

Stock Code: 603899

Short Name: M&G Stationery

Shanghai M&G Stationery Inc. Annual Report 2019

Important Notice

- I. **The Board of Directors, Supervisory Committee, directors, supervisors and senior management of the Company warrant that the contents of this report are true, accurate and complete, without any misrepresentation, misleading statements or material omissions, and severally and jointly bear the legal responsibilities thereof.**
- II. **All directors of the Company attended the Board meeting.**
- III. **BDO China Shu Lun Pan Certified Public Accounts LLP has issued the audit report with unqualified opinions to the Company.**
- IV. **Chen Huwen, the chairman of the Company, Zhang Qing, the CFO of the Company and Zhai Yu, the head of the accounting department (person in charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this annual report.**
- V. **Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board of Directors during the Reporting Period**

The Company will distribute cash dividend of RMB4.00 (tax inclusive) per 10 shares based on the Company's total share capital registered as at the registration date for the implementation of dividend distribution, with the distributed profit totaling RMB368,000,000. The remaining distributable profits in 2019 will be carried forward to the following year.

VI. Risks statement of the forward-looking statements

Applicable" Not applicable"

Forward-looking statements including future plans and development strategies involved in this annual report do not constitute the Company's substantive commitments to investors. The investors are advised to pay attention to investment risks.

VII. Is there any non-operating misappropriation of funds of the Company by any controlling shareholders and their related parties

No

VIII. Has the Company provided any external guarantees in violation of the decision-making procedures

No

IX. Warning on significant risks

The Company has illustrated various risks and corresponding measures that the Company might face in the production and operation. Please refer to the “Potential Challenges and Risks” set out in the “Discussion and Analysis of Operation” under Section IV. Investors are advised to pay attention to risk of investment.

X. Others

Applicable" Not applicable"

本报告分别以中、英文编制，在对中外文文本的理解上发生歧义时，以中文文本为准。

This English version is converted from the Chinese version.

In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

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Chapter I Definition

I. Definition

In this report, unless the content requires otherwise, the following terms shall have the following meanings:

Definition of common terms		
The Report		Annual Report 2019
Company, the Company, M&G Stationery		Shanghai M&G Stationery Inc.
M&G Group		M&G Holdings (Group) Co., Ltd.
M&G Colipu		Shanghai M&G Colipu Office Supplies Co., Ltd.
M&G Life (晨光生活馆)		M&G Living Studio Enterprise Management Co., Ltd.(晨光生活馆企业管理有限公司)/Large retail store of the Company
M&G Technologies		Shanghai M&G Information Technology Co., Ltd.(上海晨光信息科技有限公司)
Jiekui Investment		Shanghai Jiekui Investment Management Firm (L.P.)
Keying Investment		Shanghai Keying Investment Management Office (L.P.)
Chenguang Venture Capital Center (晨光创投)		Shanghai Chenguang Venture Capital Center (L.P.)
Chenguang Sanmei (晨光三美)		Shanghai Chenguang Sanmei Property Investment Co., Ltd.
Jiumu Store (九木杂物社)		Jiumu M&G Store Enterprise Management Co., Ltd.(九木杂物社企业管理有限公司)/Large retail store of the Company
M&G Office Supplies (晨光办公)		Shanghai M&G Office Supplies Co., Ltd.
Office Depot		Office Depot Network Technology Co., Ltd.
Axus Stationery		Axus Stationery (Shanghai) Company Ltd.
KA		Key Account, usually referring to large cross-regional retailers with large operating space and dense customer flow, including RT-MART, Walmart, Carrefour, Hualian Supermarket.
Reporting period		Year 2019, from 1 January 2019 to 31 December 2019
Yuan, ten thousand Yuan, hundred million Yuan		RMB, RMB10,000, RMB100 million

Chapter II Company Profile and Key Financial Indicators

I. Company Information

Chinese name of the Company	上海晨光文具股份有限公司
Short name of the Company in Chinese	晨光文具
English name of the Company	SHANGHAI M&G STATIONERY INC.
Abbreviation of English name of the Company	M&G
Legal representative of the Company	Chen Huwen

II. Contact Information

	Board Secretary	Securities Affairs Representative
Name	Quan Qiang	Bai Kai
Office address	Building C, Hanqiao Culture Science & Technology Park, No. 455 Yanzhan Road, Songjiang District, Shanghai	Building C, Hanqiao Culture Science & Technology Park, No. 455 Yanzhan Road, Songjiang District, Shanghai
Telephone	021-57475621	021-57475621
Fax	021-57475621	021-57475621
E-mail	ir@mg-pen.com	ir@mg-pen.com

III. Introduction to General Information

Registered address	Building 3, No. 3469 Jinqian Road, Fengxian District, Shanghai
Postal code of registered address	201406
Office address	Building C, Hanqiao Culture Science & Technology Park, No. 455 Yanzhan Road, Songjiang District, Shanghai
Postal code of office address	201612
Website of the Company	http://www.mg-pen.com
E-mail	ir@mg-pen.com

IV. Information Disclosure and Place for Obtaining the Report

Media for the Company's information disclosure	Shanghai Securities News, China Securities Journal, Securities Daily, Securities Times
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CSRC's designated website for the Company's Annual Report disclosure	www.sse.com.cn
The Company's Annual Report may be obtained at	Board of Director's Office

V. Stock Information

Stock Information				
Share class	Exchanges on which the stocks are listed	Stock short name	Stock code	Stock short name before change
A share	Shanghai Stock Exchange	M&G	603899	/

VI. Other Relevant Information

Auditor of the Company (domestic)	Name	BDO China Shu Lun Pan CPAs(Special general partnership)
	Office address	4F No. 61 Nanjing East Road, Shanghai
	Name of the signing accountant	Gu Xuefeng, Wang Aijia

VII. Major Accounting Data and Financial Indicators for the Past Three Years

(1) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2019	2018	Year-on-year change (%)	2017
Revenue	11,141,101,364.44	8,534,988,597.55	30.53	6,357,102,964.25
Net profit attributable to shareholders of the listed companies	1,060,083,625.03	806,847,308.41	31.39	634,040,991.46
Net profit attributable to shareholders of the listed	1,005,187,834.38	749,412,457.07	34.13	544,514,731.94

companies, net of non-recurring gains and losses				
Net cash flow generated from operating activities	1,081,941,383.68	827,940,565.51	30.68	717,497,928.03
	End of 2019	End of 2018	Year-on-year change (%)	End of 2017
Net assets attributable to shareholders of the listed companies	4,201,500,384.99	3,410,808,445.41	23.18	2,833,961,137.00
Total asset	7,565,115,311.74	5,677,500,049.71	33.25	4,388,278,915.63

(2) Key financial indicators

Key financial indicators	2019	2018	Year-on-year increase or decrease in the current period (%)	2017
Basic earnings per share (Yuan/share)	1.1523	0.8770	31.39	0.6892
Diluted earnings per share (Yuan/share)	1.1523	0.8770	31.39	0.6892
Basic earnings per share, net of non-recurring gains and losses (Yuan/share)	1.0926	0.8146	34.13	0.5919
Weighted average ROE (%)	28.17	26.16	Increase of 2.01 percentage points	24.45
Weighted average ROE, net of non-recurring gains and losses (%)	26.71	24.30	Increase of 2.41 percentage points	20.99

Explanation of major accounting data and financial indicators for the past three years by the end of the Reporting Period

Applicable" Not applicable"

Revenue increased by 30.53% or RMB2,606,112,800 over the same period of last year, primarily due to: (1) the Company's traditional core business grew a steadily 20% in 2019, as a leading company in the stationery and office supplies industry, we benefited from our competitive advantages of distribution channel, brand recognition, design and R&D, and supply chains: (2) new business continued developing at a high speed in 2019, M&G Colipu and M&G Life grew by 51% compared with last year.

VIII. Difference in the Accounting Information under the PRC Accounting Standards for Business Enterprise ("PRC GAAP") and Overseas Accounting Standards

(1) Difference in net profit and net asset attributable to shareholders of the listed company in financial reports disclosed under International Accounting Standards and PRC GAAP

Applicable" Not applicable"

(2) Differences in net profit and net assets attributable to shareholders of the listed company in financial reports disclosed under overseas accounting standards and PRC GAAP

Applicable" Not applicable"

(3) Explanation on the differences between PRC GAAP and Overseas Accounting Standards:

Applicable" Not applicable"

IX. Key Financial Data for the Year of 2019 by Quarter

	Unit: Yuan Currency: RMB			
	1 st Quarter (Jan-Mar)	2 nd Quarter (Apr-Jun)	3 rd Quarter (Jul-Sept)	4 th Quarter (Oct-Dec)
Revenue	2,355,613,820.98	2,483,009,195.91	3,108,721,445.78	3,193,756,901.77
Net profit attributable to shareholders of the listed companies	258,715,131.28	212,549,376.55	330,611,308.24	258,207,808.96
Net profit attributable to shareholders of the	232,639,806.85	194,719,722.78	333,199,496.91	244,628,807.84

listed company after non-recurring profit or loss				
Net cash flow generated from operating activities	99,550,085.40	147,529,761.88	430,910,767.84	403,950,768.56

Explanation on difference between information by quarter and information disclosed in periodical reports

Applicable" Not applicable"

X. Items and Amounts of Non-recurring Gains or Losses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Items of Non-recurring Gains or Losses	Amounts in 2019	Notes (if applicable)	Amounts in 2018	Amounts in 2017
Gains or losses on disposal of non-current assets	6,081,606.95	Mainly due to the disposal of certain old equipment by the subsidiaries held by the Company and the winding up of certain subsidiaries under the subsidiaries held by the Company, due to business needs	-69,195.83	-621,092.66
Government grants included in profits and losses for the current period, excluding those closely related to the normal business and of fixed amount or fixed quantity granted on an on-going basis in accordance with certain standards and in compliance with the	42,747,681.46	Mainly including government grants received during the Reporting Period and government grants transferred from deferred income	42,122,713.66	35,057,419.77

State policies				
Gains arising from investment costs for acquisition of subsidiaries, associates and joint ventures less than the fair values of attributable identifiable net assets of the invested entity at the time of acquisition				33,642,175.40
Gains or losses on entrusted investment or asset management			35,517,479.65	38,184,246.05
Investment income arising from changes in fair values held-for-trading financial assets and held-for-trading financial liabilities, and investment gains on the disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, except the Company normal operations related to effective hedging business	/			-340,881.23
Investment income arising from changes in fair values held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial	29,184,868.54	Revenue generated from purchase of wealth management products		/

liabilities, and investment gains on the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, except the Company normal operations related to effective hedging business				
Reversal of provision for impairment of receivables which are individually tested for impairment	1,803,027.63	Mainly due to the provision reversal of bad debts on individual receivables of the Company		7,460,100.24
Other net non-operating income and expenses, other than the above items	-5,743,388.02	Mainly the expense of public donations and the losses arising from the winding up of certain subsidiaries controlled by the subsidiaries of the Company	-7,936,377.76	-5,409,684.43
Effect of minority equity	-4,764,697.27		-2,192,444.11	-13,897,494.77
Effect of income tax	-14,413,308.64		-10,007,324.27	-4,548,528.85
Total	54,895,790.65		57,434,851.34	89,526,259.52

XI. Items Measured at Fair Values

"√ Applicable" "□ Not applicable"

Items	Unit: Yuan Currency: RMB			
	Opening balance	Closing balance	Changes in the Period	Effect on profit for the Period
Held-for-trading financial assets	1,027,265,300.00	661,878,587.24	-365,386,712.76	4,613,287.24
Receivables	1,894,232.00	29,549,924.83	27,655,692.83	

financing				
Derivative financial assets				
Other debt investments (including other current assets)				
Other non-current financial assets				
Investments in other equity instruments	3,600,000.00	3,909,179.93	309,179.93	
Held-for-trading financial liabilities				
Derivative financial liabilities				
Total	1,032,759,532.00	695,337,692.00	-337,421,840.00	4,613,287.24

XII. Others

" Applicable" " Not applicable"

Chapter III Business Overview

I. Description of the Company's principal business, operation model and industry condition during the Reporting Period

(1) Principal business and operation model

1. Principal business

As a comprehensive stationery supplier, the Company integrates the value of creativity into its products and service advantages, advocates fashionable stationery lifestyle, and provides solutions for study and work. The traditional core businesses include designing, developing, manufacturing and selling writing instruments, student stationery, office supplies and other products under **M&G 晨光** brands; new businesses mainly comprise of one-stop direct office supplies service platform—M&G Colipu and retail stores—M&G Life and Jiumu Store, and online platform of M&G Technologies. During the Reporting Period, there were no significant changes in the Company's principal business and operation model.

(2) Main Operation Model

The Company has an independent and complete operation from design and development of brands and products, procurement of raw materials and accessories, product manufacturing, supply chain management and distribution network management, and warehouse and logistics. The Company is capable of performing independent operation of business in the market. For R&D and new products development model, the Company has an “entire design system” covering the whole process starting from customer value proposal to product design, product mold development to brand image design, incorporating trend-, theme and experience-oriented development model to develop new products with a comprehensive categories approach based on consumer insight. For manufacturing model, the Company uses the brand manufacturing model that combines sales-driven production, in-house and OEM outsourcing, develops an independent system from raw material procurement to manufacturing and selling, and has established its brands in the market. We have the advantages from participating the whole value chain from design, research and developing, manufacturing and selling stationery. For sales model, based on features of stationery products and current situations of domestic stationery consumption, the Company has developed its sales model that heavily relies on regional distributors, complemented by direct sales to offices 2B customers, direct-sale store, KA sales, online sales, as well as international distribution. We are the one of pioneering companies in China's stationery business that engage in large-scale brand sales management and franchise management.

In the direct office supplies service business, M&G Colipu is mainly responsible for providing governments, public institutions, Fortune Global 500 companies and other SMEs with cost-

effective one-stop service in procurement of office supplies. M&G Colipu has around 15 core categories of office supplies, ranging from office appliances, office equipment, IT digital products, office furniture, personal protective equipment, food and beverage, and business gifts. M&G Colipu ensures products are supplied by its factories directly, and provides customized value-added services.

M&G Technologies mainly comprises of online businesses in Tmall and JD. Tmall business refers to M&G Technologies' Tmall flagship store where customers can place orders on the store. For the business on JD platform, the system issues purchase order monthly based on inventory and shelf sales ratio, and M&G Technologies replies the purchase order in the system according to its actual inventory condition; after the order is confirmed, it will then be forwarded to our warehouse system, and warehouse will deliver goods to JD according to the confirmed purchase order.

M&G retail store businesses include two store formats: the M&G Life stores and Jiumu stores. M&G Life stores mainly target students aged 8-15, selling stationery products complemented by daily necessity and entertainment products. M&G Life stores mostly locate in Xinhua Bookstore and compound boutique bookstores, representing the Company's exploration to move beyond the then-dominant traditional channels nearby schools. Jiumu Stores mainly target the consumer group of young female consumers aged 15-35 and their families, and sells a more comprehensive products including stationery, cultural and recreative products, educational and entertainment products, and daily household and home products. Jiumu stores mostly locate in prime business districts in cities, it is an upgraded version based on experience learned from M&G Life stores and is an ongoing exploration in new retail model in lifestyle products with a distinct cultural element. Jiumu Store started franchising in July 2018, franchisees pays contract deposit and decoration fee according to the contract, and store rent, store staff salary, utilities and other costs occurred in franchising stores are borne by franchisees.

For its traditional core businesses, the Company faces challenge with changing demands from the more individualized population born after 1990 and 2000. With the changing demographics of China particularly with the decreasing birth rate, unit volume growth contribution to revenue is set to decline going forward, the sustained growth of the stationery industry will come mostly from consumption upgrade and product upgrade. Stationery consumption in China appears to become more brand conscious, innovative, individualized and premium. There is a clear growth in demand for better cultural and creative products, which promotes the industry moving from merely stationery products towards stationery products with more cultural and creativity. M&G Life stores and Jiumu stores both serve as the Company's bridgehead in upgrading its products and channels of its traditional core businesses, and they play important role in promoting the

Company's brands and upgrading products sales. M&G Colipu's direct sales business to offices satisfactorily meets demands for purchasing office supplies from large corporations and institutions, which helps boosting the sales of writing instruments and office supplies in traditional core business of the Company.

3. Main driving forces in revenue growth

(1) Social transformation and consumption upgrade; (2) Greater investment from the state in education; (3) Favorable policy environment for development of culture industry; (4) Continued growth in household income; (5) Second-child policy; (6) Fragmented industry with low concentration.

(2) Situations and features of industry where the Company operates, and industry status of the Company

1. Situations of industry where the Company operates

According to Guidelines for the Industry Classification of Listed Companies (revised in 2012) issued by China Securities Regulatory Commission, and results of industry classification of listed companies released by China Securities Regulatory Commission, the Company is classified to manufacturing industry in products for stationery, arts, sports and entertainment. The Company is a member of China Stationery & Sporting Goods Association, and China Writing Instrument Association.

In 2019, China's stationery and office supplies amounted to RMB152.2 billion, representing a growth of 6.7% from the previous year, industry profit reached RMB9.7 billion, representing a growth of 9.8%. In 2019, there are 1,027 enterprises above designated size in China's stationery and office supplies industry, and the number of those who suffered loss in 2019 increased compared with previous year. (Source: China Stationery & Sporting Goods Association)

In 2019, member enterprises of China Writing Instrument Association recorded the revenue from principal business of RMB16.4 billion, representing a decrease of 1% from the previous year, and profit is RMB0.9 billion, representing a growth of 15% compared with previous year. According to the comprehensive assessment made by China National Light Industry Council, the prosperity index of writing instrument industry was in normal range overall. In 2019, writing instrument industry export amounted to USD2.8 billion, decreased 0.5% from previous year. The pricing advantage of China's low-end rollerball pens and pencils was lessened. The writing instrument industry imports amounted to USD0.8 billion, decreased 2.2% from previous year. The import are mostly high-end pens. (Source: China Writing Instrument Association)

2. Features of the industry

(1) Periodicity

Writing instruments, student stationery and office supplies are slightly affected by economic fluctuations. With low unit price, writing instruments and student stationery are necessity goods with relatively low income elasticity, and therefore are not much sensitive to economic fluctuations.

(2) Seasonality

There is a seasonality in demand for student stationery. Period before a new semester begins every year (summer and winter vacation) is what the stationery industry calls “schooling peak” season, during which sales for companies in the student stationery industry usually peak.

3. Development trend of the industry

With the changing demographics of China particularly with the decreasing birth rate, stationery industry revenue growth is less driven by unit volume growth, and more from consumption upgrade and product upgrade. With the changes in the way of life and consumption habit of consumers, retail industry started a new round of redevelopment and innovation. Stationery industry faces challenges with uncertainty of external environment, diversification of retail channels, and more individualized demands from the main customers group (post-90s and post-00s). As domestic stationery market becomes more mature, demand for mid- to high-end stationery products keeps increasing, breaking the past market structure dominated by low-end products, this provides opportunities for mid- to high-end stationery products with good quality and good price. Furthermore, China’s population of 1.4 billion accounts for about 18% of global population, leading stationery companies in China have a big room for development in global stationery market.

Traditional nearby school stationery retail channels are still the major retail format in China, and the other retail channels have higher growth rate, making channels of retail sales more diversified. New channels and forms of business are developed gradually, channel upgrade and competition across different channels become more pronounced. Domestic consumption for stationery in China becomes more brand conscious, innovative, individualized and high-end. There is a growing demand for exquisite cultural and creative products, promoting stationery products moving from those primarily focus on functionality towards those with more cultural and creative elements that cater to customers. With continued development in the market, market concentration of stationery industry becomes greater, leaving more room for industry consolidation. Leading companies in the stationery industry with good brand recognition are in a strong position where the strong ones may become stronger, and more market share are gained by leading companies.

The market of the direct office supplies service business has been growing very fast in China. According to industry research report from securities company, the scale of the market of broad

office supplies (including office furniture, equipment and other office supplies) in China reached more than RMB1 trillion. Regulation on the Implementation of the Government Procurement Law of the People's Republic of China in 2015 explicitly requires that the state shall promote the utilization of information networks for carrying out digital government procurement. In the same year, General Office of the State Council issued the Notice of the General Office of the State Council on Issuing the Work Plan for Integrating and Establishing a Uniform Public Resources Trading Platform, requiring that a public resources trading platform with unified regulations, openness and transparency, efficient service and standard supervision should be developed across the country to achieve digital transaction of public resources in the whole process. With such strong promotion and national policy supports, B2B office supplies procurement got the historical opportunities for rapid development.

4. Company position in the industry

The Company is a leading company of “own brand + domestic demand” in China’s stationery industry. The Company has a strong first-mover advantage and leading advantage with its wide and deep coverage of its distribution network in stationery industry. As at the end of the Reporting Period, the Company has a national distribution network covering over 85,000 retail stationery shops across China, enabling the company to establish market leading position for its own brand products amidst fierce competitions of domestic market. The Company ranked first in “Top Ten Enterprises in China’s Light Industry and Writing Instrument” for eight consecutive years.

II. Explanation on substantial changes in major assets of the Company during the Reporting Period

Applicable" Not applicable"

Please refer to 2 (3) Analysis on Assets and Liabilities set out in Discussion and Analysis of Operation under Section IV for more details.

III. Analysis on core competitiveness during the Reporting Period

Applicable" Not applicable"

1. Brand advantage

As a leading company of “own brand + domestic demand” in China’s stationery industry, the Company has established a leading position for its own brand products amidst fierce competitions of domestic market. The Company ranked first in “Top Ten Enterprises in China’s Light Industry and Writing Instrument” for eight consecutive years. M&G brand has sound brand recognition among consumers, and served as the designated stationery brand for Boao Forum for Asia for 12 consecutive years.

2. Channel advantage

The Company has a strong first-mover advantage and leading advantage with its wide and deep coverage of its distribution network in stationery industry, and the efficient management of the distribution system. As at the end of the Reporting Period, the Company has 35 tier-one distributor partners across China, and tier-two and tier-three distributor partners in about 1,200 cities, covering over 85,000 retail stationery shops across China.

3. Design and R&D advantage

The Company has the capability to respond timely to the market and strong R&D capacity for new products.

The Company will do market research for new product development to constantly spot and grasp the latest market trends. The Company launches about one thousand of new products each year, to meet different consumer needs. The continued development of new products helps the Company to accumulate resources in product design. In 2019, “Enjoy Writing” gel pen developed by the Company won IF Design Award and Good Design Award (G-Mark), product design of the Company received international recognition.

4. Technology advantage

The Company has learned core technologies of writing instrument including nib, ink and its matching, as well as inhouse mold development technology, and has participated in preparation of national industry standards. The Company undertook several research projects in the 13th Five-Year National R&D Program. The Company won a second-grade prize in 2019 China Innovation Award for industry-university-research collaborations. During the Reporting Period, testing laboratory of the Company got CNAS accreditation certificate, which means that test results of the Company’s laboratory are recognized by over 100 countries, testing capability reached world level.

5. Manufacturing advantage

The Company benefits from experience of large-scale manufacturing accumulated throughout the past years, independent mold development capability, stable supply chain, sound quality control system and introduction of various information management systems. The Company has the capability of large-scale manufacturing with high quality control standard. The good and stable product quality has won general recognition and favorable comments from consumers. China writing instrument industry base, China writing instrument center, national industry design center and China key laboratory of light industry and writing instrument engineering technology all have physical presence in the Company.

