



C&S PAPER CO.,LTD.

(SZSE stock code: 002511)

2020 Semi-annual Report

FAMILY⁺
Soft and Beautiful Life



Section I Important Notice, Contents and Interpretation

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 report is truthful, accurate and complete and there are no false presentations or misleading statements contained in, or material omissions from, this report, and that they assume severally and jointly legal liability.

Declaration by Deng Yingzhong, legal representative, Dong Ye, person in charge of accounting, and Xu Xianjing, person in charge of accounting department of the Company warrant that the information contained in this report is truthful, accurate, and complete.

All directors attended the meeting of the Board of Directors where this report was reviewed.

Any discrepancy between the total number and the sum of sub-items in this report is caused by rounding off.

This report may involve forward-looking statements on the Company's plan which by no means constitute any substantive commitment by the Company for investors. Investors are advised to be aware of investment risks.

I. Risk of Great Fluctuations in Pulp Prices

Pulp, as an international bulk raw material, is subject to the global economic cycle.

Pulp prices have tumbled sharply since 2019, owing to weaker Chinese market demand, trade disputes across the world, exchange rate movement, and increased pulp inventories. Besides, such prices continued to fall with fluctuations in the first half of 2020.

The primary raw material of the Company is pulp, accounting for 40%-60% of the total production costs. Therefore, the above situation poses a risk of great fluctuations in pulp prices to the Company.

II. Currency Risk

Imported machinery equipment and pulp plus exported products of the Company are mainly settled in USD, HKD, and EUR. Since exchange rates are affected by the international economic situation, the Company faces exchange rate risks.

III. Regional Market Competition Risk

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

The main competition in the household paper industry lies in regional markets, given the low unit value, transportation expenses taking up a large part of the sales price, and limitations of the transportation radius. Additionally, high-end, mid-end, and low-end products compete in regional markets, as influenced by spending power and consumption habit. In regard to the development trend of the industry, mid- and high-end household paper of national brands is more competitive. However, a handful of regional brands have an advantage in some regional markets. China's household paper industry requires continued integration, compared with overseas counterparts.

The Company embraces production bases and a sales network across the country and offers mid- and high-end products under national brands. Nevertheless, it is inescapable from the risk of regional market competition.

IV. Industrial Policy Risk

Stricter requirements have been raised for the papermaking industry in the aspects of scale, technology, equipment, and environmental protection, as multiple industry plans, such as the *Papermaking Industry Development Policy*, the *Notice on the Management of Pollution Discharge License for Thermal Power and Papermaking Industries and High Chimney Emission Sources in Pilot Cities in Beijing-Tianjin-Hebei Region*, and the *Opinions of China Paper Association on "Thirteenth Five-year" Development Plan of Papermaking Industry*, as well as supporting policies successively issued by relevant departments. 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 improve product quality; and 3) developing resource-saving models to advocate green consumption, and optimizing enterprise structure and drive M&A and restructuring. These policies are designated to strengthen household paper industry concentration, close backward production facilities, and optimize resource allocation. The Company, as an enterprise in the first echelon of the domestic household paper industry, is underpinned by national policies related to the sustainable development of the household paper industry. Precisely because of this, industrial policy adjustment, if any, will impact the production and operations of the Company, to some extent.

V. Safe Production Risk

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 to the plant to the delivery of products to the market. Thus, fire can cause enormous losses to such manufacturers.

In view of this, the Company has formulated strict fire protection policies for the warehouse management of raw materials and finished products and the placement and transfer of semi-finished products, equipped workshops and warehouses with adequate fire protection equipment, and bought full insurance for risky properties. Even so, it still faces safe production risks.

VI. Logistics Transportation Risk

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

"X. Risks and Countermeasures" in "Section IV Discussion and Analysis of Operation Status" in this report is devoted to elaborated on possible risks and countermeasures of the Company. Investors are advised to pay attention to the relevant contents.

The Company plans not to distribute cash or share dividends or convert capital reserve to share capital.

Table of Contents

Section I Important Notice, Contents and Interpretation	1
Section II Company Profile and Key Financial Indicators.....	5
Section III Business Overview	8
Section IV Discussion and Analysis of Operation Status	12
Section V Important Events.....	22
Section VI Equity Changes and Shareholders	48
Section VII Details of Preference Shares.....	55
Section VIII Convertible Corporate Bonds.....	56
Section IX Profiles of Directors, Supervisors, and Senior Management.....	57
Section X Corporate Bonds	59
Section XI Financial Report	60
Section XII Catalog of Documents for Reference	181

Definitions

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

Section II Company Profile and Key Financial Indicators

I. Company Profile

Stock name	C&S	Stock code	002511
Stock exchange	Shenzhen Stock Exchange		
Chinese name of the company	C&S Paper Co., Ltd.		
Chinese abbreviation of the company (if any)	C&S		
English name of the company (if any)	C&S Paper Co., Ltd.		
English abbreviation of the company (if any)	C&S		
Legal representative	Deng Yingzhong		

II. Contact and Contact Information

	Board secretary	Representative of securities affairs
Name	Zhou Qichao	Cao Hui
Address	136 Caihong Avenue, West District, Zhongshan City	136 Caihong Avenue, West District, Zhongshan City
Tel.	0760-87883333	0760-87883333
Fax	0760-23886886	0760-23886886
Email	seven.zhou@cs-paper.com	huicao@cs-paper.com

III. Other Information

1. Company contact

Whether the registered and office addresses and their post codes, official website, and email of the Company were changed during the reporting period

☐ Applicable ☒ Inapplicable

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 2019 Annual Report for details.

2. Information disclosure and place where financial statements are kept

Whether information disclosure and the place where the semi-annual report is kept were changed during the reporting period

☐ Applicable ☒ Inapplicable

The newspapers selected by the Company for information disclosure, the websites designated by the China Securities Regulatory Commission (CSRC) for publishing the semi-annual report, and the place where the semi-annual report is kept were not changed during the reporting period. See the 2019 Annual Report for details.

3. Other relevant information

Whether other relevant information was changed during the reporting period

☒ Applicable ☐ Inapplicable

The Company changed matters of industrial and commercial registration during the reporting period.

(1) The business cope was expanded from "R&D, production, processing, and sales (including online sales): High-end household paper series products, tissue boxes, sanitation supplies, cosmetics, non-woven products, and daily necessities (limited to plastic products for daily use, chemicals for daily use, metalware for daily use, rubber products for daily use, and ceramics for daily use). Pulp import and export" to "R&D, production, processing, and sales (including online sales): High-end household paper series products, tissue boxes, sanitation supplies, cosmetics, non-woven products, daily necessities (limited to plastic products for daily use, metalware for daily use, rubber products for daily use, and ceramics for daily use), and chemicals for daily use (excluding hazardous chemicals), Class I medical devices. Pulp import and export (excluding state trading commodities; products in the quota system or requiring a license are applied for in line with relevant national regulations). Operations and production of Class II and III medical devices (involving the production of medical devices and cosmetics)".

(2) The registered capital was changed from "RMB1,306,099,573" to "RMB1,308,891,273". See the *Announcement on the Completion of Industrial and Commercial Registration Amendment of Company and Partially-owned Subsidiaries* (Announcement No.: 2020-19) published on March 31, 2020, in the designated media for information disclosure, namely, *Securities Times* (STCN, www.stcn.com), *China Securities Journal* (www.cs.com.cn), *Securities Daily* (www.zqrb.com), *Shanghai Securities News* (www.cnstock.com), and CNINFO (www.cninfo.com.cn).

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 reporting period	Same period last year	YoY changes
Operating income (RMB)	3,616,201,399.80	3,172,389,026.96	13.99%
Net profit attributable to shareholders of listed companies (RMB)	452,699,484.61	274,874,634.43	64.69%
Net profit attributable to shareholders of listed companies less non-recurring profit and loss (RMB)	446,535,737.96	269,657,245.92	65.59%
Net cash flows from operating activities (RMB)	504,558,588.33	734,985,638.36	-31.35%
Basic earnings per share (RMB/share)	0.3519	0.2162	62.77%
Diluted earnings per share (RMB/share)	0.3462	0.2156	60.58%
Weighted average return on net assets	10.46%	7.90%	2.56%
	End of the current reporting period	End of last year	Changes in the current reporting period from the end of last year
Total assets (RMB)	6,612,703,642.31	6,026,271,823.64	9.73%
Net assets attributable to shareholders of listed companies (RMB)	4,532,240,640.94	4,077,004,459.23	11.17%

V. Differences between Accounting Data Disclosed under Domestic and Overseas Accounting Standards

1. Differences in net profit and net assets between the financial statements disclosed under the IAS and the PRC GAAP

☐ Applicable ☒ Inapplicable

The Company did not have any differences in net profit and net assets between the financial statements disclosed under the IAS and the PRC GAAP during the reporting period.

2. Differences in net profit and net assets between the financial statements disclosed under overseas accounting standards and the PRC GAAP

☐ Applicable ☒ Inapplicable

The Company did not have any differences in net profit and net assets between the financial statements disclosed under overseas accounting standards and the PRC GAAP during the reporting period.

VI. Items and Amounts of Non-Recurring Profit and Loss

☒ Applicable ☐ Inapplicable

Unit: RMB

Item	Amount	Remarks
Profit and loss from disposal of non-current assets (including the offset portion with provisions for asset impairment already set aside)	-896,870.05	
Government grants measured at fair value through profit and loss of the current period (except for the government grants that are closely related to the Company's business and distributed in a fix quota or amount in accordance with unified national standards)	16,474,867.62	
Profit and loss from assets entrusted to others for investment or management	2,287,274.87	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds
Other non-operating expenses excluding the above items	-11,371,164.42	
Less: Influence of income tax	330,361.37	
Total	6,163,746.65	--

The reasons why the Company defined certain items as non-recurring profit and loss in line with the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* and some items listed in the above announcement as recurring profit and loss shall be specified.

☐ Applicable ☒ Inapplicable

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

Section III Business Overview

I. Main Businesses of the Company during the Reporting Period

The Company's main businesses include R&D, production, processing, and sales (including online sales): High-end household paper series products, cotton tissues, and personal care products.

The Company features three major brands, namely, Jie Rou, Sun, and Dolemi, and two main products, that is, household paper and personal care products. Specifically, its products fall into seven major categories, including centerfeed rolls, coreless rolls, facial tissues, tissue handkerchiefs, wipes, cotton tissues, and personal care products. Main information on its products is as follows:

i. Household paper

1. Face Series: Face tissue handkerchiefs adopts unique papermaking processes. They remain pliable even when they are wet and can be used as a face towel. Face tissue handkerchiefs is a knock-out product under the brand of Jie Rou. Based on constant quality upgrading, the newly developed four-layer thick facial tissues are pliable and thick. One piece of this facial tissue is as thick as two pieces of average tissues. Moreover, its exquisite and fashionable knurling make user experience better.

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

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

4. Cotton Tissue Series:

"Cotton Tissue" products: The products feature 100% fresh cotton, complete physical processes, and unbleached tissues. As they are soft, thick, and skin-friendly. They can be used, dry and wet. Besides, they can be used for personal cleaning and care as cotton pads and face towels, especially infants and women.

Absorbent towels: These products are made from 100% cotton, soft and skin-friendly. They can quickly absorb sweat and leave your skin dry and comfortable. Additionally, the absorbent towels are mild, non-stimulating, and natural. They are an optimal choice for delicate skin.

5. Sun Series: The Company re-activated the brand, Sun, in 2019 in order to accelerate the coverage of high-, mid-, and low-end household paper markets in China and satisfy consumption needs at different levels. Sun is positioned to be a highly cost-effective product that has better quality yet lower prices and faces over 60% of the mid- and low-end markets in China. Moreover, it is the key to raise the market share of the Company.

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

7. Wipes:

Kitchen wipes: Quality and thick pearl non-woven cloth is used to produce the soft and pliable kitchen wipes. It has an enhanced effect of deoiling and cleaning. Additionally, coconut oil extract is added to protect your hands.

Baby wipes: The products have passed oral mucous and skin irritating tests. Featuring a mild formula, they are suitable for babies.

Portable wipes: These products are made from thickened spunlace non-woven cloth, so they are thick. One piece of this wipe is as thick as two pieces of average wipes. They are mild and free from alcohol, pigments, and fluorescent agents.

Makeup removal wipes: The products are mild and free from alcohol or migrating fluorescent brighteners. They have passed the skin irritating test. They are rich in Honeysuckle Flower and Chamomilla Recutita Flower extracts. While removing your makeup, they can care for your skin. Your skin will feel refreshing and moisturizing after makeup removal.

Toilet wipes: These products are natural, mild, and alcohol-free. They have a weakly acidic formula. They have passed vagina mucosa and skin irritating tests. They can effectively remove odor and care for your skin.

Disinfectant wipes: These products feel soft and comfortable and are free from migrating fluorescent brighteners. They are made from 100% cotton non-woven cloth. With the alcohol-based formula, the wipes have an effective cleaning and disinfection effects. You will feel more assured because of quick volatilization.

ii. Personal care products

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

Facial masks: In quick response to the pandemic, the Company started to produce and sell facial masks to address the shortage of facial masks in March 2020. Its products include facial masks for adults and children. The three-layer facial masks can filter over 95% of bacteria so as to better protect consumers.

The Company has always centered on consumer needs and value user experience. As an enterprise in the first echelon of the domestic household paper industry, it has gathered top R&D talent, embraced outstanding and independent R&D technology, and featured industry-leading innovation capabilities. The Company keeps offering better and more diversified products by acclimating the consumption trend and satisfying multi-level and diversified needs.

II. Major Changes in Main Assets

1. Major changes in main assets

Main assets	Major changes
Equity assets	There were no major changes during the reporting period.
Property and equipment	There were no major changes during the reporting period.
Intangible assets	There were no major changes during the reporting period.
Construction work in progress	There were no major changes during the reporting period.

2. Main overseas assets

☐ Applicable ☒ Inapplicable

III. Analysis of Core Competitiveness

1. Included in 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. Besides, it is the first and only A-share listed household paper enterprise in China with products sold at home and abroad including Southeast Asia, the Middle East, and Europe.

2. Constantly optimized product structure

The Company boasts three major brands, namely, Jie Rou, Sun, and Dolemi. Its current brand positioning is: High-end Life, High-grade Jie Rou. Its products primarily fall into seven major categories, including centerfeed rolls, coreless rolls, facial tissues, tissue handkerchiefs, wipes, cotton tissues, and personal care products. The brands are superior in quality, taste, and category. Furthermore, the Company has continuously optimized its product structure and raised the proportion of high-end and high-gross profit products and non-roll categories. In addition, it has strengthened the sales of major series like Face, Lotion, and Natural Wood, formulated distribution standards for each major channel, raised the market share in each channel, and continuously improved gross profit and profitability.

3. Stable and effective management team

The R&D, production, procurement, sales, quality control, and operation teams have successively attracted excellent professionals since 2014. At present, the Company features the most outstanding R&D, production, and sales teams. Its product R&D and quality and marketing management have been effectively reinforced. The management team of the Company has formulated long-term and strategic plans in line with actual situation of the Company, industry development level, and market demand. Moreover, it has made reasonable decisions on operation management, covering R&D, production, marketing, investment, and financing, and effectively implemented such decision. The excellent management team is the fundamental guarantee of maintaining competitiveness and achieving sustainable development in the future.

4. Nationwide marketing network

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

Furthermore, the Company has devoted more resources to e-commerce platforms, such as Tmall, Taobao, JD, Vipshop, Suning, and Pinduoduo and built and improved the corresponding supply chain system. Meanwhile, it has intensified its routine operation management and formed a professional e-commerce operation team. In addition, it has developed an AFH service team for AFH channels and customer bases to match the growing AFH market. The Company has constantly consolidated its market basis, improved consumer experience, and enhanced brand reputation,

attributable to a robust sales network and quality and diversified products, in order to achieve future sustainable and stable growth.

5. Nationwide layout of production bases

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

6. Product quality at an international level

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

7. Good R&D capabilities

Along with the emergence of modern lifestyle, the range of application of household paper has been increasing. Household paper has become a daily necessity. People are enjoying the comfort brought by such products. The Company features a complete product development system. Its R&D departments embrace strong and independent R&D capabilities and outstanding formulas and processes. Recently, the Company has been launching new brands, such as Face, Lotion, Natural Wood, cotton tissues, and personal care products, and gained a leading position in the industry.

8. First-class production equipment

The Company drives development via technology. It has introduced advanced papermaking and processing equipment from countries and regions like Austria, Germany, Italy, Japan, South Korea, and Taiwan. Advanced technology and highly automatic equipment have strengthened the Company's efficiency, further satisfied the ever-growing market demand, and served as an unstoppable driving force to development.

9. High awareness and technology of environmental protection

Along with the development 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, fulfilling corporate social responsibilities" and utilized advanced environmental protection technology to pursue its objective of environmental protection. Its emissions, such as waste water and gas, are superior to the national standards and industry-leading.

Section IV Discussion and Analysis of Operation Status

I. Overview

The COVID-19 pandemic exerted a short-term influence on the procurement, production, and sales of the household paper industry in the first half of 2020. Nevertheless, the Company rapidly responded at the beginning of the outbreak and converted challenges to opportunities, by resuming production early and routine operations at the fastest rate. Meanwhile, the Company has upheld its core strategies and operation objectives. It improved results and profit steadily by adopting effective measures, including expanding categories and channels and accelerating marketing and promotion. In H1 2020, it recorded operating income of RMB3,616 million with a YoY increase of 13.99% and net profit attributed to the listed company of RMB453 million, up by 64.69% YoY. Key tasks of the Company are reviewed below:

1. Expansion of product categories to drive sales

Consumption habits changed amid the pandemic during the reporting period. The Company quickly adapted to the consumption trend, continuously enriched its channels, launched new products like facial masks, disinfectant wipes, hand sanitizers, and mouth wash to effectively raise its brand effect and seized another profit growth point. Favorable sales results during the reporting period promoted the continuous improvement in the operating results.

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

During the reporting period, the Company accelerated to introduce new and key products, constantly raised the proportion of high-gross margin products, and further optimized its product structure. In addition, it actively adapted to changes, kept optimizing its marketing system, and stimulated online consumption growth despite the pandemic. Meanwhile, it invested more resources in the layout and development of online business and exerted great efforts to improve other channels. Favorable results were achieved in all channels during the reporting period. The Company's gross margin in household paper reached 46.19%, making it the top enterprise in the domestic household paper industry.

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

The price of pulp, the main raw material of the Company, declined during the reporting period. As a result, the Company's production costs decreased, while its gross margin and profitability increased.

4. Employee enthusiasm boosted by the first release period of unlocking/exercising of the firstly granted portion of the stock incentive plan

During the reporting period, the Company successfully unlocked the restricted stock in the first unlock period and exercised the stock option in the first exercise period of the firstly granted portion of the 2018 Stock Option and Restricted Stock Incentive Plan. 5,593,428 shares of the restricted stock were unlocked, while the number of vesting stock options was 3,431,505 shares. Employees enjoyed the development dividends of the Company through the unlock/exercise. They were motivated to add value to work. The unlock/exercise laid a solid foundation for the sustainable and stable development of the Company.

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

Amid the pandemic, the Company, as a leading enterprise in the household paper industry, vigorously fulfilled its corporate social responsibilities and quickly donated RMB10.80 million in cash and disinfectant wipes and other household paper products worth RMB500,000 to support

pandemic prevention and control. Moreover, it contributed to fighting against the pandemic by donating over one million pieces of surgical masks and over 5,000 pads for women to front-line medical institutions.

II. Analysis of Main Businesses

Overview

See "I. Overview" in "Discussion and Analysis of Operation Status" for details.

YoY changes in main financial data

Unit: RMB

	Current reporting period	Same period last year	YoY changes	Reason of change
Operating income	3,616,201,399.80	3,172,389,026.96	13.99%	
Operating cost	1,931,406,918.16	2,008,336,231.02	-3.83%	
Selling expenses	848,071,082.60	607,769,281.49	39.54%	Selling expenses rose by RMB240,301,801.11 or 39.54% during the reporting period from the same period last year, mainly because: First, the sales revenue increased. Second, the Company kept raising its market input, exerted great efforts for promotion, and expanded the sales network.
Administrative expenses	185,701,854.01	126,787,650.22	46.47%	During the reporting period, management costs were up by RMB58,914,203.79 or 46.47% YoY, mainly due to the increase in expenses incurred from share-based payment, payroll, and depreciation and amortization expenses.
Finance expenses	-1,022,002.23	14,824,423.41	-106.89%	During the reporting period, management costs were down by RMB15,846,425.64 or 106.89% YoY, mainly due to the decrease in bank interest expenses and increase in exchange gain.
Income taxes	85,783,253.92	63,045,961.23	36.06%	During the reporting period, management costs were up by RMB22,737,292.694 or 36.06% YoY, mainly due to the increase in total profit.
Investment in R&D	90,860,828.24	64,040,654.87	41.88%	During the reporting period, management costs were up by RMB26,820,173.37 or 41.88% YoY, mainly due to the increase in R&D expenses.
Net cash flows from operating activities	504,558,588.33	734,985,638.36	-31.35%	Net cash flows from operating activities: During the reporting period, it declined by RMB230,427,050.03 or 31.35% from a year earlier, primarily attributable to increased payment for materials and taxes.
Net cash flows from investing activities	-241,861,919.70	-357,270,668.08	32.30%	Net cash flows from investing activities: During the reporting period, it increased by RMB115,408,748.38 or 32.30% from a year earlier, primarily attributable to decreased payment for engineering equipment.
Net cash flows from financing activities	-45,815,658.83	-173,684,376.51	73.62%	Net cash flows from financing activities: During the reporting period, it increased by RMB127,868,717.68 or 73.62% from a year earlier, primarily attributable to increased

				payment for loan proceeds received and decreased repayment for loans.
Net increase in cash and cash equivalents	220,436,993.67	203,573,288.77	8.28%	

Any major changes in the profit composition or profit source of the Company during the reporting period

☐ Applicable ☒ Inapplicable

No major change occurred in the profit composition or profit source of the Company during the reporting period.

Composition of operating income

Unit: RMB

	Current reporting period		Same period last year		YoY changes
	Amount	Proportion against operating income	Amount	Proportion against operating income	
Total operating income	3,616,201,399.80	100%	3,172,389,026.96	100%	13.99%
By Industry					
Household paper	3,533,490,254.91	97.71%	3,117,352,958.19	98.27%	13.35%
Personal care	67,214,587.03	1.86%	419,218.91	0.01%	15,933.29%
Others	15,496,557.86	0.43%	54,616,849.86	1.72%	-71.63%
By Products					
Finished products	3,595,014,915.99	99.41%	3,103,060,788.64	97.82%	15.85%
Semi-finished products	5,689,925.95	0.16%	14,711,388.46	0.46%	-61.32%
Others	15,496,557.86	0.43%	54,616,849.86	1.72%	-71.63%
By Regions					
Chinese mainland	3,522,252,149.36	97.40%	3,104,647,040.29	97.86%	13.45%
Overseas	93,949,250.44	2.60%	67,741,986.67	2.14%	38.69%

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

☒ Applicable ☐ Inapplicable

Unit: RMB

	Operating income	Operating cost	Gross profit margin	YoY changes in operating income	YoY changes in operating cost	YoY changes in gross margin
By Industry						
Household paper	3,533,490,254.91	1,901,531,921.16	46.19%	13.35%	-2.85%	8.98%
By Products						
Finished products	3,595,014,915.99	1,913,451,891.52	46.77%	15.85%	-1.57%	9.42%

By Regions						
Chinese mainland	3,522,252,149.36	1,883,003,659.17	46.54%	13.45%	-3.82%	9.60%

For changes in the statistical caliber for the main business data during the reporting period, the Company was subject to the main business data for the current period according to the year-end statistical caliber.

☐ Applicable ☒ Inapplicable

Explanation for +30% deviation YOY of relevant data

☐ Applicable ☒ Inapplicable

III. Analysis of Non-main Businesses

☒ Applicable ☐ Inapplicable

Unit: RMB

	Amount	Proportion against total profit	Cause	Is it consistently applied?
Investment income	2,287,274.87	0.42%	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds	No
Profit and loss from changes in fair value	0.00	0.00%		
Asset impairment	-850,381.40	-0.16%	Provision for impairment of inventories	No
Non-operating income	3,169,241.16	0.59%	Government grants, income from fine and compensation, and others	No
Non-operating expense	13,240,183.16	2.46%	External donations and others	No

IV. Analysis of Assets and Liabilities

1. Significant changes in the composition of assets

Unit: RMB

	End of the current reporting period		End of the same reporting period last year		Changes in proportion	Explanation
	Amount	Proportion against total assets	Amount	Proportion against total assets		
Monetary funds	933,473,976.97	14.12%	634,450,928.36	11.34%	2.78%	Monetary funds rose by RMB299,023,048.61 or 47.13% at the end of the current reporting period from a year earlier, mainly owing to the increase in the balance at the beginning of the current report from the same period last year.
Accounts	822,077,129.81	12.43%	726,655,599.93	12.99%	-0.56%	

receivable						
Inventory	1,178,918,505.39	17.83%	888,996,071.16	15.89%	1.94%	Monetary funds rose by RMB289,922,434.23 or 32.61% at the end of the current reporting period from a year earlier, mainly owing to the increase in raw materials of the current report from the same period last year.
Investment property	35,336,048.69	0.53%	34,753,136.68	0.62%	-0.09%	
Long-term equity investment	0.00	0.00%	0.00	0.00%	0.00%	
Property and equipment	2,907,864,726.86	43.97%	2,633,132,265.18	47.06%	-3.09%	
Construction work in progress	22,256,470.46	0.34%	296,753,901.64	5.30%	-4.96%	Monetary funds decreased by RMB274,497,431.18 or 92.50% at the end of the current reporting period from a year earlier, mainly owing to the decrease in construction in progress of the current report from the same period last year.
Short-term loans	161,860,368.50	2.45%	215,135,598.86	3.84%	-1.39%	
Long-term loans	0.00	0.00%	24,000,000.00	0.43%	-0.43%	Monetary funds decreased by RMB24,000,000.00 or 100.00% at the end of the current reporting period from a year earlier, mainly owing to prepayment of long-term borrowings of the current report from the same period last year.

2. Assets and liabilities measured at fair value

☐ Applicable ☒ Inapplicable

3. Restriction of main assets and rights as at the end of the reporting period

Item	Closing book value of the period (RMB)	Reason for restriction
Monetary funds	37,040,130.33	Margins for letter of credit and notes were issued.
Total	37,040,130.33	

V. Analysis of Investment**1. Overview**√ Applicable ☐ Inapplicable

Investment amount during the reporting period (RMB)	Investment amount of previous year (RMB)	Changes
401,314,982.57	358,177,083.79	12.04%

2. Major equity investment during the reporting period☐ Applicable √ Inapplicable**3. Major non-equity investment during the reporting period**☐ Applicable √ Inapplicable**4. Financial assets measured at fair value**☐ Applicable √ Inapplicable**5. Financial asset investment****(1) Security investment**☐ Applicable √ Inapplicable

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

(2) Derivative investment☐ Applicable √ Inapplicable

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

6. Utilization of raised funds☐ Applicable √ Inapplicable

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

7. Description of key projects not invested with raised funds√ Applicable ☐ Inapplicable

Unit: RMB10,000

Item name	Planned investment amount	Investment amount in the current reporting period	Actual accumulative investment amount as at the end of the reporting period	Project phase	Project income	Date of disclosure (if any)	Index of disclosure (if any)
Tangshan C&S Project	32,700	1,292.57	7,563.92	23.13%		November 16, 2016	2016-50
Hubei C&S Project	133,020	9,460.02	65,868.33	49.52%	34,483.98	December 31, 2016	2016-59

Total	165,720	10,752.59	73,432.25	--	--	--	--
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VI. Major Asset and Equity Sales

1. Sales of major assets

☐ Applicable ☒ Inapplicable

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

2. Sales of major equity

☐ Applicable ☒ Inapplicable

VII. Analysis of Main Holding and Joint-stock Companies

☒ Applicable ☐ Inapplicable

Main subsidiaries and joint-stock companies affecting more than 10% of the Company's net profit

Unit: RMB

Company name	Company type	Main 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; and sales (including online sales) of Class I and II medical devices. (Business activities above are not restricted by the Special Administrative Measures for the Access of Foreign Investment) (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.))	RMB345,985,031	1,701,542,683.92	1,391,521,284.56	697,501,626.59	109,252,057.26	93,179,032.72
Yunfu C&S	Subsidiary	R&D, production, wholesale, retail and online sales: High-end household paper series products, hygiene products, maternal and infant products, daily necessities, cosmetics, medical devices, hygiene materials, non-woven products, polymer materials and products, daily groceries, and sterilization supplies (excluding hazardous chemicals); import and export of goods or technologies (excluding the import and export of goods and	RMB650 million	2,008,061,450.93	1,195,306,900.30	1,384,931,367.57	205,801,295.96	184,345,385.92

		technologies prohibited by the country or subject to administrative approval); and warehouse services (limited to warehouses qualified in fire protection without hazardous chemicals). (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.))						
Sichuan C&S	Subsidiary	R&D, production, processing, and sales of hygiene products [tissues (paper)], baby products, daily necessities, non-woven products, and feminine hygiene products; export of self-produced products and import of necessary mechanical equipment, parts and accessories, and raw and auxiliary materials; and sales of daily chemical products, articles of daily use, medical devices, medical supplies, and sterilization supplies (excluding hazardous chemicals) [Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.]]	RMB100 million	1,089,874,387.94	748,997,486.20	857,316,535.93	102,940,900.21	86,792,873.64

Acquisition and disposal of subsidiaries during the reporting period

☐ Applicable ☒ Inapplicable

Description of main holding and joint-stock companies

None

VIII. Structured Entity Controlled by the Company

☐ Applicable ☒ Inapplicable

IX. Prediction of Operating Results from January to September 2019

Warning and explanation of the predication that the accumulated net profit from the beginning of the year to the end of the next reporting period may be negative or there will be large changes compared to the corresponding period of previous year

☐ Applicable ☒ Inapplicable

X. Risks and Countermeasures

1. Risk of large fluctuations in pulp prices

The Company features a professional procurement team that collects professional data, assesses the future trend of pulp prices. Moreover, the team dynamically adjusts the inventory of pulp to ensure normal production and respond to the international pulp market. At present, the Company has developed a global procurement network, covering multiple countries, such as Finland, Canada, Chile, Brazil, and China. Besides, it ensures stable procurement of raw materials by signing long-term supply contracts with large-scale pulp suppliers embracing large production scale, abundant forest resources, and advanced production technologies.

