



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

**2 0 2 3**

**Semi-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 semi-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 semi-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 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 detail in Section III Discussion and Analysis of the Management and Section X Risks Faced by the Company and Countermeasures. Investors are advised to pay attention to the relevant contents.**

**The Company plans not to distribute cash dividend, issue bonus share, or transfer capital reserve into share capital.**

# Contents

<b>Section I Important Notice, Contents and Definitions .....</b>	<b>2</b>
<b>Section II Company Profile and Key Financial Indicators .....</b>	<b>6</b>
<b>Section III Discussion and Analysis of the Management .....</b>	<b>9</b>
<b>Section IV Corporate Governance .....</b>	<b>27</b>
<b>Section V Environmental and Social Responsibilities .....</b>	<b>30</b>
<b>Section VI Significant Events .....</b>	<b>36</b>
<b>Section VII Changes in Shareholding and Information of Shareholders .....</b>	<b>46</b>
<b>Section VIII Particulars of Preference Shares .....</b>	<b>55</b>
<b>Section IX Corporate Bonds .....</b>	<b>56</b>
<b>Section X Financial Report .....</b>	<b>57</b>

## **Documents Available for Inspection**

1. The Semi-annual Report 2023 affixed with the signature of the Company's legal representative.
2. Financial statements affixed with the signatures and stamps of the legal representative of the Company, person in charge of accounting, and person in charge of accounting department of the Company.
3. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed during the reporting period.
4. 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.
Zhengzhou Dolemi	Zhengzhou Dolemi Sanitary Products Co., Ltd.
Xi'an Dolemi	Xi'an 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
Quxian Jiezhu	Quxian Jiezhu Construction and Development Co., Ltd
Laotongxue	Guangdong Laotongxue Information Technology Co., Ltd
Mazars	Mazars Certified Public Accountants (LLP)

## Section II Company Profile and Key Financial Indicators

### I. Company Profile

Stock name	C&S	Stock code	002511
Stock exchange on which the shares are listed	Shenzhen Stock Exchange		
Chinese name of the Company	中顺洁柔纸业股份有限公司		
Abbreviation of Chinese name of the Company (if any)	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		

### II. Contact Persons and Contact Methods

	Sectary to the Board	Representative of securities affairs
Name	Zhang Haijun	Zhang Xia
Address	No. 136 Caihong Avenue, West District, Zhongshan City	No. 136 Caihong Avenue, West District, Zhongshan City
Tel	0760-87885678	0760-87885678
Fax	0760-87885669	0760-87885669
Email	dsh@zsjr.com	dsh@zsjr.com

### III. Other Information

#### 1. Contact information of the Company

Whether there are changes in the Company's registered address, office address and postal code, website, and email address during the reporting period

Applicable  Not applicable

The registered and office addresses and their post codes, official website, and email of the Company were not changed during the reporting period. See the *Annual Report 2022* for details.

#### 2. Information disclosure and location for inspection of documents

Where there are changes in information disclosure and location for inspection of documents during the reporting period

Applicable  Not applicable

There are no changes in the name of the newspaper selected by the Company for information disclosure, website designated by CSRC for publicizing the semi-annual report, and the location for inspection of the semi-annual report during the reporting period. Please refer to the *Annual Report 2022* for details.

### 3. Other Relevant Information

Where there are changes in other relevant information

Applicable  Not applicable

### IV. Main Accounting Data and Financial Indicators

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

Yes  No

	Current period	Same period of previous year	Changes over same period of previous year
Operating income (RMB)	4,685,080,565.59	4,367,618,113.61	7.27%
Net profit attributable to shareholders of the listed company (RMB)	84,490,174.46	227,639,705.35	-62.88%
Net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss (RMB)	73,693,887.58	220,565,031.66	-66.59%
Net cash flow from operating activities (RMB)	773,446,258.06	699,549,725.75	10.56%
Basic earnings per share (RMB/share)	0.06	0.17	-64.71%
Diluted earnings per share (RMB/share)	0.06	0.17	-64.71%
Weighted average return on net assets	1.61%	4.53%	-2.92%
	End of current period	End of previous year	Changes over end of previous year
Total assets (RMB)	8,914,091,494.79	8,335,107,691.71	6.95%
Net assets attributable to shareholders of the listed company (RMB)	5,217,274,700.43	5,178,060,378.48	0.76%

### V. 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

## VI. Non-recurring Items and Amounts

Applicable  Not applicable

Unit: RMB

Item	Amount	Description
Profits/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-2,960,777.02	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company's normal business)	11,874,320.21	
Profits/losses from assets entrusted to others for investment or management	990,155.36	
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	968,000.00	
Other non-operating income and expenses except for the aforementioned items	2,680,646.89	
Less: Influence of income tax	2,756,058.56	
Total	10,796,286.88	

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. Principal Businesses of the Company during the Reporting Period

#### Main Products

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 like cloud, the series adopt new air cushion technologies. After multiple times of independent embossing, there form countless light and small air cushions inside, making the tissue thicker, softer and more skin-friendly. Using pure physical compound techniques, the products feature beautiful embossing while giving a soft, cotton-like touch.

**Gilt Series:** As a high-end tissue line, the series were launched in 2023, with both exquisite interior and exterior. The appearance is the work of a well-known design master. The black and gilt colors have a luxurious texture, giving a high-quality feeling and appealing to the eyes of consumers.

**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. Cloth is super absorbent without leaving marks, strong oil removal without locking oil.

**Quick Dissolving and Easy to Pull Toilet Paper Series:** As toilet paper in tissue boxes, the series are designed for people who pursue a quality life. Consumers can pull out the paper easily with one hand. In addition, the products, selecting 100% virgin wood pulp, dissolve easily and hence do not block the toilet. Being hygienic, clean and not easy to be affected by moisture, the series can address the needs of delicate people in the toilet scenario.

## **(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.

**Ultra Soft Face Towel Series:** Teaming up with world-renowned quality fiber manufacturers, the series carefully select quality plant fibers imported from Brazil and Indonesia. Targeting Gen Z female users for the removal of makeups, the silk-like face towels are soft, thick, instant absorbent, resilient and washable. The products have passed third-party skin irritation tests with supreme care for the skin. Co-branded with cutting-edge artistic IPs, the series feature appealing pop art packaging, which could help increase the awareness and exposure of the brands and products.

**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.

**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 for the pursuit of comfort when going to the toilet, the Company launched the series to solve the issue from multiple dimensions on the basis of ensuring cleanliness. Products include wet toilet paper that has a sterilization rate of 99.9%, wet toilet paper specially designed for female, wet toilet paper cross-branded with MAYINGLONG PHARM for special care in the toilet scenario, etc. The series allow consumers to have a refreshing and comfortable feeling while going to the toilet.

#### **(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.

#### **Development Trends of the Industry**

The household paper industry to which the Company belongs has maintained an upward trend in recent years, with room for continued growth in the long run. The wood pulp, which is the main raw material of the Company's products, relies highly on import. Affected by various factors, the price of imported pulp hit a new high in 2022. Coupled with rising energy prices, the production costs of household paper companies rose significantly. Therefore, the Company faced enormous operating pressure. As the pulp price has been demonstrating a downward trend in the first half of 2023, the pressure of production costs will gradually ease.

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.

### **Market Position**

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.

### **Key Performance Drivers**

The Company always adheres to its core strategies and business objectives, and strives to promote the growth of revenue and the sales of high-end, high-margin products by continuously optimizing product categories, adjusting and refining channels, and stepping up efforts for key products. During the reporting period, the Company recorded total revenue of RMB 4,685,080,565.59, up by 7.27%. Under the influence of high-priced pulp inventory and rising energy prices, production costs of the Company rose sharply compared to the same period of the previous year. Coupled with factors such as fierce market competition, the gross profit margin also declined year-on-year. Moreover, the implementation of the 2022 Stock Option and Restricted Stock Incentive Plan increased the amortization of incentive costs, while the Company also increased R&D investments. During the reporting period, the Company posted a net profit attributable to shareholders of the listed company of RMB 84,490,174.46, a YoY decrease of 62.88%.

The price of imported pulp hit a record high again in 2022. As the pulp price has been demonstrating a downward trend in the first half of 2023, the pressure of production costs has been gradually eased. In the future, the Company will continue to adhere to its development strategies and business plans, i.e. driving the continuous growth of high-end, high-margin products, improving IT and digital construction, refining management, increasing revenue and reducing expenditure, and reducing costs and increasing efficiency. All these will help lay the foundation for the Company's long-term healthy development.

## **II. 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**

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 non-traditional dry towel products such as wet wipes, wet toilet paper, and portable products for business and travel in various usage scenarios.

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 the company.

### **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 and high-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.

## III. Analysis of Principal Businesses

### Overview

Please refer to relevant contents in "I. Principal Businesses of the Company during the Reporting Period".

### YoY changes in major financial data

Unit: RMB

	Current period	Same period of previous year	YoY changes	Reason of change
Operating income	4,685,080,565.59	4,367,618,113.61	7.27%	
Operating cost	3,352,956,520.74	2,929,313,606.05	14.46%	
Selling expenses	937,125,533.37	874,040,563.35	7.22%	
Administrative expenses	188,774,711.51	180,176,434.40	4.77%	
Finance expenses	-16,470,784.30	-1,467,050.22	-1,022.71%	Finance expenses: This item recorded a decrease of RMB 15,003,734.08 or 1,022.71% in the reporting period compared with the same period of 2022, mainly due to the decrease in gains and losses on exchange during this reporting period.
Income tax	-1,857,299.09	33,733,447.46	-105.51%	Income tax expenses: This item recorded a

expenses				decrease of RMB 35,590,746.55 or 105.51% in the reporting period compared with the same period of 2022, mainly due to the decrease in total profit during this reporting period.
R&D investment	120,281,401.12	105,182,287.61	14.36%	
Net cash flow from operating activities	773,446,258.06	699,549,725.75	10.56%	
Net cash flow from investing activities	-1,012,025,728.54	-247,770,733.81	-308.45%	Net cash flow from investing activities: This item recorded a decrease of RMB 764,254,994.73 or 308.45% in the reporting period compared with the same period of 2022, mainly due to the increase in principal paid for purchasing financial products during this reporting period.
Net cash flow from financing activities	613,352,827.68	53,218,634.40	1,052.52%	Net cash flow from financing activities: This item recorded an increase of RMB 560,134,193.28 or 1052.52% in the reporting period compared with the same period of 2022, mainly due to an increase in cash received from borrowings during this reporting period.
Net increase in cash and cash equivalents	401,022,115.70	517,377,489.31	-22.49%	

Whether there are significant changes in the profit composition or source of profits of the Company during the reporting period

Applicable  Not applicable

There were no significant changes in the profit composition or source of profits of the Company during the reporting period.

Composition of operating income

Unit: RMB

	Current period		Same period of previous year		YoY changes
	Amount	Proportion in operating income	Amount	Proportion in operating income	
Total operating income	4,685,080,565.59	100%	4,367,618,113.61	100%	7.27%
By industry					
Household paper	4,623,891,020.45	98.69%	4,310,541,117.61	98.69%	7.27%
Personal care and others	61,189,545.14	1.31%	57,076,996.00	1.31%	7.21%
By product					
Finished products	4,605,804,022.70	98.31%	4,268,648,501.31	97.73%	7.90%
Semi-finished products	79,276,542.89	1.69%	98,969,612.30	2.27%	-19.90%
By region					
Domestic	4,589,885,969.35	97.97%	4,269,777,280.85	97.76%	7.50%
Overseas	95,194,596.24	2.03%	97,840,832.76	2.24%	-2.70%

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

Applicable  Not applicable

Unit: RMB

	Operating income	Operating cost	Gross	YoY changes	YoY changes of	YoY changes of
--	------------------	----------------	-------	-------------	----------------	----------------



			profit margin	of operating income	operating cost	operating gross profit margin
By industry						
Household paper	4,623,891,020.45	3,316,391,889.48	28.28%	7.27%	14.82%	-4.71%
By product						
Finished products	4,605,804,022.70	3,276,082,027.19	28.87%	7.90%	15.32%	-4.58%
By industry						
Household paper	4,589,885,969.35	3,281,461,615.63	28.51%	7.50%	14.52%	-4.38%

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

Applicable  Not applicable

#### IV. Analysis of Non-principal Businesses

Applicable  Not applicable

Unit: RMB

	Amount	Proportion in total profit	Explanation of reason	Is it consistently applied?
Investment income	1,958,155.36	2.39%	Mainly for the purchase of forward settlement and sales of foreign exchange, and the maturity income of financial products	No
Asset impairment	-1,417,159.06	-1.73%	Provision for impairment of inventories	No
Non-operating income	3,592,734.66	4.38%	Income from fine and compensation and others	No
Non-operating expense	3,821,260.22	4.65%	Losses from damage and scrapping of fixed assets and others	No
Credit impairment losses	-1,764,899.61	-2.15%	Provision for bad debts of accounts receivable and other receivables	No

#### V. Analysis of Assets and Liabilities

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

Unit: RMB

	End of current period		End of previous year		Proportion changes Amount	Explanation of significant changes Proportion in total assets
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	1,720,158,431.51	19.30%	1,324,787,541.49	15.89%	3.41%	
Accounts receivable	1,173,731,203.91	13.17%	1,084,130,138.51	13.01%	0.16%	
Inventory	1,241,142,975.60	13.92%	1,911,630,723.55	22.93%	-9.01%	Inventory: This item recorded a decrease of RMB670,487,747.95 or 35.07% in the reporting period compared with the end of 2022, mainly owing to the decrease in

						raw material during the reporting period.
Investment property	30,983,155.44	0.35%	31,701,597.54	0.38%	-0.03%	
Fixed assets	2,848,133,013.46	31.95%	3,013,559,312.97	36.16%	-4.21%	
Construction work in progress	167,569,837.60	1.88%	142,627,123.42	1.71%	0.17%	
Right-of-use assets	15,812,608.61	0.18%	9,758,283.42	0.12%	0.06%	Right-of-use assets: This item recorded an increase of RMB 6,054,325.19 or 62.04% in the reporting period compared with the end of 2022, mainly owing to the increase in lease contracts under the new leasing standards during the reporting period.
Short-term borrowing	1,166,297,275.02	13.08%	607,799,222.62	7.29%	5.79%	Short-term borrowing: This item recorded an increase of RMB 558,498,052.40 or 91.89% in the reporting period compared with the end of 2022, mainly owing to the increase in short-term loans from bank during the reporting period.
Contract liabilities	55,853,584.65	0.63%	96,581,944.94	1.16%	-0.53%	Contract liabilities: This item recorded a decrease of RMB 40,728,360.29 or 42.17% in the reporting period compared with the end of 2022, mainly owing to the decrease in advances received from customers during the reporting period.
Lease liabilities	8,675,066.94	0.10%	803,879.30	0.01%	0.09%	Lease liabilities: This item recorded an increase of RMB 7,871,187.64 or 979.15% in the reporting period compared with the end of 2022, mainly owing to the increase in rented houses and buildings during the reporting period.

## 2. Main overseas assets

Applicable  Not applicable

**3. Assets and liabilities measured at fair value**

Applicable  Not applicable

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

Item	Book value at the end of the period (RMB)	Reason for restriction
Monetary funds	70,238,291.22	Security deposits for issuing letter of credit and notes
Total	70,238,291.22	

**VI. Analysis of Investment****1. Overview**

Applicable  Not applicable

Investment amount during the reporting period (RMB)	Investment amount of previous year (RMB)	Changes
1,108,556,413.00	298,095,067.10	271.88%

**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	Profit or loss from	Accumu	Amount	Amount	Investment	Proportion of the
------	---------	---------------------	--------	--------	--------	------------	-------------------

	investment amount	changes in fair value of the period	lated changes in fair value included in equity	bought in during the period	sold during the period	amount at the end of the period	investment amount at the end of the period in the Company's net assets at the end of the period
Structural Forward Exchange Purchase	5,428	96.8	0	5,428	5,428	0	0.00%
Total	5,428	96.8	0	5,428	5,428	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 profit of RMB968,000 during the reporting period.						
Explanation on the effects of hedging	To avoid the exchange rate and interest rate risks faced in daily operations, the company hedges its actual risk exposure by operating financial derivatives. The gains and losses of financial derivative contracts to some extent hedge the value changes of assets or liabilities caused by changes in exchange rates and interest rates, and the overall hedging effect meets expectations.						
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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>2. Internal control risk: Derivative trading is highly specialized and complicated, which may result in risks arising from poor internal control;</li> <li>3. Liquidity risk: Transaction may become unable to be completed due to insufficient market liquidity;</li> <li>4. Performance risk: The derivative contract may become unable to be fulfilled at maturity, thereby leading to default risk;</li> <li>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.</li> </ol> <p>Control measures:</p> <ol style="list-style-type: none"> <li>1. Select financial derivatives with strong liquidity and controllable risks for trading;</li> <li>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;</li> <li>3. Carefully choose the counterparty of the derivative trading;</li> <li>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;</li> <li>5. Only conduct derivative trading with qualified financial institutions such as large commercial banks, to avoid possible legal risks.</li> </ol>						
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)	November 23, 2022						
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 Management System on Financial Derivative Trading 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.