6. Supply chain advantage

Using the idea of partnership to run business operation, the Company has been striving to build a high standard supply chain ecosystem. The Company keeps iterating and upgrading its scientific management for supply chain, and has obtained new practice achievements in information collaboration across the value chain, inventory optimization, financial support for supply chain, management informatization of quality and order, and optimization of supplier performance to help business partners get stronger operation system, both loyalty and operation capability of our business partners are improved simultaneously.

Chapter IV Discussion and Analysis of Operation

I. Discussion and Analysis of Operation

In 2019, with the background of increased uncertainties both at home and abroad, and more complication and changes in the market, the Company focused closely on development strategy and annual operation objective set by the Board of Directors. With the great efforts from the management and all employees, the Company maintained a healthy, stable and high-quality development, achieved the annual operation target, operation performance continued to grow, and the Company's comprehensive strength was further improved.

The Board of Directors of the Company paid close attention to external industry development, actively implemented company strategies, continued to focus on "adjusting product structure and stimulating growth" as the theme for the year, continued to optimize retail channel, continued to push the four segments of its traditional core businesses, continued to grow direct office supplies business, accelerated growth of self-owned large retail stores, continued to expand online sales, and continued to improve internal management. Operation of the Company in 2019 is summarized and reported as follows:

1. Focus and Optimize Channels

During the Reporting Period, the Company focused on key retail stationery shops, built model stores, continued to push optimization and upgrading of distribution network, and better channel management: (1) improved single store quality with a focus on model stores; (2) facilitated the upgrading of franchising; (3) pushed the continued upgrading of distribution centers and optimizing operations; (4) strengthened categories promotion and dedicated retail spaces for key products; (5) actively carried out exploration for new business, and improved market shares in key business districts. As at the end of the Reporting Period, the Company has 35 tier-one distributor partners across China, and tier-two and tier-three distributor partners in about 1,200 cities, covering over 85,000 retail stationery shops with "M&G" logo across China.

The Company made efforts to roll out M&G Alliance APP, so as to build a stronger connection among the Company headquarters, multi-tier distribution partners and retail stationery shops, and to improve digitization of business operations and information flow. Overall collaboration in sales activities of the Company can will be improved as retail stationery shops adopt M&G Alliance APP. On the one hand, information from the Company can flow to retail stationery shops without geographical and time limitation, on the other hand, response time can be shortened and order fulfillment rate improved. Headquarters can collect demand-side information as users' pain

points and product feedback in a more timely and effective way, helping accuracy in new product development.

2. Push the Four Segments of Traditional Core Business

(1) Mass market stationery segment

Each category and product is reviewed with grid analysis tool to further identify high potential products, collaborate and share resources across function departments including product, design, marketing and sales. Manage the number of SKUs to reduce quantity and increase quality, and develop a small number and high quality long-term products and hit products.

(2) Premium stationery segment

During the Reporting Period, the Company continued to expand the market for premium stationery segment. Growth of product portfolio was driven by best-selling products, product structure was upgraded, product mix became more balanced. Retail stationery shops suitable for premium stationery segment was uplifted by model shops, and premium stationery products sales in single store were improved by creating dedicated zone for such products. Suitable sales channel for premium stationery products were expanded across the country. With an integrated chain ranging from product development, business establishment, marketing, to brand promotion. Exclusive window for season-limited M&G products were well received by the market. Market share of the Company's premium stationery products increased.

(3) Office stationery segment

During the Reporting Period, the Company continued development and promotion of office stationery, shifted focus from product breadth towards depth, formed overall solutions for office stationery products, put core products on shelves, developed potential customers, increased store count for office stationery stores. Drive sales growth and increase market shares in office supplies market through seeking new customers continuously and improving sales in a single store with established customers.

(4) Arts and kids drawing segment

During the Reporting Period, the Company focused on key categories of arts and kids drawing segment, continued to adjust product mix, emphasized on long-term products, and increased contribution from key products. The Company seized opportunities to build standard store shelves in dedicated zones, improved the capability to develop best-selling categories significantly with such popular products as marker pen, food-grade watercolor pen, wood-free erasable color pencil, and water-soluble oil pastel; and prepared MG-KIDS and MG-ARTS mid-end product lines. During the Reporting Period, the Company acquired Axis Stationery, and

established strategic cooperation with CARIOCA, a stationery brand in Italy which enriched mid-to high-end arts products offering for children.

3. Continue to grow M&G Colipu

Unit: 0'000

M&G Colipu	2019	2018	2017	3-year average
Operating revenue	365,806.17	258,604.90	125,515.91	249,975.66
Net profit	7,580.35	3,213.52	2,104.34	4,299.40

During the Reporting Period, M&G Colipu improved service quality and customer satisfaction, expanded product category, sought more customers, built national supply chain system, and enhanced service capability of regional warehouses across the country. M&G Colipu maintained rapid growth, recorded revenue of RMB3,658,061,700, representing a year-on-year increase of 41.45%, and furthered increased its market shares and brand influence in direct sales of office supplies. More details are presented as follows:

(1) Customer Development

As for government customers, the Company succeeded in shortlisting for e-commerce projects of the People's Government of Shanxi Province, the People's Government of Liaoning Province, the People's Government of Jilin Province, and Chongqing Municipal People's Government; as for central state-owned enterprises, the Company succeeded in shortlisting for procurement projects of China Mobile, China Unicom, and China Post; as for customers of financial institutions, the Company succeeded in shortlisting for the project of SPD Bank and CGB; as for customers of companies listed on Global Fortune 500 and other enterprises, the Company won the bidding for procurement projects of Xiaomi, Siemens, Dell, China Resources Land and Guangzhou Metro.

During the Reporting Period, M&G Colipu launched convenient shopping service to expand the market of SMEs through sound products with low price and low operation cost.

(2) Warehouse Distribution and Logistics

During the Reporting Period, M&G Colipu enhanced supervision on order, after-sale service, logistics and distribution, improved quality of basic delivery, took measures to address wrong delivery and damaged goods, and improved product packaging. The Company enhanced delivery capability for "end-to-end", and implemented supervision and operation management for the entire order process, so delivery acceptance rate was increased. Optimizing available areas and ranges of the four warehouses in East China, North China, South China and Central China, the Company kept workload of different warehouses in good balance to improve overall delivery effectiveness, and set up delivery team in nine cities including Shanghai, Beijing, Guangzhou, Shenzhen and Tianjin, to improve customer experience.

4. Accelerate Growth of self-owned Large Retail Stores

Unit: 0'000

M&G Life (consolidated)	2019	2018	2017	3-year average
Revenue	60,063.70	30,592.14	20,510.96	37,055.60
Net profit	-804.67	-3,030.04	-4,114.99	-2,649.90
Of which, Jiumu Store	2019	2018	2017	Average in three years
Revenue	46,043.51	15,299.61	3,515.35	21,619.49
Net profit	-693.11	-2,602.78	-989.07	-1,428.32

During the Reporting Period, M&G Life (including Jiumu Store) recorded a total operation revenue of RMB600,637,000, increased 96.34% over the previous year. The Company actively improved product portfolio and service model, fully developed Jiumu Store and tried some remodeling for M&G Life stores, so as to better meet market demands from consumption upgrading, and let people better enjoy writing and recording. As at the end of the Reporting Period, the Company has 380 large retail stores in China, of which 119 are M&G Life, and 261 are Jiumu Stores (158 direct-sales stores and 103 franchising stores).

For M&G Life stores, the Company kept optimizing operation management, focused on adjusting product mix and improving single store quality, continued to reduce loss and increase efficiency, losses from M&G Life was reduced significantly during the Reporting Period. For Jiumu Store, market expansion was accelerated, with new store opening in key cities, covering 55 cities in China. The Company made continuous effort to improve and adjust product category, positioned cultural and creative products more accurately and increased brand awareness of Jiumu Store. WeChat mini program was launched, customer stickiness strengthened with membership programs. These efforts are meant to better satisfy consumer demand for cultural and creative products from consumption upgrading, increase market shares of the Company in premium stationery segment, and upgrade brand image of the Company. With increasing brand influence of Jiumu Store, brands of M&G benefited better exposure to the public.

5. Continue to expand M&G Technologies

Unit: 0'000

M&G Technologies	2019	2018	2017	3-year average
Operating revenue	29,668.20	23,434.15	18,530.70	23,877.68
Net profit	-120.59	963.31	1,329.54	724.09

During the Reporting Period, M&G Technologies followed the omni-channel strategy, and recorded revenue of RMB296,682,000, representing growth of 26.60% over the previous year. M&G products ranked the first in online retail value for student writing instruments, learning auxiliary, painting materials and paper book in Taobao system. M&G Technologies facilitated the development and optimization of new products to penetrate the market and strengthen its brand position. The number and quality of online stores of the brand were increased to ensure

sustainable online development for M&G brand, while online products were improved and promoted to explore online incremental categories.

6. Promote Design and R&D

As a national high- and new-tech enterprise, the Company has been striving to research and develop core technologies and production, and keep continuous innovation to provide consumers with good products using industry-leading technologies. During the Reporting Period, the Company kept innovating in all its product segments, optimized product mix in different categories, better linked products with supply chain, made some breakthroughs in certain key categories, further improved the product portfolio. Progress in R&D and manufacturing of full food-grade watercolor ink improved safety for arts and kids drawing segment. The successful development of formulas for several new oil pastels improved applicability and cost competitiveness of products. The needle nib with the smallest diameter was successfully developed, and put into lot production smoothly to fill the gap in the category of writing instruments. The Company developed Chinese lead-free material for nib manufacturing and processing to address safety problems in the supply of core materials, helping environmental protection in China. The third and fifth research projects on the 13th Five-Year National Key R&D Program—New Environmentally Friendly Materials for Writing Instrument proceeded smoothly with several sub-projects completed.

In October 2019, the Company again obtained High- and New-tech Enterprise Certificate jointly issued by Shanghai Municipal Science and Technology Commission, Shanghai Finance Bureau and Shanghai Municipal Tax Service, State Taxation Administration with another term of three years.

7. Continue to Improve Internal Management

Production center focused its efforts on improving efficiency, eliminating bad practice, and boosting morale. By implementing measures aimed at efficiency, quality, cost, delivery time, safety, morale and environment, operation capacity was improved.

Various business team strengthened cross function coordination, for example, product and design team worked on improving pain points in consumer survey, product planning, technological R&D, product design, manufacturing, logistics, and customer complaints, so as to improve product quality. Supply chain resources were further integrated to support development of hit products and high-value products.

The Company's lean production program of MPS (M&G Production System), which was launched in 2015, was upgraded to a comprehensive program of MBS (M&G Business System) in 2019. The Company continued to learn from advanced global management experience and to improve management capability. For human resources, the Company improved its position

and title system, promoted performance by performance management, continued building talent training system and accelerated reserve of qualified managers.

8. Continue Digitization

During the Reporting Period, the Company continued to empower businesses with data, build in-house data middle platform, integrated various existing information systems with data, mobilizing resources to solve prioritized business pain points, and met the growing demand from external businesses. For sales system, focus on rolling out M&G Alliance APP to push the digitalization of channel; for production system, better data connection between quality inspection and MES backoffice system; for financial system, updated group financial reporting software and improved work efficiency.

II. Financial Performance during the Reporting Period

In 2019, the Company recorded revenue of RMB11,141,101,400, representing an increase of 30.53% as compared to the corresponding period of last year. The net profit attributable to shareholders of the listed company amounted to RMB1,060,083,600, representing an increase of 31.39% as compared to the corresponding period of last year, while net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss amounted to RMB1,005,187,800, representing an increase of 34.13% as compared to the corresponding period of last year. As at the end of 2019, total asset of the Company amounted to RMB7,565,115,300, representing an increase of 33.25% as compared to the corresponding period of last year. The net asset attributable to shareholders of the listed company amounted to RMB4,201,500,400, representing an increase of 23.18% as compared to the corresponding period of last year. The Company has maintained healthy and rapid growth, with sound operation of its asset.

(1) Analysis of principal operation

1. Analysis of change in certain items in income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Amount in the current period	Amount in the same period last year	Change in the proportion (%)
Revenue	11,141,101,364.44	8,534,988,597.55	30.53
Operation cost	8,229,837,268.86	6,330,446,740.16	30.00
Selling expenses	980,166,101.18	789,386,543.37	24.17
Administrative expenses	469,262,188.13	379,618,754.18	23.61
R&D expenses	160,403,362.97	114,388,916.75	40.23
Financial expenses	-8,397,277.65	-7,959,449.65	-5.50

Net cash flow generated from operating activities	1,081,941,383.68	827,940,565.51	30.68
Net cash flow generated from investing activities	-74,352,686.18	-295,966,108.35	74.88
Net cash flow from financing activities	-364,300,101.66	-225,100,000.00	61.84

2. Analysis of revenue and cost

"√ Applicable" "□ Not applicable"

During the Reporting Period, the Company recorded revenue of RMB11,141,100,000, representing an increase of 30.53% as compared to the corresponding period of last year. The increase is mainly attributable to:

(1) In 2019, the traditional core business achieved steady growth with a year-on-year increase of 20%. As a leading company in the stationery and office supplies industry, we benefited from our competitive advantages of distribution channel, brand recognition, design and R&D, and supply chains. Given that the stationery and office supplies industry in China are still quite fragmented, there is still room for the Company to increase its market share.

(2) In 2019, new businesses continued rapid growth: M&G Colipu and M&G Life grew by 51% compared with last year. Among this, M&G Colipu grew 41.45% from last year, mainly due to the much larger scale of the market of direct office supplies service. According to industry research report from securities company, the scale of the market of broad office supplies (including office furniture, equipment and other office supplies) in China reached more than RMB1 trillion. Regulation on the Implementation of the Government Procurement Law of the People's Republic of China in 2015 explicitly requires that the state shall promote the utilization of information networks for carrying out digital government procurement. In the same year, General Office of the State Council issued the Notice of the General Office of the State Council on Issuing the Work Plan for Integrating and Establishing a Uniform Public Resources Trading Platform, requiring that a public resources trading platform with unified regulations, openness and transparency, efficient service and standard supervision should be developed across the country to achieve transaction of public resources by digital in the whole process. With such strong promotion and national policy supports, B2B office supplies procurement got the historical opportunities for rapid development.

Revenue from the principal business amounted to RMB11,139,921,600, accounting for 99.99% of the operation revenue and representing an increase of 30.54% as compared to the corresponding period of last year. Cost of the principal business amounted to RMB8,229,332,400, representing an increase of 30.00% as compared to the corresponding period of last year. The increase in cost is a main result of the growth in revenue.

With the development in business, direct sales of office supplies and large retail store business of the Company gradually expanded. In order to better reflect product and business modules of the Company, the Company made segment disclosure for direct sales of office supplies, accordingly, principal business reporting format by industry and product was adjusted for the Reporting Period.

(1). Result of principal business by industry, product and region

Unit: Yuan Currency: RMB

Result of principal business by industry						
By industry	Revenue	Operation cost	Gross margin (%)	Change in revenue from last year (%)	Change in cost from last year (%)	Change in gross profit margin from last year (%)
Manufacturing and sales of stationery and office supplies	7,085,012,384.59	4,856,789,638.83	31.45	21.62	19.75	Increase by 1.07 percentage points
Retail industry	4,050,346,491.25	3,372,542,728.19	16.73	49.69	48.27	Increase by 0.80 percentage points
Service industry	4,562,765.09		/	/	/	
Result of principal business by product						
By product	Revenue	Operation cost	Gross margin (%)	Change in revenue from last year (%)	Change in cost from last year (%)	Change in gross profit margin from last year (%)
Writing instruments	2,186,591,691.37	1,383,090,906.87	36.75	12.26	9.28	Increase by 1.72 percentage points
Student stationery	2,645,275,497.55	1,781,278,080.67	32.66	42.35	44.14	Decrease by 0.83

						percentage points
Office stationery	2,346,944,916.66	1,725,910,247.56	26.46	15.86	14.76	Increase by 0.70 percentage points
Other products	298,485,107.73	159,902,745.78	46.43	233.85	238.49	Decrease by 0.73 percentage points
Direct sales of office supplies	3,658,061,662.53	3,179,150,386.14	13.09	41.45	42.47	Decrease by 0.62 percentage points
Management fee for franchising	4,562,765.09			68.41		
Result of principal business by region						
By Geography	Revenue	Operation cost	Gross margin (%)	Change in revenue from last year (%)	Change in cost from last year (%)	Change in gross profit margin from last year (%)
China	10,949,351,918.16	8,098,106,055.92	26.04	30.15	29.53	Increase by 0.35 percentage points
Other countries	190,569,722.77	131,226,311.10	31.14	57.79	66.68	Decrease by 3.67 percentage points

Explanation on result of principal business by industry, product and geography

1. Revenue from principal business of the Company includes revenue from manufacturing and selling stationery and office supplies, revenue from retail industry and revenue from service industry.

2. Revenue from retail industry refers to revenue gained by M&G Colipu and M&G Life through selling non-M&G products. During the Reporting Period, sales of the above categories grew continuously.
3. Writing instruments refers to products of writing utensil sold by the Company (excluding M&G Colipu).
4. Student stationery refers to products of student stationery sold by the Company (excluding M&G Colipu). During the Reporting Period, revenue from student stationery increased by 40.53% as compared to the corresponding period of last year, mainly because of sales increase and the acquisition of Axis Stationery.
5. Office stationery refers to products of office supplies sold by the Company (excluding M&G Colipu).
6. Other products refers to products sold by the Company (excluding M&G Colipu) apart from writing instruments, student stationery and office supplies. During the Reporting Period, revenue from other products increased by 233.85% as compared to the corresponding period of last year, mainly because large retail store expanded business quickly and sales increased.
7. Direct sales of office supplies refer to products in all categories sold by M&G Colipu. During the Reporting Period, business of M&G Colipu developed rapidly.
8. Revenue from other countries increased by 57.79%, mainly because of the increase of overseas sales from Axis Stationery.

Unit: 0'000

Result of revenue by business				
Businesses	Revenue in 2019	Revenue in 2018	Change in amount	Change
Traditional core business	665,068.98	551,090.85	113,978.13	21%
Colipu Office Supplies business	365,806.17	258,604.90	107,201.27	41%
Retail large store business	60,063.70	30,592.14	29,471.56	96%
E-commerce business	29,668.20	23,434.15	6,234.05	27%
Transactions offset	-6,496.91	-10,223.18	3,726.27	
Total	1,114,110.14	853,498.86	260,611.28	31%

(2). Analysis of production and sales volume

"√ Applicable" "□ Not applicable"

Major products	Unit	Production	Sales	Inventory	Change in production from last year (%)	Change in sales from last year (%)	Change in inventory from last year (%)
Writing instruments	Piece	2,301,956,388	2,270,730,687	580,672,713	6.84	8.30	5.68
Student stationery	Piece	5,494,359,548	5,305,245,796	644,449,966	36.85	33.01	41.53
Office stationery	Piece	1,423,262,635	1,413,678,371	138,580,624	8.63	7.90	7.43
Other products	Piece	12,576,071	9,178,022	5,410,802	192.28	197.66	168.83
Direct sales of office supplies	Piece	290,473,435	288,518,320	21,113,972	12.83	13.73	10.20

Explanation on production and sales volume

Production volume increased with sales. The growth in the production and sales volume of student stationery is helped by the acquisition of Axus Stationery. The growth in the production and sales volume of other products is mainly because large retail store expanded business quickly and sales increased.

(3). Analysis of cost

Unit: RMB Yuan

By industry							
By industry	Cost item	Amount in the current period	Percentage of total costs for the current period (%)	Amount in the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last	Explanation on the situation

						year (%)	
Manufacturing and sales of stationery and office supplies	Cost of principal business	4,856,789,638.83	59.02	4,055,859,578.58	64.07	19.75	
Retail industry	Cost of principal business	3,372,542,728.19	40.98	2,274,564,994.95	35.93	48.27	
Service industry	/	/	/	/	/	/	/
By product							
By product	Cost item	Amount in the current period	Percentage of total costs for the current period (%)	Amount in the same period last year	Percentage of total costs for the same period last year (%)	Percentage change in the amount for the current period as compared to the same period last year (%)	Explanation on the situation
Writing instruments	Cost of principal business	1,383,090,906.87	16.81	1,265,617,160.50	19.99	9.28	
Student stationery	Cost of principal business	1,781,278,080.67	21.65	1,235,797,751.80	19.52	44.14	
Office stationery	Cost of principal business	1,725,910,247.56	20.97	1,503,891,848.04	23.76	14.76	
Other products	Cost of principal business	159,902,745.78	1.94	47,239,918.50	0.75	238.49	
Direct sales of office supplies	Cost of principal business	3,179,150,386.14	38.63	2,231,387,838.70	35.25	42.47	
Management fee for franchising	Cost of principal business	/	/	/	/	/	/

Explanation on other situations of cost analysis

Cost increased simultaneously with sales. The growth in the costs of student stationery is mainly because of sales increase and the acquisition of Axus Stationery. The growth in the costs of other products is mainly because large retail store expanded business quickly and sales increased.

(4). Major customers and suppliers

"√ Applicable" "□ Not applicable"

Sales of the top 5 customers amounted to RMB2,389,602,700, accounting for 21.45% of the total annual sales. Of the sales of the top 5 customers, sales of related parties amounted to RMB387,821,100, accounting for 3.48% of the total annual sales.

Unit: RMB Yuan

Rank	Customer name	Amount	Related relationship
1	First	952,212,757.52	No
2	Second	477,565,530.73	No
3	Third	387,821,087.67	Yes
4	Fourth	288,003,073.21	No
5	Fifth	284,000,271.72	No
	Total	2,389,602,720.85	

Related relationship between the Company and top five customers in 2019: the third customer is Nanjing Zhaochen Stationery Sales Co., Ltd, a sales company controlled by Guo Weilong who is the younger brother of the spouse of Chen Huxiong, CEO of the Company. According to Article VIII and X set out in Guidelines for the Affiliated Transactions of Listed Companies, Guo Weilong is deemed as a related natural person of the Company, and the sales company controlled by him is the related legal person of the Company.

Purchase amount of the top 5 suppliers amounted to RMB1,087,111,000, accounting for 13.52% of the total annual purchase amount. Of the purchase amount of the top 5 suppliers, purchase amount of related parties amounted to RMB0, accounting for 0% of the total annual purchase amount.

Unit: RMB Yuan

Rank	Rank of supplier	Amount	Related relationship
1	First	380,013,748.41	No
2	Second	223,976,162.51	No
3	Third	180,407,188.66	No
4	Fourth	169,037,053.67	No
5	Fifth	133,676,870.68	No

	Total	1,087,111,023.93	
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There was no related relationship between the Company and the top 5 suppliers in 2019.

Other explanation

No

3. Expense

Applicable Not applicable

Unit: RMB Yuan

Item in statement	Amount in the current period	Amount in the last period	Change (%)	Reason for change
Selling expenses	980,166,101.18	789,386,543.37	24.17	
Administrative expenses	469,262,188.13	379,618,754.18	23.61	
R&D expenses	160,403,362.97	114,388,916.75	40.23	Please see details below
Financial expenses	-8,397,277.65	-7,959,449.65	-5.50	

Explanation on the reason for change in R&D expenses:

R&D expenses increased by RMB46,014,400, representing an increase of 40.23% as compared to the corresponding period of last year. Reason for change: investment in R&D in traditional business, investment in development of Colipu's new IT system, and increased R&D expenses from the acquisition of Axis Stationery.