2. Currency risk

(1) The Company closely observes the changes in the foreign exchange market. Additionally, it offsets exchange losses arising from the RMB devaluation or bi-directional volatility by adjusting the asset and liability structure of foreign currencies and reducing the total liabilities of foreign currencies.

(2) The Company has kept the account of foreign currency transactions at the selling rate since October 2015 in accordance with its actual demand and in line with foreign exchange requirements. It purchases foreign currencies at an appropriate rate to repay loans.

(3) The Company offsets and avoids currency risk through centralized management of foreign exchange funds, offsetting based on purchasing and payment, and hedging based on changes in the foreign exchange market and its actual development. In addition, it utilizes risk aversion instruments like hedging to address currency risk exposure. It reasonably manages risks not for the sake of speculation.

3. Safe production risk

The Company has formulated strict fire protection policies for the warehouse management of raw materials and finished products and the placement and transfer of semi-finished products, equipped workshops and warehouses with adequate fire protection equipment, and bought full insurance for risky properties. Relevant responsible persons regularly inspect fire protection equipment to ensure they are effective. Moreover, the Company offered safety education and training to its employees to avoid possible risks in production to the maximum extent.

Section V Important Events

I. Annual and Extraordinary General Meetings during the Reporting Period

1. General meeting of shareholders during the reporting period

Sessions of meetings	Types of meetings	Proportion of attended investors	Date of meeting	Date of disclosure	Index of disclosure
2020 First Extraordinary General Meeting	Extraordinary general meeting of shareholders	59.84%	March 13, 2020	March 14, 2020	<i>Announcement on Resolutions of 2020 First Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2020-15). See <i>Securities Times</i> (STCN, www.stcn.com), <i>Securities Daily</i> (www.zqrb.com), <i>China Securities Journal</i> (www.cs.com.cn), <i>Shanghai Securities News</i> (www.cnstock.com), and CNINFO (www.cninfo.com.cn) for details.
2019 Annual General Meeting of Shareholders	Annual General Meeting	55.09%	May 21, 2020	May 22, 2020	<i>Announcement on Resolutions of 2019 Annual General Meeting of Shareholders</i> (Announcement No.: 2020-34). See <i>Securities Times</i> (STCN, www.stcn.com), <i>Securities Daily</i> (www.zqrb.com), <i>China Securities Journal</i> (www.cs.com.cn), <i>Shanghai Securities News</i> (www.cnstock.com), and CNINFO (www.cninfo.com.cn) for details.
2020 Second Extraordinary General Meeting of Shareholders	Extraordinary general meeting of shareholders	53.75%	June 15, 2020	June 16, 2020	<i>Announcement on Resolutions of 2020 Second Extraordinary General Meeting of Shareholders</i> (Announcement No.: 2020-53). See <i>Securities Times</i>

					(STCN, www.stcn.com), Securities Daily (www.zqrb.com), China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), and CNINFO (www.cninfo.com.cn) for details.
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2. Request for extraordinary general meetings by preference shareholders with recovered voting rights

☐ Applicable ☒ Inapplicable

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

☐ Applicable ☒ Inapplicable

The Company plans not to distribute cash or share dividends or convert capital reserve to share capital semi-annually.

III. Commitments Fulfilled by the De Facto Controller, Shareholders, Related Parties, and Acquirers of the Company during the Reporting Period and Commitments not Fulfilled by Them as at the End of the Reporting Period

☒ Applicable ☐ Inapplicable

Commitments	Committed by	Type of commitment	Description	Time of commitment	Term of commitment	Fulfillment of commitment
Share reform commitment						
Commitments in the acquisition report or the equity change report						
Commitment made during asset restructuring						
Commitments made during the initial public offering or refinancing	Directors, supervisors, and senior executives		Directors, supervisors, and senior executives promise that they will not transfer more than 25% of the total shares of the Company they hold each year during the term of office. If they leave office before the expiry of the term of office, they promise that they will not	November 25, 2010	Long-term	Strictly observed

			transfer more than 25% of the total shares of the Company they hold each year within the term of office and within six months after the term of office expires (which is agreed when they take office). Moreover, they will not transfer their shares of the Company within half a year after they leave office.			
Equity incentive commitment	Dai Zhenji, Dong Ye, and Ye Longfang		They promise not to sell all their shares (including shares obtained from exercise and other shares) within six months after the end of the exercise of the last stock options. Besides, they will strictly conform to stock trading-related laws and regulations.	June 5, 2020	During the implementation of the equity incentive plan	Strictly observed
Other commitments to medium and small shareholders	Deng Guanbiao, Deng Guanjie, Deng Yingzhong, and Guangdong Zhongshun Paper Group Co., Ltd.		No competition with the Company in the same business	January 1, 2009	Long-term	Strictly observed
	C&S Paper Co., Ltd.		Cash dividends shall be distributed when dividend conditions are met. The Board of Directors of the Company shall comprehensively consider industry characteristics, development stage, business model, profitability, and major capital spending (if any), distinguish the following circumstances, and follow the procedures stipulated in the Articles of Association, and propose differentiated cash dividend policies.	December 6, 2019	Long-term	Strictly observed
Whether commitments are fulfilled on time	Yes					

IV. Engagement and Dismissal of an Accounting Firm

Whether the semi-annual financial report has been audited

☐ Yes ☒ No

The semi-annual report has not been audited yet.

V. Explanation by the Board of Directors and the Board of Supervisors of the "Non-standard Audit Report" for the Reporting Period Issued by the Accounting Firm

☐ Applicable ☒ Inapplicable

VI. Explanation by the Board of Directors of the "Non-standard Audit Report" for Last Year

☐ Applicable ☒ Inapplicable

VII. Bankruptcy Restructuring-related Matters

☐ Applicable ☒ Inapplicable

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

VIII. Litigations

Material litigations and arbitrations

☐ Applicable ☒ Inapplicable

The Company did not have major litigations or arbitrations during the reporting period.

Other litigations

☒ Applicable ☐ Inapplicable

Basic information on litigations (arbitrations)	Amount involved (RMB10,000)	Whether projected liabilities were incurred	Litigation (arbitration) progress	Hearing results and influences of litigations (arbitrations)	Execution of judgment of litigations (arbitrations)
Zhongshan Trading sued Shenzhen Yongxinghua Trading Co., Ltd., Feng, & Liang for a sales contract dispute	660.374109	No	The first instance ruled that Zhongshan Trading won the case. The second instance has been heard. And Zhongshan Trading is waiting for the verdict.	The verdict of second instance has not been made.	Not applicable
Zhongshan Trading sued Guangzhou Yingjing Trade Co., Ltd. for a sales contract dispute	31.3604	No	The first instance supported all the claims by Zhongshan Trading.	The verdict of first instance came into force.	The first round of execution ended. No properties have been recovered.
Zhongshan Trading sued Shaoyang Jiahe Trading Co., Ltd. for a sales contract dispute	33.638552	No	The first instance supported all the claims by Zhongshan Trading.	The verdict of first instance came into force. Zhongshan Trading has applied for execution.	Ongoing
Zhongshan Trading sued Shanghai Tongli Trading Co., Ltd. and eight natural person defendants including Liu for a sales	2932.009863	No (Note: Whether projected liabilities will be incurred cannot be	The first instance ruled that Zhongshan Trading won the case. The second instance	The verdict of second instance has not been made.	Not applicable

contract dispute		determined prior to the verdict.)	has been heard. And Zhongshan Trading is waiting for the verdict.		
Yin sued C&S for a dispute over the right to health	30.247331	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance ruled that Zhongshan Trading won the case. The second instance has not been heard. And Zhongshan Trading is waiting for the verdict.	The verdict of second instance has not been made.	Not applicable
Sichuan Hua Xi Da Cheng Construction Co., Ltd. Zhuhai Branch sued Sichuan Luxian No. 9 Construction Engineering Co., Ltd. and Yunfu C&S for a contract dispute over the Yunfu C&S construction project	The original claim was RMB7,516,032.39, which was changed to RMB9,124,489.89 during the first instance.	Yes	The case was mediated and closed in the first instance.	All parties of the lawsuit fulfilled their respective obligation of settlement of the relevant project costs agreed in the contract.	The paper of civil mediation has been fulfilled.
Guangdong Weihong Plastics Technology Co., Ltd. sued Hubei C&S for a contractor contract dispute	225.9055	No (Note: Whether projected liabilities will be incurred cannot be determined prior to the verdict.)	The first instance ruled that Zhongshan Trading won the case. The second instance has not been heard. And Zhongshan Trading is waiting for the verdict.	The verdict of second instance has not been made.	Not applicable
Sichuan C&S sued Xi'an Minsheng Department Store Management Co., Ltd. for a contract dispute	5.651847	No	The case was mediated and closed in the first instance.	Xi'an Minsheng has not fulfilled the repayment obligation in line with the paper of civil mediation.	Sichuan C&S is applying for legal enforcement.
Zhongshan Trading sued Guangzhou Jv Se Mai Ke Internet Service Co., Ltd. for a sales contract dispute	28.554681	No	The first instance is being heard. Zhongshan Trading is waiting for the court session to open.	The verdict of first instance has not been made.	Not applicable

Xiaogan C&S sued Wuhan Xincheng Tongda Trading Co., Ltd. for a sales contract dispute	525.162529	No	The first instance is being heard. Zhongshan Trading is waiting for the court session to open.	The verdict of first instance has not been made.	Not applicable
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IX. Doubts from Media

☐ Applicable ☒ Inapplicable

The Company did not have any matters that were generally doubted by media during the reporting period.

X. Penalties and Remediation

☐ Applicable ☒ Inapplicable

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

XI. Integrity Records of the Company and its Controlling Shareholder and De Facto Controller

☐ Applicable ☒ Inapplicable

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

☒ Applicable ☐ Inapplicable

1. 2018 stock option and restricted stock incentive plan

On December 18, 2018, at the ninth meeting of the fourth Board of Directors and the seventh meeting of the fourth Board of Supervisors of the Company, *2018 Stock Option and Restricted Stock Incentive Plan of C&S Paper Co., Ltd. (Draft)* and its summary, *Proposal on the Appraisal Management Measures of the Implementation of the Company's Restricted Stock Incentive Plan*, and *Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to Restricted Stock Incentive Plan*, were reviewed and approved respectively. The independent directors of the Company issued an independent opinion to agree that the equity incentive plan was conducive to the Company's sustainable development and there was no situation that harms the Company and shareholders. The Board of Supervisors of the Company verified the list of incentive recipients of the Company's equity incentive plan. Details can be found in the following documents published on December 19, 2018 on the designated information disclosure media including *Securities Times* (STCN, www.stcn.com), *China Securities Journal* (www.cs.com.cn), *Securities Daily* (www.zqrb.com), *Shanghai Securities News* (www.cnstock.com) and Juchao Information Website (<http://www.cninfo.com.cn>): *2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, *Summary of 2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, *List of Incentive Recipients of the Equity Incentive Plan*, *Appraisal Management Measures of the Implementation of 2018 Stock Option and Restricted Stock Incentive Plan*, *Announcement on Resolutions of the Ninth Meeting of the Fourth Board of Directors* (Announcement No. 2018-89) and *Announcement on Resolutions of the Seventh Meeting of the Fourth Board of Supervisors* (Announcement No. 2018-90).

On January 8, 2019, at the Company's first extraordinary general meeting of 2019, *2018 Stock Option and Restricted Stock Incentive Plan of C&S Paper Co., Ltd. (Draft)* and its summary, *Appraisal Management Measures of the Implementation of 2018 Stock Option and Restricted Stock Incentive Plan of C&S Paper Co., Ltd.*, and *Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to the Company's 2018 Stock Option and Restricted Stock Incentive Plan*, were reviewed and approved. The Board of Directors was authorized to determine the grant date of the incentive plan, grant stock options or restricted stocks to the incentive recipients when the incentive recipients meet the conditions, and handle all matters necessary for granting equity incentives. Details can be found in *Announcement on Resolutions of the First Extraordinary General Meeting of 2019* (Announcement No. 2019-02), published on January 9, 2019 on the designated information disclosure media including *Securities Times* (STCN, www.stcn.com), *China Securities Journal* (www.cs.com.cn), *Securities Daily* (www.zqrb.com), *Shanghai Securities News* (www.cnstock.com) and Juchao Information Website (<http://www.cninfo.com.cn>).

On March 1, 2019, at the tenth meeting of the fourth Board of Directors and the eighth meeting of the fourth Board of Supervisors of the Company, *Proposal on Adjusting Matters Related to 2018 Stock Option and Restricted Stock Incentive Plan* and *Proposal on Granting Stock Options and Restricted Stocks to Incentive Recipients*, were reviewed and approved respectively. The Company's Board of Directors adjusted the grantees and the number of stock options granted of 2018 Stock Option and Restricted Stock Incentive Plan in conformity with the authorization of the general meeting of shareholders, and determined the first grant date of stock options and restricted stocks as March 1, 2019. 13,734,500 stock options were granted to 3,118 eligible incentive recipients, and 19,675,500 restricted stocks were granted to 569 incentive recipients. Details can be found in the following documents published on March 2, 2019 on the designated information disclosure media including *Securities Times* (STCN, www.stcn.com), *China Securities Journal* (www.cs.com.cn), *Securities Daily* (www.zqrb.com), *Shanghai Securities News* (www.cnstock.com) and Juchao Information Website (<http://www.cninfo.com.cn>): *Announcement on Resolutions of the Tenth Meeting of the Fourth Board of Directors* (Announcement No.: 2019-09), *Announcement on Adjusting Matters Related to 2018 Stock Option and Restricted Stock Incentive Plan* (Announcement No.: 2019-11), *Announcement on Granting Stock Options and Restricted Stocks to Incentive Recipients* (Announcement No. 2019-12), *List of Incentive Recipients of the Equity Incentive Plan (Grant Date)*, and *Legal Opinion of Kingson Law Firm on the Adjustment and First Granting of the Company's 2018 Stock Option and Restricted Stock Incentive Plan*.

On September 11, 2019, at the 16th meeting of the fourth Board of Directors and the 14th meeting of the fourth Board of Supervisors of the Company, *Proposal on Adjusting Matters Related to 2018 Stock Option and Restricted Stock Incentive Plan* and *Proposal on Granting Reserved Stock Options and Restricted Stocks to Incentive Recipients*, were reviewed and approved. The Board of Directors of the Company adjusted the number of stock options reserved in the incentive plan from 2.5 million to 2.4 million in conformity of the authorization of the general meeting of shareholders. And it was scheduled to grant 2.4 million reserved stock options to 114 eligible incentive recipients and 3.5 million reserved restricted stock shares to 64 incentive recipients on September 11, 2019. Details can be found in the following documents published on September 12, 2019 on the designated information disclosure media including *Securities Times* (STCN, www.stcn.com), *China Securities Journal* (www.cs.com.cn), *Securities Daily* (www.zqrb.com), *Shanghai Securities News* (www.cnstock.com) and CNINFO (<http://www.cninfo.com.cn>): *Announcement on Resolutions of the 16th Meeting of the Fourth Board of Directors* (Announcement No.: 2019-61), *Announcement on Adjusting Matters Related to 2018 Stock Option and Restricted Stock Incentive Plan* (Announcement No.: 2019-64), *Announcement on Granting Reserved Stock Options and Restricted Stocks to Incentive Recipients* (Announcement No. 2019-65), *List of Incentive Recipients of the*

Equity Incentive Plan (Grant Date), and Legal Opinion of Kingson Law Firm on the Company's Adjustment of 2018 Stock Option and Restricted Stock Incentive Plan and the Granting of Reserved Parts.

On October 28, 2019, the registration for the grant of reserved parts of 2018 Stock Option and Restricted Stock Incentive Plan was completed. The reserved stock options shall be registered on October 30, 2019, and the reserved restricted stocks shall be listed on October 30, 2019.

On May 21, 2020, at the 23rd meeting of the fourth Board of Directors and the 19th meeting of the fourth Board of Supervisors, *Proposal on the Achievement of Unlock Conditions of the First Unlock Period of Restricted Stock for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan, Proposal on the Achievement of Exercise Conditions of the First Exercise Period of Stock Option for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan, Proposal on the Achievement of Exercise Conditions of the First Exercise Period of Stock Option for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan, and Proposal on the Repurchase and Deregistration of Partial Restricted Stock for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* were reviewed and approved. In conformity with *Draft of 2018 Stock Option and Restricted Stock Incentive Plan*, the Board of Directors considered that the first unlock/exercise period unlock/exercise conditions of the restricted stock/stock option granted for the first time had been fulfilled. There were 533 holders of restricted stocks meeting the unlock conditions, and the number of stocks that could be unlocked was 5,593,428, accounting for 0.43% of the Company's total share capital; There were 2,522 holders of stock options meeting the exercise conditions, and the number of options that could be exercised was 3,431,505, accounting for 0.26% of the Company's total share capital. In addition, a total of 802,722 restricted stocks of 241 incentive recipients that did not meet the unlock conditions were repurchased and deregistered. A total of 2,110,545 stock options of 1,594 incentive subjects who did not meet the exercise conditions were canceled. Details can be found in the relevant announcements published on May 22, 2020 on the designated information disclosure media including *Securities Times* (STCN, www.stcn.com), *China Securities Journal* (www.cs.com.cn), *Securities Daily* (www.zqrb.com), *Shanghai Securities News* and CNINFO (<http://www.cninfo.com.cn>).

On June 15, 2020, the Company was in the process of completing the deregistration of the partial stock options granted for the first time that had been granted but not exercised.

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

2. Phase II employee stock ownership plan

At the Company's 14th meeting of the fourth Board of Directors on July 9, 2019, and the Company's second extraordinary general meeting of 2019 on July 26, 2019, *Proposal on Phase II Employee Stock Ownership Plan (Draft)* and its summary (hereinafter referred to as "Phase II Employee Stock Ownership Plan") was reviewed and approved. Details can be found in the relevant announcements published on the designated information disclosure media including CNINFO (www.cninfo.com.cn), *China Securities Journal* (www.cs.com.cn), *Shanghai Securities News* (www.cnstock.com), *Securities Times* (STCN, www.stcn.com) and *Securities Daily* (www.zqrb.com).

On November 11, 2019, at the 18th meeting of the fourth Board of Directors of the Company, *Proposal on Revising Phase II Employee Stock Ownership Plan (Draft)* and its summary was reviewed and approved. The Company planned to revise some clauses in Phase II Employee Stock Ownership Plan (Draft) and its summary in conformity with the market allocation situation. Details

can be found in the relevant announcements published on the designated information disclosure media including CNINFO (www.cninfo.com.cn), China Securities Journal (www.cs.com.cn), *Shanghai Securities News* (www.cnstock.com), *Securities Times* (STCN, www.stcn.com) and *Securities Daily* (www.zqrb.com).

As at November 29, 2019, all the repurchased stocks held in the "C&S Paper Co., Ltd. Repurchase Special Securities Account" opened by the Company had been transferred to the "C&S Paper Co., Ltd. - Phase II Employee Stock Ownership Plan" special account. Details can be found in Announcement on Completion of Non-Transaction Transfer of Phase II Employee Stock Ownership Plan (Announcement No. 2019-85) published on the designated information disclosure media including CNINFO (www.cninfo.com.cn), China Securities Journal (www.cs.com.cn), *Shanghai Securities News* (www.cnstock.com), *Securities Times* (STCN, www.stcn.com) and *Securities Daily* (www.zqrb.com).

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

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

XIII. Material Related Party Transaction

1. Related party transaction relevant to daily operations

☒ Applicable ☐ Inapplicable

Party of related party transaction	Connected relation	Type of related party transaction	Content of related party transactions	Pricing rules of related party transactions	Price of related party transactions	Amount of related party transactions (RMB10,000)	Proportion in the amount of similar transactions	Approved transaction limit (RMB10,000)	Whether to outstrip the approved limit	Settlement of related party transaction	Available market prices for similar transactions	Date of disclosure	Index of disclosure
Deng Yingzhong, Deng Guanbiao, Deng Guanjie	Actual controller of the Company	Leases	Rental	Market fair price	Market fair price	147.4	42.17%	589.62	No	Transfer settlement	Market fair price	December 6, 2019	2019-93
Pengzhou Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor	Routine operation transaction	Sale of goods	Market fair price	Market fair price	82.87	0.02%	300	No	Transfer settlement	Market fair price	December 6, 2019	2019-93
Sichuan West Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor	Routine operation transaction	Sale of goods	Market fair price	Market fair price	18.08	0.00%	100	No	Transfer settlement	Market fair price	December 6, 2019	2019-93
Chongqing Qinyue Trading Co., Ltd.	A company where the senior manager Yue Yong's brother holds shares and serves as a supervisor	Routine operation transaction	Sale of goods	Market fair price	Market fair price	24.8	0.01%	240	No	Transfer settlement	Market fair price	December 6, 2019	2019-93
Guangdong	Controlling	Routine	Sale of	Market fair	Market fair	5.66	0.002%		Yes	Transfer	Market fair		

Zhongshun Paper Group Co., Ltd.	shareholder	operation transaction	goods	price	price					settlement	price		
Total				--	--	278.81	--	1,229.62	--	--	--	--	--
Details of returns of large sales				Not applicable									
Estimation of the total amount of daily related party transactions that will occur in the current period by category, and the actual performance during the reporting period (if any)				The excess related party transaction amount of RMB56,600 is the Company's business of selling mask products to related parties, and it is a temporary new related sale in 2020. It falls 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 of acquisition and sale of assets or equity

☐ Applicable ☒ Inapplicable

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

3. Related party transactions of joint outbound investment

☐ Applicable ☒ Inapplicable

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

4. Related party transactions of creditor's rights and debts

☒ Applicable ☐ Inapplicable

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

☐ Yes ☒ No

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

5. Other material related party transactions

☐ Applicable ☒ Inapplicable

During the reporting period, there was no other material related party transactions.

XIV. Misappropriation of Funds for Non-operating Purposes by Controlling Shareholders and Related Parties

☐ Applicable ☒ Inapplicable

During the reporting period, there was no misappropriation of funds for non-operating purposes by controlling shareholders and related parties.

XV. Material Contracts and Their Performance**1. Custody, contract and lease****(1) Custody**

☐ Applicable ☒ Inapplicable

During the reporting period, there was no custody.

(2) Contract

☐ Applicable ☒ Inapplicable

During the reporting period, there was no contract.

(3) Lease

☒ Applicable ☐ Inapplicable

Lease statement

On December 5, 2019, the Company at the 19th meeting of the fourth Board of Directors approved the *Proposal on Daily Related Party Transactions*. Due to the needs of operation and business, the

Company and its wholly-owned subsidiary, Zhongshan Zhongshun Trading Co., Ltd., leased the real estate jointly owned by Mr. Deng Yingzhong, the actual controller, Mr. Deng Guanbiao and Mr. Deng Guanjie. The lease term is from January 1, 2020 to December 31, 2021, and the related party transaction involves RMB5,896,200. During the consideration 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 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 ☒ Inapplicable

During the reporting period, there was 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 ☐ Inapplicable

(1) Guarantee

Unit: RMB10,000

The overseas guarantee of the company and its subsidiaries (guarantee to subsidiaries is not included).								
Name of the borrower	Disclosure date of relevant announcements of guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Guarantee period	Whether it has been completed	Whether it is related party guarantee
The company's guarantee to its subsidiaries								
Name of the borrower	Disclosure date of relevant announcements of guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Zhongshun Trading Co., Ltd.	December 19, 2018	15,000	October 22, 2019	12,323.09	Joint and several liability guarantee	October 22, 2019-August 27, 2022	No	Yes
Zhongshun Trading Co., Ltd.	December 5, 2019	15,000	April 14, 2020	19.92	Joint and several liability guarantee	April 14, 2020-October 23, 2022	No	Yes
Zhongshun Trading Co., Ltd.	December 19, 2018	15,000	December 5, 2019	1,106.48	Joint and several liability guarantee	December 6, 2019-December 5, 2022	No	Yes
Zhongshun Trading Co., Ltd.	December 19, 2018	20,000	June 6, 2019	1,076.66	Joint and several liability guarantee	June 6, 2019-June 6, 2024	No	Yes
Zhongshun Trading Co., Ltd.	December 15, 2017	10,000	November 19, 2018	0	Joint and several liability	November 19, 2018-November 18, 2022	No	Yes

					guarantee			
Jiangmen C&S	December 19, 2018	12,000	October 22, 2019	2,345.35	Joint and several liability guarantee	October 22, 2019-August 27, 2022	No	Yes
Jiangmen C&S	December 15, 2017	10,000	March 27, 2018	0	Joint and several liability guarantee	March 27, 2018-December 31, 2023	No	Yes
Jiangmen C&S	December 19, 2018	7,000	May 5, 2019	3,470.36	Joint and several liability guarantee	May 5, 2019-August 5, 2021	No	Yes
Jiangmen C&S	December 19, 2018	10,000	July 1, 2019	1,284.87	Joint and several liability guarantee	July 1, 2019-June 30, 2022	No	Yes
Jiangmen C&S	December 15, 2017	16,000	May 30, 2018	0	Joint and several liability guarantee	May 30, 2018-May 30, 2023	No	Yes
Yunfu C&S	December 5, 2019	8,000	April 14, 2020	0	Joint and several liability guarantee	April 14, 2020-April 14, 2028	No	Yes
Hubei C&S	December 5, 2019	10,000	February 25, 2020	0	Joint and several liability guarantee	February 25, 2020-December 4, 2025	No	Yes
Hubei C&S	December 5, 2019	10,000	June 3, 2020	9,000	Joint and several liability guarantee	June 3, 2020-May 29, 2023	No	Yes
Jiangmen C&S, Yunfu C&S, Hubei C&S	December 19, 2018	25,000	January 8, 2019	1,138.7	Joint and several liability guarantee	January 8, 2019-January 8, 2021	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 19, 2018	21,247.5	September 2, 2019	13,551.77	Joint and several liability guarantee	September 2, 2019-July 31, 2023	No	Yes
C&S Hong Kong, Zhong Shun International	December 5, 2019	18,550.14	March 20, 2020	8,094.24	Joint and several liability guarantee	March 20, 2020-September 19, 2022	No	Yes
C&S Hong Kong, Macao C&S	December 5, 2019	38,000	February 17, 2020	24,830	Joint and several liability guarantee	February 17, 2020-December 23, 2022	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 5, 2019	44,973.88	February 12, 2020	30,696.43	Joint and several liability guarantee	February 12, 2020-February 12, 2022	No	Yes
C&S Hong Kong,	December 5, 2019	14,165	February 25, 2020	1,965.89	Joint and several	February 25, 2020-February	No	Yes

Macao C&S					liability guarantee	25, 2022		
C&S Hong Kong, Macao C&S	December 19, 2018	7,082.5	September 16, 2019	0	Joint and several liability guarantee	September 16, 2019-January 13, 2023	No	Yes
C&S Hong Kong, Macao C&S	December 5, 2019	16,998	March 27, 2020	4,934.61	Joint and several liability guarantee	March 27, 2020-February 19, 2022	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 15, 2017	19,738.08	September 28, 2018	8,489.41	Joint and several liability guarantee	September 28, 2018-August 31, 2022	No	Yes
C&S Hong Kong, Zhong Shun International, Macao C&S	December 5, 2019	21,247.5	January 30, 2020	18,259.7	Joint and several liability guarantee	January 30, 2020-January 30, 2022	No	Yes
Macao C&S	December 15, 2017	7,790.75	March 23, 2018	808.21	Joint and several liability guarantee	March 23, 2018-September 23, 2021	No	Yes
Macao C&S	December 15, 2017	7,000	August 15, 2018	2,379.72	Joint and several liability guarantee	August 15, 2018-August 15, 2025	No	Yes
C&S Hong Kong	December 15, 2017	10,623.75	April 9, 2018	7,899.95	Joint and several liability guarantee	April 9, 2018-January 24, 2020	No	Yes
Total approved amount of guarantee for subsidiaries during the reporting period (B1)		196,934.52		Total actual amount of guarantee for subsidiaries during the reporting period (B2)		97,800.79		
Total approved amount of guarantee for subsidiaries at the end of the reporting period (B3)		410,417.1		Total actual guarantee balance to subsidiaries at the end of the reporting period (B4)		153,675.36		
The guarantee of subsidiaries to subsidiaries								
Name of the borrower	Disclosure date of relevant announcements of guarantee limit	Guarantee limit	Actual date of occurrence	Actual guarantee amount	Guarantee type	Guarantee period	Whether it has been completed	Whether it is related party guarantee
Total amount of the Company's guarantee (the sum of the first three items)								
Total approved amount of guarantee during the reporting period (A1 + B1 + C1)		196,934.52		Total actual amount of guarantee during the reporting period (A2 + B2 + C2)		97,800.79		
Total approved amount of guarantee at the end of the reporting period (A3 + B3 + C3)		410,417.1		Total actual guarantee balance at the end of the reporting period (A4		153,675.36		

		+ B4 + C4)	
Proportion of the total actual amount of guarantee (A4 + B4 + C4) in the net assets of the Company			33.91%
Wherein:			
The balance of guarantee for shareholders, actual controllers and their related parties (D)			0
The balance of debt guarantee provided directly or indirectly for the borrower whose asset-liability ratio exceeds 70% (E)			45,788.42
The amount of guarantee in excess of 50% of net assets (F)			0
Total amount of the above three guarantees (D + E + F)			45,788.42
Statements of the fact that the guarantee liability has occurred or may be jointly and severally liable for the unexpired guarantee during the reporting period (if any)	None		
Statements of providing external guarantee in violation of prescribed procedures (if any)	None		

(2) External guarantee in violation of prescribed procedures

☐ Applicable ☒ Inapplicable

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

3. Entrusted WM

☒ Applicable ☐ Inapplicable

Unit: RMB10,000

Specific types	Sources of entrusted WM funds	Incurred amount of entrusted WM	Undue balance	The amount overdue but not recovered
Banking WM product	Self-owned fund	21,240	21,240	0
Total		21,240	21,240	0

Specific situations of high-risk entrusted WM with individually significant amounts or low safety, poor liquidity and no principal guarantee

☐ Applicable ☒ Inapplicable

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

☐ Applicable ☒ Inapplicable

4. Other major contracts

☐ Applicable ☒ Inapplicable

During the reporting period, there was no other major contracts.