## VII. 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

### VIII. 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 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.)	34,598.5032	230,136.91	150,052.68	92,801.89	5,072.93	4,369.52
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	268,464.14	126,374.97	170,043.29	6,773.72	5,588.46
Sichuan C&S	Subsidiary	Licensed items: production of sanitary products and disposable medical supplies; import and export of goods (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments, and the specific business items are subject to the approval document or the permit issued by relevant department). General items: sales of sanitary products and disposable medical supplies; sales of personal hygiene products; sales of daily necessities; manufacture of paper products; sales of paper products; manufacture of paper; manufacture of daily chemical products; sales of daily chemical products; sales of Class II medical devices; sales of Class I medical devices; manufacture of industrial textile products; sales of industrial textile products; manufacture of maternal and infant products; sales of maternal and infant products. (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.)	10,000	92,485.64	48,751.05	103,220.03	2,512.11	2,044.14
Hubei C&S	Subsidiary	General items: manufacture of paper; manufacture of paper products; sales of paper products; sales of sanitary products and disposable medical supplies; retail of cosmetics;	20,000	177,784.67	46,472.72	119,295.28	5,063.22	3,780.53

	wholesale of cosmetics; sales of personal hygiene products; sales of knitwear; manufacture of maternal and infant products; sales of maternal and infant products; sales of daily necessities; sales of daily chemical products; sales of disinfectants (excluding hazardous chemicals); sales of Class I medical devices; sales of Class II medical devices; export of goods; export of technologies; Internet sales (excluding the sales of commodities requiring a permit); information technology consulting 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.) Licensed items: production of cosmetics; production of sanitary products and disposable medical supplies(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).( The above business activities do not involve prohibited items in the Negative list of foreign investment in China)						
--	--	--	--	--	--	--	--

Acquisition and disposal of subsidiaries during the reporting period

Applicable  Not applicable

Description of main holding and joint-stock companies

None

## **IX. Structured Entities Controlled by the Company**

Applicable  Not applicable

## **X. Risks Faced by the Company and Countermeasures**

### **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 pulp prices 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, established a full-time safety management department, equipped dedicated safety management personnel, equipped adequate safety protection and fire protection equipment in production areas, and bought full insurance for risky properties. As such, the Company's fire safety risk is low. The Company has always adhered to the concept of intrinsic safety, continuously improved mechanical safety protection, improved equipment safety, and reduced safety risks during the operation process. 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.

## Section IV Corporate Governance

### I. 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
2023 First Extraordinary General Meeting	Extraordinary general meeting of shareholders	53.69%	January 10, 2023	January 11, 2023	Details can be found in the <i>Announcement on the Resolution of the 2023 First Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2023-02) on CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ).
2023 Second Extraordinary General Meeting	Extraordinary general meeting of shareholders	52.97%	April 3, 2023	April 4, 2023	Details can be found in the <i>Announcement on the Resolution of the 2023 Second Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2023-18) on CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ).
2022 Annual General Meeting of Shareholders	Annual general meeting	52.89%	May 11, 2023	May 12, 2023	Details can be found in the <i>Announcement on the Resolution of the 2022 Annual General Meeting of Shareholders</i> (Announcement No.: 2023-31) on CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ).

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

Applicable  Not applicable

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

Applicable  Not applicable

Name	Position	Type	Date	Reason
He Haidi	Independent Director	Resigned	April 3, 2023	Served as an independent director of the Company for six consecutive years
Ge Guangrui	Independent Director	Elected	April 3, 2023	Elected by the general meeting of shareholders

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

Applicable  Not applicable

The Company plans not to distribute cash dividend, issue bonus share, or transfer capital reserve into share capital for the half year.

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

√ Applicable □ Not applicable

### 1. Equity incentive

#### **Implementation of the 2018 Stock Option and Restricted Stock Incentive Plan during the reporting period:**

(1) During the third unlock period for the reserved restricted shares, a total of 178,536 restricted shares needed to be repurchased and canceled. The repurchase and cancellation procedures for the above granted but not unlocked restricted shares were completed at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on February 9, 2023.

(2) On March 15, 2023, the Company convened the 20th meeting of the Fifth Board of Directors and the 15th 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 Third Exercise Period*. During the third exercise period of the first-granted stock options (i.e. June 29, 2022 to March 03, 2023), nine recipients did not exercise the stock options within the period, so 6,082 shares needed to be canceled. The cancellation procedures for the aforementioned 6,082 shares were completed on April 6, 2023 under the review and confirmation of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

#### **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.

**2. Implementation of the employee stock ownership plan**

Applicable  Not applicable

**3. Other employee incentives**

Applicable  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 6, 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 2, 2019 to June 1, 2024.
6. Hubei C&S obtained the Pollutant Discharge Permit (No. 91420900764132820H002P) on April 10, 2023, with a valid period from May 21, 2023 to May 20, 2025.

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	102mg/L	200mg/L	31.62t	335.600 t/a	None
		Ammonium nitrate	Discharge directly to the centralized sewage treatment plant	1	Centralized processing facilities in the factory	3.71mg/L	8mg/L	1.33t	13.4 t/a	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)	50.3 mg/L	80mg/L	24.87t	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)	0.51 mg/L	8mg/L	0.27t	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 2mg/m <sup>3</sup> 2# boiler 0 mg/m <sup>3</sup> 3# boiler 2.3 mg/m <sup>3</sup>	10mg/m <sup>3</sup>	0.17t	/	None
		Nitrogen oxide	Discharge directly through the flue	3	Three chimneys (2# boiler is the standby boiler, monitoring when being used)	1# boiler 24 mg/m <sup>3</sup> 2# boiler 0 mg/m <sup>3</sup> 3# boiler 28 mg/m <sup>3</sup>	30mg/m <sup>3</sup>	2.04t	10.454t/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 <sup>3</sup>	0	/	None
	Zhejiang C&S	Waste water	COD	Discharge to Jiaying Industrial Sewage Treatment Plant through municipal pipe after treatment	1	Centralized processing facilities in the factory	76.74mg/L	500mg/L	7.12t	13.97t/a
Ammonium nitrate			Discharge to Jiaying Industrial Sewage Treatment Plant through municipal pipe after treatment	1	Centralized processing facilities in the factory	3.91mg/L	35mg/L	0.37t	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)	22.72mg/L	≤50mg/L	3.76t	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)	2.98mg/L	≤5mg/L	0.58t	2.55t/a	None
	Waste gas	Nitrogen oxide	Discharge directly through the flue	1	One chimney	21.68mg/m <sup>3</sup>	≤30mg/m <sup>3</sup>	1.3t	6.97t/a	None
Yunfu C&S	Waste water	COD	Discharge directly	1	Sewage treatment station in the factory	30.64mg/L	80mg/L	30.58t	197.71t/a	None
		Ammonium nitrate	Discharge directly	1	Sewage treatment station in the factory	0.72mg/L	8mg/L	0.72t	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,	126.33mg/L	≤400mg/L	18.09t	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,	3.07mg/L	≤30 mg/L	0.23t	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	3.82mg/m <sup>3</sup>	≤30mg/m <sup>3</sup>	2.71 t	28.63t/a	None
		Sulfur dioxide	Organized discharge (dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)	1	One chimney	56mg/m <sup>3</sup>	≤200mg/m <sup>3</sup>	46.27 t	203.87t/a	None
		Nitrogen oxide	Organized discharge (dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR)	1	One chimney	74.83mg/m <sup>3</sup>	≤200mg/m <sup>3</sup>	58.14t	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*.

## 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 RMB3.8952 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 RMB422,300 in environmental protection taxes.

### 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, ringelmann emittance, sulfur dioxide, soot, mercury and their compounds. The testing frequency is in compliance with the requirements of regulations.

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

Administrative penalties due to environmental issues during the reporting period

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

Other environmental information that should be disclosed

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

(2) Other environmental protection-related information is available in the "News" section of the Company's website. Measures taken to reduce carbon emissions during the reporting period and their effects

Applicable  Not applicable

1. Sichuan C&S renovated the gas hood, which reduced the natural gas consumption per ton of paper.

2. In order to further reduce pollution, improve resource utilization efficiency and decrease 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.

3. Tangshan C&S performed the energy-saving upgrade for TT dryer cylinders, to ensure product quality, reduce production costs, and decrease the natural gas consumption per ton of paper.

4. The Group changed to use magnetic levitation vacuum pumps in all production areas to reduce the power consumption of papermaking.

Other relevant information on environmental protection: None

## II. Social Responsibilities

During the reporting period, the Company actively fulfills 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. Meanwhile, as a national enterprise with important social influence and a leading enterprise in the household paper industry, the Company has actively carried out poverty alleviation and rural revitalization work. 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 a number of regions, with a total market value of about RMB1.6 million.

2. The Company donated RMB80,000 to poverty-stricken areas to support for education, the elderly, those in poverty, medical, families of the military, sports, culture and other causes.

3. Jiangmen C&S paid regular visits to veteran party members and local households in need in Shuangshui Town, donating funds and paper tissues to them; it also signed an employment cooperation agreement with the local Veterans Affairs Bureau and was awarded the honorary title of “Enterprise of Army Supporting and Caring”.

4. Hubei C&S organized activities to help needy families, and held the “Xiaogan Carving and Paper-cutting” activity to carry forward the intangible cultural heritage, thereby promoting excellent traditional Chinese culture.

## Section VI Significant Events

### **I. Commitments Completed by Actual Controllers, Shareholders, Related parties, Purchasers within the Reporting Period, or Commitments Not Fulfilled by the End of the Reporting Period**

Applicable  Not applicable

During the reporting periods, the Company did not have commitments completed by actual controllers, shareholders, related parties, purchasers during the reporting period, or commitments not fulfilled by the end of the reporting period.

### **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.

### **IV. Engagement and Dismissal of Accounting Firm**

Whether the Semi-annual Report has been audited

Yes  No

The Semi-annual Report of the Company has not been audited.

### **V. Explanation by the Board of Directors of the “Non-standard Audit Report” for the Reporting Period Issued by the Accounting Firm**

Applicable  Not applicable

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

Applicable  Not applicable

### **VII. Matters relating to Bankruptcy and Restructuring**

Applicable  Not applicable

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

## VIII. Litigations

Material litigations and arbitrations

Applicable  Not applicable

There were no material litigations or arbitrations during the reporting period.

Other litigations

Applicable  Not applicable

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)	Date of disclosure	Index of disclosure
Summary of closed litigation and arbitration	4,311.03	Projected liabilities of RMB30,300	Case closed	Case closed	Case closed	/	/
Summary of unclosed litigation and arbitration	6,265.34	No	In execution	In execution	In execution	/	/

## IX. Penalty and Rectification

Applicable  Not applicable

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

Applicable  Not applicable

## XI. Material Related Party Transaction

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

Applicable  Not applicable

Party of related party transaction	Related relationship	Type of related party transaction	Content of related party transaction	Pricing rules of related party transaction	Price of related party transactions	Amount of related party transaction (RMB 10,000)	Proportion in the amount of similar transactions	Approved transaction limit (RMB10,000)	Whether to outstrip the approved limit	Settlement of related party transaction	Available market prices for similar transactions	Date of disclosure	Index of disclosure
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Lease	Rental	Market fair price	Market fair price	175.79	14.84%	175.79	No	Transfer settlement	Market fair price	December 1, 2021	2021-145
Deng Yingzhong,	Actual controller of	Lease	Rental	Market fair price	Market fair	0.65	0.05%		Yes	Transfer settlement	Market fair price		

Deng Guanbiao, Deng Guanjie	the Company				price								
Total		--	--	176.44	--	175.79	--	--	--	--	--	--	--
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, RMB 6,500 is for renting properties from 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 transactions relating to creditor's rights and debts.

## 5. Transactions with related party financial companies

Applicable  Not applicable

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

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

Applicable  Not applicable

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

## 7. Other significant related party transactions

Applicable  Not applicable

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

## XII. 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. 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 RMB 7,031,600. 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 Jie Rou E-commerce Co., Ltd.	November 30, 2021	15,000	September 26, 2022	8,860	Joint and several liability guarantee	None	Joint and several liability guarantee	2022.9.26-2023.11.3	No	No
Shanghai Junmeng E-commerce Co., Ltd.	November 30, 2021	23,500	September 27, 2022	9,000	Joint and several liability guarantee	None	Joint and several liability guarantee	2022.9.27-2023.11.4	No	No
Total approved amount of external guarantee during the reporting period (A1)		0		Total actual amount of external guarantee during the reporting period (A2)		17,860				
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)		17,860				
Guarantee of the Company for subsidiaries										
Name of guarantee object	Disclosure date of relevant announcement on guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Zhongshan Trading	November 30, 2021	15,000	November 23, 2022	4,984.15	Joint and several liability guarantee	None	None	2022.11.23-2026.11.9	No	No
Zhongshan Trading	November 23, 2022	20,000	January 30, 2023	17,159.41	Joint and several liability	None	None	2023.1.30-2029.1.29	No	No



					guarante e					
Zhongshan Trading	November 23, 2022	20,000	June 14, 2023	0	Joint and several liability guarantee	None	None	2023.6.14-2027.4.19	No	No
Zhongshan Trading	November 23, 2022	10,000	May 25, 2023	0	Joint and several liability guarantee	None	None	2023.5.25-2027.4.18	No	No
Zhongshan Trading	November 23, 2022	50,000	April 26, 2023	6,000	Joint and several liability guarantee	None	None	2023.4.26-2028.12.31	No	No
Zhongshan Trading	November 23, 2022	5,000	April 27, 2023	5,000	Joint and several liability guarantee	None	None	2023.4.27-2027.4.27	No	No
Zhongshan Trading	November 30, 2021	30,000	December 8, 2022	13,000	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	8,472.38	Joint and several liability guarantee	None	None	2022.12.23-2026.9.22	No	No
Zhongshan Trading	November 30, 2021	20,000	May 17, 2022	20,000	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	1,000	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	11,770.75	Joint and several liability guarantee	None	None	2022.11.23-2026.11.7	No	No
Jiangmen	November	15,000	January	3,339.	Joint	None	None	2023.1.17-	No	No

C&S	23, 2022		17, 2023	59	and several liability guarantee			2026.11.29		
Jiangmen C&S	November 23, 2022	15,000	June 14, 2023	0	Joint and several liability guarantee	None	None	2023.6.14-2027.4.19	No	No
Jiangmen C&S	November 23, 2022	10,000	May 25, 2023	2,376.87	Joint and several liability guarantee	None	None	2023.5.25-2027.4.18	No	No
Jiangmen C&S	December 5, 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	November 30, 2022	15,000	June 15, 2023	3,600	Joint and several liability guarantee	None	None	2023.6.15-2027.4.19	No	No
Yunfu C&S	November 30, 2021	20,000	November 23, 2022	20,000	Joint and several liability guarantee	None	None	2022.11.23-2026.11.7	No	No
Yunfu C&S	November 23, 2022	7,000	January 17, 2023	4,477.55	Joint and several liability guarantee	None	None	2023.1.17-2026.11.29	No	No
Yunfu C&S	November 23, 2022	10,000	May 25, 2023	1,530.37	Joint and several liability guarantee	None	None	2023.5.25-2027.4.18	No	No
Hubei C&S	November 23, 2022	10,000	February 13, 2023	0	Joint and several liability	None	None	2023.2.13-2030.11.2	No	No

					guarantee					
Dazhou C&S	November 23, 2022	10,000	February 13, 2023	0	Joint and several liability guarantee	None	None	2023.2.13-2029.11.2	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
C&S Hong Kong, Zhong Shun International, Macao C&S	November 30, 2021	36,377	November 14, 2022	6,829.59	Joint and several liability guarantee	None	None	2022.11.14-2027.7.31	No	No
C&S Hong Kong and Zhong Shun International	November 20, 2020	18,844.49	September 8, 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	November 20, 2020	37,132	March 17, 2021	2,578.25	Joint and several liability guarantee	None	None	2021.3.17-2025.12.31	No	No
C&S Hong Kong, Zhong Shun International, Macao C&S	November 23, 2022	46,198.79	January 20, 2023	24,298.11	Joint and several liability guarantee	None	None	2023.1.20-2026.1.20	No	No
C&S Hong Kong	November 30, 2021	7,275.4	November 17, 2022	0	Joint and several liability guarantee	None	None	2022.11.17-2029.10.28	No	No
Macao C&S	November 30, 2021	7,275.4	November 17, 2022	0	Joint and several liability guarantee	None	None	2022.11.17-2029.10.28	No	No
C&S Hong Kong and Macao C&S	December 5, 2019	17,460.96	March 27, 2020	0	Joint and several liability guarantee	None	None	2020.3.27-2025.8.22	No	No
C&S Hong Kong	November	21,826.2	March 29,	2,122.	Joint	None	None	2023.3.29-	No	No

Kong and Zhong Shun International	23, 2022		2023	87	and several liability guarantee			2026.3.29		
Macao C&S	December 15, 2017	8,002.94	March 23, 2018	1,202.74	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	1,499.84	Joint and several liability guarantee	None	None	2018.8.15-2025.8.15	No	No
Macao C&S	November 20, 2020	21,826.2	November 12, 2021	13,601.25	Joint and several liability guarantee	None	None	2021.11.12-2024.10.20	No	No
C&S Hong Kong	November 30, 2021	14,550.8	September 1, 2022	3,321.47	Joint and several liability guarantee	None	None	2022.9.1-2024.9.1	No	No
C&S Hong Kong and Zhong Shun International	November 23, 2022	21,826.2	April 24, 2023	0	Joint and several liability guarantee	None	None	2023.4.24-2026.2.22	No	No
Total approved amount of guarantee for subsidiaries during the reporting period (B1)		286,851.19		Total actual amount of guarantee for subsidiaries during the reporting period (B2)		69,904.77				
Total approved amount of guarantee for subsidiaries at the end of the reporting period (B3)		629,596.38		Total actual guarantee balance to subsidiaries at the end of the reporting period (B4)		178,165.19				
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

				ante
				e
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)	286,851.19	Total actual amount of guarantee during the reporting period (A2 + B2 + C2)		87,764.77
Total approved amount of guarantee at the end of the reporting period (A3 + B3 + C3)	668,096.38	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		196,025.19
Proportion of the total actual amount of guarantee (A4 + B4 + C4) in the net assets of the Company		37.57%		
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)		75,615.94		
Amount of guarantees in excess of 50% of net assets (F)		0		
Total amount of the above three guarantees (D + E + F)		75,615.94		
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		
Proportion of the total actual amount of guarantee (A4 + B4 + C4) in the net assets of the Company		No		

Detailed description on the guarantees with different types: None

### 3. Entrusted wealth management

Applicable  Not applicable

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	54,060	53,060.7	0	0
Total		4,500	53,060.7	0	0

Explanation of high-risk entrusted wealth management with large individual amount or low safety, poor liquidity and no principal guarantee

Applicable  Not applicable

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

Applicable  Not applicable

#### **4. Other significant contracts**

Applicable  Not applicable

There were no other significant contracts during the reporting period.

### **XIII. Other Significant Events**

Applicable  Not applicable

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

Applicable  Not applicable

#### **1. External investments**

(1) In February 2023, in order to further advance the construction and operation of Sichuan Dazhou project, C&S (Dazhou) Paper Co., Ltd., a subsidiary of the Company, acquired 100% equities of Quxian Jiezhū Construction and Development Co., Ltd. Quxian Jiezhū Construction and Development Co., Ltd. completed the change registration with the industrial and commercial department in March 2023, with a registered capital of RMB10 million after the change.

