



C&S PAPER CO.,LTD

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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 0.62 (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.

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Documents Available for Inspection

1. The 2022 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 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
Macao C&S	C&S (Macao) Co., Ltd.
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.
Yunfu Trading	Yunfu Hengtai Trading Co., Ltd., formerly known as C&S (Yunfu) Trading 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.
Tangshan C&S, Tangshan subsidiary	C&S Paper Co., Ltd. Tangshan Branch
Dazhou C&S	C&S (Dazhou) Paper Co., Ltd.
Jiangsu C&S	C&S (Jiangsu) Paper Co., Ltd.
Zhongshan Paper	C&S (Zhongshan) Paper Co., Ltd., formerly known as Zhongshan Tongfu Trade Co., Ltd.
Sun C&S	Sun Daily Necessities 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.
Bloomage Jierou		Beijing Bloomage Jierou Biotechnology Co., Ltd.
Zhongshun Health		Zhongshun Health Life Technology (Shenzhen)Co.,Ltd.
Huashun Technology		Guangdong Huashun Material Technology 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 2021, 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	https://www.zsjr.com		
Email	dsh@zsjr.com		

II. Contact Persons and Contact Methods

	Sectary of 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 (http://www.szse.cn)
Media on which the annual report is published	<i>China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily</i> and http://www.cninfo.com.cn
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	Floor 2-9, No. 169 Donghu Road, Wuchang District, Wuhan
Name of signing accountants	Jiang Chaojie, 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

	2022	2021	Changes over last year	2020
Operating income (RMB)	8,569,694,360.65	9,149,870,464.80	-6.34%	7,823,528,416.32
Net profit attributable to shareholders of the listed company (RMB)	349,971,119.46	581,097,222.93	-39.77%	905,889,081.41
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss (RMB)	320,414,856.99	567,912,188.04	-43.58%	891,552,986.81
Net cash flow from operating activities (RMB)	391,693,012.37	1,319,579,606.83	-70.32%	828,200,862.25
Basic earnings per share (RMB/share)	0.27	0.45	-40.00%	0.70
Diluted earnings per share (RMB/share)	0.27	0.44	-38.64%	0.69
Weighted average return on net assets	6.94%	11.82%	-4.88%	19.86%
	End of 2022	End of 2021	Changes over end of last year	End of 2020
Total assets (RMB)	8,335,107,691.71	7,523,281,973.84	10.79%	7,478,439,747.77
Net assets attributable to shareholders of the listed company (RMB)	5,178,060,378.48	4,903,552,661.58	5.60%	5,042,146,076.42

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	1,884,339,300.88	2,483,278,812.73	1,746,327,067.87	2,455,749,179.17
Net profit attributable to shareholders of the listed company	133,346,264.70	94,293,440.65	46,869,615.07	75,461,799.04
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss	126,963,097.30	93,601,934.36	30,063,247.43	69,786,577.90
Net cash flow from operating activities	247,480,435.23	452,069,290.52	-229,866,994.30	-77,989,719.08

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 2022	Amount in 2021	Amount in 2020	Description
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Profits/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-1,725,714.34	-2,054,550.41	-2,980,604.57	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company's normal business)	25,847,850.99	22,379,246.83	28,533,162.96	
Profits/losses from assets entrusted to others for investment or management	191,076.23	365,973.72	3,868,134.28	
Except for effective hedging business related to the normal operation of the company, fair value gains and losses from holding trading financial assets and trading financial liabilities, as well as investment income from disposing of trading financial assets, trading financial liabilities, and available for sale financial assets	-1,039,651.53			
Other non-operating income and expenses except for the aforementioned items	12,921,558.41	-4,941,142.49	-13,442,144.41	
Less: Influence of income tax	6,638,857.29	2,564,492.76	1,642,453.66	
Total	29,556,262.47	13,185,034.89	14,336,094.60	--

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

The scale of household paper industry to which the Company belongs has maintained an upward trend in recent years, but the market competition is also fierce. Pursuant to the *2022-2023 China Household Paper Yearbook*, the per capita consumption of China's household paper, despite continual increase in the past few years, is still far below the level of developed countries and regions such as U.S., Western Europe and Japan in 2020 as estimated by Fastmarkets RISI. The industry still has room for continued growth in the long run. However, the relative overcapacity of the industry at the moment coupled with the enlarged production capacity base has slowed down its growth rate. As consumers pay more and more attention to health protection, the demand for high-end and differentiated household paper products has been strengthened, which will contribute to a new round of growth. The change of consumption patterns will further elevate the percentage of online sales.

(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, 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. 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), facial towels, etc. Specifics are given in the following:

(I) Household paper

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.

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”.

Cotton series: Soft and thick as cotton, the series have a fluffy feeling and are friendly to the skin. Adopting the new generation of embossing technology, multiple embossing procedures and pure physical compound techniques, the products feature beautiful embossing while locking air between the layers, which gives a lighter, fluffier and thicker touch.

Sun series: Preferred raw material. Targeting at the youth market, the brand serves as a powerful supplement to the Company’s primary brand “C&S”.

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 launched the new VI series for Dolemi pads in 2022, which includes two product series of True Suction and Zero Feeling. The products are available through all channels to achieve omni retail. In addition, the Company upgraded the Fantasy Maiden series to enhance the Dolemi brand.

(III) Quality health products

Clean and Soft Cleansing Towel Series: Dedicated to skin care, the products select quality plant fibers with upgraded processes. They feature double-sided texture design, with one side for cleaning and one side for skin care, thereby giving the skin a new and comfortable cleansing experience.

Silk Care Cleansing Towel Series: In cooperation with world-renowned quality fiber manufacturer, the products carefully select quality plant fibers imported from Brazil and Indonesia. The fibers are then extracted into silk through the wet spinning technique and woven into towels through the spunlace technique, hence giving a super soft and resilient feeling. The products have passed the third-party skin irritation test with supreme care for the skin.

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.

Antibacterial Series: 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.

Basic Wet Wipe Series: The products can address the pain points of different groups of people and different purposes and can be used in various scenarios such as before or after meal, during trips, after exercise, outdoor, etc. The plasma pure water is filtered by 8 processes, so it is skin-friendly and non-irritating. The products can remove the sickness feeling of the skin and keep the skin clean and healthy.

Disinfection Wet Wipe Series: With 99.9% sterilization rate with physical sterilization, the products are skin-friendly so that consumers can enjoy a healthy life. By adopting face-care grade fabric, the products can create a safe and comfortable environment for the skin.

Maternal and Infant Wet Wipe Series: Along with the change of seasons, the Company finds that mothers become more and more concerned about the hygiene problem of infants and children when going out. As a result, the Company developed the hand and mouth cleansing wipes for babies. With the non-toxic and non-irritating formula, moms can feel assured about the safety of their children.

Wet Toilet Paper Series: To address the pain points of users when going to the toilet, the Company specially launched the wet toilet paper series that is sterilized against *Staphylococcus aureus* and *Escherichia coli*. By selecting plant cellulose fibers and non-woven fabrics, the products not only do not block the toilet as being environmental friendly and degradable, but also give a feeling of freshness to consumers.

(IV) Commercial channel products

Commercial channel products are also constantly upgraded and enriched along with market changes. In addition to paper towels, small plate paper and napkins for traditional scenarios such as property cleaning, restaurants and hotels, and high-traffic places, the Company also added series of products and supporting peripherals such as toilet fragrances, hand sanitizers, disposable towels and bath towels and compressed towels. Moreover, the Company is developing multi-functional paper towels. By focusing on optimizing customer experience and meeting customer demands, the Company will continue to introduce cleaning and sanitation products with higher quality. Considering the increasing needs of government departments, public institutions and enterprises for daily necessities as welfare to employees, the Company also launched differentiated group-buying products through online and offline channels, to meet market demands in an all-round manner.

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, Northeast Asia, Oceania and North America. According to the 2022 China Consumer Satisfaction Index for Household Paper prepared by the third-party agency CHNBRAND, C&S has ranked the first for three consecutive years.

2. Constantly optimized product structure and continuously improved product competitiveness

The Company continued to optimize product structure and has positioned high-end, high-margin non-traditional dry wipes as a strategic category that will be prioritized in the future. Efforts have been stepped up for the terminal sales of the Oil Painting, Koi Fish, 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.

As consumers pay more attention to own health protection, the demand for household paper takes on a differentiated and high-end trend. The Company quickly grasped the market changes and introduced the antibacterial series of masks, wet wipes and non-traditional dry towels such as portable products for business travels.

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, Tangshan Subsidiary and Dazhou C&S (under construction, not yet in production). 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. The Company has implemented strict incoming quality control (IQC) procedures for raw materials to control the hygiene and quality of products from the source. Moreover, manufacturing companies have passed the ISO9001 quality management system certification and have set up the strictest inspection system for product quality. They have also adopted advanced processes, formulas, and control procedures in production to effectively guarantee technical indicators.

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" and "carbon neutrality" 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

Given the complicated and ever-changing international and domestic situation coupled with the surge in the prices of raw materials and the increasingly intensified market competition, the Company faced enormous operating pressure in 2022. Against such a background, the Company forged ahead with high morale and responded positively. Through a series of effective measures such as product price increase, category structure optimization, channel adjustment, cost reduction and efficiency improvement, the operating efficiency was enhanced and the operating pressure was eased to a certain extent, the Company maintains a competitive profit level. Under the impact of domestic macroeconomic fluctuations as well as the strategy of product price increase, product category

and channel adjustment, sales of the Company would be affected in the short run. During the reporting period, the Company recorded total revenue of RMB8.57 billion, down by 6.34% over the same period of previous year. Affected by the rising pulp, packaging material and energy prices in the international market and the increase in production costs, the net profit attributable to shareholders of the listed company was RMB350 million, a YoY decrease of 39.77%.

Review of the Company's main operating conditions in 2022:

(1) Resolutely implement the strategy of product price increase and category structure adjustment to maintain the overall profitability

Facing the sharp rise in the price of the raw material pulp during the reporting period, the Company firmly implemented the strategy of product price increase and category structure adjustment. In addition, it continued to increase the shares of high-end and high-margin products and non-roll paper categories by enhancing their channel coverage and promotion efforts at terminals and improving their distribution and penetration. All these efforts have maximized efficiency and helped the Company to maintain a competitive profit level.

(2) Adjust channel structure and dig deep into channels to lay a solid foundation for future development.

In order to consolidate the market foundation, the Company moves down to lower-tier markets and deepens the channel network. During the reporting period, the Company actively optimized the channel structure and adjusted some inefficient channels and markets with a purpose of improving the efficiency and effectiveness of resource inputs. Meanwhile, seeing the changing consumer habits, the Company quickly adapted to market demands and kept pace with the new consumption trend by increasing resource inputs into online channels. Moreover, the Company continuously created single signature products to drive the continuous growth of high-end and high-margin products.

(3) Carry out product iteration and make deployment in high-end markets to build the differentiated and high-end brand image

In line with market developments and increasingly diversified product needs of consumers, the Company upgraded and optimized product matrix and product sequences in various fields. All product design innovations and iterations focused on upgrading product quality and user experience, and efforts were made to realize the differentiated and high-end positioning of brands. In addition, the Company launched the Koi Fish series in 2022 to enrich the art series, and the Gilt series as well as the C&FACE series and derivative products to make layout in the high-end market. All these have laid the foundation for long-term development.

(4) Optimize the remuneration system and talent development system to activate the new engine of development.

The Company has carried out comprehensive optimization in 2022. In order to better implement the Company's strategic goals, effectively activate organizations and individuals and achieve a win-win situation for the Company and individuals, the Company further optimized the organizational structure and the rank and

remuneration system, and created a diversified comprehensive incentive mechanism that balanced fairness and competition while taking motivation, economical efficiency and legality into consideration. This has fully stimulated the enthusiasm and vitality of employees. In addition, the Company established an internal talent pool for all levels and formulated an efficient talent echelon cultivation mechanism, which has helped to build a future- and learning-oriented team and thereby activate the new engine of corporate development.

(5) Engage in public welfare undertakings and help those in need to fulfill corporate social responsibilities of a national enterprise

The Company has been pursuing a green and sustainable development path with an adherence to the “seeking green benefits and fulfilling corporate social responsibilities” philosophy ever since establishment. C&S has never forgotten its original intention by actively engaging in public welfare undertakings and fulfilling corporate social responsibilities. In 2022, the Company donated various supplies and materials with cumulative worth of over RMB8 million to various regions across the country, including masks, household paper, disinfectant wipes, sanitary pads, etc. The Company continued to sponsor the “C&S Cup” International Standard Dancing Open Championship, with 21 wonderful events in Guangzhou, Shenzhen, Chongqing, Kunming, Jinan and other cities. The activity not only facilitated the promotion of international standard dance across China, but also played a positive role in building a harmonious society, promoting the booming of culture and enriching the cultural and sports life of the public.

(6) Introduce the equity incentive plan to demonstrate its determination of building an enterprise worth billions

In order to attract and retain outstanding talents, enable employees to share the achievements of corporate development and enhance the sense of belonging of employees, the Company introduced the *2022 Stock Option and Restricted Stock Incentive Plan*, with more than 600 recipients. This is conducive to giving play to the core role and values of employees, effectively combining the interests of shareholders, the Company and employees, and promoting the continuous improvement of the Company’s performance.

2. Operating income and cost

(1) Composition of operating income

Unit: RMB

	2022		2021		YoY changes
	Amount	Proportion in operating income	Amount	Proportion in operating income	
Total operating income	8,569,694,360.65	100%	9,149,870,464.80	100%	-6.34%
By industry					

Household paper	8,350,198,393.95	97.44%	8,658,308,172.33	94.63%	-3.56%
Personal care	50,703,281.38	0.59%	76,965,968.19	0.84%	-34.12%
Others	168,792,685.32	1.97%	414,596,324.28	4.53%	-59.29%
By product					
Finished products	8,362,746,261.17	97.59%	8,713,110,024.38	95.23%	-4.02%
Semi-finished products	38,155,414.16	0.44%	22,164,116.14	0.24%	72.15%
Others	168,792,685.32	1.97%	414,596,324.28	4.53%	-59.29%
By region					
Domestic	8,364,917,807.64	97.61%	8,950,419,612.11	97.82%	-6.54%
Overseas	204,776,553.01	2.39%	199,450,852.69	2.18%	2.67%
By sales model					
Traditional	4,078,262,777.23	47.59%	4,391,370,600.48	47.99%	-7.13%
Non-traditional	4,322,638,898.10	50.44%	4,343,903,540.04	47.48%	-0.49%
Others	168,792,685.32	1.97%	414,596,324.28	4.53%	-59.29%

(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	8,350,198,393.95	5,650,217,324.42	32.33%	-3.56%	3.57%	-4.66%
By product						
Finished products	8,362,746,261.17	5,641,150,796.45	32.54%	-4.02%	2.91%	-4.55%
By region						
Domestic	8,364,917,807.64	5,689,079,799.53	31.99%	-6.54%	-0.89%	-3.88%
By sales model						
Traditional	4,078,262,777.23	2,831,315,042.36	30.58%	-7.13%	-0.96%	-4.32%
Non-traditional	4,322,638,898.10	2,844,002,854.66	34.21%	-0.49%	7.63%	-4.96%

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	2022	2021	YoY changes
Household paper	Sales volume	“0000” boxes	12,916.17	14,758.23	-12.48%
	Production volume	“0000” boxes	12,919.17	14,982.63	-13.77%
	Inventory	“0000” boxes	1,100.87	977.36	12.64%

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	2022		2021		YoY changes
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Household paper	Principal business cost	5,650,217,324.42	96.90%	5,455,519,068.17	93.05%	3.57%
Personal care	Principal business cost	25,100,572.60	0.43%	45,603,186.25	0.78%	-44.96%
Others	Other business cost	155,734,068.25	2.67%	361,926,849.96	6.17%	-56.97%

Unit: RMB

Product	Item	2022		2021		YoY changes
		Amount	Proportion in operating cost	Amount	Proportion in operating cost	
Finished products	Principal business cost	5,641,150,796.45	96.74%	5,481,370,370.28	93.49%	2.91%
Semi-finished products	Principal business cost	34,167,100.57	0.59%	19,751,884.14	0.34%	72.98%
Others	Other business cost	155,734,068.25	2.67%	361,926,849.96	6.17%	-56.97%

Description: None

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

As of December 31, 2022, the Company has 25 subsidiaries that are included in the consolidated scope, as detailed in “Note IX. Equities in Other Entities”. Compared with last year, two subsidiaries have been newly added into while five subsidiaries have 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)	2,638,321,657.50
Proportion of sales to top five customers in total annual sales	30.79%
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	1,161,022,000.14	13.55%
2	2nd	657,003,630.89	7.67%
3	3rd	433,972,308.90	5.06%
4	4th	194,168,625.46	2.27%
5	5th	192,155,092.11	2.24%
Total	--	2,638,321,657.50	30.79%

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)	3,048,622,489.75
Proportion of the total purchase amount from the top five suppliers in total annual purchase amount	53.81%
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	1,426,670,961.95	25.18%
2	2nd	798,043,111.66	14.08%
3	3rd	458,755,198.51	8.10%
4	4th	217,358,895.17	3.84%
5	5th	147,794,322.46	2.61%
Total	--	3,048,622,489.75	53.81%

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

	2022	2021	YoY changes	Description of significant changes
Selling expenses	1,748,822,736.00	1,986,544,514.02	-11.97%	
Administrative expenses	372,091,457.41	341,144,204.30	9.07%	
Finance expenses	-32,016,388.68	-7,261,174.19	-340.93%	Financial expenses: This item recorded a decrease of RMB24,755,214.49 or 340.93% in the reporting period compared with the same period in 2021, mainly owing to the decrease in exchange losses and gains during the reporting period.
R&D expenses	203,883,267.90	211,964,212.18	-3.81%	

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
R&D of soft cotton rolls/facial tissues	Upgrade the product, enhance consumer experience, and improve appearance.	The product has been successfully launched.	Cotton-like touch, cloud-like softness, good looking, soft, fluffy and skin-friendly	Enrich product categories and improve product competitiveness.
R&D of extravagant rolls	The product is characterized by softness that can be clearly perceived by consumers.	R&D has made progress and the performance test has been completed.	The product is positioned at high-end as it is soft and extravagant and will be a good choice for high-end	As a leading high-end product in the industry, the product will lead the consumption trend of the roll paper

			consumers.	category.
R&D of TAD-like kitchen towels	Adopting unique processes, the product achieves performance indicators and technical requirements close to TAD.	R&D has made progress and the performance test and consumer test have been completed.	The use experience reaches 85% of TAD with excellent physical indicators, quality and cost advantages.	1. High cost-effective product is prone to win over consumers and increase repeat purchase rate. 2. The energy consumption is much lower than that of TAD, which is in line with the national guideline of low-carbon policies and achieves environmental benefits.
R&D of a new generation of paper towels	Improve the water absorption speed and capacity of paper towels while being skin friendly and comfortable.	The product has been successfully launched.	One piece of the product can completely dry the hands; the product is thick, comfortable and not easy to break.	The product is welcomed by consumers, especially commercial channels.
Improving the quality of removable facial towels	The product features premium smoothness and softness, with silk-like texture.	R&D has made progress and the performance test and consumer test have been completed.	The smoothness of the paper is further improved while maintaining a soft touch.	As a high-quality product, it is expected to become one of the Company's high-margin products.
Improve the quality of the Oil Painting series	The strength of the product remains unchanged but the softness and thickness have been improved; the optimized processes can help improve the efficiency and reduce costs of the product.	The paper roll product has been successfully launched and progress has been made in the R&D of paper handkerchiefs.	The paper is thicker and smoother, hence enhancing the high-end image of the product.	Improve quality, increase efficiency and reduce costs, and enhance product competitiveness.
Upgrading the Lotion series	Optimize the performance indicators and upgrade the experience of the product.	In progress	With imported moisturizing factors, the softness and skin-friendliness of the product is upgraded. The water absorption speed becomes 1.5 times, so it can quickly dry baby's saliva.	The product is specially customized for mothers and infants.
R&D of silk-like technologies	Launch the softest spunlace non-woven products in the industry.	The laboratory scale test and pilot scale production have been completed; invention patent is being applied.	Domestically leading and super soft	The product is extremely competitive and has core technologies (invention patent).

Information on R&D personnel of the Company

	2022	2021	Change ratio
Number of R&D personnel	415	409	1.47%
Proportion of R&D personnel	6.26%	5.81%	0.45%
Educational structure of R&D personnel	—	—	—
Bachelor	53	69	-23.19%

Master	0	1	-100.00%
Associate degree and lower	362	339	6.78%
Age structure of R&D personnel	—	—	—
Under 30	87	95	-8.42%
30~ 40	195	190	2.63%
Above 40	133	124	7.26%

R&D investment of the Company

	2022	2021	Change ratio
Amount of R&D investment (RMB)	203,883,267.90	211,964,212.18	-3.81%
Proportion of R&D investment in total operating income	2.38%	2.32%	0.06%
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	2022	2021	YoY changes
Sub-total of cash inflow from operating activities	8,799,986,884.48	9,097,936,828.93	-3.27%
Sub-total of cash outflow from operating activities	8,408,293,872.11	7,778,357,222.10	8.10%
Net cash flow from operating activities	391,693,012.37	1,319,579,606.83	-70.32%
Sub-total of cash inflow from investing activities	84,573,787.30	61,466,670.02	37.59%
Sub-total of cash outflow from	559,291,673.55	708,619,852.14	-21.07%

investing activities			
Net cash flow from investing activities	-474,717,886.25	-647,153,182.12	26.65%
Sub-total of cash inflow from financing activities	1,019,654,678.68	222,066,759.33	359.17%
Sub-total of cash outflow from financing activities	516,096,786.00	1,141,254,963.40	-54.78%
Net cash flow from financing activities	503,557,892.68	-919,188,204.07	154.78%
Net increase in cash and cash equivalents	451,100,348.89	-252,236,460.02	278.84%

Major influencing factors for significant YoY changes in relevant data

Applicable Not applicable

1. Net cash flow from operating activities: This item recorded a decrease of RMB927,886,594.46 or 70.32% in the reporting period compared with 2021, mainly owing to the increase in material payment during the reporting period.

2. Net cash flow from financing activities: This item recorded an increase of RMB1,422,746,096.75 or 154.78% in the reporting period compared with 2021, mainly owing to the increase in cash received from borrowings and the decrease 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	-848,575.30	-0.21%	Mainly for the purchase of forward settlement and sales of foreign exchange, and the maturity income of financial products	No
Profit and loss from changes in fair value		0.00%		
Asset impairment	-20,244,984.39	-4.95%	Provision for impairment of inventories or fixed assets	No
Non-operating	17,028,310.82	4.16%	Income from fine and compensation, others, and	No

income			government grants	
Non-operating expense	8,418,061.77	2.06%	External donations and others	No

VI. Analysis of Assets and Liabilities

1. Significant changes in the composition of assets

Unit: RMB

	End of 2022		Beginning of 2022		Proportion changes	Description of significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	1,324,787,541.49	15.89%	875,052,493.12	11.63%	4.26%	Monetary funds: This item recorded an increase of RMB449,735,048.37 or 51.40% in the reporting period compared with the beginning of 2022, mainly owing to the increase in borrowings during the reporting period.
Accounts receivable	1,084,130,138.51	13.01%	1,177,831,399.28	15.66%	-2.65%	
Inventory	1,911,630,723.55	22.93%	1,467,631,516.95	19.51%	3.42%	Inventory: This item recorded an increase of RMB443,999,206.60 or 30.25% in the reporting period compared with the beginning of 2022, mainly owing to the increase in inventory and raw material during the reporting period.
Investment property	31,701,597.54	0.38%	33,138,481.74	0.44%	-0.06%	
Fixed assets	3,013,559,312.97	36.16%	3,129,371,506.40	41.60%	-5.44%	
Construction work in progress	142,627,123.42	1.71%	134,875,696.94	1.79%	-0.08%	
Right-of-use assets	9,758,283.42	0.12%	14,300,520.77	0.19%	-0.07%	Right-of-use assets: This item recorded a decrease of RMB4,542,237.35 or 31.76% in the reporting period compared with the beginning of 2022, mainly owing to the decrease in the use rights assets recognized under the new leasing standards during the reporting period.
Short-term	607,799,222.62	7.29%		0.00%	7.29%	Short-term borrowings: This item recorded an increase of

borrowings						RMB607,799,222.62 or 100.00% in the reporting period compared with the beginning of 2022, mainly owing to the increase in short-term loans from banks during the reporting period.
Contract liabilities	96,581,944.94	1.16%	164,360,443.34	2.18%	-1.02%	Contract liabilities: This item recorded a decrease of RMB67,778,498.40 or 41.24% in the reporting period compared with the beginning of 2022, mainly owing to the decrease in advance payments from customers during this reporting period.
Lease liabilities	803,879.30	0.01%	5,565,928.14	0.07%	-0.06%	Lease liabilities: This item recorded a decrease of RMB4,762,048.84 or 85.56% in the reporting period compared with the beginning of 2022, mainly owing to the decrease in rented houses and buildings 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, 2022	Reason for restriction
Monetary funds (RMB)	75,889,516.90	Security deposits for issuing letter of credit and notes
Total (RMB)	75,889,516.90	

VII. Analysis of Investment

1. Overview

Applicable Not applicable

Investment amount during the reporting period (RMB)	Investment amount of previous year (RMB)	Changes
559,291,673.55	708,619,852.14	-21.07%

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

1) Derivatives investments for hedging purposes during the reporting period

Applicable Not applicable

Unit: RMB10,000

Type	Initial investment amount	Profit or loss from changes in fair value of the period	Accumulated changes in fair value included in equity	Amount bought in during the period	Amount sold during the period	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
Put option	0	-83.45	0	3,567.5	3,567.5	0	0.00%
Total	0	-83.45	0	3,567.5	3,567.5	0	0.00%
Whether there are significant changes to the accounting policies and specific accounting principles for derivatives during the reporting period compared with previous reporting period	None						
Explanation on actual profit or loss during the period	The Company's forward foreign exchange sale and purchase business recorded an actual loss of RMB834,500 during the reporting period.						
Explanation on the effects of hedging	The Company has carried out the forward foreign exchange sale and purchase business for the purpose of hedging based on the principles of legal compliance, prudence, security and effectiveness. It does not engage in speculative and arbitrage trading operations. All derivatives investments are based on the normal production and operation of the Company with a view to locking the exchange rate and reducing the impact of exchange rate fluctuations on the Company's business performance. The Company has carried out the hedging business in strict						

	accordance with the foreign exchange amount it holds, so the overall risk is controllable
Source of fund	Self-owned fund
Risk analysis and control measures of derivative positions during the reporting period (including but not limited to market risks, liquidity risks, credit risks, operational risks and legal risks)	<p>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. 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>
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	Given that the subject of the Company's hedging transactions is forward foreign exchange settlement, the fair value is determined based on foreign exchange rate.
Litigation involved (if applicable)	None
Disclosure date of the announcement regarding the Board's approval of derivative investment (if any)	December 1, 2021
Opinions of independent directors on the Company's derivative investment and risk control	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.

2) Derivatives investments for speculative purposes during the reporting period

Applicable Not applicable

The Company did not engage in any derivatives investments for speculative purposes during the reporting period.

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: RMB10,000

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)	34,598.5032	193,854.19	145,641.33	153,503.31	4,744.37	4,609.93
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 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.)	65,000	240,329.42	138,667.37	310,946.44	20,792.38	18,002.59
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	10,000	110,742.78	66,097.51	196,279.78	8,463.82	7,207.69

		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.)						
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.)	20,000	185,310.08	50,364.50	190,485.18	5,671.71	4,256.21

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

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 a 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 strengthen 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. The pulp price has surged in 2022 under the impact of major international events such as the conflict between Russia and Ukraine, the European energy crisis, and volatile geopolitical relations. 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.

The Company is equipped with a professional procurement team which, on the premise of ensuring normal production inventory, adjusts the purchase rhythm by professionally evaluating the future trend of pump boards and coordinating the market conditions of international pulp prices. The Company has cemented long-term supply contracts with pulp suppliers that have large production scale, abundant forest resources and advanced production technologies to ensure stable raw material procurement. It has established a global procurement network with purchases in Europe, North America, South America, etc.

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.

The Company pays close attention to changes in the foreign exchange market on a daily basis and hedges against exchange losses brought by RMB depreciation or two-way fluctuations by adjusting the structure of foreign currency assets and liabilities and reducing overall foreign currency liabilities. In addition, the Company started to adopt the spot selling rate accounting for foreign currency transactions since 2015 in accordance with its actual needs and in compliance with foreign exchange requirements. In this way, the Company may choose to buy foreign currency and pay for the goods at a rate favorable to the Company at an appropriate time. Furthermore, the Company hedges against and avoids exchange rate risks via centralized management of foreign exchange funds, purchase payment hedging, etc. based on changes in the foreign exchange market and actual development of the Company. With regard to exchange rate risk exposure, the Company also uses hedging and other financial tools to conduct reasonable risk management.

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.

After years of development, the Company has become one of the leading companies in the domestic household paper industry. It has built a marketing network covering most prefecture (county) level cities and a production base with national presence. As a result, transportation costs can be effectively reduced and transportation efficiency effectively improved by shorting the distance with consumers. As the Company continues to deepen and expand sales channels, it will gradually cover untapped outlets. In the future, in response to market competition, the Company will strengthen channel sinking, increase market penetration, further expand its scale, and further improve its overall market competitiveness and shares.

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.

In the face of increasing stringent environmental protection policies, as a responsible domestic enterprise in the household paper industry, the Company and its subsidiaries strictly abide by environmental protection laws and regulations of the state and local governments. Production bases are equipped with state-of-the-art papermaking equipment, processing equipment and environmental protection treatment equipment and facilities, and adopt advanced environmental protection technologies. With continuous capital and technological inputs and improvement in pollution control of the production process, the Company strives to reduce environmental pollution and ensure green production. The Company will continue to optimize production efficiency in response to requirements of national industrial policies.

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 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 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 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.

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
January 17, 2022	/	Telephone communication	Institution	Changjiang Securities, KingTower AM, Panhou Dynamic, Soochow Fund, Wanjia Fund, Chengan Assets, Taiping Pension, Changsheng Fund, Xiangcai Fund, Jiangsu Ruihua, GF Securities, Bank of China Asset Management, Changjiang Pension, Schroders, Sunshine Insurance, Shanghai Ivy Assets Management, Silver Lake Fund, DAPU Asset Management, Duoxin, Cinda Australia Bank Fund, Generali China, Hawthorn Asset Management Center, CITIC Wealth, China Foreign Economy and Trade Trust, China Capital Management, CMB Wealth Management, Evergrande Life, Bohai Securities, Focus Bridge, Nord Fund, Rabbit Fund, China Post Life Insurance, CICC Asset Management, Horizon Asset, Bank of Hangzhou, Ping An Pension, Wealspring Asset, Guojin Asset Management, Penghua Fund, Guohai Asset Management, Taikang Pension, Zheshang Securities Self-trading Unit, CITIC Asset Management, China Securities Self-trading Unit, Shenwan Hongyuan Securities Asset Management, Yingda Insurance Asset Management, Everbright Securities Asset Management, Guohua Life, STAROCK Investment, Tianshan Aluminum, Fupei Investment, Foresight Investment, Yinhua Fund, Essence Securities Asset Management, BOC Wealth Management, CITIC Self-trading Unit, China Nature Asset Management, ICBC-AXA, Shenzhen Daoyi, CCB Asset Management, Yingda Securities, Hexi Capital, Heju Investment, ICBC Credit Suisse, Taiping Fund, Huatai Baoxing, Dajia Asset Management, Tiger Pacific Capital, Hangzhou Xi'an Investment, TF Asset Management, ABC-CA Fund Management, Huaifu Fund, Industrial Securities Asset Management, Chang'an Fund, Xiansheng Investment, TEDA Manulife, Chaos Investment, Orient Securities Self-trading Unit, AXA SPDB Investment, CR Yuanta Fund Management, Huatai Asset Management, Bank of Communications Schroders, Huisheng Fund, Jing'an Investment, TruValue Asset Management, Sino Life Asset, Eastern Marathon, Dacheng Fund, Shanghai Securities Self-trading Unit, Essence Securities Self-trading Unit, CoStone Capital, Ping An Fund, Great Wall Fund, Galaxy Fund, China Asset Management, West Lead Fund, Shanshi Fund, GF Fund, Changxin Fund, Golden Trust Sinopac Fund Management, BOSCA Asset, PUREKIND Fund, Industrial Securities Global, China Universal Fund, Southern Asset Management, Luojia Fangyuan AM, CIMF Morgan Asset Management, Kaiyuan Securities, Caitong Asset Management, Zheshang	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220119 on CNINFO (http://www.cninfo.com.cn) .

				Securities, Orient Securitie Asset Management, Nanjing Harbour, JT Asset Management, Capital Securities, Nuochang Investment, China Europe Fund, Ruitian Capital, First-Trust Fund, Pengshan Partners, Yude Capital, Fidelity, 3W Fund, Chasing Securities, Zhongrong Fund, Hongcheng Capital, Franklin Templeton, China Merchants Securities, China Life Pension, HFT Investment Management, Cinda Australia Bank Fund, Pramerica FOSUN, China Universal Fund, Rongyuan Investment, East Money Fund, Intewise Capital, Chongyang InvEstment, Jing'an Investment, Asia Pacific Property Insurance, CICC Asset Management, Kingsun Investment, Ruiyi Investment, Optimas		
January 18, 2022	/	Telephone communication	Institution	Fidelity Mgmt Research、Point72、Earnest Partners、Fidelity Mgmt Research、Aspoon、Invesco、Springs capital、Polymer Capital、Springs capital、Altazero Capital、Balyasny、Mighty Divine	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220119 on CNINFO (http://www.cninfo.com.cn) .
February 17, 2022	Shanghai	Telephone communication	Institution	CIB Wealth Management, JT Asset Management, Dongxing Asset Management Hong Kong, Orient Securities, Great Wall Securities, Orient Fund, Galaxy Fund, New China Fund, GH Shining Asset Management, Caitong Securities, AEGON Fund, AJ Securities	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220613 on CNINFO (http://www.cninfo.com.cn) .
April 27, 2022	/	Telephone communication	Institution	Grandblue Environment, Shanxi Securities Asset Management, Southern Asset Management, Zheshang Securities Self-trading Unit, Chengan Assets, Point72, China Europe Fund, Pioneer Fund, Nord Fund, Great Wall Wealth Asset Management, Xiangcai Fund, China Asset Management, Industrial Bank Wealth Management, CIB Fund, Lion Fund, Broad Fund, Hangzhou Fuxian, Shanghai Guandao Asset Management Co., Ltd., Pinpoint, Manulife, Tian'an Life, Baixi Assets, JT Asset Management, Hawthorn Asset Management Center, Zheshang Securities Asset Management, Zeyuan Capital, CITIC Asset Management, Yellow River Property & Casualty Insurance, Wanjia Fund, Industrial Securities Global, Kane Investment, Pinpoint Investment, CR Assets Investment, Jianghai Securities, CS Richland Asset, China Capital Management, Orient Fund, Jiufu Fund, Tongtai AMC, Baoying Fund	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220429 on CNINFO (http://www.cninfo.com.cn) .
April 28,	/	Telephone	Institution	China Merchants Securities, Dacheng Fund, BOSC Asset, Ping An UOB Fund,	Status quo and future	Details can be found in the

2022		communication		Guanfu (Beijing) Asset Management Co., Ltd., Jiangsu Dazheng Shifang Equity Investment Fund Management Co., Ltd., Zhongtai Asset Management, Fosun Group Investment Department, TCL Fund, Shanghai Shuda Asset Management Co., Ltd., FountainCap Research & Investment Co., Ltd., Yinhuafund Management, Shenzhen Qianhai Hefeng Zhengze Asset Management Co., Ltd., Taikang Pension Insurance Co., Ltd., AXA SPDB Investment Managers, Hongde Fund, Qian Hai Life Insurance, Knight Investment, Orchid Asia, Pengtai Investment, Anhe Capital, Yingda Securities Co., Ltd., Dawning Group, Junhong Asset Management, Yuhui Capital Management, TruValue Asset Management, Beijing Tengye Capital Management Co., Ltd., Mbestway (Beijing) Management Software Co., Ltd., Banyan Partners, Shangjin Investment, Industrial Bank Wealth Management, Wangzheng Capital, Atlantis Investment Management, Xijing Investment, Mars Assets, CS Richland Asset, Zhongzhi Qixing Investment Management Co., Ltd., GTS Fund, Gopher Asset Management, Guangdong Wens Investment Co., Ltd., Ruiwen Securities Fund Management, Changan Assets, CITIC Securities Co., Ltd., Hezhong Assets, Hainan Xinyan Equity Investment Fund Management Co., Ltd., BOC Investment Management, Sinosafe Assets, Beijing Chengsheng Investment Management Co., Ltd., Aspoon Capital, Xincheng Fund, E Fund, China Resources and Environment Co., Ltd. (Investment Department), Dongcai Fund, Founder Fubon Fund, AEGON-Industrial Fund, Finsights Fund, Shenzhen Bright Capital, Beijing Yutian AMC, BOC International Asset Management Department, Financial Management Consultant, Guolian Securities (Asset Management), Huizhou Nanfang Ruitai Fund Management Co., Ltd., Aotianqi Investment, Beijing Dadao Xingye Investment Management Co., Ltd., China Securities, Shenzhen Shangcheng Assets Co., Ltd., Curvet Capital, Xingyun Investment, FT Life	development plan of the Company	002511 Zhongshun Jierou Research Activity Information 20220429 on CNINFO (http://www.cninfo.com.cn)
May 17, 2022	/	Other	Personals	Investors attending the online meeting of 2021 annual report briefing	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220119 on CNINFO

						(http://www.cninfo.com.cn) .
June 9, 2022	Shenzhen	Other	Institution	PRUDENCE INVESTMENT MANAGEMENT、HD CAPITAL、PARTNERS BAY、DALTON INVESTMENT GROUP、LIBRARY RESEARCH、WT Capital、Infore Capital、ZHONGTAI INTERNATIONAL、Morgan Stanley	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Performance Explanation Meeting and Roadshow Activity Information 20220518 on CNINFO (http://www.cninfo.com.cn) .
July 14, 2021	/	Telephone communication	Institution	CITIC Futures, ABC Life, All Asset, Tian An Life, Franklin Templeton Investments, Comein Finance, Bin Yuan Capital, ZTF Securities, CIB Fund, Zhonggeng Fund, Zige Investment, Zheshang Securities Self-trading Unit, Soochow Securities, CIB Wealth Management, Everbright Prudential, Hexi Capital, China Securities Self-trading Unit, Changjiang Asset Management, C. Fund, Harvest Forever, Essence Securities Self-trading Unit, Shanghai Chanceshine Asset Management, Essence Securities Self-trading Unit, Guotai Junan Securities Asset Management, Shanghai Tianyi Investment, Chongyun Investment, Shanghai Guandao Asset Management Co., Ltd., CITIC Futures, Zhongtai Securities Asset Management, S-Land Asset, WT Asset Management, AJ Securities Self-trading Unit, Zhongzhi Qixing Investment Management Co., Ltd., CS Richland Asset, Pinpoint Investment, Huatai Baoxing Fund Management, Fullerton Investment, GF Shining Asset Management, Western Securities Self-trading Unit, Horizon Asset, Changjiang Asset Management, Industrial Securities Global, PV Capital, DEShaw, Granford Capital	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220715 on CNINFO (http://www.cninfo.com.cn) .
August 30, 2022	/	Telephone communication	Institution	Goldman Sachs Gao Hua Securities, China Merchants Securities, Hangzhou Fortune, China Southern Asset Management, Cinda Securities Self-trading Unit, GFUND Wealth, Golden Trust Sinopac Fund Management, CIB Wealth Management, Ping An Pension, Founder Fubon, Taikang, HSBC Jintrust, Dongxing Securities, Baijia Funds, Kaishi Fund, Hua Chuang Securities, Soochow Securities Research Institute, China Merchants Securities, Zheshang Securities Self-trading Unit, Xiangcai Fund, ZTF Securities Self-trading Unit, CITIC Securities Self-trading Unit, TEDA	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220901 on CNINFO (http://www.cninfo.com.cn) .

				Manulife, Springs Capital, Great Wall Fund, Xinyuan Asset Management, Bosera Fund, AJ Securities Self-trading Unit, Huashang Fund, Qian Hai Life Insurance, Intewise Capital, West Lead Fund, CITIC Prudential, Huian Fund, Western Securities Self-trading Unit, Shanda Capital, Orient Securities Self-trading Unit, Guohai Asset Management, CITIC Capital, CS Richland Asset, Hony Vision, CITIC Securities, Green Fund, BOC Group Investment Limited, Tianhong, Anxin Fund, Everbright Prudential Fund Management Co., Ltd., Granford Capital, Huishang Bank Wealth Management, Citibank, Pinpoint Investment, MacroPolo, Teng Yue Partners, Point72, Fountain Cap, Power Pacific		
August 31, 2022	/	Telephone communication	Institution	Zheshang Securities, CIB Fund, Springs Capital, Xiansheng Investment, Ping An Fund, Zheshang Securities Asset Management, Ren Bridge Assets, TruValue Asset Management, Hanchuan Investment, Taiping Fund, Huatai Securities Self-trading Unit, Purest Assets, Panhou Dynamic Capital Management, Tenbagger Capital, Haitong Securities Self-trading Unit, Dajia Asset Management, TF Securities Asset Management, Mingyu Capital, Pearl River Investment, Huatai Securities Asset Management, Hehe Investment, GH Shining Asset Management, Taikang Asset Management, Seastar Asset, Jiufang Intelligent Investment	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220901 on CNINFO (http://www.cninfo.com.cn) .
September 1, 2022	/	Telephone communication	Institution	Guosheng Securities, China Merchants Fund, Lion Fund, GH Shining Asset Management, Rongtong Fund, Caitong Fund, Changan Fund, Huisheng Fund, Kuantan Capital, Huashang Fund, Pengyang AMC, Taikang Asset Management, Huamei International, Everbright Asset Management, TEDA Manulife, TruValue Asset Management, Kaishi Fund	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220901 on CNINFO (http://www.cninfo.com.cn) .
September 6, 2022	/	Telephone communication	Institution	CITIC Securities, ICBC-AXA, Tenbagger Capital, Wiling Cap, Lazard, Horizon Asset, Sumitomo Mitsui DS, Point72, Neo-Criterion Capital, Fullgoal Fund Management, Power Pacific, WT Asset Management, FountainCap Research & Investment	Status quo and future development plan of the Company	Details can be found in the 002511 Zhongshun Jierou Research Activity Information 20220909 on CNINFO (http://www.cninfo.com.cn) .

September 9, 2022	/	Telephone communication	Institution	Changjiang Securities, HFT Fund, Huabao Fund, Everbright Prudential, Dajia Assets, ABC-CA Fund Management, China Southern Asset Management, Huashang Fund, Huian Fund	Status quo and future development plan of the Company	Details can be found in the 002511 <i>Zhongshun Jierou Research Activity Information 20220909</i> on CNINFO (http://www.cninfo.com.cn) .
September 22, 2022	/	Other	Personals	Investors attending the Investor Reception Day	Status quo and future development plan of the Company	Details can be found in the 002511 <i>Zhongshun Jierou Research Activity Information 20220923</i> on CNINFO (http://www.cninfo.com.cn) .
October 25, 2022	/	Telephone communication	Institution	CPE Asset, New China Fund, Everbright Securities, CIMF Morgan Asset Management, GH Shining Asset Management, Goldman Sachs Gao Hua Securities, Founder Fubon, Dongxing Securities, Essence Securities, Kaiyuan Securities, Zheshang Securities Self-trading Unit, Harvest Forever, CITIC Securities, Kaishi Fund, Huachuang Securities Light Industry, Green Fund, Taikang Asset Management, Industrial Securities Global, Broad Fund, China Post Securities, Everbright Securities Asset Management, Citibank, China Europe Fund, Xinghua Fund, Zhongan Insurance, Jiutai Fund, Guosen Securities, Xinyuan Asset Management, Harford Funds, Kane Investment, Taiping Fund, Huashang Fund, TruValue Asset Management, Great Wall Fund, Yingda Securities Self-trading Unit, Shanghai Tianyi Investment, BOSCO Asset, Furui Jiacheng Investment Management, Ping An Fund, Sun Life Everbright Life, Guotai Junan Securities, Cinda Securities, Zhongtai Securities, Minsheng Securities, Pinpoint Investment, Morgan Stanley, Point72, Teng Yue Partners	Status quo and future development plan of the Company	Details can be found in the 002511 <i>Zhongshun Jierou Research Activity Information 20221027</i> on CNINFO (http://www.cninfo.com.cn) .
November 16, 2022	Zhongshan	Field research	Institution	Changjiang Securities, Rongtong Fund, Harvest Fund, Penghua Fund, Dacheng Fund, Cinda Australia Bank Fund, China Merchants Fund, Zhongrong Fund, Qianhai Alliance Asset Management, Springs Capital	Status quo and future development plan of the Company	Details can be found in the 002511 <i>Zhongshun Jierou Research Activity Information 20221118</i> on CNINFO (http://www.cninfo.com.cn) .

November 20, 2022	/	Telephone communication	Institution	<p>Dongxing Securities Fund, Debon Fund, Penghua Fund, Orient Securities Self-trading Unit, Tianhong Fund, CIB Fund, Huashang Fund, Comein Finance, West Lead Fund, Yingda Insurance Asset Management Co., Ltd., Huashang Fund Management Co., Ltd., Zhongying Yili AMC, Morgan Stanly Huaxin Funds, China Nature Asset Management Co., Ltd., Ping An Pension, GH Shining Asset Management, Hengqin Life, Guotai Junan Asset Management Co., Ltd., Funding Capital Management (Beijing) Co., Ltd., Guotai, Everbright Pramerica Fund Management Co., Ltd., Asia Pacific Property & Casualty Insurance, Southern Asset Management, Pengyang AMC, Huatai Baoxing Fund Management Co., Ltd., Minsheng Securities, Taikang Assets, BOC Self-trading Unit, Xiangcai Fund, CIB Fund Management Co., Ltd., River Fund Management Co., Ltd., Industrial Securities Global Fund Management Co., Ltd., Fortune SG Fund Management Co., Ltd., Zheshang AMC, JT Fund Management Co., Ltd., Changsheng Fund Management Co., Ltd., Cinda, Zhejiang Jinghe Asset Management Co., Ltd., Changjiang Securities Self-trading Unit, Baoying Fund, Shanghai Jisheng Investment Management Co., Ltd., Guohua Life, China Fund, Rongtong Fund, Founder Securities, CCB Fund, ABC-CA Fund Management, Cherami Private Equity Securities Investment Management Co., Ltd., ABC-CA, U Capital Co., Ltd., Huisheng Fund Management Co., Ltd., CITIC Asset Management, Growth Capital, Wealspring Asset, GH Shining Asset Management, Q.M. Fortune, Tongben Investment, Genxi Fund, Sun Life Everbright Life, Taikang</p>	Status quo and future development plan of the Company	<p>Details can be found in the <i>002511 Zhongshun Jierou Research Activity Information 20221122</i> on CNINFO (http://www.cninfo.com.cn) .</p>
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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.

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 Annual General Meeting of Shareholders	Annual general meeting	52.75%	May 19, 2022	May 20, 2022	Details can be found in the <i>Announcement on the Resolution of the 2021 Annual General Meeting of Shareholders</i> (Announcement No.: 2022-20) on CNINFO (http://www.cninfo.com.cn) .
2022 First Extraordinary General Meeting	Extraordinary general meeting of shareholders	51.90%	July 5, 2022	July 6, 2022	Details can be found in the <i>Announcement on the Resolution of the 2022 First Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2022-37) on CNINFO (http://www.cninfo.com.cn) .
2022 Second Extraordinary General Meeting	Extraordinary general meeting of shareholders	52.95%	September 16, 2022	September 17, 2022	Details can be found in the <i>Announcement on the Resolution of the 2022 Second Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2022-47) on CNINFO (http://www.cninfo.com.cn) .
2022 Third Extraordinary General Meeting	Extraordinary general meeting of shareholders	53.04%	November 11, 2022	November 12, 2022	Details can be found in the <i>Announcement on the Resolution of the 2022 Third Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2022-61) on CNINFO (http://www.cninfo.com.cn) .
2021 Fourth Extraordinary General Meeting	Extraordinary general meeting of shareholders	53.05%	December 12, 2022	December 12, 2022	Details can be found in the <i>Announcement on the Resolution of the 2022 Forth Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2022-79) on CNINFO (http://www.cninfo.com.cn) .

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	72	December 12, 2008	January 20, 2024	6,752,811				6,752,811	
Liu Peng	Chairman	Incumbent	Male	43	April 12, 2021	January 20, 2024	61,300				61,300	
	President	Incumbent	Male	43	March 22, 2021	January 20, 2024						
Deng Guanbiao	Vice Chairman	Incumbent	Male	45	December 12, 2011	January 20, 2024	4,957,473			-1,239,368	3,718,105	For details, please refer to the Announcement on the Completion of the Transfer of the Shares from the Actual Controller to the Controlling Shareholder through Block Trade (Announcement No. 2022-59), which has been publicized on CNINFO.
Deng Guanjie	Vice Chairman	Incumbent	Male	39	June 22, 2020	January 20, 2024	1,200,974			-300,244	900,730	For details, please refer to the Announcement on the Completion of the Transfer of the Shares from the Actual Controller to the Controlling Shareholder through Block Trade (Announcement No. 2022-59), which has been publicized on CNINFO.
Zhang	Director	Incumbent	Male	46	November	January	210,000				210,000	

Yang					17, 2021	20, 2024						
	Vice President	Incumbent	Male	46	July 12, 2021	January 20, 2024						
Yu Ep. Rachel Jing	Director	Incumbent	Female	52	September 16, 2022	January 20, 2024						
Ge Guangrui	Independent Director	Incumbent	Female	56	April 3, 2023	January 20, 2024						
He Guoquan	Independent Director	Incumbent	Male	47	January 21, 2021	January 20, 2024						
Liu Die	Independent Director	Incumbent	Male	45	January 21, 2021	January 20, 2024						
Yue Yong	Vice President	Incumbent	Male	57	July 09, 2019	January 20, 2024	9,665,241				9,665,241	
Zhao Ming	Vice President	Incumbent	Male	45	November 30, 2021	January 20, 2024	35,000				35,000	
Lin Tiande	Vice President	Incumbent	Male	43	November 30, 2021	January 20, 2024	317,521				317,521	
Zhang Haijun	Board Secretary, Vice President	Incumbent	Male	49	August 23, 2021	January 20, 2024						
Dong Ye	Chief Financial Officer	Incumbent	Male	59	December 12, 2011	January 20, 2024	243,725			20,000	263,725	Exercise of stock operations
Chen Haiyuan	Chairman of the Board of Supervisors	Incumbent	Male	69	September 22, 2015	January 20, 2024	16,900				16,900	
Liang Yongliang	Supervisor	Incumbent	Male	44	December 12, 2011	January 20, 2024						
Zhang Gao	Supervisor	Incumbent	Male	49	December 20, 2021	January 20, 2024	72,000			-22,000	50,000	After being elected as a supervisor, he does not have the incentive qualification, his restricted shares that have not been unlocked are repurchased and deregistered
Li Zhaojin	Vice	Resigned	Male	60	April 12,	November	10,800				10,800	

	President				2021	1, 2022						
Deng Wenxi	Vice President	Resigned	Female	49	April 27, 2021	June 10, 2022	21,100				21,100	
Liu Jinfeng	Director	Resigned	Male	47	September 11, 2015	March 23, 2022	1,809,350		790,570		1,018,780	Share decrease
	Vice President	Resigned	Male	47	January 31, 2018	March 23, 2022						
He Haidi	Independent Director	Incumbent	Male	55	March 10, 2017	April 03, 2023						
Total	--	--	--	--	--	--	25,374,195		790,570	-1,541,612	23,042,013	--

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 23, 2022, Mr. Liu Jinfeng resigned from the position of Director and Vice President.
2. On June 10, 2022, Mrs. Deng Wenxi resigned from the position of Supervisor; after resignation, she no longer holds any position in the Company.
3. On November 1, 2022, Mr. Li Zhaojin resigned from the position of Supervisor; after resignation, he no longer holds any position in the Company.
4. On March 6, 2023, the board of directors received a written resignation report from Mr. He Haidi, an independent director of the Company. Mr. He Haidi applied to resign from the Independent Director and all positions in the special committees of the Board due to his continuous tenure for six years. After resignation, he will no longer hold any position in the Company. Mr. He Haidi's resignation resulted in the number of independent directors of the company being less than one-third of the board members. Before the new independent director takes office, Mr. He Haidi will continue to perform his duties as an independent director in accordance with relevant regulations. On April 3, 2023, Ms. Ge Guangrui was elected as an independent director of the fifth board of directors at the Second Extraordinary General Meeting of the Company for the year 2023. The resignation of Mr. He Haidi will be effective.