XVI. Social Responsibility

1. Major environmental issues

Whether listed companies and the subsidiaries are the key pollution discharge units published by the department of environmental protection

Yes

Company/subsidiary name	Names of main pollutants and particular pollutants		Ways of discharge	Number of discharge outlets	Distribution of discharge outlets	Concentration of discharge	Implemented pollutant discharge standards	Total discharge	Total approved discharge	Excessive discharge
Jiangmen Zhongshun Paper Co., Ltd.	Waste water	COD	After treatment, it is discharged to the sewage treatment plant	1	Centralized processing facilities in the factory	141.5 mg/L	≤200 mg/L	144.59 t	335.600 t/a	None
		Ammonia nitrogen				5.35 mg/L	≤8 mg/L	2.65 t	13.4 t/a	None
C&S (Sichuan) Paper Co., Ltd.	Waste water	COD	After treatment, it enters the water purification station through urban sewage pipeline	1	Production waste water discharge (DW001) flows through the channel into the main outlet DW002 (confluent with domestic waste water)	33 mg/L	≤80 mg/L	13.8626 t	96 t/a	None
		Ammonia nitrogen				0.496 mg/L	≤8 mg/L	0.2084 t	9.6 t/a	None
	Waste gas	PM (particulate matter)	Discharge directly through the flue	4	Four chimneys (one spare)	1#furnace 9.8 mg/m ³ 3#furnace 3.6 mg/m ³ 4#furnace 3.2 mg/m ³	≤20 mg/m ³	1#furnace 0.1634 t 3#furnace 0.1160 t 4#furnace 0.1684 t	5.6088 t/a	None
		Nitrogen oxide				1#furnace 107 mg/m ³ 3#furnace 81 mg/m ³ 4#furnace 83 mg/m ³	≤150 mg/m ³	1#furnace 1.8100 t 3#furnace 2.5625 t 4#furnace 2.8129 t	42.022 t/a	None
		Sulfur dioxide				0	≤50 mg/m ³	0	0.44 t/a	None
Zhejiang Zhongshun Paper Co., Ltd. Co., Ltd.	Waste water	COD	After treatment, it is discharged to Jiaxing Union Sewage Treatment Co., Ltd. through municipal pipe	1	Centralized processing facilities in the factory	33.28 mg/L	≤500 mg/L	3.15 t	13.97 t/a	None
		Ammonia nitrogen				1.92 mg/L	≤35 mg/L	0.18 t	9.78 t/a	None
C&S (Hubei) Paper Co., Ltd.	Waste water	COD	After treatment, it is discharged to Biquan Sewage Treatment Plant through municipal	1	After pre-processing of centralized processing facilities in the factory, it is discharged to Biquan Sewage Treatment Plant	56.99 mg/L	≤400 mg/L	22.23 t	152.25 t/a	None
		Ammonia nitrogen				1.151 mg/L	≤30 mg/L	0.639 t	15.25 t/a	None

			pipe							
	Waste gas	PM (particulate matter)	Dedusting by bag filter, desulfurization by limestone-gypsum and denitration by SNCR	1	One chimney	5.09 mg/m ³	30 mg/Nm ³	6.488 t	/	None
		Sulfur dioxide				23.07 mg/m ³	200 mg/Nm ³	23.7 t	203.87 t/a	None
		Nitrogen oxide				48.91 mg/m ³	200 mg/Nm ³	61.515 t	239.85 t/a	None
C&S (Yunfu) Paper Co., Ltd.	Waste water	COD	Continuous discharge	1	Sewage treatment station in the factory	30.46 mg/L	≤80 mg/L	33.54 t	197.1 t/a	None
		Ammonia nitrogen	Continuous discharge	1	Sewage treatment station in the factory	1.043 mg/L	≤8 mg/L	2.65 t	19.76 t/a	None
C&S Paper Co., Ltd. Tangshan Branch	Waste water	COD	After being treated by the plant sewage treatment station, it is discharged to the Lvyuan Sewage Treatment Plant in the zone	1	The main outlet of the zone (Lvyuan Sewage Treatment Plant)	28.94 mg/L	≤50 mg/L	1.85 t	16.5 t/a	None
		Ammonia nitrogen				0.62 mg/L	≤5 mg/L	0.04 t	1.65 t/a	None
	Waste gas	PM (particulate matter)	Discharge directly through the flue	1	One chimney	2.06 mg/m ³	≤5 mg/m ³	0.053 t	2.46 t/a	None
		Nitrogen oxide				16.38 mg/m ³	≤30 mg/m ³	0.419 t	18.46 t/a	None
		Sulfur dioxide				3.09 mg/m ³	≤10 mg/m ³	0.078 t	6.15 t/a	None

Construction and operation of pollution prevention and control facilities

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

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

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

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

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

(1) Administrative permits: According to the Measures for the Administration of Pollutant Discharge Permit of the Ministry of Environmental Protection of the People's Republic of China, the applications were submitted to the Environmental Protection Bureau. All the subsidiaries' permissions would expire in 2020 and they all applied for the extension on time in accordance with the regulations.

(2) Construction projects: the Company has always been strictly in accordance with environmental laws and regulations to implement the control of construction projects. Environmental impact assessment was carried out for all construction projects and environmental protection project construction was arranged according to construction plan, to ensure that the environmental

protection facilities and the main project are designed, constructed and put into use at the same time. At present, all construction projects put into production have completed environmental impact assessment and acceptance and approval.

Emergency plan for sudden environmental events

(1) Preparation and reporting of emergency plan for sudden environmental events: The Company strictly implements emergency rules for sudden environmental events, and according to 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 and filed by the Environmental Protection Bureau.

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

Environmental self-monitoring program

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

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

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

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

Other environmental information that should be disclosed

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

(2) Other information related to environmental protection shall be published in the “News” section

of our website.

Other relevant information on environmental protection

None

2. Performance of social responsibility for targeted poverty alleviation

(1) Targeted poverty relief planning

The Company carried out targeted poverty alleviation in the first half of 2020, and the following work plan will be carried out in accordance with the Company's situation and work arrangement.

(2) Summary of semi-annual targeted poverty alleviation

In order to implement General Secretary Xi Jinping's important guidance that poverty alleviation and development should be precise and non-public enterprises are encouraged to participate in poverty alleviation by taking a turnkey approach in terms of resources, we have actively responded to the government's appeal in the first half of 2020, fulfilled corporate social responsibility, and provided financial and material assistance to poor areas. Targeted poverty alleviation work:

1. We have fulfilled corporate social responsibility by participating in the activity of "Assistance in pandemic fighting, love never stop spreading", and donating 10,000 masks, disinfectant, disinfection powder, protective clothing and other pandemic prevention materials to Yunmeng County of Xiaogan City, which totally worth RMB35,000.

2. The Company has participated in the "Guangdong Poverty Alleviation Day" in Luoding City, Guangdong Province and donated RMB100,000 in cash.

(3) Targeted poverty relief achievements

Indicator	Unit of measurement	Amount and description
I. Overall Situation	-	-
Including: 1. Capital	RMB10,000	10
2. Money equivalent of supplies	RMB10,000	3.5
II. Investments by Items	-	-
1. Poverty alleviation initiatives to promote industry development	-	-
2. Poverty alleviation initiatives to transfer employment	-	-
3. Poverty alleviation initiatives to relocate impoverished residents	-	-
4. Poverty alleviation initiatives to promote education	-	-
5. Poverty alleviation initiatives to promote healthcare	-	-
6. Poverty alleviation initiatives to promote ecological protection	-	-
7. Poverty alleviation initiatives to strengthen security guarantee	-	-
8. Poverty alleviation initiatives to promote social causes	-	-
8.2 Amount of targeted poverty relief input	RMB10,000	13.5
9. Other projects	-	-
III. Awards (including Content and Level)	-	-

(4) Subsequent targeted poverty alleviation plan

The following work plan will be carried out in accordance with the Company's situation and work arrangement.

XVII. Statement on Other Significant Events

√ Applicable □ Inapplicable

No.	Announcement time	Announcement name	Announcement number	Disclosure media
1	January 9, 2020	<i>Pre-disclosure Announcement on Share Reduction Plan for Directors and Senior Officers of the Company</i>	January 2020	Securities Times (STCN, www.stcn.com) (STCN, www.stcn.com), Securities Daily (www.zqrb.com), China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), and CNINFO (www.cninfo.com.cn)
2	February 3, 2020	<i>Announcement on Resolutions of the 20th Meeting of the Fourth Board of Directors</i>	February 2020	
3	February 3, 2020	<i>Announcement on External Donations</i>	March 2020	
4	February 10, 2020	<i>Announcement on the Production and Sale of Medical Masks by Wholly-owned Subsidiaries</i>	April 2020	
5	December 2, 2020		May 2020	
6	February 13, 2020	<i>Announcement on the Acquisition of Emergency Medical Device Production and Emergency Medical Device Record Certificate by Wholly-owned Subsidiaries</i>	June 2020	
7	February 15, 2020	<i>Progress Announcement on Share Reduction Plan for Directors and Senior Officers of the Company</i>	2020-07	
8	February 26, 2020	<i>Announcement on Resolutions of the 21st Meeting of the Fourth Board of Directors</i>	2020-08	
9	February 26, 2020	<i>Announcement on Resolutions of the 17th Meeting of the Fourth Board of Supervisors</i>	2020-09	
10	February 26, 2020	<i>Announcement on Changes to Accounting Policies</i>	2020-10	
11	February 26, 2020	<i>Notice on Holding 2020 First Extraordinary General Meeting</i>	2020-11	
12	February 29, 2020	<i>2019 Annual Performance Bulletin</i>	2020-12	
13	March 6, 2020	<i>Completion Announcement on Share Reduction Plan for Senior Managers of the Company</i>	2020-13	
14	March 11, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of Subsidiaries</i>	2020-14	
15	March 14, 2020	<i>Announcement on Resolutions of 2020 First Extraordinary General Meeting of Shareholders</i>	2020-15	
16	March 18, 2020	<i>Announcement on the Resignation of Representatives of Securities Affairs</i>	2020-16	
17	March 20, 2020	<i>Announcement on the First Repurchase of Company Shares</i>	2020-17	
18	March 21, 2020	<i>Announcement on the Progress of Repurchase of Company Shares</i>	2020-18	
19	March 31, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of the Company and Partially-owned Subsidiaries</i>	2020-19	
20	April 3, 2020	<i>Announcement on the Progress of Repurchase of Company Shares</i>	2020-20	

21	April 8, 2020	<i>Pre-disclosure Announcement on Share Reduction Plan for Directors and Senior Officers of the Company</i>	2020-21
22	April 30, 2020	<i>Announcement on Resolutions of the 22nd Meeting of the Fourth Board of Directors</i>	2020-22
23	April 30, 2020	<i>Announcement on Resolutions of the 18th Meeting of the Fourth Board of Supervisors</i>	2020-23
24	April 30, 2020	<i>Summary of 2019 Annual Report</i>	2020-24
25	April 30, 2020	<i>Announcement on the Proposal on the 2019 Profit Distribution Plan</i>	2020-25
26	April 30, 2020	<i>Notice on Holding 2019 Annual General Meeting</i>	2020-26
27	April 30, 2020	<i>Notification on Holding the Online Performance Presentation for the 2019 Annual Report</i>	2020-27
28	April 30, 2020	<i>Body of the Report for the First Quarter of 2020</i>	2020-28
29	May 8, 2020	<i>Announcement on the Progress of Repurchase of Company Shares</i>	2020-29
30	May 8, 2020	<i>Progress Announcement on Share Reduction Plan for Senior Managers of the Company</i>	2020-30
31	May 15, 2020	<i>Announcement on the Completion of Industrial and Commercial Registration Amendment of Subsidiaries</i>	2020-31
32	May 15, 2020	<i>Completion Announcement on Share Reduction Plan for Directors and Senior Managers of the Company</i>	2020-32
33	May 16, 2020	<i>Notice of Pre-disclosure on Expiration of the Shareholding Reduction Plan for Senior Managers of the Company and the Next Shareholding Reduction Plan</i>	2020-33
34	May 22, 2020	<i>Announcement on Resolutions of 2019 Annual General Meeting of Shareholders</i>	2020-34
35	May 22, 2020	<i>Announcement on Resolutions of 23rd Meeting of the Fourth Board of Directors</i>	2020-35
36	May 22, 2020	<i>Announcement on Resolutions of the 19th Meeting of the Fourth Board of Supervisors</i>	2020-36
37	May 22, 2020	<i>Announcement on the Termination of Repurchase of Company Shares</i>	2020-37
38	May 22, 2020	<i>Announcement on the Unlock Condition Achievement for the First Release Period Firstly Granted by 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-38
39	May 22, 2020	<i>Announcement on the Exercise Conditions of the First Exercise Period of the Equities Option Firstly Granted by 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-39
40	May 22, 2020	<i>Announcement on the Repurchase and Deregistration of Partial Restricted Stock Firstly Granted by 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-40
41	May 22, 2020	<i>Announcement on the Deregistration of Partial Stock Options Firstly Granted by 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-41
42	May 23, 2020	<i>Announcement on the Implementation of 2019 Annual Equity Allocation</i>	2020-42
43	May 27, 2020	<i>Announcement on the Resignation of the Company's Director</i>	2020-43
44	May 29, 2020	<i>Announcement on Resolutions of the 24th Meeting of the Fourth Board of Directors</i>	2020-44

45	May 29, 2020	<i>Announcement on Resolutions of the 20th Meeting of the Fourth Board of Supervisors</i>	2020-45	
46	May 29, 2020	<i>Announcement on the Adjustment of Exercise Price of Stock Options of 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-46	
47	May 29, 2020	<i>Announcement on the By-election of Dependent Directors of the Fourth Board of Directors</i>	2020-47	
48	May 29, 2020	<i>Notice on Holding 2020 Second Extraordinary General Meeting</i>	2020-48	
49	June 4, 2020	<i>Indicative Announcement on Lifting the Sales Restriction in the First Release Period Firstly Granted by 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-49	
50	June 8, 2020	<i>Indicative Announcement on the Adoption of the Autonomous Exercise Mode in the First Exercising Period of the Stock Option Firstly Granted by 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-50	
51	June 16, 2020	<i>Progress Announcement on Share Reduction Plan for Senior Managers of the Company</i>	2020-51	
52	June 16, 2020	<i>Announcement on the Accomplishment of the Deregistration of Partial Stock Option Firstly Granted by 2018 Stock Option and Restricted Stock Incentive Plan</i>	2020-52	
53	June 16, 2020	<i>Announcement on Resolutions of 2020 Second Extraordinary General Meeting of Shareholders</i>	2020-53	
54	June 16, 2020	<i>Announcement on Capital Decrease</i>	2020-54	
55	June 23, 2020	<i>Announcement on Resolutions of the 25th Meeting of the Fourth Board of Directors</i>	2020-55	
56	June 23, 2020	<i>Announcement on the Election of Vice Chairman of the Fourth Board of Directors</i>	2020-56	
57	June 23, 2020	<i>Announcement on the Appointment of Joint General Manager of the Company</i>	2020-57	

XVIII. Major Issues of the Company's Subsidiaries

√ Applicable □ Inapplicable

1. In February 2020, the Company's wholly-owned subsidiary, C&S (Yunfu) Paper Co., Ltd. made rapid response to the pneumonia outbreak based on the implementation of local government requirements. It solved the problem of scarce mask production, developed its business of producing and selling surgical masks and has acquired the Emergency Medical Device Production and Emergency Medical Device Record Certificate, possessing the qualifications in the production and sale of surgical masks. Details can be found in the following documents published on February 10, 2020 and February 13, 2020 on the designated information disclosure media *Securities Times* (STCN, www.stcn.com), *China Securities News*, *Securities Daily* (www.zqrb.com), *Shanghai Securities News* (www.cnstock.com) and CNINFO (<http://www.cninfo.com.cn>): *Announcement on the Production and Sale of Medical Masks by Wholly-owned Subsidiaries* (Announcement No. 2020-04) and *Announcement on the Acquisition of Emergency Medical Device Production and Emergency Medical Device Record Certificate by Subordinate Subsidiaries* (Announcement No. 2020-06).

2. The company and its seven subsidiaries have increased business scope of selling daily-use

chemical products and medical devices, and augmented the registered capital and changed the legal representative. Moreover, the Company has completed the industrial and commercial procedures and obtained new licenses. Details can be found in the following documents published on March 11, 2020 and March 31, 2020 on the designated information disclosure media *Securities Times* (STCN, www.stcn.com), China Securities News, *Securities Daily* (www.zqrb.com), *Shanghai Securities News* (www.cnstock.com) and CNINFO (<http://www.cninfo.com.cn>): *Notice on Completion of Industrial and Commercial Change Registration of Subordinate Subsidiaries* (Announcement No. 2020-14) and the *Announcement on the Completion of Industrial and Commercial Registration Amendment of Company and Partially-owned Subsidiaries* (Announcement No. 2020-19) and *Announcement on the Completion of Industrial and Commercial Registration Amendment of Subsidiaries* (Announcement No. 2020-31).

Section VI Equity Changes and Shareholders

I. Changes in Shares

1. Changes in shares

Unit: Share

	Before this change		Increase and decrease of this change (+, -)					After this change	
	Number of shares	Percentage	Issuance of additional shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Share Subject to Restrictions on Sales	43,764,852	3.34%				-6,396,337	-6,396,337	37,368,515	2.85%
3. Other domestic shareholding	41,134,807	3.14%				-5,718,326	-5,718,326	35,416,481	2.70%
Shares held by domestic individuals	41,134,807	3.14%				-5,718,326	-5,718,326	35,416,481	2.70%
4. Foreign shareholdings	2,630,045	0.20%				-678,011	-678,011	1,952,034	0.15%
Shares held by overseas individuals	2,630,045	0.20%				-678,011	-678,011	1,952,034	0.15%
II. Shares Not Subject to Restrictions on Sales	1,265,126,421	96.66%				8,976,055	8,976,055	1,274,102,476	97.15%
1. Ordinary domestic shares	1,265,126,421	96.66%				8,976,055	8,976,055	1,274,102,476	97.15%
III. Total Number of Shares	1,308,891,273	100.00%				2,579,718	2,579,718	1,311,470,991	100.00%

Reason of change in shares

√ Applicable □ Inapplicable

On May 21, 2020, after holding the 23rd meeting of the fourth Board of Directors, the Company passed the *Proposal on the Achievement of Exercise Conditions of the First Exercise Period of Stock Option for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*, and the exercise conditions of the first exercise period of the equities options for the first time have been fulfilled. This time, the independent exercise mode is adopted with the actual exercise period from June 10, 2020 to February 26, 2021. As at June 29, 2020, the options of 2,579,718 shares have been exercised and 2,579,718 shares have been issued, and the total share capital has increased from 1,308,891,273 to 1,311,470,991.

Approval of share changes

☒ Applicable ☐ Inapplicable

The related matters in the first unlocking period of restricted stocks firstly granted by *Stock Options and Restricted Stock Incentive Plan in 2018* has been authorized by the first general meeting of shareholders of the Company in 2019 and approved by the 23rd meeting of the Board of Directors, together with the achievement of exercise conditions in the first exercise period.

Transfer of shares

☐ Applicable ☒ Inapplicable

Implementation of share repurchase

☒ Applicable ☐ Inapplicable

Phase II share repurchase plan

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

On August 5, 2019, the Company held the 15th meeting of the fourth of Board of Directors and passed *Proposal on Adjustment of the Upper Limit of Share Repurchase Price*. In line with the positive changes in the capital market and the Company's stock price, the Company adjusted the share repurchase price to ensure company's share repurchase based on the development confidence in the Company's future business and market value. The repurchase price was adjusted from no more than RMB13.69/share (inclusive) to no more than RMB18.81/share (inclusive).

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

On May 21, 2020, after holding the 23rd meeting of the fourth Board of Directors, the Company passed the *Proposal on Termination of Share Repurchase* of the Company, and then the Company terminated the share repurchase plan.

Implementation of share repurchase by centralized bidding

☐ Applicable ☒ Inapplicable

The 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 in last year and the latest period

☐ Applicable ☒ Inapplicable

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

☐ Applicable ☒ Inapplicable

2. Changes in restricted shares

√ Applicable □ Inapplicable

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the reporting period	Number of shares released from restricted sales in the current period	Increase of restricted shares in the current period	Number of restricted shares at the end of the period	Reasons for sales restriction	Date of lifting sales restriction
Deng Yingzhong	4,679,558			4,679,558	Lock-in shares of senior management	Long-term
Deng Guanbiao	3,718,105			3,718,105	Lock-in shares of senior management	Long-term
Deng Guanjie	900,730			900,730	Lock-in shares of senior management	Long-term
Liu Jinfeng	1,733,967	703,492		1,030,475	Lock-in shares of senior management	Long-term
Zhou Qichao	663,579	165,825		497,754	Lock-in shares of senior management	Long-term
Dong Ye	134,625	71,081	45,000	108,544	As for senior management lock-in shares, the increased restricted shares are unlocked restricted stocks due to the proportional locking of senior management.	Long-term
Li Youquan	40,800	15,000		33,300	Lock-in shares of senior management	Long-term
Dai Zhenji	220,045	555,011	600,000	265,034	As for senior management lock-in shares, the increased restricted shares are unlocked restricted stocks due to the proportional locking of senior management.	Long-term
Yue Yong	9,206,243	55,000		9,261,243	As for senior management lock-in shares, the increased restricted shares	Long-term

					are unlocked restricted stocks due to the proportional locking of senior management.	
Equity incentive recipients	22,467,200	5,593,428		16,873,772	In accordance with <i>2018 Stock Option and Restricted Stock Incentive Plan (Draft)</i> , the unlocking conditions of the first release period for some restricted stocks granted for the first time have been fulfilled. The Company will unlock the shares with the number of 5,593,428 shares.	Restricted shares were released as early as June 8, 2020, and the remaining restricted shares will be released according to <i>2018 Stock Option and Restricted Stock Incentive Plan (Draft)</i> .
Total	43,764,852	7,158,837	645,000	37,368,515	--	--

II. Details of Securities Issuance and Listing

☐ Applicable ☒ Inapplicable

III. Number of Shareholders and Particulars of Shareholding

Unit: Share

Total number of ordinary shareholders at the end of the reporting period	38,258			Total number of preference shareholders with voting rights restored at the end of the reporting period (if any) (refer to note 8)		0		
Ordinary shareholders boasting more than 5% or top ten ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total number of ordinary shareholders at the end of the reporting period	Changes in shareholding during the reporting period	Number of ordinary shares subject to restrictions on sales	Number of ordinary shares with no restrictions on sales	Pledged or locked-up shares	
							Share status	Number of shares
Guangdong Zhongshun Paper Group Co., Ltd.	Domestic non-state-owned legal person	28.64%	375,655,958			375,655,958		
Chung Shun Co.	Foreign legal person	20.32%	266,504,789			266,504,789		
Hong Kong	Foreign legal	7.66%	100,420,938	Buy		100,420,938		

Securities Clearing Co., Ltd.	person							
China Merchants Bank Co., Ltd. - Xingquan Heyi Flexible Allocation Graded Hybrid Securities Investment Fund (LOF)	Others	1.09%	14,326,980	New		14,326,980		
Yue Yong	Domestic natural person	0.97%	12,743,741	Reduce	10,031,243	2,712,498		
C&S Paper Co., Ltd.--Phase II Employee Stock Ownership Plan	Others	0.89%	11,709,583	New		11,709,583		
Investec Asset Management Co., Ltd. -- Investec Global Fund Strategy -- China Stock Fund (Exchange)	Foreign legal person	0.79%	10,333,380	New		10,333,380		
National Social Security Fund Portfolio 406	Others	0.78%	10,286,511	New		10,286,511		
National Social Security Fund Portfolio 101	Others	0.75%	9,852,669	New		9,852,669		
China Merchants Bank Co., Ltd. -- Xingquan Herun Graded Hybrid Securities Investment	Others	0.71%	9,368,027	New		9,368,027		

Fund								
Strategic investors or general legal persons becoming top ten ordinary shareholders on account of placement of new shares (if any) (see note 3)	None							
Whether the above-mentioned shareholders have a related party relationship or are persons acting in concert	1. Among the top ten shareholders mentioned above, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are the enterprises controlled by Deng Yingzhong, Deng Guanbiao and Deng Guanjie. That is, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are related parties. 2. The Company does not figure out whether there is a related party relationship between other shareholders, and whether there is a person acting in concert as stipulated in the <i>Administrative Measures for the Disclosure of Information on Changes in Shareholders' Shareholding of Listed Companies</i> .							
Holdings of the top ten ordinary shareholders not subject to restrictions on sales								
Name of shareholder	Number of ordinary shares held that are not subject to restrictions on sales at the end of the reporting period	Type of shares						
		Type of shares	Number of shares					
Guangdong Zhongshun Paper Group Co., Ltd.	375,655,958	RMB-denominated ordinary shares	375,655,958					
Chung Shun Co.	266,504,789	RMB-denominated ordinary shares	266,504,789					
Hong Kong Securities Clearing Co., Ltd.	100,420,938	RMB-denominated ordinary shares	100,420,938					
China Merchants Bank Co., Ltd. - Xingquan Heyi Flexible Allocation Graded Hybrid Securities Investment Fund (LOF)	14,326,980	RMB-denominated ordinary shares	14,326,980					
C&S Paper Co., Ltd.-- Phase II Employee Stock Ownership Plan	11,709,583	RMB-denominated ordinary shares	11,709,583					
Investec Asset Management Co., Ltd. -- Investec Global Fund Strategy -- China Stock Fund (Exchange)	10,333,380	RMB-denominated ordinary shares	10,333,380					
National Social Security Fund Portfolio 406	10,286,511	RMB-denominated ordinary shares	10,286,511					
National Social Security Fund Portfolio 101	9,852,669	RMB-denominated ordinary shares	9,852,669					
China Merchants Bank Co., Ltd. -- Xingquan Herun Graded Hybrid Securities Investment Fund	9,368,027	RMB-denominated ordinary shares	9,368,027					
Li Hong	8,706,669	RMB-denominated ordinary shares	8,706,669					
Whether the top ten shareholders of ordinary shares without restrictions on sale, or the above-mentioned shareholders and the top ten ordinary shareholders have a related party relationship or are persons acting in concert.	1. Among the top ten shareholders mentioned above, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are the enterprises controlled by Deng Yingzhong, Deng Guanbiao and Deng Guanjie. That is, Guangdong Zhongshun Paper Group Co., Ltd. and Chung Shun Co. are related parties. 2. The Company does not figure out whether there is a related party relationship between other shareholders, and whether there is a person acting in concert as stipulated in the <i>Administrative Measures for the Disclosure of Information on Changes in Shareholders' Shareholding of Listed Companies</i> .							
Description of top ten ordinary shareholders engaging in margin trading	None							

and short-selling (if any) (see note 4)	
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Whether the top ten ordinary shareholders and the top ten shareholders without restrictions on sale conducted the agreed repurchase transaction during the reporting period

☐ Yes ☒ No

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

IV. The Change in Controlling Shareholder or De Facto Controller

Changes of controlling shareholders during the reporting period

☐ Applicable ☒ Inapplicable

There was no change in the controlling shareholder during the reporting period.

Change of actual controlling shareholder during the reporting period

☐ Applicable ☒ Inapplicable

There was no change in actual controlling shareholder during the reporting period.

Section VII Details of Preference Shares

☐ Applicable ☒ Inapplicable

During the reporting period, there was no preference stock.

Section VIII Convertible Corporate Bonds

☐ Applicable ☒ Inapplicable

During the reporting period, there was no convertible bond.