(2) In June 2023, the Company set up the Guangdong Laotongxue Information Technology Co., Ltd. in Zhongshan, Guangdong.

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

(1) The subsidiaries Hubei C&S, Dazhou C&S, and Yunfu C&S changed their respective legal representatives due to business development needs. The subsidiaries completed the change procedures with relevant industrial and commercial departments and obtained the new business licenses during the reporting period.

(2) In April 2023, the subsidiary Zhongshun Healthy Life completed the cancellation procedures due to business development needs

(3) In June 2023, the subsidiary Hubei C&S changed its business scope due to business development needs.

## Section VII Changes in Shareholding and Information of Shareholders

### I. Changes in Share Capital

#### 1. Changes in shares

	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	19,726,128	1.50%	20,961,500			-1,793,172	19,168,328	38,894,456	2.91%
1. Shares held by the state									
2. Shares held by state-owned legal person									
3. Shares held by other domestic shareholders	19,394,703	1.47%	20,861,500			-1,710,316	19,151,184	38,545,887	2.89%
Including: Shares held by domestic legal persons									
Shares held by domestic natural persons	19,394,703	1.47%	20,861,500			-1,710,316	19,151,184	38,545,887	2.89%
4. Shares held by foreign shareholders	331,425	0.03%	100,000			-82,856	17,144	348,569	0.03%
Including: Shares held by foreign legal persons									
Shares held by foreign natural persons	331,425	0.03%	100,000			-82,856	17,144	348,569	0.03%
II. Shares without selling restrictions	1,295,184,477	98.50%	752,631			-281,264	471,367	1,295,655,844	97.09%
1. RMB-denominated ordinary shares	1,295,184,477	98.50%	752,631			-281,264	471,367	1,295,655,844	97.09%
2. Domestic listed foreign shares									

3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	1,314,910,605	100.00 %	21,714,131			-2,074,436	19,639,695	1,334,550,300	100.00 %

#### Explanation on changes in shares

Applicable  Not applicable

1. During the reporting period, vesting incentive recipients of first-granted stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* exercised the rights of 752,630 shares, and recipients of reserved stock options exercised the rights of 1 share; a total of 752,631 shares were exercised. As a result, the Company's total share capital increased by 752,631 shares.

2. During the reporting period, in the third unlock period for the reserved restricted shares awarded under the *2018 Stock Option and Restricted Stock Incentive Plan*, eight incentive recipients lost the incentive qualification since they left the Company prior to the unlock; meanwhile, seven 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 15 incentive recipients due to the foregoing reasons, a total of 178,536 restricted shares needed to be repurchased and canceled. As of February 2023, the repurchase and cancellation procedures had been completed for the aforesaid restricted shares. As a result, the Company's total share capital decreased by 178,536 shares.

3. In March 2023, the Company completed the registration procedures for the first-granted restricted shares under the *2022 Stock Option and Restricted Stock Incentive Plan* under the review and confirmation of the Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. A total of 20,961,500 shares were awarded to 617 recipients. After the registration was completed, the Company's total share capital increased by 20,961,500 shares.

4. In May 2023, the Company deregistered 1,895,900 shares in its specialized repurchase securities account, accounting for 0.14% of its total share capital before the deregistration. Upon the completion of this deregistration, there are 24,863,087 shares in its specialized repurchase securities account, and the Company's total share capital decreased by 1,895,900 shares accordingly.

#### Approval of changes in shares

Applicable  Not applicable

1. The Board of Directors' handling of the exercise matters for the third exercise period of first-granted and restricted stock options under the *2018 Stock Option and Restricted Stock Incentive Plan* has been authorized by the 2019 First Extraordinary General Meeting, and reviewed and approved by the 14th meeting of the Fifth Board of Directors, the 9th meeting of the Fifth Board of Supervisors, the 17th meeting of the Fifth Board of Directors, and the 12th meeting of the Fifth Board of Supervisors.

2. The Board of Directors' handling of the repurchase and deregistration matters for the third unlock of reserved restricted shares under the *2018 Stock Option and Restricted Stock Incentive Plan* has been reviewed and approved



by the 17th meeting of the Fifth Board of Directors, the 12th meeting of the Fifth Board of Supervisors, and the 2022 Fourth Extraordinary General Meeting.

3. The Board of Directors' handling of the registration matters for the first-granted restricted shares under the 2022 *Stock Option and Restricted Stock Incentive Plan* has been authorized by the 2023 First Extraordinary General Meeting and reviewed and approved by the 19th meeting of the Fifth Board of Directors and 14th meeting of the Fifth Board of Supervisors.

4. The Board of Directors' handling of the cancellation matters for partial shares in the specialized repurchase securities account has been reviewed and approved by the 21st meeting of the Fifth Board of Directors, the 16th meeting of the Fifth Board of Supervisors, and 2022 Annual General Meeting of Shareholders.

Transfer of title of changed shares

Applicable  Not applicable

Refer to "Explanation on changes in shares".

Implementation of share repurchase

Applicable  Not applicable

Implementation of share repurchase by centralized bidding

Applicable  Not applicable

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

Applicable  Not applicable

Given that the Company's total share capital has changed 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	Number of shares released from selling restrictions during the period	Increase in shares subject to 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 according to relevant regulations on the shareholding of directors, supervisors and senior management.
Liu Peng	45,975			45,975	Lock-up shares of senior management	
Deng Guanbiao	3,718,105	929,526		2,788,579	Lock-up shares of senior management	
Deng Guanjie	900,730	225,183		675,547	Lock-up shares of senior management	
Zhang Yang	157,500			157,500	Lock-up shares of senior management	
Yue Yong	7,248,930			7,248,930	Lock-up shares of senior management	
Zhao Ming	26,250			26,250	Lock-up shares of senior management	
Lin Tiande	238,141			238,141	Lock-up shares of senior management	
Dong Ye	197,794			197,794	Lock-up shares of senior management	
Chen Haiyuan	12,675			12,675	Lock-up shares of senior management	
Zhang Gao	32,000		5,500	37,500	Lock-up shares of senior management	
Other shareholders	1,904,884	465,427		1,439,457	Lock-up shares of senior management; the increase in restricted shares is due to the locking of shares upon resignation.	Selling restrictions were released according to relevant regulations on the shareholding of directors, supervisors and senior management.
Equity incentive recipients	178,536	178,536	20,961,500	20,961,500	The Company awarded 20,961,500 restricted shares to incentive recipients under the first grant in accordance with the 2022 Stock Option and Restricted Stock Incentive Plan, which will be unlocked in three periods.	The Company handled and completed the cancellation procedures in February 2023 since they did not meet the unlocking conditions prescribed in the 2018 Stock Option and Restricted Stock Incentive Plan. The unlocking is implemented according to 2022 Stock Option and Restricted Stock Incentive Plan.
<b>Total</b>	<b>19,726,128</b>	<b>1,798,672</b>	<b>20,967,000</b>	<b>38,894,456</b>	<b>--</b>	<b>--</b>

## II. Issuance and Listing of Securities

Applicable  Not applicable

## III. Total Number of Shareholders and Shareholding

Unit: share

Total number of ordinary shareholders as at the end of the reporting period		113,490		Total number of preferred shareholders whose voting rights were resumed at the end of the reporting period (if any) (see Note VIII)			0	
Shareholdings of ordinary shareholders with more than 5% or the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of ordinary shares held at the end of the reporting period	Increase /decrease during the reporting period	Number of ordinary shares held subject to selling restrictions	Number of ordinary shares held without selling restrictions	Pledged, marked or frozen	
							Share status	Number of shares
Guangdong Zhongshun Paper Group Co., Ltd.	Domestic non-state-owned legal person	28.26%	377,195,570			377,195,570		
Chung Shun Co.	Foreign legal person	19.97%	266,504,789			266,504,789		
Hong Kong Securities Clearing Co., Ltd.	Foreign legal person	3.83%	51,148,846	Share increase		51,148,846		
Ernest Partners LLC — Client funds	Foreign legal person	0.90%	11,991,400	Share increase		11,991,400		
Yue Yong	Domestic natural person	0.81%	10,765,241	Share increase	8,348,930	2,416,311		
Deng Yingzhong	Domestic natural person	0.51%	6,752,811		5,064,608	1,688,203		
Guohua Life — Xingyi Traditional No.2	Others	0.47%	6,224,600	Share increase		6,224,600		
# Zhongshan Xinda Investment Management Co., Ltd.	Domestic non-state-owned legal person	0.46%	6,123,636			6,123,636		
ICBC — CSI Main Consumer Staples ETF	Others	0.38%	5,019,699	Share increase		5,019,699		

ABC — CSI Smallcap 500 ETF	Others	0.33%	4,436,889	Share reductio n		4,436,889		
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.						
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 24,863,087 shares, with a shareholding ratio of 1.86%. 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.	51,148,846	RMB-denominated ordinary shares	51,148,846					
Ernest Partners LLC — Client funds	11,991,400	RMB-denominated ordinary shares	11,991,400					
Guohua Life — Xingyi Traditional No.2	6,224,600	RMB-denominated ordinary shares	6,224,600					
# Zhongshan Xinda Investment Management Co., Ltd.	6,123,636	RMB-denominated ordinary shares	6,123,636					
ICBC — CSI Main Consumer Staples ETF	5,019,699	RMB-denominated ordinary shares	5,019,699					
ABC — CSI Smallcap 500 ETF	4,436,889	RMB-denominated ordinary shares	4,436,889					
# Chen Ruiqiang	3,667,600	RMB-denominated ordinary shares	3,667,600					
Yuan Xuemei	3,592,000	RMB-denominated ordinary shares	3,592,000					
Description on the related relationship or parties		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						

acting-in-concert among the top ten ordinary shareholders without selling restrictions and between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders	Guanbiao and Mr. Deng Guanjie. That is, 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.
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 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.

#### IV. Changes in Shareholding of Directors, Supervisors and Senior Management

Applicable  Not applicable

Name	Position	Position status	Number of shares held at the beginning of the year	Increase of shares during the year	Decrease of shares during the year	Number of shares held at the end of the year	Number of shares subject to selling restrictions granted at the beginning of the period	Number of shares subject to selling restrictions granted in the period	Number of shares subject to selling restrictions granted at the end of the period
Deng Yingzhong	Director	Incumbent	6,752,811			6,752,811			
Liu Peng	Chairman, President	Incumbent	61,300	1,500,000		1,561,300		1,500,000	1,500,000
Deng Guanbiao	Vice Chairman	Incumbent	3,718,105			3,718,105			
Deng Guanjie	Vice Chairman	Incumbent	900,730			900,730			
Zhang Yang	Director, Vice President	Incumbent	210,000	1,500,000		1,710,000		1,500,000	1,500,000
Yu Ep. Rachel Jing	Director	Incumbent							
Ge Guangrui	Independent Director	Incumbent							

He Guoquan	Independent Director	Incumbent							
Liu Die	Independent Director	Incumbent							
Yue Yong	Vice President	Incumbent	9,665,241	1,100,000		10,765,241		1,100,000	1,100,000
Zhao Ming	Vice President	Incumbent	35,000	300,000		335,000		300,000	300,000
Lin Tiande	Vice President	Incumbent	317,521	500,000		817,521		500,000	500,000
Zhang Haijun	Board Secretary, Vice President	Incumbent		400,000		400,000		400,000	400,000
Dong Ye	Chief Financial Officer	Incumbent	263,725	300,000		563,725		300,000	300,000
Chen Haiyuan	Chairman of the Board of Supervisors	Incumbent	16,900			16,900			
Liang Yongliang	Supervisor	Incumbent							
Zhang Gao	Supervisor	Incumbent	50,000			50,000			
He Haidi	Independent Director	Resigned							
合计	--	--	21,991,333	5,600,000	0	27,591,333	0	5,600,000	5,600,000

## V. Changes of Shareholders and Actual Controllers

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.

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.

## 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

Whether the Semi-annual Report has been audited

Yes  No

The Semi-annual Report of the Company has not been audited.

### II. Financial Statements

Unit of financial statements: RMB

#### 1. Consolidated balance sheet

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

June 30, 2023

Unit: RMB

Item	June 30, 2023	January 01, 2023
Current assets:		
Monetary funds	1,720,158,431.51	1,324,787,541.49
Settlement reserve		
Lending to banks and other financial institutions		
Tradable financial assets		
Derivative financial assets		
Notes receivable	11,389,001.93	11,371,092.80
Accounts receivable	1,173,731,203.91	1,084,130,138.51
Accounts receivable financing		
Prepayments	15,250,103.86	15,291,351.73
Premium receivable		
Reinsurance payables		
Reinsurance contract reserves receivable		
Other receivables	15,877,583.96	16,915,272.60
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventory	1,241,142,975.60	1,911,630,723.55
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,157,947,360.89	334,959,353.91
Total current assets	5,335,496,661.66	4,699,085,474.59

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	30,983,155.44	31,701,597.54
Fixed assets	2,848,133,013.46	3,013,559,312.97
Construction work in progress	167,569,837.60	142,627,123.42
Productive biological assets		
Oil & gas assets		
Right-of-use assets	15,812,608.61	9,758,283.42
Intangible assets	217,157,292.86	214,243,938.48
Development expenses		
Goodwill	697,790.49	64,654.15
Long-term deferred expenses	12,857,646.13	11,771,615.74
Deferred income tax assets	243,248,809.65	206,456,657.06
Other non-current assets	42,134,678.89	5,839,034.34
Total non-current assets	3,578,594,833.13	3,636,022,217.12
Total assets	8,914,091,494.79	8,335,107,691.71
Current liabilities:		
Short-term borrowings	1,166,297,275.02	607,799,222.62
Borrowings from PBC		
Placements from banks and other financial institutions		
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable	326,437,678.21	340,335,111.30
Accounts payable	809,845,342.70	948,550,430.61
Payments received in advance		
Contract liabilities	55,853,584.65	96,581,944.94
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	110,494,448.39	131,641,447.65
Tax and fees payable	126,820,329.67	53,457,966.35
Other payables	950,315,173.71	807,423,814.13
Including: Interests payable		
Dividends payable	1,299,613.00	
Transaction fee and commission receivable		
Reinsurance payable		
Liabilities held for sale		
Non-current liabilities due within one year	8,708,819.36	9,833,661.30
Other current liabilities	7,191,894.60	12,440,147.55

Total current liabilities	3,561,964,546.31	3,008,063,746.45
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	8,675,066.94	803,879.30
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	90,477,103.14	98,419,983.82
Deferred income tax liabilities	28,007,494.21	47,131,368.70
Other non-current liabilities		
Total non-current liabilities	127,159,664.29	146,355,231.82
Total liabilities	3,689,124,210.60	3,154,418,978.27
Owner's equity:		
Share capital	1,334,550,300.00	1,314,739,745.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	1,079,098,155.93	958,187,997.99
Less: Treasury shares	793,726,652.23	688,930,693.99
Other comprehensive income		
Special reserves		
Surplus reserves	145,882,689.86	145,882,689.86
General reserves		
Retained earnings	3,451,470,206.87	3,448,180,639.62
Total equity attributable to owners of the parent company	5,217,274,700.43	5,178,060,378.48
Equities of minority shareholders	7,692,583.76	2,628,334.96
Total owner's equity	5,224,967,284.19	5,180,688,713.44
Total liabilities and owners' equities	8,914,091,494.79	8,335,107,691.71

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	June 30, 2023	January 01, 2023
Current assets:		
Monetary funds	248,234,112.29	178,834,482.59
Tradable financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	100,492,759.26	138,731,752.81
Accounts receivable financing		
Prepayments	3,443,680.59	3,400,385.20
Other receivables	101,551,635.79	226,320,859.44
Including: Interest receivable		
Dividends receivable		
Inventory	106,400,059.82	230,991,334.76

Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	607,900,660.78	44,612,167.11
Total current assets	1,168,022,908.53	822,890,981.91
Non-current assets:		
Investments in creditor's rights		
Investments in other creditor's rights		
Long-term receivable		
Long-term equity investment	2,063,642,700.23	2,007,893,370.09
Investment in other equity instruments		
Other non-current financial assets		
Investment property	15,992,500.81	16,381,866.55
Fixed assets	364,026,178.37	370,818,585.12
Construction work in progress	99,460,591.37	106,508,939.88
Productive biological assets		
Oil & gas assets		
Right-of-use assets	6,035,863.64	1,870,924.32
Intangible assets	24,757,576.36	24,849,828.82
Development expenses		
Goodwill		
Long-term deferred expenses	229,008.85	286,261.03
Deferred income tax assets	111,944,828.60	103,318,801.75
Other non-current assets	1,950,184.45	2,615,866.30
Total non-current assets	2,688,039,432.68	2,634,544,443.86
Total assets	3,856,062,341.21	3,457,435,425.77
Current liabilities:		
Short-term borrowings	150,109,375.00	
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable	45,000,000.00	45,000,000.00
Accounts payable	611,653,864.27	830,007,886.80
Payments received in advance		
Contract liabilities	130,085,518.13	117,155,526.88
Employee remuneration payable	31,262,433.35	45,625,887.77
Tax and fees payable	8,107,054.87	2,218,640.09
Other payables	197,536,171.30	69,251,084.96
Including: Interests payable		
Dividends payable	1,299,613.00	
Liabilities held for sale		
Non-current liabilities due within one year	2,339,301.07	1,745,137.58
Other current liabilities	16,911,117.36	15,230,218.49
Total current liabilities	1,193,004,835.35	1,126,234,382.57
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	4,307,197.55	324,786.03
Long-term payable		
Long-term employee remuneration payable		

Provision		
Deferred income	2,837,088.65	3,440,764.37
Deferred income tax liabilities		13,991,614.43
Other non-current liabilities		
Total non-current liabilities	7,144,286.20	17,757,164.83
Total liabilities	1,200,149,121.55	1,143,991,547.40
Owner's equity:		
Share capital	1,334,550,300.00	1,314,739,745.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	1,002,791,189.93	881,881,031.99
Less: Treasury shares	793,726,652.23	688,930,693.99
Other comprehensive income		
Special reserves		
Surplus reserves	145,761,355.58	145,761,355.58
Retained earnings	966,537,026.38	659,992,439.79
Total owner's equity	2,655,913,219.66	2,313,443,878.37
Total liabilities and owners' equities	3,856,062,341.21	3,457,435,425.77