4. R&D investment

(1). Table of R&D investment

Applicable Not applicable

Unit: RMB Yuan

Expensed R&D investment in the current period	160,403,362.97
Capitalized R&D investment in the current period	0.00
Total R&D investment	160,403,362.97
Percentage of total R&D investment to operation revenue (%)	1.44
Number of the Company's R&D staff	459
Percentage of the number of R&D staff to the Company's total number	8.12

of employees (%)	
Percentage of capitalized R&D investment (%)	0.00

(2). Explanation on the result

"√ Applicable" "□ Not applicable"

The total R&D investment accounts for 4.08% of operation revenue of the parent company

5. Cash flow

"√ Applicable" "□ Not applicable"

Unit: RMB Yuan

Item	Amount in the current period	Amount in the same period last year	Change (%)	Reason for change
Net cash flow generated from operating activities	1,081,941,383.68	827,940,565.51	30.65	Mainly because of growth in sales and profit and benefit from effective management of cash flow from operating activity.
Net cash flow generated from investing activities	-74,352,686.18	-295,966,108.35	74.88	Mainly because of the net redemption of bank financial product.
Net cash flow from financing activities	-364,300,101.66	-225,100,000.00	61.84	During the Reporting Period, growth achieved in distributed dividends and interest payments as compared to the same period last year, and

				influence in change of borrowings repaid by Axus Stationery to financial institutions.
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(2) Explanation on significant change of profit caused by non-core business

Applicable" Not applicable"

(3) Analysis of assets and liabilities

Applicable" Not applicable"

1. Assets and liabilities

Unit: RMB Yuan

Items	Amount as at the end of the current period	Percentage of total assets at the end of current period (%)	Amount as at the end of last period	Percentage of total assets at the end of last period (%)	Change in percentage for the current period over the last period (%)	Explanation
Cash and equivalents	1,935,600,694.35	25.59	1,046,668,874.97	18.44	84.93	Increase in cash and equivalents brought by the growth of income and net profit
Held-for-trading financial assets	661,878,587.24	8.75		0.00		According to requirements in New Standards of Financial Instruments, bank financial product is reclassified into financial assets held for trading
Bills receivable		0.00	1,894,232.00	0.03	-100.00	According to requirements in New Standards of Financial Instruments, bills receivable are reclassified into receivable financing by nature

Receivables financing	29,549,924.83	0.39		0.00		According to requirements in New Standards of Financial Instruments, reclassification should be performed based on the nature of bills receivable and factoring of the accounts receivable
Prepayment	85,371,444.73	1.13	42,336,973.71	0.75	101.65	Payment settled in advance for goods because of the business development of the Company
Inventories	1,378,108,759.85	18.22	1,042,701,610.00	18.37	32.17	Inventories in the acquisition of Axus Stationery during the Reporting Period, and inventories prepared in advance for primary schooling peak
Other current assets	29,280,925.29	0.39	1,046,977,400.35	18.44	-97.20	According to New Standards of Financial Instruments, bank financial product is reclassified into financial assets held for trading
Available-for-sale financial assets		0.00	3,600,000.00	0.06	-100.00	According to New Standards of Financial Instruments, available-for-sale financial assets are reclassified to investment in other equity instruments
Long-term receivables	6,624,590.00	0.09		0.00		Mainly from compensation for the Company made by original shareholders of Axus Stationery for audit adjustment and related losses during the period according to the agreement

Investments in other equity instruments	3,909,179.93	0.05		0.00		According to requirements in New Standards of Financial Instruments, the item is the investment for Shanghai M&G Culture and Creativity (上海晨光文化创意) held by the Company for non-transaction purpose
Fixed assets	1,163,702,352.12	15.38	876,617,888.99	15.44	32.75	Mainly due to the fixed assets in the acquisition of Axus Stationery during the Reporting Period
Construction in progress	260,469,728.76	3.44	24,506,469.59	0.43	962.86	Mainly due to investment in the construction project of new Qingcun production base during the Reporting Period
Intangible assets	331,005,762.09	4.38	187,987,875.67	3.31	76.08	Mainly due to intangible assets of land use rights in the acquisition of Axus Stationery during the Reporting Period
Goodwill	30,175,537.19	0.40	131,001.23	0.00	22,934.54	Consideration for the acquisition of Axus Stationery exceeded the assessed net assets during the Reporting Period
Deferred income tax assets	36,623,535.59	0.48	25,525,520.98	0.45	43.48	Mainly due to deferred income tax assets recorded through deductible temporary differences arising from increased asset impairment provisions and unrealized profits from internal transactions
Short-term borrowings	182,979,528.81	2.42		0.00		Mainly due to short-term borrowing of Axus Stationery from the bank and financial institutions

						during the Reporting Period
Accounts payable	1,861,072,467.87	24.60	1,319,407,048.21	23.24	41.05	Mainly due to accounts payable for purchasing goods at primary schooling peak season and the acquisition of Axus Stationery as at the end of the Reporting Period
Accounts received in advance	206,762,293.94	2.73	147,647,053.87	2.60	40.04	Mainly due to amounts received in advance from customers for primary schooling peak season during the Reporting Period
Other payables	331,653,211.40	4.38	240,665,881.17	4.24	37.81	Mainly due to the collection of risk margin and provision of due unpaid marketing fees during the Reporting Period
Deferred income tax liabilities	36,576,744.55	0.48	564,909.50	0.01	6,374.80	Mainly due to the acquisition of Axus Stationery at a premium during the Reporting Period
Other comprehensive income	526,359.55	0.01		0.00		Mainly due to translation difference for Axus Stationery's financial statement with foreign currency and changes in fair value of investment in other equity instruments during the Reporting Period
Minority equity	259,424,856.61	3.43	85,856,179.34	1.51	202.16	Mainly due to the new minority equity for the acquisition of Axus Stationery during the Reporting Period

Other explanation

No

2. Major restricted assets as at the end of the Reporting Period

Applicable" Not applicable"

(1) On 29 March 2017, Axus Stationery and Shanghai Pudong Development Bank Co., Ltd. Songjiang Branch (hereinafter referred to as "SPD Bank") entered into the Factoring Agreement under the contract No. 98082013280133 to provide factoring service through the pledge of accounts receivable (USD). As of 31 December 2019, Axus Stationery's unpaid factoring borrowing was USD427,099.11 (equivalent to RMB2,979,528.81).

(2) On 29 October 2019, Axus Stationery and China Merchants Bank Co., Ltd. Shanghai Branch entered into the Facility Agreement (No. 121XY2019028027) with facility amount of RMB180,000,000.00 for 12 months from 30 October 2019 to 29 October 2020. Pursuant to the agreement, Axus Stationery and China Merchants Bank entered into the Maximum Mortgage Contract (No.121XY2019028027) with the mortgage term from the effective date of the mortgage contract to the termination of litigation for facility credit. The collaterals for mortgage include:

Name of collateral	Ownership No.	Original value	Accumulated depreciation	Net value
No. 111 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2013) No. 015437	47,061,453.52	22,483,546.11	24,577,907.41
No. 233 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2013) No. 013396	32,156,238.78	11,248,094.31	20,908,144.47
No. 333 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2015) No. 015718	60,230,210.97	12,418,790.03	47,811,420.94
Total		139,447,903.27	46,150,430.45	93,297,472.82

3. Other explanation

Applicable" Not applicable"

(4) Analysis on industry operating information

Applicable" Not applicable"

Please refer to “Description of the Company’s Principle Business, Operation Model and Industry Condition During the Reporting Period” set out in “Business Overview of the Company” of Section III.

(5) Analysis of investment**1. Overall analysis of external equity investment**

Applicable" Not applicable"

During the Reporting Period, total external investment of the Company amounted to RMB211,038,100, representing a decrease of 41.52% as compared to the total investment of RMB360,875,700 in corresponding period of last year.

(1) Significant equity investment

Applicable" Not applicable"

1. In 2018, the Company increased capital by RMB322,000,000 for M&G Colipu in cash. The amount pledged but not yet contributed is RMB322,000,000. For more details, please refer to the Announcement on Increasing Capital for Controlled Subsidiary (announcement No.: 2018-034) disclosed by the Company on 9 November 2018. As at the end of the Reporting Period, the actual contribution of capital made by the Company amounted to RMB98,000,000, of which premium is RMB28,000,000, and amount promised but not yet settled is RMB252,000,000;

2. On 22 March 2019, the Company entered into the Equity Transfer Agreement of Axus Stationery (Shanghai) Company Ltd. with Axus Stationery (Shanghai) Company Ltd. and its shareholder Yilin Investment (Shanghai) Co., Ltd.(懿琳投资(上海)有限公司), Mr. Xu Peifeng and Mr. Andre FrancisViegas, the actual controllers of Beilin Investment (Shanghai) Co.,Ltd.(倍林投资(上海)有限公司) and Highton Limited respectively, to acquire 56% equity of Axus Stationery (Shanghai) Company Ltd. at the consideration of RMB177,038,100. As at the end of the Reporting Period, the actual contribution of capital made by the Company amounted to RMB170,006,000, and the amount promised but not yet settled is RMB7,032,100. For more details, please refer to the Announcement on the Acquisition of 56% of Equity of Axus Stationery (Shanghai) Company Ltd., Announcement on Update on the Acquisition of 56% of Equity of Axus Stationery (Shanghai) Company Ltd., and Announcement on Update on the Acquisition of 56% of Equity of Axus Stationery (Shanghai) Company Ltd. disclosed by the Company on 26 March 2019, 9 April 2019 and 30 July 2019 respectively under the announcement No.2019-009, 2019-011 and 2019-022 respectively. Acquisition was completed at the end of April 2019, and started to be included into the consolidated statement of the Company.

(2) Significant non-equity investment

Applicable" Not applicable"

(3) Financial assets measured at fair value

Applicable" Not applicable"

(6) Sale of significant assets and equity interests

"□ Applicable" "√ Not applicable"

(7) Analysis of major controlled companies and shareholding companies

"√ Applicable" "□ Not applicable"

Unit: 0'000

Currency: RMB

Company Name	Nature of the business	Major products and services	Registered capital	Total asset	Net assets	Net profit
Shanghai M&G Zhenmei Stationery Co., Ltd.(上海晨光珍美文具有限公司)	Wholesale and retail	Stationery and office supplies	1,000.00	3,214.99	-925.45	-426.55
Shanghai M&G Colipu Office Supplies Co., Ltd.	Wholesale and retail	Office supplies	30,000.00	167,576.19	41,157.70	7,580.35
Shanghai M&G Stationery & Gift Co., Ltd.(上海晨光文具礼品有限公司)	Wholesale and retail	Stationery and office supplies	19,941.94	100,954.21	38,718.02	4,987.75
M&G Living Studio Enterprise Management Co., Ltd.(晨光生活馆企业管理有限公司)	Wholesale and retail	Stationery and office supplies	10,000.00	37,086.02	-2,341.24	-804.67
Shanghai M&G Jiamei Stationery Co., Ltd.(上海晨光佳美文具有限公司)	Manufacturing, wholesale and retail	Stationery and office supplies	3,000.00	6,505.17	3,737.62	127.68
Shanghai M&G Information Technology Co.,	Wholesale and retail	Office supplies	5,000.00	12,699.55	6,761.94	-120.59

Ltd.(上海晨光信息科技有限公司)						
Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔雅文化创意发展有限公司)	Design and so forth	Design, office supplies and so forth	2,000.00	1,983.22	1,053.25	3.10
Shanghai M&G Office Supplies Co., Ltd.	Wholesale and retail	Office supplies	5,000.00	20,682.63	9,635.45	2,636.01
Axus Stationery (Shanghai) Company Ltd.	Production, sale and so forth	Stationery and office supplies	8,100.00	78,201.89	25,273.66	-993.49

Note: Acquisition of 56% equity of Axus Stationery by the Company during the Reporting Period was completed at the end of April 2019, and started to be included into the consolidated statement of the Company.

(8) Structured entities controlled by the Company

Applicable" Not applicable"

III. Discussion and analysis on future development of the Company

(1) Industry pattern and trend

Applicable" Not applicable"

As the way of life and consumption habit of consumers change, retail industry started a new round of redevelopment and innovation. Stationery industry faces the challenge that uncertainty of the external environment, decentralized diversification of consumption channel, individual demands of the target consumption group (post-90s and post-00s) stimulate the demand for new products. As population structure changes in China and the birth rate declines, contributions of growth in sales volume only to revenue weakens in stationery industry, so more revenue growth will be contributed by consumption upgrading and product upgrading in the future. As domestic consumption market becomes increasingly mature, demand for mid- to high-end pen products in the Chinese market keeps increasing, helping enterprises to expand beyond the low-end pen products market, and providing opportunities and challenges for mid- to high-end products with high quality and high price.

Traditional business circles around the schools are still the leading ones, while other business circles and form of sales increase rapidly, and sales terminal becomes diversified. New channels and forms of business are developed gradually, with upgrading and competition in channels becoming increasingly obvious. Stationery consumption tends to be more brand-oriented, innovative, individualized and high-end in China, and there is a growing demand for exquisite cultural and creative products, promoting stationery upgrading and transforming to cultural and creative life. With the constant development in the market, stationery industry becomes gradually centralized in market with the M&A accelerating in upstream and downstream continuously, and integration space in the industry further opened. Excellent brand stationery enterprises are in a strong position in the market, so the strong will get stronger, and market shares will be quickly occupied by leading enterprises.

Market of direct sales to offices achieved prosperous development. According to industry research report made by the securities company, the scale of large market for office supplies (including office furniture, equipment and other office materials) in China reached more than RMB1 trillion. Regulation on the Implementation of the Government Procurement Law of the People's Republic of China implemented in 2015 expressly requires that the state shall promote the utilization of information networks for carrying out government procurement activities in electronic manners. In the same year, General Office of the State Council issued the Notice of the General Office of the State Council on Issuing the Work Plan for Integrating and Establishing a Uniform Public Resources Trading Platform, requiring that a public resources trading platform with unified regulations, openness and transparency, efficient service and standard supervision should be developed across the country to basically realize electronic transaction of public resources in the whole process. Benefiting from the great promotion and support from national policies, B2B office supplies procurement got the historical opportunities for rapid development. The 1.4 billion population in China accounts for 18% of the total population in the world, and excellent stationery enterprises in China have a vast space for greater development in global market. During the Reporting Period, 98% revenue of the Company is contributed by domestic market, and the international market share is expected to increase.

(2) Development strategy of the Company

Applicable" Not applicable"

To further the competitive advantage of the core traditional business by continued emphasis on innovation of technology and products; to further develop new businesses of one-stop office supplies service and direct retail; to actively expand international market; and to further integrate high-quality resources in the industry chain. With continued efforts in those four areas, to reach the goal of becoming the number one stationery brand(s) in China.

(3) Operation plan

"√ Applicable" "□ Not applicable"

In 2020, the Company plans to reach revenue of RMB12,812,266,600, an increase of 15%, mainly through the following approaches:

1. Traditional core business

Businesses in domestic stationery industry are relatively decentralized. There are many manufacturers with small average scale, so industrial concentration remains quite low. Thousands of stationery manufacturers in China are currently divided into different subdivided stationery categories. As there is no leading enterprise with relatively high market shares in most of the subdivided stationery categories, the Company has much room for greater improvement. Making good use of the existing advantages in channel, brand, design and R&D and supply chain, the Company is expected to maintain fast and stable growth in traditional core business.

(1) Focus on and further develop channel

The Company will focus on key terminals, and build perfect stores to improve quality in a single store, facilitate the optimization and upgrading of franchising stores and delivery centers, and upgrade channel. Besides, the Company will also strengthen promotion for categories and special zones for products to increase on-sale rate of the must-have products, and actively explore new business models to create driving force for sale, increase proportion in business circles and expand market share, making breakthroughs in both the existing stock market and increment market.

(2) Promote four product sectors comprehensively

① Consumer products

The Company will continue to improve stronger product strategy, and set up the assurance process for quality of newly developed products to achieve target development with less quantity but higher quality, and increase contribution of individual product. Focus will be placed on product management of key categories to develop long-term products and high-quality products. Promotion for category will be carried out collaboratively with offline distribution channel to increase on-sale rate, while coordination will be made with online channel to increase online sales of consumer products.

② Exquisite cultural and creative products

The Company will optimize inventory of exquisite cultural and creative products, ameliorate development and presentation plan for key categories based on terminal sale to develop formations of exquisite cultural and creative products with strong function, and manage SKU to increase the contribution of individual product. Besides, the Company will also optimize marketing window and the timing of launching, and popularize key categories with breakthroughs through seizing market opportunities and collaborating research, production and sale. Brand of exquisite cultural and creative products will be popularized and customer stickiness will be enhanced through summit of exquisite cultural and creative products.

③ Office supplies

The Company will enhance development and promotion of office supplies to put core products on sale, and expand M&G stores for office supplies and establish perfect stores for office supplies on a continuous basis. Focus will be placed on key development and breakthrough of “mega customer”, “extensive category” and “large platform” to facilitate development of large office terminal customers. Moreover, the Company will focus on the development of online office supplies in all categories and multiple channels, and stimulate sales growth and increase market shares in office supplies market through seeking new customers continuously and improving sales in the single store of established customers.

④ Arts products for children

The Company will optimize product structure and promote long-term products and new products. The Company will also increase brand influence, optimize development of new products and enhance contributions from individual product, and facilitate rapid growth in e-commerce to develop new e-commerce categories and establish new e-commerce stores. CARIOCA products will be promoted through online and offline channel, and Marco products of Axus Stationery will be further developed and popularized.

2. New business

(1) Keep expanding operation of M&G Colipu

Business in direct sales of office supplies continues to achieve booming development since M&G Colipu follows requirement on well-informed, open and transparent government procurement, and meets requirements that enterprises desire to increase procurement efficiency and reduce procurement cost for non-production office and administration supplies. Brand enterprise continues to enhance competitiveness through improving service quality, enriching product categories, seeking more customers and developing national supply chain system, so M&G Colipu is expected to maintain relatively rapid growth, and become one of the main competitors in the market of direct sales of office supplies.

M&G Colipu will redouble its efforts to develop sales teams in the south China, north China and central China so that it can expand local market and increase coverage of large projects. Furthermore, the Company will also further improve its capacity in supplying products to enhance customer stickiness, get shortlisted in more new comprehensive e-commerce projects from state-owned enterprises and win bidding for the Group's comprehensive promotion to expand its existing shares. Efforts will be made to construct central warehouse in the northeast China, and start and facilitate construction and establishment of central warehouse in the northwest China. In addition, the Company will popularize Colipu's convenient shopping service(省心购) to expand the market of small and micro businesses by providing sound products with low price and low operation cost.

(2) Combine direct sale with franchise to further explore the business model of large retail store

In terms of M&G Life, the Company will improve operation capacity of the stores and sales of per employee, optimize human resource cost for stores, and increase orders from customers and quality of existing single store so as to improve new product launch strategy, accelerate iteration of products and increase efficiency of products. In terms of Jiumu Store, the Company will speed up channel layout, enhance the development of operation team and explore opportunity for new categories to strengthen development capacity for original products, integrate high-quality supply chain resources, improve supply chain management, and upgrade channel and product.

(3) Accelerate development of M&G Technologies

The Company will continue to focus on making breakthroughs in e-commerce channel, and develop best-selling products of new categories to accelerate development for online distribution channel and improve key stores. Moreover, the Company will cultivate its capacity to develop online products, improve online product formations and promotion, and develop new scenes and categories so as to continuously create incremental online categories, improve promotion efficiency for categories and enhance brand exposure. Attention will be paid to management of market order to enhance control on distribution system.

(4) Potential risks

Applicable" Not applicable"

1. Risks in operation management

With the great growth in the scale of assets and sale of the Company, the Company faces new challenges in operation management system, internal control system and staff management. Although the Company has developed operation management system and internal control system that accord with features of its business and technology in its development, and hired and cultivated stable core management team, operation of the Company will be adversely affected if the aforesaid management system and management staff fail to promptly adapt to the rapid expansion of the Company. Therefore, the Company will keep improving its management system and internal control system, and adopt various measures to improve qualification of management staff.

2. Market risks

With social transformation and consumption upgrading, stationery market presents opportunities for structure-based development. If the Company is unable to anticipate market trends in time and adapt to market changes from aspects of product upgrading, quality management to sale strategy, the Company will encounter certain risks in market competition. Having been aware of the problem, the Company enhanced product R&D under the guidance of the market, optimized product structure, and developed a sounder quality management and control system. Market strategies are formulated based on market survey, analysis of big data and management discussion.

3. Risks from fiscal and taxation

According to Article 28 of Enterprise Income Tax Law of the People's Republic of China, the enterprise income tax on important high- and new-tech enterprises that are necessary to be supported by the state shall be levied at the reduced tax rate of 15%. The Company was re-recognized as a national high- and new-tech enterprise on 28 October 2019, and started to implement the policy of reduced enterprise income tax rate of 15% on 1 January 2019 for 3 years. If the state adjusts preferential income tax policy for high- and new-tech enterprises, or the Company fails to pass the review after its qualification of high- and new-tech enterprise expires, operation performance of the Company will be adversely affected. As such, the Company performs strict control according to assessment standards for high- and new-tech enterprises to ensure that it meets all indicators, and qualifies and passes the annual review and renewal for high- and new-tech enterprises.

4. Risks from COVID-19

Since the outbreak of novel coronavirus (hereinafter referred to as "COVID-19") at the beginning of 2020, domestic economy growth and demand of foreign trade have slowed down significantly. Although demand of stationery industry is relatively rigid, it has been affected by macro-economy and delay in new semester, especially for primary and middle schools. The impact of COVID-19 on the macro-economy is uncertain, adding uncertainties to the Company's operation in 2020. The Company pays close attention to the development of COVID-19, and adopt active measures to reduce risks and uncertainties brought by COVID-19.

(5) Others

Applicable" Not applicable"

IV. Explanation on the failure to disclose as per rules due to inapplicability or special reasons such as state secrets and business secrets and the reasons thereof

Applicable" Not applicable"

Chapter V Major Events

I. Proposal for profit distribution of ordinary shares or capitalization of capital reserve

(1) Formulation, implementation or adjustment of the cash dividend policy

"√ Applicable" "□ Not applicable"

1. The existing profit distribution policy of the Company is implemented after it was passed at the 16th meeting of the third Board meeting and 2016 annual general meeting.

2. Principle in profit distribution of the Company: The Company implements the dividend distribution policy which entitles the shareholders to the same rights and same dividends, under which shareholders are entitled to receive dividends and other kinds of distribution of interests based on the number of shares held by them. The Company adopts active profit distribution policy, which emphasizes investors' reasonable investment returns while maintaining sustainability and stability. The Company is allowed to distribute profit in cash or shares, but its profit distribution shall not exceed the range of the accumulated distributable profits or affect the Company's ability to continue as a going concern.

3. Overall approaches to distribute profit of the Company: The Company distributes dividends in cash or shares, or cash-and-shares, and if the Company satisfies the conditions for cash dividends, priority should be given to profit distribution by means of cash dividends.

4. Specific conditions and proportion for cash dividends: The Company primarily adopts cash dividend as its profit distribution policy. The Company may distribute cash dividend when it makes a profit in the current year and the distributable profits are positive after making up losses, contributing to the statutory reserves and surplus reserves, but the profit distribution shall not exceed the range of the accumulated distributable profits. In general, if there are no material investment plans or significant cash expenditure, the Company may distribute profit in cash for a single year not less than 20% of the distributable profit realized in the current year.

In addition, as for the proportion of cash dividends to the total profit distribution, the Board of Directors shall take into full account of various factors such as features of the industries where the Company operates, the stage of development, its own business model, level of profitability, and whether there is significant capital expenditure arrangement, to distinguish the following situations and determine differentiated cash dividend proportion in accordance with the procedures as required by the Articles of Association:

(1) If the Company is at a mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;

(2) If the Company is at a mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;

(3) If the Company is at a growing stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 30% when the profit distribution is made;

(4) If the Company is at a growing stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made.