Changes in directors, supervisors and senior management of the Company

Applicable Not applicable

Name	Position	Type	Date	Reason
Liu Jinfeng	Director, Vice President	Resigned	March 23, 2022	Voluntary resign
Deng Wenxi	Vice President	Appointed	June 10, 2022	Voluntary resign
Yu Ep. Rachel Jing	Director	Elected	September 16, 2022	Elected by the general meeting of shareholders
Li Zhaojin	Vice President	Appointed	November 11, 2022	Voluntary resign
He Haidi	Independent Director	Resigned upon expiry of term of office	April 3, 2023	Resigned upon expiry of term of office
Ge Guangrui	Independent Director	Elected	April 3, 2023	Elected by the general meeting of shareholders

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 and born in 1980, 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 is also the Vice Director of the Household Paper Professional Committee, China Paper Association. 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.

Yu Ep. Rachel Jing, female and born in 1971, is of French nationality and holds a master's degree. She served as the Operations VP of L'Oreal (China) Co., Ltd. from 2007 to 2016 and the CEO of Gold Hongye Paper Group from 2016 to 2018.

Ge Guangrui, female and born in 1967, is of Chinese nationality and has no permanent residency abroad. She is a senior engineer, a Chinese Certified Public Accountant (CPA), and a Certified Internal Auditor (CIA). Ms. Ge graduated from the Physics Department of Sun Yat-sen University in 1990 with a Bachelor of Science degree. She has successively served as the Director of the Science and Technology Association and the Director of the Meteorology and Testing Department of Guangdong Aide Electric Group Co., Ltd., the Financial Manager of the Marketing Center of Guangdong Dari Biochemical Pharmaceutical Co., Ltd., the CPA and Audit Project Manager of Guangdong Xinhua Certified Public Accountants, the Industry Quality Supervisor of Guangdong Institute of Certified Public Accountants, and the Independent Director of Shenzhen Refond Optoelectronics Co., Ltd. Currently she is the Independent Director of Shanghai Guangdian Electric Co., Ltd., an expert at the think tank of the Guangzhou Nansha District Enterprises and Entrepreneurs Confederation, and the Independent Director of Focus Hotmelt Co., Ltd. She has been an Independent Director of the Company since April 2023.

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.

He Haidi, male and born in September 1968, is of Chinese nationality and has no permanent residency abroad. Mr. He received a master's degree in 2006. He currently holds the professional and technical title of Associate Researcher. 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 also part-times in Zhongshan Information Research Institute and provides information consulting, information analysis, technology novelty search, support for IPR and technological innovation projects, and other services to enterprises. He acts as the Independent Director of the Company from March 2017 to April 2023.

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.

Zhao Ming, male and born in 1978, is of Chinese nationality and has a college degree. From 2001 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.

Zhang 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 shareholder entity	None				

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	September 18, 2017		No
Liu Peng	Guangdong Huichuang Zhiyuan Enterprise Management Co., Ltd	Executive Director, Manager and Legal representative	August 11, 2022		No
Liu Peng	China National Household Paper Industry Association	Deputy Director			No
Deng Guanbiao	Shenzhen Zhongshun Caizhi Investment Co., Ltd.	Supervisor	July 17, 2009		No
Deng Guanbiao	Shenzhen Jinju Investment Co., Ltd.	Director	September 26, 2021		No
Deng Guanbiao	Zhongshan Zhongshun Caizhi Trading Co., Ltd.	Supervisor	May 26, 2021		No
Deng Guanbiao	Zhongshan Youth Entrepreneurs Association	President	June 9, 2022		No

Deng Guanjie	Shenzhen Jinju Investment Co., Ltd.	Supervisor	September 27, 2021		No
Deng Guanjie	Zhongshan Zhongshun Caizhi Trading Co., Ltd.	Manager and Executive Director	May 26, 2021		No
Deng Guanjie	Shenzhen Zhongshun Caizhi Investment Co., Ltd.	Executive Director and Legal representative			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	April 16, 2019		Yes
Lin Tiande	Jiangmen Yutongda Trading Co., Ltd.	Executive Director and Legal Representative	August 16, 2022		
Yu Ep. Rachel Jing	Yingtang Dongwu Technology Co., Ltd.	Chairman	October 21, 2021		
Ge Guangrui	Shanghai Guanguan Electric Group Co.,Ltd.	Independent Director	May 24, 2017		Yes
Ge Guangrui	Focus Hotmelt CO., Ltd.	Independent Director	August 6, 2020		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. Non-independent directors who do not hold a position in the Company and 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	72	Incumbent	480.78	No
Liu Peng	Chairman, President	Male	43	Incumbent	607.53	No
Deng Guanbiao	Vice Chairman	Male	45	Incumbent	96	No
Deng Guanjie	Vice Chairman	Male	39	Incumbent	154.82	No
Zhang Yang	Director, Vice President	Male	46	Incumbent	425.01	No
Yu Ep. Rachel Jing	Director	Female	52	Incumbent	101.5	
He Haidi	Independent Director	Male	55	Incumbent	10	No
He Guoquan	Independent Director	Male	47	Incumbent	10	No
Liu Die	Independent Director	Male	45	Incumbent	10	No
Yue Yong	Vice President	Male	57	Incumbent	304.82	No
Zhao Ming	Vice President	Male	45	Incumbent	168.19	No
Lin Tiande	Vice President	Male	43	Incumbent	86.73	No
Zhang Haijun	Board Secretary	Male	49	Incumbent	105.33	No
Dong Ye	Chief Financial Officer	Male	59	Incumbent	107.4	No

Chen Haiyuan	Chairman of the Board of Supervisors	Male	69	Incumbent	5.75	No
Liang Yongliang	Supervisor	Male	44	Incumbent	52.91	No
Zhang Gao	Supervisor	Male	49	Incumbent	57.16	No
Liu Jinfeng	Director, Vice President	Male	47	Resigned	533.36	No
Deng Wenxi	Vice President	Female	49	Resigned	135.38	No
Li Zhaojin	Vice President	Male	60	Resigned	104.95	No
Total	--	--	--	--	3,557.62	--

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
13th Meeting of the fifth Session of the Board of Directors	April 26, 2022	April 28, 2022	Details can be found in the <i>Announcement of Board Resolution</i> (Announcement No.: 2022-08) on CNINFO (http://www.cninfo.com.cn) .
14th Meeting of the fifth Session of the Board of Directors	June 16, 2022	June 17, 2022	Details can be found in the <i>Announcement of the Resolution of the 14th Meeting of the 5th Board of Directors</i> (Announcement No.: 2022-25) on CNINFO (http://www.cninfo.com.cn) .
15th Meeting of the fifth Session of the Board of Directors	August 29, 2022	August 31, 2022	Details can be found in the <i>Announcement of resolutions of the board of directors in the Semi-annual report</i> (Announcement No.: 2022-40) on CNINFO (http://www.cninfo.com.cn) .
16th Meeting of the fifth Session of the Board of Directors	October 24, 2022	October 26, 2022	Details can be found in the <i>Announcement of Board Resolution</i> (Announcement No.: 2022-53) on CNINFO (http://www.cninfo.com.cn) .
17th Meeting of the fifth Session of the Board of Directors	November 22, 2022	November 23, 2022	Details can be found in the <i>Announcement of the Resolution of the 17th Meeting of the 5th Board of Directors</i> (Announcement No.: 2022-62) on CNINFO (http://www.cninfo.com.cn) .
18th Meeting of the fifth Session of the Board of Directors	December 20, 2022	December 20, 2022	Details can be found in the <i>Announcement of the Resolution of the 18th Meeting of the 5th Board of Directors</i> (Announcement No.: 2022-82) on CNINFO (http://www.cninfo.com.cn) .

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	Number of Board meetings attended in	Number of Board meetings attended via	Number of Board meetings attended by	Number of absence	Any failure in attending in person for two consecutive	Number of general shareholder meetings

	attend during the reporting period	person	communicatio n methods	proxy		meetings	attended
Deng Yingzhong	6	3	3	0	0	No	5
Liu Peng	6	5	1	0	0	No	5
Deng Guanbiao	6	1	5	0	0	No	5
Deng Guanjie	6	2	4	0	0	No	5
Zhang Yang	6	5	1	0	0	No	5
Yu Ep. Rachel Jing	2	1	1	0	0	No	2
He Haidi	6	1	5	0	0	No	5
He Guoquan	6	1	5	0	0	No	5
Liu Die	6	1	5	0	0	No	5

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, annual profit distribution, external guarantee, 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	August 26, 2022	Deliberated: <i>Proposal on Foreign Investment to Establish Holding Subsidiaries and Related Party Transactions</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	1	August 26, 2022	Deliberated: <i>Proposal on By-election of Non-Independent Directors of the Fifth 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
Remuneration and Review Committee under the Board of Directors	Liu Die, He Haidi, Deng Guanjie	4	April 12, 2022	Deliberated: 1. <i>Proposal on the Remuneration of Senior Management in 2021</i> ; 2. <i>Proposal on the Remuneration of Directors in 2021</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	None	None

				unanimously passed.			
			June 14, 2022	Deliberated: 1. <i>Proposal on Achieving the Unlock Conditions of the Third Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i> ; 2. <i>Proposal on Achieving the Exercise Conditions of the Third Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</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
			November 17, 2022	Deliberated: 1. <i>Proposal on Achieving the Unlock Conditions of the Third Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</i> ; 2. <i>Proposal on Achieving the Exercise Conditions of the Third Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan</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
			December 20, 2022	Deliberated: 1. <i>Proposal on 2022 Stock Option and Restricted Stock Incentive Plan (Draft) and Its Summary</i> ; 2. <i>Proposal on the Administrative Measures for the Implementation and Assessment of the 2022 Stock Option and Restricted Stock Incentive Plan</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

Audit Committee under the Board of Directors	He Guoquan, Liu Die, Zhang Yang	5	April 21, 2022	Deliberated: 1. <i>Annual Report of 2021</i> 2. <i>2022 First Quarter Report</i> 3. <i>Summary and Work Plan of the Audit Department for the First Quarter of 2023.</i>	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
			May 13, 2022	Deliberated: 1. <i>Proposal on Continued Engagement of the CPA Firm</i>	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
			August 16, 2022	Deliberated: 1. <i>Proposal on Changes to Accounting Policies</i> ; 2. <i>Proposal on the Company's 2022 Semi-annual Report</i> ; 3. <i>2022 Semi-Annual Work Summary of the Audit Compliance Department of C&S Paper</i>	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
			October 17, 2022	Deliberated: 1. <i>2022 Third Quarter Report</i> ; 2. <i>2022 Third Quarter Work Report of the Audit Department</i>	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	None	None

					fully discussed the proposals according to the actual situation of the Company; all proposals were unanimously passed.		
			December 15, 2022	Deliberated: 1. Communicate with Mazars Certified Public Accounts (LLP) regarding the audit of the 2022 financial statements; 2. Report the results of the 2022 audit work and the 2023 audit work plan	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	1,008
Number of in-service employees of the major subsidiaries at the end of the reporting period	5,625
Total number of in-service employees at the end of the reporting period	6,633
Total number of employees receiving remuneration in the reporting period	6,829
Number of retired employees whose expenses are borne by the Parent Company and its major subsidiaries	6
Composition of professions	
Type of professions	Number of staff in the profession
Production staff	2,292
Sales staff	2,816
Technical staff	708
Finance staff	154
Administrative staff	663
Total	6,633
Education level	
Type of education level	Number of persons
University graduates or above	777
College graduates	1,620
High school graduates or below	4,236
Total	6,633

2. Remuneration policy

The Company has established the following reward and incentive policies:

1. 2022 marketing management Elite Award Scheme
2. Reward Program for Team Breakthroughs of the Marketing Department 2022—Business Team
3. Indicator Competition Program of the Marketing Department 2022—Business Team
4. Indicator Competition Program of the Production Department 2022
5. Reward Program for Accounting Team 2022
6. Reward Program for Supply Chain Team 2022

3. Training program

In order to improve the overall quality of employees and managers and hence elevate the level of corporate governance and ensure sustainable development, the Company, with regard to the training work, has made the following layout in 2022:

(1) Establish a three-level training system for the Company and subordinate subsidiaries and branches. Level 1 Training focuses on the Company's culture, development strategy, rules and regulations, management skills, new technologies, new knowledge and other forward-looking information. The training objects are middle-level and above managers of the Company. Level 2 Training is those conducted by subsidiaries for their managers, with a focus on the Company's corporate culture, rules and regulations of the unit and safety operating procedures. Level 3 Training is those performed by each department for subordinate employees, mainly focusing on responsibilities of the post, operating procedures, safety operating procedures, workflow of the post, professional expertise such as processes and techniques, work instructions, etc., such that employees could repeatedly learn responsibilities and safety operating procedures of the post during daily meetings before and after the shift.

(2) Professional skill training: The Company also arranged professional skill trainings, mainly covering three areas: training on processes and technologies, training on the maintenance and repair of mechanical equipment, and training on production management. Such trainings were conducted at least once a week, with no less than one hour for each time.

(3) Professional knowledge training: The head of each functional department also arranged professional knowledge trainings in various forms. These trainings discussed and exchanged professional problems that arose in actual work, thereby improving the professional skills and comprehensive quality of the team

(4) Pre-job training for new employees: The HR Department organized centralized training for new employees, which mainly introduced the Company's profile, development history, strategic goals, corporate culture, product introduction, general rules and regulations, and general safety operating procedures. Training on job responsibilities and operating procedures was then conducted after the new employee reported to the department (or shift/team), such that each employee can clearly understand the duties and operating procedures of respective post. There was a written test for new employees after the training, and the test result was incorporated into the appraisal of the probationary period.

(5) Annual training plan: Each subsidiary and department were responsible for formulating respective annual training plans, which should include training organizers, responsible people, training time, training topics and content, training forms, trainees, and lecturers. There must be training records and training results must be evaluated and tracked. The training forms can be varied but should be strictly implemented according to the training plan. The HR Department should perform inspection and guidance at least once a month.

The above trainings could help managers and employees to understand the connotation of corporate culture and business knowledge, clarify job responsibilities and work standards, master a variety of business skills, and improve performances. This could improve the overall quality of managers and employees and the management level of the Company, thereby achieving a win-win situation for the Company and employees and laying a talent foundation for the realization of the Company's strategic goals.

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)*, and formulate the *Shareholder Return Plan for the Next Three Years (2023-2025)*, 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)	0.62
Basis of the shares for distribution proposal	1,309,687,213

Amount of cash dividends (RMB) (tax included)	81,200,607.21
Cash dividend amount in other ways (such as share repurchase) (RMB)	0.00
Total amount of cash dividends (including other ways) (RMB)	81,200,607.21
Distributable profit (RMB)	659,992,439.79
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	
<p>1. Profit distribution proposal in 2022: 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 RMB0.62 (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. 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.</p> <p>Note: The above table uses the total share capital as of March 31, 2023 minus the number of shares repurchased by the Company as the basis for calculation. 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.</p>	

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

Applicable Not applicable

1. Equity incentive

(1) On March 15, 2022, the cancellation procedures for 139,428 reserved restricted shares that had been granted but not unlocked under the *2018 Stock Option and Restricted Stock Incentive Plan* were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

(2) On April 26, 2022, the Company convened the 13th meeting of the Fifth Board of Directors and the 8th meeting of the Fifth Board of Supervisors, which reviewed and approved the *Proposal on the Deregistration of Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan That Have Not Been Exercised in the Second Exercise Period*. During the second exercise period of the first-granted stock options (i.e. June 30, 2021 to February 28, 2022), four recipients did not exercise the stock options within the period, so 2,400 shares need to be deregistered. The deregistration procedures for the aforementioned 2,400 shares had been completed in May 2022 under the review and confirmation of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

(3) On June 16, 2022, the Company convened the 14th meeting of the Fifth Board of Directors and the 9th meeting of the Fifth Board of Supervisors, which deliberated and approved the *Proposal on Achieving the Unlock*

Conditions of the Third Unlock Period for Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan. A total of 463 incentive recipients of the restricted stocks awarded in the first grant met the unlock conditions of the third unlock period, and the number of stocks that could be applied for unlock was 5,947,912 shares. The unlock date was June 29, 2022. The above meetings also reviewed and approved the *Proposal on Achieving the Exercise Conditions of the Third Exercise Period for Stock Options Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan.* A total of 2,000 incentive recipients of the stock options awarded in the first grant met the exercise conditions of the third exercise period, and the number of options that could be exercised was 3,314,312 shares. In addition, the *Proposal on the Repurchase and Deregistration of Partial Reserved Restricted Stocks Awarded in the First Grant under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was also reviewed and approved. The Board agreed to repurchase and deregister 501,088 restricted shares that have been granted but unlocked. 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 reviewed and approved. The Board agreed to deregister 633,088 shares of stock options that had been granted but not exercised. In addition, the above meetings also reviewed and approved the *Proposal on Adjusting the Exercise Price of Stock Options under the 2018 Stock Option and Restricted Stock Incentive Plan.* Pursuant to the Company's profit distribution plan in 2021 and relevant provisions of the *2018 Stock Option and Restricted Stock Incentive Plan*, the Company adjusted the exercise price of first-granted stock options from RMB8.472/share to RMB8.372/share, and the exercise price of reserved stock options from RMB13.865/share to RMB13.765/share.

(4) On July 05, 2022, the cancellation procedures for 633,088 shares of first-granted stock options that had been granted but not exercised were completed. On September 22, 2022, the repurchase and cancellation procedures for 501,088 first-granted restricted shares that had been granted but not unlocked were completed.

(5) The Company convened the 16th meeting of the Fifth Board of Directors and the 11th meeting of the Fifth Board of Supervisors, which reviewed and approved the *Proposal on the Deregistration of Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan That Have Not Been Exercised in the Second Exercise Period.* During the second exercise period of the reserved stock options (i.e. December 14, 2021 to September 9, 2022), 37 recipients did not exercise the stock options within the period, so 487,263 shares need to be deregistered. The deregistration procedures for the aforementioned 487,263 shares had been completed in November 2022 under the review and confirmation of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

(6) On November 22, 2022, the Company convened the 17th meeting of the Fifth Board of Directors and the 12th meeting of the Fifth Board of Supervisors, which considered and approved the *Proposal on Achieving the Unlock Conditions of the Third Unlock Period for Reserved Restricted Stocks under the Company's 2018 Stock Option and Restricted Stock Incentive Plan.* A total of 29 incentive recipients of the reserved restricted stocks met the unlock conditions of the third unlock period, and the number of stocks that could be applied for unlock was 781,144 shares. The unlock date was December 2, 2022. The above meetings also reviewed and approved the *Proposal on Achieving the Exercise Conditions of the Third Exercise Period for Reserved Stock Options under the Company's 2018 Stock Option and Restricted Stock Incentive Plan.* A total of 55 incentive recipients of the reserved stock options met the exercise conditions of the third exercise period, and the number of options that

could be exercised was 569,340 shares. 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 178,536 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 245,260 shares of stock options that had been granted but not exercised.

(7) The cancellation procedures for 245,260 shares of 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 December 7, 2022. The cancellation procedures for 178,536 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 February 9, 2023.

Implementation of the 2022 Stock Option and Restricted Stock Incentive Plan during the reporting period:

(1) On December 20, 2022, the Company convened the 18th meeting of the Fifth Board of Directors, the 13th meeting of the Fifth Board of Supervisors, and the 2023 First Extraordinary General Meeting of Shareholders, which deliberated and approved the *Proposal on the 2022 Stock Option and Restricted Stock Incentive Plan (Draft) and Its Summary*. For details, please refer to the Company's relevant announcements on CNINFO.

(2) On January 4, 2023, the Company's Board of Supervisors issued an explanation and the audit opinions on the list of incentive recipients under the *2022 Stock Option and Restricted Stock Incentive Plan*. At the same time, the Company issued a self-inspection report on the buying and selling of corporate shares by insiders and incentive recipients of the *2022 Stock Option and Restricted Stock Incentive Plan*.

(3) On January 31, 2023, the Company held the 19th meeting of the Fifth Board of Directors and the 14th meeting of the Fifth Board of Supervisors, which reviewed and approved the *Proposal on Granting Stock Options and Restricted Shares to Incentive Recipients for the First Time*. The Board believed that the granting conditions stipulated in the incentive plan were fulfilled and thereby agreed to, with January 31, 2023 as the first-grant date, grant a total of 15.665 million stock options to 686 incentive recipients who met the granting conditions with an exercise price of RMB9.48/share, and a total of 21.765 million restricted shares to 694 incentive recipients who met the granting conditions with a grant price of RMB6.32/share.

(4) The registration procedures for the first-granted stock options under the *2022 Stock Option and Restricted Stock Incentive Plan* were completed on February 24, 2023, with a quantity of 15.48 million, number of recipients 654, stock option abbreviation C&S JLC3, and stock option code 037336. In addition, the registration procedures for the first-granted restricted shares under the *2022 Stock Option and Restricted Stock Incentive Plan* were completed on March 6, 2023, with a quantity of 20.9615 million, number of recipients 617, and stock listing date March 7, 2023.

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

√ Applicable □ Not applicable

Unit: share

Name	Position	Number	Numbe	Number	Number	Exercise	Numbe	Market	Number	Number	Number	Grant	Number
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		of stock options held at the beginning of the period	of stock options newly granted in the period	of shares exercisable during the period	of shares exercised during the period	price of shares exercised during the period	of stock options held at the end of the period	price at the end of the reporting period	of shares subject to selling restrictions at the beginning of the period	of shares unlocked during the period	of shares subject to selling restrictions newly granted in the period	price of shares subject to selling restrictions	of shares subject to selling restrictions at the end of the period
Zhang Yang	Director, Vice President								120,000	120,000			0
Yue Yong	Vice President								440,000	440,000			0
Dong Ye	Chief Financial Officer	20,000	0	20,000	20,000	8.372	0	13.74	60,000	60,000			0
Lin Tiande	Vice President								26,000	26,000			0
Zhao Ming	Vice President								20,000	20,000			0
Zhang Gao	Supervisor								22,000	0			0
Liu Jinfeng (resigned)	Director, Vice President	700,000	0	700,000	0		400,000	13.74	432,000	432,000			0
Total	--	720,000	0	720,000	20,000	--	40,000	--	1,120,000	1,098,000	0	--	0
Remarks (if any)	<p>1. The third exercise period for the first-granted and reserved stock options under the <i>2018 Stock Option and Restricted Stock Incentive Plan</i> was initiated, with the starting date of June 29, 2022 and December 8, 2022, respectively. During the reporting period, Mr. Dong Ye exercised his stock options within the third exercise period. Mr. Liu Jinfeng did not exercise his stock options during the third exercise period, while his stock options awarded in the second phase were deregistered by the Company due to failure to exercise the rights during the exercise period. The Company has cancelled his second option which is not exercised within the exercise period.</p> <p>2. During the third unlocking period for first-granted and reserved restricted shares under the <i>2018 Stock Option and Restricted Stock Incentive Plan</i>, the dates of releasing from sales restrictions were June 29, 2022 and December 2, 2022, respectively. The restricted shares held by the above staff at the beginning of the period have been unlocked.</p> <p>3. Mr. Liu Jinfeng resigned his positions of director and Vice President on March 23, 2022.</p> <p>4. The Company held the 2023 First Extraordinary General Meeting on January 10, 2013, which deliberated and approved the <i>2022 Stock Option and Restricted Stock Incentive Plan</i>. It then convened the 19th meeting of the Fifth Board of Directors and the 14th meeting of Fifth Board of Supervisors, which reviewed and approved the <i>Proposal on Granting Stock Options and Restricted Shares to Incentive Recipients for the First Time</i>. Under the plan, 5,600,000 restricted shares were granted to directors and senior managers, and the registration procedures for first-granted restricted shares were completed in March 2023.</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 Company rolled out the third phase equity incentive plan in December 2022 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. Currently, the registration for the granted shares has been complete.

2. Implementation of the employee stock ownership plan

Applicable Not applicable

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 20, 2023	
Disclosure index of full text of the internal control assessment report	Please refer to the <i>2022 Self-assessment Report on Internal Control of C&S Paper Co., Ltd.</i> published on CNINFO (http://www.cninfo.com.cn) for details.	
Percentage of total assets of units included in the assessment scope to the total assets in the Company's consolidated financial statements	100%	
Percentage of total operating income of units included in the assessment scope to the operating income in the Company's consolidated financial statements	100%	
Defect identification criteria		
Category	Financial report	Non-financial report
Qualitative criteria	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	Non-financial report defects are identified mainly based on their degree of impact on business processes and their probability of occurrence.

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

		General defect: The direct property losses are less than 0.5% of operating income.
Number of material defects in financial reports		0
Number of material defects in non-financial reports		0
Number of major defects in financial reports		0
Number of major defects in non-financial reports		0

2. Internal control audit report

Applicable Not applicable

Audit Opinions in the Internal Control Audit Report	
Mazars Certified Public Accountants (LLP) believes that the Company has maintained effective internal control over financial reporting in all material aspects in accordance with <i>Basic Norms for the Internal Control of Enterprises</i> and other relevant regulations as of December 31, 2022.	
Disclosure of the Internal Control Audit Report	Disclosed
Disclosure date of the Internal Control Audit Report	April 20, 2023
Disclosure index of the Internal Control Audit Report	Please refer to the 2022 Internal control and audit report of C&S Paper Co., Ltd. published on CNINFO (http://www.cninfo.com.cn) for details.
Type of opinion of the Internal Control Audit Report	Standard unqualified
Whether there were material defects in non-financial reports	No

Whether the CPA firm issued an Internal Control Audit Report with qualified opinions

Applicable Not applicable

Whether opinions of the Internal Control Audit Report issued by the CPA firm were consistent with the self-assessment report of the Board

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

The Company and its subsidiaries and branches strictly complied with national and local environmental laws and regulations, including the *Environmental Protection Law of the People's Republic of China*, the *Environmental Impact Assessment 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*, the *Regulation on the Safety Management of Hazardous Chemicals*, and the *Interim Provisions on the Supervision and Management of Major Hazard Sources of Dangerous Chemicals*, as well as national and industry standards on environmental protection including the *Wastewater quality standards for discharge to municipal sewers* (GB/T31962-2015), the *Discharge standard of water pollutants for pulp and paper industry* (GB3544-2008), the *Emission standard of air pollutants for boiler* (GB13271-2014), and the *Discharge standard of pollutants for municipal wastewater treatment plant* (GB18918-2002).

Environmental protection administrative permits

1. Jiangmen C&S obtained the Pollutant Discharge Permit (No. 91440700758324965B001P) on July 9, 2020, with a valid period from June 15, 2020 to June 14, 2025.
2. Sichuan C&S obtained the Pollutant Discharge Permit (No. 9151018270925944X0001P) on June 26, 2020, with a valid period from June 27, 2020 to June 26, 2025.
3. Zhejiang C&S obtained the Pollutant Discharge Permit (No. 91330400793360582E001P) on December 6, 2022, with a valid period from December 06, 2022 to December 5, 2027.
4. Tangshan C&S obtained the Pollutant Discharge Permit (No. 91130200689262827L001P) on August 7, 2022, with a valid period from June 23, 2020 to June 22, 2025.
5. Yunfu C&S obtained the Pollutant Discharge Permit (No. 91445381053735377Y001P) on June 22, 2020, with a valid period from June 02, 2019 to June 01, 2024.

6. Hubei C&S obtained the Pollutant Discharge Permit (No. 91420900764132820H002P) on May 21, 2020, with a valid period from May 21, 2020 to May 20, 2023.

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.

Industry discharge standards and specifics of pollutant discharge in production and operation activities:

Name of company or subsidiary	Category of main pollutants and particular pollutants	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	32,163mg/L	200mg/L	16,4320t	335.600 t/a	None
		Ammonium nitrate	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	1.241mg/L	8mg/L	0.199t	13.4 t/a	None
		Total nitrogen	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	5.718mg/L	12mg/L	0.94	/	None
		Total phosphorus	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	0.011mg/L	0.8mg/L	0.002	/	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)	66 mg/L	80mg/L	42.198t	96 t/a	None

		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)	1.52 mg/L	8mg/L	0.32t	9.6 t/a	None
	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 1.9mg/m ³ 2# boiler 0 mg/m ³ 3# boiler 1.5 mg/m ³	10mg/m ³	0.2304t	/	None
		Nitrogen oxide	Discharge directly through the flue	3	Three chimneys (2# boiler is the standby boiler, monitoring when being used)	1# boiler 28 mg/m ³ 2# boiler 0 mg/m ³ 3# boiler 29 mg/m ³	30mg/m ³	4.1565t	31.35t/a	None
		Sulfur dioxide	Discharge directly through the flue	3	Three chimneys (2# boiler is the standby boiler, monitoring when being used)	0	10mg/m ³	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	79.439mg/L	500mg/L	0.03023t	13.97t/a	None
		Ammonium nitrate	Discharge to Jiaying Industrial Sewage Treatment Plant through municipal pipe after treatment	1	Centralized processing facilities in the factory	2.7191mg/L	35mg/L	0.001035t	9.78t/a	None
Tangshan C&S	Waste water	COD	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)	18mg/L	≤50mg/L	6.21t	26.068 t/a	None
		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)	0.188mg/L	≤5mg/L	0.108t	2.55t/a	None

	Waste gas	Nitrogen oxide	Discharge directly through the flue	1	One chimney	19.6mg/m ³	≤30mg/m ³	1.93t	6.97t/a	None
Yunfu C&S	Waste water	COD	Discharge directly	1	Sewage treatment station in the factory	32mg/L	80mg/L	64.138t	197.71t/a	None
		Ammonium nitrate	Discharge directly	1	Sewage treatment station in the factory	0.092mg/L	8mg/L	5.907t	19.76t/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,	46mg/L	≤400mg/L	41t	152.25t/a	None
		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,	0.468mg/L	≤30 mg/L	1.06t	15.25t/a	None
	Waste gas	PM (particulate matter)	Organized discharge (dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)	1	One chimney	9.2mg/m ³	≤30mg/m ³	7.919 t	28.63t/a	None
		Sulfur dioxide	Organized discharge (dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)	1	One chimney	16mg/m ³	≤200mg/m ³	110.217 t	203.87t/a	None
		Nitrogen oxide	Organized discharge (dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)	1	One chimney	41mg/m ³	≤200mg/m ³	76.22t	239.85t/a	None

Treatment of pollution

(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, Sichuan 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: Six subsidiaries or branches in Jiangmen, 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 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.

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.

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

During the reporting period, the Company and its subsidiaries and branches invested a total of RMB3.1709 million in environmental governance and protection, including testing costs, sludge disposal costs, hazardous waste disposal costs and online operation and maintenance costs, and paid a total of RMB481,300 in environmental protection taxes.

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 several cleaner production programs, which achieved tangible results and attained the expected goals for cleaner production and carbon reduction.

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	Rectification measures of the

				company	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.

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 *2022 Environmental, Social and Governance (ESG) Report* published on the designated information disclosure media www.cninfo.com.cn.

III. Efforts Regarding Poverty Alleviation and Rural Revitalization

As a national enterprise with important social influence and a leading enterprise in the household paper industry, the Company has actively fulfilled poverty alleviation and rural revitalization work during the reporting period. Specifics are as follows:

1. The Company has donated medical surgical masks, children's masks, sanitary wipes, sanitary pads, paper tissues and other materials to Yunfu, Jiangmen, Zhongshan, Jilin, Qingdao, Dongguan, Shenzhen, Weihai, Shanghai and other regions, with a total market value of about RMB8 million.
2. Hubei C&S organized activities involving intangible cultural heritage during the Dragon Boat festival, to promote the inheritance and protection of intangible cultural heritable. It also timely sent supplies to employees during the pandemic lockdown period when the supplies were in shortage.
3. Jiangmen C&S donated RMB2,000 to help employees experiencing difficulties, and visited veteran party members and local households in need in Shuangshui Town, donating funds and paper tissues to them; it also visited needy families during the Dragon Boat Festival, and participated in the philanthropy activity of the Red Cross and donated materials to families in difficulty worth RMB22,600.

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	Completed
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
	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	Completed
	Deng Yingzhong, Deng Guanbiao,	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	May 09, 2021	May 10, 2021 - May 30, 2022	Completed

	Deng Guanjie		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.			
	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	Completed
Whether commitments are fulfilled on time	Yes					
If there are commitments not fulfilled within the specified period of time, specify reasons for failure to do so and follow-up work plans	Not applicable					

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

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

Applicable Not applicable

On May 20, 2022, the Company and Zhongshan Zhongshun Trading Co., Ltd., a wholly owned subsidiary of the Company, jointly invested and established Zhongshun Health Life Technology (Shenzhen) Co., Ltd., with a registered capital of RMB10 million. The Company holds 60% of the shares while Zhongshan Trading holds 40% of the shares. The Company has incorporated Zhongshun Health into the scope of its consolidated statements since June 2021. Zhongshun Health has not started operating activities.

On October 13, 2022, the Company and Guangzhou Zhihecheng New Material Technology Co., Ltd., Guangdong

Huichuang Zhiyuan Enterprise Management Co., Ltd., Jiangmen Yutongda Trading Co., Ltd. joint invested and established Guangdong Huashun Material Technology Co., Ltd., with a registered capital of RMB20 million. The Company holds 51% of the shares, Guangzhou Zhihecheng New Material Technology Co., Ltd. holds 28%, Guangdong Huichuang Zhiyuan Enterprise Management Co., Ltd. holds 14.50% of the shares while Jiangmen Yutongda Trading Co., Ltd. holds 6.50% of the shares. The Company has incorporated Guangdong Huashun Material Technology Co., Ltd. into the scope of its consolidated statements since October 2022. Currently, Guangdong Huashun Material Technology Co., Ltd. has started operating activities.

In June 2022, the Company withdraw its investment in Guiyang Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On August 6, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, the Company withdraw its investment in Luzhou Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On May 20, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, the Company withdraw its investment in Mianyang Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On June 08, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, the Company withdraw its investment in Dazhou Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On July 14, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, the Company withdraw its investment in Zhanjiang Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On August 18, 2021, Dolemi Sanitary Products Co., Ltd. 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.

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)	170

Consecutive years of auditing service provided by the domestic accounting firm	4
Name of domestic certified public accountants	Jiang Chaojie, Pan Guiquan
Consecutive years of auditing service provided by domestic certified public accountants	Jiang Chaojie (1 year), Pan Guiquan (4 years)

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. 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.
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. Shanghai Tongli Trading Co., Ltd. and eight natural	2,932.01	No	Both the first instance and the second instance ruled that Zhongshan	The verdict of second instance came into force. Zhongshan	In execution

person defendants including Liu over sales contract dispute			Trading won the case.	Trading has applied for execution.	
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.
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 enforcement. Xiaogan C&S has applied for execution.	In execution
Yunfu C&S v. Yu over sales contract dispute	31.08	No	The first instance has ruled in favor of the company.	The verdict came into force. Yunfu C&S has applied for execution.	In execution
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
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
Tangshan C&S v. Lijiang Yile Hotel Management Co., Ltd. over arrear dispute	3.1	No	The case was mediated and closed in the first instance	The counterparty has not fulfilled obligation in line with the paper of civil mediation, Tangshan C&S has applied for execution.	In execution
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.	The verdict of first instance came into force. Tangshan C&S has applied for execution.	First round of execution ended.
Chen v. Zhongshan Trading over labor dispute	20.22	Yes (Note: The final amount is subject to the	Arbitration: awarded; First instance: adjudicated; Second	The Company appealed, pending	Not applicable

		effective ruling)	instance: The Company appealed, pending hearing	hearing	
Yang v. Tangshan C&S over labor dispute	18.6	Yes(Note: The final amount is subject to the effective ruling)	The labor arbitration committee has held hearing and made an award; the counterparty appealed and the first instance court has held hearing, with result pending	Pending judgment	Not applicable
Ha v. Sichuan C&S over the right to life, body, and health	14.18	No	The case was mediated and closed in the first instance	The case was mediated and case closed.	Case closed
Xiao v. Sichuan C&S over labor dispute	10.76	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict)	Labor arbitration committee has held hearing	Pending award	Not applicable
Yao v. Sichuan C&S over labor dispute (Determine labor relations)	0	No	Yao has withdrawn the lawsuit.	Yao has withdrawn the lawsuit and case closed.	Case closed
Yao v. Sichuan C&S over labor dispute (Determine labor relations)	0	No	Yao has withdrawn the lawsuit.	Yao has withdrew the lawsuit and case closed.	Case closed
Chen v. Sichuan C&S over labor dispute	14	Yes (Note:RMB4312.58)	Labor arbitration committee has held hearing.	Arbitration award, executed	Case closed
Hubei C&S v. BBK Commercial Chain Co., Ltd. over sales contract dispute (commercial arbitration)	3,018.18	No	Both parties have reached a settlement agreement	Hubei C&S withdrew the lawsuit.	Case closed
Zhongshan Trading v. Guangzhou Xiangxue Pharmaceutical Co., Ltd. over sales contract dispute	2	No	The case was settled and the Company withdrew the lawsuit	The deposit had been recovered	Case closed
Sichuan C&S v. Carrefour (Shanghai) Supply Chain Management Co., Ltd. Sichuan Branch over sales contract dispute (commercial arbitration)	194.27	No	Arbitration committee has accepted the case; pending hearing and judgment	Pending hearing and judgment	Not applicable
Tangshan C&S v. Carrefour Shenyang Branch over sales contract dispute (first instance)	433	No	Carrefour Shenyang Branch raised a jurisdictional objection	The court withdrew the lawsuit	Case closed
Tangshan C&S v. Carrefour Shenyang Branch over sales contract dispute	433	No	Arbitration committee has accepted the case; pending hearing and	Pending hearing and judgment	Not applicable

(commercial arbitration)			judgment		
Hubei C&S v. Carrefour (Shanghai) Supply Chain Management Co., Ltd. Ezhou Branch over sales contract dispute (first instance)	8	No	Carrefour Shanghai Branch raised a jurisdictional objection	The court withdrew the lawsuit	Case closed
Yunfu C&S v. Guangxi Nancheng Department Store Co., Ltd. over sales contract dispute	1, 170. 29	No	The case was settled.	The Company withdrew the lawsuit	Case closed
Sichuan C&S v. Sichuan BBK Commercial Co., Ltd. over sales contract dispute (commercial arbitration)	526. 46	No	The case was settled.	The Company withdrew the lawsuit	Case closed
C&S v. Zhongshan Deyi Enterprise Management Services Co., Ltd. over property sales contract dispute	3,899.2	No	The first instance court has accepted the case; the two parties have reached a settlement agreement.	Execute according to the settlement agreement	In execution
Sichuan C&S v. Xi'an Minsheng Department Store Management Co., Ltd over contract dispute	5.65	No	Mediation reached in the first instance.	The mediation agreement has come into effect and has been executed.	Case closed
Chen v. Zhejiang C&S over labor dispute	11.18	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict)	Labor arbitration committee has held hearing and made an award; both parties have filed for lawsuit with the court; the court has accepted the case; pending court hearing	Pending the hearing of the first instance court	Not applicable
Yin v. C&S over labor dispute	8.1	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict)	Labor arbitration committee has held hearing and made an award; the counter party has filed for lawsuit with the first instance court; the court has accepted the case;	Pending trial of the first instance court	Not applicable
Li v. Tangshan C&S over labor dispute	6.58	Yes(Note: RMB 2697.67)	The first instance court has held hearing.	The first instance court has made a verdict which has come into force and has been executed.	Case closed
Yan v. Jiangmen C&S over labor dispute	12.14	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict)	The labor arbitration committee has held hearing; pending award	Pending award	Not applicable
Liu v. Sichuan C&S over	19.8	No (Note: Whether	The labor arbitration	The labor arbitration	Not applicable

labor dispute		projected liabilities will be incurred cannot be determined prior to the verdict)	committee has held hearing; pending award	committee has accepted the case; pending hearing	
Xuan v. Sichuan C&S over labor dispute	28.75	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict)	The labor arbitration committee has held hearing; pending award	Pending award	Not applicable
Shenzhen Sangtek Technology Co., Ltd. v. C&S Paper over service contract dispute	6.95	No	The case was mediated and closed.	The case was mediated and closed.	Case closed
Jiaxing Jinhui Loading and Unloading Co., Ltd. v. Zhejiang C&S over service contract dispute	72.77	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict)	The case is being mediated before trial.	Pending trial of the first instance court	Not applicable
C&S v. China National Intellectual Property Administration over administrative dispute for reexamination after trademark application rejection (trade mark number 53017615)	0	No	First instance has made judgment.	The first instance court has made a verdict which has come into force and has been executed.	Case closed
C&S v. China National Intellectual Property Administration over administrative dispute for reexamination after trademark application rejection (trade mark number 53022896)	0	No	First instance has made judgment.	The first instance court has made a verdict which has come into force and has been executed.	Case closed
Guangxi Zhongxin v. China National Intellectual Property Administration for administrative litigation over trademark invalidation (Trademark No.: 8262105) (C&S is the third party)	0	No	First instance has made judgment.	The first instance court has made a verdict which has come into force and has been executed.	Case closed
Guangxi Zhongxin v. China National Intellectual Property Administration for administrative litigation over trademark invalidation (Trademark No.: 10553966) (C&S is the third party)	0	No	The first instance court has held hearing, and the Company joined as the third party.	Pending judgment	Not applicable
Guangxi Zhongxin v. China National Intellectual Property Administration for administrative litigation over reexamination of trademark revocation (Trademark No.: 10553966) (C&S is the third	0	No	The case is being mediated before trial	No progress yet	Not applicable

party)					
C&S v. China National Intellectual Property Administration for administrative litigation over reexamination of trademark application rejection (Trademark No.: 59641521)	0	No	First instance has made judgment.	The Company appealed And pending second trial	Not applicable
Miao v. Tangshan C&S over labor dispute	0	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict)	The arbitration committee has accepted the case; pending hearing	Pending hearing	Not applicable
Peng v. Zhongshan Trading over labor dispute	0.25	No	The case was mediated and closed in the arbitration.	Case closed	Case closed
Chen v. Yunfu C&S over labor dispute	10.77	No	The case was mediated and closed in the arbitration.	Case closed	Case closed
Hubei C&S v. BBK Commercial Chain Co., Ltd. over sales contract dispute (commercial arbitration)	293.65	No	The arbitration committee has accepted the case; pending hearing and judgment	Pending hearing and judgment	Not applicable
Jiangmen Lianming Jingyi Machinery Equipment Co., Ltd. v. Yunfu C&S over contract dispute	144.6	No	The case was mediated and closed.	Case closed	Case closed
Zhongshan Haolianhuang Trading Co., Ltd. v. C&S Paper over confirmation of contract validity	200	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance court has held hearing.	Pending 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	Type of	Content	Pricing	Price of	Amount of	Proporti	Approved	Wheth	Settlem	Availabl	Date of	Index
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related party transaction	relationship	related party transaction	of related party transaction	rules of related party transaction	related party transactions	related party transaction (RMB10,000)	on in the amount of similar transactions	transaction limit (RMB10,000)	er to outstrip the approved limit	ent of related party transaction	e market prices for similar transactions	disclosure	of disclosure
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	351.58	14.95%	351.58	No	Transfer settlement	Market fair price	December 01, 2021	2021-145
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	1.3	0.06%		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	Daily operation transaction	Sale of goods	Market fair price	Market fair price	0.83	0.00%		Yes	Transfer settlement	Market fair price		
Sichuan West Enjoying Life Trading Co., Ltd.	A company in which the son of the Company's Vice President Yue Yong	Daily operation transaction	Sale of goods	Market fair price	Market fair price	0.01	0.00%		Yes	Transfer settlement	Market fair price		

	holds 50% equity												
Total		--	--	353.72	--	353.72	--	--	--	--	--	--	--
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, RMB8,400 is for the 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

The Company, together with Guangzhou Zhihecheng New Material Technology Co., Ltd., Guangdong Huichuang Zhiyuan Enterprise Management Co., Ltd., and Jiangmen Yutongda Trading Co., Ltd., jointly invested and established "Guangdong Huashun Material Technology Co., Ltd." (hereinafter referred to as "Huashun Technology"), engaged in the research and development, production, and sales of low-carbon packaging new paper-based materials. Huashun Technology has a registered capital of RMB20 million, and the Company invested RMB10.2 million with its own funds, with a shareholding ratio of 51%. Huashun Technology has completed the industrial and commercial registration procedures in October 2022. For specific details, please refer to the relevant announcement released by the Company on the designated information disclosure media CNINFO.

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 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, on which the *Proposal on Daily Related Party Transactions* 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, 2022 to December 31, 2023, and the total rent involved is RMB7,031,600. 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.

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
Wuhan Jierou E-commerce Co., Ltd	November 30, 2021	15,000	September 26, 2022	6,700	Joint and several liability guarantee	None	Joint and several liability guarantee	2022.9.26-2023.11.3	None	None
Shanghai Junmeng E-commerce Co., Ltd	November 30, 2021	23,500	September 27, 2022	0	Joint and several liability guarantee	None	Joint and several liability guarantee	2022.9.27-2023.11.4	None	None
Total approved amount of external guarantee during the reporting period (A1)		38,500		Total actual amount of external guarantee during the reporting period (A2)		6,700				
Total approved amount of external guarantee at the end of the reporting period (A3)		38,500		Total actual guarantee balance at the end of the reporting period (A4)		6,700				
Guarantee of the Company for subsidiaries										
Name of guarantee object	Disclosure date of relevant announcement on	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 limit									
Zhongshan Trading	November 30, 2021	15,000	November 23, 2022	0	Joint and several liability guarantee	None	None	2022.11.23-2026.11.9	No	No
Zhongshan Trading	December 15, 2020	13,600	March 02, 2021	11,394.77	Joint and several liability guarantee	None	None	2021.3.2-2026.3.1	No	No
Zhongshan Trading	November 30, 2021	30,000	December 08, 2022	0	Joint and several liability guarantee	None	None	2022.12.8-2025.12.31	No	No
Zhongshan Trading	November 30, 2021	15,000	December 23, 2022	2,942.58	Joint and several liability guarantee	None	None	2022.12.23-2026.9.22	No	No
Zhongshan Trading	December 15, 2020	50,000	August 21, 2021	7,313.66	Joint and several liability guarantee	None	None	2021.8.21-2025.5.11	No	No
Zhongshan Trading	November 30, 2021	20,000	May 17, 2022	10,000	Joint and several liability guarantee	None	None	2022.5.17-2030.2.27	No	No
Zhongshan Trading	November 30, 2021	20,000	August 18, 2022	7,700	Joint and several liability guarantee	None	None	2022.8.18-2030.12.31	No	No
Jiangmen C&S	November 30, 2021	12,000	November 23, 2022	1,862.92	Joint and several liability guarantee	None	None	2022.11.23-2026.11.7	No	No
Jiangmen C&S	November 30, 2021	15,000	March 01, 2022	0	Joint and several liability guarantee	None	None	2022.3.1-2025.2.13	No	No
Jiangmen C&S	November 30, 2021	5,000	March 25, 2022	2,802.24	Joint and several liability	None	None	2022.3.25-2025.12.31	No	No

					guarantee					
Jiangmen C&S	December 05, 2019	5,000	December 23, 2020	0	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	November 30, 2021	20,000	November 23, 2022	1,466.42	Joint and several liability guarantee	None	None	2022.11.23-2026.11.7	No	No
Yunfu C&S	November 30, 2021	7,000	March 01, 2022	0	Joint and several liability guarantee	None	None	2022.3.1-2025.2.13	No	No
Yunfu C&S	November 30, 2021	5,000	April 24, 2022	1,368.16	Joint and several liability guarantee	None	None	2022.4.24-2027.2.24	No	No
Yunfu C&S	November 30, 2021	8,000	March 25, 2022	4,786.46	Joint and several liability guarantee	None	None	2022.3.25-2025.12.31	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
Jiangmen C&S, Yunfu C&S and Hubei C&S	November 30, 2021	22,000	January 17, 2022	0	Joint and several liability guarantee	None	None	2022.1.17-2026.1.17	No	No
Zhongshan Trading, Sichuan	November 30, 2021	15,000	April 06, 2022	0	Joint and several liability	None	None	2022.4.6-2026.3.2	No	No

C&S, Yunfu C&S and Jiangmen C&S					guarantee						
Zhongshan Trading, Hubei C&S and Macao C&S	December 31, 2020	10,372.5	June 01, 2021		0	Joint and several liability guarantee	None	None	2021.6.1- 2023.4.22	No	No
C&S Hong Kong, Zhong Shun Internationa l and Macao C&S	November 30, 2021	34,575	November 14, 2022	16,327.98		Joint and several liability guarantee	None	None	2022.11.1 4-2027.7. 31	No	No
C&S Hong Kong and Macao C&S	December 15, 2020	17,975.65	September 08, 2021		0	Joint and several liability guarantee	None	None	2021.9.8- 2024.9.8	No	No
C&S Hong Kong and Macao C&S	December 15, 2020	35,420	March 17, 2021		0	Joint and several liability guarantee	None	None	2021.3.17 -2025.12. 31	No	No
C&S Hong Kong, Zhong Shun Internationa l, Macao C&S	December 05, 2019	43,910.25	February 12, 2020	37,375.93		Joint and several liability guarantee	None	None	2020.2.12 -2024.2.1 2	No	No
C&S Hong Kong,	November 30, 2021	6,915	November 17, 2022	6,477.22		Joint and several liability guarantee	None	None	2022.11.1 7-2029.10 .28	No	No
Macao C&S	November 30, 2021	6,915	November 17, 2022	6,738.05		Joint and several liability guarantee	None	None	2022.11.1 7-2029.10 .28	No	No
C&S Hong	December	16,596	March 27,	9,253.51		Joint and	None	None	2020.3.27	No	No

Kong, Macao C&S	05, 2019		2020		several liability guarantee			-2025.8.22		
C&S Hong Kong, Zhong Shun International, Macao C&S	December 05, 2019	20,745	January 30, 2020	0	Joint and several liability guarantee	None	None	2020.1.30-2024.1.30	No	No
Macao C&S	December 15, 2017	7,606.5	March 23, 2018	3,216.66	Joint and several liability guarantee	None	None	2018.3.23-2024.9.23	No	No
Macao C&S	December 15, 2017	7,000	August 15, 2018	0	Joint and several liability guarantee	None	None	2018.8.15-2025.8.15	No	No
Macao C&S	December 15, 2020	20,745	November 12, 2021	14,203.75	Joint and several liability guarantee	None	None	2021.11.12-2024.10.20	No	No
C&S Hong Kong	November 30, 2021	13,830	September 01, 2022	0	Joint and several liability guarantee	None	None	2022.9.1-2024.9.1	No	No
C&S Hong Kong, Zhong Shun International, Macao C&S	November 30, 2021	24,202.5	September 01, 2020	820.12	Joint and several liability guarantee	None	None	2020.9.1-2024.7.9	No	No
Total approved amount of guarantee for subsidiaries during the reporting period (B1)			271,235		Total actual amount of guarantee for subsidiaries during the reporting period (B2)					62,472.03
Total approved amount of guarantee for subsidiaries at the end of the reporting period (B3)			567,408.4		Total actual guarantee balance to subsidiaries at the end of the reporting period (B4)					146,850.43

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)		309,735		Total actual amount of guarantee during the reporting period (A2 + B2 + C2)						69,172.03
Total approved amount of guarantee at the end of the reporting period (A3 + B3 + C3)		605,908.4		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						153,550.43
Proportion of the total actual amount of guarantee (A4 + B4 + C4) in the net assets of the Company				29.65%						
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)				78,666.4						
Amount of guarantees in excess of 50% of net assets (F)				0						
Total amount of the above three guarantees (D + E + F)				78,666.4						
Description of situations that the guarantee liability has occurred or there is evidence showing that the Company may be jointly and severally liable for undue guarantee contracts during the reporting period (if any)				None						
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	2,801.1	2,300.1	0	0
Wealth management product of bank	Self-owned fund	2,000	0	0	0
Total		4,801.1	2,300.1	0	0

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. 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.” As of June 3, 2022, the commitment has been fulfilled. For details, please refer to the *Announcement on the Completion of the Actual Controller’s Commitment Regarding Employees’ Increase of Company Shares* (Announcement No. 2022-23).