### 3. Consolidated income statement

Unit: RMB

Item	Half-Year of 2023	Half-Year of 2022
I. Total Operating Income	4,685,080,565.59	4,367,618,113.61
Including: Operating income	4,685,080,565.59	4,367,618,113.61
Interest income		
Gross earned premiums		
Service charge and commission income		
II. Total Operating Cost	4,613,353,728.19	4,116,050,602.19
Including: Operating costs	3,352,956,520.74	2,929,313,606.05
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	30,686,345.75	28,804,761.00
Selling expenses	937,125,533.37	874,040,563.35
Administrative expenses	188,774,711.51	180,176,434.40
R&D expenses	120,281,401.12	105,182,287.61
Finance expenses	-16,470,784.30	-1,467,050.22
Including: Interest fees	14,597,955.07	1,730,495.87
Interest income	16,545,337.34	5,594,433.94
Plus: Other income	12,741,933.39	13,819,921.40
Return on investment ("-" indicates loss)	1,958,155.36	183,493.42
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)		-2,538.48
Credit impairment losses (“-” indicates loss)	-1,764,899.61	1,833,293.54
Asset impairment losses (“-” indicates loss)	-1,417,159.06	-1,026,689.87
Return on disposal of assets (“-” indicates loss)	-919,217.75	-1,085,279.69
III. Operating Profit (“-” indicates loss)	82,325,649.73	265,289,711.74
Plus: Non-operating income	3,592,734.66	1,914,737.14
Less: Non-operating expenditure	3,821,260.22	5,989,215.49
IV. Total Profit (“-” indicates total loss)	82,097,124.17	261,215,233.39
Less: Income tax expense	-1,857,299.09	33,733,447.46
V. Net Profit (“-” indicates net loss)	83,954,423.26	227,481,785.93
i. Classified by operation continuity		
1. Net profit from continued operation (“-” indicates net loss)	83,954,423.26	227,481,785.93
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	84,490,174.46	227,639,705.35
2. Minority shareholders’ profits and losses	-535,751.20	-157,919.42
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	83,954,423.26	227,481,785.93
Total comprehensive income attributable to owners of the parent company	84,490,174.46	227,639,705.35
Total comprehensive income attributable to minority shareholders	-535,751.20	-157,919.42
VIII. Earnings per Share:		
i. Basic earnings per share	0.06	0.17
ii. Diluted earnings per share	0.06	0.17

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	Half-Year of 2023	Half-Year of 2022
I. Operating Income	787,073,336.16	1,040,228,094.53
Less: Operating cost	728,588,036.18	934,724,115.97
Tax and surcharges	2,754,473.46	1,444,145.77
Selling expenses	73,233,967.35	83,355,103.02
Administrative expenses	77,316,608.59	78,567,987.49
R&D expenses		
Finance expenses	-2,290,196.59	13,198,563.52
Including: Interest fees	1,793,163.37	372,903.68
Interest income	2,263,219.06	748,450.43
Plus: Other income	2,521,192.69	4,064,729.62
Return on investment ("-" indicates loss)	456,658,155.36	491,911,145.00
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)	-272,095.97	-513,297.02
Asset impairment losses (“-” indicates loss)	-344,503.16	-351,354.84
Return on disposal of assets (“-” indicates loss)	-822,150.21	136,016.06
II. Operating Profit (“-” indicates loss)	365,211,045.88	424,185,417.58
Plus: Non-operating income	555,371.30	352,230.92
Less: Non-operating expenditure	638,864.66	339,798.68
III. Total Profit (“-” indicates total loss)	365,127,552.52	424,197,849.82
Less: Income tax expense	-22,617,641.28	-17,504,601.41
IV. Net Profit (“-” indicates net loss)	387,745,193.80	441,702,451.23
i. Net profit from continued operation (“-” indicates net loss)	387,745,193.80	441,702,451.23
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	387,745,193.80	441,702,451.23
VII. Earnings per Share:		
i. Basic earnings per share		
ii. Diluted earnings per share		



## 5. Consolidated cash flow statement

Unit: RMB

Item	Half-Year of 2023	Half-Year of 2022
<b>I. Cash Flows from Operating Activities:</b>		
Cash received from sale of goods or rendering of services	4,568,336,033.72	4,390,764,748.02
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		
Net cash from reinsurance business		
Net increase in deposits and investment of the insured		
Cash obtained from interest, net fee and commission		
Net cash from reinsurance business		
Net increase in placements from banks and other financial institutions		
Net increase in repo service fund		
Net cash from agent securities trading		
Tax rebates	34,111,023.87	9,662,927.59
Cash received related to other operating activities	60,894,122.70	52,109,531.96
Sub-total of cash inflow from operating activities	4,663,341,180.29	4,452,537,207.57
Cash paid for goods purchased and services rendered	2,737,521,266.54	2,526,209,791.30
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	468,248,404.47	487,529,479.85
Tax payments	223,017,991.16	268,061,564.38
Cash payments related to other operating activities	461,107,260.06	471,186,646.29
Sub-total of cash outflow from operating activities	3,889,894,922.23	3,752,987,481.82
Net cash flows from operating activities	773,446,258.06	699,549,725.75
<b>II. Cash Flows from Investing Activities:</b>		
Cash from realization of investment		
Cash received from the return on	1,958,155.36	188,274.88

investments		
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	1,571,529.10	8,896,516.73
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	93,001,000.00	41,239,541.68
Sub-total of cash inflow from investing activities	96,530,684.46	50,324,333.29
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	111,139,413.00	158,095,067.10
Cash paid for investments		
Net increase in pledged loans		
Net amount of cash paid for acquisition of subsidiaries and other operating organizations	5,810,000.00	
Cash payments related to other investing activities	991,607,000.00	140,000,000.00
Sub-total of cash outflow from investing activities	1,108,556,413.00	298,095,067.10
Net cash flows from investing activities	-1,012,025,728.54	-247,770,733.81
III. Cash Flows from Financing Activities:		
Cash received from capital contribution	141,373,794.42	5,345,461.64
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	1,277,682,621.27	280,500,000.00
Cash received related to other financing activities	5,651,225.68	
Sub-total of cash inflow from financing activities	1,424,707,641.37	285,845,461.64
Cash paid for repayments of borrowings	711,767,720.66	38,500,000.00
Cash payment for interest expenses and distribution of dividends or profits	93,781,130.44	130,888,041.74
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash payments related to other financing activities	5,805,962.59	63,238,785.50
Sub-total of cash outflow from financing activities	811,354,813.69	232,626,827.24
Net cash flows from financing activities	613,352,827.68	53,218,634.40
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	26,248,758.50	12,379,862.97
V. Net Increase in Cash and Cash Equivalents	401,022,115.70	517,377,489.31
Plus: Opening balance of cash and cash equivalents	1,248,898,024.59	797,797,675.70
VI. Closing Balance of Cash and Cash Equivalents	1,649,920,140.29	1,315,175,165.01

## 6. Cash flow statement of the Parent Company

Unit: RMB

Item	Half-Year of 2023	Half-Year of 2022
<b>I. Cash Flows from Operating Activities:</b>		
Cash received from sale of goods or rendering of services	978,479,087.94	887,041,490.22
Tax rebates		2,925,548.55
Cash received related to other operating activities	683,421,411.07	172,267,914.07
Sub-total of cash inflow from operating activities	1,661,900,499.01	1,062,234,952.84
Cash paid for goods purchased and services rendered	771,865,862.19	829,387,529.96
Cash paid to and on behalf of employees	113,659,917.46	121,130,410.24
Tax payments	12,786,412.51	7,266,606.51
Cash payments related to other operating activities	726,907,864.89	293,808,313.12
Sub-total of cash outflow from operating activities	1,625,220,057.05	1,251,592,859.83
Net cash flows from operating activities	36,680,441.96	-189,357,906.99
<b>II. Cash Flows from Investing Activities:</b>		
Cash from realization of investment		
Cash received from the return on investments	456,658,155.36	491,911,145.00
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	238,000.00	2,780.00
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	23,001,000.00	10,000,000.00
Sub-total of cash inflow from investing activities	479,897,155.36	501,913,925.00
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	19,855,136.87	75,347,277.57
Cash paid for investments	39,000,000.00	500,000.00
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	601,607,000.00	
Sub-total of cash outflow from investing activities	660,462,136.87	75,847,277.57
Net cash flows from investing activities	-180,564,981.51	426,066,647.43
<b>III. Cash Flows from Financing Activities:</b>		
Cash received from capital contribution	141,373,794.42	5,347,319.15
Cash received from borrowings	302,158,073.91	
Cash received related to other financing activities		

Sub-total of cash inflow from financing activities	443,531,868.33	5,347,319.15
Cash paid for repayments of borrowings	151,171,765.52	
Cash payment for interest expenses and distribution of dividends or profits	81,362,154.79	129,825,291.73
Cash payments related to other financing activities	5,154,951.72	24,740,404.55
Sub-total of cash outflow from financing activities	237,688,872.03	154,565,696.28
Net cash flows from financing activities	205,842,996.30	-149,218,377.13
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,144,664.45	3,308.96
V. Net Increase in Cash and Cash Equivalents	65,103,121.20	87,493,672.27
Plus: Opening balance of cash and cash equivalents	178,827,650.10	54,273,414.25
VI. Closing Balance of Cash and Cash Equivalents	243,930,771.30	141,767,086.52

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

Amount of the current period

Unit: RMB

Item	Half-Year of 2023												
	Owner's equity attributable to the Parent Company									Equity of minority shareholders	Total owner's equity		
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserves	General reserves			Retained earnings	Others
	Preferred shares	Other equity instruments	Other comprehensive income										
I. Balance at the End of	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

Last Year													
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	1,314,739,745.00			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	
III. Changes in the Period ("-" Indicates Decrease)	19,810,555.00			120,910,157.94	104,795,958.24				3,289,567.25	39,214,321.95	5,064,248.80	44,278,570.75	
i. Total comprehensiv e income									84,490,174.46	84,490,174.46	-535,751.20	83,954,423.26	
ii. Capital contributed or decreased by owner	19,810,555.00			120,910,157.94	104,795,958.24					35,924,754.70	5,600,000.00	41,524,754.70	

1 Ordinary shares contributed by owners	21,706,455.00			119,137,564.99						140,844,019.99	5,600,000.00	146,444,019.99
2 Capital contributed by owners of other equity instruments												
3 Share based payments recognized as owner's equity				27,557,414.71	132,476,680.00					-104,919,265.29		-104,919,265.29
4 Others	-1,895,900.00			-25,784,821.76	-27,680,721.76							
iii. Profit distribution									-81,200,607.21	-81,200,607.21		-81,200,607.21
1 Appropriation of surplus reserves												
2 Appropriation of general risk reserves												
3 Distribution to owners (or shareholders)									-81,200,607.21	-81,200,607.21		-81,200,607.21
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	1,334,550,300.00			1,079,098,155.93	793,726,652.23		145,882,689.86		3,451,470,206.87		5,217,274,700.43	7,692,583.76	5,224,967,284.19

Amount of last period

Unit: RMB

Half-Year of 2022														
Item	Owner's equity attributable to the Parent Company											Equity of minority shareholders	Total owner's equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other surplus reserves	Surplus reserves	General reserves	Retained earnings	Others			Subtotal
		Preferred shares	Perpetual bonds	Others										

						e							
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)	1,324,358.00			7,752,941.45	-24,859,711.16				99,029,994.75		132,967,005.36	-556,662.42	132,410,342.94
i. Total comprehensive income									227,639,705.35		227,639,705.35	-157,919.42	227,481,785.93
ii. Capital	1,324,358.00			7,752,941.45	-24,859,711.16						33,937,010.61	-398,743.00	33,538,267.61

contributed or decreased by owner													
1 Ordinary shares contributed by owners	1,324,358.00			13,460,603.24						14,784,961.24	-400,000.00		14,384,961.24
2 Capital contributed by owners of other equity instruments													
3 Share based payments recognized as owner's equity				-5,707,661.79	-24,859,711.16					19,152,049.37			19,152,049.37
4 Others											1,257.00		1,257.00
iii. Profit distribution									-128,609,710.60	-128,609,710.60			-128,609,710.60
1 Appropriation of surplus reserves													
2 Appropriation of general risk reserves													
3 Distribution to owners (or shareholders)									-128,609,710.60	-128,609,710.60			-128,609,710.60
4 Others													
iv. Interior													



Appropriation for the period													
2 Use for the period													
vi. Others													
IV. Closing Balance of the Period	1,313,781,913.00			948,495,627.64	697,383,572.23		106,984,275.42		3,364,641,423.11		5,036,519,666.94	2,689,388.55	5,039,209,055.49

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

Amount of the current period

Unit: RMB

Item	Half-Year of 2023											
	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	1,314,739,745.00				881,881,031.99	688,930,693.99			145,761,355.58	659,992,439.79		2,313,443,878.37
Plus: Alternation to accounting policies												
Correction to previous errors												
Others												

II. Balance at the Beginning of the Year	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
III. Changes in the Period (“-” Indicates Decrease)	19,810,555.00				120,910,157.94	104,795,958.24				306,544,586.59		342,469,341.29
i. Total comprehensive income										387,745,193.80		387,745,193.80
ii. Capital contributed or decreased by owner	19,810,555.00				120,910,157.94	104,795,958.24						35,924,754.70
1 Ordinary shares contributed by owners	21,706,455.00				119,137,564.99							140,844,019.99
2 Capital contributed by owners of other equity instruments												
3 Share based payments recognized as owner’s equity					27,557,414.71	132,476,680.00						-104,919,265.29
4 Others	-1,895,900.00				-25,784,821.76	-27,680,721.76						
iii. Profit distribution										-81,200,607.21		-81,200,607.21
1 Appropriation												

of surplus reserves												
2 Distribution to owners (or shareholders)											-81,200,607.21	-81,200,607.21
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	1,334,550,300.00				1,002,791,189.93	793,726,652.23			145,761,355.58	966,537,026.38		2,655,913,219.66

Amount of last period

Unit: RMB

Item	Half-Year of 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 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
III. Changes in the Period (“-” Indicates Decrease)	1,324,358.00				9,114,208.93	-24,859,711.16				313,092,740.63		348,391,018.72
i. Total comprehensive income										441,702,451.23		441,702,451.23
ii. Capital contributed or decreased by owner	1,324,358.00				9,114,208.93	-24,859,711.16						35,298,278.09
1 Ordinary shares contributed by owners	1,324,358.00				13,460,603.24							14,784,961.24
2 Capital contributed by owners of other equity instruments												
3 Share based payments recognized as owner’s equity					-4,346,394.31	-24,859,711.16						20,513,316.85
4 Others												

iii. Profit distribution											-128,609,710.60		-128,609,710.60
1 Appropriation of surplus reserves													
2 Distribution to owners (or shareholders)											-128,609,710.60		-128,609,710.60
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	1,313,781,913.00				872,193,199.50	697,383,572.23			106,862,941.14	751,502,944.19		2,346,957,425.60

### 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 of June 30, 2023, the registered capital of the company is RMB 1,334,550,300.00, share capital is RMB 1,334,550,300.00.

#### 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 generally 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 August 25, 2023.

#### 5. Scope of the consolidation of financial statements

As of June 30, 2023, the Company has 26 subsidiaries which 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 one subsidiary has been deleted from the consolidated scope during the reporting period. For details, see “Note VIII. Changes in Consolidated Scope”.

## **IV. Preparation Basis for Financial Statements**

### **1. Basis of preparation**

The financial statements of the Company have been prepared on a going concern basis based on actual transactions and events and according to the *Accounting Standards for Business Enterprises - Basic Standards* promulgated by the Ministry of Finance (MOF No. 33 Document and No. 76 Revision), the 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, operating results, cash flow, and other relevant information of the Company. In addition, the financial statements of the Company are also in accordance with disclosure requirements for financial statements and notes in *No. 15 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies - General Rules for Financial Statements of the China Securities Regulatory Commission* (2014 Revision) in all material aspects.

## 2. Accounting period

The accounting period of the Company is divided into annual and interim periods. The interim period refers to the reporting period shorter than a complete 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 (that is, except for the corresponding shares of the changes caused by re-measurement of the net liabilities or net assets of the defined benefit plan by the acquiree, which are accounted by the equity method, others shall be transferred to the return on investment of the current period).

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

## **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 undistributed profit at the end of the year after the conversion of the previous year; The undistributed profits at the end of the period are calculated and listed according to the profit distribution items after conversion; The difference between the total amount of assets, liabilities and shareholders' equity after translation is recognized as other comprehensive income as the translation difference of foreign currency statements. 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 contract assets and financial guarantee contracts, impairment reserves are set aside and credit impairment losses are recognized as per the accounting policies described in this section.

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

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

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

The general method for measuring expected credit loss means that the Company assesses on each balance sheet date whether the credit risk of financial assets has increased significantly since the initial recognition. If yes, the

Company measures loss reserves at an amount equivalent to the expected credit loss in the entire duration; if not, the Company measures loss reserves at an amount equivalent to the expected credit loss in the next 12 months. The Company considers all reasonable and evidence-based information, including forward-looking information, when assessing expected credit loss;

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

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

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

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

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

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

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

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

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

##### a. Notes receivable

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

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

##### b. Accounts receivable

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

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

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

Item	Basis for determining the portfolio
Aging portfolio	This portfolio uses aging of accounts receivable as credit risk characteristics.

Related party portfolio	This portfolio comprises amounts of related parties within the consolidated scope.
-------------------------	--

#### c. Other receivables

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

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

### 11. Notes receivable

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

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

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

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

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

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

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

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

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

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

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

### **31. Long-term asset impairment**

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

If an impairment test shows that the recoverable amount of an asset is lower than its book value, the difference is recognized as a provision for impairment and recognized as the impairment loss. The recoverable amount is determined based on the higher of the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset. The fair value of asset is determined according to the price of the sales agreement in fair trade. If there is no sales agreement but an active market for the asset, the fair value is determined according to the price offered by the buyer for the asset. If there is neither sales agreement nor active market for the asset, the fair value of the asset shall be estimated based on the best information available. The disposal costs include legal fees, relevant taxes and fees, as well as handling fees related to the disposal of asset, and the direct costs incurred to ensure the asset reaches the marketable state. The present value of the expected future cash flow of an asset shall be determined by the discounted cash at an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. Provisions for asset impairment are calculated and recognized on an individual basis. If it is difficult to estimate the recoverable amount of individual assets, the Company will determine the recoverable amount of the asset group on the basis of the asset group to which the asset belongs. Asset group refers to the smallest asset portfolio which can independently generate cash inflows.