The aforesaid “significant investment plans” or “significant cash expenditure” refers to one of the following:

(1) The proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with accumulated expenses amounting to or exceeding 50% of the latest audited net assets of the Company and exceeding RMB50,000,000;

(2) The proposed external investment, acquisition of assets or purchase of equipment by the Company in the coming twelve months with accumulated expenses amounting to or exceeding 30% of the latest audited total assets of the Company.

Significant investment plans or significant cash expenditure that meets the above conditions shall be reviewed and approved at the general meeting after being reviewed by the Board meeting.

5. During the Reporting Period, the formulation and implementation of the cash dividend policy has complied with the Articles of Association and the resolutions of the general meetings. The dividend distribution standards and proportions are clearly stated, and relevant decision making procedures and systems are complete. Independent directors have diligently served their obligations, and played their roles. As minority shareholders have opportunities to fully express their opinions and appeals, their legitimate interests have been fully protected.

(2) Plan or proposal for dividend distribution of ordinary shares or transfer of capital reserve fund to share capital of the Company for the latest three years (including the reporting period)

Unit: Yuan Currency: RMB						
Year of distribution	Number of bonus shares per 10 shares (shares)	Amount of dividends distributed per 10 shares (Yuan) (inclusive of tax)	Number of shares transferred per 10 shares (shares)	Amount of cash dividends (inclusive of tax)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the distribution year	Percentage of the net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)

2019	0	4	0	368,000,000.00	1,060,083,625.03	34.71
2018	0	3	0	276,000,000.00	806,847,308.41	34.21
2017	0	2.5	0	230,000,000.00	634,040,991.46	36.28

(3) The inclusion of shares repurchased through cash offer in cash dividend

Applicable" Not applicable"

(4) If the Company records profit distributable to ordinary shareholders of the Company during the Reporting Period is positive but there is no proposal for cash dividend, the Company shall disclose the reasons, the usage and the utilization plan of the undistributed profits in detail

Applicable" Not applicable"

II. Performance of undertakings

(1) Undertakings by the Company's beneficial controllers, shareholders, related parties, acquirers, the Company and other related parties during or subsisted in the Reporting Period

"√ Applicable" "□ Not applicable"

Background of undertakings	Type of undertakings Types	Undertaking party	Type of undertakings Contents of the undertaking	Time and term of the undertaking	Whether there is deadline for performance	Whether strictly performed in a timely manner	If not performed in time, describe the specific reasons	If not performed in time, describe plans in next steps
Undertakings related to initial public offering	Restriction on sale of shares	M&G Group, Chen Huwen, Chen Huxiong, and Chen Xueling	<p>Undertaking for restriction on sale of shares and voluntary lockup undertaking by the controlling shareholder—M&G Group, and beneficial controllers—Chen Huwen, Chen Huxiong, and Chen Xueling</p> <p>(1) Within 36 months from initial public offering and listing of the Company, the shares of the Company issued prior to the offering or listing shall neither be transferred or entrusted to other person for management, nor be repurchased by the Company as required.</p> <p>(2) If the closing price of the shares has been lower than the issue price for 20 consecutive trading days within 6 months after shares of Company are issued in the initial public offering, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for shares of the Company held before the offering or listing shall be automatically extended by 6 months based on the 36 months of original undertaking period, in other words, the lockup period is 42 months from the date when shares of the Company are listed. If there are any ex-rights or ex-dividends events, such as the declaration of dividends, bonus issue, and capitalization from capital reserve to share capital, the above closing price refers to price after corresponding adjustment of price of shares of the Company;</p> <p>(3) Within 24 months after the termination of lockup period, if any attempt is made to reduce the shares of the Company that it had held prior to the offering and listing by any means, the price of the shareholding reduction shall not be lower than the offering price of the Company's initial public offering shares at the time of the offering and the listing. If there are any ex-rights or ex-dividends events, such as the declaration of dividends, bonus issue, and capitalization from capital reserve to share capital before the reduction of the aforesaid shares, the price of the shareholding reduction should not be lower than the adjusted offering price of the Company's initial public offering shares at the time of the offering and the listing.</p>	36 months	Yes	Yes		

Restriction on sale of shares	Keying Investment and Jiekui Investment	<p>Undertaking for restriction on sale of shares and voluntary lockup undertaking by Keying Investment and Jiekui Investment, shareholders holding more than 5% of the equity</p> <p>(1) Within 36 months from initial public offering and listing of the Company, the shares of the Company issued prior to the offering or listing shall neither be transferred or entrusted to other person for management, nor be repurchased by the Company as required.</p> <p>(2) If the closing price of the shares has been lower than the issue price for 20 consecutive trading days within 6 months after shares of Company are issued in the initial public offering, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for shares of the Company held before the offering or listing shall be automatically extended by 6 months based on the 36 months of original undertaking period, in other words, the lockup period is 42 months from the date when shares of the Company are listed. If there are any ex-rights or ex-dividends events, such as the declaration of dividends, bonus issue, and capitalization from capital reserve to share capital, the above closing price refers to price after corresponding adjustment of price of shares of the Company;</p> <p>(3) After the aforesaid undertaking period expires, the proportion of shares unlocked every year shall not exceed 25% of the total shares of the Company held;</p> <p>(4) Within 24 months after the termination of lockup period, if any attempt is made to reduce the shares of the Company that it had held prior to the offering and listing by any means, the price of the shareholding reduction shall not be lower than the offering price of the Company's initial public offering shares at the time of the offering and the listing. If there are any ex-rights or ex-dividends events, such as the declaration of dividends, bonus issue, and capitalization from capital reserve to share capital before the reduction of the aforesaid shares, the price of the shareholding reduction should not be lower than the adjusted offering price of the Company's initial public offering shares at the time of the offering and the listing;</p> <p>(5) Notwithstanding any change in the position of some of the partners in the joint venture or their departure from the joint venture, the joint venture will strictly perform the above undertakings.</p>	36 months	Yes	Yes		
	Others	M&G Group	<p>Shareholding and intention to reduce shareholding of the controlling shareholder—M&G Group</p> <p>(1) M&G Group advocates that shares of the Company should be held in the long term to ensure that M&G Group shares operation achievements of the Company on a continuous basis. Therefore, M&G Group has the intention to hold shares of the Company for a long term.</p> <p>(2) After the lockup period of the Company's shares held by M&G Group expires, it is possible that M&G Group might reduce shareholding of the Company appropriately for the development requirement of M&G Group. In this situation, M&G Group is expected to reduce its shareholdings by no more than 5% of the total shares of the Company held by M&G Group within the first year after the lockup period expires with the price of the shareholding reduction not lower than the offering price of the Company's initial public offering. The shareholding reduction shall not exceed 10% of the total shares of the Company held by M&G Group within the second year after the lockup period expires with the price of the shareholding reduction not lower</p>	Not applicable	No	Yes	

		<p>than the offering price of the Company's initial public offering. If there are any ex-rights or ex-dividends events, such as the declaration of dividends, bonus issue, and capitalization from capital reserve to share capital in the Company before M&G Group reduces its holding of the aforesaid shares, the price of the shareholding reduction for M&G Group should not be lower than the adjusted offering price of the Company's initial public offering shares at the time of the offering and the listing.</p> <p>(3) If M&G Group intends to reduce shareholding of the Company, it will announce its reduction plan 3 transaction days before reducing the shareholding. Furthermore, the reduction will be performed legally according to rules of Shanghai Stock Exchange in the form of block trade, auction transaction as well as other methods recognized by China Securities Regulatory Commission.</p>					
Others	Keying Investment and Jiekui Investment	<p>Shareholding and intention to reduce shareholding of Keying Investment and Jiekui Investment, shareholders holding more than 5% of the equity</p> <p>(1) The joint venture, which is an employee-owned enterprise established by officials and important business professionals of the Company, advocates that shares of the Company should be held in the long term to ensure that operation achievements of the Company are shared on a continuous basis. Therefore, the joint venture has the intention to hold shares of the Company for a long term.</p> <p>(2) After the lockup period of the Company's shares held by joint venture expires, it is possible that the joint venture might reduce shareholding of the Company appropriately for the development requirement of the joint venture. In this situation, the joint venture is expected to reduce its shareholdings by no more than 25% of the total shares of the Company held by the joint venture within the first year after the lockup period expires with the price of the shareholding reduction not lower than the offering price of the Company's initial public offering. The shareholding reduction shall not exceed 25% of the total shares of the Company held by joint venture within the second year after the lockup period expires with the price of the shareholding reduction not lower than the offering price of the Company's initial public offering. If there are any ex-rights or ex-dividends events, such as the declaration of dividends, bonus issue, and capitalization from capital reserve to share capital before the Company reduces its holding of the aforesaid shares, the price of the shareholding reduction for the Company should not be lower than the adjusted offering price of the Company's initial public offering shares at the time of the offering and the listing; (3) If the joint venture intends to reduce shareholding of the Company, it will announce its reduction plan 3 transaction days before reducing the shareholding. Furthermore, the reduction will be performed legally according to rules of Shanghai Stock Exchange in the form of block trade, auction transaction as well as other methods recognized by China Securities Regulatory Commission.</p>	Not applicable	No	Yes		

	Address competition between counterparts	<p>M&G Group, Keying Investment and Jiekui Investment</p> <p>Undertaking in relation to non-competition by M&G Group, Keying Investment and Jiekui Investment</p> <p>(1) The enterprise and other enterprises (except the Company and enterprises controlled by it) controlled and (or) invested by it currently have not engaged in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with principal businesses of the Company and enterprises controlled by it.</p> <p>(2) After the initial public offering and listing of the Company, the enterprise and other enterprises (except the Company and enterprises controlled by it) controlled and (or) invested by it will not:</p> <p>① engage in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with current or future principal businesses that the Company and enterprises controlled by it specialize in;</p> <p>② support other enterprises other than the Company and enterprises controlled by it in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with current or future principal businesses that the Company and enterprises controlled by it specialize in;</p> <p>③ interfere in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with current or future principal businesses that the Company and enterprises controlled by it specialize in.</p> <p>Apart from the aforesaid undertaking, the enterprise further guarantees that it will</p> <p>① ensure its independence in assets, businesses, employees, finance and institution according to relevant rules of laws and regulations;</p> <p>② adopt legal and effective measures to stop companies, enterprises and other economic organizations that the Company has control right from engaging directly or indirectly in the same or similar businesses with the Company;</p> <p>③ not take advantage of its position as the controlling shareholder of the Company to carry out any other activities that may harm the rights of the Company and other shareholders.</p>	Not applicable	No	Yes		
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	Address competition between counterparts	<p>Chen Huwen, Chen Huxiong, and Chen Xueling</p> <p>Undertaking in relation to non-competition by beneficial controllers— Chen Huwen, Chen Huxiong, and Chen Xueling</p> <p>(1) I currently hold no position in other companies or economic organizations that have the same or similar business with the Company or enterprises controlled by it.</p> <p>(2) Other enterprises (except the Company and enterprises controlled by it) which are controlled by me independently and/ or in which I am one of the beneficial shareholders currently have not engaged in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with principal businesses of the Company and enterprises controlled by it.</p> <p>(3) After the initial public offering and listing of the Company, other enterprises (except the Company and enterprises controlled by it) which are controlled by me independently and/ or in which I am one of the beneficial shareholders will not:</p> <p>① engage in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with current or future principal businesses that the Company and enterprises controlled by it specialize in;</p> <p>② support other enterprises other than the Company and enterprises controlled by it in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with current or future principal businesses that the Company and enterprises controlled by it specialize in;</p> <p>③ interfere in any form of business or activity that constitutes or may constitute a direct or indirect competition relationship with current or future principal businesses that the Company and enterprises controlled by it specialize in.</p> <p>Apart from the aforesaid undertaking, I further guarantee that I will:</p> <p>① ensure its independence in assets, businesses, employees, finance and institution according to relevant rules of laws and regulations;</p> <p>② adopt legal and effective measures to stop companies, enterprises and other economic organizations that I have control right from engaging directly or indirectly in the same or similar businesses with the Company;</p> <p>③ not take advantage of the position as the beneficial controller of the Company to carry out any other activities that may harm the rights of the Company and other shareholders.</p>	Not applicable	No	Yes		
Others	M&G	<p>Undertaking on the binding measures in case of the failure to fulfill the undertaking by M&G Stationery</p> <p>(1) Our company will strictly perform various obligations and responsibilities set out in all public undertaking issues (hereinafter referred to as "Undertaking Issues") in the initial public offering and listing.</p> <p>(2) If our company fails to perform various obligations and responsibilities set out in the undertaking issues, our company undertakes to take the following measures for restrictions:</p> <p>① Compensate public investors for direct losses suffered by relying on relevant undertakings to implement transactions through self-owned capital with the amount of compensation being determined according to negotiation between our Company and investors, or the method or amount determined by the securities supervision and administration department and the judicial authority;</p>	Not applicable	No	Yes		

		<p>② Within 12 months after the date when our Company fully eliminates the adverse effect due to failure on related undertaking issues, our Company shall not issue securities, including but not limited to shares, corporate bonds, convertible corporate bonds and other types of securities approved by securities regulatory authorities;</p> <p>③ Our Company shall not increase the salary or allowance of our directors, supervisors and senior management in any form until our Company has fully eliminated the adverse effect due to failure on related undertaking issues.</p>					
Others	M&G Group	<p>Undertaking on the binding measures in case of the failure to fulfill the undertaking by the controlling shareholder—M&G Group</p> <p>(1) M&G Group will strictly perform various obligations and responsibilities set out in all public undertaking issues (hereinafter referred to as “Undertaking Issues”) in the initial public offering and listing of M&G Stationery.</p> <p>(2) If M&G Group fails to perform various obligations and responsibilities set out in the aforesaid undertaking issues, M&G Group undertakes to take the following measures for restrictions:</p> <p>① Compensate public investors for direct losses suffered by relying on relevant undertakings to implement transactions through self-owned capital with the amount of compensation being determined according to negotiation between M&G Group and investors, or the method or amount determined by the securities regulatory authorities and the judicial authority;</p> <p>② The lockup period of M&G Stationery’s shares held by M&G Group will be automatically extended to the date when M&G Group fully eliminates the adverse effect due to failure on related undertaking issues.</p>	Not applicable	No	Yes		
Others	Chen Huwen, Chen Huxiong, and Chen Xueling	<p>Undertaking on the binding measures in case of the failure to fulfill the undertaking by beneficial controllers—Chen Huwen, Chen Huxiong, and Chen Xueling</p> <p>(1) I will strictly perform various obligations and responsibilities set out in all public undertaking issues (hereinafter referred to as “Undertaking Issues”) in the initial public offering and listing of M&G Stationery.</p> <p>(2) If I fail to perform various obligations and responsibilities set out in the aforesaid undertaking issues, I undertake to take the following measures for restrictions:</p> <p>① Compensate public investors for direct losses suffered by relying on relevant undertakings to implement transactions through self-owned capital with the amount of compensation being determined according to negotiation between investors and me, or the method or amount determined by the securities regulatory authorities and the judicial authority;</p> <p>② The lockup period of M&G Stationery’s shares held by me directly or indirectly will be automatically extended to the date when I fully eliminate the adverse effect due to failure on related undertaking issues.</p> <p>③ I shall not require M&G Stationery to increase my salary or allowance in any form, nor shall I accept the increase of salary or allowance by M&G Stationery in any form until I have fully eliminated the adverse effect due to failure on related undertaking issues.</p>	Not applicable	No	Yes		

Others	Keying Investment and Jiekui Investment	<p>Undertaking on the binding measures in case of the failure to fulfill the undertaking by Keying Investment and Jiekui Investment, shareholders holding more than 5% of the equity</p> <p>(1) The joint venture will strictly perform various obligations and responsibilities set out in all public undertaking issues (hereinafter referred to as "Undertaking Issues") in the initial public offering and listing of M&G Stationery.</p> <p>(2) If the joint venture fails to perform various obligations and responsibilities set out in the aforesaid undertaking issues, the joint venture undertakes to take the following measures for restrictions:</p> <p>① Compensate public investors for direct losses suffered by relying on relevant undertakings to implement transactions through self-owned capital with the amount of compensation being determined according to negotiation between the joint venture and investors, or the method or amount determined by the securities regulatory authorities and the judicial authority;</p> <p>② The lockup period of M&G Stationery's shares held by the joint venture will be automatically extended to the date when the joint venture fully eliminates the adverse effect due to failure on related undertaking issues.</p>	Not applicable	No	Yes		
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- (2) Where the Company has profit forecasts on assets or projects, and the Reporting Period was within the term of profit forecasts, the Company has to state whether such profit forecasts on assets or projects are fulfilled and the reasons therefor**

Fulfilled" Unfulfilled" Not applicable"

- (3) Execution of the performance undertakings and its impact on the goodwill impairment testing**

Applicable" Not applicable"

III. Occupation of funds and repayment of debts during the Reporting Period

Applicable" Not applicable"

IV. Explanation of the Company on the "non-standard opinions audit report" from accounting firm

Applicable" Not applicable"

V. Analysis and explanation from the Company on the reasons and impact of the change of accounting policies, accounting estimates or correction on significant accounting errors

(1) Analysis and explanation from the Company on the reasons and impact of the change of accounting policies or accounting estimates

"√ Applicable" "□ Not applicable"

1. Implement Notice of Modification and Issuance of the Financial Statement Format for General Business Enterprises in 2019(《关于修订印发 2019 年度一般企业财务报表格式的通知》) and Notice of Modification and Issuance of the Format of Consolidated Financial Statements (2019) (《关于修订印发合并财务报表格式(2019 版)的通知》) released by the Ministry of Finance.

The Ministry of Finance issued the Notice of Modification and Issuance of the Financial Statement Format for General Business Enterprises in 2019 (Cai Kuai (2019) No. 6) and Notice of Modification and Issuance of the Format of Consolidated Financial Statements (2019) (Cai Kuai (2019) No.16) on 30 April 2019 and 19 September 2019 respectively to revise financial statement format for general business enterprises. The main impact of the Company's implementation of the above regulations is shown as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Item and amount in statement influenced	
		Consolidation	Parent company
(1) The "bills receivable and accounts receivable" in the balance sheet is divided into "bills receivable" and "accounts receivable"; the "bills payable and accounts payable" is divided into "bills payable" and "accounts payable"; the comparison data is adjusted accordingly.	The 18th meeting of the fourth Board meeting	The "bills receivable and accounts receivable" is divided into "bills receivable" and "accounts receivable". Balance of "bills receivable" at the end of last year is RMB1,894,232.00, and balance of "accounts receivable" at the end of last year is RMB808,772,112.91; The "bills payable and accounts payable" is divided into "bills payable" and "accounts payable". Balance of "bills payable" at the end of last year is RMB0.00, and balance of "accounts payable" at the end of last year is RMB1,319,407,048.21.	The "bills receivable and accounts receivable" is divided into "bills receivable" and "accounts receivable". Balance of "bills receivable" at the end of last year is RMB0.00, and balance of "accounts receivable" at the end of last year is RMB93,324,765.86; The "bills payable and accounts payable" is divided into "bills payable" and "accounts payable". Balance of "bills payable" at the end of last year is RMB0.00, and balance of

			“accounts payable” at the end of last year is RMB240,475,062.99.
(2) The item of “Including: derecognition of income from financial assets at amortized cost” is added to the item of investment income in the income statement. The comparison data is not adjusted.	The 18th meeting of the fourth Board meeting	The amount of “derecognition of income from financial assets at amortized cost” in the current period is RMB0.00.	The amount of “derecognition of income from financial assets at amortized cost” in the current period is RMB0.00.

2. Implement the Accounting Standard for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 23—Transfer of Financial Assets, the Accounting Standard for Business Enterprises No. 24—Hedge Accounting and the Accounting Standard for Business Enterprises No. 37—Presentation of Financial Instruments (revised in 2017) issued by the Ministry of Finance

The Ministry of Finance revised the Accounting Standard for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 23—Transfer of Financial Assets, the Accounting Standard for Business Enterprises No. 24—Hedge Accounting and the Accounting Standard for Business Enterprises No. 37—Presentation of Financial Instruments in 2017. It is stipulated in the revised standards that for financial instruments that have not been derecognized on the date of first implementation, if the previous recognition and measurement are inconsistent with the revised standards, they shall be retrospectively adjusted. If the comparative figures in financial statements for the prior period are inconsistent with the revised standards, no adjustment is required. The Company adjusted the retained earnings and other comprehensive income at the beginning of the year due to the cumulative impact of retrospective adjustment.

Based on the adjusted balance at the end of last year according to Cai Kuai (2019) No. 6 and Cai Kuai (2019) No. 16, the main impacts of implementing the above new financial instrument standards are as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Item and amount in statement influenced					
		Consolidation		Parent company			
(1) Non-tradable	The 18th	Available-for-sale	financial	assets:	Available-for-sale	financial	assets:

available-for-sale equity instrument investments are designated as "financial assets measured at fair value through other comprehensive income".	meeting of the fourth Board meeting	decreased by RMB3,600,000.00; Other equity instrument investments: increased by RMB3,600,000.000	decreased by RMB3,600,000.00; Other equity instrument investments: increased by RMB3,600,000.00
(2) Provision of expected credit loss was made for "financial assets at amortized cost" and "financial assets measured at fair value through other comprehensive income (debt instrument)".	The 18th meeting of the fourth Board meeting	Retained earnings: decreased by RMB0.00 Bills receivable: decreased by RMB0.00 Accounts receivable: decreased by RMB0.00 Other receivables: decreased by RMB0.00 Debt investment: decreased by RMB0.00 Other comprehensive income: increased by RMB0.00 Deferred income tax assets: increased by RMB0.00	Retained earnings: decreased by RMB0.00 Bills receivable: decreased by RMB0.00 Accounts receivable: decreased by RMB0.00 Other receivables: decreased by RMB0.00 Debt investment: decreased by RMB0.00 Other comprehensive income: increased by RMB0.00 Deferred income tax assets: increased by RMB0.00
(3) Bank financial product is reclassified into financial assets held for trading and measured at fair value	The 18th meeting of the fourth Board meeting	Retained earnings: increased by RMB6,081,955.00 Other current assets: decreased by RMB1,020,000,000.00 Deferred income tax liabilities: increased by RMB1,183,345.00 Financial assets held for trading: increased by RMB1,027,265,300.00	Retained earnings: increased by RMB5,380,330.00 Other current assets: decreased by RMB820,000,000.00 Deferred income tax liabilities: increased by RMB949,470.00 Financial assets held for trading: increased by RMB826,329,800.00

(2) Analysis and explanation from the Company on the reasons and impact of the correction on significant accounting errors

Applicable" Not applicable"

(3) Communication with the previous accounting firm

Applicable" Not applicable"

(4) Other explanation

Applicable" Not applicable"

VI. Appointment and dismissal of the accounting firm

Unit: 0'000 Currency: RMB

	Current accounting firm
Name of domestic accounting firm	BDO China Shu Lun Pan Certified Public Accounts LLP
Remuneration of domestic accounting firm	130
Term of office of domestic accounting firm	10

	Name	Remuneration
Internal control audit accounting firm	BDO China Shu Lun Pan CPAs(Special general partnership)	50

Explanation on appointment and dismissal of the accounting firm

Applicable" Not applicable"

During the Reporting Period, the BDO China Shu Lun Pan Certified Public Accounts LLP was re-appointed as the audit institution.