Section IX Profiles of Directors, Supervisors, and Senior Management

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

√ Applicable □ Inapplicable

Name	Title	Position status	Number of shares held at the beginning of the reporting period (shares)	Number of shares increased in the current period (shares)	Number of shares decreased in the current period (shares)	Number of shares held at the end of the reporting period (shares)	Number of restricted shares granted at the beginning of the period (shares)	Number of restricted shares granted in the current period (shares)	Number of restricted shares granted at the end of the period (shares)
Deng Yingzhong	Chairman of the Board of Directors	Incumbent	6,239,411			6,239,411			
Deng Guanbiao	Vice Chairman	Incumbent	4,957,473			4,957,473			
Deng Guanbiao	General Manager	Incumbent							
Deng Guanjie	Vice Chairman	Incumbent	1,200,974			1,200,974			
Liu Jinfeng	Director	Incumbent	2,813,967		703,417	2,110,550			
Liu Jinfeng	Deputy General Manager	Incumbent							
Dai Zhenji	Director	Incumbent							
Dai Zhenji	Joint General Manager	Incumbent	2,220,045		550,045	1,670,000			
Zeng Yi	Director	Incumbent							
Huang Hongyan	Independent Director	Incumbent							
Ge Guangrui	Independent Director	Incumbent							
He Haidi	Independent Director	Incumbent							
Chen Haiyuan	Chairman of the Board of Supervisors	Incumbent							
Liang Yongliang	Supervisor	Incumbent							
Li Youquan	Supervisor	Incumbent	62,280			62,280			
Zhou Qichao	Deputy General Manager	Incumbent	663,672		165,000	498,672			
Zhou Qichao	Board Secretary	Incumbent							
Dong Ye	Chief Financial Officer	Incumbent	284,725		71,000	213,725			
Yue Yong	Deputy	Incumbent	13,374,991		631,250	12,743,741			

	General Manager								
Ye Longfang	Deputy General Manager	Incumbent							
Deng Guanjie	Deputy General Manager	Resigned							
Zhou Qichao	Director	Resigned							
Total	--	--	31,817,538	0	2,120,712	29,696,826	0	0	0

II. Changes in Directors, Supervisors and Senior Managers

√ Applicable □ Inapplicable

Name	Position	Type	Date	Reason
Zhou Qichao	Director	Resigned	May 26, 2020	Voluntarily resign
Dai Zhenji	Director	Elected	June 15, 2020	Elected at a meeting of the Board of Directors
Dai Zhenji	Joint General Manager	Appointed	June 22, 2020	Appointed at a meeting of the Board of Directors
Deng Guanjie	Deputy General Manager	Dismissed	June 22, 2020	Voluntarily resign
Deng Guanjie	Vice Chairman	Elected	June 22, 2020	Elected at a meeting of the Board of Directors

Section X Corporate Bonds

Whether there are any publicly issued corporate bonds that are listed on the stock exchange and are not due at the date of issuance of the semi-annual report approval or fail to be redeemed for full face value at maturity

No

Section XI Financial Report

I. Audit Report

Whether the semi-annual report has been audited

☐ Yes ☒ No

The semi-annual financial report has not been audited.

II. Financial Statements

The unit of financial statements is: RMB

1. Consolidated balance sheet

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

June 30, 2020

Unit: RMB

Item	June 30, 2020	December 31, 2019
Current assets:		
Monetary funds	933,473,976.97	703,746,624.42
Settlement reserve		
Lending to banks and other financial institutions		
Tradable financial assets		
Derivative financial assets		
Notes receivable	608,962.30	301,904.32
Accounts receivable	822,077,129.81	807,772,897.68
Accounts receivable financing		
Prepayments	43,008,049.97	14,877,757.16
Premium receivable		
Reinsurance payables		
Reinsurance contract reserves receivable		
Other receivables	32,122,559.84	8,240,417.99
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventory	1,178,918,505.39	986,405,689.17
Contract assets		
Assets held for sale	57,073,059.69	57,073,059.69
Non-current assets due within one year		
Other current assets	252,093,066.16	165,567,805.78
Total current assets	3,319,375,310.13	2,743,986,156.21
Non-current assets:		
Loans and advances to customers		
Credit right investments		
Other credit right investments		

Long-term receivable		
Long-term equity investment		
Investment in other equity instruments		
Other non-current assets		
Investment property	35,336,048.69	36,039,381.30
Property and equipment	2,907,864,726.86	2,921,392,106.87
Construction work in progress	22,256,470.46	55,734,236.91
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	167,613,708.93	168,731,781.83
Development expenses		
Goodwill	64,654.15	64,654.15
Long-term deferred expenses	16,792,595.91	13,686,397.24
Deferred income tax assets	106,712,993.49	80,331,080.17
Other non-current assets	36,687,133.69	6,306,028.96
Total non-current assets	3,293,328,332.18	3,282,285,667.43
Total assets	6,612,703,642.31	6,026,271,823.64
Current liabilities:		
Short-term loans	161,860,368.50	14,721,492.38
Borrowings from PBC		
Placements from banks and other financial institutions		
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable	204,505,448.05	202,653,860.31
Accounts payable	586,807,107.68	578,212,781.22
Payments received in advance		142,476,562.31
Contract liabilities	79,981,886.78	
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	92,264,018.86	106,413,600.27
Tax and fees payable	101,707,460.78	101,670,618.11
Other payables	712,822,436.31	635,834,511.05
Including: Interests payable	41,625.00	173,259.89
Dividends payable	1,510,753.80	452,536.50
Transaction fee and commission receivable		
Reinsurance payable		
Liabilities held for sale		
Non-current liabilities due within one year		32,400,000.00
Other current liabilities		

Total current liabilities	1,939,948,726.96	1,814,383,425.65
Non-current liabilities:		
Insurance contract reserves		
Long-term Loans		22,500,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	102,975,006.83	82,367,831.33
Deferred income tax liabilities	37,539,267.58	30,016,107.43
Other non-current liabilities		
Total non-current liabilities	140,514,274.41	134,883,938.76
Total liabilities	2,080,463,001.37	1,949,267,364.41
Owner's equity:		
Share capital	1,310,680,059.00	1,308,891,273.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	858,352,488.79	760,731,416.57
Less: Treasury shares	103,719,823.96	104,792,649.00
Other comprehensive income		
Special reserves		
Surplus reserves	53,205,582.86	53,205,582.86
General reserves		
Retained earnings	2,413,722,334.25	2,058,968,835.80
Total equity attributable to the owners of the parent company	4,532,240,640.94	4,077,004,459.23
Equities of minority shareholders		
Total owner's equity	4,532,240,640.94	4,077,004,459.23
Total liabilities and owners' equities	6,612,703,642.31	6,026,271,823.64

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

2. The parent company's balance sheet

Unit: RMB

Item	June 30, 2020	December 31, 2019
Current assets:		
Monetary funds	186,441,417.73	156,202,659.45
Tradable financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	87,304,544.39	127,203,426.87
Accounts receivable		

financing		
Prepayments	7,274,161.53	2,565,716.66
Other receivables	42,634,717.52	637,511,752.54
Including: Interest receivable		
Dividends receivable		
Inventory	98,445,575.21	84,567,041.98
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	154,346,353.09	129,377,576.74
Total current assets	576,446,769.47	1,137,428,174.24
Non-current assets:		
Credit right investments		
Other credit right investments		
Long-term receivable		
Long-term equity investment	1,918,835,099.92	1,231,245,128.96
Investment in other equity instruments		
Other non-current assets		
Investment property	18,370,935.84	18,745,192.09
Property and equipment	264,916,338.29	222,724,273.70
Construction work in progress	301,278.46	35,260,100.44
Productive biological assets		
Oil & gas assets		
Right-of-use assets		
Intangible assets	21,861,883.64	21,259,498.66
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	43,951,221.49	18,366,334.29
Other non-current assets	5,485,050.50	4,521,074.21
Total non-current assets	2,273,721,808.14	1,552,121,602.35
Total assets	2,850,168,577.61	2,689,549,776.59
Current liabilities:		
Short-term loans		
Tradable financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	403,841,455.14	325,506,510.90
Payments received in advance		28,227,454.47
Contract liabilities	28,841,094.26	
Employee remuneration payable	28,873,838.23	24,280,403.99
Tax and fees payable	2,223,293.82	3,225,793.88
Other payables	135,745,112.94	167,279,884.09
Including: Interests payable		
Dividends payable	1,510,753.80	452,536.50
Liabilities held for sale		
Non-current liabilities due		

within one year		
Other current liabilities		
Total current liabilities	599,524,794.39	548,520,047.33
Non-current liabilities:		
Long-term Loans		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities		
Long-term payable		
Long-term employee remuneration payable		
Provision		
Deferred income	6,459,142.97	7,062,818.69
Deferred income tax liabilities	6,316,553.92	5,575,323.82
Other non-current liabilities		
Total non-current liabilities	12,775,696.89	12,638,142.51
Total liabilities	612,300,491.28	561,158,189.84
Owner's equity:		
Share capital	1,310,680,059.00	1,308,891,273.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	781,290,779.90	690,241,724.38
Less: Treasury shares	103,719,823.96	104,792,649.00
Other comprehensive income		
Special reserves		
Surplus reserves	53,084,248.58	53,084,248.58
Retained earnings	196,532,822.81	180,966,989.79
Total owner's equity	2,237,868,086.33	2,128,391,586.75
Total liabilities and owners' equities	2,850,168,577.61	2,689,549,776.59

3. Consolidated income statement

Unit: RMB

Item	First half of 2020	First half of 2019
I. Total Operating Income	3,616,201,399.80	3,172,389,026.96
Including: Operating income	3,616,201,399.80	3,172,389,026.96
Interest Income		
Gross earned premiums		
Service charge and commission income		
II. Total Operating Cost	3,081,938,688.14	2,839,540,130.78
Including: Operating costs	1,931,406,918.16	2,008,336,231.02
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	26,920,007.36	17,781,889.77
Selling expenses	848,071,082.60	607,769,281.49
Administrative expense	185,701,854.01	126,787,650.22
R&D expenses	90,860,828.24	64,040,654.87
Finance expenses	-1,022,002.23	14,824,423.41
Including: Interest fees	1,140,788.29	8,797,536.95
Interest Income	4,060,998.02	1,693,449.28
Plus: Other income	15,174,645.20	4,557,020.41
Return on investment ("-" indicates loss)	2,287,274.87	72,378.41
Including: Return on investment in associates and joint ventures		
Income from the derecognition of financial assets measured at amortized cost		
Exchange gain ("-" indicates loss)		
Gains from net exposure hedging ("-" indicates loss)		
Gains from changes in fair value ("-" indicates loss)		
Credit impairment losses ("-" indicates loss)	-1,423,699.75	1,029,502.08
Asset impairment losses ("-" indicates loss)	-850,381.40	-2,522,408.99
Return on disposal of assets ("-" indicates loss)	-896,870.05	-389,173.07
III. Operating Profit ("-" indicates loss)	548,553,680.53	335,596,215.02
Plus: Non-operating income	3,169,241.16	2,735,749.22
Less: Non-operating expenditure	13,240,183.16	411,368.58
IV. Total Profit ("-" indicates total loss)	538,482,738.53	337,920,595.66
Less: Income tax expense	85,783,253.92	63,045,961.23
V. Net Profit ("-" indicates net loss)	452,699,484.61	274,874,634.43
i. Classified by operation continuity		
1. Net profit from continued operation ("-" indicates net loss)	452,699,484.61	274,874,634.43
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	452,699,484.61	274,874,634.43
2. Minority shareholders' profits and losses		
VI. Net Amount of Other Comprehensive Income after Tax		
Total other comprehensive after-tax net income attributable to owners of the parent company		
i. Other comprehensive income not able to be reclassified into the profit or loss		
1. Changes of re-measurement of the defined benefit plan		
2. Other comprehensive income 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	452,699,484.61	274,874,634.43
Total comprehensive income attributable to owners of the parent company	452,699,484.61	274,874,634.43
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per Share:		
i. Basic earnings per share	0.3519	0.2162
ii. Diluted earnings per share	0.3462	0.2156

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

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

4. Income statement of the parent company

Unit: RMB

Item	First half of 2020	First half of 2019
I. Operating Income	853,891,264.03	563,613,980.60
Less: Operating cost	712,614,977.74	468,243,872.96
Tax and surcharges	2,631,659.04	2,164,518.74
Selling expenses	66,501,515.28	55,775,298.51
Administrative expense	91,173,785.60	26,638,400.13
R&D expenses		
Finance expenses	672,377.63	-3,248,789.47
Including: Interest fees		6,705,100.34
Interest Income	1,722,164.19	11,428,271.08
Plus: Other income	1,098,835.80	484,357.53
Return on investment ("-" indicates loss)	142,109,515.77	72,378.41
Including: Return on investment in associates and joint ventures		
Profits from derecognition of financial assets at amortized cost ("-" indicates loss)		
Gains from net exposure hedging ("-" indicates loss)		
Gains from changes in fair value ("-" indicates loss)		
Credit impairment losses ("-" indicates loss)	-1,477,826.65	-361,332.13
Asset impairment losses ("-" indicates loss)	-235,210.66	-165,408.68

Return on disposal of assets ("-" indicates loss)	-613,479.84	-469,019.25
II. Operating Profit ("-" indicates loss)	121,178,783.16	13,601,655.61
Plus: Non-operating income	367,540.33	172,026.18
Less: Non-operating expenditure	11,762,151.77	55,898.92
III. Total Profit ("-" indicates total loss)	109,784,171.72	13,717,782.87
Less: Income tax expense	-3,727,647.46	3,388,493.80
IV. Net Profit ("-" indicates net loss)	113,511,819.18	10,329,289.07
i. Net profit from continued operation ("-" indicates net loss)	113,511,819.18	10,329,289.07
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 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	113,511,819.18	10,329,289.07
VII. Earnings per Share:		
i. Basic earnings per share		
ii. Diluted earnings per share		

5. Consolidated statement of cash flows

Unit: RMB

Item	First half of 2020	First half of 2019
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	3,613,430,926.28	3,347,802,544.33
Net increase in deposits from customers, banks and non-bank financial institutions		
Net increase in due to central banks		

Net increase in placements from other financial institutions		
Cash received from the premium of direct insurance contracts		
Net cash from reinsurance business		
Net increase in deposits and investment of the insured		
Cash obtained from interest, net fee and commission		
Net increase in placements from banks and other financial institutions		
Net increase in repo service fund		
Net cash from agent securities trading		
Tax rebates	120,214.00	33,279.31
Cash received related to other operating activities	76,989,647.10	40,848,294.35
Sub-total of cash inflow from operating activities	3,690,540,787.38	3,388,684,117.99
Cash paid for goods purchased and services rendered	2,226,834,895.97	1,911,521,962.24
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	340,957,388.41	284,005,440.48
Tax payments	259,738,653.85	135,395,919.51
Cash payments related to other operating activities	358,451,260.82	322,775,157.40
Sub-total of cash outflow from operating activities	3,185,982,199.05	2,653,698,479.63
Net cash flows from operating activities	504,558,588.33	734,985,638.36
II. Cash Flows from Investing Activities:		
Cash from realization of investment		
Cash received from the return on investments	2,287,274.87	72,378.41
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets	30,060,788.00	834,037.30
Net amount of cash received from the disposal of subsidiaries and other operating organizations		
Cash received related to other investing activities	127,105,000.00	
Sub-total of cash inflow from investing activities	159,453,062.87	906,415.71
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	188,914,982.57	358,177,083.79
Cash paid for investments		
Net increase in pledged loans		
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	212,400,000.00	
Sub-total of cash outflow from investing activities	401,314,982.57	358,177,083.79
Net cash flows from investing activities	-241,861,919.70	-357,270,668.08
III. Cash Flows from Financing Activities:		

Cash received from capital contribution		85,194,915.00
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Cash received from borrowings	257,722,148.28	137,829,746.31
Cash received related to other financing activities		
Sub-total of cash inflow from financing activities	257,722,148.28	223,024,661.31
Cash paid for repayments of borrowings	164,917,045.18	339,611,101.42
Cash payment for interest expenses and distribution of dividends or profits	98,173,895.03	40,789,942.78
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Cash payments related to other financing activities	40,446,866.90	16,307,993.62
Sub-total of cash outflow from financing activities	303,537,807.11	396,709,037.82
Net cash flows from financing activities	-45,815,658.83	-173,684,376.51
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,555,983.87	-457,305.00
V. Net Increase in Cash and Cash Equivalents	220,436,993.67	203,573,288.77
Plus: Opening balance of cash and cash equivalents	675,996,852.97	371,129,472.06
VI. Closing Balance of Cash and Cash Equivalents	896,433,846.64	574,702,760.83

6. Statement of cash flows of the parent company

Unit: RMB

Item	First half of 2020	First half of 2019
I. Cash Flows from Operating Activities:		
Cash received from sale of goods or rendering of services	746,412,698.39	468,701,075.17
Tax rebates	120,214.00	20,189.55
Cash received related to other operating activities	987,204,013.79	587,308,960.78
Sub-total of cash inflow from operating activities	1,733,736,926.18	1,056,030,225.50
Cash paid for goods purchased and services rendered	491,197,761.73	221,022,475.25
Cash paid to and on behalf of employees	66,675,479.70	36,380,500.54
Tax payments	21,863,845.36	11,302,940.79
Cash payments related to other operating activities	428,397,315.97	567,775,504.30
Sub-total of cash outflow from operating activities	1,008,134,402.76	836,481,420.88
Net cash flows from operating activities	725,602,523.42	219,548,804.62
II. Cash Flows from Investing Activities:		
Cash from realization of investment		
Cash received from the return on investments	141,992,629.47	72,378.41
Net cash received from the disposal of fixed assets, intangible assets, and other long-term assets		417,864.00
Net amount of cash received from the disposal of subsidiaries and other operating organizations		

Cash received related to other investing activities	127,105,000.00	
Sub-total of cash inflow from investing activities	269,097,629.47	490,242.41
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	18,608,797.77	6,231,934.84
Cash paid for investments	665,600,000.00	
Net amount of cash paid for acquisition of subsidiaries and other operating organizations		
Cash payments related to other investing activities	152,400,000.00	
Sub-total of cash outflow from investing activities	836,608,797.77	6,231,934.84
Net cash flows from investing activities	-567,511,168.30	-5,741,692.43
III. Cash Flows from Financing Activities:		
Cash received from capital contribution		85,194,915.00
Cash received from borrowings		
Cash received related to other financing activities		3,420,478.96
Sub-total of cash inflow from financing activities		88,615,393.96
Cash paid for repayments of borrowings		197,600,000.00
Cash payment for interest expenses and distribution of dividends or profits	96,955,934.28	38,405,658.84
Cash payments related to other financing activities	31,482,661.04	460,054.74
Sub-total of cash outflow from financing activities	128,438,595.32	236,465,713.58
Net cash flows from financing activities	-128,438,595.32	-147,850,319.62
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	259,845.46	-1,684.66
V. Net Increase in Cash and Cash Equivalents	29,912,605.26	65,955,107.91
Plus: Opening balance of cash and cash equivalents	156,151,560.82	95,287,969.57
VI. Closing Balance of Cash and Cash Equivalents	186,064,166.08	161,243,077.48

7. Consolidated statement of changes in owner's equity

Amount of the current period

Unit: RMB

Item	First half of 2020														
	Owner's equity attributable to the parent company													Equities of minority shareholders	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General reserves	Retained earnings	Others	Subtotal		
		Preference shares	Perpetual bonds	Others											
I. Balance at the End of Last Year	1,308,891,273.00				760,731,416.57	104,792,649.00			53,205,582.86		2,058,968,835.80		4,077,004,459.23		4,077,004,459.23
Plus: Alternation to accounting policies															
Correction to previous errors															
Business combinations involving enterprises under common control															
Others															
II. Balance at the Beginning of the Year	1,308,891,273.00				760,731,416.57	104,792,649.00			53,205,582.86		2,058,968,835.80		4,077,004,459.23		4,077,004,459.23
III. Changes in the Period ("-" Indicates Decrease)	1,788,786.00				97,621,072.22	-1,072,825.04					354,753,498.45		455,236,181.71		455,236,181.71
i. Total comprehensive income											452,699,484.61		452,699,484.61		452,699,484.61
ii. Capital contributed or decreased by owner	1,788,786.00				97,621,072.22	-1,072,825.04							100,482,683.26		100,482,683.26
1. Ordinary shares	2,591,508.00				19,622,899.06								22,214,407.06		22,214,407.06

contributed by owners															
2. Capital contributed by owners of other equity instruments															
3. Share based payments recognized as owner's equity	-802,722.00				77,998,173.16	-28,753,546.80							105,948,997.96		105,948,997.96
4. Others						27,680,721.76							-27,680,721.76		-27,680,721.76
iii. Profit distribution											-97,945,986.16		-97,945,986.16		-97,945,986.16
1. Appropriation of surplus reserves															
2. Appropriation of general risk reserves															
3. Distribution to owners (or shareholders)											-97,945,986.16		-97,945,986.16		-97,945,986.16
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 changes 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	1,310,680,059.00				858,352,488.79	103,719,823.96			53,205,582.86		2,413,722,334.25		4,532,240,640.94		4,532,240,640.94

Amount of last period

Unit: RMB

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

Business combinations involving enterprises under common control															
Others															
II. Balance at the Beginning of the Year	1,286,692,741.00				609,403,941.54	122,916,831.04			47,304,683.01		1,490,758,189.02		3,311,242,723.53		3,311,242,723.53
III. Changes in the Period ("-" Indicates Decrease)	19,406,832.00				123,064,031.93	56,859,631.31					245,153,530.23		330,764,762.85		330,764,762.85
i. Total comprehensive income											274,874,634.43		274,874,634.43		274,874,634.43
ii. Capital contributed or decreased by owner	19,406,832.00				123,064,031.93	56,859,631.31							85,611,232.62		85,611,232.62
1. Ordinary shares contributed by owners	19,675,500.00				65,519,415.00	85,194,915.00									
2. Capital contributed by owners of other equity instruments															
3. Share based payments recognized as owner's equity	-268,668.00				57,544,616.93	-28,335,283.69							85,611,232.62		85,611,232.62
4. Others															
iii. Profit distribution											-29,721,104.20		-29,721,104.20		-29,721,104.20
1. Appropriation of surplus reserves															
2. Appropriation															

of general risk reserves															
3. Distribution to owners (or shareholders)											-29,721,104.20		-29,721,104.20		-29,721,104.20
4. Others															
iv. Interior balance from owner's equity															
1. Added capital (or share capital) from capital reserves															
2. Added capital (or share capital) from surplus reserves															
3. Compensation of loss with surplus reserves															
4. Retained earnings of carry-over of changes 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	1,306,099,573.00				732,467,973.47	179,776,462.35			47,304,683.01		1,735,911,719.25		3,642,007,486.38		3,642,007,486.38
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8. Statement of changes in owner's equity of the parent company

Amount of the current period

Unit: RMB

Item	First half of 2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
I. Balance at the End of Last Year	1,308,891,273.00				690,241,724.38	104,792,649.00			53,084,248.58	180,966,989.79		2,128,391,586.75
Plus: Alternation to accounting policies												
Correction to previous errors												
Others												
II. Balance at the Beginning of the Year	1,308,891,273.00				690,241,724.38	104,792,649.00			53,084,248.58	180,966,989.79		2,128,391,586.75
III. Changes in the Period ("-" Indicates Decrease)	1,788,786.00				91,049,055.52	-1,072,825.04				15,565,833.02		109,476,499.58
i. Total comprehensive income										113,511,819.18		113,511,819.18
ii. Capital contributed or decreased by owner	1,788,786.00				91,049,055.52	-1,072,825.04						93,910,666.56
1. Ordinary shares contributed by	2,591,508.00				19,622,899.06							22,214,407.06

owners												
2. Capital contributed by owners of other equity instruments												
3. Share based payments recognized as owner's equity	-802,722.00				71,426,156.46	-28,753,546.80						99,376,981.26
4. Others						27,680,721.76						-27,680,721.76
iii. Profit distribution										-97,945,986.16		-97,945,986.16
1. Appropriation of surplus reserves												
2. Distribution to owners (or shareholders)										-97,945,986.16		-97,945,986.16
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 changes 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	1,310,680,059.00				781,290,779.90	103,719,823.96			53,084,248.58	196,532,822.81		2,237,868,086.33

Amount of last period

Unit: RMB

Item	First half of 2019											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Others	Total owner's equity
		Preference shares	Perpetual bonds	Others								
I. Balance at the End of Last Year	1,286,692,741.00				545,219,407.25	122,916,831.04			47,183,348.73	157,579,995.32		1,913,758,661.26
Plus: Alternation to accounting policies												
Correction to previous errors												
Others												
II. Balance at the Beginning of the Year	1,286,692,741.00				545,219,407.25	122,916,831.04			47,183,348.73	157,579,995.32		1,913,758,661.26
III. Changes in the Period ("-" Indicates Decrease)	19,406,832.00				100,192,495.54	56,859,631.31				-19,391,815.13		43,347,881.10
i. Total comprehensive income										10,329,289.07		10,329,289.07
ii. Capital contributed or decreased by owner	19,406,832.00				100,192,495.54	56,859,631.31						62,739,696.23
1. Ordinary shares	19,675,500.00				65,519,415.00	85,194,915.00						

contributed by owners												
2. Capital contributed by owners of other equity instruments												
3. Share based payments recognized as owner's equity	-268,668.00				34,673,080.54	-28,335,283.69						62,739,696.23
4. Others												
iii. Profit distribution										-29,721,104.20		-29,721,104.20
1. Appropriation of surplus reserves												
2. Distribution to owners (or shareholders)										-29,721,104.20		-29,721,104.20
3. Others												
iv. Interior balance from owner's equity												
1. Added capital (or share capital) from capital reserves												
2. Added capital (or share capital) from surplus reserves												
3. Compensation of loss with surplus reserves												
4. Retained earnings of carry-over of changes 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	1,306,099,573.00				645,411,902.79	179,776,462.35			47,183,348.73	138,188,180.19		1,957,106,542.36

III. Basic Information of the Company

1. Development history of the company

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

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

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

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

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

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

Pursuant to the resolutions of the seventh meeting of the third Board of Directors, the ninth meeting of the third Board of Directors, the third extraordinary general meeting of 2015 and the tenth meeting of the third Board of Directors, the Company planned to grant 17,133,000.00 restricted RMB-denominated ordinary shares (A shares) to 242 incentive recipients including Liu Jinfeng through private placement, with a par value of RMB1 per share and a grant price of RMB4.25 per share. 16,957,000.00 restricted RMB-denominated ordinary shares (A shares) were granted to a total of 199 incentive recipients with 43 employees withdrawing from the plan. The registered capital after the change was RMB503,677,000.00.

Pursuant to the resolutions of the third extraordinary general meeting of 2015, the 11th meeting of the third Board of Directors and the ninth meeting of the third Board of Supervisors, the Company planned to grant 1,867,000.00 restricted RMB-denominated ordinary shares (A shares) to 68 incentive recipients including Duan Xianglei through private placement, with a par value of RMB1 per share and a grant price of RMB4.80 per share. 1,847,000.00 restricted RMB-denominated

ordinary shares (A shares) were granted to a total of 54 incentive recipients with 14 employees withdrawing from the plan. The registered capital after the change was RMB505,524,000.00.

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

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

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

On May 8, 2018, the Company held the 2017 Annual General Meeting of Shareholders and approved the *Proposal on the 2017 Profit Distribution Plan*, applying for an increase of registered capital by RMB530,225,178.00. With the base number of 757,464,540.00 total shares, the Company planned to convert capital reserve into new shares on the basis of seven shares for every ten existing shares. The registered capital after the change was RMB1,287,689,718.00.

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

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

Pursuant to the resolutions of the 12th and 13th meeting of the fourth Board of Directors, as part of the incentive recipients were disqualified to hold incentive stocks after leaving the Company or failing the appraisal, the Company planned to repurchase and deregister the restrictive stocks of 32 incentive recipients. Among them, 211,803.00 restrictive stocks were granted to 22 incentive

recipients in the first grant and 56,865.00 reserved restrictive stocks were granted to ten incentive recipients. A total of 268,668.00 shares were repurchased and deregistered.

Pursuant to the *Proposal on Granting Reserved Stock Options and Restricted Stocks to Incentive Recipients* reviewed and approved at the 16th meeting of the fourth Board of Directors in 2019, the Company planned to grant 64 incentive recipients with 3,500,000.00 restrictive stocks with a grant price of RMB7.02 per share. The incentive plan actually granted 46 incentive recipients with 2,791,700.00 restricted ordinary shares due to the exiting of 18 incentive recipients. The registered capital after the grant was RMB1,308,891,273.00.

As at December 31, 2019, the Company has had a registered capital of RMB1,308,891,273.00 and a share capital of RMB1,308,891,273.00.

At the 23rd meeting of the fourth Board of Directors and the 19th meeting of the fourth Board of Supervisors, *Proposal on the Achievement of Exercise Conditions of the First Exercise Period of Stock Option for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan* was reviewed and approved. In conformity with *2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, the Board of Directors considered that the first exercise period exercise conditions of the stock option granted for the first time had been fulfilled. The number of incentive recipients in conformity with the exercise conditions reached 2,522 and the number of stock options that have met exercise conditions was 3,431,505.00, with an exercise price of RMB8.572 per share. During the reporting period, there were 2,591,508.00 stock options exercised, with the registered capital increased by RMB2,591,508.00.

The Company held the 23rd meeting of the fourth Board of Directors, approved the *Proposal on the Repurchase and Deregistration of Partial Restricted Stock for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. Besides, the Company convened the second extraordinary general meeting of Shareholders in 2020, approved the *Proposal on Reducing the Company's Registered Capital and Revising the Articles of Association*. When the Phase I of restricted stock granted for the first time under the Company's *2018 Stock Option and Restricted Stock Incentive Plan* was unlocked, 241 incentive recipients lost incentive qualification due to their dismissal before unlocking, unqualified personal assessment, and failure to get the full mark though qualified in the personal assessment, and they agreed to repurchase and write off a total of 802,722.00 granted but not unlocked restricted stocks. In June 2020, the payment for the repurchased and deregistered shares were made to the associated personnel. The follow-up procedures of repurchase and deregistration as well as the industrial and commercial registration of changes are being processed.

2. The registered address, form of organization, and headquarters of the Company

Form of organization: Company limited by shares

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

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

3. Nature, scope, and main business activities the Company

C&S Paper Co., Ltd. and all its subsidiaries (hereafter generally referred to as the Company) are in the household paper industry. The Company mainly engages in the R&D, production, processing, and sales (including online sales): High-end household paper series products, tissue boxes, sanitation supplies, cosmetics, non-woven products, daily necessities (limited to plastic products for daily use, metalware for daily use, rubber products for daily use, and ceramics for daily use), and chemicals for daily use (excluding hazardous chemicals), Class I medical devices. Pulp import and

export (excluding state trading commodities; products in the quota system or requiring a license are applied for in line with relevant national regulations). Operations and production of Class II and III medical devices (involving the production of medical devices and cosmetics) (Business activities above are not restricted by the Special Administrative Measures for the Access of Foreign Investment) (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.))

Since March 2020, the Company expanded its business realm to include medical device-related businesses.

4. De facto controller of the Company

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

5. The issuer and the date of the approval of the financial statements

The financial statements were approved by the Board of Directors of the Company on August 6, 2020.

6. The scope of the consolidation of financial statements

As at June 30, 2020, there were 18 subsidiaries the Company that were included in the consolidation. For details, please refer to "Note IX Equities in Other Entities".

IV. Preparation Basis for Financial Statements

1. Basis of preparation

The recognition and measurement were made by the Company on a going concern basis and according to the *Accounting Standards for Business Enterprises - Basic Standards*, and the specific accounting standards based on actual transactions and events, and the financial statements are prepared on such basis.

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

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 accounting costs. Provisions 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, such as the recognition of incomes, in accordance with the Accounting Standards for Business Enterprises and their own operational characteristics. Please refer to “Note V Descriptions for All.”

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

The financial statements of the Company conform to the requirements set out for 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 major aspects.

2. Accounting period

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

3. Operating cycle

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

4. Standard currency for accounting

RMB is the main currency in Chinese mainland, where C&S Paper Co., Ltd. and its subsidiaries are located. Therefore, the standard currency for accounting for C&S Paper Co., Ltd. and its subsidiaries is RMB. The currency for accounting used in the Company’s financial statements is RMB.

5. The accounting processing 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 and 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 involving business combination are under ultimate rather than temporary control by one party or the same multi-parties before and after combination. For business combinations under common control, those who obtain control of enterprises involving business combination on combination date are the combining party while enterprises involving business combination are the combined party. 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 of the date of combination. If there were differences between the book values of the net assets and the book values of the combined consideration (or the face values of the issued shares) the acquirer receives, 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 not under common control

Business combinations not under common control means enterprises involving 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 involving business combination on the acquisition date are the acquirer while other enterprises involving 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 combinations include the assets the acquirer pays, liabilities the acquirer bears, and the fair value of the equity securities issued on the date of combinations for the acquisition of control over the acquiree. The costs of auditing, legal services, evaluation consulting, and other management fees incurred for business combinations 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 combinations. If, within 12 months after the acquisition, there is new or further evidence for conditions that have already been existed on the acquisition and the contingent consideration shall be re-adjusted, the combination goodwill shall also 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 of the acquisition date. If the costs of business combinations were higher than the identifiable net assets of the acquiree on the date of the purchase, the gap between them shall be confirmed as goodwill. If the costs of business combinations were lower than the fair values of the identifiable net assets of the acquiree on the date of the purchase, the identifiable assets of the acquiree, contingent liabilities of the fair values, and costs of business combinations shall all be reviewed. After review, if the costs of business combinations were still lower than the fair values of the identifiable net assets of the acquiree, the gap between them shall be included in current profits and losses.

If the deductible temporary differences the acquirer gets from the acquiree were not eligible to be confirmed as deferred tax asset, they shall be confirmed providing that within 12 months of the acquisition, there would be new or further evidence for the conditions that have already been existed on the acquisition date that the economic profits the deductible temporary differences would bring the acquiree could be achieved. At the same time, the goodwill shall be reduced. Where the goodwill is insufficient to be deducted, the gap between them as be include in current profits and losses. Apart from the aforementioned situations, all deductible temporary differences confirmed to be relevant to business combinations shall be included 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 in accordance with Document *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 Document *Accounting Standard for Business Enterprises – Consolidation of Financial Statements No.33* (please refer to Note V, 6 "Methods for preparation of consolidated financial statements" (2)). In case of "package deals", accounting processing shall be done by referring to the descriptions in

previous paragraphs of this section and 22 "Long-term equity investments" in Note V herein; if not "package deals", accounting processing shall be done by distinguishing individual financial statements from consolidated financial statements:

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

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

6. Methods for preparation of consolidated financial statements

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

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

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

(2) Methods for preparation of consolidated financial statements

The Company shall include the subsidiaries in the scope of consolidation from the date it acquires the de facto 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 de facto control. In terms of subsidiaries 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 of in current period, the opening balance in the consolidated balance sheet shall not be adjusted. Regarding subsidiaries added, which are incorporated by combining enterprises not controlled by the same de facto controller, 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, which are incorporated by combining enterprises controlled by the same de facto controller, among which the Company absorbs the combined party, the operating results and cash flows of the combined party from the beginning of the period of combination 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 when necessary. For subsidiaries acquired by combining enterprises not controlled by the same de facto controller, their financial statements shall be adjusted based on the fair value of the identifiable net assets on the acquisition date.

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

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

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

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

transaction shall be treated as a transaction that results in loss of control of the subsidiary in accounting processing. However, the difference between each disposal price before loss of control and the parent company's share of the subsidiary's net assets corresponding to the disposal investment shall be recognized as other comprehensive income in the consolidated financial statements and, after loss of control, transferred to the profit and loss of the current reporting period.

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

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 with high liquidity held which is easy converted cash in a known amount with 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 rates at the date the fair value is recognized. The difference between the amount of standard currency for accounting after translation and the original amount of the standard currency for accounting shall be treated as a change in fair value (including the change in the exchange rate) and recognized as the profit and loss of the current period or other comprehensive income.

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

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

10. Financial instruments

When the Company becomes a party to a financial instrument contract, its 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 them as the initial recognition amount at the expected consideration amount that it has rights to charge.

1) Assets carried at amortized cost

With 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 such 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 at fair value through other comprehensive income

The business model for managing the financial assets aims at both obtaining the contract cash flows and selling the financial assets, and the characteristics of such 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 at fair value through profit and loss of the current period

The above financial assets measured at amortized cost and financial assets other than those measured at fair value through other comprehensive income are classified as financial assets at fair value through profit and loss of the current period. Moreover, at initial recognition, to eliminate or significantly reduce accounting mismatches, the Company can designate some financial assets as financial assets 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 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 at fair value through profit and loss of the current period

Financial liabilities 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 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.

In terms of the financial liabilities designated 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 processing 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 the financial asset transfer not meeting the conditions for derecognition or the financial liabilities or financial guarantee contract resulting from continuous involvement in the transferred financial assets, 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 the 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. In addition, 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 will establish 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 referring to price used in recent market transactions between knowledgeable, willing parties, taking into account the current fair value of other financial instruments that is substantially the same, discounted cash flow analysis and option pricing models, etc. During valuation, the Company adopts the valuation techniques that are applicable under current circumstances and that are supported by sufficient available data and other information, and 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 (including the "interest" generated by the instruments classified as equity instruments) during the existence of the Company's equity instruments 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 receivable, mainly including notes receivable, accounts receivable, and other receivables. In addition, for some financial guarantee contracts, impairment reserves are set aside and credit impairment losses are recognized as per the accounting policies described in this section.

1) Methods for recognizing impairment reserves

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

Credit loss refers to the difference between all contract cash flow receivable discounted at the original effective interest rate under the contract and all expected cash flow receivable, 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 processing 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 risk.
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
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Aging portfolio	The aging of accounts receivable is used as credit risk characteristics.
Related party portfolio	Proceeds of related parties within the scope of consolidation.

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	The aging of other receivables is used as credit risk characteristics.
Related party portfolio	Proceeds of related parties within the scope of consolidation.

11. Notes receivable

See "Section XI" - "V. Significant Accounting Policies and Accounting Estimates" - "10. Financial instruments" for details.

12. Accounts receivable

See "Section XI" - "V. Significant Accounting Policies and Accounting Estimates" - "10. Financial instruments" for details.

13. Accounts receivable financing

None

14. Other receivables

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

See "Section XI" - "V. Significant Accounting Policies and Accounting Estimates" - "10. Financial instruments" for details.

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 the procurement cost, processing cost, and other costs. Inventories are priced by the weighted average method during receipt and delivery.

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

The net realizable value refers to the amount of the estimated selling price of the inventory minus the estimated cost, estimated selling expenses, and related taxes and fees at the time of completion

in daily activities. When recognizing the net realizable value of inventories based on the substantial evidence obtained, the Company also considers the purpose of holding the inventories and the impact on matters after the balance sheet date.

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

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

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

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

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

16. Contract assets

None

17. Contract costs

None

18. Assets held for sale

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

During initial measurement or re-measurement of the non-current assets and disposal groups classified into held-for-sale assets on the balance sheet date, if the book value of such assets is higher than the net value deducting the cost of offer, the book value is written down to the recoverable amount by the Company, the written-down amount is recognized as profit and loss of the current period and impairment provisions are set aside at the same time. For the disposal group, the recognized asset impairment loss is first deducted from the book value of the goodwill in the disposal group, and then deducted in proportion from the book value of non-current assets specified in the applicable *Accounting Standards for Business Enterprises No. 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations* ("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, 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, as for those that are non-tradable, the Company may choose to designate them as the financial assets measured at fair value through other comprehensive income for accounting during initial recognition. See "Note V, 10" for their detailed accounting policies.

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

(1) Determination of investment cost

For long-term equity investments obtained from combination of enterprises under common control, the share of the combined party's owner's equity in the book value of the consolidated financial statements of the final controlling party which is acquired on the combination day 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 day 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-propriators), the long-term equity investment shall be accounted for by using the equity method. Additionally, applying the cost method to the Company's financial statements can make controlled long-term equity investments in the investee.

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

When using cost method, 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 using equity method, 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. 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 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, accrued liabilities 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 real estate

Measurement model for investment real estate

Measurement by the cost method

Depreciation or amortization method

Investment properties are held to generate rental income or earn capital gains or both and is not occupied. Investment properties include land use rights leased out, land use rights held for transfer after appreciation, buildings leased out, etc.

Investment real estate is initially measured at cost. Subsequent costs are included in the investment real estate's 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 subsequent expenses are recognized as profit and loss of the current period when incurred.

The Company adopts the cost model for subsequent measurement of investment real estate, and depreciates or amortizes the building based on its expected service life or land use right.

Impairment test method and impairment provision method for investment real estate are detailed in "Note V, 31".

Investment properties are derecognized when they are disposed of, or permanently withdrawn from

use and it is expected that no economic benefit can be generated from its disposal. The income from selling, transferring, writing off or destroying investment real estate, 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	20 years and 30 years	5% and 10%	3.00%, 3.17%, 4.50% and 4.75%
Equipment	Straight-line depreciation	10 years to 20 years	5% and 10%	4.50%, 4.75% to 9.0%, 9.50%
Motor vehicles	Straight-line depreciation	5 years, 8 years and 14 years	5% and 10%	6.43%, 6.79%, 11.25%, 11.88%, 18.00% and 19.00%
Office equipment	Straight-line depreciation	5 years and 8 years	5% and 10%	11.25%, 11.88%, 18.00% and 19.00%
Production equipment	Straight-line depreciation	1 year to 5 years	5% and 10%	18.00%, 19.00%, 30.00%, 31.67%, 45.00% and 47.50%

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

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

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

25. Construction in process

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

The Company's construction in progress is transferred to fixed assets when the assets are ready for their intended use. If the constructed fixed assets 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 accrued 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 in progress are detailed in "Note V, 31".

26. Borrowing costs

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

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

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

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

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

27. Biological assets

None

28. Oil & gas assets

None

29. Right-of-use assets

None

30. Intangible assets

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

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

Intangible assets are initially measured at cost. Costs 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. The expenses on other items 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. The price paid for the house and building purchased are 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 limited service life.

Impairment test method and impairment provision method for intangible assets

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 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) the technical feasibility of completing 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, it shall be recognized as profit and loss of the current period when incurred.

31. Long-term assets impairment

The Company determines on the balance sheet date whether there is any indication that the non-current and non-financial assets may be impaired, including fixed assets, construction in progress, intangible assets with limited service life, and investment real estate measured using the cost model, long-term assets of 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 active assets in the market exist, the fair value is determined according to the price offered by the buyer of the asset. If there is neither sales agreement nor active assets in the market, 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 that is apportioned to asset group or a combination of asset groups, and then offset against the book value of assets excluding goodwill in the asset group or the combination of asset groups on a pro-rata basis according to the proportion of their book value.

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

32. Long-term unamortized expenses

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

33. Contract liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer for which

the Group has received consideration from the customer.

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

34. Employee remuneration

(1) Accounting treatment method for short-term remuneration

The Company's employee remuneration mainly includes short-term remuneration, post-employment benefits, and dismissal benefits. Wherein:

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. Including, 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, when the Company cannot unilaterally withdraw the termination of the labor relationship plan or the dismissal proposal, or recognize the costs related to the restructuring of the payment of the dismissal benefits, whichever is earlier, the liabilities arising from the compensation give to the employee for the termination of the labor relationship with the employee shall be recognized and recognized as profit and loss of the current period. 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 the Company from the date when employees stop providing services to the normal retirement date meet the recognition conditions for projected liabilities, they shall be recognized as profit and loss of the current period.

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

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

35. Lease liabilities

None

36. Accrued liabilities

An obligation related to contingent issues and meeting the following conditions shall be deemed an accrued liability: (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.

An accrued liability is separately recognized as an asset and the recognized compensation amount shall not exceed the book value of the accrued liability, when all or part of the expenses required to pay off the accrued liability 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 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 can not 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.

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

38. Preference shares, perpetual bonds and other financial instruments

None

39. Revenue

Accounting policy for recognition and measurement of revenue

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

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

With respect to each individual performance obligation of the contract, the Company will recognize the transaction price apportioned to such obligation 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 recognize 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.

Different business models are adopted for different businesses, which may lead to the differences in the accounting policy for recognition of revenue.

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 as 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 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 period 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/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, the tax bases of

which can be determined for tax purposes, but which have not been recognized as assets and liabilities according to the tax laws, 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 to 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 taxable 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 taxable temporary difference associated with to 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-downs 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 for the current income tax and deferred income tax related to transactions or events, that are recognized as other comprehensive income or directly recognized as shareholders' equity, and thus recognized as other comprehensive income or shareholders' equity, and for the book value of goodwill adjusted due to deferred income tax arising from business combination.

42. Leases

(1) Accounting treatment method for operating lease

(1) The Company records operating lease business as the lessee

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

(2) The Company records operating lease business as the lessor

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

(2) Accounting treatment method for finance lease

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

43. Other important accounting policies and accounting estimates

None

44. Changes in important accounting policy and accounting estimates

(1) Key changes to accounting policies

√ Applicable □ Inapplicable

Contents and reasons for changes to accounting policies	Approval procedure	Remarks
On July 5, 2017, the Ministry of Finance issued the revised <i>Accounting Standards for Business Enterprises No. 14 -- Revenue</i> (C.H. [2017] No. 22), requiring the enterprises listed both within the borders and abroad, as well as the enterprises listed abroad and adopting IFRS or Accounting Standards for Business Enterprises to prepare financial statements, to implement the revised Standards from January 1, 2018; other enterprises listed at home shall implement the revised Standards from January 1, 2020.	On February 25, 2020, the Company convened the 21st meeting of the fourth Board of Directors and the 17th meeting of the fourth Board of Supervisors of the Company, and approved the <i>Proposal on Changes to Accounting Policies</i> .	Details can be found in the <i>Announcement on Changes to Accounting Policies</i> (Announcement No.: 2020-10) on February 26, 2020 on CNINFO (http://www.cninfo.com.cn).

(1) Implementation of the changes to accounting policies caused by new Revenue Standards

On July 5, 2017, the Ministry of Finance revised the *Accounting Standards for Business Enterprise No. 14 - Revenues* (C.H. [2017] No. 22) (hereinafter referred to as the "new Revenue Standards").

The new Revenue Standards were reviewed and approved at the 21st meeting of the fourth Board of Directors on February 25, 2020, and the Company started to implement such standards from January 1, 2020.

The new Revenue Standards established a new model for recognition of revenue to regulate the revenues generated by the contracts with customers. To implement the new Revenue Standards, the Company re-evaluated the recognition, measurement, accounting, and presentation of main revenues from contracts. Pursuant to the new Revenue Standards, the Company only adjusted the accumulative number of impacts of the contracts to be completed on January 1, 2020. The Company adjusted the amount of retained return at the beginning of the current period (i.e. January 1, 2020) and the amount of other relevant items in the financial statements based on the accumulative number of impacts of the first implementation, except the information of the comparable period.

(2) Main changes and impacts regarding the implementation of the new Revenue Standards are as follows:

The Company changes the contract consideration collected from customers in advance for transfer of goods from the item "accounts received in advance" to the item "contract liabilities" for presentation.

The Company's implementing the new Revenue Standards does not impact the retained return at the beginning of 2020, and its impacts on other relevant items in the financial statements dated January 1, 2020 are as follows:

Statement items	Amount on December 31, 2019 (prior to changes)		Amount on January 1, 2020 (after changes)	
	Consolidation	Reports of the parent company	Consolidation	Reports of the parent company
Accounts received in advance	142,476,562.31	28,227,454.47		
Contract liabilities			142,476,562.31	28,227,454.47

(2) Key changes in accounting estimates

☐ Applicable ☒ Inapplicable

(3) Since 2020, the adjustment of relevant items of the financial statements at the beginning of the year for the first time according to the implementation of the new standards for income, and the new leasing standards for the first time.

Rules

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

☒ Yes ☐ No

Consolidated Balance Sheet

Unit: RMB

Item	December 31, 2019	January 1, 2020	Adjustment number
Current assets:			
Monetary funds	703,746,624.42	703,746,624.42	

Settlement reserve			
Lending to banks and other financial institutions			
Tradable financial assets			
Derivative financial assets			
Notes receivable	301,904.32	301,904.32	
Accounts receivable	807,772,897.68	807,772,897.68	
Accounts receivable financing			
Prepayments	14,877,757.16	14,877,757.16	
Premium receivable			
Reinsurance payables			
Reinsurance contract reserves receivable			
Other receivables	8,240,417.99	8,240,417.99	
Including: Interest receivable			
Dividends receivable			
Financial assets held under resale agreements			
Inventory	986,405,689.17	986,405,689.17	
Contract assets			
Assets held for sale	57,073,059.69	57,073,059.69	
Non-current assets due within one year			
Other current assets	165,567,805.78	165,567,805.78	
Total current assets	2,743,986,156.21	2,743,986,156.21	
Non-current assets:			
Loans and advances to customers			
Credit right investments			
Other credit right investments			
Long-term receivable			
Long-term equity investment			
Investment in other equity instruments			
Other non-current assets			
Investment property	36,039,381.30	36,039,381.30	
Property and equipment	2,921,392,106.87	2,921,392,106.87	
Construction work in progress	55,734,236.91	55,734,236.91	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	168,731,781.83	168,731,781.83	
Development expenses			
Goodwill	64,654.15	64,654.15	
Long-term deferred expenses	13,686,397.24	13,686,397.24	
Deferred income tax assets	80,331,080.17	80,331,080.17	
Other non-current assets	6,306,028.96	6,306,028.96	
Total non-current assets	3,282,285,667.43	3,282,285,667.43	
Total assets	6,026,271,823.64	6,026,271,823.64	
Current liabilities:			
Short-term loans	14,721,492.38	14,721,492.38	
Borrowings from PBC			
Placements from banks and other financial institutions			
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable	202,653,860.31	202,653,860.31	
Accounts payable	578,212,781.22	578,212,781.22	
Payments received in advance	142,476,562.31		-142,476,562.31
Contract liabilities		142,476,562.31	142,476,562.31
Proceeds from financial assets sold under repo			

Customer bank deposits and due to banks and other financial institutions			
Funds from securities trading agency			
Funds from securities underwriting agency			
Employee remuneration payable	106,413,600.27	106,413,600.27	
Tax and fees payable	101,670,618.11	101,670,618.11	
Other payables	635,834,511.05	635,834,511.05	
Including: Interests payable	173,259.89	173,259.89	
Dividends payable	452,536.50	452,536.50	
Transaction fee and commission receivable			
Reinsurance payable			
Liabilities held for sale			
Non-current liabilities due within one year	32,400,000.00	32,400,000.00	
Other current liabilities			
Total current liabilities	1,814,383,425.65	1,814,383,425.65	
Non-current liabilities:			
Insurance contract reserves			
Long-term Loans	22,500,000.00	22,500,000.00	
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term employee remuneration payable			
Provision			
Deferred income	82,367,831.33	82,367,831.33	
Deferred income tax liabilities	30,016,107.43	30,016,107.43	
Other non-current liabilities			
Total non-current liabilities	134,883,938.76	134,883,938.76	
Total liabilities	1,949,267,364.41	1,949,267,364.41	
Owner's equity:			
Share capital	1,308,891,273.00	1,308,891,273.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	760,731,416.57	760,731,416.57	
Less: Treasury shares	104,792,649.00	104,792,649.00	
Other comprehensive income			
Special reserves			
Surplus reserves	53,205,582.86	53,205,582.86	
General reserves			
Retained earnings	2,058,968,835.80	2,058,968,835.80	
Total equity attributable to the owners of the parent company	4,077,004,459.23	4,077,004,459.23	
Equities of minority shareholders			
Total owner's equity	4,077,004,459.23	4,077,004,459.23	
Total liabilities and owners' equities	6,026,271,823.64	6,026,271,823.64	

Explanation of adjustment

The parent company's balance sheet

Unit: RMB

Item	December 31, 2019	January 1, 2020	Adjustment number
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Current assets:			
Monetary funds	156,202,659.45	156,202,659.45	
Tradable financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	127,203,426.87	127,203,426.87	
Accounts receivable financing			
Prepayments	2,565,716.66	2,565,716.66	
Other receivables	637,511,752.54	637,511,752.54	
Including: Interest receivable			
Dividends receivable			
Inventory	84,567,041.98	84,567,041.98	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	129,377,576.74	129,377,576.74	
Total current assets	1,137,428,174.24	1,137,428,174.24	
Non-current assets:			
Credit right investments			
Other credit right investments			
Long-term receivable			
Long-term equity investment	1,231,245,128.96	1,231,245,128.96	
Investment in other equity instruments			
Other non-current assets			
Investment property	18,745,192.09	18,745,192.09	
Property and equipment	222,724,273.70	222,724,273.70	
Construction work in progress	35,260,100.44	35,260,100.44	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	21,259,498.66	21,259,498.66	
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	18,366,334.29	18,366,334.29	
Other non-current assets	4,521,074.21	4,521,074.21	
Total non-current assets	1,552,121,602.35	1,552,121,602.35	
Total assets	2,689,549,776.59	2,689,549,776.59	
Current liabilities:			
Short-term loans			
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	325,506,510.90	325,506,510.90	
Payments received in advance	28,227,454.47		-28,227,454.47
Contract liabilities		28,227,454.47	28,227,454.47
Employee remuneration payable	24,280,403.99	24,280,403.99	
Tax and fees payable	3,225,793.88	3,225,793.88	
Other payables	167,279,884.09	167,279,884.09	
Including: Interests payable			
Dividends payable	452,536.50	452,536.50	
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	548,520,047.33	548,520,047.33	

Non-current liabilities:			
Long-term Loans			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable			
Long-term employee remuneration payable			
Provision			
Deferred income	7,062,818.69	7,062,818.69	
Deferred income tax liabilities	5,575,323.82	5,575,323.82	
Other non-current liabilities			
Total non-current liabilities	12,638,142.51	12,638,142.51	
Total liabilities	561,158,189.84	561,158,189.84	
Owner's equity:			
Share capital	1,308,891,273.00	1,308,891,273.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	690,241,724.38	690,241,724.38	
Less: Treasury shares	104,792,649.00	104,792,649.00	
Other comprehensive income			
Special reserves			
Surplus reserves	53,084,248.58	53,084,248.58	
Retained earnings	180,966,989.79	180,966,989.79	
Total owner's equity	2,128,391,586.75	2,128,391,586.75	
Total liabilities and owners' equities	2,689,549,776.59	2,689,549,776.59	

Explanation of adjustment

(4) Explanation of the retrospective adjustment of previous comparable data according to the implementation of the new Revenue Standards and the new leasing standards for the first time in 2020.

☐ Applicable ☒ Inapplicable

45. Others

VI. Taxes

1. Main tax types and tax rates

Taxes	Tax basis	Tax rate
Value-added tax	Taxable VAT (calculated based on the difference of deducting the amount of input tax which is allowed to be deducted in the current period from the result of multiplying taxable sales by applicable tax rate)	13%
City construction and maintenance tax	Turnover tax paid	5% and 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%

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

Name of taxpayer	Income tax rate
C&S Paper Co., Ltd., Zhongshan Zhongshun Trading Co., Ltd., C&S (Hubei) Paper Co., Ltd., Xiaogan C&S Trading Co., Ltd., Zhejiang Zhongshun Paper Co., Ltd., Chengdu Zhongshun Paper Co., Ltd., Hangzhou Jie Rou Trading Co., Ltd., Shanghai Huicong Paper Co., Ltd., Beijing C&S Paper Co., Ltd., C&S (Yunfu) Trading Co., Ltd., and Sun Daily Necessities Co., Ltd.	25%
C&S (Zhongshan) Paper Co., Ltd., and C&S (Dazhou) Paper 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 2017, and was awarded the *Certificate of High-tech Enterprise* (No. GR201751001108), with a valid term of three years, on December 4, 2017. C&S (Sichuan) Paper Co., Ltd. filed a new application for certification of high-tech enterprise on June 22, 2020, which is being reviewed as at the reporting date. In accordance with the relevant provisions of the *Announcement of the State Administration of Taxation on Issues concerning the Implementation of the Preferential Income Tax Policies regarding High-tech Enterprises* (G.J.SH.W.Z.J.G.G. [2017] No. 24), the corporate income tax is tentatively calculated at a tax rate of 15% during the reporting period.

C&S (Yunfu) Paper Co., Ltd. was certified as a high-tech enterprise of Guangdong Province in 2017, and was awarded the *Certificate of High-tech Enterprise* (No. GR201744007263), with a valid term of three years, on December 11, 2017. C&S (Yunfu) Paper Co., Ltd. filed a new application for certification of high-tech enterprise on July 9, 2020, which is being reviewed as at the reporting date. In accordance with the relevant provisions of the *Announcement of the State Administration of Taxation on Issues concerning the Implementation of the Preferential Income Tax Policies regarding High-tech Enterprises* (G.J.SH.W.Z.J.G.G. [2017] No. 24), the corporate income tax is tentatively calculated at a tax rate of 15% during the reporting period.

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

In accordance with the 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* (G.J.SH.W.Z.J.G.G. [2019] No. 2), the policy on inclusive income tax deduction and exemption for small low-profit enterprises is applicable to C&S (Zhongshan) Paper Co., Ltd. and C&S (Dazhou) Paper Co., Ltd. in 2019. To be specific, the annual taxable income of these two enterprises that is not more than RMB1 million shall be included in their taxable income at the reduced rate of 25%, with the applicable corporate income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in their taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20%.

3. Others

Note 1: C&S Hong Kong Co., Ltd. is a Hong Kong-based company incorporated according to the law 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 law of Macao. Its complementary tax adopts a progressive rate (tax on taxable income that is less than MOP300,000 is exempted, and the taxable income that is more than MOP300,000 is taxed at 12%).

VII. Notes on Items in Consolidated Financial Statement

1. Monetary capital

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Cash on hand	81,123.62	76,152.38
Bank deposits	892,229,613.53	675,589,471.75
Other monetary funds	41,163,239.82	28,081,000.29
Total	933,473,976.97	703,746,624.42
Including: Total deposits in overseas banks	29,173,507.30	63,089,915.23

Other descriptions

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

2. Transactional financial assets: None

3. Derivative financial assets: None

4. Notes receivable

(1) Classified notes receivable

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Bank acceptance bill	608,962.30	301,904.32
Total	608,962.30	301,904.32

Bad debts reserve set aside individually: None

Bad debts reserves set aside in portfolios: None

Bad debts reserves set aside in portfolios: None

Bad debts reserves set aside in portfolios: None

If the bad debts 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 debts reserve:

☐ Applicable ☒ Inapplicable

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

Provision of bad debts reserve of the reporting period:

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

☐ Applicable ☒ Inapplicable

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

Other descriptions

1. The Company has no pledged notes receivable as at June 30, 2020.
2. The Company has no derecognized notes receivable that are endorsed or discounted but not due as at June 30, 2020.
3. The Company has no notes that are transferred to notes receivable because the drawer does not perform the contract as at June 30, 2020.

(6) The notes receivable actually written off in the reporting period

Significant write-offs of notes receivable wherein: None

Description of write-offs of notes receivable: None

5. Accounts receivable**(1) Accounts receivable disclosed by categories**

Unit: RMB

Type	Balance at the end of the year					Balance at the beginning of the year				
	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Accounts receivable for which bad debts reserve is set aside individually	34,567,651.21	4.05%	10,681,068.59	30.90%	23,886,582.62	34,567,651.21	4.11%	10,681,068.59	30.90%	23,886,582.62
Wherein:										
Accounts receivable for which bad debts reserve is set aside in portfolios	819,792,390.62	95.95%	21,601,843.43	2.64%	798,190,547.19	805,681,115.48	95.89%	21,794,800.42	2.71%	783,886,315.06
Wherein:										
According to portfolio of age	819,792,390.62	95.95%	21,601,843.43	2.64%	798,190,547.19	805,681,115.48	95.89%	21,794,800.42	2.71%	783,886,315.06
Total	854,360,041.83	100.00%	32,282,912.02	3.78%	822,077,129.81	840,248,766.69	100.00%	32,475,869.01	3.87%	807,772,897.68

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

Unit: RMB

Name	Balance at the end of the year			
	Book balance	Impairment provision	Provision ratio	Reason for provision
Institution I	6,288,113.54	2,462,996.13	39.17%	It is difficult to recover all loans due to the poor business performance of the customer
Institution II	28,279,537.67	8,218,072.46	29.06%	It is difficult to recover all loans due to the poor business performance of the customer
Total	34,567,651.21	10,681,068.59	--	--

Bad debts reserve set aside individually:

Bad debts reserve set aside in portfolios: 21,601,843.43

Unit: RMB

Name	Balance at the end of the year		
	Book balance	Impairment provision	Provision ratio
Within the credit period	690,347,064.80	13,806,941.30	2.00%
Credit period - one year	121,303,456.17	6,065,172.81	5.00%
Summary within one year	811,650,520.97	19,872,114.11	2.45%
One to two years	6,471,482.40	970,722.36	15.00%
Two to three years	380,933.36	114,280.01	30.00%
Over three years	1,289,453.89	644,726.95	50.00%
Total	819,792,390.62	21,601,843.43	--

Description of reason for the portfolio:

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

Bad debts reserves set aside in portfolios:

Description of reason for the portfolio: None

Bad debts reserves set aside in portfolios:

Description of reason for the portfolio:

If the bad debts 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 debts reserve:

☐ Applicable ☒ Inapplicable

Disclose according to age

Unit: RMB

Aging	Balance at the end of the year
Within one year (inclusive)	811,650,520.97
One to two years	6,471,482.40
Two to three years	14,599,234.74
Over three years	21,638,803.72

Three to four years	14,348,062.08
Four to five years	7,290,741.64
Over five years	0.00
Total	854,360,041.83

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

Provision of bad debts reserve of the reporting period:

Unit: RMB

Type	Balance at the beginning of the year	Amount of change in the reporting period				Balance at the end of the year
		Provision	Recovery or transfer back	Write-offs	Others	
Accounts receivable	32,475,869.01	-79,019.13		113,937.86		32,282,912.02
Total	32,475,869.01	-79,019.13		113,937.86		32,282,912.02

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

(3) The accounts receivable actually written off in the reporting period

Unit: RMB

Item	Written-off amount
The accounts receivable actually written off	113,937.86

Significant write-offs of accounts receivable wherein:

Explanation on write-offs of accounts receivable: 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 reporting period	Percentage of total balance of accounts receivable at the end of the reporting period	Closing balance for bad debts reserve
1st	210,108,337.32	24.59%	4,223,694.59
2nd	97,821,774.06	11.45%	2,698,303.33
3rd	65,171,610.18	7.63%	1,712,866.44
4th	28,279,537.67	3.31%	8,218,072.46
5th	26,129,086.73	3.06%	522,581.73
Total	427,510,345.96	50.04%	

(5) Accounts receivable derecognized due to the transfer of financial assets

The Company has no accounts receivable derecognized due to the transfer of financial assets at the end of the reporting period

(6) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable

None

Other explanations:

6. Accounts receivable financing

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

☐ Applicable ☒ Inapplicable

If the provisions for asset impairment of accounts receivable financing 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 provisions for asset impairment:

☐ Applicable ☒ Inapplicable

Other explanations:

None

7. Prepayments**(1) Prepayments listed as follows based on age**

Unit: RMB

Aging	Balance at the end of the year		Balance at the beginning of the year	
	Amount	Percentage	Amount	Percentage
Within one year	42,999,445.80	99.98%	14,430,801.70	97.00%
One to two years	8,604.17	0.02%	446,955.46	3.00%
Total	43,008,049.97	--	14,877,757.16	--

Explanation on the reason of untimely settlement of prepayments whose age exceed one year with significant amount: None

(2) Top five payees in closing balance of prepayment

The total amount of the top five payees in closing balance of prepayment of the Company is RMB30,319,748.68, accounting for 70.50% of closing balance of prepayment.

Other explanation: None

8. Other receivables

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Other receivables	32,122,559.84	8,240,417.99
Total	32,122,559.84	8,240,417.99

(1) Interest receivable**1) Classification of interest receivable: None****2) Significant overdue interest: None****3) Provision of bad debts reserve**☐ Applicable ☒ Inapplicable**(2) Dividends receivable****1) Classification of dividends receivable: None****2) Important dividends receivable exceeding one year: None****3) Provision of bad debts reserve**☐ Applicable ☒ Inapplicable

Other explanation: None

(3) Other receivables**1) Classification by the nature of amount of other receivables**

Unit: RMB

Nature of amount	Book balance at the end of the period	Book balance at the beginning of the period
Margins and deposits	4,339,916.45	4,098,736.90
Current accounts	3,684,770.85	3,395,872.47
Reserve	3,198,671.09	1,621,094.57
Others	23,525,358.51	255,741.34
Total	34,748,716.90	9,371,445.28

2) Provision of bad debts reserve

Unit: RMB

Impairment 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)	
As at January 1, 2020	1,131,027.29			1,131,027.29
Balance as at January 1, 2020 in the reporting period	-	-	-	-
Provision in the reporting period	1,502,718.88			1,502,718.88
Write-offs in the reporting period	7,589.11			7,589.11
Balance as at June 30, 2020	2,626,157.06			2,626,157.06

Change of book balance whose change of amount of loss reserves is significant

☐ Applicable ☒ Inapplicable

Disclose according to age

Unit: RMB

Aging	Balance at the end of the year
Within one year (inclusive)	31,022,416.69
One to two years	2,183,982.42
Two to three years	1,078,349.94
Over three years	463,967.85
Three to four years	42,454.05
Four to five years	37,613.80
Over five years	383,900.00
Total	34,748,716.90

3) Bad debts reserve that is set aside, recovered or transferred back

Provision of bad debts reserve of the reporting period:

Unit: RMB

Type	Balance at the beginning of the year	Amount of change in the reporting period				Balance at the end of the year
		Provision	Recovery or transfer back	Write-offs	Others	
Other receivables	1,131,027.29	1,502,718.88		7,589.11		2,626,157.06
Total	1,131,027.29	1,502,718.88		7,589.11		2,626,157.06

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

4) Other receivables actually written off in the reporting period

Unit: RMB

Item	Written-off amount
Other receivables actually written off	7,589.11

Wherein, write-offs of important other receivables: None

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

Unit: RMB

Name of institution	Nature of amount	Balance at the end of the year	Aging	Percentage of total closing balance of other receivables	Closing balance for bad debts reserve
1st	Others	22,214,407.06	Within one year	63.93%	1,110,720.35
2nd	Margins and deposits	1,100,000.00	One to two years	3.17%	165,000.00
3rd	Margins and	900,000.00	One to two years,	2.59%	390,000.00

	deposits		more than five years		
4th	Margins and deposits	700,000.00	Two to three years, more than five years	2.01%	230,000.00
5th	Others	552,656.91	Within one year	1.59%	27,632.85
Total	--	25,467,063.97	--	73.29%	1,923,353.20

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) Categories of inventories

Unit: RMB

Item	Balance at the end of the year			Balance at the beginning of the year		
	Book balance	Provision for impairment of inventories or provisions for contract cost	Book value	Book balance	Provision for impairment of inventories or provisions for contract cost	Book value
Raw materials	741,974,493.37	17,983.97	741,956,509.40	524,569,054.30	11,942.85	524,557,111.45
Work-in-process products	38,706,917.29	418,858.03	38,288,059.26	47,577,009.45	357,365.13	47,219,644.32
Commodity stocks	350,379,404.14	2,147,334.68	348,232,069.46	375,752,356.14	1,562,936.40	374,189,419.74
Packages	21,916,829.27	85,423.46	21,831,405.81	24,152,524.80	154,311.71	23,998,213.09
Low-value consumables	12,537,164.54	726,782.65	11,810,381.89	11,353,098.88	675,834.25	10,677,264.63
Materials for consigned processing	16,800,079.57	0.00	16,800,079.57	5,764,035.94		5,764,035.94
Total	1,182,314,888.18	3,396,382.79	1,178,918,505.39	989,168,079.51	2,762,390.34	986,405,689.17

(2) Provision for impairment of inventories or provisions for contract cost

Unit: RMB

Item	Balance at the beginning of the year	Increase in the current period		Decrease in the current period		Balance at the end of the year
		Provision	Others	Reversal or charging off	Others	
Raw materials	11,942.85	21,931.63		15,890.51		17,983.97
Work-in-process products	357,365.13	379,338.93		317,846.03		418,858.03

Commodity stocks	1,562,936.40	1,302,458.45		718,060.17		2,147,334.68
Packages	154,311.71	102,826.92		171,715.17		85,423.46
Low-value consumables	675,834.25	296,598.14		245,649.74		726,782.65
Materials for consigned processing						
Total	2,762,390.34	2,103,154.07		1,469,161.62		3,396,382.79

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

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

10. Contract assets

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

☐ Applicable ☒ Inapplicable

Provision for impairment of contract assets in the reporting period: None

11. Assets held for sale

Unit: RMB

Item	Book balance at the end of the period	Impairment provision	Closing book value of the period	Fair value	Estimated disposal fee	Estimated disposal time
Immovable assets of the old factory of Hubei C&S (including land use rights)	57,073,059.69		57,073,059.69	66,285,118.00		December 31, 2020
Total	57,073,059.69		57,073,059.69	66,285,118.00		--

Other explanations:

In December 2019, the Company signed an agreement on acquiring the immovable assets of the old factory of Hubei C&S (including land use rights) upon consultation with Xiaonan District People's Government of Xiaogan Municipality to boost the investment and building of Phase II of the program of high-end household paper in the industrial zone in the Economic Development Area of Xiaonan District, Xiaogan Municipality. The Company believed that the immovable assets of the old factory of Hubei C&S (including land use rights) can be sold immediately in the current situation, according to similar transactions where such assets were sold. The Company signed a purchase agreement with legal constraints with Xiaogan Changxing Investment Co., Ltd. and Xiaonan District People's Government of Xiaogan Municipality regarding the transfer of such assets in December 2019. The Agreement included important terms and conditions including the price and time of the transaction as well as penalty for breach of contract that is strict enough. Therefore, there is little possibility of the Agreement to be significantly changed or canceled. The Company estimated that the ultimate transfer will be completed before December 2020. Therefore, immovable assets of the old factory of Hubei

C&S (including land use rights) was classified as assets held for sale by the Company.

According to evaluation, the price of immovable assets of the old factory of Hubei C&S (including land use right) was RMB66,285,100 in total. It is estimated that there are no fees for the sale other than relevant taxes and fees related to normal sale.

12. Non-current assets due within one year: None

13. Other current assets

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Reverse repos of treasury bonds		87,105,000.00
Wealth management products	212,400,000.00	40,000,000.00
Input VAT to be deducted	34,003,305.66	32,822,256.90
Prepaid corporate income tax	5,689,760.50	5,640,548.88
Total	252,093,066.16	165,567,805.78

Other explanation: None

14. Investments in creditor's rights

Important investment in creditor's rights: None

Provisions for asset impairment

Unit: RMB

Impairment provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2020 in the reporting period	-	-	-	-

Change of book balance whose change of amount of loss reserves is significant

☐ Applicable ☒ Inapplicable

15. Other investments in creditor's rights

Important other investment in creditor's rights: None

Provisions for asset impairment

Unit: RMB

Impairment provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2020 in the	-	-	-	-

reporting period				
------------------	--	--	--	--

Change of book balance whose change of amount of loss reserves is significant

☐ Applicable ☒ Inapplicable

16. Long-term receivables

(1) Long-term receivables

Impairment of bad debts reserve

Unit: RMB

Impairment provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit losses in the whole duration (without credit impairment)	Expected credit losses in the whole duration (with credit impairment)	
Balance as at January 1, 2020 in the reporting period	-	-	-	-

Change of book balance whose change of amount of loss reserves is significant

☐ Applicable ☒ Inapplicable

(2) Long-term receivables derecognized due to the transfer of financial assets: None

(3) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of long-term receivables: None

Other explanation: None

17. Long-term equity investment

Other explanation: None

18. Investment in other equity instruments

Disclosure of investments in non-tradable equity instruments of the reporting period by item: None

19. Other non-current financial assets

Other explanation: None

20. Investment real estate

(1) Investment real estate measured at cost

☒ Applicable ☐ Inapplicable

Unit: RMB

Item	Buildings	Land use rights	Construction work in progress	Total
I. Original Book Value				
1. Balance at the	31,142,650.03	21,661,131.29		52,803,781.32

beginning of the year				
2. Increase in the current period				
(1) External purchase				
(2) Inventory\PP&E\Transfer from construction in progress				
(3) Increase in business combination				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Closing balance	31,142,650.03	21,661,131.29		52,803,781.32
II. Accumulated Depreciation and Amortization				
1. Balance at the beginning of the year	11,923,174.46	4,841,225.56		16,764,400.02
2. Increase in the current period	487,472.35	215,860.26		703,332.61
(1) Provision or amortization	487,472.35	215,860.26		703,332.61
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Closing balance	12,410,646.81	5,057,085.82		17,467,732.63
III. Impairment Provision				
1. Balance at the beginning of the year				
2. Increase in the current period				
(1) Provision				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfers out				
4. Closing balance				
IV. Book Value				
1. Closing book value of the period	18,732,003.22	16,604,045.47		35,336,048.69
2. Opening book value	19,219,475.57	16,819,905.73		36,039,381.30

(2) Investment real estate measured at fair value

☐ Applicable ☒ Inapplicable

(3) Information on investment real estate that the certificate of title has not been issued

Other descriptions

The Company does not have investment real estate that the certificate of title has not been issued as at June 30, 2020.

21. Fixed assets

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Property and equipment	2,907,864,726.86	2,921,392,106.87
Total	2,907,864,726.86	2,921,392,106.87

(1) Information on fixed assets

Unit: RMB

Item	Properties and buildings	Equipment	Office equipment	Motor vehicles	Production equipment	Total
I. Original Book Value:						
1. Balance at the beginning of the year	1,055,604,437.13	2,958,625,080.21	47,464,949.76	15,446,847.51	69,259,291.88	4,146,400,606.49
2. Increase in the current period	62,728,216.87	61,999,628.61	3,595,565.85		4,925,214.36	133,248,625.69
(1) Purchase		1,996,379.48	3,125,754.53		3,355,458.90	8,477,592.91
(2) Transfer from construction in progress	62,728,216.87	60,003,249.13	469,811.32		1,569,755.46	124,771,032.78
(3) Increase in business combination						
3. Decrease in the current period		5,566,303.63	41,244.25		48,290.60	5,655,838.48
(1) Disposal or write-off		5,566,303.63	41,244.25		48,290.60	5,655,838.48
4. Closing balance	1,118,332,654.00	3,015,058,405.19	51,019,271.36	15,446,847.51	74,136,215.64	4,273,993,393.70
II. Accumulated Depreciation						
1. Balance at the beginning of the year	190,985,787.16	952,947,310.00	22,508,285.71	7,191,366.34	32,365,697.61	1,205,998,446.82
2. Increase in the current period	19,601,479.88	116,269,551.92	3,160,138.15	354,018.96	4,877,712.71	144,262,901.62
(1) Provision	19,601,479.88	116,269,551.92	3,160,138.15	354,018.96	4,877,712.71	144,262,901.62
3. Decrease in the current period		2,212,729.92	32,923.86		37,666.72	2,283,320.50

(1) Disposal or write-off		2,212,729.92	32,923.86		37,666.72	2,283,320.50
4. Closing balance	210,587,267.04	1,067,004,132.00	25,635,500.00	7,545,385.30	37,205,743.60	1,347,978,027.94
III. Impairment Provision						
1. Balance at the beginning of the year		18,970,596.52	29,332.40		10,123.88	19,010,052.80
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period		847,749.02	1,541.00		10,123.88	859,413.90
(1) Disposal or write-off		847,749.02	1,541.00		10,123.88	859,413.90
4. Closing balance		18,122,847.50	27,791.40			18,150,638.90
IV. Book Value						
1. Closing book value of the period	907,745,386.96	1,929,931,425.69	25,355,979.96	7,901,462.21	36,930,472.04	2,907,864,726.86
2. Opening book value	864,618,649.97	1,986,707,173.69	24,927,331.65	8,255,481.17	36,883,470.39	2,921,392,106.87

(2) Information on temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
Equipment	41,682,969.05	22,202,372.94	18,122,847.50	1,357,748.61	
Office equipment	263,607.34	234,345.94	27,791.40	1,470.00	
Total	41,946,576.39	22,436,718.88	18,150,638.90	1,359,218.61	

(3) Fixed assets acquired through finance lease: None**(4) Fixed assets leased through operating lease: None****(5) Information on fixed assets that the certificate of title has not been issued**

Unit: RMB

Item	Book value	The reasons for the certificate of title have not been issued
Workshops, warehouses, and dormitories of Hubei C&S	148,918,737.44	Processing

Warehouses and workshops of Zhejiang C&S	3,803,395.58	Processing
Plants and warehouses of Tangshan Branch	47,675,910.63	Processing
Total	200,398,043.65	

Other descriptions

There was no limitation on the ownership of fixed assets of the Company at the end of the reporting period.

(6) Disposal of fixed assets: None**22. Construction in process**

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Construction work in progress	22,256,470.46	55,734,236.91
Total	22,256,470.46	55,734,236.91

(1) Construction in progress

Unit: RMB

Project	Balance at the end of the year			Balance at the beginning of the year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction of Jiangmen C&S	1,278,303.32		1,278,303.32	8,149,431.17		8,149,431.17
Construction of Zhejiang C&S	677,479.68		677,479.68	494,274.78		494,274.78
Construction of Sichuan C&S	2,862,634.98		2,862,634.98			
Construction of Tangshan Branch	301,278.46		301,278.46	35,260,100.44		35,260,100.44
Hubei C&S Project	12,342,010.34		12,342,010.34	5,219,006.80		5,219,006.80
Construction of Yunfu C&S	4,794,763.68		4,794,763.68	6,611,423.72		6,611,423.72
Total	22,256,470.46		22,256,470.46	55,734,236.91		55,734,236.91

(2) Changes in significant construction in progress of the current period

Unit: RMB

Item name	Budget number	Balance at the beginning of the year	Increase in the current period	The amount of fixed assets transferred in the current period	Decrease in the current period	Balance at the end of the year	Proportion of the cumulative construction input in budget	Construction progress	Accumulative amount of interest capitalization	Including: The amount of interest capitalization in the current period	Interest capitalization rate in the current period	Source of fund
Construction of Jiangmen C&S	16,162,871.14	8,149,431.17	7,856,300.54	14,727,428.39		1,278,303.32	99.03%	99.03%				Others

Construction of Zhejiang C&S	4,854,261.08	494,274.78	4,271,913.94	4,088,709.04		677,479.68	98.19%	98.19%			Others
Construction of Sichuan C&S	13,523,732.54	0.00	13,142,549.99	10,279,915.01		2,862,634.98	97.18%	97.18%			Others
Construction of Tangshan Branch	332,000.00	35,260,100.44	19,337,701.73	54,296,523.71		301,278.46	18.72%	18.72%			Others
Hubei C&S Project	1,353,000,000.00	5,219,006.80	13,865,276.26	6,742,272.72		12,342,010.34	51.35%	51.35%			Others
Construction of Yunfu C&S	80,750,000.00	6,611,423.72	32,819,523.87	34,636,183.91		4,794,763.68	49.78%	49.78%			Others
Total	1,800,290,864.76	55,734,236.91	91,293,266.33	124,771,032.78		22,256,470.46	--	--			--

(3) The construction-in-progress provision set aside in the current period

Other descriptions

There was no recoverable amount of the construction in progress lower than the book value that required provisions in the Company in the current reporting period.

(4) Construction materials: None

23. Productive biological assets

(1) Productive biological assets measured at cost

☐ Applicable ☒ Inapplicable

(2) Productive biological assets measured at fair value

☐ Applicable ☒ Inapplicable

24. Oil & gas assets

☐ Applicable ☒ Inapplicable

25. Right-of-use assets: None

26. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent right	Non-patented technology	Application software	Trademark right	Total
I. Original Book Value						
1. Balance at the beginning of the year	189,064,322.15	1,342,721.84		12,433,710.50	168,370.83	203,009,125.32
2. Increase in the current period				1,783,304.46		1,783,304.46
(1) Purchase				1,783,304.46		1,783,304.46
(2) Internal R&D						
(3) Increase in business combination						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	189,064,322.15	1,342,721.84		14,217,014.96	168,370.83	204,792,429.78

II. Accumulated Amortization						
1. Balance at the beginning of the year	26,533,474.35	790,967.09		6,784,531.22	168,370.83	34,277,343.49
2. Increase in the current period	1,871,053.88	47,134.98		983,188.50		2,901,377.36
(1) Provision	1,871,053.88	47,134.98		983,188.50	0.00	2,901,377.36
3. Decrease in the current period						
(1) Disposal						
4. Closing balance	28,404,528.23	838,102.07		7,767,719.72	168,370.83	37,178,720.85
III. Impairment Provision						
1. Balance at the beginning of the year						
2. Increase in the current period						
(1) Provision						
3. Decrease in the current period						
(1) Disposal						
4. Closing balance						
IV. Book Value						
1. Closing book value of the period	160,659,793.92	504,619.77		6,449,295.24		167,613,708.93
2. Opening book value	162,530,847.80	551,754.75		5,649,179.28		168,731,781.83

The intangible assets generated by internal R&D of the Company at the end of the period occupies 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 the goodwill

Unit: RMB

Name of investee or the matters forming goodwill	Balance at the beginning of the year	Increase of current period		Decrease in the current period		Balance at the end of the year
		Formed by business combination		Disposal		
Zhongshan Jie Rou Paper not under common control	64,654.15					64,654.15
Total	64,654.15					64,654.15

(2) Provision for Impairment of goodwill

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

Explain the method to confirm the process of goodwill impairment test, key parameters (e.g. The growth rate in the predictive period when predicting the present value of future cash flow, the

growth rate in the stable period, profit rate, discount rate, and predictive period), and the goodwill impairment loss:

After conducting the asset impairment test by combining the goodwill with corresponding asset groups, there was no impairment as at June 30, 2020, and provisions at the end of the reporting period were not set aside.

Influence of the goodwill impairment test

Other descriptions

29. Long-term unamortized expenses

Unit: RMB

Item	Balance at the beginning of the year	Increase in the current period	Amortized amount of current period	Decrease	Balance at the end of the year
Use rights of sewage discharge	3,763,858.78		727,629.84		3,036,228.94
Property management fees of the office building	8,942,538.46	6,306,257.46	2,367,428.95		12,881,366.97
Electricity use rights	980,000.00		105,000.00		875,000.00
Total	13,686,397.24	6,306,257.46	3,200,058.79		16,792,595.91

Other descriptions

None

30. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets that were not offset

Unit: RMB

Item	Balance at the end of the year		Balance at the beginning of the year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Allowance for impairment losses	34,779,547.97	7,720,181.43	33,522,565.26	7,354,388.34
Unrealized profit in internal transaction	38,283,258.01	7,614,837.29	32,400,998.88	6,052,001.45
Deductible loss	103,971,403.92	25,992,850.98	133,306,241.56	33,326,560.39
Accrued expenses	49,082,779.64	12,270,694.91	49,082,779.64	12,270,694.91
Employee remuneration unpaid				
Provisions for impairment of fixed assets	18,150,638.90	3,319,714.34	19,010,052.80	3,472,180.20
Provision for impairment of inventories	3,396,382.79	663,918.93	2,762,390.34	535,522.47
Equity incentive cost	205,234,822.09	49,130,795.61	73,883,673.67	17,319,732.41
Total	452,898,833.32	106,712,993.49	343,968,702.15	80,331,080.17

(2) Deferred income tax liabilities that were not offset

Unit: RMB

Item	Balance at the end of the year		Balance at the beginning of the year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Pre-tax deduction of PP&E at one time as stipulated in the tax law	198,776,645.09	37,539,267.58	152,874,671.45	30,016,107.43
Total	198,776,645.09	37,539,267.58	152,874,671.45	30,016,107.43

(3) Deferred income tax assets or liabilities presented with the net amount after offset

Unit: RMB

Item	The offset amount of the deferred income tax assets and liabilities at the end of the reporting period	The balance of the deferred income tax assets or liabilities after offset at the end of the reporting period	The offset amount of the deferred income tax assets and liabilities at the beginning of the reporting period	The balance of the deferred income tax assets or liabilities after offset at the beginning of the reporting period
Deferred income tax assets		106,712,993.49		80,331,080.17
Deferred income tax liabilities		37,539,267.58		30,016,107.43

(4) Breakdown of the unconfirmed deferred income tax assets

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Deductible temporary differences	123,638.38	84,331.04
Total	123,638.38	84,331.04

(5) Deductible loss of the unconfirmed deferred income tax assets will be due in the next year:
None**31. Other non-current assets**

Unit: RMB

Item	Balance at the end of the year			Balance at the beginning of the year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepaid accounts of software	4,084,912.11		4,084,912.11	3,326,948.93		3,326,948.93
Prepaid accounts of engineering equipment	32,602,221.58		32,602,221.58	2,979,080.03		2,979,080.03
Total	36,687,133.69		36,687,133.69	6,306,028.96		6,306,028.96

Other explanation: None

32. Short-term borrowings

(1) Category of short-term borrowings

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Guaranteed borrowings	161,860,368.50	14,721,492.38
Total	161,860,368.50	14,721,492.38

Description of the category of short-term borrowings: None

(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 year	Balance at the beginning of the year
Banker's acceptance	204,505,448.05	202,653,860.31
Total	204,505,448.05	202,653,860.31

The total amount of the notes payable due but unpaid at the end of the reporting period is RMB0.00.

36. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Accounts payable	586,807,107.68	578,212,781.22
Total	586,807,107.68	578,212,781.22

(2) Important accounts payable exceeding one year

Unit: RMB

Item	Balance at the end of the year	Reason for unsettlement or not carry-over
1st	6,260,046.15	The contract settlement conditions

		were not met
Total	6,260,046.15	--

Other explanation: None

37. Payments received in advance

(1) List of payments received in advance: None

(2) Important payments received in advance exceeding one year

Other explanations:

There were no payments received in advance exceeding one year in the balance of the Company at the end of the reporting period.

38. Contract liabilities

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Advances on sales	79,981,886.78	142,476,562.31
Total	79,981,886.78	142,476,562.31

39. Employee remuneration payable

(1) List of employee remuneration payable

Unit: RMB

Item	Balance at the beginning of the year	Increase of current period	Decrease in the current period	Balance at the end of the year
I. Short-term Compensation	106,224,592.83	320,003,162.18	334,022,866.76	92,204,888.25
II. Post-employment Benefits - Defined Contribution Plan	189,007.44	7,184,542.44	7,314,419.27	59,130.61
III. Dismissal Benefits		453,642.38	453,642.38	
Total	106,413,600.27	327,641,347.00	341,790,928.41	92,264,018.86

(2) List of short-term remuneration

Unit: RMB

Item	Balance at the beginning of the year	Increase of current period	Decrease in the current period	Balance at the end of the year
1. Salary, bonus and subsidy	105,632,187.56	294,152,847.35	309,532,480.75	90,252,554.16
2. Employee welfare		11,073,608.15	10,276,861.76	796,746.39
3. Social insurance premiums	138,180.30	6,694,755.47	6,672,043.29	160,892.48
Including: Medical insurance	123,961.21	5,655,698.30	5,623,823.24	155,836.27
Employment injury insurance	7,474.96	283,553.45	290,852.30	176.11
Maternity	6,744.13	755,503.72	757,367.75	4,880.10

insurance				
4. Housing fund	235,586.00	6,560,208.26	6,158,619.12	637,175.14
5. Labor union fee and staff education fee	218,638.97	1,521,742.95	1,382,861.84	357,520.08
Total	106,224,592.83	320,003,162.18	334,022,866.76	92,204,888.25

(3) List of defined contribution plans

Unit: RMB

Item	Balance at the beginning of the year	Increase of current period	Decrease in the current period	Balance at the end of the year
1. Basic endowment insurance	182,767.82	6,957,144.82	7,081,396.47	58,516.17
2. Unemployment insurance	6,239.62	227,397.62	233,022.80	614.44
Total	189,007.44	7,184,542.44	7,314,419.27	59,130.61

Other explanations:

There was no delinquency of employee remuneration payable in the Company at the end of the reporting period.

40. Tax and fees payable

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Value-added tax	22,304,709.86	40,202,978.00
Corporate income tax	69,887,770.68	53,355,863.46
Individual income tax	1,193,456.54	1,419,250.54
City construction and maintenance tax	1,487,174.33	1,943,704.81
Education surcharges	710,553.71	998,926.69
Property tax	3,541,802.02	1,074,531.92
Stamp tax	560,403.47	561,017.55
Land use tax	771,971.10	796,430.83
Local education surcharges	473,702.47	665,951.12
Disabled security fund	604,121.54	364,478.02
Resources tax	59,938.40	69,070.60
Environmental protection tax	111,856.66	218,414.57
Total	101,707,460.78	101,670,618.11

Other explanation: None

41. Other payables

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Interest payable	41,625.00	173,259.89
Dividends payable	1,510,753.80	452,536.50
Other payables	711,270,057.51	635,208,714.66

Total	712,822,436.31	635,834,511.05
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(1) Interest payable

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Interest of long-term borrowings with interest repayment by installment and principal repayment upon maturity		85,143.46
Interest payable of short-term borrowings	41,625.00	88,116.43
Total	41,625.00	173,259.89

Important interest overdue but unpaid: None

(2) Dividends payable

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Dividends for restricted shares	1,510,753.80	452,536.50
Total	1,510,753.80	452,536.50

Other descriptions including important dividends payable exceeding one year, and the reasons for non-payment that should be disclosed: None

(3) Other payables**(1) Other payables listed based on amount nature**

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Deposits and margins	21,458,020.28	15,743,185.19
Unpaid fees	611,140,212.63	502,706,478.59
Others	2,582,155.15	2,612,148.46
The repurchase obligation of restricted shares	76,038,959.88	104,792,649.00
Authorized collection and payment of individual income tax under the equity incentive	50,709.57	9,354,253.42
Total	711,270,057.51	635,208,714.66

2) Other important accounts payable exceeding one year

Unit: RMB

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

Other explanation: None

42. Liabilities held for sale: None

43. Non-current liabilities due within one year

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Long-term borrowings due within one year		32,400,000.00
Total		32,400,000.00

Other explanation: None

44. Other current liabilities: None

45. Long-term borrowings

(1) Category of long-term borrowings

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Guaranteed borrowings		22,500,000.00
Total		22,500,000.00

Description of the category of long-term borrowings: None

Other descriptions including the interval of interest rate: None

46. Bonds payable

(1) Bonds payable: None

(2) Changes in the increase and decrease of the bonds payable (excluding other financial instruments such as preference shares and perpetual bonds that are divided into financial liabilities): None

(3) Descriptions of the conditions for converting bonds and converting time of convertible bonds: None

(4) Descriptions of other financial instruments that are divided into financial liabilities

Basic information on other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds: None

Table of changes in other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds: None

Descriptions of the basis for other financial instruments to be divided into financial liabilities: None

Other explanation: None

47. Lease liabilities: None

48. Long-term payables: None

(1) Long-term payables listed based on amount nature: None

(2) Special payables: None

49. Long-term employee remuneration payable

(1) Table of long-term employee remuneration payable: None

(2) Changes of the defined benefit plan: None

50. Projected liabilities: None

51. Deferred income

Unit: RMB

Item	Balance at the beginning of the year	Increase of current period	Decrease in the current period	Balance at the end of the year	Reasons for formation
Government grants	82,367,831.33	24,880,000.00	4,272,824.50	102,975,006.83	Government grants related to assets
Total	82,367,831.33	24,880,000.00	4,272,824.50	102,975,006.83	--

Projects involving government grants:

Unit: RMB

Liabilities	Balance at the beginning of the year	Increased amount of subsidies in the current period	The amount included in non-operating revenue in the current period	The amount included in other income in the current period	The amount of offset costs in the current period	Other changes	Balance at the end of the year	Related to assets/income
Financial support fund for the expansion project of 25,000 tons of high grade household paper	8,078,701.55			312,723.90			7,765,977.65	Related to assets
Subsidies for the infrastructure construction of new factory in Hubei	31,607,370.32			535,718.16			31,071,652.16	Related to assets
The ex-post funds awarded to the first batch of the	4,716,165.98			317,293.32			4,398,872.66	Related to assets

union enterprises for the technical transformation in 2017								
Support funds for the construction of environmental protection facilities	3,351,587.39			159,523.80			3,192,063.59	Related to assets
Special funds for the capacity expansion project of 25,000 tons	2,395,833.26			287,500.02			2,108,333.24	Related to assets
Discount interest funds for imported equipment	2,633,468.75			96,937.50			2,536,531.25	Related to assets
Support funds for the construction of Automated Storage & Retrieval System	2,162,500.00	20,000,000.00		192,647.06			21,969,852.94	Related to assets
Subsidies for the production expansion project of 25,000 tons of high grade household paper	2,066,666.79			79,999.98			1,986,666.81	Related to assets
Subsidies for "water treatment" project construction	1,524,940.00			77,539.32			1,447,400.68	Related to assets
Support funds for sewage centralized water treatment project	1,093,500.00			60,750.00			1,032,750.00	Related to assets
Support funds for the technical transformation of equipment production line	4,447,359.44			403,311.72			4,044,047.72	Related to assets
Support funds for equipment of Phase II project	11,438,819.16			985,624.08			10,453,195.08	Related to assets
Support funds for the transformation of Phase I	3,708,873.26			224,780.22			3,484,093.04	Related to assets

project								
Subsidies for sewage treatment station	3,142,045.43			238,636.38			2,903,409.05	Related to assets
Funds for technical transformation of the production line		3,880,000.00		264,124.76			3,615,875.24	Related to assets
Funds for traditional enterprise transformation projects		1,000,000.00		35,714.28			964,285.72	Related to assets
Total	82,367,831.33	24,880,000.00		4,272,824.50			102,975,006.83	

Other explanation: None

52. Other non-current liabilities: None

53. Share capital

Unit: RMB

	Balance at the beginning of the year	Increase and decrease of this change (+ and -)					Balance at the end of the year
		Issuance of additional shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	
Total number of shares	1,308,891,273.00	2,591,508.00			-802,722.00	1,788,786.00	1,310,680,059.00

Other explanations:

Please refer to "Section XI III. Basic Information of the Company 1. Development history of the company" for details about the changes in the share capital of the Company in the reporting period.

54. Other equity instruments

(1) Basic information on other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds: None

(2) Table of changes in other financial instruments in issue at the end of the reporting period, such as the preference shares and perpetual bonds

Descriptions of changes and the reasons for changes of other equity instruments in the current period, and the basis for relevant accounting processing: None

Other explanation: None

55. Capital reserve

Unit: RMB

Item	Balance at the beginning of the year	Increase of current period	Decrease in the current period	Balance at the end of the year
Capital premium (share premium)	595,936,687.24	22,940,029.30	2,673,064.26	616,203,652.28
Other capital reserve	164,794,729.33	80,671,237.42	3,317,130.24	242,148,836.51
Total	760,731,416.57	103,611,266.72	5,990,194.50	858,352,488.79

Other descriptions, including changes of increase and decrease, and the reasons for changes in the current period:

(1) The Company held the 23rd meeting of the fourth Board of Directors and the 19th meeting of the fourth Board of Supervisors, and approved the *Proposal on the Achievement of Exercise Conditions of the First Exercise Period of Stock Option for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. In conformity with the regulations of the *2018 Stock Option and Restricted Stock Incentive Plan (Draft)*, the Board of Directors considered that the exercise conditions in the first exercise period of the equity options granted for the first time had been met. There were 2,522 incentive recipients that met the exercise conditions, the number of feasible equity options was 3,431,505, and the exercise price was RMB8.572 per share. The capital reserve - share premium of option exercise in the reporting period was increased by RMB22,940,029.30. The Company held the 23rd meeting of the fourth Board of Directors, approved the *Proposal on the Repurchase and Deregistration of Partial Restricted Stock for the First Time under the Company's 2018 Stock Option and Restricted Stock Incentive Plan*. Besides, the Company convened the second extraordinary general meeting of Shareholders in 2020, approved the *Proposal on Reducing the Company's Registered Capital and Revising the Articles of Association*. When the Phase I of restricted stock granted for the first time under the Company's *2018 Stock Option and Restricted Stock Incentive Plan* was unlocked, 241 incentive recipients lost incentive qualification due to their dismissal before unlocking, unqualified personal assessment, and failure to get the full mark though qualified in the personal assessment, and they agreed to repurchase and write off a total of 802,722 granted but not unlocked restricted stocks, and reduced RMB2,673,064.26 of share reserve - share premium at the meantime.

(2) In accordance with relevant policies for stock payment, the cost in the reporting period was set aside and RMB50,297,192.75 was included in "capital reserve - other capital reserve". In terms of the future deductible amount before tax of the unlocked portion of the Company's stock incentive plan exceeding the book recognition expense, the deferred income tax assets were confirmed and RMB30,374,044.67 was included in the capital reserve. The capital reserve - other capital reserve of option exercise in the reporting period was decreased by RMB3,317,130.24.

56. Treasury shares

Unit: RMB

Item	Balance at the beginning of the year	Increase of current period	Decrease in the current period	Balance at the end of the year
Restricted shares	104,792,649.00	28,307,544.47	29,380,369.51	103,719,823.96
Total	104,792,649.00	28,307,544.47	29,380,369.51	103,719,823.96

Other descriptions, including changes of increase and decrease, and the reasons for changes in the current period:

(1) The Company implemented the repurchase of shares by centralized bidding transactions through

repurchase special securities accounts. The number of shares repurchased was 1,895,900 accumulatively, accounting for 0.1448% of the Company's total share capital. The highest transaction amount was RMB15 per share, the lowest one was RMB14.34 per share, the total transaction amount was RMB27,680,721.76, and the treasury stocks increased by RMB27,680,721.76.

(2) The cancellation of RMB78,666.82 of cash dividends originally held by the targets of the repurchase and deregistration was included in the increase of the current period; RMB548,155.89 of unlocked cash dividends in the first period is included in the increase of the current period.

(3) Under the policy related to share-based payments, 5,593,428 shares of restricted stocks were unlocked at RMB4.33 per share during the reporting period, a decrease of RMB24,219,543.24 in treasury shares.

(4) When the first phase of the first grant of restricted stock was unlocked, 241 incentive subjects left the Company before the unlocking to lose their incentive qualifications, failed to meet the standard in personal assessment, and met the personal assessment but less than a full score, agreed to repurchase and cancel a total of 802,722 shares of restricted stock that had been granted but not unlocked. Among them, 35 incentive recipients left the Company before unlocking and were disqualified, and 705,000 restricted shares were granted but not unlocked. One incentive recipient failed to meet the personal assessment, and 6,000 restricted shares were not unlocked. 205 incentive subjects met the personal assessment but did not score full marks. They unlocked shares proportionally based on their scores, and 91,722 restricted shares were not unlocked. Each share valued RMB4.33, and a decrease of RMB3,475,786.26 occurred in treasury shares.

(5) Cash dividends paid to restricted stockholders within the waiting period were revocable. For restricted stockholders who are expected to unlock their shares in the future, the distribution of cash dividends during the reporting period reduced treasury shares by RMB1,685,040.01.

57. Other comprehensive income: None

58. Special reserves: None

59. Surplus reserve

Unit: RMB

Item	Balance at the beginning of the year	Increase of current period	Decrease in the current period	Balance at the end of the year
Legal surplus reserves	53,205,582.86			53,205,582.86
Total	53,205,582.86			53,205,582.86

Explanation of surplus reserves, including changes and the reasons for changes during the period:
None

60. Retained profit

Unit: RMB

Item	Current period	Previous period
Undistributed profits before adjustment at the end of the last period	2,058,968,835.80	1,490,758,189.02
Undistributed profits at the beginning of the period after adjustment	2,058,968,835.80	1,490,758,189.02

Plus: Net profit attributable to owners of the parent company of the current period	452,699,484.61	274,874,634.43
Dividends on ordinary shares payable	97,945,986.16	29,721,104.20
Undistributed profits at the end of the period	2,413,722,334.25	1,735,911,719.25

Details of undistributed profits at the beginning of the period after adjustment:

(1) As a result of retrospective adjustments to the *Accounting Standards for Business Enterprises* and its related new provisions, the impact on undistributed profits at the beginning of the period was RMB0.00.

(2) Due to the changes in accounting policies, the impact on undistributed profits at the beginning of the period was RMB0.00.

(3) Due to the correction of material accounting errors, the impact on undistributed profits 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 undistributed profits at the beginning of the period was RMB0.00.

(5) Other adjustments affected undistributed profits 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	
	Revenue	Cost	Revenue	Cost
Principal business	3,600,704,841.94	1,918,216,266.98	3,117,772,177.10	1,957,532,407.94
Others	15,496,557.86	13,190,651.18	54,616,849.86	50,803,823.08
Total	3,616,201,399.80	1,931,406,918.16	3,172,389,026.96	2,008,336,231.02

Relevant information of income: None

Relevant information of performance obligation: None

Relevant information of 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 RMB13,382,716.97, of which the income of RMB13,382,716.97 is expected to be confirmed in the year of 2020.

Other explanation: None

62. Tax and surcharges

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
City construction and maintenance tax	9,361,201.41	5,017,119.18
Education surcharges	4,706,053.57	2,808,844.72
Property tax	4,767,707.05	3,917,690.87
Land use tax	1,746,360.26	1,469,916.00

Vehicle and vessel use tax	12,360.00	10,335.00
Stamp tax	3,007,283.02	2,567,993.11
Environmental protection tax	181,672.99	122,147.76
Local education surcharges	3,137,369.06	1,867,843.13
Total	26,920,007.36	17,781,889.77

Other explanation: None

63. Sales costs

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	134,986,732.37	114,615,949.89
Advertising and promotion expenses	74,270,803.62	63,937,933.85
Product promotion fees	411,196,541.39	243,505,631.59
Shopping mall management fees	48,753,624.04	35,493,967.64
Transportation expenses	165,690,045.64	135,914,356.58
Traveling expenses	4,940,998.20	6,654,290.85
Business entertainment expenses	436,080.12	724,640.09
Rental fee	3,183,544.55	3,278,028.80
Others	4,612,712.67	3,644,482.20
Total	848,071,082.60	607,769,281.49

Other explanation: None

64. Administrative expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Employee remuneration	70,379,157.38	56,321,695.78
Office allowance	10,475,476.21	7,182,089.19
Taxes and fees	321,431.07	277,958.56
Depreciation and amortization fees	31,544,768.00	20,500,741.11
Rental fee	1,475,930.22	598,340.41
Traveling expenses	393,381.65	1,433,480.02
Business entertainment expenses	1,580,927.02	1,643,377.69
Consulting service fees	4,773,171.55	4,100,346.82
Environmental protection fees	1,251,298.69	1,011,018.14
Outsourcing warehouse management fees	5,349,303.92	5,341,198.77
Equity incentive cost	52,983,211.08	24,554,780.00
Others	5,173,797.22	3,822,623.73
Total	185,701,854.01	126,787,650.22

Other explanation: None

65. R&D expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
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Employee remuneration	17,174,899.12	11,550,920.19
Direct investment	59,534,214.24	43,435,750.19
Depreciation and amortization fees	12,202,630.08	7,315,645.93
Others	1,949,084.80	1,738,338.56
Total	90,860,828.24	64,040,654.87

Other explanation: None

66. Financial expenses

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Interest fees	1,140,788.29	8,797,536.95
Less: interest income	4,060,998.02	1,693,449.28
Exchange profit and loss	-993,705.23	4,216,398.11
Plus: Transaction fee and others	2,891,912.73	3,503,937.63
Total	-1,022,002.23	14,824,423.41

Other explanation: None

67. Other income

Unit: RMB

Sources of the return on other income	Incurred in the current period	Incurred in the prior period
Financial support funds for industry collaboration	7,892,985.55	1,677,400.00
The reward of 2018 support policy of Economic and Information Technology Bureau of Pengzhou	1,310,000.00	
Support funds for equipment of Phase II project	985,624.08	
Refund of individual income tax	696,845.15	
Infrastructure construction subsidies of the new factory of Hubei C&S	535,718.16	
VAT exemption for retired soldiers and employment of the poor population	438,350.00	
Support funds for equipment and technology upgrading	403,311.72	
The ex-post funds awarded to the first batch of the union enterprises for the technical transformation in 2017	317,293.32	367,470.56
Partial 2013-2017 financial support funds of Management Committee of Sichuan Province Pengzhou Industrial Development Zone	312,723.90	312,723.90
Award for breakthroughs with increases in businesses	300,000.00	
The 25,000 tons capacity expansion project of Tangshan Branch	287,500.02	287,500.02
Provincial support funds for enterprise technical upgrading	264,124.76	
Financial support for the sewage treatment station project of Tangshan Branch	238,636.38	119,318.19
Support funds for the transformation of Phase I project	224,780.22	
Subsidies for photovoltaic power rooftop	224,640.00	
Support funds for the construction of Automated Storage & Retrieval System	192,647.06	75,000.00
Support funds for the construction of environmental protection facilities	159,523.80	159,523.80

Import interest discounts on imported equipment in 2014	96,937.50	96,937.50
Increase of special assets management plans of subsidies for 25,000 tons household paper	79,999.98	79,999.98
Subsidies for water treatment project	77,539.32	77,539.32
Financial support for sewage centralized water treatment project	60,750.00	60,750.00
Provincial funds for traditional industry transformation projects	35,714.28	
2019 energy efficiency special fund of Bureau of Science, Industry and Commerce (enterprises with clean production)	20,000.00	
2018 management system certification rewards of Pengzhou Municipal Administration for Market Regulation	10,000.00	
Subsidies for pandemic prevention system building of enterprises of Economic and Information Technology Bureau of Pengzhou	9,000.00	
Subsidy funds for high-tech enterprise evaluation and certification (cultivation)		800,000.00
Technical transformation funds of Financial Department, Shuangshui Town, Xinhui District, Jiangmen City		392,857.14
Subsidy funds for applications of high-tech enterprises		50,000.00
Total	15,174,645.20	4,557,020.41

68. Income on investment

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Others	2,287,274.87	72,378.41
Total	2,287,274.87	72,378.41

Other explanations:

"Others" are returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds of the Company

69. Profit of net exposure hedging: None**70. Income from changes in fair value: None****71. Credit impairment losses**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Bad debt losses from other receivables	-1,502,718.88	-252,972.40
Impairment loss on accounts receivable	79,019.13	1,282,474.48
Total	-1,423,699.75	1,029,502.08

Other explanation: None

72. Asset impairment loss

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
II. Impairment Loss of Inventories and Contract Performance Cost	-850,381.40	-589,537.49
V. Impairment Losses of Fixed Assets		-1,932,871.50
Total	-850,381.40	-2,522,408.99

Other explanation: None

73. Return on disposal of assets

Unit: RMB

Sources of the return on disposal of assets	Incurred in the current period	Incurred in the prior period
Return on disposal of PP&E	-896,870.05	-389,173.07
Total	-896,870.05	-389,173.07

74. Non-operating revenue

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	Amount recognized as profit or loss for the current period
Government grants	1,997,067.57	1,651,393.00	1,997,067.57
Income from fine and compensation	640,155.42	588,849.92	640,155.42
Others	530,259.96	495,506.30	530,259.96
Profit from damage and retirement of non-current assets	1,758.21		1,758.21
Including: Fixed assets	1,758.21		1,758.21
Total	3,169,241.16	2,735,749.22	3,169,241.16

Government grants recognized as profit or loss for the current period:

Unit: RMB

Grants	Issuer	Reason	Nature and type	The subsidy affected the profit and loss for the year or not	Special subsidy or not	Amount incurred in the current period	Amount incurred in the last period	Related to assets/income
Support funds of Management Committee of Development Zone	Management Committee of Pengzhou City Industrial Development Zone	Grants	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		1,295,600.00	Related to income
Subsidies for stable employment	Labor and Employment Administration of Xiaonan District, Xiaogan City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	291,200.00	135,000.00	Related to income
The reward of 2017 government support of Economic and Information Technology Bureau of Pengzhou	Economic Technology and Investment Promotion Bureau of Pengzhou	Rewards	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No		100,000.00	Related to income
Subsidies for enterprise social insurance	Human Resources and Social Security Department of Hubei Province	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		44,000.00	Related to income
Special funds for promoting the stable growth of foreign trade	Zhongshan Bureau of Commerce	Rewards	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		41,093.00	Related to income
Subsidies for stable employment	Labor and Employment Administration of	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control	No	No	27,200.00	32,200.00	Related to income

	Xiaonan District, Xiaogan City		of a public utility or socially necessary product					
Reward subsidy of the Labour and Employment Administration for the employment of poor people in enterprises	Human Resources and Social Security Bureau of Xiaonan District, Xiaogan City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		2 000,00	Related to income
Unemployment insurance and employment stabilization subsidies	Human Resources and Social Security Bureau of Luoding City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No		1,500.00	Related to income
Subsidies for enterprise social insurance	Labor and Employment Administration of Xiaonan District, Xiaogan City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	37,332.00		Related to income
Special award funds for the restructuring of industrial enterprises	Treasury Centralized Receipt and Payment Center of Xiaonan District, Xiaogan City	Rewards	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No	410,000.00		Related to income
Subsidies for stable employment	Employment Services Management Bureau of Pengzhou City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	29,142.57		Related to income
Unemployment insurance and employment stabilization subsidies	Employment Service Center of Hangzhou City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	887.00		Related to income
Unemployment insurance and employment stabilization subsidies	Employment Management Service Department of Pinghu City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	389,857.30		Related to income
Subsidies for stable	Social Insurance	Grants	Subsidies received for the	No	No	245,515.30		Related to

employment	Career Management Bureau of Chengdu City		performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product					income
One-time employment intake subsidy	Human Resources and Social Security Bureau of Luoding City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	238,317.87		Related to income
Subsidies for stable employment	Social Insurance Career Bureau of Yutian County	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	87,935.77		Related to income
Unemployment insurance and employment stabilization subsidies	Human Resources and Social Security Bureau of Yunfu City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	72,684.00		Related to income
Unemployment insurance and employment stabilization subsidies	Social Insurance Fund Management Bureau of Zhongshan City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	50,801.57		Related to income
Subsidies for employees of enterprises with the resumption of work and production	Dongsheng Branch of Human Resources and Social Security Bureau of Zhongshan City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	40,400.00		Related to income
Subsidies of enterprise training for Xiaogan No. 4 Technical School	Xiaogan No. 4 Technical School	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	33,000.00		Related to income
Grants for pandemic prevention	Financial Payment (Accounting) Center of Jiaxing Port Area	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	19,750.00		Related to income

Unemployment insurance and employment stabilization subsidies	Social Insurance Fund Management Bureau of Yunfu City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	16,343.00		Related to income
Security social service	Management Committee of Development and Construction of Jiaxing Port Area	Grants	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No	5,000.00		Related to income
Unemployment insurance and employment stabilization subsidies	Human Resources and Social Security Bureau of Luoding City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	1,500.00		Related to income
Unemployment insurance and employment stabilization subsidies	Dongsheng Branch of Human Resources and Social Security Bureau of Zhongshan City	Grants	Subsidies received for the performance of the State's function of ensuring the supply or price control of a public utility or socially necessary product	No	No	118.16		Related to income
Funds of promotion of enterprise development	Yunfu Municipal Finance Bureau	Grants	Grants received as a result of compliance with local government policies such as investment attraction and other local support policies	No	No	83.03		Related to income
Total						1,997,067.57	1,651,393.00	

Other explanation: None

75. Non-operating expense

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period	Amount recognized as profit or loss for the current period
External donations	11,952,705.59	91,000.00	11,952,705.59
Others	1,267,171.07	269,904.63	1,267,171.07
Loss from the damage and abandonment of non-current assets	20,306.50	50,463.95	20,306.50
Including: Fixed assets	20,306.50	50,463.95	20,306.50
Intangible assets			
Total	13,240,183.16	411,368.58	13,240,183.16

Other explanation: None

76. Income tax expenses**(1) Table of income tax expense**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Current income tax expense	76,953,980.75	55,947,416.55
Deferred income tax expense	8,829,273.17	7,098,544.68
Total	85,783,253.92	63,045,961.23

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

Unit: RMB

Item	Incurred in the current period
Total profit	538,482,738.53
Income tax expenses calculated at the statutory/applicable tax rate	134,620,684.63
Impacts of different tax rates applied to subsidiaries	-45,835,743.68
Impacts of adjustments to income taxes during the prior period	-10,592,048.77
Impacts of non-deductible costs, expenses and losses	7,590,361.74
Income taxes	85,783,253.92

Other explanation: None

77. Other comprehensive income

See the Notes for details.

78. Items in the cash flow statement**(1) Cash received related to other operating activities**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Current accounts	12,564,390.63	10,530,072.51
Fiscal stimulus	36,365,077.82	11,722,281.47
Interest Income	4,060,998.02	1,693,449.28
Authorized collection of individual income tax under the equity incentive	17,943,967.78	11,950,663.10
Others	6,055,212.85	4,951,827.99
Total	76,989,647.10	40,848,294.35

Explanation of cash received related to other operating activities: None

(2) Cash payments related to other operating activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Expenses paid	316,942,453.60	290,074,941.89
Current accounts	2,335,741.67	11,920,797.49
Authorized payment of individual income tax under the equity incentive	28,191,169.72	20,737,285.80
Others	10,981,895.83	42,132.22
Total	358,451,260.82	322,775,157.40

Explanation of cash paid related to other operating activities: None

(3) Cash received related to other investing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Principal repayment on maturity of WM products	40,000,000.00	
Principal repayment on maturity of treasury bonds reverse repurchase	87,105,000.00	
Total	127,105,000.00	

Explanation of cash received related to other investment activities: None

(4) Cash payments related to other investing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Purchasing WM products	212,400,000.00	
Total	212,400,000.00	

Explanation of cash paid related to other investment activities: None

(5) Cash received related to other financing activities

Explanation of cash received related to other financing activities: None

(6) Cash payments related to other financing activities

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Incentive, repurchase and deregistration of equity	3,475,786.26	460,054.74
Share repurchase	27,680,721.76	
Deposits of bills, letter of guarantee and margin of letter of credit	9,290,358.88	15,847,938.88
Total	40,446,866.90	16,307,993.62

Explanation of cash paid related to other financing activities: None

79. Supplementary information to cash flow statement**(1) Supplementary information to cash flow statement**

Unit: RMB

Supplementary Information	Amount of the current period	Amount of last period
1. Reconciliation of net profit to cash flows from operating activities:	--	--
Net Profit	452,699,484.61	274,874,634.43
Plus: Provisions for asset impairment	2,274,081.15	1,492,906.91
The depreciation of PP&E, oil and gas assets and productive biological assets	145,151,634.15	118,751,157.73
Intangible asset amortization	2,901,377.36	1,932,054.03
Long-term unamortized expenses	3,200,058.79	35,050.14
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" indicates income)	896,870.05	389,173.07
Losses of fixed assets write-off ("-" indicates income)	18,548.29	50,463.95
Finance costs ("-" indicates income)	-2,415,195.58	9,254,841.95
Investment loss ("-" indicates income)	-2,287,274.87	-72,378.41
Decrease in deferred income tax assets ("-" indicates increase)	1,306,113.02	1,938,062.68
Increase in deferred income tax liabilities ("-" indicates decrease)	7,523,160.15	4,003,929.96
Decrease in inventory ("-" indicates increase)	-192,512,816.22	-31,434,851.67
Decrease in operating receivables ("-" indicates increase)	-100,988,107.49	-25,015,343.48
Increase in operating payables ("-" indicates decrease)	186,790,654.92	378,785,937.07
Net cash flows from operating activities	504,558,588.33	734,985,638.36
2. Significant investment and financing activities not involving cash:	--	--
3. Net changes in cash and cash equivalents:	--	--
Closing balance of cash	896,433,846.64	574,702,760.83
Less: Opening balance of cash	675,996,852.97	371,129,472.06
Net increase in cash and cash equivalents	220,436,993.67	203,573,288.77

(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 year	Balance at the beginning of the year
I. Cash	896,433,846.64	675,996,852.97
Including: Cash on hand	81,123.62	76,152.38
Bank deposits always available for payment	892,229,613.53	675,589,471.75
Other monetary funds always available for payment	4,123,109.49	331,228.84
III. Closing Balance of Cash and Cash Equivalents	896,433,846.64	675,996,852.97

Other explanation: None

80. Items notes in the statement of changes in owner's equity

Note of the item name and amount of "Other" after adjustment of the closing balance last year and other issues: None

81. Assets with restricted right to use or ownership

Unit: RMB

Item	Closing book value of the period	Reason for restriction
Other monetary funds	37,040,130.33	Margins for letter of credit and notes were issued.
Total	37,040,130.33	--

Other explanation: None

82. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing balance of foreign currency	Converted exchange rate	Closing converted balance of RMB
Monetary funds	--	--	134,151,280.56
Including: USD	17,718,773.09	7.0825	125,493,210.41
EUR			
HKD	9,474,769.82	0.9138	8,658,044.66
MOP	28.74	0.8870	25.49
Accounts receivable	--	--	5,770,571.91
Including: USD	148,630.49	7.0825	1,052,675.45
EUR			
HKD	5,162,942.07	0.9138	4,717,896.46
Long-term Loans	--	--	

Including: USD			
EUR			
HKD			
Other receivables			273,965.37
Including: HKD	299,808.90	0.9138	273,965.37
Accounts payable			210,981,113.83
Including: USD	29,476,438.24	7.0825	208,766,873.83
JPY	33,600,000.00	0.0659	2,214,240.00
Other payables			3,583,345.41
Including: HKD	3,916,523.14	0.9138	3,578,918.85
USD	625.00	7.0825	4,426.56
Prepaid accounts			1,564,934.84
Including: USD			
EUR	196,400.00	7.9681	1,564,934.84
Contract liabilities			283,545.02
Including: HKD	235,420.85	0.9138	215,127.57
USD	9,660.07	7.0825	68,417.45

Other explanation: None

(2) Overseas business entities, especially important ones, shall disclose the 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 □ Inapplicable

Overseas business entities	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.	Macau	RMB

83. Hedges

Disclosure of hedged items and related hedging instruments, qualitative and quantitative information about hedged risk according to the types of hedging: None

84. Government grants

(1) Basic information on government grants

Unit: RMB

Category	Amount	Reporting items	Amount recognized as profit or loss for the current period
Related to assets	24,880,000.00	Deferred income	
Related to assets	4,272,824.50	Other income	4,272,824.50
Related to income	10,204,975.55	Other income	10,204,975.55
Related to income	1,997,067.57	Non-operating income	1,997,067.57
Total	41,354,867.62		16,474,867.62

(2) Return of government grants

☐ Applicable ☒ Inapplicable

Other notes: See Note VII, 51, 67, 74

85. Others: None

VIII. Changes in the Combination

1. Business combinations not under common control

(1) Business combinations not under common control of the current period: None

(2) Combination costs and goodwill

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

Main reasons for the formation of huge goodwill: None

Other explanation: None

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

Method of determining the fair value of identifiable assets and liabilities: None

Acquiree's contingent liabilities assumed in a business combination: None

Other explanation: None

(4) Profit or loss recalculated according to the fair value of equity held before the acquisition date

Whether there are transactions through which business combination is achieved in stages and that obtain the control within the reporting period

☐ Yes ☒ No

(5) Note 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 notes: None

2. Business combinations involving enterprises under common control

(1) Business combinations under common control of the current period: None

(2) Combination costs: None

(3) Book value of assets and liabilities of the combined party on the date of combination

Contingent liabilities of the combined party assumed in a business combination: None

Other explanation: None

3. Reverse purchase

Basic information of transactions, basis for transactions constituting reverse purchase, whether assets and liabilities retained by listed companies constitute a business and its basis, determining of combination costs, adjustment of equity amount and calculation when dealing with as equity transactions: None

4. Disposal of subsidiaries

Whether the situation that one disposal of investment in a subsidiary results in a loss of control is identified

☐ Yes ☒ No

Whether the situation that the disposal of investment in a subsidiary is achieved in stages through multiple transactions and lose the control within the reporting period is identified

☐ Yes ☒ No

5. Changes in the scope of combination due to other reasons

Note of changes in the scope of combination due to other reasons (establishment, liquidation of subsidiaries, etc.) and related situations: None

6. Others: None

IX. Equities in Other Entities

1. Equity in subsidiaries

(1) Composition of an enterprise group

Name of the subsidiary	Main business address	Location of registration	Principal activities	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; and sales (including online sales) of Class I and II medical devices. (Business activities above are not restricted by the Special Administrative Measures for the Access of Foreign Investment) (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.))	88.25%	11.75%	Capital contribution for establishment
Zhejiang Zhongshun Paper Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	General business activities: paper products manufacturing; sales of paper products; sales of paper pulp; sales of personal hygiene products; sales of hygiene products and disposable medical products; sales of disinfectant (hazardous chemicals exclusive); 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 child supplies; 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 (licensed chemical products exclusive); Internet sales (products requiring license for sale exclusive) (Except for business activities subject to approval in accordance with laws, other business activities shall be carried out by business license.) (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.)	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: High-end household paper series products, hygiene products, maternal and infant products, daily necessities, cosmetics, medical devices, hygiene materials, non-woven products, polymer materials and products, daily groceries, and sterilization supplies (excluding hazardous chemicals); import and export of goods or technologies (excluding the import and export of goods and technologies prohibited by the country or subject to administrative approval); and warehouse services (limited to warehouses qualified in fire protection without hazardous chemicals). (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.))	100.00%		Capital contribution for establishment
C&S (Yunfu) Trading Co., Ltd.	Yunfu, Guangdong	Yunfu, Guangdong	Wholesale, retail, online sales: paper, wood pulp, hygiene products, maternal and child supplies, cosmetics, daily necessities, medical devices, daily sundries, disinfectant products (hazardous chemicals exclusive). (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.))	100.00%		Capital contribution for establishment

C&S (Macao) Co., Ltd.	Macau	Macau	Wholesale trade		100.00%	Capital contribution for establishment
Zhongshan Zhongshun Trading Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Business activities cover wholesale, retail and online sales (sales only on the third-party platform) of paper products (printing products exclusive), wood pulp, general merchandise, hygiene products, cosmetics, nonwoven products, chemical products for daily use and class I medical devices; warehousing (hazardous chemicals and precursor chemicals exclusive); import and export of goods and technology; operations of class II and class III medical devices. (Business activities prohibited by laws and administrative regulations are exclusive; business activities restricted by laws and administrative regulations shall not be carried out until permit has been obtained). (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.)	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 (food exclusive) (Business activities subject to permit shall not be carried out until permit of competent authorities has been obtained)		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, pulp boards; import and export of goods. (The Company may select business items and engage in business activities at its own discretion according to laws; business items subject to approval in accordance with laws shall be conducted within the approved scope upon approval of relevant authorities; may not engage in any business activities prohibited or restricted by the city's industrial policies.)		100.00%	Business combinations involving enterprises under common control
Chengdu Zhongshun Paper Co., Ltd.	Pengzhou, Sichuan	Pengzhou, Sichuan	Sales of household paper, cleaning products, general merchandise, hygiene products, baby products, cosmetics, nonwoven products, feminine hygiene products, chemical products for daily use, daily necessities, medical devices, medical supplies and disinfectant products (hazardous chemicals exclusive); electronic commerce [Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained].		100.00%	Business combinations involving enterprises under common control
Hangzhou Jie Rou Trading Co., Ltd.	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Wholesale, retail: paper products, paper pulp, general merchandise; import and export of goods and technology (Business activities prohibited by national laws and administrative regulations are exclusive; business activities restricted by laws and administrative regulations shall not be carried out until permit has been obtained); other legitimate business activities not subject to approval (Business activities subject to approval in accordance with laws shall		100.00%	Business combinations involving enterprises under

			not be carried out until approval from competent authorities has been obtained)			common control
Shanghai Huicong Paper Co., Ltd.	Shanghai	Shanghai	Household paper, paper pulp, pulp boards, import and export of goods and technology. [Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.]		100.00%	Business combinations involving enterprises under common control
C&S (Hubei) Paper Co., Ltd.	Xiaogan, Hubei	Xiaogan, Hubei	Production and sales of household paper products, general merchandise, chemical products for daily use (hazardous chemicals exclusive), disinfectant products (hazardous chemicals exclusive); R&D, production and sales of daily necessities and hygiene products such as wet wipes, sanitary pads, pant style sanitary pads, liners, adult diapers, and baby products (food exclusive) such as baby diapers and cotton tissues, makeup remover wipes, cosmetics; wholesale and retail of class I and class II medical devices. (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained)	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	R&D, production, processing, and sales of hygiene products [tissues (paper)], baby products, daily necessities, non-woven products, and feminine hygiene products; export of self-produced products and import of necessary mechanical equipment, parts and accessories, and raw and auxiliary materials; and sales of daily chemical products, articles of daily use, medical devices, medical supplies, and sterilization supplies (excluding hazardous chemicals) [Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.]]	100.00%		Business combinations not under common control
C&S (Zhongshan) Paper Co., Ltd.	Zhongshan, Guangdong	Zhongshan, Guangdong	Production, processing and sales: high-class household paper products (printing process exclusive); import and export of pulp boards (Business activities prohibited by laws and administrative regulations are exclusive; business activities restricted by laws and administrative regulations shall not be carried out until permit has been obtained). (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.)	100.00%		Business combinations not under common control
Sun Daily Necessities	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	50.00%	50.00%	Capital contribution

Co., Ltd.			for daily use, rubber products for daily use, and ceramics for daily use; import and export of goods or technology (Import and export of goods or technology prohibited by the country or subject to administrative approval exclusive). (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.))			for establishment
C&S (Dazhou) Paper Co., Ltd.	Dazhou, Sichuan	Dazhou, Sichuan	R&D, production, processing, and sales (online sales inclusive): 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, chemical products (hazardous products exclusive). (Business activities subject to approval in accordance with laws shall not be carried out until approval from competent authorities has been obtained.)	100.00%		Capital contribution for establishment

Note of the difference between the percentage of shares held by minority shareholders in a subsidiary and the percentage of their 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 notes: shares held indirectly belong to the shares held by wholly-owned subsidiaries of the Company

(2) Important non-wholly-owned subsidiaries

Note that the percentage of shares held by minority shareholders in a subsidiary is different from the percentage of their voting rights: None

Other notes: There are no important non-wholly-owned subsidiaries of the Company

(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 changes and still controls the subsidiary

(1) Description of changes in the share of owner's equity in the subsidiary: None

(2) The impact of the transaction on minority shareholders' equity and the equity attributable to owners of the parent company

Other notes: There are no transactions of the Company in which the owner's equity share of a subsidiary changes and still controls the subsidiary.

3. Interests in joint arrangements or associates

(1) Important joint ventures or associates

Note that the percentage of shares in joint ventures or associates is different from the percentage of voting rights: None

Basis for holding less than 20% of the voting rights but with significant influence, or holding 20% or more of the voting rights but without significant influence: None

(2) Main financial information of important joint ventures: 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

Note that the percentage of shares is different from the percentage of voting rights in joint operations:

Basis for joint operation as a separate entity but classified as joint operation:

Other descriptions

There was no important joint operation of the Company

5. Interests in unconsolidated structured entities

Description of unconsolidated structured entities:

There are no interests in unconsolidated structured entities of the Company.

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 and 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 goal of the Company's risk management is to strike a proper balance between risks and gains and 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. The main risk facing the Company is customer credit risk caused by O/A. In order to reduce credit risk, the Company only conducts transactions with recognized customers with good credit status, and continuously monitors the accounts receivable through credit monitoring of existing customers and aging analysis to ensure that the Company does not face the risk of bad debts and keep the overall credit risk within control.

2. Interest rate risk

Interest rate risk refers to the risk of fluctuations of 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 borrowing. By developing a good relationship with banks and carrying out adaptive 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 prepayment terms.

3. Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuations of 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 US dollars. Except for purchasing and selling in USD 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 on June 30, 2020. During the reporting period, the Company generated exchange profit and loss of -RMB993,705.23.

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.

XI. Disclosure of Fair Value

1. Assets measured at fair value and the fair value of liabilities at the end of the reporting period: None

2. Basis for determining the market price of recurring and non-recurring fair value measurement items of Level 1: None

3. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurement items of Level 2: None

4. Qualitative and quantitative information on important parameters and valuation techniques used for recurring and non-recurring fair value measurement items of Level 3: None

5. Adjustment information and analysis of sensitivity of unobservable parameters between book values of recurring fair value measurement items of Level 3 at the beginning of the reporting period and that at the end of the reporting period.

6. Recurring fair value measurement items with conversion between different levels, reasons for such conversion 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. Financial assets not measured at fair value and the fair value of financial assets: None

9. Others: None

XII. Related Parties and Related Party Transactions

1. Information on the parent company of the Company

Name of parent company	Location of registration	Principal activities	Registered capital	Shareholding percentage of parent company to the Company	Percentage of voting right of 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	28.64%	28.64%

Explanation of the information on the parent company of the Company

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

Other explanation: None

2. Information on the subsidiaries of the Company

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

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

See Notes for details of the important joint ventures or associates of the Company.

Other descriptions

There are no interests in the arrangement of joint ventures or associates of the Company.

4. Information on other related parties

Name of other related parties	Relationship between other related parties and the Company
(Hong Kong) Zhongshun Co., Ltd.	The second-largest shareholder of the Company, with 20.32% of the Company's shares
Guangzhou Zhongshun Trade Co., Ltd.	The Company controlled by the nephew and the husband of the niece of Mr. Deng Yingzhong, the Chairman of the Company
Bama Zhongshun Health Products Co., Ltd.	The Company controlled by Guangdong Zhongshun Paper Group Co., Ltd., the Company's controlling shareholder
Yantai Zhongshun Network Technology Co., Ltd.	The partially-owned subsidiary of Bama Zhongshun Health

	Products Co., Ltd. controlled by the Company's controlling shareholders
Zhongshun Industrial Investment (Shenzhen) Co., Ltd.	The Company controlled by de facto controllers, Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie
Pengzhou Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor
Sichuan West Lexiangshenghuo Trading Co., Ltd.	A company where the senior manager Yue Yong's son holds shares and serves as a supervisor
Chongqing Qinyue Trading Co., Ltd.	A company where the senior manager Yue Yong's brother holds shares and serves as a supervisor

Other descriptions

Note: The Company's directors, supervisors, senior managers and their close family members are related to the Company.

5. Information on related party transactions

(1) Related party transactions for purchase and sale of merchandise, and provision and acceptance of labor services

Purchase of Merchandise/Acceptance of Labor Services

Unit: RMB

Related party	Content of related party transactions	Incurred in the current period	Approved transaction limit	Whether to outstrip the transaction limit	Incurred in the prior period
Bama Zhongshun Health Products Co., Ltd.	Others		0.00	No	123,516.43
Total			0.00		123,516.43

Sale of Merchandise/Provision of Labor Services

Unit: RMB

Related party	Content of related party transactions	Incurred in the current period	Incurred in the prior period
Pengzhou Lexiangshenghuo Trading Co., Ltd.	Sale of goods	828,658.05	707,224.33
Sichuan West Lexiangshenghuo Trading Co., Ltd.	Sale of goods	180,809.75	691,937.12
Chongqing Qinyue Trading Co., Ltd.	Sale of goods	247,979.83	560,413.05
Guangdong Zhongshun Paper Group Co., Ltd.	Sale of goods	56,637.17	
Total		1,314,084.80	1,959,574.50

Explanation of the related party transaction for purchase and sale of merchandise, and provision and acceptance of labor services: None

(2) Related entrusted management/contracting and entrusting management/contracting out

Explanation of related custody/contracting: None

Explanation of related management/contracting out: None

(3) Related lease

The Company as the lessee:

Unit: RMB

Name of lessor	Type of leased assets	Lease fee confirmed in the current period	Lease fee confirmed in the last period
Mr. Deng Yingzhong, Mr. Deng Guanbiao and Mr. Deng Guanjie	Housing lease	1,474,047.18	593,421.30

Explanation of related lease: None

(4) Related guarantee: None**(5) Interbank borrowing between related parties: None****(6) Assets transfer and debt reorganization between related parties: None****(7) Rewards for key managers**

Unit: RMB

Item	Incurred in the current period	Incurred in the prior period
Rewards for key managers	8,140,753.70	2,860,477.56

(8) Other related party transactions

There were 16 key managers in the Company in the first half of 2020, 14 in the first half of 2019.

6. Receivables from and payables to related parties**(1) Receivables**

Unit: RMB

Item name	Related party	Balance at the end of the year		Balance at the beginning of the year	
		Book balance	Impairment provision	Book balance	Impairment provision
Accounts receivable	Chongqing Qinyue Trading Co., Ltd.	166,513.67	3,330.27	130,446.49	2,608.93

(2) Payables

Unit: RMB

Item name	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Contract liabilities	Pengzhou Lexiangshenghuo	771.07	503.67

	Trading Co., Ltd.		
Contract liabilities	Sichuan West Lexiangshenghuo Trading Co., Ltd.	70,468.90	4,783.90

7. Commitments of related parties: None**8. Others: None****XIII. Share-based Payment****1. Overall information on share-based payment**√ Applicable ☐ Inapplicable

Unit: RMB

Company's total amount of all equity instruments granted in the current period	0.00
Company's total amount of all equity instruments exercised in the current period	8,184,936.00
Company's total amount of all equity instruments expiring in the current period	802,722.00
Scope of exercise prices and Remaining term of contracts of the Company' stock options issued at the end of the reporting period	The initial grant price of the Company's stock options issued at the end of the reporting period is RMB8.53 per share, and that of reserved ones is RMB14.04 per share. The contracts will be valid from the date of granting of the stock options to the date of exercise or innovation of all the stock options, which should not exceed 60 months.

Other explanation: None

2. Equity-settled share-based payment√ Applicable ☐ Inapplicable

Unit: RMB

Method of determining the fair value of equity instruments at the grant date	1. Restricted shares: the stock closing prices at the grant date 2. Stock options: Black-Scholes model for option pricing 3. Employee stock ownership plan: the stock closing prices at the grant date
Basis for determining the number of vested equity instruments	Upon approval of the general meeting
Reasons for the major difference between the estimation of the current period and that of the last period	None
The accumulated amount of equity-settled share-based payments recognized as capital surplus	116,663,060.26
Total fees confirmed by the equity-settled share-based payment in the current period	52,983,211.08

Other explanation: None

3. Cash-settled share-based payment

☐ Applicable ☒ Inapplicable

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. Commitment and Contingencies

1. Significant commitments

Significant commitments on the balance sheet date

As at June 30, 2020, the Company had no significant commitments that should have been disclosed but are not been disclosed.

2. Contingencies

(1) Significant or contingent matters on the balance sheet date

As at June 30, 2020, the Company had no significant or contingent matters that should have been disclosed but are not been disclosed.

(2) Explanations are also necessary if the Company has no significant or contingent matters to be disclosed.

There are no significant or contingent matters to be disclosed in the Company.

3. Others: None**XV. Matters after Balance Sheet Date****1. Important non-adjustment: None****2. Profit distribution: None****3. Sales return: None****4. Explanation on other matters after balance sheet date: None****XVI. Other Significant Matters****1. Correction to previous accounting errors****(1) Retroactive restatement approach****(2) Prospective approach****2. Debt restructuring: None****3. Assets replacing****(1) Exchange of non-monetary assets: None****(2) Other assets replacing: None****4. Annuities plan: None****5. Discontinued operations**

Other explanation: None

6. Segment information**(1) Determination basis and accounting policy of reporting segments.**

The Company has no various business segments with different economic features and does not determine the business segments according to internal organization structure, management requirements and internal reporting policy. Therefore, there was no information on reporting segments based on business segments to be disclosed.

(2) Financial information on reporting segments: None**(3) If the Company has no reporting segments or refuses to disclose the total assets and liabilities of all the reporting segments, explanation on reasons is necessary: None****(4) Other explanations: None****7. Other important transactions and matters that may affect the decisions of investors: None****8. Others: None****XVII. Notes to Major Items of Financial Statements of the Parent Company****1. Accounts receivable****(1) Accounts receivable disclosed by categories**

Unit: RMB

Type	Balance at the end of the year	Balance at the beginning of the year
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	Book balance		Impairment provision		Book value	Book balance		Impairment provision		Book value
	Amount	Percentage	Amount	Provision ratio		Amount	Percentage	Amount	Provision ratio	
Wherein:										
Accounts receivable for which bad debts reserve is set aside in portfolios	88,905,031.05	100.00%	1,600,486.66	1.80%	87,304,544.39	128,480,869.70	100.00%	1,277,442.83	0.99%	127,203,426.87
Wherein:										
Aging portfolio	61,915,074.31	69.64%	1,600,486.66	2.58%	60,314,587.65	44,573,108.11	34.69%	1,277,442.83	2.87%	43,295,665.28
Related party portfolio	26,989,956.74	30.36%			26,989,956.74	83,907,761.59	65.31%			83,907,761.59
Total	88,905,031.05	100.00%	1,600,486.66	1.80%	87,304,544.39	128,480,869.70	100.00%	1,277,442.83	0.99%	127,203,426.87

Bad debts reserve set aside individually: None

Bad debts reserve set aside individually: None

Bad debts reserves set aside in portfolios: 1,600,486.66

Unit: RMB

Name	Balance at the end of the year		
	Book balance	Impairment provision	Provision ratio
Within the credit period	50,696,422.08	1,013,928.45	2.00%
Credit period - one year	10,962,396.22	548,119.81	5.00%
One to two years	256,256.01	38,438.40	15.00%
Two to three years	0.00	0.00	30.00%
Three to five years	0.00	0.00	50.00%
Over five years	0.00	0.00	100.00%
Total	61,915,074.31	1,600,486.66	--

Description of reason for the portfolio:

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

Bad debts reserves set aside in portfolios: None

Description of reason for the portfolio:

If the bad debts 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 debts reserve:

☐ Applicable ☒ Inapplicable

Disclose according to age

Unit: RMB

Aging	Balance at the end of the year
Within one year (inclusive)	88,648,775.04
One to two years	256,256.01
Total	88,905,031.05

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

Provision of bad debts reserve of the reporting period:

Unit: RMB

Type	Balance at the beginning of the year	Amount of change in the reporting period				Balance at the end of the year
		Provision	Recovery or transfer back	Write-offs	Others	
Accounts receivable	1,277,442.83	323,043.83	0.00	0.00	0.00	1,600,486.66
Total	1,277,442.83	323,043.83	0.00	0.00	0.00	1,600,486.66

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

(3) The accounts receivable actually written off in the reporting period

Significant write-offs of accounts receivable wherein: None

Explanation on write-offs of accounts receivable:

The Company has no accounts receivable actually written off in the current 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 reporting period	Percentage of total balance of accounts receivable at the end of the reporting period	Closing balance for bad debts reserve
1st	23,675,211.68	26.63%	0.00
2nd	12,054,300.93	13.56%	241,086.02
3rd	8,198,702.86	9.22%	204,924.14
4th	6,601,029.89	7.42%	226,227.16
5th	5,470,556.64	6.15%	128,677.45
Total	55,999,802.00	62.98%	

(5) Accounts receivable derecognized due to the transfer of financial assets

The Company has no accounts receivable derecognized due to the transfer of financial assets at the end of the reporting period.

(6) Amount of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable

The Company has no amount of assets and liabilities that are formed by the transfer and ongoing involvement of accounts receivable at the end of the reporting period.

Other explanation: None

2. Other accounts receivable

Unit: RMB

Item	Balance at the end of the year	Balance at the beginning of the year
Other receivables	42,634,717.52	637,511,752.54
Total	42,634,717.52	637,511,752.54

(1) Interest receivable

1) Classification of interest receivable: None

2) Significant overdue interest

Other explanation: None

3) Provision of bad debts reserve

☐ Applicable ☒ Inapplicable

(2) Dividends receivable

1) Classification of dividends receivable: None

2) Important dividends receivable exceeding one year: None

3) Provision of bad debts reserve

☐ Applicable ☒ Inapplicable

Other explanation: None

(3) Other receivables

1) Classification by the nature of amount of other receivables

Unit: RMB

Nature of amount	Book balance at the end of the period	Book balance at the beginning of the period
Margins and deposits	99,401.05	31,500.00
Current accounts	20,531,470.60	636,793,035.80
Reserve	763,749.17	702,001.66
Others	22,446,389.81	44,314.48
Total	43,841,010.63	637,570,851.94

2) Provision of bad debts reserve

Unit: RMB

Impairment 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)	
As at January 1, 2020	59,099.40			59,099.40

Balance as at January 1, 2020 in the reporting period	-	-	-	-
Provision in the reporting period	1,154,782.82			1,154,782.82
Write-offs in the reporting period	7,589.11			7,589.11
Balance as at June 30, 2020	1,206,293.11			1,206,293.11

Change of book balance whose change of amount of loss reserves is significant

☐ Applicable ☒ Inapplicable

Disclose according to age

Unit: RMB

Aging	Balance at the end of the year
Within one year (inclusive)	43,809,656.58
One to two years	21,000.00
Two to three years	0.00
Over three years	10,354.05
Three to four years	8,354.05
Over five years	2 000,00
Total	43,841,010.63

3) Bad debts reserve that is set aside, recovered or transferred back

Provision of bad debts reserve of the reporting period:

Unit: RMB

Type	Balance at the beginning of the year	Amount of change in the reporting period				Balance at the end of the year
		Provision	Recovery or transfer back	Write-offs	Others	
Other receivables	59,099.40	1,154,782.82	0.00	7,589.11	0.00	1,206,293.11
Total	59,099.40	1,154,782.82	0.00	7,589.11	0.00	1,206,293.11

The Company has actually written off other accounts receivable of RMB7,589.11 during this reporting period.

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

4) Other receivables actually written off in the reporting period

Unit: RMB

Item	Written-off amount
Other receivables actually written off	7,589.11

Wherein, write-offs of important other receivables: None

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

Unit: RMB

Name of institution	Nature of amount	Balance at the end of the year	Aging	Percentage of total closing balance of other receivables	Closing balance for bad debts reserve
1st	Others	22,214,407.06	Within one year	50.67%	1,110,720.35
2nd	Current accounts	18,866,710.02	Within one year	43.03%	
3rd	Current accounts	1,000,000.00	Within one year	2.28%	
4th	Others	348,626.21	Within one year	0.80%	17,431.31
5th	Others	326,010.00	Within one year	0.74%	16,300.50
Total	--	42,755,753.29	--	97.52%	1,144,452.16

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

Other explanation: None

3. Long-term equity investment

Unit: RMB

Item	Balance at the end of the year			Balance at the beginning of the year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	1,918,835,099.92		1,918,835,099.92	1,231,245,128.96		1,231,245,128.96
Total	1,918,835,099.92		1,918,835,099.92	1,231,245,128.96		1,231,245,128.96

(1) Investment in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Increase and decrease in the current period				Closing balance (book value)	Closing balance of impairment
		Additional investment	Decreased investment	Provision for impairment	Others		
Zhongshan Zhongshun Trading Co., Ltd.	91,611,393.55				6,255,970.62	97,867,364.17	
C&S (Sichuan) Paper Co., Ltd.	161,228,847.04				6,427,368.42	167,656,215.46	
Zhejiang Zhongshun Paper Co., Ltd.	51,259,117.44				3,019,010.34	54,278,127.78	
C&S	12,683,100.00				0.00	12,683,100.00	

(Zhongshan) Paper Co., Ltd.							
Jiangmen Zhongshun Paper Co., Ltd.	697,499,879.18				687,990.90	698,187,870.08	
C&S (Hubei) Paper Co., Ltd.	43,037,008.50	147,600,000.00			2,762,869.08	193,399,877.58	
C&S (Yunfu) Paper Co., Ltd.	135,405,965.05	518,000,000.00			2,468,898.78	655,874,863.83	
C&S (Yunfu) Trading Co., Ltd.	30,200,274.51				0.00	30,200,274.51	
Chengdu Zhongshun Paper Co., Ltd.	1,237,694.60				44,850.00	1,282,544.60	
Xiaogan C&S Trading Co., Ltd.	539,220.62				9,510.00	548,730.62	
Shanghai Huicong Paper Co., Ltd.	2,796.00				1,584.00	4,380.00	
Hangzhou Jie Rou Trading Co., Ltd.	58,048.00				23,772.00	81,820.00	
Zhong Shun International Co., Ltd.	281,784.47				288,146.82	569,931.29	
Sun Daily Necessities Co., Ltd.	200,000.00				0.00	200,000.00	
C&S (Dazhou) Paper Co., Ltd.	6,000,000.00				0.00	6,000,000.00	
Total	1,231,245,128.96	665,600,000.00			21,989,970.96	1,918,835,099.92	

(2) Investment in associates and joint ventures: None

(3) Other explanation: None

4. Operating income and operating cost

Unit: RMB

Item	Incurred in the current period		Incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Principal business	493,288,414.96	377,715,003.73	483,592,449.56	393,879,993.17
Others	360,602,849.07	334,899,974.01	80,021,531.04	74,363,879.79
Total	853,891,264.03	712,614,977.74	563,613,980.60	468,243,872.96

Relevant information of performance obligation: None

Relevant information of 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 are not performed or fully performed at the end of the reporting period is RMB748,564.49, of which the income of RMB748,564.49 is expected to be confirmed in the year of 2020.

Other explanation: None

5. Income 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	140,000,000.00	
Others	2,109,515.77	72,378.41
Total	142,109,515.77	72,378.41

6. Others: None

XVIII. Supplementary Information

1. Statement of non-recurring profit and loss of the current period

☒ Applicable ☐ Inapplicable

Unit: RMB

Item	Amount	Remarks
Profit and loss from disposal of non-current assets	-896,870.05	
Government grants measured at fair value through profit and loss of the current period (except for the government grants that are closely related to the Company's business and distributed in a fix quota or amount in accordance with unified national standards)	16,474,867.62	
Profit and loss from assets entrusted to others for investment or management	2,287,274.87	Returns on principal-protected wealth management products at maturity and reverse repo of treasury bonds
Other non-operating expenses excluding the above items	-11,371,164.42	
Less: Influence of income tax	330,361.37	
Total	6,163,746.65	--

The reasons why the Company defined certain items as non-recurring profit and loss in line with the *No. 1 Explanatory Announcement on Information Disclosure of Companies Offering Securities to the Public—Non-recurring Profit and Loss* and some items listed in the above announcement as recurring profit and loss shall be specified.

☐ Applicable ☒ Inapplicable

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	10.46%	0.3519	0.3462
Net profit attributable to the ordinary shareholders of the Company after excluding non-recurring profit and loss	10.32%	0.3471	0.3415

3. Differences between accounting data disclosed under domestic and overseas accounting standards

(1) Differences in net profit and net assets between the financial statements disclosed under the IAS and the PRC GAAP in the same period.

☐ Applicable ☒ Inapplicable

(2) Differences in net profit and net assets between the financial statements disclosed under the overseas accounting standards and the PRC GAAP in the same period.

☐ Applicable ☒ Inapplicable

(3) Explanation of reasons for the differences between accounting data disclosed under domestic and overseas accounting standards. If differences in the data upon audit of overseas audit institutions are adjusted, the name of the institution should be noted.

4. Others

Section XII Catalog of Documents for Reference

I. The 2020 Semi-annual Report with the signature of Mr. Deng Yingzhong, Chairman of the Company.

II. The financial statements signed and sealed by Mr. Deng Yingzhong, legal representative, Mr. Dong Ye, person in charge of accounting, and Ms. Xu Xianjing, person in charge of accounting department of the Company.

III. The original manuscripts of all corporate documents and manuscripts of announcements that were publicly disclosed on the newspapers designated by the China Securities Regulatory Commission during the reporting period.

IV. Other relevant information.

V. Place where documents for reference can be obtained: Office of Board of Directors of the Company.

In the event of any inconsistency between the Chinese and English versions of the report, the Chinese version announced shall prevail.