When an impairment test is performed on the goodwill separately listed in the financial statement, book value of such goodwill is apportioned to the asset group or combination of asset groups that can benefit from the synergy effect of business combination. If the test result shows that the recoverable amount of the asset group or combination of asset groups is lower than their book value, corresponding impairment losses on goodwill will be recognized. The impairment loss shall first offset against the book value of goodwill that is apportioned to asset group or a combination of asset groups, and then offset against the book value of assets excluding goodwill in the asset group or the combination of asset groups on a pro-rata basis according to the proportion of their book value.

Once the aforementioned asset impairment loss is recognized, it will not be reversed in subsequent accounting periods even if the value can be recovered.

### **32. Long-term unamortized expenses**

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

##### ① 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.

##### ② 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 V ((24) 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.

##### ③ 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
In December 13, 2022, the Ministry of Finance issued the Interpretation No. 16 to Accounting Standards for Business Enterprises (hereinafter referred to as the "Interpretation No. 16"), which stipulated that contents regarding "accounting treatment when the deferred tax related to assets or liabilities arising from a single transaction does not apply the initial recognition exemption", "accounting treatment for the dividends of financial instruments classified as equity instruments by the issuer" and "accounting treatment for the change of cash-settled share-based payment transaction to equity-settled share-based payment transaction".	On August 25, 2023, the Company convened the 23th meeting of the fifth session of the Board of Directors and the 18th 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 28, 2023 on CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ).

**(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., C&S (Jiangsu) Paper Co., Ltd., Xiaogan C&S Trading Co., Ltd. and Quxian Jiezhong Construction and Development 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., Guangdong Huashun Material Technology Co., Ltd and Guangdong Laotongxue Information 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 2021.

C&S (Yunfu) Paper Co., Ltd. was certified as a high-tech enterprise of Guangdong Province in 2020 and was awarded the *Certificate of High-tech Enterprise* (No. GR202044006774) in December, 2020, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2021.

Jiangmen Zhongshun Paper Co., Ltd. was certified as a high-tech enterprise of Guangdong Province in 2021 and was awarded the *Certificate of High-tech Enterprise* (No. GR202144006582) in December 2021, with a valid term of three years. Therefore, the corporate income tax is calculated at a tax rate of 15% in 2021.

According to Interpretation No. 16 and in combination of its own conditions, the Company started to implement the content regarding "accounting treatment when the deferred tax related to assets or liabilities arising from a single transaction does not apply the initial recognition exemption" from January 1, 2023. In accordance with relevant

provisions of the *Announcement of the State Administration of Taxation on Issues Concerning the Implementation of the Inclusive Income Tax Deduction and Exemption Policies for Small Low-profit Enterprises* (STA Doc. [2022] No. 13), 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, Guangdong Huashun Material Technology Co., Ltd and Guangdong Laotongxue Information Technology Co., Ltd in 2023. To be specific, the annual taxable income of these enterprises that is not more than RMB3 million shall be included in their taxable income at the reduced rate of 25%, with the applicable corporate 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 MOP 300,000 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	41,732.13	20,309.66
Bank deposits	1,640,753,819.23	1,231,680,951.11
Other monetary funds	79,362,880.15	93,086,280.72
Total	1,720,158,431.51	1,324,787,541.49
Including: Total deposits in overseas banks	290,901,965.21	165,068,426.96
The total amount of funds with restrictions on use due to mortgage, pledge, or freezing	70,238,291.22	75,889,516.90

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	11,389,001.93	9,871,092.80
Trade acceptance bill		1,500,000.00
Total	11,389,001.93	11,371,092.80

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

Applicable  Not applicable

**(2) Bad debt reserve that is set aside, recovered or transferred back in the reporting period: None**

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

Applicable  Not applicable

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

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

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

Other description

- As of June 30, 2023, the Company has no pledged notes receivable as at the end of the year.
- As of June 30, 2023, the Company has no derecognized notes receivable that are endorsed or discounted but not due as at the end of the year.
- As of June 30, 2023, 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	34,992,417.09	2.87%	15,136,103.86	43.26%	19,856,313.23	34,992,417.09	3.10%	15,136,103.86	43.26%	19,856,313.23

aside individually										
Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	1,183,559,651.60	97.13%	29,684,760.92	2.51%	1,153,874,890.68	1,092,720,726.79	96.90%	28,446,901.51	2.60%	1,064,273,825.28
Including:										
Portfolio based on aging	1,183,559,651.60	97.13%	29,684,760.92	2.51%	1,153,874,890.68	1,092,720,726.79	96.90%	28,446,901.51	2.60%	1,064,273,825.28
Total	1,218,552,068.69	100.00%	44,820,864.78	3.68%	1,173,731,203.91	1,127,713,143.88	100.00%	43,583,005.37	3.86%	1,084,130,138.51

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 3	6,116,636.66	2,462,996.13	40.27%	It is difficult to recover all goods payments due to the poor business performance of the customer.
合计	34,992,417.09	15,136,103.86		

Bad debt reserve set aside in portfolios: 29,684,760.92

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Ratio of provision
Within the credit period	1,066,099,812.77	21,321,996.26	2.00%
Credit period - 1 year	108,280,836.21	5,414,041.81	5.00%
1 to 2 years	4,070,310.96	610,546.64	15.00%
2 to 3 years	1,080,848.11	324,254.43	30.00%
3 to 5 years	4,027,843.55	2,013,921.78	50.00%
Over 5 years	1,183,559,651.60	29,684,760.92	

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)	1,174,380,648.98
1 to 2 years	10,766,046.23
2 to 3 years	1,080,848.11
Over 3 years	32,324,525.37
3 to 4 years	49,897.62
4 to 5 years	3,977,945.93
Over 5 years	28,296,681.82
Total	1,218,552,068.69

## (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	43,583,005.37	1,237,859.41				44,820,864.78
Total	43,583,005.37	1,237,859.41				44,820,864.78

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

## (3) Accounts receivable actually written off in the reporting period: None

## (4) Top five debtors in closing balance of accounts receivable

Unit: RMB

Name of institution	Balance of accounts receivable at the end of the period	Percentage in total balance of accounts receivable at the end of the period	Balance for bad debt reserve at the end of the period
1st	424,294,485.50	34.82%	8,493,895.37
2nd	103,051,042.06	8.46%	3,228,781.62
3rd	48,829,431.30	4.01%	976,588.63
4th	33,947,269.76	2.79%	695,730.59
5th	25,692,973.85	2.11%	513,859.48
Total	635,815,202.47	52.19%	

## (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.

**(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.

Other description: None.

**6. Accounts receivable financing**

Increase and decrease of accounts receivable financing and changes in fair value in the reporting period

Applicable  Not applicable

If the provisions for asset impairment of accounts receivable financing are set aside according to general model of expected credit loss, please refer to the disclosure method of other receivables to disclose relevant information on provisions for asset impairment:

Applicable  Not applicable

**7. Prepayments****(1) Prepayments presentation by aging**

Unit: RMB

Aging	Balance at the end of the period		Balance at the beginning of the period	
	Amount	Percentage	Amount	Percentage
Within 1 year	15,250,103.86	100.00%	15,291,351.73	100.00%
Total	15,250,103.86		15,291,351.73	

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 11,089,368.68, accounting for 72.72% of closing balance of prepayment.

**8. Other receivables**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	15,877,583.96	16,915,272.60
Total	15,877,583.96	16,915,272.60

**(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	7,787,922.39	7,890,771.57
Margins and deposits	8,062,298.78	6,069,070.04
Reserve	2,446,003.40	2,691,372.66
Others	713,840.99	2,869,499.74
<b>Total</b>	<b>19,010,065.56</b>	<b>19,520,714.01</b>

2) Provision of bad debt reserve

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2023	2,605,441.41			2,605,441.41
Balance as at January 1, 2023 in the reporting period				
Provision in the	527,040.19			527,040.19

reporting period				
Balance as at June 30, 2023	3,132,481.60			3,132,481.60

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	Balance at the end of the period
Within 1 year (inclusive)	14,461,160.13
1 to 2 years	382,317.36
2 to 3 years	1,071,090.67
Over 3 years	3,095,497.40
3 to 4 years	487,250.00
4 to 5 years	1,642,247.22
Over 5 years	966,000.18
Total	19,010,065.56

### 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

Type	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Other receivables	2,605,441.41	527,040.19				3,132,481.60
Total	2,605,441.41	527,040.19				3,132,481.60

### 4) Other receivables actually written off in the reporting period: 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	1,002,000.00	Within 1 year	5.27%	50,100.00
2nd	Margins and deposits	900,500.00	4-5 years	4.74%	450,250.00
3rd	Margins and deposits	900,000.00	Within 1 year, 1-2 years, 2-3 years, 3-4 years, over 5 years	4.73%	655,000.00
4th	Margins and deposits	645,500.00	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, over 5 years	3.40%	326,025.00
5th	Current accounts	629,891.67	Within 1 year	3.31%	31,494.58
Total		4,077,891.67		21.45%	1,512,869.58

6) Receivables involving government grants: None

7) Other receivables derecognized due to the transfer of financial assets: None

8) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of other receivables: None

## 9. Inventory

Whether the Company needs to comply with requirements for disclosure in the real estate industry: No

### (1) Classification of inventories

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Provision for impairment of inventories or provision for contract performance cost	Book value	Book balance	Provision for impairment of inventories or provision for contract performance cost	Book value
Raw materials	498,099,743.91	3,930,313.13	494,169,430.78	1,120,294,078.05	3,958,483.30	1,116,335,594.75
Work-in-process products	87,256,007.12	1,375,287.67	85,880,719.45	108,420,732.66	858,734.39	107,561,998.27
Commodity stocks	602,180,835.14	9,842,173.05	592,338,662.09	619,274,397.98	10,309,137.57	608,965,260.41
Packages	31,830,600.64	484,291.64	31,346,309.00	37,055,688.67	416,133.78	36,639,554.89
Low-value consumables	21,931,177.76	3,110,711.23	18,820,466.53	20,499,334.30	2,540,724.48	17,958,609.82
Materials for consigned processing	18,587,387.75		18,587,387.75	24,169,705.41		24,169,705.41
Total	1,259,885,752.32	18,742,776.72	1,241,142,975.60	1,929,713,937.07	18,083,213.52	1,911,630,723.55

### (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	3,958,483.30	554,386.19		582,556.36		3,930,313.13
Work-in-process products	858,734.39	1,241,360.11		724,806.83		1,375,287.67
Commodity stocks	10,309,137.57	4,869,241.11		5,336,205.63		9,842,173.05

Packages	416,133.78	291,636.17		223,478.31		484,291.64
Low-value consumables	2,540,724.48	700,148.02		130,161.27		3,110,711.23
<b>Total</b>	<b>18,083,213.52</b>	<b>7,656,771.60</b>		<b>6,997,208.40</b>		<b>18,742,776.72</b>

**(3) Explanation that balance of inventory at the end of the reporting period includes amount of capitalization of borrowing costs: None**

**(4) Explanation on amortized amount of contract performance cost in the reporting period: None**

**10. Contract assets: None**

**11. Assets held for sale: None**

**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	601,000,000.00	210,000,000.00
Wealth management products	520,600,000.00	
Input VAT to be deducted	26,340,360.89	101,907,351.54
Treasury bond reverse repurchase	10,007,000.00	23,001,000.00
Prepaid corporate income tax		51,002.37
<b>Total</b>	<b>1,157,947,360.89</b>	<b>334,959,353.91</b>



**14. Investments in creditor's rights: None**

**15. Other investments in creditor's rights: None**

**16. Long-term receivables**

**(1) Long-term receivables: None**

**(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 progress	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	15,193,533.87	5,838,632.80		21,032,166.67
2. Increase in the current period	549,514.14	168,927.96		718,442.10
(1) Provision or amortization	549,514.14	168,927.96		718,442.10
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Balance at the end of the period	15,743,048.01	6,007,560.76		21,750,608.77
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	15,329,584.91	15,653,570.53		30,983,155.44
2. Book value at the beginning of the period	15,879,099.05	15,822,498.49		31,701,597.54

**(2) Investment property measured at fair value**

Applicable  Not applicable

**(3) Investment property that the certificate of title has not been issued**

The Company does not have investment property that the certificate of title has not been issued as at June 30, 2023.

**21. Fixed assets**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Fixed assets	2,848,133,013.46	3,013,559,312.97
Total	2,848,133,013.46	3,013,559,312.97

**(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	1,371,576,825.01	3,605,484,997.77	72,239,295.93	22,748,342.43	107,478,826.39	5,179,528,287.53
2. Increase in the current period	2,837,554.28	63,442,027.73	1,351,559.07		1,271,175.01	68,902,316.09
(1) Purchase		235,819.40	842,709.51		664,778.76	1,743,307.67
(2) Inventory\fixed assets\transfer from construction work in progress	2,837,554.28	63,206,208.33	508,849.56		606,396.25	67,159,008.42
(3) Increase in business combination						
3. Decrease in the current period	68,000.00	91,298,975.80	1,160,786.85	4,751,043.81	3,141,234.95	100,420,041.41
(1) Disposal or scrap	68,000.00	20,886,221.43	1,160,786.85	4,751,043.81	3,141,234.95	30,007,287.04
(2) Other transfers out		70,412,754.37				70,412,754.37
4. Balance at the end of the period	1,374,346,379.29	3,577,628,049.70	72,430,068.15	17,997,298.62	105,608,766.45	5,148,010,562.21
II. Accumulated Depreciation						
1. Balance at the beginning 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
2. Increase in the current period	25,781,093.27	158,197,563.96	4,504,432.58	1,105,097.69	7,198,254.23	196,786,441.73
(1) Provision	25,781,093.27	158,197,563.96	4,504,432.58	1,105,097.69	7,198,254.23	196,786,441.73
3. Decrease in the current period	50,745.00	50,778,542.34	664,205.37	3,458,380.37	1,866,599.68	56,818,472.76
(1) Disposal or scrap	50,745.00	16,027,319.31	664,205.37	3,458,380.37	1,866,599.68	22,067,249.73
(2) Other transfers out		34,751,223.03				34,751,223.03
4. Balance at	354,194,132.97	1,806,223,722.	45,946,947.53	9,963,873.59	71,829,583.98	2,288,158,261.

the end of the period		99				06
III. Impairment Provision						
1. Balance at the beginning of the period		16,829,830.13	479,291.06		469,561.28	17,778,682.47
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period		6,049,870.14	214.65		9,309.99	6,059,394.78
(1) Disposal or scrap		6,049,870.14	214.65		9,309.99	6,059,394.78
4. Balance at the end of the period		10,779,959.99	479,076.41		460,251.29	11,719,287.69
IV. Book Value						
1. Book value at the end of the period	1,020,152,246.32	1,760,624,366.72	26,004,044.21	8,033,425.03	33,318,931.18	2,848,133,013.46
2. Book value at the beginning 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) Information on temporarily idle fixed assets**

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Equipment	45,812,663.29	25,194,370.56	10,779,959.99	9,838,332.74	
Office equipment	1,722,353.66	1,183,029.74	479,076.41	60,247.51	
Production equipment	1,035,975.24	544,516.97	460,251.29	31,206.98	
Total	48,570,992.19	26,921,917.27	11,719,287.69	9,929,787.23	

**(3) Fixed assets leased through operating: 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	47,303,948.59	Processing
Total	47,303,948.59	

**(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	167,569,837.60	142,627,123.42
Total	167,569,837.60	142,627,123.42

**(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	69,093,093.64		69,093,093.64	66,109,020.18		66,109,020.18
Construction work of Jiangmen C&S	8,720,992.62		8,720,992.62	6,474,001.68		6,474,001.68
Construction work of Zhejiang C&S	172,655.37		172,655.37			
Construction work of Tangshan Branch	30,367,497.73		30,367,497.73	40,399,919.70		40,399,919.70
Construction work of Hubei C&S	2,425,369.89		2,425,369.89	586,622.06		586,622.06
Construction work of Yunfu C&S	26,144,656.24		26,144,656.24	25,882,040.96		25,882,040.96
Construction work of Jiangsu C&S	530,582.07		530,582.07	530,582.07		530,582.07
Construction work of Dazhou C&S	29,554,801.81		29,554,801.81	2,644,936.77		2,644,936.77
Construction work of Huashun Technology	560,188.23		560,188.23			
Total	167,569,837.60		167,569,837.60	142,627,123.42		142,627,123.42

**(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	76,780,225.47	66,109,020.18	2,984,073.46			69,093,093.64	89.99%	89.99%				Others
Constr	11,835	6,474,	3,648,	1,401,		8,720,	85.53	85.53				Others

Construction work of Jiangmen C&S	,573.28	001.68	413.80	422.86		992.62	%	%				
Construction work of Zhejiang C&S	1,737,490.09		1,715,044.89	1,542,389.52		172,655.37	98.71%	98.71%				Others
Construction work of Sichuan C&S	6,298,365.36		6,298,365.36	6,298,365.36			100.00%	100.00%				Others
Construction work of Tangshan Branch	305,674,862.31	40,399,919.70	35,609,224.91	45,641,646.88		30,367,497.73	95.42%	95.42%				Others
Construction work of Hubei C&S	12,913,491.51	586,622.06	12,011,571.37	10,172,823.54		2,425,369.89	97.56%	97.56%				Others
Construction work of Yunfu C&S	31,645,821.82	25,882,040.96	2,364,975.55	2,102,360.27		26,144,656.24	89.26%	89.26%				Others
Construction work of Jiangsu C&S	695,600,000.00	530,582.07				530,582.07	0.08%	0.08%				Others
Construction work of Dazhou C&S	825,000,000.00	2,644,936.77	26,909,865.04			29,554,801.81	3.58%	3.58%				Others
Construction work of Huashun Technology	7,270,465.21		560,188.23			560,188.23	7.70%	7.70%				Others
<b>Total</b>	<b>1,974,756,295.05</b>	<b>142,627,123.42</b>	<b>92,101,722.61</b>	<b>67,159,008.43</b>		<b>167,569,837.60</b>						

**(3) Construction-in-progress provision set aside in the current period: None**

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
<b>I. Original Book Value</b>		
1. Balance at the beginning of the period	24,157,728.10	24,157,728.10
2. Increase in the current period	13,501,317.24	13,501,317.24
3. Decrease in the current period	4,432,933.36	4,432,933.36
4. Balance at the end of the period	33,226,111.98	33,226,111.98
<b>II. Accumulated Depreciation</b>		
1. Balance at the beginning of the period	14,399,444.68	14,399,444.68
2. Increase in the current period	7,383,463.33	7,383,463.33
(1) Provision	7,383,463.33	7,383,463.33
3. Decrease in the current period	4,369,404.64	4,369,404.64
(1) Disposal	4,369,404.64	4,369,404.64
4. Balance at the end of the period	17,413,503.37	17,413,503.37
<b>III. Impairment Provision</b>		
1. Balance at the beginning of the period		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		
4. Balance at the end of the period		
<b>IV. Book Value</b>		
1. Book value at the end of the period	15,812,608.61	15,812,608.61

2. Book value at the beginning of the period	9,758,283.42	9,758,283.42
--	--------------	--------------

## 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	241,594,322.15	1,733,287.88		25,875,086.67	168,370.83	269,371,067.53
2. Increase in the current period		5,600,000.00		2,087,306.44		7,687,306.44
(1) Purchase		5,600,000.00		2,087,306.44		7,687,306.44
(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	7,333,287.88		27,962,393.11	168,370.83	277,058,373.97
II. Accumulated Amortization						
1. Balance at the beginning of the period	37,570,867.18	1,134,314.77		16,253,576.27	168,370.83	55,127,129.05
2. Increase in the current period	2,423,951.76	346,663.32		2,003,336.98		4,773,952.06
(1) Provision	2,423,951.76	346,663.32		2,003,336.98		4,773,952.06
3. Decrease in the current period						
(1) Disposal						
4. Balance at the end of the period	39,994,818.94	1,480,978.09		18,256,913.25	168,370.83	59,901,081.11
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	201,599,503.21	5,852,309.79		9,705,479.86		217,157,292.86
2. Book value at the beginning of the period	204,023,454.97	598,973.11		9,621,510.40		214,243,938.48

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
Merger of Quxian Jiezu involving enterprises not under common control		633,136.34				633,136.34
Total	64,654.15	633,136.34				697,790.49

**(2) Provision for impairment of goodwill**

Relevant information on the asset group or asset group portfolio in which the goodwill is located

Explain the method to confirm the process of goodwill impairment test, key parameters (e.g. the growth rate in the predictive period when predicting the present value of future cash flow, the growth rate in the stable period, profit rate, discount rate, and predictive period), and the goodwill impairment loss:

After conducting the asset impairment test by combining the goodwill with corresponding asset groups, there was no impairment as at June 30, 2023, and provisions at the end of the reporting period were not set aside.

Influence of the goodwill impairment test

**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	251,447.96		41,908.02		209,539.94
Decoration fees of office buildings	9,598,356.75	137,999.75	3,647,360.70		6,088,995.80
Electricity use rights	1,635,550.00		309,750.00		1,325,800.00
Energy indicators	286,261.03	5,176,863.66	229,814.30		5,233,310.39
Total	11,771,615.74	5,314,863.41	4,228,833.02		12,857,646.13

**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	50,785,336.77	10,315,647.00	44,842,165.10	9,748,898.84
Unrealized profit in internal transaction	21,209,221.12	4,332,327.23	45,044,696.11	9,641,645.08
Deductible loss	724,519,823.16	180,196,946.51	567,079,521.21	140,749,809.49
Accrued expenses	18,742,776.72	3,412,418.83	18,083,213.52	3,328,793.96
Provision for impairment of fixed assets	11,719,287.69	2,269,795.90	17,778,682.47	3,294,136.72
Provision for impairment of inventories	18,370,084.29	4,502,112.60	1,251,162.68	264,199.53
Equity incentive cost	89,060,568.76	22,265,142.19	89,060,568.74	22,265,142.19
Deferred income	81,465,785.53	15,954,419.39	87,700,783.44	17,164,031.25
Total	1,015,872,884.04	243,248,809.65	870,840,793.27	206,456,657.06

**(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	153,023,160.79	28,007,494.21	238,373,819.49	47,131,368.70
Total	153,023,160.79	28,007,494.21	238,373,819.49	47,131,368.70

**(3) Presentation of deferred income tax assets or liabilities by the net amount after offset**

Unit: RMB

Item	Offset amount of the	Balance of the deferred	Offset amount of the	Balance of the deferred
------	----------------------	-------------------------	----------------------	-------------------------

	deferred income tax assets and liabilities at the end of the reporting period	income tax assets or liabilities after offset at the end of the reporting period	deferred income tax assets and liabilities at the beginning of the reporting period	income tax assets or liabilities after offset at the beginning of the reporting period
Deferred income tax assets		243,248,809.65		206,456,657.06
Deferred income tax liabilities		28,007,494.21		47,131,368.70

**(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	1,018,132.38	1,346,281.63
Total	1,018,132.38	1,346,281.63

**(5) Deductible losses of the unconfirmed deferred income tax assets due in the next year: 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	17,444,577.73		17,444,577.73	3,096,668.04		3,096,668.04
Prepayment for software	2,460,101.16		2,460,101.16	2,742,366.30		2,742,366.30
Prepayment for land	22,230,000.00		22,230,000.00			
Total	42,134,678.89		42,134,678.89	5,839,034.34		5,839,034.34

**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	1,016,297,275.02	606,299,222.62
Credit loans	150,000,000.00	
Discounting of unrecognized notes receivable		1,500,000.00
Total	1,166,297,275.02	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**

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	326,437,678.21	340,335,111.30
Total	326,437,678.21	340,335,111.30

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	809,845,342.70	948,550,430.61
Total	809,845,342.70	948,550,430.61

**(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	55,853,584.65	96,581,944.94
Total	55,853,584.65	96,581,944.94

**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	125,641,302.46	419,645,167.08	435,205,661.72	110,080,807.82
II. Post-employment Benefits - Defined Contribution Plan	3,000,145.19	29,568,638.65	32,155,143.27	413,640.57
III. Dismissal Benefits	3,000,000.00	1,434,557.17	4,434,557.17	
Total	131,641,447.65	450,648,362.90	471,795,362.16	110,494,448.39

**(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	124,624,901.23	378,301,918.61	394,224,207.25	108,702,612.59
2. Employee welfare		12,821,420.07	12,821,420.07	
3. Social insurance premiums	380,431.33	15,212,188.41	15,342,374.92	250,244.82
Including: Medical insurance	152,356.90	13,378,017.25	13,306,651.58	223,722.57
Employment injury insurance	226,233.91	1,564,071.76	1,765,766.64	24,539.03
Maternity insurance	1,840.52	270,099.40	269,956.70	1,983.22
4. Housing provident fund	184,800.00	11,134,609.49	10,992,729.29	326,680.20
5. Labor union fee and staff education fee	451,169.90	2,175,030.50	1,824,930.19	801,270.21
Total	125,641,302.46	419,645,167.08	435,205,661.72	110,080,807.82

**(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	2,930,653.01	28,433,807.06	30,965,273.69	399,186.38
2. Unemployment insurance	69,492.18	1,134,831.59	1,189,869.58	14,454.19
Total	3,000,145.19	29,568,638.65	32,155,143.27	413,640.57

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	60,292,193.38	11,926,192.62
Corporate income tax	49,229,609.44	30,255,024.65

Individual income tax	2,291,369.06	2,200,055.48
City construction and maintenance tax	3,504,941.68	1,756,304.79
Property tax	4,061,766.19	1,403,446.94
Education surcharges	1,785,292.91	923,674.57
Local education surcharges	1,190,195.26	615,783.03
Land use tax	753,980.97	778,111.47
Stamp tax	2,291,295.45	2,599,126.99
Security fund for the disabled	998,211.85	672,176.96
Environmental protection tax	294,908.67	256,939.83
Resource tax	126,564.81	71,129.02
Total	126,820,329.67	53,457,966.35

#### 41. Other payables

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Dividend payable	1,299,613.00	
Other payables	949,015,560.71	807,423,814.13
Total	950,315,173.71	807,423,814.13

##### (1) Interest payable: None

##### (2) Dividends payable

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Dividends for restricted shares	1,299,613.00	
Total	1,299,613.00	

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	776,232,605.21	772,151,144.55
Repurchase obligation of restricted shares	132,476,680.00	
Margins and deposits	37,745,699.72	29,983,785.18
Others	2,107,095.12	1,249,487.75
Authorized collection and payment of individual income tax under the equity incentive	453,480.66	4,039,396.65
Total	949,015,560.71	807,423,814.13

###### 2) Other important payables with aging exceeding one year

Unit: RMB

Item	Balance at the end of the period	Reason for unsettlement or not carry-over
1st	6,323,465.21	Not yet settled
Total	6,323,465.21	--

**42. Liabilities held for sale: None****43. Non-current liabilities due within one year**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Lease liabilities due within one year	8,708,819.36	9,833,661.30
Total	8,708,819.36	9,833,661.30

**44. Other current liabilities**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Tax pending changeover	7,191,894.60	12,440,147.55
Total	7,191,894.60	12,440,147.55

**45. Long-term borrowings: None****46. Bonds payable: None****47. Lease liabilities**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Properties and buildings	17,383,886.30	10,637,540.60
Lease liabilities due within one year	-8,708,819.36	-9,833,661.30
Total	8,675,066.94	803,879.30

**48. Long-term payables: None****49. Long-term employee remuneration payable****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	98,419,983.82		7,942,880.68	90,477,103.14	Related to asset

					Government grants
Total	98,419,983.82		7,942,880.68	90,477,103.14	--

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	28,393,061.36			535,718.16			27,857,343.20	Related to asset
Support funds for the construction of Automated Storage & Retrieval System	18,065,441.14			780,882.36			17,284,558.78	Related to asset
Support funds for the transformation of Phase I project	11,669,812.69			1,125,711.24			10,544,101.45	Related to asset
Financial support funds for construction expansion of 25,000-ton high-grade household paper project	6,202,358.15			312,723.90			5,889,634.25	Related to asset
Support funds for equipment of Phase II project	5,641,078.07			935,595.60			4,705,482.47	Related to asset
Provincial-level special subsidies for high-quality development	4,682,727.20			275,454.60			4,407,272.60	Related to asset
Subsidy funds for the smart factory project	4,831,637.53			1,676,863.85			3,154,773.68	Related to asset
Ex-post funds awarded to the first batch of the union enterprises for technical transformation in 2017	2,846,909.86			265,537.56			2,581,372.30	Related to asset
Support funds for the construction of environmental protection facilities	2,394,444.59			159,523.80			2,234,920.79	Related to asset



Discount interest funds for imported equipment	2,051,843.75			96,937.50			1,954,906.25	Related to asset
Support funds for the technical transformation of equipment production line	2,055,541.64			392,201.70			1,663,339.94	Related to asset
Subsidies for the expansion of the high-grade household paper project with an annual output of 25,000 tons	1,586,666.91			79,999.98			1,506,666.93	Related to asset
Subsidies for sewage treatment station	1,710,227.15			238,636.38			1,471,590.77	Related to asset
Support funds for enterprise technical upgrading	1,646,984.51			385,718.69			1,261,265.82	Related to asset
Subsidies for construction of the water treatment project	1,059,704.08			77,539.32			982,164.76	Related to asset
District-level support funds for technical transportation	879,310.34			103,448.28			775,862.06	Related to asset
Support funds for sewage centralized water treatment project	729,000.00			60,750.00			668,250.00	Related to asset
Provincial funds for traditional industry transformation projects	696,428.62			53,571.42			642,857.20	Related to asset
Subsidies for technical transformation with “zero land increase”	605,973.09			98,566.32			507,406.77	Related to asset
Special funds for capacity expansion of 25,000-ton high-grade household paper project	670,833.14			287,500.02			383,333.12	Related to asset
Total	98,419,983.82			7,942,880.68			90,477,103.14	

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	1,314,739,745.00	21,706,455.00			-1,895,900.00	19,810,555.00	1,334,550,300.00

Other description:

(1) 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 June 30, 2023, the incentive recipients who had met the above exercise conditions have successively begun to exercise their rights, and a total of 744,955 shares have been subscribed.

(2) According to the resolutions of the 18th meeting of the Fifth Board of Directors, the 13th meeting of the Fifth Board of Supervisors, the 2023 First Extraordinary General Meeting and the 19th meeting of the Fifth Board of Directors, the Company awarded 21,765,000 restricted shares to 694 incentive recipients, with a par value of RMB1 per share and a grant price of RMB6.32 per share. Among them, 17 incentive recipients are no longer qualified since they have resigned due to personal reasons and 78 recipients have voluntarily given up all or partial rights due to personal reasons, so the actual number of recipients is 617 with 20,961,500 shares awarded.

(3) The Company completed the cancellation procedures for 1,895,900 shares in its specialized repurchase securities account in May 2023.

**54. Other equity instruments: 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)	677,865,067.00	119,137,564.99		797,002,631.99
Other capital reserve	280,322,930.99	29,687,986.01	27,915,393.06	282,095,523.94
Total	958,187,997.99	148,825,551.00	27,915,393.06	1,079,098,155.93

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

(1) The grant of restricted shares according to the *2022 Stock Option and Restricted Stock Incentive Plan* increased “capital reserve-share premium” by RMB111,515,180.00.

(2) 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 RMB7,622,384.99 and decreased “capital reserve-other capital reserve” by RMB 2,130,571.30.

(3) The Company set aside provision for equity incentive costs and fees in the reporting period, which increased “capital reserve-other capital reserve” by RMB29,687,986.01.

(4) The cancellation of repurchased shares decreased “capital reserve-other capital reserve” by RMB25,784,821.76.

## 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		132,476,680.00		132,476,680.00
Ordinary shares	688,930,693.99		27,680,721.76	661,249,972.23
Total	688,930,693.99	132,476,680.00	27,680,721.76	793,726,652.23

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

(1) The Company awarded 20,961,500.00 restricted shares under the first grant at a price of RMB6.32 per share in accordance with the *2022 Stock Option and Restricted Stock Incentive Plan*, which increased “treasury shares-restricted shares” by RMB132,476,680.00.

(2) The Company’s cancellation of repurchased shares decreased “treasury shares-ordinary shares” by RMB27,680,721.76.

## 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	145,882,689.86			145,882,689.86
Total	145,882,689.86			145,882,689.86

Explanation of surplus reserves, including increase/decrease in the reporting period and reasons of change:None

## 60. Retained earnings

Unit: RMB

Item	Current period	Last period
------	----------------	-------------

Retained earnings before adjustment at the end of the last period	3,448,180,639.62	3,265,611,428.36
Retained earnings at the beginning of the period after adjustment	3,448,180,639.62	3,265,611,428.36
Plus: Net profit attributable to owners of the parent company of the current period	84,490,174.46	227,639,705.35
Dividends on ordinary shares payable	81,200,607.21	128,609,710.60
Retained earnings at the end of the period	3,451,470,206.87	3,364,641,423.11

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	4,685,080,565.59	3,352,956,520.74	4,367,618,113.61	2,929,313,606.05
Total	4,685,080,565.59	3,352,956,520.74	4,367,618,113.61	2,929,313,606.05

Information related to income:

Unit: RMB

Contract classification	Branch 1	Branch 2	Total
By product type	4,685,080,565.59		4,685,080,565.59
Including:			
Household paper	4,623,891,020.45		4,623,891,020.45
Personal care and others	61,189,545.14		61,189,545.14
By operating region	4,685,080,565.59		4,685,080,565.59
Including:			
Domestic	4,589,885,969.35		4,589,885,969.35
Abroad	95,194,596.24		95,194,596.24
By market or customer type			
Including:			
Contract type			
Including:			
By the time of goods transfer			

Including:			
By contract term			
Including:			
By sales channel	4,685,080,565.59		4,685,080,565.59
Including:			
Traditional	2,148,756,056.09		2,148,756,056.09
Non-traditional	2,536,324,509.50		2,536,324,509.50
Total	4,685,080,565.59		4,685,080,565.59

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 RMB 10,684,304.73, of which the income of RMB 10,684,304.73 is expected to be confirmed as income in the year of 2023.

## 62. Tax and surcharges

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
City construction and maintenance tax	10,556,379.34	10,114,833.70
Education surcharges	5,131,744.47	4,692,198.88
Resource tax	65,442.75	59,687.49
Property tax	5,614,288.26	5,340,991.61
Land use tax	1,304,877.08	1,177,751.78
Vehicle and vessel tax		5,030.00
Stamp tax	4,129,350.82	3,793,856.69
Local education surcharges	3,424,022.70	3,128,132.57
Environmental protection tax	460,240.33	492,278.28
Total	30,686,345.75	28,804,761.00

## 63. Selling expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	208,045,817.91	215,826,656.37
Product promotion fees	560,851,603.84	478,680,276.28
Transportation expenses	35,983,051.68	38,605,993.98
Advertising expenses	64,271,873.21	78,819,182.16
Shopping mall management fees	43,161,557.10	41,890,271.35
Traveling expenses	12,211,545.38	9,946,888.53
Rental fees	6,116,103.25	4,118,619.21
Depreciation of use right assets	1,859,083.38	1,613,750.38
Business entertainment expenses	1,413,630.50	1,735,211.16
Others	3,211,267.12	2,803,713.93
Total	937,125,533.37	874,040,563.35

**64. Administrative expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	73,641,882.22	80,051,121.32
Equity incentive cost	29,687,986.01	2,691,873.06
Depreciation and amortization fees	38,667,688.72	39,110,201.78
Office allowance	11,728,656.65	14,202,117.04
Consulting service fees	4,365,378.01	9,814,899.14
Outsourcing warehouse management fees	12,362,144.43	14,769,362.63
Business entertainment expenses	2,996,003.24	3,161,028.12
Traveling expenses	1,389,106.94	1,093,846.41
Environmental protection fees	1,551,570.61	1,482,429.20
Rental fees	3,205,715.79	1,917,577.82
Depreciation of use right assets	5,408,400.86	5,039,222.82
Others	3,770,178.03	6,842,755.06
<b>Total</b>	<b>188,774,711.51</b>	<b>180,176,434.40</b>

**65. R&D expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	22,124,267.15	18,993,635.08
Direct investment	81,883,493.27	72,375,500.71
Depreciation and amortization fees	14,546,606.28	12,333,210.15
Others	1,727,034.42	1,479,941.67
<b>Total</b>	<b>120,281,401.12</b>	<b>105,182,287.61</b>

**66. Finance expenses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Interest fees	14,597,955.07	1,730,495.87
Less: Interest income	16,545,337.34	5,594,433.94
Exchange profit and loss	-18,928,998.16	282,584.01
Transaction fee and others	4,390,150.44	2,114,303.84
<b>Total</b>	<b>15,445.69</b>	

**67. Other income**

Unit: RMB

Sources of other income	Incurred in the current period	Incurred in the prior period
Refund of individual income tax	867,613.18	1,478,746.93
Subsidy funds for the smart factory project	1,676,863.85	1,485,927.20
Support funds for the transformation of Phase I project	1,125,711.24	1,125,711.24
Support funds for equipment of Phase II project	935,595.60	935,595.60

Special funds for development and reform	889,508.80	
Subsidies for internship, employment, job stabilization and training	845,075.63	1,267,492.81
Support funds for the construction of Automated Storage & Retrieval System	780,882.36	780,882.36
Subsidies for Hubei C&S's new factory infrastructure construction	535,718.16	535,718.16
Special award funds for the restructuring of industrial enterprises	500,000.00	150,000.00
Subsidies for foreign trade stabilization	487,500.00	10,000.00
Subsidies for social insurance premiums	450,005.10	82,871.51
Support funds for the technical transformation of equipment	392,201.70	392,201.70
Support funds for enterprise technical upgrading	385,718.69	396,187.14
2013-2017 financial support funds of the Management Committee of Pengzhou Industrial Development Zone, Sichuan Province	312,723.90	312,723.90
25,000 tons capacity expansion project of Tangshan Subsidiary	287,500.02	287,500.02
Provincial-level special subsidies for high-quality development	275,454.60	91,818.20
Ex-post funds awarded to the first batch of the union enterprises for the technical transformation in 2017	265,537.56	317,293.32
Financial support for the sewage treatment station project of Tangshan Subsidiary	238,636.38	238,636.38
District-level rewards for green factory	200,000.00	
VAT exemption for employment of retired soldiers and poor population	160,850.00	73,950.00
Enterprise support funds for the third level tax conference	160,000.00	
Support funds for the construction of environmental protection facilities	159,523.80	159,523.80
Subsidies for boiler renovation	157,500.00	
District-level support funds for technical transportation	103,448.28	17,241.38
Subsidies for technical transformation with "zero land increase"	98,566.32	
Import interest discounts on imported equipment in 2014	96,937.50	96,937.50
Special subsidy for the construction expansion of the 25,000-ton household paper project	79,999.98	79,999.98
Subsidies for construction of the water treatment project	77,539.32	77,539.32
Special funding for the implementation of standardization strategy in Zhongshan City	75,000.00	
Financial support for sewage centralized water treatment project	60,750.00	60,750.00
Provincial funds for traditional industry transformation projects	53,571.42	53,571.42
Job increase subsidy	6,000.00	
Subsidies for new-generation IT and industrial development projects		1,980,000.00
Automatic payment of Xinhui District for enterprise awards under the "Ten Golden Rules" 2021		500,000.00
Funds for reconstruction project of automatic production lines		368,766.67
Tax contribution reward		200,000.00
One-off job retention subsidy		185,000.00
Rewards for creation of odor-free enterprise		41,834.86
Industrial comprehensive policy fulfillment fund 2020; Special subsidy for high-tech enterprise identification 2020		30,000.00
Subsidies for employees' training while working		4,000.00
Energy review fee from the reform and development department's special business fee		1,500.00
Total	12,741,933.39	13,819,921.40

## 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	968,000.00	
Others	990,155.36	183,493.42
Total	1,958,155.36	183,493.42

Other description:

"Others" refer to returns on principal-protected wealth management products at maturity.

## 69. Profit of net exposure hedging: None

## 70. Income from changes in fair value

Unit: RMB

Sources of income from changes in fair value	Incurred in the current period	Incurred in the prior period
Stock		-2,538.48
Total		-2,538.48

## 71. Credit impairment loss

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Bad debt loss from other receivables	-527,040.20	-691,163.04
Bad debt loss from accounts receivable	-1,237,859.41	2,524,456.58
Total	-1,764,899.61	1,833,293.54

## 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	-1,417,159.06	-1,026,689.87
Total	-1,417,159.06	-1,026,689.87

## 73. Return on disposal of assets

Unit: RMB

Source	Incurred in the current period	Incurred in the prior period
Disposal of fixed assets	-919,217.75	-1,085,279.69
Total	-919,217.75	-1,085,279.69

## 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



Government grants		10,000.00	
Profit from damage and retirement of non-current assets	480,254.78	561.25	480,254.78
Including: Fixed assets	480,254.78	561.25	480,254.78
Income from fine and compensation	1,191,770.08	1,038,029.70	1,191,770.08
Others	1,920,709.80	866,146.19	1,920,709.80
Total	3,592,734.66	1,914,737.14	3,592,734.66

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
Municipal party building funds for demonstrative new economic organizations and new social organizations	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		10,000.00	Related to income
Total							10,000.00	

Other description: None

## 75. Non-operating expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	Amount recognized as profit or loss of the current period
External donations	458,392.14	4,397,406.24	458,392.14
Loss from damage and retirement of non-current assets	2,521,814.05	1,238,583.11	2,521,814.05
Including: Fixed assets	2,521,814.05	1,238,583.11	2,521,814.05
Others	841,054.03	353,226.14	841,054.03
Total	3,821,260.22	5,989,215.49	3,821,260.22

## 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	54,135,092.50	57,586,968.04
Deferred income tax expense	-55,992,391.59	-23,853,520.58

Total	-1,857,299.09	33,733,447.46
-------	---------------	---------------

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

Unit: RMB

Item	Incurring in the current period
Total profit	82,097,124.17
Income tax expenses calculated at the statutory/applicable tax rate	20,524,281.04
Impacts of different tax rates applied to subsidiaries	-23,561,960.88
Impacts of adjustments to income taxes during the prior period	-1,322,432.94
Impacts of non-deductible costs, expenses and losses	2,502,813.69
Income tax expenses	-1,857,299.09

**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	Incurring in the current period	Incurring in the prior period
Current accounts	34,583,102.62	25,466,487.76
Interest income	16,545,304.21	5,595,579.89
Government grants	3,770,589.53	13,512,699.18
Others	4,486,825.55	4,425,363.57
Authorized collection of individual income tax under the equity incentive	1,508,300.79	3,109,401.56
Total	60,894,122.70	52,109,531.96

**(2) Cash payments related to other operating activities**

Unit: RMB

Item	Incurring in the current period	Incurring in the prior period
Expenses paid	435,245,537.99	451,722,872.22
Current accounts	17,784,310.26	7,036,365.56
Authorized payment of individual income tax under the equity incentive	7,829,593.69	12,239,910.53
Others	247,818.12	187,497.98
Total	461,107,260.06	471,186,646.29

**(3) Cash received related to other investing activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Principal repayment on maturity of large-denomination certificate of deposit	70,000,000.00	
Principal repayment on maturity of treasury bonds reverse repo	23,001,000.00	
Principal repayment on maturity of wealth management products		41,239,541.68
<b>Total</b>	<b>93,001,000.00</b>	<b>41,239,541.68</b>

#### (4) Cash payments related to other investing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Purchasing large-denomination Certificate of Deposit	461,000,000.00	140,000,000.00
Purchasing treasury bonds reverse repo	520,600,000.00	
Purchasing wealth management products	10,007,000.00	
<b>Total</b>	<b>991,607,000.00</b>	<b>140,000,000.00</b>

#### (5) Cash received related to other financing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Recovery of bills and letter of credit deposits	5,651,225.68	
<b>Total</b>	<b>5,651,225.68</b>	

#### (6) Cash payments related to other financing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Cash paid for lease liabilities	5,805,962.59	4,878,971.53
Deposits of security deposits for bills, letters of guarantee and letters of credit		58,359,813.97
<b>Total</b>	<b>5,805,962.59</b>	<b>63,238,785.50</b>

### 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
<b>1 Reconciliation of net profit to cash flows from operating activities:</b>		
Net Profit	83,954,423.26	227,481,785.93
Plus: Provisions for asset impairment	3,182,058.67	-806,603.67
Depreciation of fixed assets, oil and gas assets and productive biological assets	197,504,883.83	187,248,981.01
Depreciation of use right assets	7,383,463.33	6,768,952.23
Intangible asset amortization	4,773,952.06	3,769,673.22

Long-term unamortized expenses	4,228,833.02	6,623,087.00
Losses from disposal of fixed assets, intangible assets and other long-term assets ("- indicates income)	919,217.75	1,085,279.69
Losses from fixed assets write-off ("- indicates income)	2,041,559.27	1,238,021.86
Losses from changes in fair value ("- indicates income)		2,538.48
Finance expenses ("- indicates income)	-11,650,803.43	-10,649,367.10
Investment losses ("- indicates income)	-1,958,155.36	-183,493.42
Decrease in deferred income tax assets ("- indicates increase)	-36,792,152.59	-23,688,607.42
Increase in deferred income tax liabilities ("- indicates decrease)	-19,123,874.49	-164,913.16
Decrease in inventories ("- indicates increase)	670,487,747.95	273,929,611.30
Decrease in operating receivables ("- indicates increase)	-129,309,646.18	-99,226,492.95
Increase in operating payables ("- indicates decrease)	-2,195,249.03	126,121,272.75
Others		
Net cash flow from operating activities	773,446,258.06	699,549,725.75
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	1,649,920,140.29	1,315,175,165.01
Less: Balance of cash at the beginning of the period	1,248,898,024.59	797,797,675.70
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	401,022,115.70	517,377,489.31

(2) Net cash paid to acquire subsidiaries during the period: None

(3) Net cash received from the disposal of subsidiaries during the period: None

(4) Constitution of cash and cash equivalents

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
I. Cash	1,649,920,140.29	1,248,898,024.59
Including: Cash on hand	41,732.13	20,309.66
Bank deposits always available for payment	1,640,753,819.23	1,231,680,951.11
Other monetary funds always	9,124,588.93	17,196,763.82

available for payment		
III. Balance of Cash and Cash Equivalents at the End of the Period	1,649,920,140.29	1,248,898,024.59

**80. Notes to items in the statement of changes in owner's equity: 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	70,238,291.22	Security deposits for issuing letter of credit and notes
Total	70,238,291.22	--

**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			623,548,852.01
Including: USD	84,986,255.46	7.2754	618,309,002.97
EUR			
HKD	5,644,467.28	0.9283	5,239,758.98
Mop	100.00	0.9006	90.06
Accounts receivable			50,444,122.10
Including: USD	3,348,035.75	7.2754	24,358,299.30
EUR			
HKD	28,100,638.59	0.9283	26,085,822.80
Long-term borrowings			
Including: USD			
EUR			
HKD			
Other receivables			167,361.26
Including: HKD	180,287.90	0.9283	167,361.26
Accounts payable			331,517,765.33
Including: USD	45,566,946.88	7.2754	331,517,765.33
Other payables			3,970,792.71
Including: HKD	4,277,488.65	0.9283	3,970,792.71

**(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: 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 income	3,931,439.53	Other income	3,931,439.53
Total	3,931,439.53		3,931,439.53

**(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**

Unit: RMB

Name of acquiree	Equity acquisition time	Equity acquisition cost	Proportion of acquired equity	Equity acquisition method	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the reporting period	Net profit of the acquiree from the acquisition date to the end of the reporting period
Quxian Jiezhushu Construction and Development Co., Ltd.	March 17, 2023	5,810,000.00	100.00%	Acquisition	March 17, 2023	Constitute substantive control over the acquiree		-116,381.94

Other descriptions:

C&S (Dazhou) Paper Co., Ltd., a subsidiary of C&S Paper Co., Ltd., used its own funds and acquired 100% of Quxian Jiezhū Construction and Development Co., Ltd. through the auction of Quxian Public Resource Exchange Service Center, with a strike price of RMB5,810,000.00.

## (2) Combination costs and goodwill

Unit: RMB

Combination cost	
--Cash	5,810,000.00
-- Fair value of non-cash assets	
-- Fair value of debts assumed or issued	
-- Fair value of equity securities issued	
-- Fair value of contingent consideration	
-- Fair value of equities held before the acquisition date on the acquisition date	
--Others	
Total combination cost	5,810,000.00
Less: Fair value of identifiable net assets acquired	5,176,863.66
Difference between the goodwill/combination cost and the fair value of identifiable net assets acquired	633,136.34

Method of determining the fair value of combination costs and descriptions of contingent consideration and its changes: None

Main reasons for the formation of huge goodwill: None

## (3) Acquiree's identifiable assets and liabilities on the acquisition date

Method for determining the fair value of identifiable assets and liabilities:

According to the appraisal report "Sichuan Tianyuan Appraisal Report [2022] No. 012" issued by the asset appraisal agency engaged by Quxian Zunxian Human Resources Development Co., Ltd., the fair value of the acquiree on the appraisal base date is estimated to be RMB5,176,863.66 by the cost method.

Acquiree's contingent liabilities assumed in the business combination: 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:

In February 2023, the subsidiary C&S (Dazhou) Paper Co., Ltd. acquired 100% equities of Quxian Jiezhu Construction and Development Co., Ltd. In March 2023, Quxian Jiezhu Construction and Development Co., Ltd. completed the change registration with the industrial and commercial department, with a registered capital of RMB10 million after the change. The Company has incorporated Quxian Jiezhu Construction and Development Co., Ltd. into the scope of its consolidated statements since March 2023. Currently, Quxian Jiezhu has not started operating activities.

Zhongshun Healthy Life Technology (Shenzhen) Co., Ltd. was dissolved and canceled in April 2023, and the Company no longer incorporated it into the scope of consolidated statements from the date of cancellation. Zhongshun Healthy Life Technology (Shenzhen) Co., Ltd. was established under the joint investment of the Company and its wholly-owned subsidiary Zhongshan Zhongshun Trading Co., Ltd. in May 2022, with a registered capital of RM10 million. The Company held 60% of the shares while Zhongshan Zhongshun Trading held 40% of the shares.

In June 2023, the Company used its own funds and established a wholly-owned subsidiary Guangdong Laotongxue Information Technology Co., Ltd. in Zhongshan City, Guangdong Province, with a registered capital of RMB5



million. The Company has incorporated Guangdong Laotongxue Information Technology Co., Ltd. into the scope of its consolidated statements since June 2023. Currently, Guangdong Laotongxue has not started operating activities.

## 6. Others: None

## IX. Equities in Other Entities

### 1. Equities in subsidiaries

#### (1) Composition of the enterprise group

Name of subsidiary	Main business address	Registered address	Principal businesses	Shareholding percentage		Obtaining method
				Direct	Indirect	
Jiangmen Zhongshun Paper Co., Ltd.	Jiangmen, Guangdong	Jiangmen, Guangdong	R&D, production, and sales (including online sales): household paper, maternal and infant products, cosmetics, wipes, non-woven products, daily necessities, and cleaning supplies; sales (including online sales) of Class I and II medical devices. (The above items do not involve special management measures for the foreign access). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	88.25%	11.75%	Capital contribution for establishment
Zhejiang Zhongshun Paper Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	General items: manufacture of paper products; sales of paper products; sales of paper pulp; sales of personal hygiene products; sales of hygiene products and disposable medical products; sales of disinfectants (excluding hazardous chemicals); sales of Class I medical devices; retail of Class I medical devices; sales of Class II medical devices; retail of class II medical devices; wholesale of medical face masks; retail of medical face masks; sales of general merchandise; retail of daily necessities; sales of maternal and infant products; wholesale of kitchenware, sanitary ware and daily sundries; wholesale of cosmetics; retail of cosmetics; wholesale of needle textiles and raw materials; sales of needle textiles; sales of chemical industry products (excluding chemical products that need to be licensed); Internet sales (excluding the sales of commodities requiring a permit) (The company may carry out business operations independently according to the law based on the business license, except for items that must be licensed according to the law.) (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	75.00%	25.00%	Capital contribution for establishment
C&S Hong Kong Co., Ltd.	Hong Kong	Hong Kong	Purchase of pulp		100.00%	Capital contribution for establishment
C&S (Yunfu) Paper Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	R&D, production, wholesale, retail and online sales: household paper, sanitary products, maternal and infant products, daily necessities, cosmetics, medical devices, sanitary materials, non-woven fabrics and products, polymer materials and products, daily	100.00%		Capital contribution for establishment

			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.)			
Yunfu Hengtai Trading Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	Wholesale, retail and online sales: paper, wood pulp, sanitary products, maternal and infant products, cosmetics, daily necessities, medical equipment, daily sundries, disinfection supplies (excluding dangerous chemicals); import and export of goods or technologies (excluding the import and export of goods and 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	General items: manufacture of paper; manufacture of paper products; sales of paper products; sales of sanitary products and disposable medical supplies; retail of cosmetics; wholesale of cosmetics; sales of personal hygiene products; sales of knitwear; manufacture of maternal and infant products; sales of maternal and infant products; sales of daily necessities; sales of daily chemical products; sales of disinfectants (excluding hazardous chemicals); sales of Class I medical devices; sales of Class II medical devices; export of goods; export of technologies; Internet sales (excluding the sales of commodities requiring a permit); information technology consulting 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.) Licensed items: production of cosmetics; production of sanitary products and disposable medical supplies(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).( The above business activities do not involve prohibited items in the Negative list of foreign investment in China)	93.375%	6.625%	Business combinations involving enterprises under common control
Zhong Shun International Co., Ltd.	Hong Kong, China	Hong Kong, China	Sales of paper products		100.00%	Business combinations involving enterprises under common control
C&S (Sichuan) Paper Co., Ltd.	Pengzhou, Sichuan	Pengzhou, Sichuan	Licensed items: production of sanitary products and disposable medical supplies; import and export of goods (for items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments,	100.00%		Business combinations involving enterprises under

			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.)			common control
C&S (Zhongshan) Paper Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Production, processing and sales: high-class household paper products (excluding printing process); import and export of pulp boards (exclude items prohibited by laws and administrative regulations; items whose operations are restricted by laws and administrative regulations shall not be carried out unless the permit has been obtained). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Business combinations involving enterprises under common control
C&S (Dazhou) Paper Co., Ltd.	Dazhou, Sichuan	Dazhou, Sichuan	R&D, production, processing, and sales (including online sales): household paper, tissue boxes, hygiene products, cosmetics, non-woven products, plastic products, metalware, rubber products, ceramics, baby products, feminine hygiene products and daily necessities; bamboo and forest trees planting; acquisition of raw materials of bamboo and wood for paper making; R&D, production and sales of bamboo pulp, wood pulp, bamboo chips and wood chips; combined heat and power and sales; warehouse leasing; processing and sales of lime and limestone; processing of industrial wastewater and gray water reuse; general import and export business; sales of construction materials, hardware and electrical products, and chemical products (excluding hazardous products). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	100.00%		Capital contribution for establishment
Sun Daily Necessities Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	R&D, production, processing, and online sales: paper products, hygiene products, cosmetics, nonwoven products, plastic products for daily use, chemical products for daily use, metalware for daily use, rubber products for daily use, and ceramics for daily use; import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the State or involving administrative approval). (For items that must be approved in accordance with the law, the company may carry out business operations upon approval by competent departments.)	50.00%	50.00%	Capital contribution for establishment
Dolemi Sanitary Products Co., 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 Jerou 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 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.)	51.00%		Capital contribution for establishment
Zhengzhou Dolemi Sanitary Products Co., Ltd.	Zhengzhou, Henan	Zhengzhou, Henan	General items: sales of personal hygiene products; sales of household products; sales of sanitary products and disposable medical products; retail of cosmetics; sales of daily necessities; sales of plastic products; sales of paper products; sales of metal products; sales of rubber products; manufacture of daily-use ceramic products (the company may carry out business operations 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.,	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		60.00%	Capital contribution for

Ltd.			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)			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
Quxian Jiezhushu Construction Development Co., Ltd	Dazhou Sichuan	Dazhou Sichuan	Licensed items: engineering construction; tap water production and supply. (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: sewage treatment and recycling; heat production and supply; solid waste treatment; paper product manufacturing; paper product sales. (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%	Business combinations involving enterprises under common control
Guangdong Laotongxue Information Technology Co., Ltd	Zhongshan Guangdong	Zhongshan Guangdong	General items: technical services, technology development, technical consultation, technical exchange, technology transfer, technology promotion; educational consulting services (excluding educational and training activities that need to be licensed); organization of cultural and artistic exchange activities; fitness and leisure activities; institutional nursing services (excluding medical services); health consultation services (excluding diagnosis and treatment services); elderly care services; healthcare services (non-medical); traditional Chinese medicine healthcare services (non-medical); sales of health food (prepackaged); retail of household appliances; sales of sundries for daily use; sales of spare parts of household appliances; sales of household items; sales of paper products; sales of Class I medical devices; sales of Class II 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: operation of Class III medical devices. (For items that must be approved in accordance with the law, companies may carry out	100%		Capital contribution for establishment

			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)			
--	--	--	---	--	--	--

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**

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**

**2. Transactions in which the share of owner's equity in a subsidiary change 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**

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**

The Company does not have important joint operations.

**5. Interests in unconsolidated structured entities: None**

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 June 30, 2023, 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 June 30, 2023. During the reporting period, the Company generated exchange profit and loss of RMB -18,928,998.16.

Sensitivity analysis of foreign exchange risk:

Analysis assumption: On the basis that all other variables remain constant on the balance sheet date, the possible, reasonable changes of foreign exchange rate will have the following pre-tax effects on the Company's profit and loss and shareholders' equity in the current period:

Unit: RMB

Item	End of year	
	Impact on profit	Impact on shareholders' equity
Appreciation of RMB against foreign currency by 1.00%	-3,386,717.77	-3,386,717.77
Depreciation of RMB against foreign currency by 1.00%	3,386,717.77	3,386,717.77

### 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 June 30, 2023 analyzed based on the maturity period of undiscounted remaining contractual obligations are as follows:

			Unit: RMB
Item	Within 1 year	Over 1 year	Total
Notes payable	326,437,678.21		326,437,678.21
Accounts payable	807,906,958.92	1,938,383.78	809,845,342.70
Other payables	946,901,905.18	3,413,268.53	950,315,173.71
Non-current liabilities due within one year	8,708,819.36		8,708,819.36
Lease liabilities		8,675,066.94	8,675,066.94
Total	2,089,955,361.67	14,026,719.25	2,103,982,080.92

## 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	28.60%	28.60%
---	----------------------	--	---------------	--------	--------

#### 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.

## 2. Information on subsidiaries of the Company

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

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

For important joint ventures or associates, please refer to the notes for details.

Other description

The Company does not have interests in joint venture arrangements or associates.

## 4. Information on other related parties

Name of other related parties	Relationship between other related parties and the Company
Chung Shun Co.	A company controlled by the Company's actual controller/other shareholder holding 5% or more of shares
Guangzhou Zhongshun Trade Co., Ltd.	A company controlled by the nephew and the husband of the niece of Mr. Deng Yingzhong, the Company's actual controller Mr. Deng Yingzhong
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 in the past 12 months
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, an 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
Zhongshan 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
Yingtang 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: None

Table of sale of goods/provision of labor services

Unit: RMB

Related party	Content of related party transaction	Incurred in the current period	Incurred in the prior period
Pengzhou Enjoying Life Trading Co., Ltd.	Sale of goods		8,288.50
Sichuan West Enjoying Life Trading Co., Ltd.	Sale of goods		111.50

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 lessor: None

The Company as the lessee:

Unit: RMB

Name of lessor	Type of leased assets	Rental costs for simplified 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 of lease liabilities undertaken		Increased use right assets	
		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	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	Housin g lease					1,400,3 23.75	1,473,9 25.82	61,859. 28	136,797 .37		1,029,6 07.91

Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie											
---	--	--	--	--	--	--	--	--	--	--	--

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	9,939,572.23	13,310,774.14

**(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
Contract liabilities	Sichuan West Enjoying Life Trading Co., Ltd.	0.90	0.90
Contract liabilities	Pengzhou Enjoying Life Trading Co., Ltd.	8.37	8.37

**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	36,441,500.00
The Company's total amount of all equity instruments exercised in the current period	744,955.00
The Company's total amount of all equity instruments expired in the current period	6,082.00
Scope of exercise prices and remaining contractual term of the Company's stock options issued as at the end of the reporting period	<p>1. The exercise price for reserved stock options awarded by the Company under the <i>2018 Stock Option and Restricted Stock Incentive Plan</i> as at the end of reporting period is RMB13.703/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.</p> <p>2. The grant price for restricted shares awarded by the Company in the first grant under the <i>2022 Stock Option and Restricted Stock Incentive Plan</i> as at the end of reporting period is RMB6.32/share, and the validity period is from the registration completion date of the first-granted restricted shares to the date when all the shares are unlocked or repurchased and canceled, with a maximum period of 60 months. The exercise price for stock options awarded in the first grant is RMB9.48 per share, and the validity period is from the registration completion date of the first-granted stock options to the date when all the options are exercised or canceled, with a maximum period of 60 months.</p>

## 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	148,368,269.99
Total fees confirmed by the equity-settled share-based payment in the current period	29,687,986.01

## 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 June 30, 2023, 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	RMB	150,000,000.00	2022.11.23	2026.11.9	No
Zhongshan Trading	RMB	200,000,000.00	2023.1.30	2029.1.29	No
Zhongshan Trading	RMB	200,000,000.00	2023.6.14	2027.4.19	No
Zhongshan Trading	RMB	100,000,000.00	2023.5.25	2027.4.18	No
Zhongshan Trading	RMB	500,000,000.00	2023.4.26	2028.12.31	No
Zhongshan Trading	RMB	50,000,000.00	2023.4.27	2027.4.27	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	2023.1.17	2026.11.29	No
Jiangmen C&S	RMB	150,000,000.00	2023.6.14	2027.4.19	No
Jiangmen C&S	RMB	100,000,000.00	2023.5.25	2027.4.18	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	80,000,000.00	2020.4.14	2028.4.14	No
Yunfu Trading	RMB	150,000,000.00	2023.6.15	2027.4.19	No
Yunfu Trading	RMB	70,000,000.00	2023.1.17	2026.11.29	No
Yunfu Trading	RMB	100,000,000.00	2023.5.25	2027.4.18	No
Hubei C&S	RMB	100,000,000.00	2023.2.13	2030.11.2	No
Dazhou C&S	RMB	100,000,000.00	2023.2.13	2029.11.2	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	2023.3.29	2026.3.29	No

Guaranteed party	Currency	Guarantee amount	Starting date of guarantee	Guarantee expiration date	Whether it is related party guarantee?
C&S Hong Kong、Zhong Shun International、Macao C&S	USD	63,500,000.00	2023.1.20	2026.1.20	No
C&S Hong Kong、Zhong Shun International	USD	30,000,000.00	2023.4.24	2026.2.22	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: None**

**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**

**2. Debt restructuring: None**

**3. Assets replacing**

**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 liabilities guarantee. The line of credit is valid from September 27, 2022 to August 4, 2023. As of June 30, 2023, Shanghai Junmeng E-commerce Co., Ltd. has a financing balance of RMB 90 million in sales of XIAOYIDA business.

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 liabilities guarantee. The line of credit is valid from September 26, 2022 to August 3, 2023. As of June 30, 2023, Wuhan Jie Rou E-commerce Co., Ltd. has a financing balance of RMB 88.6 million in sales of XIAOYIDA business.

## XVII. Notes to Major Items of Financial Statements of the Parent Company

### 1. Accounts receivable

#### (1) Accounts receivable disclosure by category

Unit: RMB

Category	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Including:										
Accounts receivable for which bad debt reserve is set aside in portfolios	102,751,123.49	100.00%	2,258,364.23	2.20%	100,492,759.26	140,697,770.14	100.00%	1,966,017.33	1.40%	138,731,752.81
Including:										
Portfolio based on aging	73,836,825.99	71.86%	2,258,364.23	3.06%	71,578,461.76	61,917,499.22	44.01%	1,966,017.33	3.18%	59,951,481.89
Portfolio based on related parties	28,914,297.50	28.14%			28,914,297.50	78,780,270.92	55.99%			78,780,270.92
Total	102,751,123.49	100.00%	2,258,364.23	2.20%	100,492,759.26	140,697,770.14	100.00%	1,966,017.33	1.40%	138,731,752.81

Bad debt reserve set aside in portfolios: 2,258,364.23

Unit: RMB

Name	Balance at the end of the period		
	Book balance	Impairment provision	Ratio of provision
Within the credit period	61,071,930.68	1,221,438.61	2.00%
Credit period - 1 year	9,505,875.50	475,293.79	5.00%
1 to 2 years	2,930,657.31	439,598.60	15.00%
2 to 3 years	210,740.10	63,222.03	30.00%
3 to 5 years	117,622.40	58,811.20	50.00%

Total	73,836,825.99	2,258,364.23
-------	---------------	--------------

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)	99,492,103.68
1 to 2 years	2,930,657.31
2 to 3 years	210,740.10
Over 3 years	117,622.40
3 to 4 years	117,622.40
Total	102,751,123.49

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

Provision of bad debt reserve of the reporting period:

Unit: RMB

Category	Balance at the beginning of the period	Amount of change in the reporting period				Balance at the end of the period
		Provision	Recovery or reversal	Write-off	Others	
Accounts receivable	1,966,017.33	292,346.90				2,258,364.23
Total	1,966,017.33	292,346.90				2,258,364.23

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

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	31,443,340.61	30.60%	645,652.01
2nd	28,296,177.06	27.54%	
3rd	4,242,977.08	4.13%	116,436.57
4th	3,657,504.03	3.56%	81,155.74
5th	2,759,915.64	2.69%	55,198.31
Total	70,399,914.42	68.52%	

**(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**

The Company has no accounts receivable derecognized due to transfer of financial assets.

**2. Other receivables**

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Other receivables	101,551,635.79	226,320,859.44
Total	101,551,635.79	226,320,859.44

**(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	99,440,532.11	223,230,988.36
Margins and deposits	573,671.00	345,165.60
Reserve	1,359,974.52	436,792.35
Others	512,657.58	2,663,363.48
Total	101,886,835.21	226,676,309.79

## 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	355,450.35			355,450.35
Balance as at January 1, 2021 in the reporting period				
Transferred-back in the reporting period	-20,250.93			-20,250.93
Balance as at December 31, 2021	335,199.42			335,199.42

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)	101,741,744.50
1 to 2 years	90,490.71
2 to 3 years	28,600.00
Over 3 years	26,000.00
Over 5 years	26,000.00
Total	101,886,835.21

## 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	355,450.35	-20,250.93				335,199.42
Total	355,450.35	-20,250.93				335,199.42

## 4) Other receivables actually written off in the reporting period: None

## 5) Top five debtors in closing balance of other accounts receivable

Unit: RMB

Name of	Nature of the	Balance at the end	Aging	Percentage in total balance	Balance of bad
---------	---------------	--------------------	-------	-----------------------------	----------------

institution	amount	of the period		of other receivables at the end of the period	debt reserve at the end of the period
1st	Current accounts	50,000,000.00	Within 1 year	49.07%	
2nd	Current accounts	45,675,960.94	Within 1 year	44.83%	
3rd	Current accounts	1,002,000.00	Within 1 year	0.98%	50,100.00
4th	Current accounts	629,891.67	Within 1 year	0.62%	31,494.58
5th	Others	398,499.92	Within 1 year	0.39%	19,925.00
Total		97,706,352.53		95.89%	101,519.58

**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	2,063,642,700.23		2,063,642,700.23	2,007,893,370.09		2,007,893,370.09
Total	2,063,642,700.23		2,063,642,700.23	2,007,893,370.09		2,007,893,370.09

**(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.	699,279,941.09				418,173.42	699,698,114.51	
Zhongshan Zhongshun Trading Co., Ltd.	97,017,154.32				3,762,092.33	100,779,246.65	
Yunfu Hengtai Trading Co., Ltd.	30,201,334.69					30,201,334.69	
C&S (Yunfu) Paper Co., Ltd.	658,739,470.31				1,191,459.81	659,930,930.12	
C&S (Zhongshan) Paper Co., Ltd.	12,683,100.00					12,683,100.00	

Sun Daily Necessities Co., Ltd.	200,000.00					200,000.00	
C&S (Sichuan) Paper Co., Ltd.	177,190,962.29				6,094,059.24	183,285,021.53	
C&S (Dazhou) Paper Co., Ltd.	61,000,000.00	39,000,000.00			117,026.34	100,117,026.34	
C&S (Hubei) Paper Co., Ltd.	197,773,603.11				3,276,897.18	201,050,500.29	
Zhejiang Zhongshun Paper Co., Ltd.	58,324,220.72				1,616,562.91	59,940,783.63	
C&S (Jiangsu) Paper Co., Ltd.	6,302,118.41					6,302,118.41	
Zhong Shun International Co., Ltd.	900,563.53				156,032.58	1,056,596.11	
Dolemi Sanitary Products Co., Ltd.	1,060.18					1,060.18	
Chengdu Zhongshun Paper Co., Ltd.	678,315.22				54,611.97	732,927.19	
Xiaogan C&S Trading Co., Ltd.	322,149.62					322,149.62	
Hangzhou Jie Rou Trading Co., Ltd.	130,799.98				62,414.36	193,214.34	
Shanghai Huicong Paper Co., Ltd.	8,576.62					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	
合计	2,007,893,370.09	39,000,000.			16,749,330.1	2,063,642,700.2	

		00		4	3
--	--	----	--	---	---

**(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	787,073,336.16	728,588,036.18	1,040,228,094.53	934,724,115.97
Total	787,073,336.16	728,588,036.18	1,040,228,094.53	934,724,115.97

Information related to income:

Unit: RMB

Contract classification	Branch 1	Branch 2		Total
By product type	787,073,336.16			787,073,336.16
Including:				
Household paper	776,465,513.84			776,465,513.84
Personal care and others	10,607,822.32			10,607,822.32
By operating region	787,073,336.16			787,073,336.16
Including:				
Domestic	787,073,336.16			787,073,336.16
Abroad				
By market or customer type				
Including:				
Contract type				
Including:				
By the time of goods transfer				
Including:				
By contract term				
Including:				
By sales channel	787,073,336.16			787,073,336.16
Including:				
Traditional	476,881,334.83			476,881,334.83
Non-traditional	310,192,001.33			310,192,001.33
Total	787,073,336.16			787,073,336.16

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 RMB1,788,737.74, of which the income of RMB1,788,737.74 is expected to be confirmed as income in the year of 2023.

**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	454,700,000.00	491,775,000.00
Investment income from disposal of trading financial assets	968,000.00	
Others	990,155.36	136,145.00
Total	456,658,155.36	491,911,145.00

## 6. Others: None

## XVIII. Supplementary Information

### 1. List of non-recurring profits and losses of the reporting period

Applicable  Not applicable

Unit: RMB

Item	Amount	Description
Profits/losses from the disposal of non-current asset	-2,960,777.02	
Governmental grants reckoned into current profits/losses (not including grants enjoyed in quota or ration according to national standards, which are closely relevant to the company's normal business)	11,874,320.21	
Profits/losses from assets entrusted to others for investment or management	990,155.36	
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	968,000.00	
Other non-operating income and expenses except for the aforementioned items	2,680,646.89	
Less: Influence of income tax	2,756,058.56	
Total	10,796,286.88	--

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	1.61%	0.06	0.06
Net profit attributable to the ordinary shareholders of the Company after excluding non-recurring profit and loss	1.40%	0.06	0.06

**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: None**

**If there are any ambiguities, the Chinese version shall prevail.**