Explanation on the change of accounting firm during the auditing period

Applicable" Not applicable"

VII. Risk of suspension of listing**(1) Causes of suspension of listing**

Applicable" Not applicable"

(2) Measures to be taken by the Company

Applicable" Not applicable"

VIII. Situation and causes for termination of listing

Applicable" Not applicable"

IX. Matters related to bankruptcy and reorganisation

Applicable" Not applicable"

X. Material litigation and arbitration

The Company had material litigation and arbitration during the year"

The Company did not have material litigation and arbitration during the year"

XI. Punishment and rectification to the listed Company, its directors, supervisors, senior management, controlling shareholders, beneficial controllers and acquirers

Applicable" Not applicable"

XII. Explanation on credibility status of the Company, its controlling shareholders and beneficial controllers during the Reporting Period

Applicable" Not applicable"

During the Reporting Period, since the Company, its controlling shareholders and beneficial controllers maintained sound credibility, there had been no refusal to implement effective judgments of a court or default of any material overdue debt.

XIII. Equity incentive plan, employee shareholding plan or other employee incentive measures of the Company and their impacts

(1) Incentive matters disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable" Not applicable"

(2) Incentive matters which have not been disclosed in temporary announcements or with further progress

Equity incentive

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

Employee shareholding plan

Applicable" Not applicable"

Other incentive measures

Applicable" Not applicable"

XIV. Major related transactions**(3) Related transactions in relation to daily operation****1. Events disclosed in temporary announcements and without further progress or change in subsequent implementation**

Applicable" Not applicable"

2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable" Not applicable"

The 15th meeting of the fourth Board meeting and 2018 annual general meeting of the Company reviewed and passed Resolution for the Implementation of Daily Related Transactions in 2018 and Expected Daily Related Transactions in 2019, and released Announcement for the Implementation of Daily Related Transactions in 2018 and Expected Daily Related Transactions in 2019 (announcement No.: 2019-003) on 26 March 2019. In 2019, sales to the sales company controlled by Guo Weilong were estimated to be RMB380,000,000.00. It was estimated that fees for the lease of self-owned houses (including office buildings, workshops, parking space, warehouses and dormitories) paid to M&G Group will amount to RMB3,622,857.14; fees for the lease of self-owned office buildings and parking space amount to RMB3,848,991.90; utilities amount to RMB6,000,000.00. M&G Colipu is expected to pay M&G Group RMB14,834,912.14 for the lease of self-owned office building and parking space; M&G Technologies is expected to pay M&G Group RMB1,675,847.14 for the lease of self-owned office building and parking space; M&G Life is expected to pay M&G Group RMB11,428.57 for the lease of parking space.

In 2019, the actual sales to the sales company controlled by Guo Weilong amount to RMB387,821,087.67; actual fees for the lease of self-owned houses (including office buildings, workshops, parking space, warehouses and dormitories) paid to M&G Group amount to RMB3,622,857.14; actual fees for the lease of self-owned office buildings and parking space paid to M&G Group amount to RMB3,846,134.78; actual utilities paid to M&G Group amount to RMB5,283,878.50; M&G Colipu actually paid M&G Group RMB14,839,388.35 for the lease of self-owned office building and parking space; M&G Technologies actually paid M&G Group RMB1,677,275.74 for the lease of self-owned office building and parking space; M&G Life actually paid M&G Group RMB5,952.39 for the lease of self-owned parking space.

3. Events not disclosed in temporary announcements

Applicable" Not applicable"

(4) Related transactions as a result of acquisition and disposal of assets or equity

1. Events disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable" Not applicable"

2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable" Not applicable"

3. Events not disclosed in temporary announcements

Applicable" Not applicable"

4. Disclosable performance achievements during the Reporting Period when involved with agreed-upon performance

Applicable" Not applicable"

(5) Major related transactions in joint external investment

1. Events disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable" Not applicable"

2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable" Not applicable"

3. Events not disclosed in temporary announcements

Applicable" Not applicable"

(6) Creditor's rights and debts with related parties

1. Events disclosed in temporary announcements and without further progress or change in subsequent implementation

Applicable" Not applicable"

2. Events disclosed in temporary announcements and with further progress or change in subsequent implementation

Applicable" Not applicable"

3. Events not disclosed in temporary announcements

Applicable" Not applicable"

(7) Others

Applicable" Not applicable"

XV. Material contracts and their performance**(1) Trusteeship, contracting and leasing matters****1. Trusteeship** Applicable" Not applicable"**2. Contracting** Applicable" Not applicable"**3. Leasing** Applicable" Not applicable"**(2) Guarantees** Applicable" Not applicable"**(3) Entrusting others to manage cash assets****1. Entrusted wealth management****(1) Overall condition of entrusted wealth management** Applicable" Not applicable"

Unit: 0'000

Currency: RMB

Types	Source of fund	Amount incurred	Undue balance	Overdue uncollected amount
Entrusted wealth management of banks	Raised capital	2,000		0
Entrusted wealth management of banks	Self-owned capital	104,000	65,000	0

Others Applicable" Not applicable"**(2) Individual entrusted wealth management** Applicable" Not applicable"

Unit: Yuan

Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Termination date of entrusted wealth management	Source of fund	Source of Usage of fund	Method to determine return	Annual rate of return	Expected return (if any)	Actual gains or loss	Actual recovery	Whether it has gone through a legal procedure or not	Whether there is a future entrusted wealth management plan or not	Amount of provision for the impairment (if any)
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ABC Shanghai Fengxian Guangming Branch	Non-principal guaranteed with floating returns	10,000	2019/7/4		Self-owned capital						Unrecovered	Yes	Yes	
SPD Bank Fengxian Branch	Non-principal guaranteed with floating returns	20,000	2019/7/4	2019/10/8	Self-owned capital		4.16%		218.84	Recovered	Yes	Yes		
SPD Bank Fengxian Branch	Non-principal guaranteed with floating returns	40,000	2019/7/4		Self-owned capital					Unrecovered	Yes	Yes		
China Merchants Bank Shanghai Wuzhong Road Branch	Principal and income guaranteed	20,000	2019/7/9	2019/9/25	Self-owned capital		4.20%		179.51	Recovered	Yes	Yes		
Industrial and Commercial Bank of China Limited Gumei Road Branch	Fixed returns and non-principal guaranteed with floating returns	12,000	2019/6/20		Self-owned capital					Unrecovered	Yes	Yes		
Industrial and Commercial Bank of China Limited Gumei Road Branch	Fixed returns and non-principal guaranteed with floating returns	2,000	2019/7/31		Self-owned capital					Unrecovered	Yes	Yes		
Industrial and Commercial Bank of China Limited Gumei Road Branch	Fixed returns and non-principal guaranteed with floating returns	1,000	2019/8/30		Self-owned capital					Unrecovered	Yes	Yes		
Industrial and Commercial Bank of China Limited Gumei Road Branch	Fixed returns and non-principal guaranteed with floating returns	1,000	2019/9/29		Self-owned capital					Unrecovered	Yes	Yes		

Others

Applicable" Not applicable"

(3) Provision for the impairment of entrusted wealth management

Applicable" Not applicable"

2. Entrusted loans

(1) Overall condition of entrusted loans

Applicable" Not applicable"

Others

Applicable" Not applicable"

(2) Individual entrusted loans

Applicable" Not applicable"

Others

Applicable" Not applicable"

(3) Provision for the impairment of entrusted loans

Applicable" Not applicable"

3. Others

Applicable" Not applicable"

(4) Other material contracts

Applicable" Not applicable"

XVI. Explanation on other material matters

Applicable" Not applicable"

XVII. Active fulfillment of social responsibilities

(1) Poverty alleviation of the listed companies

Applicable" Not applicable"

(2) Overview of social responsibility

Applicable" Not applicable"

For more details, please refer to 2019 Annual Report on Social Responsibilities disclosed by the Company on the website of the Shanghai Stock Exchange on 14 April 2020.

(3) Environmental information

1. Explanation on environmental protection of the company and its major subsidiaries falling into the category of key pollutant discharging units designated by the environmental protection authorities

Applicable" Not applicable"

2. Explanation on environmental protection of companies other than key pollutant discharging units

Applicable" Not applicable"

The Company does not belong to the key pollutant discharging units published by national environmental protection authorities. As the Company pays great attention to environmental protection, the greening rate of its sites is high. During the production process, the plastic raw granular edges did not produce solid waste or environmental pollution after going through smashing, re-granulating and recycling process; paperboard edges for package was recycled and sold by classification to local recycle stations for recycled paper. The Company has not admixed any harmful recycling waste in its production, so no volatile gas that is harmful to the health of human beings was produced. Besides, domestic wastewater was disposed in accordance with sewage treatment regulations set by the local government.

3. Explanation on reasons for not disclosing the environmental information of companies other than key pollutant discharging units

Applicable" Not applicable"

4. Explanation on further progress or changes of environmental information disclosed during the Reporting Period

Applicable" Not applicable"

(4) Other explanation

Applicable" Not applicable"

XVIII. Convertible corporate bonds

Applicable" Not applicable"

Chapter VI Changes in Ordinary Shares and Shareholders

I. Changes in share capital of ordinary shares

(1) Changes in ordinary shares

1. Changes in ordinary shares

During the Reporting Period, there is no change in the total number and structure of share capital of ordinary shares of the Company.

2. Explanation on changes in ordinary shares

Applicable" Not applicable"

3. Impact of changes in ordinary shares on the earnings per share, net asset value per share and other financial indicators in the last year and period (if any)

Applicable" Not applicable"

4. Other contents that the Company deems necessary and the securities regulatory authorities require disclosing

Applicable" Not applicable"

(2) Changes in restricted shares

Applicable" Not applicable"

II. Issuance and listing of securities

(1) Issuance of securities as at the Reporting Period

Applicable" Not applicable"

Explanation on issuance of securities as at the Reporting Period (please provide separate explanation on the bonds with different interest rates during their duration):

Applicable" Not applicable"

(2) Changes in the total number of ordinary shares and shareholder structure of the Company and changes in the structure of assets and liabilities of the Company

Applicable" Not applicable"

(3) Existing internal employee shares

Applicable" Not applicable"

III. Shareholder and beneficial controller

(1) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the Reporting Period	15,196
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	14,271
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the disclosure date of this annual report	0

(2) Table of shareholdings of the top ten shareholders and the top ten shareholders of shares in circulation (or shareholders not subject to selling restrictions) as at the end of the Reporting Period

Unit: share

Shareholdings of the top ten shareholders							
Name of shareholder (full name)	Change during the Reporting Period	Number of shares held as at the end of the period	Percentage (%)	Number of shares held subject to selling restrictions	Pledged or frozen		Nature of shareholder
					Share status	Number	
M&G Holdings (Group) Co., Ltd.	0	536,000,000	58.26	0	No	0	Domestic nonstate-owned legal person
Hong Kong Securities Clearing Company Limited	30,760,849	33,489,521	3.64	0	No	0	Unknown
Shanghai Keying Investment Management Office (L.P.)	-7,800,000	23,400,000	2.54	0	No	0	Others
Shanghai Jiekui Investment Management Firm (L.P.)	-7,700,000	23,100,000	2.51	0	No	0	Others

Chen Huxiong	-7,600,000	22,800,000	2.48	0	No	0	Domestic natural person
Chen Huwen	-7,600,000	22,800,000	2.48	0	No	0	Domestic natural person
Chen Xueling	-4,800,000	14,400,000	1.57	0	No	0	Domestic natural person
Industrial and Commercial Bank of China Limited-Invesco Great Wall Emerging Mature and Hybrid Equity Investment Funds(中国工商银行股份有限公司—景顺长城新兴成长混合型证券投资基金)	1,691,966	11,999,854	1.30	0	No	0	Unknown
NSSF 406 portfolio	6,608,798	9,561,401	1.04	0	No	0	Unknown
Bank of China Limited-Invesco Great Wall Ding Yi Hybrid Security Investment Fund (LOF)(中国银行股份有限公司—景顺长城鼎益混合型证券投资基金)	375,396	9,260,000	1.01	0	No	0	Unknown
Shareholdings of the top ten shareholders of non-restricted circulating shares							
Name of shareholder	Number of non-restricted circulating shares held		Type and number of shares				
			Type	Number			
M&G Holdings (Group) Co., Ltd.	536,000,000		Ordinary RMB Shares	536,000,000			
Hong Kong Securities Clearing Company Limited	33,489,521		Ordinary RMB Shares	33,489,521			
Shanghai Keying Investment Management Office (L.P.)	23,400,000		Ordinary RMB Shares	23,400,000			
Shanghai Jiekui Investment Management Firm (L.P.)	23,100,000		Ordinary RMB Shares	23,100,000			
Chen Huxiong	22,800,000		Ordinary RMB Shares	22,800,000			
Chen Huwen	22,800,000		Ordinary RMB Shares	22,800,000			
Chen Xueling	14,400,000		Ordinary RMB Shares	14,400,000			

Industrial and Commercial Bank of China Limited-Invesco Great Wall Emerging Mature and Hybrid Equity Investment Funds(中国工商银行股份有限公司—景顺长城新兴成长混合型证券投资基金)	11,999,854	Ordinary RMB Shares	11,999,854
NSSF 406 portfolio	9,561,401	Ordinary RMB Shares	9,561,401
Bank of China Limited-Invesco Great Wall Ding Yi Hybrid Security Investment Fund (LOF)(中国银行股份有限公司—景顺长城鼎益混合型证券投资基金)	9,260,000	Ordinary RMB Shares	9,260,000
Explanation on the related relationship or parties acting in concert among the above shareholders	There is related relationship among the shareholders—M&G Group, Keying Investment, Jiekui Investment, Chen Huwen, Chen Huxiong, and Chen Xueling. Chen Huwen, Chen Huxiong, and Chen Xueling are parties acting in concert. Save as the above, the Company is not aware of any related relationship or parties acting in concert as set out in Measures for the Administration of the Takeover of Listed Companies among the aforesaid shareholders.		
Explanation on the preference shareholders with voting rights restored and their shareholdings	No		

Shareholdings of the top ten shareholders subject to trading moratorium and the condition of trading moratorium

Applicable" Not applicable"

(3) Strategic investors or general legal persons becoming the top ten shareholders because of placing of new shares

Applicable" Not applicable"

IV. Controlling shareholder and beneficial controllers

(1) Controlling shareholder

1 Legal person

Applicable" Not applicable"

Name	M&G Holdings (Group) Co., Ltd.
Person in charge of the Company or legal representative	Chen Huxiong
Establishment date	2007-05-10
Main operation businesses	Industrial investment, infrastructure investment,

	consultation for investment information (excluding broker), consultation for enterprise management and relevant businesses, domestic trade (excluding projects with national special approval) (For the above items subject to licensing or permit, relevant approval must be obtained prior to operation)
Equity interests of other domestic and overseas listed companies controlled or invested during the Reporting Period	No
Other explanations	No

2 Natural person

Applicable" Not applicable"

3 Special explanation on the Company not having controlling shareholders

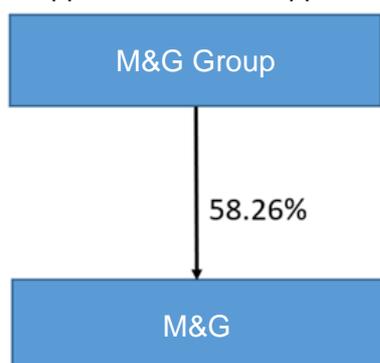
Applicable" Not applicable"

4 Index and date of changes in controlling shareholders during the Reporting Period

Applicable" Not applicable"

5 Diagram of the ownership and controlling relationship between the Company and its controlling shareholders

Applicable" Not applicable"



(2) Beneficial controllers

1 Legal person

Applicable" Not applicable"

2 Natural person

Applicable" Not applicable"

Name	Chen Huwen
Nationality	China
Acquire right of residence in other countries or regions or not	No
Main job and title	Chairman of the Board of Shanghai M&G Stationery Inc.
Shareholdings in other domestic or overseas listed companies over the past 10 years	No
Name	Chen Huxiong
Nationality	China
Acquire right of residence in other countries or regions or not	Yes
Main job and title	Vice-chairman of the Board and CEO of Shanghai M&G Stationery Inc.
Shareholdings in other domestic or overseas listed companies over the past 10 years	No
Name	Chen Xueling
Nationality	China
Acquire right of residence in other countries or regions or not	No
Main job and title	Chairman of the Board and vice president of Shanghai M&G Stationery Inc.
Shareholdings in other domestic or overseas listed companies over the past 10 years	No

3 Special explanation on the Company not having beneficial controllers

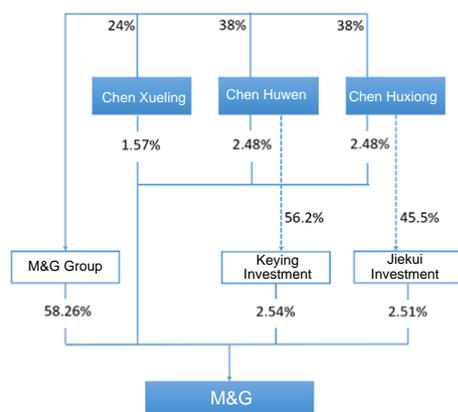
Applicable" " Not applicable"

4 Index and date of changes in beneficial controllers during the Reporting Period

Applicable" " Not applicable"

5 Diagram of the ownership and controlling relationship between the Company and its beneficial controllers

Applicable" " Not applicable"



6 Control of the Company by beneficial controllers by way of trust or other means of asset management

Applicable" Not applicable"

(3) Other explanation regarding the controlling shareholders and the beneficial controllers

Applicable" Not applicable"

V. Other legal person shareholders with more than 10% shareholdings

Applicable" Not applicable"

VI. Explanation on limitation on reduction of shareholding

Applicable" Not applicable"

Chapter VII Preference Shares

Applicable" Not applicable"

Chapter VIII Directors, Supervisors, Senior Management and Employees

I. Shareholding change and remuneration

(1) Shareholding change and remuneration of directors, supervisors and senior management currently employed and retired during the Reporting Period

"√ Applicable" "□ Not applicable"

Unit: 0'000 shares

Name	Position (note)	Gender	Age	From	To	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Change in share of the year	Reasons for change	Total pre-tax remuneration from the Company during the Reporting Period (RMB 0'000)	Whether to get remuneration from related parties of the Company
Chen Huwen	Chairman	Male	50	2014-6-12	2020-5-10	3,040	2,280	-760	Personal capital needs	164.04	No
Chen Huxiong	Vice Chairman and President	Male	50	2014-6-12	2020-5-10	3,040	2,280	-760	Personal capital needs	164.04	No
Chen Xueling	Director and Vice President	Female	53	2014-6-12	2020-5-10	1,920	1,440	-480	Personal capital needs	92.61	No
Fu Chang	Director and Vice President	Male	50	2018-3-23	2020-5-10	0	0	0		111.52	No
Zhang Jingzhong	Independent Director	Male	57	2017-5-11	2020-5-10	0	0	0		12.00	No
Chen Jingfeng	Independent Director	Male	52	2017-5-11	2020-5-10	0	0	0		12.00	No

Cheng Bo	Independent Director	Male	45	2016-4-19	2020-5-10	0	0	0		12.00	No
Zhu Yiping	Chairman of the Board of Supervisors	Female	61	2014-6-12	2020-5-10	0	0	0		0	Yes
Xu Jingjin	Employee Supervisor	Male	41	2014-6-12	2020-5-10	0	0	0		51.31	No
Han Lianhua	Supervisor	Female	42	2014-6-12	2020-5-10	0	0	0		0	Yes
Yao Hezhong	Chief Engineer	Male	64	2014-6-12	2020-5-10	0	0	0		68.16	No
Zhang Qing	Chief Financial Officer	Male	45	2018-4-4	2020-5-10	0	0	0		146.70	No
Quan Qiang	Board Secretary	Male	47	2017-3-31	2020-5-10	0	0	0		96.18	No
Total	/	/	/	/	/	8,000	6,000	-2,000	/	930.56	/

Name	Main working experience
Chen Huwen	Has been involved in the stationery manufacturing industry since 1997 and is one of the founders of M&G Group. Once worked as General Manager of Shanghai Sino-Korean M&G Stationery Manufacturing Co., Ltd. Now works as Chairman of the Company.
Chen Huxiong	Has been involved in the stationery manufacturing industry since 1995. Worked as General Manager of Shanghai Sino-Korean M&G Stationery Manufacturing Co., Ltd. from 2001 to 2004, and Chairman of Shanghai Sino-Korean M&G Stationery Manufacturing Co., Ltd. from 2004 to 2009. Now works as Vice Chairman and President of the Company, and is also Vice Chairman of China Writing Instrument Association, Deputy Director of Ballpoint Pen Professional Committee of China Writing Instrument Association, and Chairman of China Writing Instrument Industry Technology Innovation Alliance.
Chen Xueling	Has been involved in the stationery manufacturing industry since 1997 and is one of the founders of M&G Group. Once worked as Deputy General Manager of the Company's Production Center, and now works as a director and Vice President of the Company.
Fu Chang	Joined M&G Stationery in May 2006 and successively served as Deputy Director of Marketing Center and Director of Production Center. Now works as a director

	and Vice President of the Company.
Zhang Jingzhong	Worked in the Research Office of the Politics and Law Committee under the Zhejiang Provincial Party Committee from August 1984 to September 1988; and has been the Director at Zhejiang T & C Law Firm from October 1988 to present. Has been Vice President of the All China Lawyers Association from April 2016 to present.
Chen Jingfeng	Once worked as Deputy General Manager and General Manager of Shanghai Dazhong Public Utilities (Group) Co., Ltd. and President of CMC Holdings, and is currently the Chairman of Zhongyun Capital.
Cheng Bo	Professor of accounting, doctor of accounting, senior accountant, senior member of the Accounting Society of China, the third-level talent of the New Century 151 Talent Project in Zhejiang Province. Started to work in a college or university in 2008 and is currently a teacher of economics and accounting specialty at Zhejiang Agriculture and Forestry University. Has long been engaged in scientific research and teaching in auditing and internal control, corporate governance and financial management. Has chaired more than 20 projects such as the National Social Science Fund of China and the Humanities and Social Science Fund under the Ministry of Education, and published more than 100 academic papers in various authoritative accounting journals and 4 academic monographs.
Zhu Yiping	Once worked as Deputy General Manager of Jiangsu Life Group Co., Ltd. and Deputy General Manager of Shanghai Yuhui Industrial Co., Ltd. Joined M&G Stationery in May 2003 and served successively as Chief Financial Officer of Shanghai Sino-Korean M&G Stationery Manufacturing Co., Ltd., Deputy Director of the Company's Financial Center, and Chief Financial Officer of M&G Group. Now works as the person in charge of internal control of M&G Group.
Xu Jingjin	Once worked as Sales Manager of Beijing International Hotel, Marketing Director and Sales Manager of Jianguo Garden Hotel Beijing, Sales Manager of Noble Club, and Restaurant Manager of Thai Chili Catering Service Company. Joined M&G Stationery in 2007. Now works as Director of the Company's Public Affairs Department.
Han Lianhua	Once worked as Cashier of Shanghai Fengxian Qianqiao Grain Management Office, Chief Accountant of Shanghai Rongjian Chemical Plant, and Financial Director of Shanghai Office of Fengxian Modern Agricultural Park. Joined M&G Stationery in June 2006. Successively served as Financial Supervisor of Shanghai Sino-Korean M&G Stationery Manufacturing Co., Ltd., Shanghai M&G Zhenmei Stationery Co., Ltd., and Shanghai M&G Stationery & Gift Chain Management Co., Ltd., and Financial Manager of M&G Group. Now works as Chief Financial Officer of M&G Group.
Yao Hezhong	Joined M&G Stationery in 1999 and successively served as Deputy General Manager and Deputy President of the Company's R & D Center. Now works as Chief Engineer of the Company.
Zhang Qing	Once worked as Chief Financial & Operating Officer at Danone Premium Brands (Shanghai) Trading Co., Ltd. and Asia-Pacific Chief Financial Officer at Moen Shanghai Kitchen & Bath Products Co., Ltd. Now works as Chief Financial Officer of the Company.
Quan Qiang	Once worked as Chief Financial Officer of Fenglin Wood Industry Group Co., Ltd. and Executive Director for Chinese Business of the Royal Bank of Scotland. Now works as Secretary of the Board of Directors of the Company.

Particulars on other information

Applicable" Not applicable"

(2) Equity incentives granted to directors and senior management during the Reporting Period

Applicable" Not applicable"

II. Employment of directors, supervisors and senior management currently employed and retired during the Reporting Period

(1) Employment in shareholders' companies

Applicable" Not applicable"

Name of person employed	Name of shareholder's company	Position held in shareholder's company	From	To
Chen Huwen	M&G Group	President	2007-05-10	
	Keying Investment	General Partner	2011-02-18	
Chen Huxiong	M&G Group	Chairman	2007-05-10	
	Jiekui Investment	General Partner	2011-02-18	
Chen Xueling	M&G Group	Director	2007-05-10	
Zhu Yiping	M&G Group	Chief Financial Officer	2011-03-01	
Han Lianhua	M&G Group	Financial Manager	2011-03-01	
Particulars on employment in shareholders' companies	Save for the personnel disclosed above, none of other directors, supervisors and senior management of the Company were employed by the shareholders' companies.			

(2) Employment in other companies

"√ Applicable" "□ Not applicable"

Name of person employed	Name of other companies	Position held in other companies	From	To
Chen Huwen	Chenguang Venture Capital Center(晨光创投)	General Partner	12 May 2011	
	Chenguang Sanmei(晨光三美)	General Manager	26 May 2008	
Chen Huxiong	Chenguang Venture Capital Center(晨光创投)	Limited Partner	12 May 2011	
	Chenguang Sanmei(晨光三美)	Chairman	26 May 2008	
Chen Xueling	Chenguang Venture Capital Center (晨光创投)	Limited Partner	12 May 2011	
	Chenguang Sanmei(晨光三美)	Director	26 May 2008	
Zhang Jingzhong	Zhejiang T & C Law Firm	Director	October 1988	
	Zhejiang Jingtong Science & Technology Co., Ltd.	Independent Director	January 2018	
	Kweichow Moutai Co., Ltd.	Independent Director	August 2016	
	Lily Group Co., Ltd.	Independent Director	September 2018	
Chen Jingfeng	Zhongyun Capital	Chairman	October 2017	
Cheng Bo	Zhejiang Agriculture and Forestry University	Full-time Teacher	June 2014	
	Shanghai Serum Bio-technology Co., Ltd.	Independent Director	January 2018	
	Hangzhou Silan Microelectronics Co., Ltd.	Independent Director	June 2019	
Particulars on employment in other companies	Save for the personnel disclosed above, none of other directors, supervisors and senior management of the Company were employed by other related companies.			

III. Remuneration of directors, supervisors and senior management

Applicable" Not applicable"

Decision-making procedures for the remuneration of directors, supervisors and senior management	According to the Articles of Association, the remuneration of directors and supervisors is determined by the general shareholders' meeting; and the remuneration of senior management is determined by the board of directors.
Determination basis for the remuneration of directors, supervisors and senior management	The annual remuneration of independent directors of the Company is considered and approved by the general shareholders' meeting. Other directors, supervisors and senior managers who receive remuneration from the Company are subject to the operation performance appraisal on an annual basis and the pre-paid base salary on a monthly basis, and the annual remuneration is settled after the Company's annual operation target is completed.
Actual payment of the remuneration of directors, supervisors and senior management	RMB9,305,600
Total remuneration actually received by all directors, supervisors and senior management at the end of the Reporting Period	RMB9,305,600

IV. Changes in directors, supervisors and senior management of the Company

Applicable" Not applicable"

V. Particulars on punishments by securities regulatory authorities in the past three years

Applicable" Not applicable"

VI. Employees of the parent company and major subsidiaries

(1) Employees

Number of employees in the parent company	2,109
Number of employees in major subsidiaries	3,543
Number of employees	5,652
Number of retirees of whom the parent company and major subsidiaries are responsible for the expenses	
Professional structure	
Category	Number
Production personnel	1,978
Sales personnel	1,241
Technical personnel	459
Finance personnel	191
Administration personnel	269
Management personnel	1,040
Others	474
Total	5,652
Education background	
Category	Number (person)
University (including college) and above	2,827
High school, technical secondary school	1,312
Others	1,513
Total	5,652

(2) Remuneration policy

Applicable Not applicable

A competitive compensation strategy was implemented: The Company adopted different appraisal methods for personnel in different positions and at different levels, and by establishing and improving competitive remunerations and benefits, performance appraisal systems and incentive systems, actively promoted equity incentives and employee shareholding plans, attracted all kinds of professional talents and formed a benign internal competition to stimulate the potential of employees, enhance the enthusiasm and initiative of employees, build a professional team with stable development, and ensure the continuous improvement of the Company's performance.

(3) Training program

Applicable" Not applicable"

The Company highlighted the construction of talent echelon and promoted the development of talents in the organization. It carried out the cultivation of talent quality through the leadership training program, potential talent development plan, rotation learning, personal development path design, etc. The training of the manufacturing system focused on the ability enhancement of grassroots management personnel and the cultivation of reserve talents in core technical positions, and actively promoted the establishment and application of the apprentice base to create a first-class stationery manufacturing technician team in the industry.

(4) Labor outsourcing

Applicable" Not applicable"

Total working hours of labor outsourcing	20,686,562 hours
Total remuneration paid for labor outsourcing	RMB566,831,518

VII. Others

Applicable" Not applicable"

Chapter IX Corporate Governance

I. Particulars on corporate governance

"√ Applicable" "□ Not applicable"

1. Shareholders and general shareholders' meetings: The Company could hold general shareholders' meetings in accordance with the requirements of the Company Law, the Articles of Association, and the Rules of Procedure of the General Shareholders' Meeting. Proposals, procedures, and voting at the general shareholders' meetings were strictly implemented in accordance with the relevant provisions. When considering proposals related to related-party transactions, related shareholders avoided voting to ensure fair and reasonable related-party transactions. Resolutions adopted at general shareholders' meetings met the requirements of laws and regulations, and complied with the lawful rights and interests of all shareholders, especially small and medium-sized shareholders.
2. Directors and board of directors: All the Directors of the Company could, based on the Rules of Procedure of the Meetings of the Board of Directors and other rules, attend the board meetings earnestly and all independent directors strictly complied with the above rules and performed their respective functions and duties in good faith and with diligence. The board of directors set up four special committees, namely the Audit Committee, the Strategic Committee, the Nomination Committee, and the Remuneration and Appraisal Committee, which could give full play to their professional roles in the Company's operation management.
3. Supervisors and the board of supervisors: The Company's board of supervisors strictly complied with the relevant provisions of the Company Law and the Articles of Association, met the requirements of laws and rules in terms of number and composition of members, and could, according to the Rules of Procedure of the Board of Supervisors, etc., seriously perform their own functions and duties, and supervise the compliance with laws and regulations of the Company's finance personnel, directors and senior management in performing their functions and duties.
4. Controlling shareholder and listed company: The Company and its controlling shareholders were independent of each other in personnel, assets, finance, organization and operating business. The Company's board of directors, board of supervisors and internal institutions could operate independently. The Company's major decisions were made by the general shareholders' meeting in accordance with the law. The controlling shareholders exercised the rights of shareholders in accordance with the law, and had no behaviors that directly or indirectly interfered with the Company's decisions and business activities by circumventing the Company's general shareholders' meeting.

Whether there are significant differences between corporate governance and the requirements of the relevant regulations of the China Securities Regulatory Commission; if there are significant differences, the reasons should be explained

Applicable" Not applicable"

II. Brief introduction to general shareholders' meetings

Session number	Convening date	Query index of the designated website on which the resolution is published	Disclosure date when the resolution is published
2018 annual general shareholders' meeting	18 April 2019	www.sse.com.cn	19 April 2019
2019 1st extraordinary general shareholders' meeting	20 June 2019	www.sse.com.cn	21 June 2019

Particulars on general shareholders' meetings

Applicable" Not applicable"

The proposals considered at 2018 annual general shareholders' meeting and 2019 1st extraordinary general shareholders' meeting were adopted.

III. Performance of functions and duties by directors

(1) Attendance of directors at board meetings and general shareholders' meetings

Director Name	Independent director	Attendance at board meetings						Attendance at general shareholders' meetings
		Number of attendance required	Number of attendance in person	Number of attendance by communication	Number of attendance by proxy	Number of absence	Two consecutive absences in person	Number of attendance at general shareholders' meetings
Chen Huwen	No	5	5	3	0	0	No	2
Chen Huxiong	No	5	5	5	0	0	No	1

Chen Xueling	No	5	5	3	0	0	No	1
Fu Chang	No	5	5	4	0	0	No	1
Zhang Jingzhong	Yes	5	5	4	0	0	No	0
Chen Jingfeng	Yes	5	5	4	0	0	No	0
Cheng Bo	Yes	5	5	3	0	0	No	1

Particulars on two consecutive absences in person from board meetings

Applicable Not applicable

Number of board meetings held during the year	5
Including: on site	2
by communication	3
on site and by communication	2

(2) Independent directors' objections to the Company's related matters

Applicable Not applicable

(3) Others

Applicable Not applicable

IV. If there is any objection to important opinions and suggestions put forward by the special committees under the board of directors in performing its functions and duties during the Reporting Period, the specific situation should be disclosed

Applicable Not applicable

V. Particulars on risks in the Company identified by the board of supervisors

Applicable Not applicable

VI. Particulars on the situations that the Company and its controlling shareholders cannot guarantee independence and cannot maintain self-operation ability in the aspects of business, personnel, assets, organization and finance

Applicable Not applicable

The corresponding solutions, work progress and follow-up work plan of the Company in case of horizontal competition

Applicable" Not applicable"

VII. Establishment and implementation of appraisal mechanism and the incentive mechanism for senior management during the Reporting Period

Applicable" Not applicable"

During the Reporting Period, the Company established a comprehensive appraisal mechanism for senior management. Quarterly and annual appraisals were conducted based on the completion of KPI and daily routine work by the departments for which senior management were responsible. Through the appraisal, not only the Company's overall operation and main economic indicators were achieved, but also the development of the senior management personnel was realized, so as to fully mobilize the work enthusiasm and operation potential of the senior management.

VIII. Whether to disclose the self-appraisal report on internal control

Applicable" Not applicable"

2019 Appraisal Report on Internal Control was considered and approved at the 20th meeting of the 4th board of directors of the Company. For the full text of the report, please see 2019 Appraisal Report on Internal Control disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 14 April 2020.

Particulars on major defects in the internal control during the Reporting Period

Applicable" Not applicable"

IX. Particulars on the audit report on internal control

Applicable" Not applicable"

The Company engaged BDO China Shu Lun Pan Certified Public Accounts LLP to audit the implementation of internal control in its 2019 financial statements and the Audit Report on Internal Control was issued. For the full text of the report, please see 2019 Audit Report on Internal Control disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 14 April 2020.

Whether to disclose the audit report on internal control: yes

X. Others

Applicable" Not applicable"

Chapter X Corporate Bonds

" Applicable" " Not applicable"

Chapter XI Financial Report

I. Auditor's report

"√ Applicable" "□ Not applicable"

Xin Kuai Shi Bao Zi [2020] No. ZA10693

To the shareholders of Shanghai M&G Stationery Inc.:

I. Audits' opinion

We have audited the accompanying financial statements of Shanghai M&G Stationery Inc. (hereinafter referred to as "M&G Stationery"), which comprise the consolidated and parent company's balance sheets as at 31 December 2019, the consolidated and parent company's income statements, the consolidated and parent company's cash flow statements, and the consolidated and parent company's statements of changes in shareholders' equity for the year of 2019, as well as notes to financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and parent company's financial position of M&G Stationery as at 31 December 2019 and of its consolidated and parent company's operating results and cash flows for the year of 2019.

II. Basis of auditors' opinion

We have conducted our audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. The "Responsibilities of Certified Public Accountants for Auditing of Financial Statements" in the auditor's report further illustrate our responsibilities under those standards. In accordance with the Code of Professional Ethics of Chinese Certified Public Accountants, we are independent of M&G Stationery and have performed other responsibilities in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. The followings are the key audit matters that we have determined to communicate in the auditor's report.

Key audit matters	How our audit addressed the key audit matter
(I) Recognition of the revenue	
<p>Please refer to notes to financial statements for accounting policies set out in “III Significant Accounting Policies and Accounting Estimates” (XXII) and “V Notes to Consolidated Financial Statements” (XXXIV). M&G Stationery mainly specializes in selling stationery and office supplies.</p> <p>(1) Timing of revenue recognition for regional sales and overseas sale (export agent): Shanghai: sales revenue is recognized after goods are delivered; regions other than Shanghai: sales revenue is recognized after goods are delivered and delivery documents are confirmed with signature from the logistic companies;</p> <p>(2) Timing of revenue recognition for KA sales: sales revenue is recognized after goods are delivered and delivery documents are confirmed with signature from the logistic companies;</p> <p>(3) Timing of revenue recognition for self-managing and export business: revenue is recognized when the goods pass the ship’s rail in the port of shipment under the term of FOB;</p> <p>(4) Timing of revenue recognition for direct sales of office supplies: sales revenue is recognized after goods are delivered and confirmed by customers;</p> <p>(5) Timing of revenue recognition for direct sales large flagship store: sales revenue is recognized after goods are delivered and confirmed by customers.</p> <p>In 2019, M&G Stationery’s revenue from principal business in sales recognition</p>	<ol style="list-style-type: none"> 1. We understood and evaluated design of the key internal control designed by management and we tested the effectiveness of implementing key controls; 2. We inspected customer contracts, on a sample basis, to identify terms and conditions of transfer of risks and rewards related to the ownership of goods, and assessed the timing of revenue recognition with reference to the requirements of prevailing accounting standards; 3. We selected samples for revenue transactions recorded during the current year, with invoices, sales contracts, goods delivery notes or transport documents to assess whether the related revenue was recognized in accordance with M&G Stationery’s revenue recognition accounting policies; 4. We performed analytical procedures on revenue and cost, including analysis of revenue, cost, gross profit margin fluctuations in each month of the current period, and performed analysis on sales model to observe whether there is any abnormal transaction; 5. We took samples from revenue transactions that took place shortly before and after the balance sheet date, by checking delivery orders and other supportive documents to assess whether

<p>amounted to RMB11,139,921,600.</p> <p>Since revenue is one of the key performance indicators of M&G Stationery, there is possibly inherent risk of inappropriately recognizing revenue to reach specific purpose in revenue recognition made based on the sales group of distributor; there is possibly potential risk of material misstatement in revenue recognition made based on the sales group of end customer because it involves many transactions with small amount for each transaction, so we recognized revenue recognition as a key audit matter.</p>	<p>revenue was recognized in the correct accounting period.</p> <p>6. We evaluated the accuracy and authenticity of the revenue amount by implementing the income letter verification procedure and checking goods return after the period.</p>
(II) Anticipated credit loss of accounts receivable	
<p>Please refer to notes to financial statements for accounting policies set out in “III Significant Accounting Policies and Accounting Estimates” (IX) and “V Notes to Consolidated Financial Statements” (IV).</p> <p>As at 31 December 2019, balance of accounts receivable amounted to RMB1,059,038,000, and provision made for credit impairment loss of accounts receivable amounted to RMB32,943,200.</p> <p>M&G Stationery measured provision for loss of accounts receivable in accordance with amount of anticipated credit loss in the entire lifetime. The anticipated credit loss requires the management to take into consideration of forward-looking information apart from combining historical experience and current situations, involving lots of estimation and judgment, so we recognized anticipated credit loss of accounts receivable as a key audit matter.</p>	<ol style="list-style-type: none"> 1. We understood and evaluated design of the key internal control regarding impairment of financial assets (including accounts receivable) designed by management and we tested the effectiveness of implementing key controls; 2. We evaluated rationality of the estimation on anticipated credit loss of accounts receivable, including judgment of forward-looking information; basis of estimation on anticipated credit loss made on a single item, and basis of estimation on anticipated credit loss made on portfolio, including rationality of the division for portfolio; 3. We reviewed credit risk assessment performed by the management on internal and external environment of M&G Stationery’s operation, integrity of different customers, repayment history, repayment capacity, and historical experience in credit loss;

	<p>4. We recalculated to check whether measurement of provision for loss made by the management on single and portfolio accounts receivable is consistent with the amount of anticipated credit loss in the entire existing period.</p>
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IV. Other information

The management of M&G Stationery (hereinafter referred to as the “management”) is responsible for the other information which comprises all the information covered in M&G Stationery 2019 Annual Report other than the financial statements and this auditor’s report.

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

In conjunction with our audit to the financial statements, our responsibility is to read the other information. During the process, we considered whether there is material inconsistency or there is likely material misstatement between the other information and the financial statements or the information we obtained during the audit.

As we have performed the work on the other information obtained before the date of our auditor’s report, we shall report if we confirmed there was a material misstatement among the other information. We have nothing needed to be reported on this case.

V. Responsibilities of the management and governing bodies for the financial statements

The management shall be responsible for the preparation of financial statements in accordance with the Accounting Standards for Business Enterprises to enable them to be fairly reflected, and to design, implement and maintain the necessary internal controls so that there is no material misstatement due to fraud or error in the financial statements.

In the preparation of the financial statements, the management is responsible for assessing M&G Stationery’s continuous operating capacity, disclosing matters relating to continuous operations (if applicable), and applying the continuing operating assumptions unless the management plans to perform liquidation, cease operation or otherwise has no realistic choice.

The governing bodies are responsible for overseeing the financial reporting process of M&G Stationery.

VI. Responsibilities of CPA for the audit of the financial statements

Our objective is to obtain reasonable assurance of the financial statements as a whole whether there is a material misstatement due to fraud or error and to issue an auditor’s report containing audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercised professional judgment and maintained professional skepticism throughout the audit. We also performed the following works:

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

(2) to understand the internal control related to the audit to design the appropriate audit procedures.

(3) to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

(5) to evaluate the overall presentation, structure and content (including disclosure) of the financial statements, and to assess whether the financial statements reflect the related transactions and events fairly.

(6) to obtain sufficient and appropriate audit evidence of the financial information of the entity or business activity of the M&G Stationery in order to express an opinion on the financial statements. We are responsible for directing, supervising and performing group audits. We take full responsibility for the audit opinion.

We communicated with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provided a statement to management on compliance with ethical requirements related to independence, and communicated with governing bodies about all relationships and other matters that may be reasonably considered to affect our independence, as well as related precautions (if applicable).

From the matters we had discussed with the governing bodies, we confirmed which matters were most important to the audit of the financial statements for the current period and thus constituted the key audit matters. We set out these matters in the auditor's report. Unless the disclosure of these matters are forbidden by the laws and regulations, or, in rare cases, if it is reasonably expected that the negative impacts caused by discussing certain matters in the auditor's report would be larger than the benefits for public interest, we shall not disclose the matters in the auditor's report under such circumstances.

BDO China Shu Lun Pan CPAs **Certified Public Accountant: Gu Xuefeng (Project Partner)**
(Special general partnership)

Certified Public Accountant: Wang Aijia

Shanghai, China

10 April 2020

II. Financial Statements

Combined Balance Sheet

31 December 2019

Prepared by: SHANGHAI M&G STATIONERY INC.

Unit: Yuan Currency: RMB

Item	Notes	31 December 2019	31 December 2018
Current assets:			
Cash and equivalents	VII. 1	1,935,600,694.35	1,046,668,874.97
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	VII. 2	661,878,587.24	
Financial assets at fair value through current profit or loss			
Derivative financial assets			
Bills receivable	VII. 4		1,894,232.00
Accounts receivable	VII. 5	1,026,094,724.15	808,772,112.91
Receivables financing	VII. 6	29,549,924.83	
Prepayment	VII. 7	85,371,444.73	42,336,973.71
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VII. 8	117,647,039.93	110,280,059.38
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	VII. 9	1,378,108,759.85	1,042,701,610.00
Held for sale assets			
Non-current assets due within one year			
Other current assets	VII. 12	29,280,925.29	1,046,977,400.35

Total current assets		5,263,532,100.37	4,099,631,263.32
Non-current assets:			
Loans and advances to customers			
Debt investment			
Available-for-sale financial assets			3,600,000.00
Other debt investment			
Held-to-maturity investment			
Long-term receivables	VII. 15	6,624,590.00	
Long-term equity investments	VII. 16	35,582,783.47	30,175,665.26
Investments in other equity instruments	VII. 17	3,909,179.93	
Other non-current financial assets			
Investment real estate			
Fixed assets	VII. 20	1,163,702,352.12	876,617,888.99
Construction in progress	VII. 21	260,469,728.76	24,506,469.59
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VII. 25	331,005,762.09	187,987,875.67
Development expenses			
Goodwill	VII. 27	30,175,537.19	131,001.23
Long-term prepaid expenses	VII. 28	118,336,333.95	118,024,364.67
Deferred income tax assets	VII. 29	36,623,535.59	25,525,520.98
Other non-current assets	VII. 30	315,153,408.27	311,300,000.00
Total non-current assets		2,301,583,211.37	1,577,868,786.39
Total assets		7,565,115,311.74	5,677,500,049.71
Current liabilities:			
Short-term borrowings	VII. 31	183,193,763.86	
Borrowings from central bank			
Placements from banks and other financial institutions			

Held-for-trading financial liabilities			
Financial liabilities at fair value through current profit or loss			
Derivative financial liabilities			
Bills payable			
Accounts payable	VII. 35	1,861,072,467.87	1,319,407,048.21
Accounts received in advance	VII. 36	206,762,293.94	147,647,053.87
Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	VII. 37	154,119,492.32	120,786,076.52
Taxes payable	VII. 38	258,583,118.14	279,377,546.18
Other payables	VII. 39	331,438,976.35	240,665,881.17
Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsured accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		2,995,170,112.48	2,107,883,605.95
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			

Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable	VII. 46	6,620,000.00	5,109,800.00
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	VII. 49	65,823,213.11	67,277,109.51
Deferred income tax liabilities	VII. 29	36,576,744.55	564,909.50
Other non-current liabilities			
Total non-current liabilities		109,019,957.66	72,951,819.01
Total liabilities		3,104,190,070.14	2,180,835,424.96
Owner's equity (or shareholders' equity):			
Share capital	VII. 51	920,000,000.00	920,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 53	272,347,764.53	272,347,764.53
Less: Treasury shares			
Other comprehensive income		526,359.55	
Special reserve			
Surplus reserve	VII. 57	440,260,399.59	343,733,386.35
General risk provision			
Undistributed profit	VII. 58	2,568,365,861.32	1,874,727,294.53
Total equity attributable to the owners of the parent company		4,201,500,384.99	3,410,808,445.41
Minority equity		259,424,856.61	85,856,179.34
Total owners' equity (or shareholders' equity)		4,460,925,241.60	3,496,664,624.75

Total liabilities and owner's equity (or shareholders' equity)		7,565,115,311.74	5,677,500,049.71
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Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

Parent Company's Balance Sheet

31 December 2019

Prepared by: SHANGHAI M&G STATIONERY INC.

Unit: Yuan Currency: RMB

Item	Notes	31 December 2019	31 December 2018
Current assets:			
Cash and equivalents		1,358,805,872.56	552,507,774.24
Held-for-trading financial assets		509,467,061.37	
Financial assets at fair value through current profit or loss			
Derivative financial assets			
Bills receivable			
Accounts receivable	XVII. 1	82,949,224.65	93,324,765.86
Receivables financing			
Prepayment		9,630,209.45	9,002,289.37
Other receivables	XVII. 2	285,036,794.54	227,644,350.97
Including: Interest receivable		192,500.00	
Dividend receivable			
Inventories		448,245,658.48	433,945,665.76
Held for sale assets			
Non-current assets due within one year			
Other current assets		150,047,540.99	820,679,150.20
Total current assets		2,844,182,362.04	2,137,103,996.40
Non-current assets:			
Debt investment			
Available-for-sale financial assets			3,600,000.00

Other debt investment			
Held-to-maturity investment			
Long-term receivables		6,624,590.00	
Long-term equity investments	XVII. 3	1,089,168,192.56	878,722,964.35
Investments in other equity instruments		3,909,179.93	
Other non-current financial assets			
Investment real estate			
Fixed assets		749,415,024.84	792,636,398.34
Construction in progress		258,864,834.00	23,686,726.44
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		182,268,368.82	184,634,388.95
Development expenses			
Goodwill			
Long-term prepaid expenses		10,106,589.01	15,345,487.19
Deferred income tax assets		5,469,359.66	5,277,303.99
Other non-current assets		311,929,028.24	311,300,000.00
Total non-current assets		2,617,755,167.06	2,215,203,269.26
Total assets		5,461,937,529.10	4,352,307,265.66
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Financial liabilities at fair value through current profit or loss			
Derivative financial liabilities			
Bills payable			
Accounts payable		225,831,712.59	240,475,062.99
Accounts received in advance		116,720,284.19	80,736,039.60
Employee benefits payable		87,609,891.62	76,794,379.93

Taxes payable		160,129,252.33	187,418,365.45
Other payables		513,035,659.92	29,240,729.97
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			140,000,000.00
Other current liabilities			
Total current liabilities		1,103,326,800.65	754,664,577.94
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable		258,620,000.00	187,109,800.00
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		28,453,779.37	29,979,024.38
Deferred income tax liabilities		1,420,059.21	
Other non-current liabilities			
Total non-current liabilities		288,493,838.58	217,088,824.38
Total liabilities		1,391,820,639.23	971,753,402.32
Owner's equity (or shareholders' equity):			
Share capital		920,000,000.00	920,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		274,008,599.09	274,008,599.09
Less: Treasury shares			
Other comprehensive income		292,894.11	

Special reserve			
Surplus reserve		439,931,539.68	343,404,526.44
Undistributed profit		2,435,883,856.99	1,843,140,737.81
Total owners' equity (or shareholders' equity)		4,070,116,889.87	3,380,553,863.34
Total liabilities and owner's equity (or shareholders' equity)		5,461,937,529.10	4,352,307,265.66

Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

Consolidated Income Statement

January - December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
I. Total operating income		11,141,101,364.44	8,534,988,597.55
Including: Operating income	VII. 59	11,141,101,364.44	8,534,988,597.55
Interest income			
Premium received			
Handling fee and commission income			
II. Total operating costs		9,873,266,701.55	7,640,602,184.07
Including: Operating cost	VII. 59	8,229,837,268.86	6,330,446,740.16
Interest expenses			
Handling fee and commission expenses			
Payment on surrenders			
Net compensation expenses			
Net provision drawn for insurance contract			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	VII. 60	41,995,058.06	34,720,679.26
Selling expenses	VII. 61	980,166,101.18	789,386,543.37
Administrative expenses	VII. 62	469,262,188.13	379,618,754.18
R&D expenses	VII. 63	160,403,362.97	114,388,916.75
Financial expenses	VII. 64	-8,397,277.65	-7,959,449.65

Including: Interest expenses		8,386,182.80	
Interest income		20,872,167.57	5,997,422.97
Add: Other gains	VII. 65	26,504,881.46	8,716,713.66
Income from investment (“-” refers to loss)	VII. 66	23,994,985.32	35,123,869.91
Including: Investment income from associates and joint ventures		-576,595.97	-393,609.74
Derecognition of income from financial assets at amortized cost			
Exchange gains (“-” refers to loss)			
Net gain on exposure hedging (“-” refers to loss)			
Gain on change in fair value (“-” refers to loss)	VII. 68	4,613,287.24	
Losses on credit impairment (“-” refers to loss)	VII. 69	-28,006,009.88	
Losses on assets impairment (“-” refers to loss)	VII. 70	-17,843,081.89	-3,412,585.70
Gains from asset disposal (“-” refers to loss)	VII. 71	6,081,606.95	-69,195.83
III. Operating profits (“-” refers to loss)		1,283,180,332.09	934,745,215.52
Add: Non-operating profits	VII. 72	29,358,655.04	46,009,012.19
Less: Non-operating expenses	VII. 73	18,859,243.06	20,539,389.95
IV. Total profits (“-” refers to total loss)		1,293,679,744.07	960,214,837.76
Less: Income tax expenses	VII. 74	217,602,900.41	152,378,423.75
V. Net profits (“-” refers to net loss)		1,076,076,843.66	807,836,414.01
(I) Classified by operation continuity			
1. Net profits from continuing activities (“-” refers to net loss)		1,076,076,843.66	807,836,414.01
2. Net profits from discontinuing activities (“-” refers to net loss)			
(II) Classified by ownership			
1. Net profits attributable to shareholders of the parent company (“-” refers to net loss)		1,060,083,625.03	806,847,308.41

2. Profit or loss attributable to minority shareholders (“-” refers to net loss)		15,993,218.63	989,105.60
VI. Net amount of other comprehensive income after tax		709,796.69	
(I) Net amount of other comprehensive income after tax attributable to owners of the parent company		526,359.55	
1. Other comprehensive income not to be reclassified into profit or loss		309,179.93	
(1) Change in re-measurement of defined benefit plans			
(2) Other comprehensive income that may not be reclassified to profit or loss under equity method			
(3) Change in fair value of investments in other equity instruments		309,179.93	
(4) Change in fair value of enterprise's own credit risk			
2. Other comprehensive income to be reclassified into profit or loss		217,179.62	
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		-16,285.82	
(2) Change in fair value of other debt investments			
(3) Profit or loss from the change of fair value of available-for-sale financial assets			
(4) Amount included in other comprehensive income on reclassification of financial assets			
(5) Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets			

(6) Credit impairment provisions of other debt investments			
(7) Cash flow hedging reserve (Effective portion of cash flow hedging profit or loss)			
(8) Exchange differences from translation of financial statements		233,465.44	
(9) Others			
(II) Net amount of other comprehensive income after tax attributable to minority shareholders		183,437.14	
VII. Total comprehensive income		1,076,786,640.35	807,836,414.01
(I) Total comprehensive income attributable to owners of the parent company		1,060,609,984.58	806,847,308.41
(II) Total comprehensive income attributable to minority shareholders		16,176,655.77	989,105.60
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		1.1523	0.8770
(II) Diluted earnings per share (Yuan/share)		1.1523	0.8770

In case of business combination under common control, net profit realized by the combined before the combination in the period was nil; net profit realized by the combined in the previous period was nil. RMB0.

Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

Income Statement of the Parent Company

January - December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
I. Operating income	XVII. 4	3,933,991,943.14	3,402,622,358.54
Less: Operating cost	XVII. 4	2,183,782,074.37	2,034,456,319.11
Taxes and surcharges		17,610,206.96	15,169,890.00
Selling expenses		186,518,505.25	164,230,651.64
Administrative expenses		338,338,989.17	260,215,672.87

R&D expenses		129,731,243.16	114,388,916.75
Financial expenses		-12,660,392.50	-5,324,409.58
Including: Interest expenses		948,654.26	
Interest income		12,582,570.87	2,721,099.71
Add: Other gains		5,782,081.23	4,618,424.45
Income from investment (“-” refers to loss)	XVII. 5	21,470,373.55	32,190,116.49
Including: Investment income from associates and joint ventures		-576,595.97	-393,609.74
Derecognition of income from financial assets at amortized cost			
Net gain on exposure hedging (“-” refers to loss)			
Gain on change in fair value (“-” refers to loss)		3,137,261.37	
Losses on credit impairment (“-” refers to loss)		-651,502.57	
Losses on assets impairment (“-” refers to loss)		-2,154,113.62	-1,191,669.73
Gains from asset disposal (“-” refers to loss)		190,467.53	-332,568.10
II. Operating profits (“-” refers to loss)		1,118,445,884.22	854,769,620.86
Add: Non-operating profits		17,311,132.84	35,648,932.27
Less: Non-operating expenses		2,001,519.26	13,794,616.24
III. Total profits (“-” refers to total loss)		1,133,755,497.80	876,623,936.89
Less: Income tax expenses		173,865,695.38	131,832,461.42
IV. Net profits (“-” refers to net loss)		959,889,802.42	744,791,475.47
(I) Net profits from continuing activities (“-” refers to net loss)		959,889,802.42	744,791,475.47
(II) Net profits from discontinuing activities (“-” refers to net loss)			
V. Net amount of other comprehensive income after tax		292,894.11	

(I) Other comprehensive income not to be reclassified into profit or loss		309,179.93	
1. Change in re-measurement of defined benefit plans			
2. Other comprehensive income that may not be reclassified to profit or loss under equity method			
3. Change in fair value of investments in other equity instruments		309,179.93	
4. Change in fair value of enterprise's own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss		-16,285.82	
1. Other comprehensive income that may be reclassified to profit or loss under equity method		-16,285.82	
2. Change in fair value of other debt investments			
3. Profit or loss from the change of fair value of available-for-sale financial assets			
4. Amount included in other comprehensive income on reclassification of financial assets			
5. Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets			
6. Credit impairment provisions of other debt investments			
7. Cash flow hedging reserve (Effective portion of cash flow hedging profit or loss)			
8. Exchange differences from translation of financial statements			
9. Others			

VI. Total comprehensive income		960,182,696.53	744,791,475.47
VII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

Consolidated Cash Flow Statement

January - December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		12,659,206,706.73	9,713,854,726.05
Net increase in customer and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from banks and other financial institutions			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investments			
Cash received from interest, fees and commissions			
Net increase in borrowings			
Net increase in repurchase business capital			

Net cash received from securities trading agency services			
Tax rebates		10,615,726.68	
Other cash received from operating activities	VII. 76	278,708,570.57	107,722,867.77
Sub-total of cash inflows from operating activities		12,948,531,003.98	9,821,577,593.82
Cash paid for goods and services		9,111,402,404.98	7,005,237,744.44
Net increase in customer loans and advances			
Net increase in deposits with PBOC and interbank deposits			
Cash paid for compensation payments under original insurance contract			
Net increase in funds for lending			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		727,849,843.52	578,387,066.44
Taxes and fees paid		676,394,326.12	467,902,661.41
Cash paid for other operating activities	VII. 76	1,350,943,045.68	942,109,556.02
Sub-total of cash outflows from operating activities		11,866,589,620.30	8,993,637,028.31
Net cash flow generated from operating activities		1,081,941,383.68	827,940,565.51
II. Cash flow from investing activities:			
Cash received from disposal of investments		1,250,355,226.95	3,065,000,000.00

Cash received from returns on investments		24,216,354.35	35,517,479.65
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,463,204.22	912,028.22
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		1,280,034,785.52	3,101,429,507.87
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		377,738,579.26	318,226,341.22
Cash paid for investment		866,000,000.00	3,079,169,275.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities		110,648,892.44	
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		1,354,387,471.70	3,397,395,616.22
Net cash flow generated from investing activities		-74,352,686.18	-295,966,108.35
III. Cash flow generated from financing activities:			
Proceeds received from financing activities		42,000,000.00	4,900,000.00
Including: Proceeds received by subsidiaries from minority shareholders' investment		42,000,000.00	4,900,000.00
Cash received from borrowings		346,892,780.31	

Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		388,892,780.31	4,900,000.00
Cash repayments of borrowings		458,363,649.10	
Dividends paid, profit distributed or interest paid		286,141,698.09	230,000,000.00
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities	VII. 76	8,687,534.78	
Sub-total of cash outflows from financing activities		753,192,881.97	230,000,000.00
Net cash flow from financing activities		-364,300,101.66	-225,100,000.00
IV. Effects of exchange rate fluctuations on cash and cash equivalents		-7,343,606.05	2,580,870.25
V. Net increase in cash and cash equivalents		635,944,989.79	309,455,327.41
Add: Cash and cash equivalents at the beginning of the period		741,501,446.10	432,046,118.69
VI. Cash and cash equivalents at the end of the period		1,377,446,435.89	741,501,446.10

Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

Cash Flow Statement of the Company

January - December 2019

Unit: Yuan Currency: RMB

Item	Notes	2019	2018
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I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		4,481,220,462.21	3,889,934,554.26
Tax rebates			
Other cash received from operating activities		869,793,478.23	65,606,561.94
Sub-total of cash inflows from operating activities		5,351,013,940.44	3,955,541,116.20
Cash paid for goods and services		2,424,224,396.02	2,227,188,178.82
Cash paid to and on behalf of employees		366,624,770.76	328,475,870.29
Taxes and fees paid		445,473,384.86	289,957,488.72
Cash paid for other operating activities		894,987,272.24	557,320,507.69
Sub-total of cash outflows from operating activities		4,131,309,823.88	3,402,942,045.52
Net cash flow generated from operating activities		1,219,704,116.56	552,599,070.68
II. Cash flow from investing activities:			
Cash received from disposal of investments		1,020,000,000.00	2,610,000,000.00
Cash received from returns on investments		22,046,969.52	32,583,726.23
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,564,005.35	611,830.73
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		1,043,610,974.87	2,643,195,556.96

Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		301,156,480.55	246,840,159.56
Cash paid for investment		954,000,000.00	2,589,269,275.00
Net cash paid for acquiring subsidiaries and other operating entities		170,005,997.67	
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		1,425,162,478.22	2,836,109,434.56
Net cash flow generated from investing activities		-381,551,503.35	-192,913,877.60
III. Cash flow generated from financing activities:			
Proceeds received from financing activities			
Cash received from borrowings			
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities			
Cash repayments of borrowings			
Dividends paid, profit distributed or interest paid		276,948,654.26	230,000,000.00
Other cash paid for financing-related activities			
Sub-total of cash outflows from financing activities		276,948,654.26	230,000,000.00
Net cash flow from financing activities		-276,948,654.26	-230,000,000.00
IV. Effects of exchange rate fluctuations on cash and cash equivalents		-2,444,756.42	2,580,870.25

V. Net increase in cash and cash equivalents		558,759,202.53	132,266,063.33
Add: Cash and cash equivalents at the beginning of the period		247,580,827.87	115,314,764.54
VI. Cash and cash equivalents at the end of the period		806,340,030.40	247,580,827.87

Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

Consolidated Statements of Changes in Owners' Equity

January - December 2019

Unit: Yuan Currency: RMB

Item	2019														Minority equity	Total equity attributable to owners
	Equity attributable to owners of the parent company															
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others	Sub-total			
	Preference shares	Perpetual bonds	Others													
I. Balance at the end of last year	920,000,000.00				272,347,764.53				343,733,386.35		1,874,727,294.53		3,410,808,445.41	85,856,179.34	3,496,664,624.75	
Add: Changes in accounting policies								538,033.00		5,543,922.00		6,081,955.00		6,081,955.00		
Correction for previous errors																
Enterprise merger under the same control																
Others																
II. Balance at the beginning of the year	920,000,000.00				272,347,764.53				344,271,419.35		1,880,271,216.53		3,416,890,400.41	85,856,179.34	3,502,746,579.75	
III. Increase and decrease for the period ("-" for decrease)							526,359.55	95,988,980.24		688,094,644.79		784,609,984.58	173,568,677.27	958,178,661.85		

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(I) Total comprehensive income							526,359.55					1,060,083,625.03		1,060,609,984.58	16,176,655.77	1,076,786,640.35
(II) Owner's contribution and capital reduction															157,392,021.50	157,392,021.50
1. Ordinary shares contributed by the owners															42,000,000.00	42,000,000.00
2. Capital contributions by other equity instrument holders																
3. Amount of share-based payments credited to owners' equity																
4. Others															115,392,021.50	115,392,021.50
(III) Profit distribution									95,988,980.24		-371,988,980.24		-276,000,000.00			-276,000,000.00
1. Withdrawal of surplus reserve									95,988,980.24		-95,988,980.24					
2. Withdrawal of general risk provision																
3. Distribution to owners (or shareholders)											-276,000,000.00		-276,000,000.00			-276,000,000.00

4. Others																
(IV) Internal carry-forward of owners' equity																
1. Transfer of capital reserve to capital (or share capital)																
2. Transfer of surplus reserve to capital (or share capital)																
3. Surplus reserve to cover loss																
4. Changes in defined benefit scheme carried forward to retained earnings																
5. Carry-forward of other comprehensive income to retained earnings																
6. Others																
(V) Special reserve																
1. Withdrawal for the period																
2. Utilization for the period																

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(VI) Others															
IV. Balance at the end of the period	920,000,000.00				272,347,764.53		526,359.55		440,260,399.59		2,568,365,861.32		4,201,500,384.99	259,424,856.61	4,460,925,241.60

Item	2018														Minority equity	Total equity attributable to owners
	Equity attributable to owners of the parent company															
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others	Sub-total			
	Preference shares	Perpetual bonds	Others													
I. Balance at the end of last year	920,000,000.00				272,347,764.53				269,254,238.80		1,372,359,133.67		2,833,961,137.00	79,967,073.74	2,913,928,210.74	
Add: Changes in accounting policies																
Correction for previous errors																
Enterprise merger under the same control																
Others																
II. Balance at the beginning of the year	920,000,000.00				272,347,764.53				269,254,238.80		1,372,359,133.67		2,833,961,137.00	79,967,073.74	2,913,928,210.74	
III. Increase and decrease for the period ("-" for decrease)								74,479,147.55			502,368,160.86		576,847,308.41	5,889,105.60	582,736,414.01	

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(I) Total comprehensive income											806,847,308.41		806,847,308.41	989,105.60	807,836,414.01
(II) Owner's contribution and capital reduction														4,900,000.00	4,900,000.00
1. Ordinary shares contributed by the owners														4,900,000.00	4,900,000.00
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity															
4. Others															
(III) Profit distribution									74,479,147.55		-304,479,147.55		-230,000,000.00		-230,000,000.00
1. Withdrawal of surplus reserve									74,479,147.55		-74,479,147.55				
2. Withdrawal of general risk provision															
3. Distribution to owners (or shareholders)											-230,000,000.00		-230,000,000.00		-230,000,000.00
4. Others															

(IV) Internal carry-forward of owners' equity																			
1. Transfer of capital reserve to capital (or share capital)																			
2. Transfer of surplus reserve to capital (or share capital)																			
3. Surplus reserve to cover loss																			
4. Changes in defined benefit scheme carried forward to retained earnings																			
5. Carry-forward of other comprehensive income to retained earnings																			
6. Others																			
(V) Special reserve																			
1. Withdrawal for the period																			
2. Utilization for the period																			
(VI) Others																			

IV. Balance at the end of the period	920,000,000.00				272,347,764.53				343,733,386.35		1,874,727,294.53		3,410,808,445.41	85,856,179.34	3,496,664,624.75
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Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

Statements of Changes in Equity of Owners of Parent Company

January - December 2019

Unit: Yuan Currency: RMB

Item	2019										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
I. Balance at the end of last year	920,000,000.00				274,008,599.09				343,404,526.44	1,843,140,737.81	3,380,553,863.34
Add: Changes in accounting policies								538,033.00		4,842,297.00	5,380,330.00
Correction for previous errors											
Others											
II. Balance at the beginning of the year	920,000,000.00				274,008,599.09				343,942,559.44	1,847,983,034.81	3,385,934,193.34
III. Increase and decrease for the period ("-" for decrease)							292,894.11	95,988,980.24		587,900,822.18	684,182,696.53
(I) Total comprehensive income							292,894.11			959,889,802.42	960,182,696.53
(II) Owner's contribution and capital reduction											
1. Ordinary shares contributed by the owners											
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity											
4. Others											

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(III) Profit distribution									95,988,980.24	-371,988,980.24	-276,000,000.00
1. Withdrawal of surplus reserve									95,988,980.24	-95,988,980.24	
2. Distribution to owners (or shareholders)										-276,000,000.00	-276,000,000.00
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											
4. Changes in defined benefit scheme carried forward to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Balance at the end of the period	920,000,000.00				274,008,599.09		292,894.11		439,931,539.68	2,435,883,856.99	4,070,116,889.87

Item	2018										
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners
		Preference shares	Perpetual bonds	Others							
I. Balance at the end of last year	920,000,000.00				274,008,599.09				268,925,378.89	1,402,828,409.89	2,865,762,387.87
Add: Changes in accounting policies											

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Correction for previous errors											
Others											
II. Balance at the beginning of the year	920,000,000.00				274,008,599.09				268,925,378.89	1,402,828,409.89	2,865,762,387.87
III. Increase and decrease for the period ("-" for decrease)									74,479,147.55	440,312,327.92	514,791,475.47
(I) Total comprehensive income										744,791,475.47	744,791,475.47
(II) Owner's contribution and capital reduction											
1. Ordinary shares contributed by the owners											
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity											
4. Others											
(III) Profit distribution									74,479,147.55	-304,479,147.55	-230,000,000.00
1. Withdrawal of surplus reserve									74,479,147.55	-74,479,147.55	
2. Distribution to owners (or shareholders)										-230,000,000.00	-230,000,000.00
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Transfer of capital reserve to capital (or share capital)											
2. Transfer of surplus reserve to capital (or share capital)											
3. Surplus reserve to cover loss											

4. Changes in defined benefit scheme carried forward to retained earnings											
5. Carry-forward of other comprehensive income to retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal for the period											
2. Utilization for the period											
(VI) Others											
IV. Balance at the end of the period	920,000,000.00				274,008,599.09				343,404,526.44	1,843,140,737.81	3,380,553,863.34

Legal Representative: Chen Huwen Accountant in charge: Zhang Qing Person in charge of Accounting Department: Zhai Yu

III. General Information about the Company

1. Company profile

Applicable" Not applicable"

Shanghai M&G Stationery Inc. (hereinafter referred to as "Company" or the "Company") is a limited company that was approved by the Approval for the Initial Public Offering of Shanghai M&G Stationery Inc. in [2015] No. 15 securities regulatory license of China Securities Regulatory Commission in January 2015. The Company's business license No.: 91310000677833266F. In January 2015, the Company was listed on Shanghai Stock Exchange. The industry where the Company operates is manufacturing industry in products for stationery, arts, sports and entertainment.

As of 31 December 2019, the Company issued a total of 920,000,000 shares accumulatively, and its registered capital amounted to RMB920,000,000. The registered address of the Company is Building 3, No. 3469 Jinqian Road, Fengxian District, Shanghai. The principal operations of the Company include: stationery manufacturing and sales, digital products, security equipment, instruments and apparatus, protective equipment in work, furniture, decorations, cosmetics, accessories, office supplies, craft gifts (except ivory and its products), rubber and plastic products, electronic products, household appliances, toys, molds, hardware and electric material, communication equipment, computer software and auxiliary equipment, wholesale and retail of daily necessities, engagement in the import and export business of goods and technology, food sales, e-commerce, publication operation, printing for other prints, packaging and printing services, and consultation for business management. [For those businesses that require permission, business activities are conducted after getting the approval from relevant departments].

The parent company of the Company is M&G Holdings (Group) Co., Ltd., and the beneficial controllers are Chen Huwen, Chen Huxiong, and Chen Xueling.

The financial statements were approved for submission by the Board of Directors on 10 April 2020.

2. Scope of consolidated financial statements

Applicable" Not applicable"

As of 31 December 2019, subsidiaries in the scope of the Company's consolidated financial statements are presented as follows:

Name of subsidiaries
Shanghai M&G Zhenmei Stationery Co., Ltd.(上海晨光珍美文具有限公司)
Shanghai M&G Colipu Office Supplies Co., Ltd.
Lianyungang Colipu Office Supplies Co., Ltd.(连云港市科力普办公用品有限公司)
Shenyang M&G Colipu Office Supplies Co., Ltd.(沈阳晨光科力普办公用品有限公司)

Shanghai M&G Stationery & Gift Co., Ltd.(上海晨光文具礼品有限公司)
Shanghai M&G Stationery Sales Co., Ltd.(上海晨光文具销售有限公司)
Guangzhou M&G Stationery&Gifts Sales Co., Ltd.(广州晨光文具礼品销售有限公司)
Yiwu Chenxing Stationery Co., Ltd.(义乌市晨兴文具用品有限公司)
Harbin M&G Sanmei Stationery Co., Ltd.(哈尔滨晨光三美文具有限公司)
Zhengzhou M&G Stationery&Gifts Co., Ltd.(郑州晨光文具礼品有限责任公司)
M&G Living Studio Enterprise Management Co., Ltd.(晨光生活馆企业管理有限公司)
M&G Living Studio Enterprise Management (Shanghai) Co., Ltd.(晨光生活馆企业管理(上海)有限公司)
Shanghai M&G Jiamei Stationery Co., Ltd.(上海晨光佳美文具有限公司)
Jiangsu M&G Living Studio Enterprise Management Co., Ltd.(江苏晨光生活馆企业管理有限公司)
Zhejiang New M&G Living Studio Enterprise Management Co., Ltd.(浙江新晨光生活馆企业管理有限公司)
Jiumu M&G Store Enterprise Management Co., Ltd.(九木杂物社企业管理有限公司)
Shanghai M&G Information Technology Co., Ltd.(上海晨光信息科技有限公司)
Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔雅文化创意发展有限公司)
Shanghai M&G Office Supplies Co., Ltd.
Office Depot Network Technology Co., Ltd.
Luoyang M&G Stationery Sales Co., Ltd.(洛阳晨光文具销售有限公司)
Hangzhou Sanmei M&G Stationery Co., Ltd.(杭州三美晨光文具有限公司)
Axus Stationery (Shanghai) Company Ltd.
Jiangsu Marco Pen Co., Ltd.(江苏马可笔业有限公司)
Changchun Macro Stationery Co., Ltd.(长春马可文教用品有限公司)
Yili Senlai Wood Co., Ltd.(伊犁森徕木业有限公司)
Axus Stationery (Hong Kong) Company Ltd.
International stationery company

Details of the scope of the consolidated financial statements for the current period and its changes are set out in “VI Changes in the Consolidation Scope” and “VII Equity in Other Entities” of the notes.

IV. Preparation basis of financial statements

1. Preparation basis

Based on a going concern and actual transactions and events, the Company prepared financial statements in accordance with the Accounting Standards for Business Enterprises-Basic Standards, as well as various specific account standards, application guidance for accounting

standards for business enterprises, interpretations of the accounting standards for business enterprises and other relevant regulations (hereinafter collectively referred to as “CAS”) issued by the Ministry of Finance, and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15—General Provisions on Financial Report issued by China Securities Regulatory Commission.

2. Going concern

Applicable" Not applicable"

The Company has the ability to continue as a going concern within the 12 months after the end of the Reporting Period and there are no material events that may affect its ability to continue as a going concern.

V. Significant accounting policies and accounting estimates

Notes to specific accounting policies and accounting estimates:

Applicable" Not applicable"

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its production and operation. For more details, please refer to “III (IX) Financial instrument”, “III (XIII) Fixed assets”, “III (XVI) Intangible assets”, “III (XVIII) Long-term prepaid expenses”, “III (XXII) Revenue” and “III (XXIII) Government grant”.

1. Statement of compliance of accounting standards for business enterprises

The financial statements have been prepared by the Company in conformity with the China Accounting Standards for Business Enterprises, and present truly and completely the Company’s financial position, operating results, changes in shareholders’ equity and cash flow and other related information.

2. Accounting period

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

3. Operating cycle

Applicable" Not applicable"

The Company’s operating cycle is 12 months.

4. Reporting currency

The reporting currency of the Company is RMB.

5. Accounting treatments for enterprise merger under or not under joint control

Applicable" Not applicable"

Enterprise merger under joint control: the assets and liabilities acquired by the Company in enterprise merger shall be measured at the carrying amount of the assets and liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the consolidated financial statements of the ultimate controlling party at the date of merger. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the merger (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital premium in capital reserve is not sufficient to offset the difference, the remaining balance is adjusted against retained earnings.

Enterprise merger not under joint control: the assets paid and liabilities incurred or committed as a consideration of enterprise merger by the Company are measured at fair value on the date of acquisition and the difference between the fair value and its carrying amount shall be included in the current profit or loss. Where the cost of merger is higher than the fair value of the identifiable net assets acquired from the acquiree in enterprise merger, the Company shall recognize such difference as goodwill; where the cost of merger is less than the fair value of the identifiable net assets acquired from the acquiree in enterprise merger, such difference shall be included in the current profit or loss.

The direct expenses incurred in enterprise merger shall be included the current profit or loss; transaction costs associated with the issue of equity or debt securities for the enterprise merger shall be included in the initially recognized amounts of the equity or debt securities.

6. Preparation of consolidated financial statements

Applicable" Not applicable"

(1) Scope of consolidation

The consolidation scope of consolidated financial statements is determined on the basis of control, including the Company and all of its subsidiaries.

(2) Consolidation procedure

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Company's consolidated financial statements, the Company will regard the enterprise group as a single accounting entity. The Group's overall financial condition, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and its subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from an enterprise merger not under joint control, the financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the date of acquisition. For subsidiaries acquired from an enterprise merger under joint control, the financial statements of the subsidiaries are adjusted based on the carrying amount of their assets, liabilities (including goodwill incurred in the acquisition by ultimate controlling party) in the financial statements of the ultimate controlling party.

The owners' equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority equity.

① Addition of subsidiary or business

During the Reporting Period, if there is an addition of subsidiary or business due to business combination under common control, the amount at the beginning of the period in the consolidated balance sheet will be adjusted; the income, expenses and profit of the subsidiary or business combination from the beginning of the period to the end of the reporting period will be included in the consolidated income statement; the cash flows of the subsidiary or business combination from the beginning of the period to the end of the reporting period will be included in the consolidated statement of cash flows, and relevant items in the comparative statements will also be adjusted as if the reporting entity after combination had been existing since the control of the ultimate controlling party started.

Where control over the investee under common control is obtained due to reasons such as increase in investments, adjustment is made as if the parties involved in the combination had been existing in the current condition since the control of the ultimate controlling party started. For equity investment held before the control over the acquiree is obtained, profit or loss, other comprehensive income and other changes in net assets recognized from the later of the acquisition of the original equity interest and the date when the acquirer and the acquiree were placed under common control until the date of combination are offset against retained profit at the beginning of the period of the comparative statements or profit or loss of the period respectively.

During the Reporting Period, if there is an addition of subsidiary or business due to business combination not under common control, the amount at the beginning of the period in the consolidated balance sheet will not be adjusted; the income, expenses and profit of the subsidiary or business from the date of purchase to the end of the reporting period will be included in the consolidated income statement; the cash flows of the subsidiary or business from the date of purchase to the end of the reporting period will be included in the consolidated statement of cash flows.

Where control over the investee not under common control is obtained due to reasons such as increase in investments, for the equity interest of the acquiree held before the date of purchase, the Company remeasures the equity interest at its fair value as at the date of purchase, and any difference between the fair value and its book value will be accounted for as investment gains of the period. Where equity interest of the acquiree held before the date of purchase is related to other comprehensive income under equity accounting and other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owners' equity related thereto are transferred to investment gains of the period to which the date of purchase belongs, except for other comprehensive income arising from the changes in net liabilities or net assets due to the re-measurement of defined beneficiary plans by the acquiree.

② Disposal of subsidiaries or business

A. General treatment for disposal

During the reporting period, for the disposal of a subsidiary or business, the income, expenses and profit of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated statement of cash flows.

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company remeasures the remaining equity investment at fair value as at the date on which control is lost. The difference between the sum of the consideration received from equity disposal and the fair value of the remaining equity interest and the sum of the net assets of the subsidiary proportionate to the original shareholding accumulated from the date of purchase or combination and goodwill is included in investment gains of the period during which the control is lost. Other comprehensive income related to the equity investment in the original subsidiary or other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution are transferred to investment gains of the period during which the control is lost, except for other comprehensive income arising from the changes in net liabilities or net assets due to the re-measurement of defined beneficiary plans by the investee.

Where loss of control is due to the decrease in the Company's shareholding as a result of the increase in capital contribution to the subsidiary by other investing parties, the accounting principle described above will be applied.

B. Stepwise disposal of subsidiary

In respect of stepwise disposal of equity investment in a subsidiary through multiple transactions until control is lost, if the terms, conditions and economic effects of the transactions of equity investment in the subsidiary satisfy one or more of the following conditions, the transactions are normally accounted for as a basket of transactions:

- i. these transactions were entered into simultaneously or after considering the effects of each other;
- ii. these transactions constituted a complete commercial result as a whole;
- iii. one transaction was conditional upon at least one of the other transaction;
- iv. one transaction was not economical on its own but was economical when considering together with other transactions.

Where the transactions of disposal of equity investment in a subsidiary until control is lost constitute a basket of transactions, the Company accounts for the transactions as a transaction of disposal of a subsidiary until control is lost; however, the difference between the amount received each time for disposal before control is lost and the net assets of such subsidiary corresponding to the disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and is transferred to profit or loss of the period during which control is lost upon loss of control.

Where the transactions of disposal of equity investment in a subsidiary until control is lost do not constitute a basket of transactions, before the loss of control, the transactions are accounted for using the policies related to partial disposal of equity investment in a subsidiary where no control is lost; when control is lost, they are accounted for using the general method for disposal of subsidiaries.

③ Purchase of minority interests in subsidiary

For the difference between the long-term equity investment newly acquired due to the purchase of minority interests by the Company and the share of net assets of the subsidiary calculated according to the new shareholding accumulated from the date of purchase (or date of combination), share premium of the capital reserve in the consolidated balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

④ Partial disposal of equity investment in subsidiaries without losing control

For the difference between the consideration received from partial disposal of long-term equity investment in a subsidiary without loss of control and the net assets of the subsidiary corresponding to the disposal of long-term equity investment accumulated from the date of purchase or date of combination, share premium of the capital reserve in the consolidated

balance sheet will be adjusted; where share premium of the capital reserve is insufficient for the write-down, retained profit will be adjusted.

7. Classification of joint arrangements and accounting of associate

Applicable" Not applicable"

8. Determination of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognized as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value are recognized as cash equivalents.

9. Foreign currency transactions and translation of foreign currency financial statements

Applicable" Not applicable"

(1) Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occur.

Balance of monetary items in foreign currency as at the balance sheet date is translated at the spot rates prevailing at the balance sheet date, and any translation difference arising therefrom is included in profit or loss of the period except for the translation difference arising from dedicated borrowings in foreign currency related to the construction of assets qualified for capitalisation which is accounted for under the principle of capitalisation of borrowing expenses.

(2) Translation of foreign currency financial statements

Asset and liability items in the balance sheet are translated at the spot rates prevailing at the balance sheet date. Owners' equity items other than "undistributed profit" are translated at the spot rates on the dates when they are incurred. Income and expense items in the income statement are translated at the spot rates prevailing at the transaction dates.

On disposal of a foreign operation, the exchange differences in the financial statements in foreign currency relating to that foreign operation are transferred from owners' equity to profit or loss of the period during which the disposal occurs.

10. Financial instruments

Applicable" Not applicable"

Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of the financial instruments

Applicable accounting policies from 1 January 2019

According to the business model of the Company's management of financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified at the initial recognition as: financial assets at amortized cost, financial assets (debt instruments) at fair value through profit or loss, and other financial assets at fair value through current profit or loss. If the business model aims at collecting contractual cash flows that are only the payment made based on the principal and the interest of the outstanding principal amount, financial assets shall be classified as financial assets at amortized cost; if the business model aims at both collecting contractual cash flows and selling the financial assets, and contractual cash flows are only the payment made based on the principal and the interest of the outstanding principal amount, financial assets shall be classified as financial assets at fair value through other comprehensive income. Save for the above, other financial assets shall be classified as financial assets at fair value through current profit or loss.

For non-trading equity instrument investments, the Company determines at the initial recognition whether it is designated as financial asset (equity instruments) at fair value through other comprehensive income.

Financial liabilities at the initial recognition are classified into financial liabilities at fair value through current profit or loss, and financial liabilities at amortized cost.

Financial liabilities at the initial recognition can be designated as financial liabilities at fair value through current profit or loss if one of the following conditions can be met:

- ① Such designation can eliminate or significantly reduce accounting mismatches.
- ② According to the enterprise risk management or investment strategy stated in the official written document, management and evaluation of the financial liabilities portfolio or financial assets and financial liabilities portfolio are based on fair value which will be used as the basis for reporting to the key management personnel.
- ③ The financial liabilities include embedded derivatives that need to be split separately.

Applicable accounting policies before 1 January 2019

The financial assets and financial liabilities are classified at the initial recognition as: financial assets or financial liabilities at fair value through current profit or loss, including financial assets or liabilities for trading and financial assets or financial liabilities that are directly designated for measurement at fair value through current profit or loss; held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

(2) Recognition and measurement of financial instruments

Applicable accounting policies from 1 January 2019

- ① Financial assets at amortized cost

Financial assets at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables and debt investment, which are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The accounts receivable of major financing components and the accounts receivable of the Company's decision not to consider the financing component with the term less than one year are initially measured at the contract transaction price.

Interest calculated by the effective interest method during the period of holding is included in the current profit or loss.

Upon recovery or disposal, the difference between the acquisition price and the carrying amount of the financial asset shall be included in the current profit or loss.

② Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets (debt instruments) at fair value through other comprehensive income, including receivables financing and other debt investments, are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income, except for interest, impairment losses or gains and exchange gain or loss calculated using the effective interest method.

When the recognition is terminated, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in the current profit or loss.

③ Financial assets (equity instruments) at fair value through other comprehensive income

Financial assets (equity instruments) at fair value through other comprehensive income, including other equity instruments, are initially measured at fair value, and related transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value, and changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profit and loss.

When the recognition is terminated, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in retained earnings.

④ Financial assets at fair value through the current profit or loss

Financial assets at fair value through the current profit or loss, including held-for-trading financial assets, derivative financial assets and other non-current financial assets, are initially measured at fair value, and related transaction costs are included in the current profit or loss. The financial assets are subsequently measured at fair value, and changes in fair value are included in the current profit or loss.

⑤ Financial liabilities at fair value through current profit or loss

Financial liabilities at fair value through current profit or loss, including held-for-trading financial liabilities, and derivative financial liabilities, are initially measured at fair value, and related

transaction costs are included in the current profit or loss. The financial liabilities are subsequently measured at fair value, and changes in fair value are included in the current profit or loss.

When the recognition is terminated, the difference between the carrying amount and consideration paid is included in the current profit and loss.

⑥ Financial liabilities at amortized cost

Financial liabilities at amortized cost, including short-term borrowings, bills payable and accounts payable, other payables, long-term borrowings, bonds payable, long-term payables, are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Interest calculated by the effective interest method during the period of holding is included in the current profit or loss.

When the recognition is terminated, the difference between consideration paid and the carrying amount of the financial liabilities is included in the current profit and loss.

Applicable accounting policies before 1 January 2019

① Financial assets (financial liabilities) at fair value through current profit or loss

When acquired, the financial assets (financial liabilities) shall be initially recognized at their fair value (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not collected), and related transaction costs are included in the current profit or loss.

The interest or cash dividend which was gained in the holding period is recognized as investment income. At the end of the period, the change in the fair value of the financial asset (financial liabilities) shall be included in the current profit or loss.

When disposed, the difference between the fair value and the amount of initial recognition shall be recognized as investment income; meanwhile, the gain or loss on changes in fair value is adjusted.

② Held-to-maturity investment

When acquired, the held-to-maturity investment is initially recognized at the sum of the fair value (except for interests on bonds of which the maturity interest is not collected) and relevant transaction costs.

Interest income is calculated according to the amortized cost and effective interest rate, and included in investment income during the holding period. The effective interest rate is determined when acquired, and shall remain unchanged within the predicted term of existence or within a shorter applicable term.

When disposed, the difference between the consideration obtained and the carrying amount of the investment shall be included in investment income.

③ Accounts receivable

The receivables that are formed in selling goods or rendering labor services to external parties, and the debts (excluding debt instruments that are quoted in an active market) of other enterprises held by the Company, including accounts receivable and other receivables, are initially recognized at the consideration of the contract or agreement to be received from the buyers. Accounts receivable that are of a financing nature are initially recognized at their present value.

Upon recovery or disposal of accounts receivable, the difference between the consideration obtained and the carrying amount of accounts receivable is included in the current profit or loss.

④ Available-for-sale financial assets

When acquired, available-for-sale financial assets are initially recognized at the sum of the fair value (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not collected) and relevant transaction costs.

The interests or cash dividends to be obtained during the holding period are recognized in investment income. At the end of the period, financial assets are measured at fair value, and its change in fair value is included in other comprehensive income. However, the equity instrument investment that is not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to the equity instrument and that must be settled through the delivery of the equity instrument, are measured at cost.

When disposed, the difference between the consideration obtained and the carrying amount of the financial assets shall be included into the current profit or loss; meanwhile, the corresponding disposal portion of accumulated change in fair value previously included into other comprehensive income shall be transferred to the current profit or loss.

⑤ Other financial liabilities

Other financial liabilities are initially recognized based on the sum of its fair value and relevant transaction costs, and subsequently measured at amortized cost.

(3) Recognition and measurement of transfer of financial assets

A financial asset shall be derecognized when the Company has transferred nearly all the risks and rewards related to the ownership of the financial asset to the transferee, and it shall not be derecognized if the Company has retained nearly all the risks and rewards related to the ownerships of the financial asset.

The substance-over-form principle shall be adopted while making a judgment on whether the transfer of financial assets satisfies the above conditions for derecognition.

The transfer of financial assets could be classified into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the two amounts below shall be included in the current profit or loss:

① The carrying amount of the financial assets transferred;

② The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously included into the owners' equity (in cases where the transferred financial assets are financial assets (debt instruments) at fair value through other comprehensive income, and available-for-sale financial assets).

If the partial transfer of financial assets satisfies the conditions for derecognition, the overall carrying amount of the transferred financial assets shall be apportioned according to their respective relative fair value between the portion of derecognized part and the remaining part, and the difference between the two amounts below shall be included in the current profit or loss:

- ① The carrying amount of the derecognized portion;
- ② The sum of consideration of the derecognized portion, plus the corresponding derecognized portion of accumulated change in fair value previously included in owners' equity (in cases where the transferred financial assets are financial assets (debt instruments) at fair value through other comprehensive income, and available-for-sale financial assets).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

(4) Conditions for derecognition of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the whole or relevant portion of the liability is derecognized; if an agreement is entered into between the Company and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, the original financial liabilities will be derecognized and the new financial liabilities will be recognized.

If the contract terms of the original financial liabilities are substantially amended in part or in full, the original financial liabilities will be derecognized in full or in part, and the financial liabilities whose terms have been amended will be recognized as a new financial liability.

When financial liabilities are derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) will be included in the current profit or loss.

Where the Company repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continuously recognized part and derecognized part on the repurchase date. The difference between the carrying amount of the derecognized portion of financial liabilities and the consideration paid (including transferred non-cash assets or new financial liability) will be included in the current profit or loss.

(5) Method of determining the fair values of financial assets and liabilities

A financial instrument with an active market determines its fair value by quoted prices in an active market. Financial instruments that do not exist in an active market shall use valuation techniques to determine their fair value. During the valuation process, the Company uses valuation techniques appropriate to the prevailing circumstances with the support of sufficient data and other information available, selects inputs consistent with the characteristics of the assets or liabilities considered in the transactions of relevant assets or liabilities by market participants, and gives priority to relevant observable inputs. Unobservable inputs are used only when the relevant observable inputs are not accessible or the access to which is impracticable.

(6) Impairment test method and accounting treatment for impairment of financial assets

Applicable accounting policies from 1 January 2019

The Company takes into consideration all reasonable and evidence-based information, including forward-looking information, and estimates the anticipated credit loss on a single or combination of financial assets measured at amortized cost and financial assets (debt instruments) at fair value through other comprehensive income. The measurement of anticipated credit loss depends on whether the credit risk of the financial assets has increased significantly since the initial recognition.

If the credit risk of the financial instruments has increased significantly since the initial recognition, the Company will measure its loss provision based on the amount of anticipated credit loss for the lifetime of the financial instruments; if the credit risk of the financial instruments has not significantly increased since the initial recognition, the Company will measure its loss provision based on the amount of anticipated credit loss for the financial instruments in the next 12 months. The increase or reversal of the loss provision resulting therefrom is included in the current profit and loss as an impairment loss or gain.

Usually, after an overdue for more than 30 days, the Company believes that the credit risk of the financial instrument has increased significantly unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risk of financial instrument at the balance sheet date is low, the Company will believe that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If there is any objective evidence indicating that some financial assets have incurred credit impairment, the Company will make provision for impairment for the financial asset in a single financial asset manner.

For accounts receivable, whether it contains significant financing components or not, the Company always measures its loss reserves in accordance with the amount of anticipated credit losses for the entire lifetime.

For lease receivable and long-term receivables obtained by the Company through selling goods and rendering services, the Company always measures its loss reserves in accordance with the amount of anticipated credit loss for the entire lifetime.

Applicable accounting policies before 1 January 2019

The Company shall assess the carrying amount of financial assets other than those measured at fair value with change included in the current profit or loss at the balance sheet date. If there is objective evidence indicating that the financial asset is impaired, impairment provision shall be made.

① Impairment provision for available-for-sale financial assets:

If the fair value of available-for-sale financial assets falls significantly, or judged by the Company that descending trend is not temporary after taking into account various relevant factors comprehensively at the end of the period, impairment will be recognized, and the cumulative loss arising from decline in fair value that had been recognized directly in the shareholders' equity shall be transferred from the shareholders' equity and recognized as impairment loss.

As for the available-for-sale debt instruments whose impairment losses have been recognized, if, within the accounting period thereafter, an increase in fair value is objectively related to a subsequent event that occurs after the original impairment losses were recognized, the originally recognized impairment losses shall be reversed and be recorded into the profits and losses of the current period.

Impairment loss incurred during an investment period on an available-for-sale equity instrument shall not be reversed through profit or loss.

② Impairment provision for held-to-maturity investment:

The measurement of the impairment loss for held-to-maturity investments shall be treated with reference to that for the accounts receivable.

11. Bills receivable

Determination and accounting treatment of the anticipated credit loss of notes receivable

Applicable" Not applicable"

Please refer to Note V (X) Financial instruments

12. Accounts receivable

Determination and accounting treatment of the anticipated credit loss of accounts receivable

Applicable" Not applicable"

Please refer to Note V (X) Financial instruments

13. Receivables financing

Applicable" