss from accounts receivable	-9,051,093.81	-5,735,079.40
Total	-9,360,485.52	-6,462,152.71

Other description: None

**72. Asset impairment loss**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
II. Impairment Loss of Inventories and Contract Performance Cost	-3,442,595.01	-1,623,983.68
V. Impairment Loss of Fixed Assets	-24,348,744.97	-14,239,740.49
Total	-27,791,339.98	-15,863,724.17

Other description: None

**73. Return on disposal of assets**

Unit: RMB

Source	Incurred in the current period	Incurred in the prior period
Disposal of fixed assets	-462,228.42	-1,630,681.60
Total	-462,228.42	-1,630,681.60

**74. Non-operating income**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	Amount recognized as profit or loss of the current period
Profit from damage and retirement of non-current assets	98,166.07	147,882.19	98,166.07
Including: Fixed assets	98,166.07	147,882.19	98,166.07
Intangible assets			
Government grants not related to the company's daily activities	270.00	11,000.00	270.00
Income from fine and compensation	1,954,623.83	3,993,312.79	1,954,623.83
Amounts with no payments required		614,936.63	
Others	1,757,300.44	662,538.39	1,757,300.44
Total	3,810,360.34	5,429,670.00	3,810,360.34

Government grants recognized as profit and loss of the current period:

Unit: RMB

Grants	Issuer	Reason	Nature and type	Whether the grant affected the profit and loss of the year	Whether a special grant	Amount incurred in the current period	Amount incurred in the last period	Related to asset/income
Wage survey subsidies of the Human Resources and Social Security Bureau of Zhongshan City	Human Resources and Social Security Bureau of Zhongshan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control	No	No	270.00		Related to income

			of a public utility or socially necessary product					
Party building funds for new economic organizations and new social organizations from the Mobile Party Member Management Service Center of Dongsheng Town, Zhongshan City	Mobile Party Member Management Service Center of Dongsheng Town, Zhongshan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		10,000.00	Related to income
Subsidies for west district from the Human Resources and Social Security Bureau of Zhongshan City	Human Resources and Social Security Bureau of Zhongshan City	Grant	Grants received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		1,000.00	Related to income
Total						270.00	11,000.00	

Other description: None

**75. Non-operating expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	Amount recognized as profit or loss of the current period
External donations	8,284,411.07	15,470,536.45	8,284,411.07
Loss from damage and retirement of non-current assets	1,690,488.06	1,497,805.16	1,690,488.06
Including: Fixed assets	1,690,488.06	1,497,805.16	1,690,488.06
Intangible assets			
Others	2,084,181.36	3,944,517.51	2,084,181.36
Total	12,059,080.49	20,912,859.12	12,059,080.49

Other description: None

## 76. Income tax expenses

### (1) Table of income tax expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Current income tax expense	143,551,604.93	181,314,018.95
Deferred income tax expense	-57,115,005.15	1,187,352.52
Total	86,436,599.78	182,501,371.47

### (2) Adjustment process of accounting profits and income tax expenses

Unit: RMB

Item	Incurred in the current period
Total profit	667,481,653.85
Income tax expenses calculated at the statutory/applicable tax rate	166,870,413.46
Impacts of different tax rates applied to subsidiaries	-66,272,007.79
Impacts of adjustments to income taxes during the prior period	-18,685,392.50
Impacts of non-deductible costs, expenses and losses	4,523,586.61
Income tax expenses	86,436,599.78

Other description: None

## 77. Other comprehensive income

Please refer to the notes for details.

**78. Items of the cash flow statement****(1) Cash received related to other operating activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Current accounts	20,953,685.44	49,688,516.72
Government grants	10,830,599.76	60,126,856.61
Interest income	10,512,454.74	8,196,797.10
Authorized collection of individual income tax under the equity incentive	17,793,045.78	22,976,763.21
Others	10,242,024.23	11,716,603.06
<b>Total</b>	<b>70,331,809.95</b>	<b>152,705,536.70</b>

Explanation of cash received related to other operating activities: None

**(2) Cash payments related to other operating activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Expenses paid	773,465,376.40	550,689,649.13
Current accounts	120,888,965.74	178,777,668.81
Authorized payment of individual income tax under the equity incentive	14,133,649.74	26,757,243.77
Donation expenditure	2,070,143.19	14,145,244.02
Others	9,929,582.35	4,113,886.93
<b>Total</b>	<b>920,487,717.42</b>	<b>774,483,692.66</b>

Explanation of cash paid related to other operating activities: None

**(3) Cash received related to other investing activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Principal repayment on maturity of wealth management products	50,000,000.00	40,000,000.00
Principal repayment on maturity of treasury bonds reverse repo		87,105,000.00
<b>Total</b>	<b>50,000,000.00</b>	<b>127,105,000.00</b>

Explanation of cash received related to other investment activities: None

**(4) Cash payments related to other investing activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Purchasing large-denomination Certificate of Deposit	62,479,083.36	
Purchasing wealth management products	10,000,000.00	50,000,000.00
<b>Total</b>	<b>72,479,083.36</b>	<b>50,000,000.00</b>

Explanation of cash paid related to other investment activities: None

**(5) Cash received related to other financing activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period

Explanation of cash received related to other financing activities: None

**(6) Cash payments related to other financing activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Share repurchase	661,249,972.23	27,680,721.76
Deposits of security deposits for bills, letters of guarantee and letters of credit	2,127,733.68	47,412,150.07
Repurchase and deregistration of equity incentives	9,731,035.21	4,963,254.06
Cash paid for lease liabilities	9,320,775.83	
<b>Total</b>	<b>682,429,516.95</b>	<b>80,056,125.89</b>

Explanation of cash paid related to other financing activities: None

**79. Supplementary information to cash flow statement****(1) Supplementary information to cash flow statement**

Unit: RMB

Supplementary information	Amount of the current period	Amount of last period
1 Reconciliation of net profit to cash flows from operating activities:	--	--
Net Profit	581,045,054.07	905,889,081.41
Plus: Provisions for asset impairment	37,151,825.50	22,325,876.88



Depreciation of fixed assets, oil and gas assets and productive biological assets	345,469,209.62	298,227,998.50
Depreciation of use right assets	8,828,248.39	
Intangible asset amortization	6,946,755.56	5,761,733.76
Long-term unamortized expenses	11,725,159.36	7,629,304.48
Losses from disposal of fixed assets, intangible assets and other long-term assets ("- indicates income)	462,228.42	1,630,681.60
Losses from fixed assets write-off ("- indicates income)	1,592,321.99	1,349,922.97
Losses from changes in fair value ("- indicates income)		
Finance expenses ("- indicates income)	7,347,594.03	6,083,169.25
Investment losses ("- indicates income)	-365,973.72	-3,868,134.28
Decrease in deferred income tax assets ("- indicates increase)	-67,725,902.35	-4,700,193.35
Increase in deferred income tax liabilities ("- indicates decrease)	10,610,897.20	5,887,545.87
Decrease in inventories ("- indicates increase)	197,085,573.38	-673,208,087.17
Decrease in operating receivables ("- indicates increase)	-143,214,872.03	-283,241,489.30
Increase in operating payables ("- indicates decrease)	309,932,827.71	442,728,302.91
Others	12,688,659.70	95,705,148.72
Net cash flow from operating activities	1,319,579,606.83	828,200,862.25
2 Significant investment and financing activities not involving cash:	--	--
Conversion of debt to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3 Net changes in cash and cash equivalents:	--	--

Balance of cash at the end of the period	797,797,675.70	1,050,034,135.72
Less: Balance of cash at the beginning of the period	1,050,034,135.72	675,996,852.97
Plus: Balance of cash equivalents at the end of the period		
Less: Balance of cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-252,236,460.02	374,037,282.75

**(2) Net cash paid to acquire subsidiaries during the period: None****(3) Net cash received from the disposal of subsidiaries during the period****(4) Constitution of cash and cash equivalents**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
I. Cash	797,797,675.70	1,050,034,135.72
Including: Cash on hand	46,249.83	36,349.55
Bank deposits always available for payment	795,982,835.01	1,047,785,634.71
Other monetary funds always available for payment	1,768,590.86	2,212,151.46
III. Balance of Cash and Cash Equivalents at the End of the Period	797,797,675.70	1,050,034,135.72

Other description: None

**80. Notes to items in the statement of changes in owner's equity**

Description on the name and amount of items under "Others" whose closing balance in last year was adjusted and other relevant issues: None

**81. Assets with restricted right to use or ownership**

Unit: RMB

Item	Book value at the end of the period	Reason for restriction
Other monetary funds	77,254,817.42	Security deposits for issuing letter of credit and notes
Total	77,254,817.42	--

Other description: None

**82. Foreign currency monetary items****(1) Foreign currency monetary items**

Unit: RMB

Item	Balance of foreign currency at the end of the period	Conversion rate	Balance of converted RMB at the end of the period
Monetary funds	--	--	306,306,577.75
Including: USD	46,310,258.59	6.3738	295,172,326.20
EUR			
HKD	13,621,545.82	0.8174	11,134,251.55
Accounts receivable	--	--	33,078,108.23
Including: USD	573,418.81	6.3738	3,654,856.81
EUR			
HKD	35,996,148.05	0.8174	29,423,251.42
Long-term borrowings	--	--	
Including: USD			
EUR			
HKD			
Other receivables			157,176.13
Including: HKD	192,287.90	0.8174	157,176.13
Accounts payable			251,681,464.58
Including: USD	39,038,873.95	6.3738	248,825,974.78
EUR	22,000.00	7.2409	159,299.80
JPY	48,580,000.00	0.0555	2,696,190.00
Other payables			2,302,742.08
Including: HKD	2,813,788.08	0.8174	2,299,990.38
USD	431.72	6.3738	2,751.70

Other description: None

**(2) For overseas business entities, especially important ones, disclose their main overseas business address, the standard currency for accounting and selection basis. If there are changes in the standard currency for accounting, reasons shall be also provided.**

Applicable  Not applicable

Overseas business entity	Business address	Standard currency for accounting
Zhong Shun International Co., Ltd.	Hong Kong	RMB
C&S Hong Kong Co., Ltd.	Hong Kong	RMB
C&S (Macao) Co., Ltd.	Macao	RMB

### 83. Hedges

Disclosure of hedged items and related hedging instruments and qualitative and quantitative information about hedged risks according to the type of hedging: None

### 84. Government grants

#### (1) Basic information on government grants

Unit: RMB

Category	Amount	Reporting items	Amount recognized as profit or loss for the current period
Related to asset	4,000,000.00	Deferred income, other income	872,441.50
Related to income	7,761,248.24	Other income	7,761,248.24
Related to income	270.00	Non-operating income	270.00
Total	11,761,518.24		8,633,959.74

#### (2) Return of government grants

Applicable  Not applicable

Other description:

Please refer to Note VII (51), (67) and (74) for details.

85. Others: None

## VIII. Changes in the Consolidated Scope

### 1. Business combinations of enterprises not under common control

(1) Business combinations of enterprises not under common control in the reporting period: None

(2) Combination costs and goodwill: None

(3) Acquiree's identifiable assets and liabilities on the acquisition date: None

(4) Profit or loss arising from the recalculation based on fair value of equities held before the acquisition date

Whether there are transactions through which business combination is achieved in stages while control is obtained within the reporting period

Yes  No

(5) Descriptions of being unable to determine the consideration or the fair value of acquiree's identifiable assets and liabilities on the acquisition date or at the end of the current period of combination: None

(6) Other description: None

### 2. Business combinations of enterprises under common control

(1) Business combinations of enterprises under common control in the current period: None

(2) Combination costs: None

(3) Book value of assets and liabilities of the combined party on the date of combination: None

### 3. Reverse purchase: None

### 4. Disposal of subsidiaries

Whether there is situation that one disposal of investment in a subsidiary results in a loss of control

Yes  No

Whether there is situation that the disposal of investment in a subsidiary is achieved in stages through multiple transactions while the control is lost in the reporting period

Yes  No

### 5. Changes in the scope of consolidation due to other reasons

Description of changes in the scope of combination due to other reasons (establishment or liquidation of subsidiaries, etc.) and

related situations:

The Company invested and founded C&S (Jiangsu) Paper Co., Ltd. on February 25, 2021, with a registered capital of RMB200 million. C&S Paper holds 100% of its stakes. C&S (Jiangsu) Paper Co., Ltd. was incorporated into the scope of consolidated statements from February 2021. Currently, C&S (Jiangsu) Paper has started operating activities.

On May 19, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Yunnan Jiaqu Trading Co., Ltd. jointly invested and established Yunnan Dolemi Trading Co., Ltd., with a registered capital of RMB4 million. Dolemi Sanitary Products holds 60% of the shares while Yunnan Jiaqu holds 40% of the shares. The Company has incorporated Yunnan Dolemi Trading Co., Ltd. into the scope of its consolidated statements since May 2021. Yunnan Dolemi Trading Co., Ltd. was dissolved and canceled on October 19, 2021, and the Company no longer incorporated it into the scope of consolidated statements from the date of cancellation. On May 20, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Luzhou Longmatan District Jisheng Trading Co., Ltd. jointly invested and established Luzhou Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1.5 million. Dolemi Sanitary Products holds 60% of the shares while Jisheng Trading holds 40% of the shares. The Company has incorporated Luzhou Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since May 2021. Currently, Luzhou Dolemi has started operating activities.

On June 08, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Sichuan Zhong'en Liancheng Technology Co., Ltd. jointly invested and established Mianyang Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1.5 million. Dolemi Sanitary Products holds 60% of the shares while Zhong'en Liancheng holds 40% of the shares. The Company has incorporated Mianyang Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since June 2021. Currently, Mianyang Dolemi has started operating activities.

On July 12, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Henan Duoxian Trading Co., Ltd. jointly invested and established Zhengzhou Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1 million. Dolemi Sanitary Products holds 60% of the shares while Duoxian Trading holds 40% of the shares. The Company has incorporated Zhengzhou Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since July 2021. Currently, Zhengzhou Dolemi has not started operating activities.

On July 14, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Dazhou Jiatai Trading Co., Ltd. jointly invested and established Dazhou Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1.5 million. Dolemi Sanitary Products holds 60% of the shares while Jiatai Trading holds 40% of the shares. The Company has incorporated Dazhou Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since July 2021. Currently, Dazhou Dolemi has started operating activities.

On August 6, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Guizhou Fangsheng Trading Co., Ltd. jointly invested and established Guiyang Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB2 million. Dolemi Sanitary Products holds 60% of the shares while Guizhou Fangsheng Trading holds 40% of the shares. The Company has incorporated Guiyang Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since August 2021. Currently, Guiyang Dolemi has started operating activities.

On August 18, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Zhanjiang Wei's Trading Co., Ltd. jointly invested and established Zhanjiang Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1 million. Dolemi Sanitary Products holds 60% of the shares while Zhanjiang Wei's Trading holds 40% of the shares. The Company has incorporated Zhanjiang Dolemi Sanitary

Products Co., Ltd. into the scope of its consolidated statements since August 2021. Currently, Zhanjiang Dolemi has not started operating activities.

On September 01, 2021, the Company and Bloomage Biotechnology Corporation Limited jointly invested and established Beijing Bloomage Jierou Biotechnology Co., Ltd., with a registered capital of RMB10 million. The Company holds 51% of the shares while Bloomage Biotechnology holds 49% of the shares. The Company has incorporated Beijing Bloomage Jierou Biotechnology Co., Ltd. into the scope of its consolidated statements since September 2021. Currently, Bloomage Jierou has started operating activities.

On September 02, 2021, Dolemi Sanitary Products Co., Ltd., a wholly owned subsidiary of the Company, and Xi'an Boyu Hengchang Trading Co., Ltd. jointly invested and established Xi'an Dolemi Sanitary Products Co., Ltd., with a registered capital of RMB1 million. Dolemi Sanitary Products holds 60% of the shares while Boyu Hengchang Trading holds 40% of the shares. The Company has incorporated Xi'an Dolemi Sanitary Products Co., Ltd. into the scope of its consolidated statements since September 2021. Currently, Xi'an Dolemi has not started operating activities.

## 6. Others: None

## IX. Equities in Other Entities

### 1. Equities in subsidiaries

#### (1) Composition of the enterprise group

Name of subsidiary	Main business address	Registered address	Principal businesses	Shareholding percentage		Obtaining method
				Direct	Indirect	
Jiangmen Zhongshun Paper Co., Ltd.	Jiangmen, Guangdong	Jiangmen, Guangdong	R&D, production, and sales (including online sales): household paper, maternal and infant products, cosmetics, wipes, non-woven products, daily necessities, and cleaning supplies; sales (including online sales) of Class I and II medical devices. (The above items do not involve special management measures for the foreign access). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	88.25%	11.75%	Capital contribution for establishment
Zhejiang Zhongshun Paper Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	General items: manufacture of paper products; sales of paper products; sales of paper pulp; sales of personal hygiene products; sales of hygiene products and disposable medical products; sales of disinfectants (excluding hazardous chemicals); sales of Class I medical devices; retail of Class I medical devices; sales	75.00%	25.00%	Capital contribution for establishment

			of Class II medical devices; retail of class II medical devices; wholesale of medical face masks; retail of medical face masks; sales of general merchandise; retail of daily necessities; sales of maternal and infant products; wholesale of kitchenware, sanitary ware and daily sundries; wholesale of cosmetics; retail of cosmetics; wholesale of needle textiles and raw materials; sales of needle textiles; sales of chemical industry products (excluding chemical products that need to be licensed); Internet sales (excluding the sales of commodities requiring a permit) (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			
C&S Hong Kong Co., Ltd.	Hong Kong	Hong Kong	Purchase of pulp		100.00%	Capital contribution for establishment
C&S (Yunfu) Paper Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	R&D, production, wholesale, retail and online sales: household paper, sanitary products, maternal and infant products, daily necessities, cosmetics, medical devices, sanitary materials, non-woven fabrics and products, polymer materials and products, daily sundries, and disinfectant products (excluding hazardous chemicals); wholesale, retail and online sales: food; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval); warehousing services (limited to warehouses qualified in fire protection without hazardous chemicals). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Capital contribution for establishment
Yunfu Hengtai Trading Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	Wholesale, retail and online sales: paper, wood pulp, sanitary products, maternal and infant products, cosmetics, daily necessities, medical equipment, daily sundries, disinfection supplies (excluding dangerous chemicals); import and export of goods or technologies (excluding the import and export of goods and	100.00%		Capital contribution for establishment



			technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			
C&S (Macao) Co., Ltd.	Macao	Macao	Wholesale, trade		100.00%	Capital contribution for establishment
Zhongshan Zhongshun Trading Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Wholesale, retail and online sales (sales only on third-party platforms) of paper supplies, paper products (excluding printing products), wood pulp, general merchandise, hygiene products, cosmetics, nonwoven products, chemical products for daily use, Class I medical devices and food; warehousing (excluding hazardous chemicals and precursor chemicals); import and export of goods and technologies; operations of Class II and Class III medical devices. (The above business scope involves food operations, import and export of goods, and import and export of technologies.) (Exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Business combinations involving enterprises under common control
Xiaogan C&S Trading Co., Ltd.	Xiaogan, Hubei	Xiaogan, Hubei	Import, export and sales of paper products, general merchandise and pulp boards; sales of cosmetics, shower gel and sanitary pads; sales of baby products (excluding food). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)		100.00%	Business combinations involving enterprises under common control
Beijing C&S Paper Co., Ltd.	Beijing	Beijing	Sales of paper products, daily necessities, paper pulp, and pulp boards; import and export of goods. (The company may independently select business items and carry out business activities in accordance with the law; for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments based on		100.00%	Business combinations involving enterprises under common

			contents of the approval; it is prohibited to engage in business activities of items prohibited and restricted by the city's industrial policies.)			control
Chengdu Zhongshun Paper Co., Ltd.	Pengzhou, Sichuan	Pengzhou, Sichuan	Sales of household paper, cleaning products, general merchandise, hygiene products, baby products, cosmetics, nonwoven products, feminine hygiene products, chemical products for daily use, daily necessities, medical devices, medical supplies and disinfectant products (excluding hazardous chemicals); e-commerce [For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.]		100.00%	Business combinations involving enterprises under common control
Hangzhou Jie Rou Trading Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Wholesale, retail: paper products, paper pulp, general merchandise; import and export of goods and technologies (exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained); other legitimate items that do not need approval according to the law) (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments)		100.00%	Business combinations involving enterprises under common control
Shanghai Huicong Paper Co., Ltd.	Shanghai	Shanghai	Household paper, paper pulp, pulp boards, import and export of goods and technologies. (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)		100.00%	Business combinations involving enterprises under common control
C&S (Hubei) Paper Co., Ltd.	Xiaogan, Hubei	Xiaogan, Hubei	Licensed items: production of sanitary products and disposable medical supplies; production of cosmetics (for items that must be approved in accordance with the law, companies may carry out business operations upon approval by relevant departments, and the specific business items are subject to the approval document or the permit issued by competent department). General items: sales of sanitary products and disposable medical supplies; retail of cosmetics; wholesale of cosmetics; manufacture of paper; sales of personal hygiene products; sales of knitwear; manufacture of maternal	93.375%	6.625%	Business combinations involving enterprises under common control

			and infant products; sales of maternal and infant products; sales of paper products; manufacture of paper products; sales of daily necessities; sales of daily chemical products; sales of disinfectants (excluding hazardous chemicals); Internet sales (excluding the sales of commodities requiring a permit); sales of Class I medical devices; sales of Class II medical devices; import and export of goods and technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			
Zhong Shun International Co., Ltd.	Hong Kong, China	Hong Kong, China	Sales of paper products		100.00%	Business combinations involving enterprises under common control
C&S (Sichuan) Paper Co., Ltd.	Pengzhou, Sichuan	Pengzhou, Sichuan	Licensed items: production of sanitary products and disposable medical supplies; import and export of goods (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments, and the specific business items are subject to the approval document or the permit issued by relevant department). General items: sales of sanitary products and disposable medical supplies; sales of personal hygiene products; sales of daily necessities; manufacture of paper products; sales of paper products; manufacture of paper; manufacture of daily chemical products; sales of daily chemical products; sales of Class II medical devices; sales of Class I medical devices; manufacture of industrial textile products; sales of industrial textile products; manufacture of maternal and infant products; sales of maternal and infant products. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.)	100.00%		Business combinations involving enterprises under common control

C&S (Zhongshan) Paper Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Production, processing and sales: high-class household paper products (excluding printing process); import and export of pulp boards (exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Business combinations involving enterprises under common control
C&S (Dazhou) Paper Co., Ltd.	Dazhou, Sichuan	Dazhou, Sichuan	R&D, production, processing, and sales (including online sales): household paper, tissue boxes, hygiene products, cosmetics, non-woven products, plastic products, metalware, rubber products, ceramics, baby products, feminine hygiene products and daily necessities; bamboo and forest trees planting; acquisition of raw materials of bamboo and wood for paper making; R&D, production and sales of bamboo pulp, wood pulp, bamboo chips and wood chips; combined heat and power and sales; warehouse leasing; processing and sales of lime and limestone; processing of industrial wastewater and gray water reuse; general import and export business; sales of construction materials, hardware and electrical products, and chemical products (excluding hazardous products). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Capital contribution for establishment
Sun Daily Necessities Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	R&D, production, processing, and online sales: paper products, hygiene products, cosmetics, nonwoven products, plastic products for daily use, chemical products for daily use, metalware for daily use, rubber products for daily use, and ceramics for daily use; import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	50.00%	50.00%	Capital contribution for establishment
Dolemi Sanitary Products Co.,	Zhongshan, Guangdong	Zhongshan, Guangdong	General items: manufacture of paper products; Internet sales (sales only on third-party platforms) (excluding the sales of commodities requiring a permit); sales of	60.00%	40.00%	Capital contribution for

Ltd.		g	personal hygiene products; sales of household products, sales of hygiene products and disposable medical products; retail of cosmetics; sales of general merchandise; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)			establishment
C&S (Jiangsu) Paper Co., Ltd.	Suqian, Jiangsu	Suqian, Jiangsu	Licensed items: manufacture of Class II medical devices; import and export of goods; import and export of technologies; manufacture of Class III medical devices; operation of Class III medical devices (for items that must be approved in accordance with the law, companies may carry out business operations upon approval by relevant departments, and the specific business items are subject to approval result). General items: manufacture of paper products; sales of plastic products; sales of paper products; Internet sales (excluding the sales of commodities requiring a permit); sales of daily necessities; sales of personal hygiene products; sales of household products; sales of sanitary products and disposable medical products; retail of cosmetics; wholesale of cosmetics; sales of knitwear; wholesale of kitchen utensils and daily groceries; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products; R&D of kitchen utensils and daily groceries; retail of kitchen utensils and daily groceries; sewage treatment and recycling; manufacture of Class I medical devices; sales of Class I medical devices; sales of Class II medical devices; sales of disinfectants (excluding hazardous chemicals). (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law)	100.00%		Capital contribution for establishment
Beijing Bloomage Jierou Biotechnology	Beijing	Beijing	Technology development, technology consultation, technology transfer, technology promotion, and technical services; sales of paper products, daily necessities, hygiene products, cosmetics, chemical products (excluding hazardous chemicals), Class I	51.00%		Capital contribution for establishment

Co., Ltd.			medical devices, Class II medical devices, disinfection products and non-medical masks. (The market entity may independently select business items and carry out business activities in accordance with the law; for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments based on contents of the approval; it is prohibited to engage in business activities of items prohibited and restricted by national and municipal industrial policies.)			nt
Luzhou Dolemi Sanitary Products Co., Ltd.	Luzhou, Sichuan	Luzhou, Sichuan	General items: sales of personal hygiene products; sales of paper products; Internet sales (excluding the sales of commodities requiring a permit); sales of household products; sales of sanitary products and disposable medical products; sales of daily necessities; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products (the company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law) (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.)		60.00%	Capital contribution for establishment
Mianyang Dolemi Sanitary Products Co., Ltd.	Mianyang, Sichuan	Mianyang, Sichuan	General items: wholesale of cosmetics; sales of personal hygiene products; manufacture of paper products; Internet sales (excluding the sales of commodities requiring a permit); sales of household products; sales of sanitary products and disposable medical products; retail of cosmetics; sales of daily necessities; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products (the company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law).		60.00%	Capital contribution for establishment
Zhengzhou Dolemi Sanitary Products Co., Ltd.	Zhengzhou, Henan	Zhengzhou, Henan	General items: sales of personal hygiene products; sales of household products; sales of sanitary products and disposable medical products; retail of cosmetics; sales of daily necessities; sales of plastic products; sales of paper products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products (the company may carry out business operations		60.00%	Capital contribution for establishment

			independently according to the law based on the business license, except for items that must be licensed according to the law).		
Dazhou Dolemi Sanitary Products Co., Ltd.	Dazhou, Sichuan	Dazhou, Sichuan	General items: sales of personal hygiene products; sales of sanitary products and disposable medical products; sales of paper products; Internet sales (excluding the sales of commodities requiring a permit); sales of household products; retail of cosmetics; sales of daily necessities; sales of plastic products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products; convention and exhibition services (the company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law)	60.00%	Capital contribution for establishment
Guiyang Dolemi Sanitary Products Co., Ltd.	Guiyang, Guizhou	Guiyang, Guizhou	Items prohibited by laws, regulations and decisions of the State Council cannot be engaged; items whose operation requires permission (approval) as stipulated by laws, regulations and decisions of the State Council can be engaged after obtaining the permit (approval) document; for items requiring no permission (approval) under laws, regulations and decisions of the State Council, market entity may choose whether to engage independently. Other unspecified retail trade; sales of paper products; sales of daily necessities; retail of cosmetics; sales of sundries; sales of household products; retail of arts and crafts and collectibles (except ivory and its products); brand management; convention and exhibition services (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments)	60.00%	Capital contribution for establishment
Zhanjiang Dolemi Sanitary Products Co., Ltd.	Zhanjiang, Guangdong	Zhanjiang, Guangdong	General items: sales of hygiene products and disposable medical products; sales of personal hygiene products; retail of cosmetics; sales of daily necessities; sales of sundries; sales of rubber products; sales of plastic products; sales of metal products; sales of paper products; convention and exhibition services. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law)	60.00%	Capital contribution for establishment
Xi'an Dolemi	Xi'an,	Xi'an,	General items: sales of daily necessities; retail of	60.00%	Capital

Sanitary Products Co., Ltd.	Shaanxi	Shaanxi	cosmetics; sales of household goods; sales of office supplies; sales of arts and crafts and etiquette products (except ivory and its products); sales of building decoration materials; sales of knitwear; sales of machinery and equipment; sales of instruments and meters; retail of clothes and apparels; retail of shoes and hats; sales of foods (only pre-packaged foods); sales of sundries; sales of electronic products; landscaping engineering construction; advertising design and agency; network technology services; marketing planning; convention and exhibition services; etiquette services. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law)			contribution for establishment
-----------------------------	---------	---------	--	--	--	--------------------------------

Description of the difference between the percentage of shares held in a subsidiary and the percentage of voting rights: None

Basis for holding 50% or less than of the voting rights but controlling the investee, or holding 50% or more of the voting rights but not controlling the investee: None

Basis for controlling the important consolidated structured entities: None

Basis for determining whether the Company is an agent or a principal: None

Other descriptions: All shares held indirectly belong to the shares held by wholly-owned subsidiaries of the Company

**(2) Important non-wholly-owned subsidiaries: None**

Other description:

The Company does not have important non-wholly-owned subsidiaries..

**(3) Main financial information of important non-wholly-owned subsidiaries: None**

**(4) Significant restrictions on the use of the assets and the repayment of the debts of the enterprise group: None**

**(5) Financial or other support provided to consolidated structured entities: None**

Other description:

Note: C&S (Yunfu) Co., Ltd. was changed to Yunfu Hengtai Trading Co., Ltd. in March 2021.



**2. Transactions in which the share of owner's equity in a subsidiary changes while control of the subsidiary is still retained**

**(1) Description of changes in the share of owner's equity in the subsidiary: None**

**(2) Impact of the transaction on the equity of minority shareholders and the equity attributable to owners of the Parent Company: None**

Other description

There are no transactions of the Company in which the share of owner's equity in a subsidiary changes and control of the subsidiary is retained.

**3. Interests in joint arrangements or associates**

**(1) Important joint ventures or associates: None**

**(2) Main financial information of important joint ventures: None**

**(3) Main financial information of important associates: None**

**(4) Summary financial information of unimportant joint ventures and associates: None**

**(5) Description of significant restrictions on the ability of joint ventures or associates to transfer funds to the Company: None**

**(6) Excess losses incurred by joint ventures or associates: None**

**(7) Unconfirmed commitments related to the investment in joint ventures: None**

**(8) Contingent liabilities related to the investment in joint ventures or associates: None**

**4. Important joint operation: None**

Other description

The Company does not have important joint operations..

**5. Interests in unconsolidated structured entities**

Description of unconsolidated structured entities:

The Company does not have interests in unconsolidated structured entities.

## 6. Others: None

## X. Risks Associated with Financial Instruments

The main financial instruments of the Company include monetary funds, notes receivable, accounts receivable, notes payable, accounts payable, other payables, loans, etc. Please refer to relevant items of "Note VII" for detailed information of all financial instruments. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are as follows. The management of the Company manages and monitors these risk exposures to ensure that the above risks are kept within control.

The Company adopts the sensitivity analysis method to analyze the possible impact of reasonable and possible changes in risk variables on the profit and loss or shareholder equities in the current period. Since any risk variable rarely changes in isolation and the correlation between the variables will have a significant effect on the ultimate financial impact of changes in a certain risk variable, the following contents are under the consumption that changes of a variable are independent.

The goal of the Company's risk management is to strike a proper balance between risks and gains and to minimize the negative impact of risks on the business performance of the Company while maximizing the interests of shareholders and other equity investors. Based on this risk management goal, the basic strategy of the Company's risk management is to determine and analyze all kinds of risks faced by the Company, clarify the minimum of risk acceptance and conduct risk management, and monitor risks of all kinds in a timely and reliable manner to control risks within the limits.

### 1. Credit risk

Credit risk refers to the risk of financial losses of one party caused by the failure of the other party to perform its obligations. As of December 31, 2021, the largest credit exposure that may cause financial losses to the Company mainly comes from the losses of the Company's financial assets due to failure of the other contractual party to perform its obligations.

In order to reduce credit risk, the Company only conducts transactions with recognized customers with good credit status, and continuously monitors the accounts receivable through credit monitoring of existing customers and aging analysis to ensure that the Company does not face the risk of bad debts and keep the overall credit risk within control.

Liquid funds of the Company are deposited in banks with high credit ratings, so the credit risk of liquid funds is low.

### 2. Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flow of financial instruments due to changes in market interest rates. The interest rate risk faced by the Company mainly comes from bank borrowings. By developing a good relationship with banks and carrying out proper design of credit lines, types of credits, and credit terms, the Company ensures sufficient bank credit lines to meet its various financing needs. The risk of interest rate fluctuation can be reasonably reduced by shortening the term of a single loan and specially stipulating early prepayment terms.

### 3. Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuations in the fair value or future cash flow of financial instruments due to changes in foreign exchange rates. The Company tries its best to match foreign currency income with foreign currency expenditure to reduce foreign exchange risks.

Foreign exchange risks borne by the Company are mainly related to USD and HKD. Except for purchasing and selling in USD and HKD by its overseas subsidiaries, other major business activities of the Company are priced

and settled in RMB. See "Note VII (82)" for the conversion of foreign currency financial assets and liabilities into RMB as of December 31, 2021. During the reporting period, the Company generated exchange profit and loss of -RMB3,248,733.35.

Sensitivity analysis of foreign exchange risk:

Analysis assumption: On the basis that all other variables remain constant on the balance sheet date, the possible, reasonable changes of foreign exchange rate will have the following pre-tax effects on the Company's profit and loss and shareholders' equity in the current period:

Item	End of year	
	Impact on profit	Impact on shareholders' equity
Appreciation of RMB against foreign currency by 1.00%	-855,576.55	-855,576.55
Depreciation of RMB against foreign currency by 1.00%	855,576.55	855,576.55

#### 4. Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle accounts by delivering cash or other financial assets. The Company's policy is to ensure that it has sufficient cash to repay mature debts. Liquidity risk is centrally controlled by the financial departments of the Company. The financial departments monitor cash balances, negotiable securities that can be cashed in at any time, and carry out rolling forecasts on cash flows in the next six months to ensure that the Company has sufficient funds to repay debts under all reasonable forecasts.

Financial liabilities held by the Company as of December 31, 2021 analyzed based on the maturity period of undiscounted remaining contractual obligations are as follows:

Item	Within 1 year	Over 1 year	Total
Notes payable	334,969,632.58		334,969,632.58
Accounts payable	825,831,744.94	3,282,035.37	829,113,780.31
Other payables	845,094,973.44	9,777,205.34	854,872,178.78
Non-current liabilities due within one year	8,616,487.38		8,616,487.38
Lease liabilities		5,565,928.14	5,565,928.14
Total	2,005,896,350.96	13,059,240.71	2,018,955,591.67

## XI. Disclosure of Fair Value

1. Fair value of assets and liabilities measured at fair value at the end of the reporting period: None
2. Basis for determining the market price of recurring and non-recurring fair value measurement items in Level 1: None
3. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurement items in Level 2: None
4. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurement items in Level 3: None
5. Adjustment information and sensitivity analysis of unobservable parameters between the opening and closing book values of recurring fair value measurement items of Level 3: None
6. For recurring fair value measurement items with transfer between different levels, reasons for such transfer and policies for determining the time of conversion: None
7. Changes in valuation techniques within the reporting period and reasons for such changes: None
8. Fair value of financial assets and financial liabilities not measured at fair value: None
9. Others: None

## XII. Related Parties and Related Party Transactions

### 1. Information on the Parent Company of the Company

Name of Parent Company	Registered address	Principal businesses	Registered capital	Shareholding percentage of the Parent Company to the Company	Percentage of voting right of the Parent Company to the Company
Guangdong Zhongshun Paper Group Co., Ltd.	Zhongshan, Guangdong	External investment; consulting of information on commodities circulation (exclusive of real estate, labor services, financial futures, and studying abroad)	RMB30 million	28.62%	28.62%

Information on the Company's Parent Company

The ultimate controller of the Company is Mr. Deng Yingzhong, the father, and Mr. Deng Guanbiao and Mr. Deng Guanjie, whose two sons.

Other description: None

## 2. Information on subsidiaries of the Company

See Note IX Equities in Other Entities for detailed information on the subsidiaries of the Company.

## 3. Information on the joint ventures and associates of the Company

For important joint ventures or associates, please refer to the notes for details.

Other description

The Company does not have interests in joint venture arrangements or associates.

## 4. Information on other related parties

Name of other related parties	Relationship between other related parties and the Company
Chung Shun Co.	A company controlled by the Company's actual controller/other shareholder holding 5% or more of shares
Guangzhou Zhongshun Trade Co., Ltd.	A company controlled by the nephew and the husband of the niece of Mr. Deng Yingzhong, director of the Company
Bama Zhongshun Health Products Co., Ltd.	A company in which the Company's actual controller Mr. Deng Yingzhong serves as a director
Yantai Zhongshun Network Technology Co., Ltd.	The partially-owned subsidiary of Bama Zhongshun Health Products Co., Ltd. controlled by the Company's controlling shareholders
Shenzhen Zhongshun Caizhi Investment Co., Ltd.	A company jointly controlled by the Company's actual controllers Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie
Pengzhou Enjoying Life Trading Co., Ltd.	A company in which the son of the Company's Vice President Yue Yong holds 50% equity and serves as a supervisor
Sichuan West Enjoying Life Trading Co., Ltd.	A company where the son of the Company's Vice President Yue Yong holds 50% equity and serves as a supervisor
Chongqing Qinyue Trading Co., Ltd. (Former: Chongqing Fuling District Qinyue Household Necessities Co., Ltd.)	A company in which the spouse of the brother of the Company's Vice President Yue Yong holds 99% equity
Shenzhen Jinju Investment Co., Ltd.	A company in which the Company's actual controller Mr. Deng Guanbiao serves as a director and Mr. Deng Guanjie serves as a supervisor
Zhongshan Zhongshun Caizhi Trading Co., Ltd.	A company in which the Company's actual controller Mr. Deng Guanjie serves as the manager and executive director and Mr. Deng Guanbiao serves as a supervisor.
Zhongshan Qianlai Network Technology Co., Ltd.	A company controlled by the Company's independent director Mr. Liu Die

Foshan Yingfang Jiayu Consulting Services Co., Ltd.	A company controlled by the Company's supervisor Liang Yongliang
Meizhou Xinhong Electronics Co., Ltd.	A company in which the mother-in-law of the Company's actual controller Mr. Deng Guanbiao holds 100% of the shares and serves as the General Manager and executive director
Guangzhou Xinghui Paper Co., Ltd.	A company in which the sibling-in-laws of the Company's supervisor Zhang Gao hold 88% of the shares and act as the legal representative
Guangzhou Jiahui Enterprise Management Co., Ltd.	A company in which the sibling-in-laws of the Company's supervisor Zhang Gao hold 99% of the shares and act as the legal representative while Mr. Zhang's spouse holds 1% of the shares and serve as the executive director
China Paper Investment Co., Ltd.	A company in which the sibling-in-laws of the Company's supervisor Zhang Gao serve as directors
Zhejiang FTZ Xinjiachang Trading Co., Ltd.	A company in which the sibling-in-laws of the Company's supervisor Zhang Gao hold 100% of the shares and act as directors
Zhuhai High-tech Zone Shengda Engineering Consulting Service Center	A company in which the son of the Company's CFO Dong Ye serves as the legal representative
Zhongshan Jufengbao Trading Co., Ltd.	A company in which the Company's Board Secretary and Vice President hold 90% of the shares and serve as the executive director and legal representative
Foshan Shunde Taogang Trading Co., Ltd.	A company in which the brother of the Company's director and actual controller Mr. Deng Yingzhong holds 50% of the shares and serves as the legal representative

Other description

Note: The Company's directors, supervisors, senior managers and their close family members are related parties of the Company.

## 5. Information on related party transactions

### (1) Related party transactions for purchase and sale of goods, and provision and acceptance of labor services

Purchase of goods/acceptance of labor services

Unit: RMB

Related party	Content of related party transaction	Incurred in the current period	Approved transaction limit	Whether to outstrip the transaction limit	Incurred in the prior period
Sichuan West Enjoying Life Trading Co., Ltd.	Promotion fee	255,495.97	500,000.00	No	

Table of sale of goods/provision of labor services

Unit: RMB

Related party	Content of related party transaction	Incurred in the current period	Incurred in the prior period
Pengzhou Enjoying Life Trading Co., Ltd.	Sale of goods	2,372,236.58	1,378,011.50
Sichuan West Enjoying Life Trading Co., Ltd.	Sale of goods	309,795.62	641,228.34
Chongqing Qinyue Trading Co., Ltd.	Sale of goods		330,512.87
Guangdong Zhongshun Paper Group Co., Ltd.	Sale of goods		56,637.17

Explanation of the related party transactions for purchase and sale of goods, and provision and acceptance of labor services

It is expected that the amount of related party transactions between the Company and Sichuan West Enjoying Life Trading Co., Ltd. Was RMB500,000 in 2021, including the related party's provision of services to the Company and the Company's sales of goods to the related party.

**(2) Related entrusted management/contracting and entrusting management/contracting out: None**

**(3) Related lease**

The Company as the lessee: None

The Company as the lessor:

Unit: RMB

Name of lessor	Type of leased assets	Lease fee confirmed in the current period	Lease fee confirmed in the last period
Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie	Housing lease	2,919,181.44	3,004,787.91

Explanation of related lease: None

**(4) Related guarantee: None**

**(5) Interbank borrowing between related parties: None**

**(6) Asset transfer and debt reorganization between related parties: None**

**(7) Remuneration for key managers**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Remuneration for key managers	36,922,924.97	34,173,895.09

**(8) Other related party transactions****6. Receivables from and payables to related parties****(1) Receivables**

Unit: RMB

Project	Related party	Balance at the end of the period		Balance at the beginning of the period	
		Book balance	Impairment provision	Book balance	Impairment provision
Accounts receivable	Chongqing Qinyue Trading Co., Ltd.			60,876.03	3,043.80
Other receivables	Chongqing Qinyue Trading Co., Ltd.			44.63	2.23

**(2) Payables**

Unit: RMB

Project	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Other payables	Sichuan West Enjoying Life Trading Co., Ltd.	282,242.81	
Contract liabilities	Sichuan West Enjoying Life Trading Co., Ltd.	126.90	195.90
Contract liabilities	Pengzhou Enjoying Life Trading Co., Ltd.	9,374.37	1.67

**7. Commitments of related parties: None****8. Others: None****XIII. Share-based Payment****1. Overall information on share-based payment**

√ Applicable □ Not applicable

Unit: RMB

The Company's total amount of all equity instruments granted in the current period	0.00
The Company's total amount of all equity instruments exercised in the current period	8,655,088.00



The Company's total amount of all equity instruments expired in the current period	3,560,349.00
Scope of exercise prices and remaining contractual term of the Company's stock options issued as at the end of the reporting period	The grant price for restricted stock options awarded by the Company in the first grant period as at the end of reporting period is RMB8.572/share, and that for reserved stock options is RMB13.865/share; the validity period is from the grant date of the stock options to the date when all stock options are exercised or canceled, with a maximum period of 60 months.

Other description: None

## 2. Equity-settled share-based payment

Applicable  Not applicable

Unit: RMB

Method of determining the fair value of equity instruments at the grant date	Restricted shares: the stock closing prices at the grant date Stock options: Black-Scholes model for option pricing
Basis for determining the number of vested equity instruments	Upon approval of the general meeting of shareholders
Reasons for significant differences between current estimates and previous estimates	None
Cumulative amount of equity-settled share-based payments recognized as capital surplus	115,633,467.53
Total fees confirmed by the equity-settled share-based payment in the current period	12,688,659.70

Other description

## 3. Cash-settled share-based payment

Applicable  Not applicable

## 4. Revision and termination of share-based payment

There was no revision and termination of share-based payment of the Company during the reporting period.

## 5. Others

None

## **XIV. Commitments and Contingencies**

### **1. Significant commitments**

Significant commitments on the balance sheet date

As at December 31, 2021, the Company had no significant commitments that should have been disclosed but are not disclosed.

### **2. Contingencies**

#### **(1) Significant contingent matters on the balance sheet date**

As at December 31, 2021, the Company had no significant contingent matters that should have been disclosed but are not disclosed.

#### **(2) Explanations are also necessary if the Company has no significant contingent matters to be disclosed**

There are no significant contingent matters to be disclosed in the Company.

### **3. Others**

None

## **XV. Events after Balance Sheet Date**

### **1. Significant non-adjusting events: None**

### **2. Profit distribution:**

Pursuant to resolutions made on the 13th meeting of the fifth session of the Board of Directors on April 26, 2022, the profit distribution proposal in 2021 is as follows: Based on the number of shares of the Company's total share capital minus the number of repurchased shares as at the equity registration date of the implementation of this profit distribution plan, distribute a cash dividend of RMB1.00 (tax included) for every 10 shares to all shareholders; no bonus shares will be issued and no capital reserve will be converted into share capital. The Company's total share capital may change as of the equity registration date for the implementation of this profit distribution plan in the future due to the repurchase and deregistration of restricted shares, exercise of stock options, etc. The Company will maintain the profit distribution amount for every 10 shares and change the total amount of profit distribution accordingly. The proposal can be implemented only after submitting to and being approved by the general meeting of shareholders.

**3. Sales return: None**

**4. Explanation on other events after the balance sheet date: None**

## **XVI. Other Significant Matters**

**1. Corrections to previous accounting errors**

**(1) Retroactive restatement approach: None**

**(2) Prospective approach: None**

**2. Debt restructuring: None**

**3. Assets replacing**

**(1) Exchange of non-monetary assets: None**

**(2) Other asset replacing: None**

**4. Annuities plan: None**

**5. Operation discontinuation: None**

**6. Segment information**

**(1) Determination basis and accounting policies of reporting segments**

The Company does not have operating segments with different economic features and hence has not identified operating segments according to internal organization structure, management requirements and internal reporting policies. Therefore, there was no information on reporting segments based on operating segments to be disclosed.

(2) Financial information on reporting segments: None

(3) Explanation on reasons if the Company has no reporting segments or is unable to disclose the total assets and liabilities of the reporting segments: None

(4) Other description: None

7. Other important transactions and matters that may affect the decisions of investors: None

8. Others

#### External guarantees of the Company

In 2021, the Company signed the *XIAOYIDA Business Cooperation Agreement* with Bank of China Limited Zhongshan Branch and Shanghai Junmeng E-commerce Co., Ltd. (No. 2021-XYDXY-33725001), under which the bank offers a credit line of XIAOYIDA service up to RMB200 million to Shanghai Junmeng and the Company provides a joint and several liability guarantee. The line of credit is valid until June 22, 2022. As of December 31, 2021, Shanghai Junmeng had no financing balance left of the XIAOYIDA service.

In 2021, Zhongshan Zhongshun Trading Co., Ltd., a subsidiary of the Company, signed the *XIAOYIDA Business Cooperation Agreement* with Bank of China Limited Zhongshan Branch and Wuhan Jie Rou E-commerce Co., Ltd. (No. 2021-XYDXY-33725002), under which the bank offers a credit line of XIAOYIDA service up to RMB145 million to Wuhan Jie Rou and the Company provides a joint and several liability guarantee. The line of credit is valid until August 5, 2022. As of December 31 2021, Wuhan Jie Rou had no financing balance left of the XIAOYIDA service.

## XVII. Notes to Major Items of Financial Statements of the Parent Company

### 1. Accounts receivable

#### (1) Accounts receivable disclosure by category

Unit: RMB

Category	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	173,226,692.33	100.00%	2,171,652.96	1.25%	171,055,039.37	94,047,365.99	100.00%	1,399,993.66	1.49%	92,647,372.33
Including:										

Portfolio based on aging	82,828,535.15	47.82%	2,171,652.96	2.62%	80,656,882.19	56,099,681.03	59.65%	1,399,993.66	2.50%	54,699,687.37
Portfolio based on related parties	90,398,157.18	52.18%			90,398,157.18	37,947,684.96	40.35%			37,947,684.96
Total	173,226,692.33	100.00%	2,171,652.96	1.25%	171,055,039.37	94,047,365.99	100.00%	1,399,993.66	1.49%	92,647,372.33

Bad debt reserve set aside individually: None

Bad debt reserve set aside in portfolios: 2,171,652.96

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Ratio of provision
Within the credit period	67,870,642.71	1,357,412.86	2.00%
Credit period - 1 year	14,632,826.05	731,641.30	5.00%
1 to 2 years	207,443.99	31,116.60	15.00%
2 to 3 years	36,645.00	10,993.50	30.00%
3 to 5 years	80,977.40	40,488.70	50.00%
Over 5 years			100.00%
Total	82,828,535.15	2,171,652.96	--

Description of reason for the portfolio:

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

Description of reason for the portfolio:

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

Applicable  Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	172,901,625.94
1 to 2 years	207,443.99
2 to 3 years	36,645.00
Over 3 years	80,977.40
3 to 4 years	80,977.40
Total	173,226,692.33

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

Provision of bad debt reserve of the reporting period:

Unit: RMB

Category	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Accounts receivable	1,399,993.66	771,659.30				2,171,652.96
Total	1,399,993.66	771,659.30				2,171,652.96

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

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

Description on the write-offs of accounts receivables:

The Company did not have written-off accounts receivable in the reporting period.

### (4) Top five debtors in closing balance of accounts receivable

Unit: RMB

Name of institution	Balance of accounts receivable at the end of the period	Percentage in total balance of accounts receivable at the end of the period	Balance for bad debt reserve at the end of the period
1st	90,398,157.18	52.18%	
2nd	19,483,670.07	11.25%	389,673.40
3rd	15,222,369.16	8.79%	350,923.36
4th	7,925,671.37	4.58%	313,013.17
5th	5,731,213.33	3.31%	198,384.52
Total	138,761,081.11	80.11%	--

### (5) Amounts of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable

The Company has no accounts receivable derecognized due to the transfer of financial assets as at the end of the reporting period.

### (6) Accounts receivable derecognized due to transfer of financial assets: None

## 2. Other receivables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	128,580,102.05	136,987,584.64

Total	128,580,102.05	136,987,584.64
-------	----------------	----------------

**(1) Interest receivable**

1) Classification of interest receivable: None

2) Significant overdue interest: None

3) Provision of bad debt reserve

 Applicable  Not applicable**(2) Dividends receivable**

1) Classification of dividends receivable: None

2) Significant dividends receivable exceeding one year: None

3) Provision of bad debt reserve

 Applicable  Not applicable

Other description: None

**(3) Other receivables**

1) Classification of other receivables by nature

Unit: RMB

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Current accounts	125,981,678.74	131,125,900.41
Reserve	724,829.00	639,681.19
Margins and deposits	253,137.00	113,606.00
Others	1,844,844.60	5,494,420.94
Total	128,804,489.34	137,373,608.54

2) Provision of bad debt reserve

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without	Expected credit losses in the whole duration (with	

		credit impairment)	credit impairment)	
Balance as at January 1, 2021	386,023.90			386,023.90
Balance as at January 1, 2021 in the reporting period	—	—	—	—
Transferred-back in the reporting period	143,185.66			143,185.66
Write-off in the reporting period	18,450.95			18,450.95
Balance as at December 31, 2021	224,387.29			224,387.29

Description of changes in the book balance where there are significant changes in provision for the current period

Applicable  Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	128,751,535.29
1 to 2 years	44,600.00
Over 3 years	8,354.05
Over 5 years	8,354.05
Total	128,804,489.34

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

Provision of bad debt reserve of the reporting period:

Unit: RMB

Category	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Other receivables	386,023.90		143,185.66	18,450.95		224,387.29
Total	386,023.90		143,185.66	18,450.95		224,387.29

The amount of other accounts receivable written-off by the Company in the year was RMB18,450.95.

Where the amount of recovered or reversed bad debt reserve in the reporting period is important: None

### 4) Other receivables actually written off in the reporting period

Unit: RMB



Item	Write-off amount
Other receivables actually written off	18,450.95

Description of write-offs of important other receivables: None

### 5) Top five debtors in closing balance of other accounts receivable

Unit: RMB

Name of institution	Nature of the amount	Balance at the end of the period	Aging	Percentage in total balance of other receivables at the end of the period	Balance of bad debt reserve at the end of the period
1st	Current accounts	98,082,768.08	Within 1 year	76.15%	
2nd	Current accounts	26,398,361.92	Within 1 year	20.49%	
3rd	Current accounts	1,817,447.37	Within 1 year	1.41%	90,872.37
4th	Others	138,124.39	Within 1 year, 4-5 years	0.11%	10,665.54
5th	Others	97,880.60	Within 1 year	0.08%	4,894.03
Total	--	126,534,582.36	--	98.24%	106,431.94

### 6) Receivables involving government grants: None

### 7) Other receivables derecognized due to the transfer of financial assets: None

### 8) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of other receivables: None

## 3. Long-term equity investments

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	1,945,421,378.56		1,945,421,378.56	1,928,113,219.50		1,928,113,219.50
Total	1,945,421,378.56		1,945,421,378.56	1,928,113,219.50		1,928,113,219.50

### (1) Investment in subsidiaries

Unit: RMB

Investee	Balance at the	Increase/decrease in the period	Closing balance	Closing
----------	----------------	---------------------------------	-----------------	---------

	beginning of the period (Book value)	Increase in investment	Decrease in investment	Impairment Provision	Others	(book value)	balance of impairment provision
Jiangmen Zhongshun Paper Co., Ltd.	698,614,821.47				559,563.62	699,174,385.09	
Zhongshan Zhongshun Trading Co., Ltd.	94,817,296.68				1,889,769.88	96,707,066.56	
Yunfu Hengtai Trading Co., Ltd.	30,200,274.51				869.50	30,201,144.01	
C&S (Yunfu) Paper Co., Ltd.	657,837,465.42				759,016.40	658,596,481.82	
C&S (Zhongshan) Paper Co., Ltd.	12,683,100.00					12,683,100.00	
Sun Daily Necessities Co., Ltd.	200,000.00					200,000.00	
C&S (Sichuan) Paper Co., Ltd.	173,385,439.98				3,087,887.32	176,473,327.30	
C&S (Dazhou) Paper Co., Ltd.	6,000,000.00					6,000,000.00	
C&S (Hubei) Paper Co., Ltd.	196,016,245.13				1,460,392.03	197,476,637.16	
Zhejiang Zhongshun Paper Co., Ltd.	56,524,520.15				1,540,752.38	58,065,272.53	
C&S (Jiangsu) Paper Co., Ltd.		5,700,000.00			96,828.33	5,796,828.33	
Zhong Shun International Co., Ltd.	785,042.74				96,220.83	881,263.57	
Dolemi Sanitary Products Co., Ltd.					869.50	869.50	
Chengdu Zhongshun	627,524.58				42,532.45	670,057.03	

Paper Co., Ltd.							
Xiaogan C&S Trading Co., Ltd.	311,467.66				8,938.00	320,405.66	
Hangzhou Jie Rou Trading Co., Ltd.	104,095.00				22,345.02	126,440.02	
Shanghai Huicong Paper Co., Ltd.	5,926.18				2,173.80	8,099.98	
Beijing Bloomage Jierou Biotechnology Co., Ltd.		2,040,000.00				2,040,000.00	
<b>Total</b>	<b>1,928,113,219.50</b>	<b>7,740,000.00</b>			<b>9,568,159.06</b>	<b>1,945,421,378.56</b>	

**(2) Investment in associates and joint ventures: None**

**(3) Other description: None**

#### **4. Operating income and operating cost**

Unit: RMB

Item	Incurred in the current period		Incurred in the prior period	
	Income	Cost	Income	Cost
Principal business	1,054,822,665.07	875,587,399.73	1,034,162,235.27	822,204,492.12
Other businesses	1,328,294,351.23	1,240,959,177.22	598,353,119.61	555,594,473.69
<b>Total</b>	<b>2,383,117,016.30</b>	<b>2,116,546,576.95</b>	<b>1,632,515,354.88</b>	<b>1,377,798,965.81</b>

Information related to income:

Unit: RMB

Contract classification	Branch 1	Branch 2	Total
By product type	2,383,117,016.30		2,383,117,016.30
Including:			
Household paper	1,047,145,308.26		1,047,145,308.26
Personal care	7,677,356.81		7,677,356.81
Others	1,328,294,351.23		1,328,294,351.23
By operating region	2,383,117,016.30		2,383,117,016.30

Including:				
Domestic	2,383,117,016.30			2,383,117,016.30
Abroad	0.00			0.00
By market or customer type				
Including:				
Contract type				
Including:				
By the time of goods transfer				
Including:				
By contract term				
Including:				
By sales channel	2,383,117,016.30			2,383,117,016.30
Including:				
Traditional	757,760,827.46			757,760,827.46
Non-traditional	297,061,837.61			297,061,837.61
Others	1,328,294,351.23			1,328,294,351.23
Total	2,383,117,016.30			2,383,117,016.30

Information related to performance obligation: None

Information related to the transaction price apportioned to the remaining performance obligation:

The amount of income corresponding to the obligations of contract performance with an executed contract that is not performed or fully performed at the end of the reporting period is RMB5,083,475.44, of which the income of RMB5,083,475.44 is expected to be confirmed as income in the year of 2022.

Other description: None

## 5. Return on investment

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Income from long-term equity-based investment accounted for using the cost method	482,375,000.00	140,000,000.00

Others	329,072.79	3,256,231.99
Total	482,704,072.79	143,256,231.99

## 6. Others: None

## XVIII. Supplementary Information

### 1. List of non-recurring profits and losses of the reporting period

Applicable  Not applicable

Unit: RMB

Item	Amount	Description
Profits/losses from the disposal of non-current asset	-2,054,550.41	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company's normal business)	22,379,246.83	
Profits/losses from assets entrusted to others for investment or management	365,973.72	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds
Other non-operating income and expenses except for the aforementioned items	-4,941,142.49	
Less: Influence of income tax	2,564,492.76	
Total	13,185,034.89	--

Details of other profit and loss items that meet the definition of non-recurring profit and loss:

Applicable  Not applicable

The Company has no other profit and loss items that meet the definition of non-recurring profit and loss.

Descriptions where the Company defines any non-recurring profit and loss items listed in the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* as recurring profit and loss items during the reporting period

Applicable  Not applicable

### 2. Return on net assets and earnings per share

Profit in the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to the	11.82%	0.45	0.44

ordinary shareholders of the Company			
Net profit attributable to the ordinary shareholders of the Company after excluding non-recurring profit and loss	11.55%	0.44	0.43

### 3. Difference in accounting data under domestic and international accounting standards

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

Applicable  Not applicable

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

Applicable  Not applicable

**(3) Explanation of reasons for the differences between accounting data disclosed under domestic and overseas accounting standards. If differences are adjusted based on data audited by overseas audit institutions, the name of the institution should be noted.**

#### 4. Others

If there are any ambiguities, the Chinese version shall prevail.