XVII. Significant Events of Subsidiaries of the Company

√ Applicable □ Not applicable

1. High-tech enterprise certification

The *Certificate of High-tech Enterprise* of Jiangmen C&S Paper Co., Ltd. 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) The subsidiaries Chengdu C&S, Jiangmen C&S, Jiangsu C&S, and Hangzhou Trading changed their respective legal representatives due to business development needs. The subsidiaries completed relevant industrial and commercial change registration and obtained the new business license in February, March, June, and July 2022, respectively.

(2) The subsidiary Zhong Shun International changed its business address due to business development needs in June 2022.

3. Dazhou C&S project

Construction of the first phase of Dazhou C&S’s 100,000-ton household paper production line was initiated in July 2022.

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	27,560,600	2.10%	951,000			-8,785,472	-7,834,472	19,726,128	1.50%
1. Shares held by the state									
2. Shares held by state-owned legal person									
3. Shares held by other domestic shareholders	26,965,000	2.05%	951,000			-8,521,297	-7,570,297	19,394,703	1.47%
Including: Shares held by domestic legal persons									
Shares held by domestic natural persons	26,965,000	2.05%	951,000			-8,521,297	-7,570,297	19,394,703	1.47%
4. Shares held by foreign shareholders	595,600	0.05%				-264,175	-264,175	331,425	0.03%
Including: Shares held by foreign legal persons									
Shares held by foreign natural persons	595,600	0.05%				-264,175	-264,175	331,425	0.03%
II. Shares without selling restrictions	1,285,030,233	97.90%	2,009,288			8,144,956	10,154,244	1,295,184,477	98.50%

1. RMB-denominated ordinary shares	1,285,030,233	97.90%	2,009,288			8,144,956	10,154,244	1,295,184,477	98.50%
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	1,312,590,833	100.00%	2,960,288			-640,516	2,319,772	1,314,910,605	100.00%

Explanation on changes in shares

√ Applicable □ Not applicable

1. During the reporting period, vesting incentive recipients of stock options awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the rights of 2,929,083 shares, and recipients of reserved stock options exercised the rights of 31,205 shares; a total of 2,960,288 shares were exercised. As a result, the Company's total share capital increased by 2,960,288 shares.

2. During the reporting period, in the second unlock period for the reserved restricted shares awarded under the *2018 Stock Option and Restricted Stock Incentive Plan*, six incentive recipients lost the incentive qualification since they left the Company prior to the unlock; meanwhile, eleven incentive recipients could only unlock a proportion of the shares since they passed the performance appraisal but failed to get a full mark. For the involved 17 incentive recipients due to the foregoing reasons, a total of 139,428 restricted shares needed to be repurchased and canceled. As of March 15, 2022, the repurchase and cancellation procedures had been completed for the aforesaid restricted shares. As a result, the Company's total share capital decreased by 139,428 shares.

3. During the reporting period, in the third unlock period for the first-granted restricted shares under the *2018 Stock Option and Restricted Stock Incentive Plan*, 34 incentive recipients lost the incentive qualification since they left the Company prior to the unlock; meanwhile, 37 incentive recipients could only unlock a proportion of the shares since they passed the performance appraisal but failed to get a full mark; one incentive recipient lost the incentive qualification since he/she failed the performance appraisal while one incentive recipient was no longer entitled to incentives since he/she had been elected as the supervisor of the Company. For the involved 73 incentive recipients due to the foregoing reasons, a total of 501,088 restricted shares needed to be repurchased and canceled. As of September 22, 2022, the repurchase and cancellation procedures had been completed for the aforesaid restricted shares. As a result, the Company's total share capital decreased by 501,088 shares.

Approval of changes in shares

√ Applicable □ Not applicable

1. 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.

2. 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 14th meeting of the fifth session of the Board of Directors, the 9th meeting of the fifth session of the Board of Supervisors, the 17th meeting of the fifth session of the Board of Directors, and the 12th meeting of the fifth session of the Board of Supervisors.

3. The Board of Directors' disposition of the repurchase and deregistration matters for the second 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 12th meeting of the fifth session of the Board of Directors, 7th meeting of the fifth session of the Board of Supervisors and the 2021 Six Extraordinary General Meeting.

4. The Board of Directors' disposition of the repurchase and deregistration matters for the third 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 14th meeting of the fifth session of the Board of Directors, 9th meeting of the fifth session of the Board of Supervisors and the 2022 First Extraordinary General Meeting.

Transfer of title of changed shares

Applicable Not applicable

Refer to "Explanation on changes in shares".

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

Given that the Company's total share capital increased from 1,312,590,833 shares to 1,314,910,605 shares during the reporting period, the 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 were diluted accordingly.

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	Selling restrictions were released

Liu Peng	45,975			45,975	Lock-up shares of senior management	according to relevant regulations on the shareholding of directors, supervisors and senior management.
Deng Guanbiao	3,718,105			3,718,105	Lock-up shares of senior management	
Deng Guanjie	900,730			900,730	Lock-up shares of senior management	
Zhang Yang	37,500	120,000		157,500	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.	
Yue Yong	7,463,305	330,000	544,375	7,248,930	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.	
Zhao Ming	6,250	20,000		26,250	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.	
Lin Tiande	212,141	26,000		238,141	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.	
Dong Ye	122,794	75,000		197,794	Lock-up shares of senior management; the increase in restricted shares is due to the locking of unlocked restricted shares and exercised stock options proportional to the position of the senior management.	

Chen Haiyuan	12,675			12,675	Lock-up shares of senior management	
Zhang Gao	32,000			32,000	Lock-up shares of senior management	
Li Zhaojin(resigned)	8,100	2,700		10,800	Lock-up shares of senior management	
Liu Jinfeng (resigned)	1,375,912		357,132	1,018,780	Lock-up shares of senior management	
Deng Wenxi(resigned)	15,825			15,825	Lock-up shares of senior management	
Li Youquan (resigned)	44,400		11,100	33,300	Lock-up shares of senior management	
Zhou Qichao (resigned)	374,072		93,518	280,554	Lock-up shares of senior management	
Ye Longfang (resigned)	150,000	112,500	37,500	225,000	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.	
Dai Zhenji (resigned)	427,500		106,875	320,625	Lock-up shares of senior management	
Equity incentive recipients	7,548,708		7,370,172	178,536	The shares need to be repurchased and canceled due to nonconforming to unlocking conditions.	The repurchase and cancellation procedures were completed in February 2023.
Total	27,560,600	686,200	8,520,672	19,726,128	--	--

II. Issuance and Listing of Securities

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

Applicable Not applicable

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

Applicable Not applicable

1. During the reporting period, vesting incentive recipients of stock options awarded in the first grant under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the rights of 2,929,083 shares, and recipients of reserved stock options exercised the rights of 31,205 shares; a total of 2,960,288 shares were exercised. As a result, the Company's total share capital increased by 2,960,288 shares.

2. During the reporting period, in the second unlock period for the reserved restricted shares awarded under the *2018 Stock Option and Restricted Stock Incentive Plan*, six incentive recipients lost the incentive qualification since they left the Company prior to the unlock; meanwhile, eleven incentive recipients could only unlock a proportion of the shares since they passed the performance appraisal but failed to get a full mark. For the involved 17 incentive recipients due to the foregoing reasons, a total of 139,428 restricted shares need to be repurchased and canceled. As of March 15, 2022, the repurchase and cancellation procedures had been completed for the aforesaid restricted shares. As a result, the Company's total share capital decreased by 139,428 shares.

3. During the reporting period, in the third unlock period for the first-granted restricted shares under the *2018 Stock Option and Restricted Stock Incentive Plan*, 34 incentive recipients lost the incentive qualification since they left the Company prior to the unlock; meanwhile, 37 incentive recipients could only unlock a proportion of the shares since they passed the performance appraisal but failed to get a full mark; one incentive recipient lost the incentive qualification since he/she failed the performance appraisal while one incentive recipient was no longer entitled to incentives since he/she had been elected as the supervisor of the Company. For the involved 73 incentive recipients due to the foregoing reasons, a total of 501,088 restricted shares needed to be repurchased and canceled. As of September 22, 2022, the repurchase and cancellation procedures had been completed for the aforesaid restricted shares. As a result, the Company's total share capital decreased by 501,088 shares.

3. Internal employee shares

Applicable Not applicable

III. Information of Shareholders and Actual Controllers

1. Total number of shareholders

Unit: share

Total number of ordinary shareholders as at the end of the reporting period	121,339	Total number of ordinary shareholders at the end of the month preceding the disclosure date of the annual report	117,225	Total number of preferred shareholders whose voting rights were resumed at the end of the reporting period (if any) (see Note VIII)	0	Total number of preferred shareholders whose voting rights were resumed at the end of the month preceding the disclosure date of the annual report (if any) (see Note VIII)	0
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Shareholdings of shareholders with more than 5% or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Shares held at the end of the reporting period	Increase/decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares without selling restrictions	Pledged, marked or frozen	
							Share status	Number
Guangdong Zhongshun Paper Group Co., Ltd.	Domestic non-state-owned legal person	28.69%	377,195,570	Share increase		377,195,570		
Chung Shun Co.	Foreign legal person	20.27%	266,504,789			266,504,789		
Hong Kong Securities Clearing Co., Ltd.	Foreign legal person	3.71%	48,800,217	Share reduction		48,800,217		
Ernest Partners LLC — Client funds	Foreign legal person	0.79%	10,402,100			10,402,100		
Yue Yong	Domestic natural person	0.74%	9,665,241		7,248,930	2,416,311		
Deng Yingzhong	Domestic natural person	0.51%	6,752,811		5,064,608	1,688,203		
ABC — CSI Smallcap 500 ETF	Others	0.50%	6,522,889	Share increase		6,522,889		
# Zhongshan Xinda Investment Management Co., Ltd.	Domestic non-state-owned legal person	0.47%	6,123,636			6,123,636		
# Li Hong	Domestic natural person	0.33%	4,297,300			4,297,300	Pledged	4200,000
Guohua Life — Xingyi Traditional No.2	Others	0.32%	4,211,700	New		4,211,700		
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	1. Among the top ten shareholders mentioned above, Mr. Deng Yingzhong is 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. 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> .		
Description on entrusting/being entrusted with voting rights and waiver of voting rights by the aforementioned shareholders:	Not applicable		
Description on special repurchase account among top 10 shareholders (if any) (see note 10)	There is a special repurchase account "C&S Paper Special Repurchase Securities Account" 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.	377,195,570	RMB-denominated ordinary shares	377,195,570
Chung Shun Co.	266,504,789	RMB-denominated ordinary shares	266,504,789
Hong Kong Securities Clearing Co., Ltd.	48,800,217	RMB-denominated ordinary shares	48,800,217
Ernest Partners LLC — Client funds	10,402,100	RMB-denominated ordinary shares	10,402,100
ABC — CSI Smallcap 500 ETF	6,522,889	RMB-denominated ordinary shares	6,522,889
# Zhongshan Xinda Investment Management Co., Ltd.	6,123,636	RMB-denominated ordinary shares	6,123,636
# Li Hong	4,297,300	RMB-denominated ordinary shares	4,297,300
Guohua Life — Xingyi Traditional No.2	4,211,700	RMB-denominated ordinary shares	4,211,700
ICBC — CSI Main Consumer Staples ETF	4,061,984	RMB-denominated ordinary shares	4,061,984
# Chen Ruiqiang	3,667,600	RMB-denominated ordinary shares	3,667,600
Description on the related relationship or parties acting-in-concert among the top ten ordinary shareholders without	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,		

selling restrictions and between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders	Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are related parties. 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> .
Description on the top 10 ordinary shareholders' participation in margin trading and securities lending business (if any) (see Note 4)	1. Shareholder Zhongshan Xinda Investment Management Co., Ltd. holds 6,120,602 shares through a client credit transaction guarantee securities account; 2. Shareholder Li Hong holds 97,300 shares through a client credit transaction guarantee securities account; 3. Shareholder Chen Ruiqiang holds 843,500 shares 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

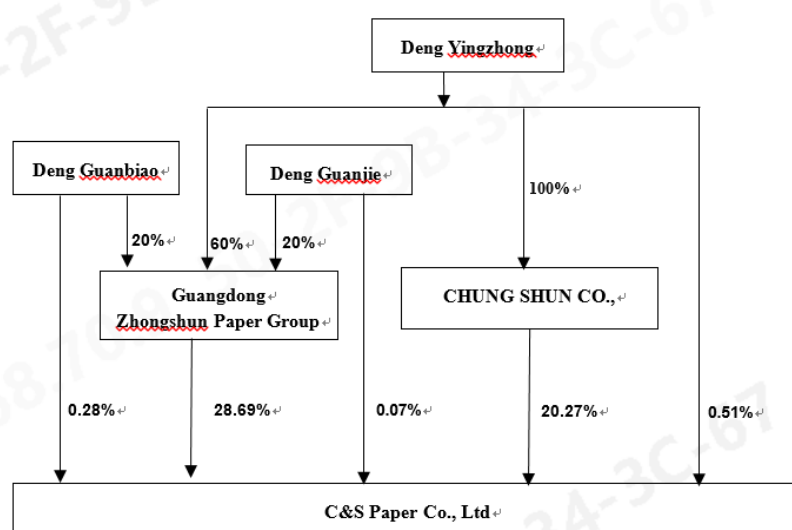
Deng Guanbiao	Self	Chinese	Yes
Deng Guanjie	Self	Chinese	No
Main occupation and position	Refer to Section IV. “Corporate Governance” --> “Particulars of Directors, Supervisors and Senior Management” --> “Main working experience” for details.		
Holding of domestic and overseas listed companies over the 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 1, 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 per 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 18, 2023
Name of auditing organization	Mazars Certified Public Accountants (LLP)
Reference number of the Audit Report	Zhong-Huan-Shen-Zi (2023) No. 0500396
Name of certified public accountants	Jiang Chaojie, 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, 2022, 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 2022, 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, 2022, and the consolidated and the Parent Company’s operating results and cash flows for 2022.

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 RMB8,569,694,360.65 in 2022. 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 RMB1,748,822,736.00 in 2022, accounting for 20.41% 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 2022 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 (Partner): Jiang Chaojie

Chinese Certified Public Accountant: Pan Guiquan

Wuhan, PRC

April 18, 2023

II. Financial Statements

Unit of financial statements: RMB

1. Consolidated balance sheet

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

December 31, 2022

Unit: RMB

Item	December 31, 2022	December 31, 2021
Current assets:		
Monetary funds	1,324,787,541.49	875,052,493.12
Settlement reserve		
Lending to banks and other financial institutions		
Tradable financial assets		
Derivative financial assets		
Notes receivable	11,371,092.80	2,327,060.20
Accounts receivable	1,084,130,138.51	1,177,831,399.28
Accounts receivable financing		
Prepayments	15,291,351.73	36,685,769.73
Premium receivable		
Reinsurance payables		
Reinsurance contract reserves receivable		
Other receivables	16,915,272.60	12,353,794.41
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventory	1,911,630,723.55	1,467,631,516.95
Contract assets		
Assets held for sale		57,073,059.69
Non-current assets due within one year		

Other current assets	334,959,353.91	123,530,879.96
Total current assets	4,699,085,474.59	3,752,485,973.34
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	31,701,597.54	33,138,481.74
Fixed assets	3,013,559,312.97	3,129,371,506.40
Construction work in progress	142,627,123.42	134,875,696.94
Productive biological assets		
Oil & gas assets		
Right-of-use assets	9,758,283.42	14,300,520.77
Intangible assets	214,243,938.48	168,453,928.11
Development expenses		
Goodwill	64,654.15	64,654.15
Long-term deferred expenses	11,771,615.74	16,762,904.09
Deferred income tax assets	206,456,657.06	182,185,944.85
Other non-current assets	5,839,034.34	91,642,363.45
Total non-current assets	3,636,022,217.12	3,770,796,000.50
Total assets	8,335,107,691.71	7,523,281,973.84
Current liabilities:		
Short-term borrowings	607,799,222.62	
Borrowings from PBC		
Placements from banks and other financial institutions		
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable	340,335,111.30	334,969,632.58
Accounts payable	948,550,430.61	829,113,780.31

Payments received in advance		
Contract liabilities	96,581,944.94	164,360,443.34
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	131,641,447.65	139,551,406.46
Tax and fees payable	53,457,966.35	107,184,810.97
Other payables	807,423,814.13	854,872,178.78
Including: Interests payable		
Dividends payable		1,352,746.20
Transaction fee and commission receivable		
Reinsurance payable		
Liabilities held for sale		
Non-current liabilities due within one year	9,833,661.30	8,616,487.38
Other current liabilities	12,440,147.55	21,250,613.29
Total current liabilities	3,008,063,746.45	2,459,919,353.11
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	803,879.30	5,565,928.14
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	98,419,983.82	104,483,429.54
Deferred income tax liabilities	47,131,368.70	46,514,550.50

Other non-current liabilities		
Total non-current liabilities	146,355,231.82	156,563,908.18
Total liabilities	3,154,418,978.27	2,616,483,261.29
Owner's equity:		
Share capital	1,314,739,745.00	1,312,457,555.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	958,187,997.99	940,742,686.19
Less: Treasury shares	688,930,693.99	722,243,283.39
Other comprehensive income		
Special reserves		
Surplus reserves	145,882,689.86	106,984,275.42
General reserves		
Retained earnings	3,448,180,639.62	3,265,611,428.36
Total equity attributable to owners of the parent company	5,178,060,378.48	4,903,552,661.58
Equities of minority shareholders	2,628,334.96	3,246,050.97
Total owner's equity	5,180,688,713.44	4,906,798,712.55
Total liabilities and owners' equities	8,335,107,691.71	7,523,281,973.84

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, 2022	December 31, 2021
Current assets:		
Monetary funds	178,834,482.59	58,690,877.05
Tradable financial assets		
Derivative financial assets		
Notes receivable		10,185.51
Accounts receivable	138,731,752.81	171,055,039.37
Accounts receivable financing		
Prepayments	3,400,385.20	3,867,904.95
Other receivables	226,320,859.44	128,580,102.05

Including: Interest receivable		
Dividends receivable		
Inventory	230,991,334.76	120,747,222.55
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	44,612,167.11	23,545,158.50
Total current assets	822,890,981.91	506,496,489.98
Non-current assets:		
Investments in creditor's rights		
Investments in other creditor's rights		
Long-term receivable		
Long-term equity investment	2,007,893,370.09	1,945,421,378.56
Investment in other equity instruments		
Other non-current financial assets		
Investment property	16,381,866.55	17,160,598.03
Fixed assets	370,818,585.12	238,119,182.14
Construction work in progress	106,508,939.88	114,301,119.02
Productive biological assets		
Oil & gas assets		
Right-of-use assets	1,870,924.32	2,207,428.16
Intangible assets	24,849,828.82	27,486,332.17
Development expenses		
Goodwill		
Long-term deferred expenses	286,261.03	
Deferred income tax assets	103,318,801.75	68,572,899.42
Other non-current assets	2,615,866.30	82,852,575.28
Total non-current assets	2,634,544,443.86	2,496,121,512.78
Total assets	3,457,435,425.77	3,002,618,002.76
Current liabilities:		
Short-term borrowings		
Tradable financial liabilities		

Derivative financial liabilities		
Notes payable	45,000,000.00	
Accounts payable	830,007,886.80	792,444,139.83
Payments received in advance		
Contract liabilities	117,155,526.88	38,166,115.55
Employee remuneration payable	45,625,887.77	42,822,592.18
Tax and fees payable	2,218,640.09	7,119,037.16
Other payables	69,251,084.96	103,779,839.13
Including: Interests payable		
Dividends payable		1,352,746.20
Liabilities held for sale		
Non-current liabilities due within one year	1,745,137.58	1,125,486.62
Other current liabilities	15,230,218.49	5,334,195.60
Total current liabilities	1,126,234,382.57	990,791,406.07
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	324,786.03	1,083,172.96
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	3,440,764.37	4,648,115.81
Deferred income tax liabilities	13,991,614.43	7,528,901.04
Other non-current liabilities		
Total non-current liabilities	17,757,164.83	13,260,189.81
Total liabilities	1,143,991,547.40	1,004,051,595.88
Owner's equity:		
Share capital	1,314,739,745.00	1,312,457,555.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		

Capital reserve	881,881,031.99	863,078,990.57
Less: Treasury shares	688,930,693.99	722,243,283.39
Other comprehensive income		
Special reserves		
Surplus reserves	145,761,355.58	106,862,941.14
Retained earnings	659,992,439.79	438,410,203.56
Total owner's equity	2,313,443,878.37	1,998,566,406.88
Total liabilities and owners' equities	3,457,435,425.77	3,002,618,002.76

3. Consolidated income statement

Unit: RMB

Item	2022	2021
I. Total Operating Income	8,569,694,360.65	9,149,870,464.80
Including: Operating income	8,569,694,360.65	9,149,870,464.80
Interest income		
Gross earned premiums		
Service charge and commission income		
II. Total Operating Cost	8,179,052,402.79	8,460,986,513.10
Including: Operating costs	5,831,051,965.27	5,863,049,104.38
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	55,219,364.89	65,545,652.41
Selling expenses	1,748,822,736.00	1,986,544,514.02
Administrative expenses	372,091,457.41	341,144,204.30
R&D expenses	203,883,267.90	211,964,212.18
Finance expenses	-32,016,388.68	-7,261,174.19
Including: Interest fees	6,011,515.38	1,872,913.37

Interest income	16,625,014.52	10,512,490.53
Plus: Other income	27,299,567.92	24,094,502.50
Return on investment ("-" indicates loss)	-848,575.30	365,973.72
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)	2,624,896.03	-9,360,485.52
Asset impairment losses ("-" indicates loss)	-20,244,984.39	-27,791,339.98
Return on disposal of assets ("-" indicates loss)	1,133,878.09	-462,228.42
III. Operating Profit ("-" indicates loss)	400,606,740.21	675,730,374.00
Plus: Non-operating income	17,028,310.82	3,810,360.34
Less: Non-operating expenditure	8,418,061.77	12,059,080.49
IV. Total Profit ("-" indicates total loss)	409,216,989.26	667,481,653.85
Less: Income tax expense	60,545,164.34	86,436,599.78
V. Net Profit ("-" indicates net loss)	348,671,824.92	581,045,054.07
i. Classified by operation continuity		
1. Net profit from continued operation ("-" indicates net loss)	348,671,824.92	581,045,054.07
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	349,971,119.46	581,097,222.93
2. Minority shareholders' profits and	-1,299,294.54	-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	348,671,824.92	581,045,054.07
Total comprehensive income attributable to owners of the parent company	349,971,119.46	581,097,222.93
Total comprehensive income attributable to minority shareholders	-1,299,294.54	-52,168.86
VIII. Earnings per Share:		
i. Basic earnings per share	0.27	0.45
ii. Diluted earnings per share	0.27	0.44

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	2022	2021
I. Operating Income	2,218,482,576.93	2,383,117,016.30
Less: Operating cost	2,014,994,490.56	2,116,546,576.95
Tax and surcharges	4,005,565.38	6,699,681.18
Selling expenses	162,821,739.68	173,898,463.88
Administrative expenses	163,751,645.84	135,461,184.59
R&D expenses		
Finance expenses	9,060,103.97	-7,098,965.55
Including: Interest fees	1,106,525.54	134,353.98
Interest income	2,341,602.05	1,173,475.32
Plus: Other income	5,490,452.84	4,353,161.48
Return on investment ("-" indicates loss)	491,079,446.35	482,704,072.79
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)	69,882.23	-628,473.64
Asset impairment losses ("-" indicates loss)	-3,646,356.28	-2,273,866.23
Return on disposal of assets ("-" indicates loss)	152,339.86	
II. Operating Profit ("-" indicates loss)	356,994,796.50	441,764,969.65
Plus: Non-operating income	1,031,485.26	737,533.42
Less: Non-operating expenditure	856,475.48	7,335,396.44
III. Total Profit ("-" indicates total loss)	357,169,806.28	435,167,106.63
Less: Income tax expense	-31,814,338.15	-19,983,064.82
IV. Net Profit ("-" indicates net loss)	388,984,144.43	455,150,171.45
i. Net profit from continued operation ("-" indicates net loss)	388,984,144.43	455,150,171.45
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	388,984,144.43	455,150,171.45
VII. Earnings per Share:		
i. Basic earnings per share		
ii. Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	2022	2021
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	8,635,820,677.52	9,026,736,956.62
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	28,860,833.73	868,062.36
Cash received related to other operating activities	135,305,373.23	70,331,809.95
Sub-total of cash inflow from operating activities	8,799,986,884.48	9,097,936,828.93
Cash paid for goods purchased and services rendered	6,079,633,823.31	5,434,415,226.04
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	908,781,252.30	838,638,770.81
Tax payments	490,976,047.68	584,815,507.83
Cash payments related to other operating activities	928,902,748.82	920,487,717.42
Sub-total of cash outflow from operating activities	8,408,293,872.11	7,778,357,222.10
Net cash flow from operating activities	391,693,012.37	1,319,579,606.83

II. Cash Flows from Investing Activities:		
Cash from realization of investment	1,271,515.16	
Cash received from the return on investments	200,462.39	365,973.72
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	10,622,726.39	11,062,476.47
Net amount of cash received from the disposal of subsidiaries and other operating organizations		38,219.83
Cash received related to other investing activities	72,479,083.36	50,000,000.00
Sub-total of cash inflow from investing activities	84,573,787.30	61,466,670.02
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	325,456,173.55	636,140,768.78
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	233,835,500.00	72,479,083.36
Sub-total of cash outflow from investing activities	559,291,673.55	708,619,852.14
Net cash flows from investing activities	-474,717,886.25	-647,153,182.12
III. Cash Flows from Financing Activities:		
Cash received from capital contribution	25,155,032.61	34,820,899.15
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	993,134,345.55	187,245,860.18
Cash received related to other financing activities	1,365,300.52	

Sub-total of cash inflow from financing activities	1,019,654,678.68	222,066,759.33
Cash paid for repayments of borrowings	365,808,379.24	328,879,098.49
Cash payment for interest expenses and distribution of dividends or profits	134,206,157.99	129,946,347.96
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash payments related to other financing activities	16,082,248.77	682,429,516.95
Sub-total of cash outflow from financing activities	516,096,786.00	1,141,254,963.40
Net cash flows from financing activities	503,557,892.68	-919,188,204.07
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	30,567,330.09	-5,474,680.66
V. Net Increase in Cash and Cash Equivalents	451,100,348.89	-252,236,460.02
Plus: Opening balance of cash and cash equivalents	797,797,675.70	1,050,034,135.72
VI. Closing Balance of Cash and Cash Equivalents	1,248,898,024.59	797,797,675.70

6. Cash flow statement of the Parent Company

Unit: RMB

Item	2022	2021
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	2,080,326,852.29	2,271,872,550.53
Tax rebates	2,925,548.55	
Cash received related to other operating activities	453,281,870.34	807,061,207.28
Sub-total of cash inflow from operating activities	2,536,534,271.18	3,078,933,757.81
Cash paid for goods purchased and services rendered	1,725,582,893.01	1,619,835,759.07
Cash paid to and on behalf of	222,150,588.23	186,144,361.74

employees		
Tax payments	22,652,687.50	44,702,981.48
Cash payments related to other operating activities	643,756,534.48	897,857,291.76
Sub-total of cash outflow from operating activities	2,614,142,703.22	2,748,540,394.05
Net cash flow from operating activities	-77,608,432.04	330,393,363.76
II. Cash Flows from Investing Activities:		
Cash from realization of investment		
Cash received from the return on investments	491,913,946.35	482,704,072.79
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	2,780.00	10,290.00
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	10,000,000.00	50,000,000.00
Sub-total of cash inflow from investing activities	501,916,726.35	532,714,362.79
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	112,469,525.43	177,904,868.68
Cash paid for investments	60,600,000.00	7,740,000.00
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	23,835,500.00	10,000,000.00
Sub-total of cash outflow from investing activities	196,905,025.43	195,644,868.68
Net cash flows from investing activities	305,011,700.92	337,069,494.11
III. Cash Flows from Financing Activities:		
Cash received from capital contribution	24,147,285.61	31,560,899.15

Cash received from borrowings	67,876,693.39	
Cash received related to other financing activities	4,410,630.31	
Sub-total of cash inflow from financing activities	96,434,609.31	31,560,899.15
Cash paid for repayments of borrowings	64,800,323.12	9,477,423.45
Cash payment for interest expenses and distribution of dividends or profits	130,475,295.51	128,727,133.02
Cash payments related to other financing activities	4,847,442.07	676,395,258.62
Sub-total of cash outflow from financing activities	200,123,060.70	814,599,815.09
Net cash flows from financing activities	-103,688,451.39	-783,038,915.94
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	839,418.36	-1,731.44
V. Net Increase in Cash and Cash Equivalents	124,554,235.85	-115,577,789.51
Plus: Opening balance of cash and cash equivalents	54,273,414.25	169,851,203.76
VI. Closing Balance of Cash and Cash Equivalents	178,827,650.10	54,273,414.25

7. Consolidated statement of changes in owner's equity

Amount of the current period

Unit: RMB

Item	2022													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		
	Preferred shares	Perpetual bonds	Others												
I. Balance at the End of Last Year	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
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	1,312,457,555.00			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
III. Changes in the Period ("-" Indicates Decrease)	2,282,190.00			17,445,311.80	-33,312,589.40			38,898,414.44		182,569,211.26		274,507,716.90	-617,716.01	273,890,000.89
i. Total comprehensive income										349,971,119.46		349,971,119.46	-1,299,294.54	348,671,824.92
ii. Capital contributed or decreased by owner	2,282,190.00			17,445,311.80	-33,312,589.40							53,040,091.20	681,578.53	53,721,669.73
1 Ordinary shares contributed by owners	2,961,814.00			22,029,783.94								24,991,597.94	2,100,000.00	27,091,597.94
2 Capital contributed by owners of other equity instruments														
3 Share based payments recognized as owner's equity	-679,624.00			-4,584,472.14	-33,312,589.40							28,048,493.26		28,048,493.26
4 Others													-1,418,421.47	-1,418,421.47
iii. Profit distribution								38,898,414.44		-167,401,908.20		-128,503,493.76		-128,503,493.76
1 Appropriation of surplus reserves								38,898,414.44		-38,898,414.44				
2 Appropriation of general risk reserves														
3 Distribution to owners (or shareholders)										-128,503,493.76		-128,503,493.76		-128,503,493.76
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	1,314,739,745.00				958,187,997.99	688,930,693.99			145,882,689.86		3,448,180,639.62		5,178,060,378.48	2,628,334.96	5,180,688,713.44

Amount of last period

Unit: RMB

Item	2021												Equity of minority shareholders	Total owner's equity
	Owner's equity attributable to the Parent Company													
	Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Others	Subtotal			

		Pr efe re nc e sh are s	Pe rp etu al bo nd s	Ot he rs										
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 the 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	
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	3,131,211.00				31,164,564.50							34,295,775.50	3,260,000.00	37,555,775.50

by owners														
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

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

Amount of the current period

Unit: RMB

Item	2022											
	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	1,312,457,555.00				863,078,990.57	722,243,283.39			106,862,941.14	438,410,203.56		1,998,566,406.88
Plus: Alternation to accounting policies												
Correction to previous errors												
Others												
II. Balance at the Beginning of the	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

Year												
III. Changes in the Period ("-" Indicates Decrease)	2,282,190.00				18,802,041.42	-33,312,589.40			38,898,414.44	221,582,236.23		314,877,471.49
i. Total comprehensive income										388,984,144.43		388,984,144.43
ii. Capital contributed or decreased by owner	2,282,190.00				18,802,041.42	-33,312,589.40						54,396,820.82
1 Ordinary shares contributed by owners	2,961,814.00				22,029,783.94							24,991,597.94
2 Capital contributed by owners of other equity instruments												
3 Share based payments recognized as owner's equity	-679,624.00				-3,227,742.52	-33,312,589.40						29,405,222.88
4 Others												
iii. Profit distribution									38,898,414.44	-167,401,908.20		-128,503,493.76
1 Appropriation of surplus reserves									38,898,414.44	-38,898,414.44		
2 Distribution to owners (or shareholders)										-128,503,493.76		-128,503,493.76
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	1,314,739,745.00					881,881,031.99	688,930,693.99			145,761,355.58	659,992,439.79	2,313,443,878.37

Amount of last 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 ("-" Indicates Decrease)	970,478.00				31,385,784.38	625,762,372.10			45,515,017.15	281,000,229.49		-266,890,863.08
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

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, 2022, the Company has had a registered capital of RMB1,314,739,745.00 and a share capital of RMB1,314,739,745.00

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 18, 2023.

5. Consolidation scope of financial statements

As of December 31, 2022, the Company has 25 subsidiaries that are included in the consolidated scope, as detailed in "Note IX. Equities in Other Entities". Compared with last year, two subsidiaries have been newly added into while five subsidiaries have 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 41 accounting standards, *Guidelines for the Application of the Accounting Standards for Business Enterprises*, interpretation to the accounting standards for business enterprises and other relevant regulations that are successively promulgated on or after February 15, 2006 (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), and rules set out in *No. 15 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies - General Rules for Financial Statements* (2014 Revision) issued by China Securities

Regulatory Commission based on actual transactions and events.

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

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates:

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

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

The financial statements of the Company conform to the requirements set out in the Accounting Standards for Business Enterprises. The statements truthfully and completely reflect the financial status of the Company as of December 31, 2022 as well as its operating results, cash flow, and other relevant information during 2022. 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. 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 31, 2021, the Ministry of Finance issued the <i>Interpretation No. 15 to Accounting Standards for Business Enterprises</i> (C.K. [2021] No. 35) (hereinafter referred to as the "Interpretation No. 15"), which stipulated that contents regarding "accounting methods for the external sales of products or by-products before they reach intended use or produced during the research and development process" and "judgment of loss contracts" shall be implemented from January 1, 2022, and contents regarding "presentation concerning centralized management of funds" shall be adopted from December 31, 2021. According to relevant requirements, the Company started to implement the Interpretation No. 15 from January 1, 2022.	On August 29, 2022, the Company convened the 15th meeting of the fifth session of the Board of Directors and the 10th 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> dated August 31, 2022 on CNINFO (http://www.cninfo.com.cn).

(2) Significant changes of accounting estimates

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%、6%、5%
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., and Xiaogan C&S Trading Co., Ltd.,	25%
C&S (Zhongshan) Paper Co., Ltd., Beijing Bloomage Jierou Biotechnology Co., Ltd., Dolemi Sanitary Products Co., Ltd., Zhengzhou Dolemi Sanitary Products Co., Ltd., Xi'an Dolemi Sanitary Products Co., Ltd., Zhongshun Health Life Technology (Shenzhen)Co., Ltd. and Guangdong Huashun Material Technology 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 2022.

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 2022.

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 2022.

Pursuant to relevant provisions of the *Announcement of the State Administration of Taxation on Matters Concerning the Implementation of Preferential Income Tax Policies to Support the Development of Small and Micro Enterprises* (SAT Doc. No. 2021 [008]) and the *Announcement of the State Administration of Taxation and the Ministry of Finance on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises* (MOF and SAT Doc. No. 2022 [013]), from January 1, 2021 to December 31, 2022, the policy on inclusive income tax deduction and exemption for small low-profit enterprises is applicable to C&S (Zhongshan) Paper Co., Ltd., Beijing Bloomage Jierou Biotechnology Co., Ltd., Dolemi Sanitary Products Co., Ltd., Zhengzhou Dolemi Sanitary Products Co., Ltd., Xi'an Dolemi Sanitary Products Co., Ltd., Zhongshun Health Life Technology (Shenzhen)Co., Ltd. and Guangdong Huashun Material Technology Co., Ltd. in 2022. 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 12.5%, 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 25%, 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	20,309.66	46,249.83
Bank deposits	1,231,680,951.11	795,982,835.01
Other monetary funds	93,086,280.72	79,023,408.28
Total	1,324,787,541.49	875,052,493.12
Including: Total deposits in overseas banks	165,068,426.96	187,577,086.41
The total amount of funds with restrictions on use due to mortgage, pledge, or freezing	75,889,516.90	77,254,817.42

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	9,871,092.80	2,327,060.20
Commercial acceptance bill	1,500,000.00	
Total	11,371,092.80	2,327,060.20

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

Unit: RMB

Item	Termination of recognition amount at the end of the period	Unrecognized amount at the end of the period
Commercial acceptance bill		1,500,000.00
Total		1,500,000.00

(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	34,992,417.09	3.10%	15,136,103.86	43.26%	19,856,313.23	41,279,711.95	3.37%	15,136,103.86	36.67%	26,143,608.09
Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	1,092,720,726.79	96.90%	28,446,901.51	2.60%	1,064,273,825.28	1,183,699,791.69	96.63%	32,012,000.50	2.70%	1,151,687,791.19
Including:										
Portfolio based on aging	1,092,720,726.79	96.90%	28,446,901.51	2.60%	1,064,273,825.28	1,183,699,791.69	96.63%	32,012,000.50	2.70%	1,151,687,791.19
Total	1,127,713,143.88	100.00%	43,583,005.37	3.86%	1,084,130,138.51	1,224,979,503.64	100.00%	47,148,104.36	3.85%	1,177,831,399.28

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	22,180,045.16	8,218,072.46	37.05%	It is difficult to recover all goods payments due to the poor business performance of the customer.
Institution 2	6,695,735.27	4,455,035.27	66.54%	It is difficult to recover all goods payments due to the poor business performance of the customer.
Institution	6,116,636.66	2,462,996.13	40.27%	It is difficult to recover all goods payments due to the poor

3				business performance of the customer.
Total	34,992,417.09	15,136,103.86		--

Bad debt reserve set aside in portfolios: 28,446,901.51

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Ratio of provision
Within the credit period	954,288,664.35	19,085,773.28	2.00%
Credit period - 1 year	129,694,009.09	6,484,700.45	5.00%
1 to 2 years	3,625,774.79	543,866.23	15.00%
2 to 3 years	1,117,888.65	335,366.59	30.00%
3 to 5 years	3,994,389.91	1,997,194.96	50.00%
Total	1,092,720,726.79	28,446,901.51	

Description of reason for the portfolio:

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

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

Applicable Not applicable

Disclose by aging

Unit: RMB

Aging	Book balance
Within 1 year (inclusive)	1,083,982,673.44
1 to 2 years	10,321,510.06
2 to 3 years	1,117,888.65
Over 3 years	32,291,071.73
3 to 4 years	1,565,879.81
4 to 5 years	2,428,510.10
Over 5 years	28,296,681.82
Total	1,127,713,143.88

(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	47,148,104.36	-3,093,792.00		452,211.29	-19,095.70	43,583,005.37
Total	47,148,104.36	-3,093,792.00		452,211.29	-19,095.70	43,583,005.37

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

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

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	452,211.29

其中重要的应收账款核销情况：无

(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	437,720,163.71	38.81%	8,769,761.84
2nd	83,339,805.67	7.39%	2,833,198.43
3rd	34,758,269.70	3.08%	695,165.39
4th	33,349,528.53	2.96%	742,065.81
5th	27,700,218.76	2.46%	554,004.38
Total	616,867,986.37	54.70%	

(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	15,291,351.73	100.00%	36,685,769.73	100.00%
Total	15,291,351.73	--	36,685,769.73	--

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 RMB 10,987,790.66, accounting for 71.86% 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	16,915,272.60	12,353,794.41
Total	16,915,272.60	12,353,794.41

(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
Current accounts	7,890,771.57	5,834,746.14
Margins and deposits	6,069,070.04	4,555,486.30
Others	2,869,499.74	1,937,176.46
Reserve	2,691,372.66	2,167,837.76
Total	19,520,714.01	14,495,246.66

2) Provision of bad debt reserve

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2021	2,141,452.25			2,141,452.25
Balance as at January 1, 2021 in the reporting period				
—Moving to the third stage	-4,690.34		4,690.34	
Provision in the reporting period	468,895.97			468,895.97
Write-off in the reporting			4,690.34	4,690.34

period			
Other changes	-216.47		-216.47
Balance as at December 31, 2022	2,605,441.41		2,605,441.41

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)	14,968,876.87
1 to 2 years	1,049,381.54
2 to 3 years	552,151.00
Over 3 years	2,950,304.60
3 to 4 years	1,007,100.00
4 to 5 years	1,825,619.10
Over 5 years	117,585.50
Total	19,520,714.01

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	2,141,452.25	468,895.97		4,690.34	-216.47	2,605,441.41
Total	2,141,452.25	468,895.97		4,690.34	-216.47	2,605,441.41

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	4,690.34

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	2,661,408.58	Within 1 year	13.63%	133,070.43
2nd	Current account	1,860,806.87	Within 1 year	9.53%	93,040.34
3rd	Margins and deposits	900,500.00	4-5 years	4.61%	450,250.00
4th	Margins and deposits	850,000.00	Within 1 year, 1-2 years, 2- 3 years, 3-4 years,4-5 years.	4.35%	352,500.00
5th	Margins and deposits	625,500.00	Within 1 year, 1-2 years, 2- 3 years, 3-4 years,4-5 years.	3.20%	179,775.00
Total	--	6,898,215.45	--	35.32%	1,208,635.77

6) Receivables involving government grants: None**7) Other receivables derecognized due to the transfer of financial assets: None****8) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of other receivables: None****9. 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	1,120,294,078.05	3,958,483.30	1,116,335,594.75	886,711,194.32	5,050,118.51	881,661,075.81
Work-in-process products	108,420,732.66	858,734.39	107,561,998.27	50,455,115.89	188,464.55	50,266,651.34
Commodity stocks	619,274,397.98	10,309,137.57	608,965,260.41	458,467,589.59	4,792,993.52	453,674,596.07
Packages	37,055,688.67	416,133.78	36,639,554.89	43,288,272.57	465,044.89	42,823,227.68
Low-value consumables	20,499,334.30	2,540,724.48	17,958,609.82	24,525,776.59	820,943.23	23,704,833.36
Materials for consigned processing	24,169,705.41		24,169,705.41	15,501,132.69		15,501,132.69
Total	1,929,713,937.07	18,083,213.52	1,911,630,723.55	1,478,949,081.65	11,317,564.70	1,467,631,516.95

(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	5,050,118.51	356,610.98		1,448,246.19		3,958,483.30
Work-in-process products	188,464.55	868,434.13		198,164.29		858,734.39
Commodity stocks	4,792,993.52	11,240,177.08		5,724,033.03		10,309,137.57
Packages	465,044.89	469,154.49		518,065.60		416,133.78
Low-value consumables	820,943.23	2,053,649.43		333,868.18		2,540,724.48
Total	11,317,564.70	14,988,026.11		8,222,377.29		18,083,213.52

(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

11. Assets held for sale:

Other description:

Item	Balance at the end of the period	Balance at the beginning of the period
Immovable assets (including land use rights) within the old factory in Hubei C&S		57,073,059.69
Total		57,073,059.69

As of the end of March 2022, the Company and Xiaogan Changxing Investment Co., Ltd. have finally completed asset delivery.

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
Large-denomination Certificate of Deposit	210,000,000.00	62,479,083.36
Input VAT to be deducted	101,907,351.54	46,011,229.37
Treasury bond reverse repurchase	23,001,000.00	
Prepaid corporate income tax	51,002.37	5,040,567.23
Wealth management products		10,000,000.00
Total	334,959,353.91	123,530,879.96

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 end of the period	31,072,632.92	21,661,131.29		52,733,764.21
II. Accumulated Depreciation and Amortization				
1. Balance at the beginning of the period	14,094,505.59	5,500,776.88		19,595,282.47
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	15,193,533.87	5,838,632.80		21,032,166.67

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	15,879,099.05	15,822,498.49		31,701,597.54
2. Book value at the beginning of the period	16,978,127.33	16,160,354.41		33,138,481.74

(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	3,013,559,312.97	3,129,371,506.40
Total	3,013,559,312.97	3,129,371,506.40

(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	1,341,340,687.24	3,445,905,919.04	61,098,219.68	21,992,518.35	94,447,269.89	4,964,784,614.20

2. Increase in the current period	31,323,843.38	234,474,408.55	12,747,199.95	1,001,912.57	13,335,088.54	292,882,452.99
(1) Purchase		160,460.19	7,550,860.05	1,001,912.57	1,965,469.04	10,678,701.85
(2) Inventory\fixed assets\transfer from construction work in progress	31,323,843.38	234,313,948.36	5,196,339.90		11,369,619.50	282,203,751.14
(3) Increase in business combination						
3. Decrease in the current period	1,087,705.61	74,895,329.82	1,606,123.70	246,088.49	303,532.04	78,138,779.66
(1) Disposal or scrap	1,087,705.61	74,895,329.82	1,606,123.70	246,088.49	303,532.04	78,138,779.66
4. Balance at the end of the period	1,371,576,825.01	3,605,484,997.77	72,239,295.93	22,748,342.43	107,478,826.39	5,179,528,287.53
II. Accumulated Depreciation						
1. Balance at the beginning 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
2. Increase in the current period	50,684,361.63	307,200,609.67	9,232,559.07	2,279,381.60	13,954,832.47	383,351,744.44
(1) Provision	50,684,361.63	307,200,609.67	9,232,559.07	2,279,381.60	13,954,832.47	383,351,744.44
3. Decrease in the current period	687,399.57	38,069,418.25	1,403,883.98	61,693.00	273,178.84	40,495,573.64
(1) Disposal or scrap	687,399.57	38,069,418.25	1,403,883.98	61,693.00	273,178.84	40,495,573.64
4. Balance at the end of the period	328,463,784.70	1,698,804,701.37	42,106,720.32	12,317,156.27	66,497,929.43	2,148,190,292.09
III. Impairment Provision						
1. Balance at the beginning of the period	271,024.32	29,680,382.73	58,221.32		69,358.14	30,078,986.51
2. Increase in		11,243,121.98	479,291.06		401,185.19	12,123,598.23

the current period						
(1) Provision		11,243,121.98	479,291.06		401,185.19	12,123,598.23
3. Decrease in the current period	271,024.32	24,093,674.58	58,221.32		982.05	24,423,902.27
(1) Disposal or scrap	271,024.32	24,093,674.58	58,221.32		982.05	24,423,902.27
4. Balance at the end of the period		16,829,830.13	479,291.06		469,561.28	17,778,682.47
IV. Book Value						
1. Book value at the end of the period	1,043,113,040.31	1,889,850,466.27	29,653,284.55	10,431,186.16	40,511,335.68	3,013,559,312.97
2. Book value at the beginning 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) Information on temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Equipment	61,104,828.53	33,816,414.90	16,829,830.13	10,458,583.50	
Office equipment	1,727,646.57	1,188,058.00	479,291.06	60,297.51	
Production equipment	1,094,351.31	590,790.03	469,561.28	34,000.00	
Total	63,926,826.41	35,595,262.93	17,778,682.47	10,552,881.01	

(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
Plants and warehouses of Tangshan Branch	48,149,248.09	Processing
Total	48,149,248.09	

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	142,627,123.42	134,875,696.94
Total	142,627,123.42	134,875,696.94

(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	66,109,020.18		66,109,020.18	10,160,431.64		10,160,431.64
Construction work of Jiangmen C&S	6,474,001.68		6,474,001.68	3,894,339.75		3,894,339.75
Construction work of Zhejiang C&S				1,136,260.16		1,136,260.16
Construction work of Sichuan C&S				4,628,355.84		4,628,355.84
Construction work of Tangshan Branch	40,399,919.70		40,399,919.70	104,140,687.38		104,140,687.38
Construction work of Hubei C&S	586,622.06		586,622.06	4,347,806.26		4,347,806.26
Construction work of Yunfu C&S	25,882,040.96		25,882,040.96	6,037,233.84		6,037,233.84
Construction work of Jiangsu C&S	530,582.07		530,582.07	530,582.07		530,582.07
Construction	2,644,936.77		2,644,936.77			

work of Dazhou C&S												
Total	142,627,123.42					142,627,123.42	134,875,696.94					134,875,696.94

(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	75,672,31.85	10,160,431.64	62,394,825.42	6,446,236.88		66,109,020.18	95.88%	95.88%				Others
Construction work of Jiangmen C&S	38,390,576.07	3,894,339.75	32,124,323.12	29,544,661.19		6,474,001.68	93.82%	93.82%				Others
Construction work of Zhejiang C&S	2,850,704.89	1,136,260.16	1,714,339.64	2,850,599.80			100.00%	100.00%				Others
Construction work of Sichuan C&S	10,793,481.23	4,628,355.84	6,165,125.39	10,793,481.23			100.00%	100.00%				Others
Construction work of Tangshan Branch	306,034,107.30	104,140,687.38	102,834,081.90	166,574,849.58		40,399,919.70	92.50%	92.50%				Others
Construction	32,242,5	4,347,80	26,206,6	29,967,8		586,622.	94.76%	94.76%				Others

tion work of Hubei C&S	34.25	6.26	76.77	60.97		06						
Construc tion work of Yunfu C&S	64,524,3 17.72	6,037,23 3.84	55,870,8 68.61	36,026,0 61.49		25,882,0 40.96	95.95%	95.95%				Others
Construc tion work of Jiangsu C&S	695,600, 000.00	530,582. 07				530,582. 07	0.08%	0.08%				Others
Construc tion work of Dazhou C&S	825,000, 000.00		2,644,93 6.77			2,644,93 6.77	0.32%	0.32%				Others
Total	2,051,10 8,053.31	134,875, 696.94	289,955, 177.62	282,203, 751.14		142,627, 123.42						--

(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	23,128,769.16	23,128,769.16
2. Increase in the current period	12,283,612.08	12,283,612.08
3. Decrease in the current period	11,254,653.14	11,254,653.14
4. Balance at the end of the period	24,157,728.10	24,157,728.10
II. Accumulated Depreciation		
1. Balance at the beginning of the period	8,828,248.39	8,828,248.39
2. Increase in the current period	14,260,141.80	14,260,141.80
(1) Provision	14,260,141.80	14,260,141.80
3. Decrease in the current period	8,688,945.51	8,688,945.51
(1) Disposal	8,688,945.51	8,688,945.51
4. Balance at the end of the period	14,399,444.68	14,399,444.68
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	9,758,283.42	9,758,283.42
2. Book value at the beginning of the period	14,300,520.77	14,300,520.77

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	1,733,287.88		24,473,780.06	168,370.83	215,439,760.92
2. Increase in the current period	52,530,000.00			1,401,306.61		53,931,306.61
(1) Purchase	52,530,000.00			1,401,306.61		53,931,306.61
(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	241,594,322.15	1,733,287.88		25,875,086.67	168,370.83	269,371,067.53
II. Accumulated Amortization						
1. Balance at the beginning of the period	33,248,263.66	1,000,988.17		12,568,210.15	168,370.83	46,985,832.81
2. Increase in the current period	4,322,603.52	133,326.60		3,685,366.12		8,141,296.24
(1) Provision	4,322,603.52	133,326.60		3,685,366.12		8,141,296.24
3. Decrease in the current period						
(1) Disposal						
4. Balance at the end of the period	37,570,867.18	1,134,314.77		16,253,576.27	168,370.83	55,127,129.05

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	204,023,454.97	598,973.11		9,621,510.40		214,243,938.48
2. Book value at the beginning of the period	155,816,058.49	732,299.71		11,905,569.91		168,453,928.11

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

None.

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, 2022, 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	923,439.53	419,080.00	1,091,071.57		251,447.96
Decoration fees of office buildings	13,584,414.56	6,793,606.45	10,779,664.26		9,598,356.75
Electricity use rights	2,255,050.00		619,500.00		1,635,550.00
Energy indicators		343,513.21	57,252.18		286,261.03
Total	16,762,904.09	7,556,199.66	12,547,488.01		11,771,615.74

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	44,842,165.10	9,748,898.84	48,619,359.11	10,491,437.82

Unrealized profit in internal transaction	45,044,696.11	9,641,645.08	48,456,053.79	10,181,650.08
Deductible loss	567,079,521.21	140,749,809.49	396,983,644.42	99,145,338.70
Provision for impairment of inventories	18,083,213.52	3,328,793.96	11,317,564.70	1,862,027.54
Provision for impairment of fixed assets	17,778,682.47	3,294,136.72	30,078,986.51	5,111,314.51
Equity incentive cost	1,251,162.68	264,199.53	57,965,133.83	14,145,915.91
Accrued expenses	89,060,568.74	22,265,142.19	96,707,743.24	24,176,935.81
Deferred income	87,700,783.44	17,164,031.25	90,270,562.19	17,071,324.48
Total	870,840,793.27	206,456,657.06	780,399,047.79	182,185,944.85

(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	238,373,819.49	47,131,368.70	240,560,367.15	46,514,550.50
Total	238,373,819.49	47,131,368.70	240,560,367.15	46,514,550.50

(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		206,456,657.06		182,185,944.85
Deferred income tax liabilities		47,131,368.70		46,514,550.50

(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	1,346,281.63	
Total	1,346,281.63	

(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 engineering equipment	3,096,668.04		3,096,668.04	34,786,139.79		34,786,139.79
Prepayment for software	2,742,366.30		2,742,366.30	708,378.66		708,378.66
Prepayment for property purchase				56,147,845.00		56,147,845.00
Total	5,839,034.34		5,839,034.34	91,642,363.45		91,642,363.45

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	606,299,222.62	
Discounting of unrecognized notes receivable	1,500,000.00	
Total	607,799,222.62	

Description of classification of short-term borrowings:

The guaranteed loans are all guaranteed loans between related parties within the scope of the Company merger.

(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	340,335,111.30	334,969,632.58
Total	340,335,111.30	334,969,632.58

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	948,550,430.61	829,113,780.31
Total	948,550,430.61	829,113,780.31

(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	96,581,944.94	164,360,443.34
Total	96,581,944.94	164,360,443.34

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	139,212,737.55	832,655,168.45	846,226,603.54	125,641,302.46
II. Post-employment Benefits - Defined Contribution Plan	338,668.91	63,375,122.14	60,713,645.86	3,000,145.19
III. Dismissal Benefits		12,253,405.79	9,253,405.79	3,000,000.00
Total	139,551,406.46	908,283,696.38	916,193,655.19	131,641,447.65

(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	138,256,273.82	746,708,052.42	760,339,425.01	124,624,901.23
2. Employee welfare		27,062,443.32	27,062,443.32	
3. Social insurance premiums	256,104.91	32,028,542.18	31,904,215.76	380,431.33
Including: Medical insurance	234,279.48	28,293,492.33	28,375,414.91	152,356.90
Employment injury insurance	20,215.91	3,026,524.54	2,820,506.54	226,233.91
Maternity insurance	1,609.52	708,525.31	708,294.31	1,840.52
4. Housing provident fund	429,409.73	22,803,909.42	23,048,519.15	184,800.00
5. Labor union fee and staff education fee	270,949.09	4,052,221.11	3,872,000.30	451,169.90
Total	139,212,737.55	832,655,168.45	846,226,603.54	125,641,302.46

(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	327,176.38	61,163,066.29	58,559,589.66	2,930,653.01

2. Unemployment insurance	11,492.53	2,212,055.85	2,154,056.20	69,492.18
Total	338,668.91	63,375,122.14	60,713,645.86	3,000,145.19

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	11,926,192.62	47,434,141.38
Corporate income tax	30,255,024.65	47,999,180.89
Individual income tax	2,200,055.48	2,282,034.20
City construction and maintenance tax	1,756,304.79	3,157,814.56
Property tax	1,403,446.94	1,479,897.22
Education surcharges	923,674.57	1,525,822.40
Local education surcharges	615,783.03	1,017,214.96
Land use tax	778,111.47	845,611.47
Stamp tax	2,599,126.99	794,985.81
Security fund for the disabled	672,176.96	380,114.13
Environmental protection tax	256,939.83	183,923.63
Resource tax	71,129.02	84,070.32
Total	53,457,966.35	107,184,810.97

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
Other payables	807,423,814.13	853,519,432.58
Total	807,423,814.13	854,872,178.78

(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
Total		1,352,746.20

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	772,151,144.55	791,690,297.01
Margins and deposits	29,983,785.18	17,980,073.86
Authorized collection and payment of individual income tax under the equity incentive	4,039,396.65	8,360,156.40
Others	1,249,487.75	2,176,315.91
Repurchase obligation of restricted shares		33,312,589.40
Total	807,423,814.13	853,519,432.58

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
Institution 1	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	9,833,661.30	8,616,487.38
Total	9,833,661.30	8,616,487.38

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	12,440,147.55	21,250,613.29
Total	12,440,147.55	21,250,613.29

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	10,637,540.60	14,182,415.52
Lease liabilities due within one year	-9,833,661.30	-8,616,487.38
Total	803,879.30	5,565,928.14

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 period	Increase in the current period	Decrease in the current period	Balance at the end of the period	Reason
Government grants	104,483,429.54	9,792,782.00	15,856,227.72	98,419,983.82	Related to asset Government grants
Total	104,483,429.54	9,792,782.00	15,856,227.72	98,419,983.82	--

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	29,464,497.68			1,071,436.32			28,393,061.36	Related to asset
Support funds for the construction of Automated Storage & Retrieval System	19,627,205.86			1,561,764.72			18,065,441.14	Related to asset
Support funds for the transformation	13,921,235.17			2,251,422.48			11,669,812.69	Related to asset

of Phase I project								
Support funds for equipment of Phase II project	7,512,269.27			1,871,191.20			5,641,078.07	Related to asset
Financial support funds for construction expansion of 25,000-ton high-grade household paper project	6,827,805.95			625,447.80			6,202,358.15	Related to asset
Subsidy funds for the smart factory project	5,039,332.30	3,000,000.00		3,207,694.77			4,831,637.53	Related to asset
Ex-post funds awarded to the first batch of the union enterprises for technical transformation in 2017	3,446,992.70			600,082.84			2,846,909.86	Related to asset
Support funds for the technical transformation of equipment production line	2,839,945.04			784,403.40			2,055,541.64	Related to asset
Support funds for the construction of environmental protection facilities	2,713,492.19			319,047.60			2,394,444.59	Related to asset
Support funds for enterprise technical upgrading	2,427,313.82			780,329.31			1,646,984.51	Related to asset
Discount interest funds for imported equipment	2,245,718.75			193,875.00			2,051,843.75	Related to asset
Subsidies for sewage treatment	2,187,499.91			477,272.76			1,710,227.15	Related to asset

station								
Subsidies for the expansion of the high-grade household paper project with an annual output of 25,000 tons	1,746,666.87			159,999.96			1,586,666.91	Related to asset
Special funds for capacity expansion of 25,000-ton high-grade household paper project	1,245,833.18			575,000.04			670,833.14	Related to asset
Subsidies for construction of the water treatment project	1,214,782.72			155,078.64			1,059,704.08	Related to asset
Support funds for sewage centralized water treatment project	850,500.00			121,500.00			729,000.00	Related to asset
Provincial funds for traditional industry transformation projects	803,571.46			107,142.84			696,428.62	Related to asset
Provincial-level special subsidies for high-quality development of the manufacturing industry		5,050,000.00		367,272.80			4,682,727.20	Related to asset
District-level support funds for technical transformation		1,000,000.00		120,689.66			879,310.34	Related to asset
Funds for reconstruction project of automatic	368,766.67			368,766.67				Related to asset

production lines								
Subsidies for technical transformation with “zero land increase”		742,782.00		136,808.91			605,973.09	Related to asset
Total	104,483,429.54	9,792,782.00		15,856,227.72			98,419,983.82	

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	1,312,457,555.00	2,961,814.00			-679,624.00	2,282,190.00	1,314,739,745.00

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 Second Grant under the Company’s 2018 Stock Option and Restricted Stock Incentive Plan* approved at the 5th 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 was from December 14, 2021 to September 9, 2022. As of September 9, 2022, a total of 2,307 incentive recipients who had met the above exercise conditions have exercised their rights, and a total of 3,068,271 shares have been subscribed, of which 398,538 shares were subscribed in 2021.

According to the *Proposal on Achieving the Exercise Conditions of the Third 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 14th meeting of the fifth session of the Board of Directors, the number of stock options that had met exercise conditions was 3,314,312 and the number of incentive recipients in conformity with the exercise conditions reached 2,000. The exercise period was from June 29, 2022 to March 3, 2023. According to the *Proposal on Achieving the Exercise Conditions of the Third Exercise Period for Reserved Stock Options under the Company’s 2018 Stock Option and Restricted Stock Incentive Plan* approved at the 17th meeting of the fifth

session of the Board of Directors, the number of stock options that have met exercise conditions was 569,340 and the number of incentive recipients in conformity with the exercise conditions reached 55. The exercise period is from December 8, 2022 to October 27, 2023. As of December 31, 2022, the incentive recipients who had met the above exercise conditions have successively begun to exercise their rights, and a total of 2,563,276 shares have been subscribed.

The 14th meeting of the fifth session of the Board of Directors and the first extraordinary general meeting of 2022 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 501,088 restricted shares of 73 incentive recipients.

The 17th meeting of the fifth session of the Board of Directors and the fourth extraordinary general meeting of 2022 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 178,536 restricted shares of 15 incentive recipients.

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)	650,391,444.26	30,217,032.50	2,743,409.76	677,865,067.00
Other capital reserve	290,351,241.93	3,046,816.45	13,075,127.39	280,322,930.99
Total	940,742,686.19	33,263,848.95	15,818,537.15	958,187,997.99

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 RMB30,217,032.50 and decreased “capital reserve-other capital reserve” by RMB8,187,248.56. The repurchase and deregistration of incentive stocks decreased “capital reserve-other capital reserve” by RMB2,743,409.76.

(2) The Company set aside provision for equity incentive costs and fees in the reporting period and

RMB3,046,816.45 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 RMB4,887,878.83 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	33,312,589.40	1,352,746.20	34,665,335.60	
Ordinary shares	688,930,693.99			688,930,693.99
Total	722,243,283.39	1,352,746.20	34,665,335.60	688,930,693.99

Other descriptions, including increase/decrease in the reporting period and reasons of change:

Notes: (1) The third unlock period unlocked 5,947,912 shares of first-grant stock options at RMB4.33 per share and 781,744 shares of reserved stock options at RMB7.02 per share granted under the *2018 Stock Option and Restricted Stock Incentive Plan*. Totally RMB31,242,301.84 was included in the decrease of the current period; the withdrawable cash dividend of RMB1,352,746.2 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 501,088 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 178,536 shares with RMB7.02 per share. Totally 679,624 shares were repurchased with an amount of RMB3,423,033.76, which was included in the decrease 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	106,984,275.42	38,898,414.44		145,882,689.86
Total	106,984,275.42	38,898,414.44		145,882,689.86

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.

60. Retained earnings

Unit: RMB

Item	Current period	Last period
Retained earnings before adjustment at the end of the last period	3,265,611,428.36	2,858,664,147.39
Retained earnings at the beginning of the period after adjustment	3,265,611,428.36	2,858,664,147.39
Plus: Net profit attributable to owners of the parent company of the current period	349,971,119.46	581,097,222.93
Less: Appropriated statutory surplus reserve	38,898,414.44	45,515,017.15
Dividends on ordinary shares payable	128,503,493.76	128,634,924.81
Retained earnings at the end of the period	3,448,180,639.62	3,265,611,428.36

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	8,400,901,675.33	5,675,317,897.02	8,735,274,140.52	5,501,122,254.42
Other businesses	168,792,685.32	155,734,068.25	414,596,324.28	361,926,849.96
Total	8,569,694,360.65	5,831,051,965.27	9,149,870,464.80	5,863,049,104.38

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	8,569,694,360.65		8,569,694,360.65

Including:			
Household paper	8,350,198,393.95		8,350,198,393.95
Personal care	50,703,281.38		50,703,281.38
Others	168,792,685.32		168,792,685.32
By operating region	8,569,694,360.65		8,569,694,360.65
Including:			
Domestic	8,364,917,807.64		8,364,917,807.64
Abroad	204,776,553.01		204,776,553.01
By market or customer type			
Including:			
Contract type			
Including:			
By the time of goods transfer			
Including:			
By contract term			
Including:			
By sales channel	8,569,694,360.65		8,569,694,360.65
Including:			
Traditional	4,078,262,777.23		4,078,262,777.23
Non-traditional	4,322,638,898.10		4,322,638,898.10
Others	168,792,685.32		168,792,685.32
Total	8,569,694,360.65		8,569,694,360.65

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 RMB61,058,246.33, of which the income of RMB61,058,246.33 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	17,555,207.48	23,259,197.19

Education surcharges	8,427,702.15	11,299,182.73
Resource tax	121,441.61	108,953.60
Property tax	10,978,648.02	11,076,937.04
Land use tax	2,949,918.58	3,209,808.34
Vehicle and vessel tax	7,250.00	11,340.00
Stamp tax	8,741,850.05	8,115,643.88
Local education surcharges	5,618,468.03	7,766,237.20
Environmental protection tax	818,878.97	698,352.43
Total	55,219,364.89	65,545,652.41

Other description: None

63. Selling expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	419,938,114.12	392,220,286.40
Product promotion fees	1,048,872,311.39	1,178,898,284.39
Transportation expenses	71,160,288.97	101,585,932.85
Advertising expenses	71,166,380.81	164,748,600.16
Shopping mall management fees	81,521,562.34	91,587,702.20
Traveling expenses	28,590,301.22	28,835,492.13
Rental fees	11,832,333.16	14,115,005.94
Depreciation of use right assets	3,449,771.10	2,970,607.66
Business entertainment expenses	3,362,428.25	3,862,187.81
Others	8,929,244.64	7,720,414.48
Total	1,748,822,736.00	1,986,544,514.02

Other description: None

64. Administrative expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	169,481,138.91	139,371,643.54
Equity incentive cost	3,046,816.45	12,688,659.70
Depreciation and amortization fees	78,957,388.92	72,707,033.97
Office allowance	29,947,001.90	32,926,203.90

Consulting service fees	21,166,052.62	18,499,710.79
Outsourcing warehouse management fees	29,375,315.47	25,599,685.04
Business entertainment expenses	6,466,115.63	6,017,041.93
Traveling expenses	3,063,009.63	2,922,435.63
Environmental protection fees	3,482,412.11	3,080,326.43
Rental fees	6,311,024.01	4,916,595.12
Depreciation of use right assets	10,534,238.07	5,562,026.99
Others	10,260,943.69	16,852,841.26
Total	372,091,457.41	341,144,204.30

Other description: None

65. R&D expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	37,413,163.98	38,282,563.30
Direct investment	138,775,767.29	141,887,483.28
Depreciation and amortization fees	24,643,095.23	26,981,304.24
Others	3,051,241.40	4,812,861.36
Total	203,883,267.90	211,964,212.18

Other description: None

66. Finance expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Interest fees	6,011,515.38	1,872,913.37
Less: Interest income	16,625,014.52	10,512,490.53
Exchange profit and loss	-26,795,486.60	-3,248,733.35
Transaction fee	5,392,597.06	4,627,217.45
Others		-81.13
Total	-32,016,388.68	-7,261,174.19

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	1,478,746.93	1,715,525.67
Subsidy funds for the smart factory project	3,207,694.77	1,794,486.82
Subsidies for internship, employment, job stabilization and training	2,796,359.01	920,646.29
Support funds for the transformation of Phase I project	2,251,422.48	2,251,422.48
Subsidies for new-generation IT and industrial development projects	2,103,200.00	
Support funds for equipment of Phase II project	1,871,191.20	1,955,301.73
Support funds for the construction of Automated Storage & Retrieval System	1,561,764.72	1,561,764.72
One-off job retention subsidy	1,118,920.00	
Subsidies for Hubei C&S's new factory infrastructure construction	1,071,436.32	1,071,436.32
Subsidies for R&D, famous-brand and high-quality products, and income/efficiency increase	1,000,000.00	1,020,000.00
Support funds for the technical transformation of equipment	784,403.40	800,790.96
Support funds for enterprise technical upgrading	780,329.31	792,374.28
2013-2017 financial support funds of the Management Committee of Pengzhou Industrial Development Zone, Sichuan Province	625,447.80	625,447.80
Ex-post funds awarded to the first batch of the union enterprises for the technical transformation in 2017	600,082.84	634,586.64
25,000 tons capacity expansion project of Tangshan Subsidiary	575,000.04	575,000.04
Subsidies for social insurance premiums	518,485.24	31,604.66
Special funds for business development	500,000.00	800,000.00
Automatic payment of Xinhui District for first batch of enterprises under the "Ten Golden Rules" in 2021	500,000.00	
Financial support for the sewage treatment station project of Tangshan Subsidiary	477,272.76	477,272.76
Funds for reconstruction project of automatic production lines	368,766.67	1,021,200.00
Provincial-level special subsidies for high-quality development of the manufacturing industry	367,272.80	
Support funds for the construction of environmental protection facilities	319,047.60	319,047.60
VAT exemption for employment of retired soldiers and poor population	317,800.00	934,150.00
Subsidies for boiler renovation	270,000.00	
Special award funds for the restructuring of industrial enterprises	250,000.00	210,900.00
Tax contribution reward	200,000.00	100,000.00
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

Subsidies for foreign trade stabilization	140,000.00	200,000.00
Subsidies for technical transformation with “zero land increase”	136,808.91	
Financial support for sewage centralized water treatment project	121,500.00	121,500.00
District-level support funds for technical transformation	120,689.66	
Provincial funds for traditional industry transformation projects	107,142.84	107,142.84
Government reward for staggering power consumption	53,994.16	
Subsidies of the Productivity Promotion Center for high-tech enterprises	50,000.00	
Rewards for creation of odor-free enterprise	41,834.86	62,752.29
Job increase subsidy	35,000.00	
Special subsidy for high-tech enterprise identification 2020	30,000.00	
Reward for Manufacturing Enterprises in Spring 2022	30,000.00	
Subsidies for job creation for the poor	5,000.00	97,995.00
Subsidies for employees’ training while working	4,000.00	297,000.00
Enterprise operation contribution award		1,708,500.00
Subsidies for renovation		700,000.00
Technical demonstration subsidies for water intake points		280,000.00
Social security subsidies from the labor and employment administration		234,000.00
Enterprise support funds		50,000.00
Financial rewards for cleaner production transformation		50,000.00
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
Total	27,299,567.92	24,094,502.50

68. Return on investment

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Investment income from disposal of trading financial assets	-862,019.34	
Others	13,444.04	365,973.72
Total	-848,575.30	365,973.72

Other description:

"Others" refer to mainly for the purchase of forward settlement and sales of foreign exchange, and the maturity income of financial products

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	-468,895.97	-309,391.71
Bad debt loss from accounts receivable	3,093,792.00	-9,051,093.81
Total	2,624,896.03	-9,360,485.52

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	-8,287,334.34	-3,442,595.01
V. Impairment Loss of Fixed Assets	-11,957,650.05	-24,348,744.97
Total	-20,244,984.39	-27,791,339.98

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	1,133,878.09	-462,228.42
Total	1,133,878.09	-462,228.42

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	61,502.99	98,166.07	61,502.99
Including: Fixed assets	61,502.99	98,166.07	61,502.99
Intangible assets			

Government grants not related to the company's daily activities	27,030.00	270.00	27,030.00
Income from fine and compensation	2,912,236.62	1,954,623.83	2,912,236.62
Others	14,027,541.21	1,757,300.44	14,027,541.21
Total	17,028,310.82	3,810,360.34	17,028,310.82

Government grants recognized as profit and loss of the current period:

Unit: RMB

Grants	Issuer	Reason	Nature and type	Whether the grant affected the profit and loss of the year	Whether a special grant	Amount incurred in the current period	Amount incurred in the last period	Related to asset/income
Party building funds	Party Building Work Office of Xiaolan Town Committee, 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	11,620.00		Related to income
Employment subsidies for new employees coming to work in JPEDZ	Management Committee of Jiaxing Port Economic Development Zone (JPEDZ)	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	9,000.00		Related to income
Party building funds	Development and Construction Management Committee of Jiaxing Port Economic Development Zone (JPEDZ)	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	4,620.00		Related to income
Return of the energy review fee	Development and Construction Management Committee of	Grant	Grants received for the performance of the State's function of	No	No	1,500.00		Related to income

	Jiaying Economic Development Zone (JPEDZ)	Port Zone	ensuring the supply or price control of a public utility or socially necessary product					
Wage survey subsidies	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	290.00	270.00	Related to income
Total						27,030.00	270.00	

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	4,446,968.20	8,284,411.07	4,446,968.20
Loss from damage and retirement of non-current assets	2,921,095.42	1,690,488.06	2,921,095.42
Including: Fixed assets	2,921,095.42	1,690,488.06	2,921,095.42
Intangible assets			
Others	1,049,998.15	2,084,181.36	1,049,998.15
Total	8,418,061.77	12,059,080.49	8,418,061.77

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	89,205,696.14	143,551,604.93
Deferred income tax expense	-28,660,531.80	-57,115,005.15
Total	60,545,164.34	86,436,599.78

(2) Adjustment process of accounting profits and income tax expenses

Unit: RMB

Item	Incurred in the current period
Total profit	409,216,989.26
Income tax expenses calculated at the statutory/applicable tax rate	102,304,247.32
Impacts of different tax rates applied to subsidiaries	-45,712,716.25
Impacts of adjustments to income taxes during the prior period	-4,807,354.21
Impacts of non-deductible costs, expenses and losses	8,760,987.48
Income tax expenses	60,545,164.34

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	64,446,492.14	20,953,685.44
Government grants	19,345,965.45	10,830,599.76
Interest income	16,633,143.74	10,512,454.74
Authorized collection of individual income tax under the equity incentive	11,422,541.53	17,793,045.78
Others	23,457,230.37	10,242,024.23
Total	135,305,373.23	70,331,809.95

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	809,965,552.28	773,465,376.40
Current accounts	100,707,087.43	120,888,965.74
Authorized payment of individual income tax under the equity incentive	12,636,579.77	14,133,649.74
Donation expenditure	107,700.00	2,070,143.19

Others	5,485,829.34	9,929,582.35
Total	928,902,748.82	920,487,717.42

Explanation of cash paid related to other operating activities: None

(3) Cash received related to other investing activities

Unit: RMB

Item	Incurrred in the current period	Incurrred in the prior period
Principal repayment on maturity of wealth management products	10,000,000.00	50,000,000.00
Principal repayment on maturity of treasury bonds reverse repo	62,479,083.36	
Total	72,479,083.36	50,000,000.00

Explanation of cash received related to other investment activities: None

(4) Cash payments related to other investing activities

Unit: RMB

Item	Incurrred in the current period	Incurrred in the prior period
Purchasing large-denomination Certificate of Deposit	210,000,000.00	62,479,083.36
Purchasing wealth management products		10,000,000.00
Forward settlement and sales of foreign exchange	834,500.00	
Reverse repurchase of treasury bond bonds	23,001,000.00	
Total	233,835,500.00	72,479,083.36

Explanation of cash paid related to other investment activities: None

(5) Cash received related to other financing activities

Unit: RMB

Item	Incurrred in the current period	Incurrred in the prior period
Recovery of bills and letter of credit deposits	1,365,300.52	
Total	1,365,300.52	

Explanation of cash received related to other financing activities: None

(6) Cash payments related to other financing activities

Unit: RMB

Item	Incurrred in the current period	Incurrred in the prior period
Deposits of security deposits for bills, letters of		2,127,733.68

guarantee and letters of credit		
Cash paid for lease liabilities	12,659,215.01	9,320,775.83
Repurchase and deregistration of equity incentives	3,423,033.76	9,731,035.21
Share repurchase		661,249,972.23
Total	16,082,248.77	682,429,516.95

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	348,671,824.92	581,045,054.07
Plus: Provisions for asset impairment	17,620,088.36	37,151,825.50
Depreciation of fixed assets, oil and gas assets and productive biological assets	384,788,628.64	345,469,209.62
Depreciation of use right assets	14,260,141.80	8,828,248.39
Intangible asset amortization	8,141,296.24	6,946,755.56
Long-term unamortized expenses	12,547,488.01	11,725,159.36
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" indicates income)	-1,133,878.09	462,228.42
Losses from fixed assets write-off ("-" indicates income)	2,859,592.43	1,592,321.99
Losses from changes in fair value ("-" indicates income)		
Finance expenses ("-" indicates income)	36,578,845.47	7,347,594.03
Investment losses ("-" indicates income)	848,575.30	-365,973.72
Decrease in deferred income tax assets ("-" indicates increase)	-29,277,350.00	-67,725,902.35
Increase in deferred income tax liabilities ("-" indicates decrease)	616,818.20	10,610,897.20

Decrease in inventories ("-" indicates increase)	-452,286,540.94	197,085,573.38
Decrease in operating receivables ("-" indicates increase)	109,580,842.67	-143,214,872.03
Increase in operating payables ("-" indicates decrease)	-65,170,177.09	309,932,827.71
Others	3,046,816.45	12,688,659.70
Net cash flow from operating activities	391,693,012.37	1,319,579,606.83
2 Significant investment and financing activities not involving cash:	--	--
Conversion of debt to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3 Net changes in cash and cash equivalents:	--	--
Balance of cash at the end of the period	1,248,898,024.59	797,797,675.70
Less: Balance of cash at the beginning of the period	797,797,675.70	1,050,034,135.72
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	451,100,348.89	-252,236,460.02

(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	1,248,898,024.59	797,797,675.70
Including: Cash on hand	20,309.66	46,249.83
Bank deposits always available for payment	1,231,680,951.11	795,982,835.01

Other monetary funds always available for payment	17,196,763.82	1,768,590.86
III. Balance of Cash and Cash Equivalents at the End of the Period	1,248,898,024.59	797,797,675.70

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	75,889,516.90	Security deposits for issuing letter of credit and notes
Total	75,889,516.90	--

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			261,363,335.33
Including: USD	37,003,390.67	6.9150	255,878,446.48
EUR			
HKD	6,194,066.49	0.8855	5,484,845.88
MOP	50.00	0.8594	42.97
Accounts receivable			66,872,908.06
Including: USD	5,158,609.25	6.9150	35,671,782.96
EUR			
HKD	35,235,601.47	0.8855	31,201,125.10
Long-term borrowings			
Including: USD			
EUR			

HKD			
Other receivables			159,644.94
Including: HKD	180,287.90	0.8855	159,644.94
Short-term borrowings			436,299,222.62
Including: USD	63,094,609.20	6.9150	436,299,222.62
Accounts payable			528,439,775.18
Including: USD	75,812,244.15	6.9150	524,241,668.30
JPY	79,509,600.00	0.0528	4,198,106.88
Other payables			2,465,478.08
Including: HKD	2,784,277.90	0.8855	2,465,478.08

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	9,792,782.00	Deferred income, other income	1,509,822.83
Related to income	9,964,593.27	Other income	9,964,593.27
Related to income	27,030.00	Non-operating income	27,030.00
Total	19,784,405.27		11,501,446.10

(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:

On May 20, 2022, the Company and Zhongshan Zhongshun Trading Co., Ltd., a wholly owned subsidiary of the Company, jointly invested and established Zhongshun Health Life Technology (Shenzhen) Co., Ltd., with a registered capital of RMB10 million. The Company holds 60% of the shares while Zhongshan Trading holds 40% of the shares. The Company has incorporated Zhongshun Health into the scope of its consolidated statements since June 2021. Zhongshun Health has not started operating activities.

On October 13, 2022, the Company and Guangzhou Zhihecheng New Material Technology Co., Ltd., Guangdong Huichuang Zhiyuan Enterprise Management Co., Ltd., Jiangmen Yutongda Trading Co., Ltd. joint invested and established Guangdong Huashun Material Technology Co., Ltd., with a registered capital of RMB20 million. The Company holds 51% of the shares, Guangzhou Zhihecheng New Material Technology Co., Ltd. holds 28%, Guangdong Huichuang Zhiyuan Enterprise Management Co., Ltd. holds 14.50% of the shares while Jiangmen Yutongda Trading Co., Ltd. holds 6.50% of the shares. The Company has incorporated Guangdong Huashun Material Technology Co., Ltd. into the scope of its consolidated statements since October 2022. Currently, Guangdong Huashun Material Technology Co., Ltd. has started operating activities.

In June 2022, the Company withdraw its investment in Guiyang Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On August 6, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, the Company withdraw its investment in Luzhou Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On May 20, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, the Company withdraw its investment in Mianyang Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On June 08, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, the Company withdraw its investment in Dazhou Dolemi Sanitary Products Co., Ltd., and no longer incorporated it into the scope of consolidated statements. On July 14, 2021, Dolemi Sanitary Products Co., Ltd. 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.

In October 2022, Zhanjiang Duoleimi Sanitary Products Co., Ltd. is dissolved and cancelled, and the company will no longer include it in the scope of merger from the date of cancellation. On August 18, 2021, Dolemi Sanitary Products Co., Ltd. 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.

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.	Jiaying, Zhejiang	Jiaying, Zhejiang	General items: manufacture of paper products; sales of paper products; sales of paper pulp; sales of personal hygiene products; sales of hygiene products and disposable medical products; sales of disinfectants (excluding hazardous chemicals); sales of Class I medical devices; retail of Class I medical devices; sales of Class II medical devices; retail of class II medical devices; wholesale of medical face masks; retail of medical face masks; sales of general merchandise; retail of daily necessities; sales of maternal and infant products; wholesale of kitchenware, sanitary ware and daily sundries; wholesale of cosmetics; retail of cosmetics; wholesale	75.00%	25.00%	Capital contribution for establishment

			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, retain and online sales: paper, wood pulp, sanitary products, maternal and infant products, cosmetics, daily necessities, medical equipment, daily sundries, disinfection supplies (excluding dangerous chemicals); import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Capital contribution for establishment

C&S (Macao) Co., Ltd.	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 contents of the approval; it is prohibited to engage in business activities of items prohibited and restricted by the city's industrial policies.)		100.00%	Business combinations involving enterprises under common control
Chengdu Zhongshun	Pengzhou, Sichuan	Pengzhou, Sichuan	Sales of household paper, cleaning products, general merchandise, hygiene products, baby products,		100.00%	Business combinations

Paper Co., Ltd.			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.]			involving enterprises under common control
Hangzhou Jie Rou Trading Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Wholesale, retail: paper products, paper pulp, general merchandise; import and export of goods and technologies (exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained); other legitimate items that do not need approval according to the law) (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments)		100.00%	Business combinations involving enterprises under common control
Shanghai Huicong Paper Co., Ltd.	Shanghai	Shanghai	Household paper, paper pulp, pulp boards, import and export of goods and technologies. (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)		100.00%	Business combinations involving enterprises under common control
C&S (Hubei) Paper Co., Ltd.	Xiaogan, Hubei	Xiaogan, Hubei	Licensed items: production of sanitary products and disposable medical supplies; production of cosmetics (for items that must be approved in accordance with the law, companies may carry out business operations upon approval by relevant departments, and the specific business items are subject to the approval document or the permit issued by competent department). General items: sales of sanitary products and disposable medical supplies; retail of cosmetics; wholesale of cosmetics; manufacture of paper; sales of personal hygiene products; sales of knitwear; manufacture of maternal and infant products; sales of maternal and infant products; sales of paper products; manufacture of paper products; sales of daily necessities; sales of daily chemical products; sales of disinfectants (excluding hazardous chemicals); Internet sales (excluding the sales of commodities	93.375%	6.625%	Business combinations involving enterprises under common control

			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		100.00%	Business combinations involving enterprises under common control

			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.)			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., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	General items: manufacture of paper products; Internet sales (sales only on third-party platforms) (excluding the sales of commodities requiring a permit); sales of personal hygiene products; sales of household products, sales of hygiene products and disposable medical products; retail of cosmetics; sales of general merchandise; sales of plastic products; sales of metal products; sales of rubber products;	60.00%	40.00%	Capital contribution for establishment

			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.)			
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 Co., Ltd.	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 medical devices, Class II medical devices, disinfection products and non-medical masks. (The	51.00%		Capital contribution for establishment

			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.)			
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 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 Sanitary Products Co., Ltd.	Xi'an, Shaanxi	Xi'an, Shaanxi	General items: sales of daily necessities; retail of 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)		60.00%	Capital contribution for establishment
Guangdong Huashun Material Technology Co., Ltd	Jiagnmen Guangdong	Jiagnmen Guangdong	Technology services, development, consultation, exchange, transfer, and promotion; paper manufacturing; paper product manufacturing; paper product sales. (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	51%		Capital contribution for establishment
Zhongshun Health Life technology(Shen	Shenzhen Guangdong	Shenzhen Guangdong	General items: Internet sales (excluding the sales of commodities requiring a permit); sales of paper products; sales of general merchandise; sales of daily sundries; sales of daily necessities; sales of household	60%	40%	Capital contribution for

zhen) Co., Ltd			products; sales of maternal and infant products, wholesale of pet food and supplies; retail of pet food and supplies; sales of knitwear and raw materials; sales of knitwear; wholesale of cosmetics; retail of cosmetics; sales of packaging materials and products; sales of chemical products (excluding chemical products that need to be licensed); sales of washing machinery; sales of electronic products; wholesale of clothing and apparel; retail of clothing and apparel; sales of leather products; wholesale of shoes and hats; retail of shoes and hats; sales of household appliances; sales of toys; sales of animation and gaming products; consulting and planning services; marketing planning; project planning and public relations services; experiential expansion activities and planning; health consultation services (excluding diagnosis and treatment services); conference and exhibition services; brand management; video shooting and production services; advertising publishing (not radio stations, TV stations, or newspaper publishing units); advertising production; advertising design and agency; business information consulting (excluding investment consulting); professional design services; Internet data services; domestic trade agency; trade agency; organization of cultural and artistic exchange activities; corporate image planning; corporate management consulting; sales of Class I medical devices; sales of veterinary medical devices. (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: Sales of Class II medical devices; Internet information services; import and export of goods. (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)			establishment
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Description of the difference between the percentage of shares held in a subsidiary and the percentage of voting rights: None

Basis for holding 50% or less than of the voting rights but controlling the investee, or holding 50% or more of the voting rights but not controlling the investee: None

Basis for controlling the important consolidated structured entities: None

Basis for determining whether the Company is an agent or a principal: None

Other descriptions: All shares held indirectly belong to the shares held by wholly-owned subsidiaries of the Company

(2) Important non-wholly-owned subsidiaries: 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, 2022, 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, 2022. During the reporting period, the Company generated exchange profit and loss of -RMB26,795,486.6.

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%	-6,388,085.88	-6,388,085.88
Depreciation of RMB against foreign currency by 1.00%	6,388,085.88	6,388,085.88

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, 2022 analyzed based on the maturity period of undiscounted remaining contractual obligations are as follows:

Item	Within 1 year	Over 1 year	Total
Notes payable	340,335,111.30		340,335,111.30
Accounts payable	946,432,741.75	2,117,688.86	948,550,430.61
Other payables	782,987,663.49	24,436,150.64	807,423,814.13
Non-current liabilities due within one year	9,833,661.30		9,833,661.30
Lease liabilities		803,879.30	803,879.30
Total	2,079,589,177.84	27,357,718.80	2,106,946,896.64

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	28.69%	28.69%

Information on the Company's Parent Company

The ultimate controller of the Company is Mr. Deng Yingzhong, the father, and Mr. Deng Guanbiao and Mr. Deng Guanjie, whose two sons.

Other description: None

2. Information on subsidiaries of the Company

See Note IX Equities in Other Entities for detailed information on the subsidiaries of the Company.

3. Information on the joint ventures and associates of the Company

Other 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.	A company 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
Sichuan West Enjoying Life Trading Co., Ltd.	A company where the son of the Company's Vice President Yue Yong holds 50% equity
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 controls and serves as the executive director, manager, and legal representative of the company
Shenzhen Jinju Investment Co., Ltd.	A company in which the Company's actual controller Mr. Deng Guanbiao serves as a director
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
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 and serves as the executive director, manager, and legal representative of the company
Foshan Shunde District Taogang Trading Co., Ltd	A company where the brother of Deng Yingzhong, a director and actual controller of the company, holds 50% of the shares and serves as the legal representative
Meizhou Xinhong Electronics Co., Ltd.	A company in which the mother-in-law of the Company's actual controller

	Mr. Deng Guanbiao serves as the General Manager, executive director and the legal representative
Guangzhou Chenhui Paper Co., Ltd.	A company in which the sibling-in-laws of the Company's supervisor Zhang Gao 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 controls and acts as the legal representative while Mr. Zhang's spouse serves 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 in the past 12 months
Zhejiang FTZ Xinjiachang Trading Co., Ltd.	A company in which the sibling-in-laws of the Company's supervisor Zhang Gao acts 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
Zhongsan Jufengbao Trading Co., Ltd.	A company in which the Company's Board Secretary and Vice President serves as the executive director, manager and legal representative
Guangdong Huichuang Zhiyuan Enterprise Management Co., Ltd	A company controlled by Chairman Liu Peng and served as the legal representative, manager, and executive director of the company
Jiangmen Yutongda Trading Co., Ltd	A company controlled by Vice President Lin Tiande and served as the legal representative and executive director
Yingtian Dongwu Technology Co., Ltd	A company in which the Company's director Yu Ep. Rachel Jing acts as Chairman

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

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
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Pengzhou Enjoying Life Trading Co., Ltd.	Sale of goods	8,288.50	2,372,236.58
Sichuan West Enjoying Life Trading Co., Ltd.	Sale of goods	111.50	309,795.62

Explanation of the related party transactions for purchase and sale of goods, and provision and acceptance of labor services

None.

(2) Related entrusted management/contracting and entrusting management/contracting out: None

(3) Related lease

The Company as the lessee: None

The Company as the lessor:

Unit: RMB

Name of lessor	Type of leased assets	Simplified rental fees for short-term leases and low value asset leases (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expense on lease liabilities assumed		Increased use rights assets	
		Incurr ed in the curren t period	Incurr ed in the prior period	Incurr ed in the curren t period	Incurr ed in the prior period	Incurr ed in the current period	Incurr ed in the prior period	Incurr ed in the current period	Incurr ed in the prior period	Incurr ed in the current period	Incurr ed in the prior period
Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie	Housing lease					3,360,776.96	3,137,875.25	236,569.76	355,936.65	1,029,607.91	8,757,544.17

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	35,576,200.62	36,922,924.97

(8) Other related party transactions

6. Receivables from and payables to related parties

(1) Receivables: None

(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.	0.90	126.90
Contract liabilities	Pengzhou Enjoying Life Trading Co., Ltd.	8.37	9,374.37

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
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The Company's total amount of all equity instruments exercised in the current period	9,691,470.00
The Company's total amount of all equity instruments expired in the current period	2,047,635.00
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 RMB8.372 per share, and that for reserved stock options is RMB13.765 per 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	118,680,283.98
Total fees confirmed by the equity-settled share-based payment in the current period	3,046,816.45

Other description: none

3. Cash-settled share-based payment

Applicable Not applicable

4. Revision and termination of share-based payment

There was no revision and termination of share-based payment of the Company during the reporting period.

5. Others

None

XIV. Commitments and Contingencies

1. Significant commitments

Significant commitments on the balance sheet date

As at December 31, 2022, 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

The situation of our company providing guarantees for subsidiaries:

Guaranteed party	Currency	Guarantee amount	Starting date of guarantee	Guarantee expiration date	Whether it is related party guarantee?
C&S Hong Kong, Macao C&S, Zhong Shun International	USD	50,000,000.00	2022.11.14	2027.7.31	No
Zhongshan Trading, Sichuan C&S, Yunfu Trading, Jiangmen C&S	RMB	150,000,000.00	2022.4.6	2026.3.2	No
Zhongshan Trading	RMB	150,000,000.00	2022.11.23	2026.11.9	No
Zhongshan Trading	RMB	136,000,000.00	2021.3.2	2026.3.1	No
Zhongshan Trading	RMB	500,000,000.00	2021.8.21	2025.5.11	No
Zhongshan Trading	RMB	300,000,000.00	2022.12.8	2025.12.31	No
Zhongshan Trading	RMB	150,000,000.00	2022.12.23	2026.9.22	No
Zhongshan Trading	RMB	200,000,000.00	2022.5.17	2030.2.27	No
Zhongshan Trading	RMB	200,000,000.00	2022.8.18	2030.12.31	No
Jiangmen C&S	RMB	120,000,000.00	2022.11.23	2026.11.7	No
Jiangmen C&S	RMB	150,000,000.00	2022.3.1	2025.2.13	No
Jiangmen C&S	RMB	50,000,000.00	2022.3.25	2025.12.31	No
Jiangmen C&S	RMB	50,000,000.00	2020.12.23	2025.12.23	No
Yunfu Trading	RMB	200,000,000.00	2022.11.23	2026.11.7	No
Yunfu Trading	RMB	50,000,000.00	2020.11.20	2023.12.31	No
Yunfu Trading	RMB	80,000,000.00	2020.4.14	2028.4.14	No
Yunfu Trading	RMB	50,000,000.00	2022.4.24	2027.2.24	No
Yunfu Trading Yunfu Trading	RMB	70,000,000.00	2022.3.1	2025.2.13	No
Yunfu Trading	RMB	80,000,000.00	2022.3.25	2025.12.31	No

Guaranteed party	Currency	Guarantee amount	Starting date of guarantee	Guarantee expiration date	Whether it is related party guarantee?
Hubei C&S	RMB	100,000,000.00	2021.12.3	2026.9.29	No
Zhongshan Trading、Hubei C&S、Macao C&S	USD	15,000,000.00	2021.6.1	2023.4.22	No
Jiangmen C&S、Yunfu Trading、Hubei C&S	RMB	220,000,000.00	2022.1.17	2026.1.17	No
C&S Hong Kong、Zhong Shun International	HKD	203,000,000.00	2021.9.8	2024.9.8	No
C&S Hong Kong、Macao C&S	HKD	400,000,000.00	2021.3.17	2025.12.31	No
C&S Hong Kong、Macao C&S	USD	24,000,000.00	2020.3.27	2025.8.22	No
C&S Hong Kong、Zhong Shun International、Macao C&S	USD	30,000,000.00	2020.1.30	2024.1.30	No
C&S Hong Kong、Zhong Shun International、Macao C&S	USD	63,500,000.00	2020.2.12	2024.2.12	No
C&S Hong Kong、Zhong Shun International、Macao C&S	USD	35,000,000.00	2020.9.1	2024.7.9	No
C&S Hong Kong	USD	20,000,000.00	2022.9.1	2024.9.1	No
C&S Hong Kong	USD	10,000,000.00	2022.11.17	2029.10.28	No
Macao C&S	USD	11,000,000.00	2018.3.23	2024.9.23	No
Macao C&S	USD	10,000,000.00	2022.11.17	2029.10.28	No
Macao C&S	USD	30,000,000.00	2021.11.12	2024.10.20	No
Macao C&S	RMB	70,000,000.00	2018.8.15	2025.8.15	No

(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:

According to the resolution of the 21st meeting of the 5th Board of Directors held on April 18, 2023, profit

distribution proposal of the Company in 2022: 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 RMB0.62 (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. 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.

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 2022, the Company signed the *XIAOYIDA Business Cooperation Agreement* with Bank of China Limited Zhongshan Branch and Shanghai Junmeng E-commerce Co., Ltd. (No. 2022-XYDXY-33725001), under which the bank offers a credit line of XIAOYIDA service up to RMB235 million to Shanghai Junmeng and the Company provides a joint and several liability guarantees. The line of credit is valid from September 27, 2022 until August 04, 2023. As of December 31, 2022, Shanghai Junmeng had no financing balance left of the XIAOYIDA service.

In 2022, 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.2022-XYDXY-33725002), under which the bank offers a credit line of XIAOYIDA service up to RMB150 million to Wuhan Jie Rou and the Company provides a joint and several liability guarantee. The line of credit is valid from September 26,2022 until August 3, 2023. As of December 31 2022, Wuhan Jierou had a financing balance of RMB67 million for the sales of Yida business, which has been fully settled on February 3, 2023.

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	140,697,770.14	100.00%	1,966,017.33	1.40%	138,731,752.81	173,226,692.33	100.00%	2,171,652.96	1.25%	171,055,039.37

which bad debt reserve is set aside in portfolios										
Including:										
Portfolio based on aging	61,917,499.22	44.01%	1,966,017.33	3.18%	59,951,481.89	82,828,535.15	47.82%	2,171,652.96	2.62%	80,656,882.19
Portfolio based on related parties	78,780,270.92	55.99%			78,780,270.92	90,398,157.18	52.18%			90,398,157.18
Total	140,697,770.14	100.00%	1,966,017.33	1.40%	138,731,752.81	173,226,692.33	100.00%	2,171,652.96	1.25%	171,055,039.37

Bad debt reserve set aside in portfolios: 1,966,017.33

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Ratio of provision
Within the credit period	49,882,518.28	997,650.37	2.00%
Credit period - 1 year	9,091,646.23	454,582.31	5.00%
1 to 2 years	2,618,268.32	392,740.25	15.00%
2 to 3 years	207,443.99	62,233.20	30.00%
3 to 5 years	117,622.40	58,811.20	50.00%
Over 5 years			
Total	61,917,499.22	1,966,017.33	

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)	137,754,435.43

1 to 2 years	2,618,268.32
2 to 3 years	207,443.99
Over 3 years	117,622.40
3 to 4 years	36,645.00
4 to 5 years	
Total	140,697,770.14

(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	2,171,652.96	-205,635.63				1,966,017.33
Total	2,171,652.96	-205,635.63				1,966,017.33

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	34,174,531.87	24.29%	
2nd	25,804,989.35	18.34%	
3rd	19,630,636.66	13.95%	401,324.08
4th	18,374,959.82	13.06%	
5th	4,578,803.55	3.25%	91,576.07
Total	102,563,921.25	72.89%	

(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	226,320,859.44	128,580,102.05
Total	226,320,859.44	128,580,102.05

(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	223,230,988.36	125,981,678.74
Others	2,663,363.48	1,844,844.60
Reserve	436,792.35	724,829.00
Margins and deposits	345,165.60	253,137.00
Total	226,676,309.79	128,804,489.34

2) Provision of bad debt reserve

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2021	386,023.90			386,023.90
Balance as at January 1, 2021 in the reporting period	—	—	—	—
--Moving to the third stage	-4,690.34		4,690.34	
Transferred-back in the reporting period	135,753.40			135,753.40
Write-off in the reporting period			4,690.34	4,690.34
Balance as at December 31, 2021	355,450.35			355,450.35

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)	226,521,709.79
1 to 2 years	110,000.00
Over 3 years	44,600.00
Total	226,676,309.79

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	224,387.29	135,753.40		4,690.34		355,450.35
Total	224,387.29	135,753.40		4,690.34		355,450.35

The amount of other accounts receivable written-off by the Company in the year was RMB4,690.34.

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	4,690.34

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	127,493,581.92	Within 1 year	56.24%	
2nd	Current accounts	67,046,363.77	Within 1 year	29.58%	
3rd	Current accounts	25,470,272.76	Within 1 year	11.24%	
4th	Others	2,661,408.58	Within 1 year, 4-5 years	1.17%	133,070.43
5th	Others	1,860,806.87	Within 1 year	0.82%	93,040.34
Total	--	224,532,433.90	--	99.05%	226,110.77

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	2,007,893,370.09		2,007,893,370.09	1,945,421,378.56		1,945,421,378.56
Total	2,007,893,370.09		2,007,893,370.09	1,945,421,378.56		1,945,421,378.56

(1) Investment in subsidiaries

Unit: RMB

Investee	Balance at the beginning of the period (Book value)	Increase/decrease in the period				Closing balance (book value)	Closing balance of impairment provision
		Increase in investment	Decrease in investment	Impairment Provision	Others		
Jiangmen Zhongshun Paper Co., Ltd.	699,174,385.09				105,556.00	699,279,941.09	
Zhongshan Zhongshun Trading Co., Ltd.	96,707,066.56				310,087.76	97,017,154.32	
Yunfu Hengtai Trading Co., Ltd.	30,201,144.01				190.68	30,201,334.69	
C&S (Yunfu) Paper Co., Ltd.	658,596,481.82				142,988.49	658,739,470.31	
C&S (Zhongshan) Paper Co., Ltd.	12,683,100.00					12,683,100.00	
Sun Daily Necessities Co.,	200,000.00					200,000.00	

Ltd.							
C&S (Sichuan) Paper Co., Ltd.	176,473,327.30				717,634.99	177,190,962.29	
C&S (Dazhou) Paper Co., Ltd.	6,000,000.00	55,000,000.00				61,000,000.00	
C&S (Hubei) Paper Co., Ltd.	197,476,637.16				296,965.95	197,773,603.11	
Zhejiang Zhongshun Paper Co., Ltd.	58,065,272.53				258,948.19	58,324,220.72	
C&S (Jiangsu) Paper Co., Ltd.	5,796,828.33	500,000.00			5,290.08	6,302,118.41	
Zhong Shun International Co., Ltd.	881,263.57				19,299.96	900,563.53	
Dolemi Sanitary Products Co., Ltd.	869.50				190.68	1,060.18	
Chengdu Zhongshun Paper Co., Ltd.	670,057.03				8,258.19	678,315.22	
Xiaogan C&S Trading Co., Ltd.	320,405.66				1,743.96	322,149.62	
Hangzhou Jie Rou Trading Co., Ltd.	126,440.02				4,359.96	130,799.98	
Shanghai Huicong Paper Co., Ltd.	8,099.98				476.64	8,576.62	
Beijing Bloomage Jierou Biotechnology Co., Ltd.	2,040,000.00					2,040,000.00	
Guangdong Huashun Material Technology Co., Ltd		5,100,000.00				5,100,000.00	

Total	1,945,421,378.56	60,600,000.00			1,871,991.53	2,007,893,370.09	

(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	935,114,325.64	807,221,501.75	1,054,822,665.07	875,587,399.73
Other businesses	1,283,368,251.29	1,207,772,988.81	1,328,294,351.23	1,240,959,177.22
Total	2,218,482,576.93	2,014,994,490.56	2,383,117,016.30	2,116,546,576.95

Information related to income:

Unit: RMB

Contract classification	Branch 1	Branch 2		Total
By product type	2,218,482,576.93			2,218,482,576.93
Including:				
Household paper	928,983,044.77			928,983,044.77
Personal care	6,131,280.87			6,131,280.87
Others	1,283,368,251.29			1,283,368,251.29
By operating region	2,218,482,576.93			2,218,482,576.93
Including:				
Domestic	2,218,482,576.93			2,218,482,576.93
Abroad				
By sales channel	2,218,482,576.93			2,218,482,576.93
Including:				
Traditional	698,838,152.46			698,838,152.46
Non-traditional	236,276,173.18			236,276,173.18
Others	1,283,368,251.29			1,283,368,251.29
Total	2,218,482,576.93			2,218,482,576.93

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 RMB4,907,456.10, of which the income of

RMB4,907,456.10 is expected to be confirmed as income in the year of 2023.

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	491,775,000.00	482,375,000.00
Investment income from disposal of trading financial assets	-834,500.00	
Others	138,946.35	329,072.79
Total	491,079,446.35	482,704,072.79

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	-1,725,714.34	
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)	25,847,850.99	
Profits/losses from assets entrusted to others for investment or management	191,076.23	
Except for effective hedging business related to the normal operation of the company, fair value gains and losses arising from holding trading financial assets and trading financial liabilities, as well as investment income obtained from disposal of trading financial assets, trading financial liabilities, and available for sale financial assets	-1,039,651.53	
Other non-operating income and expenses except for the aforementioned items	12,921,558.41	
Less: Influence of income tax	6,638,857.29	
Total	29,556,262.47	--

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 ordinary shareholders of the Company	6.94%	0.27	0.27
Net profit attributable to the ordinary shareholders of the Company after excluding non-recurring profit and loss	6.35%	0.24	0.24

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.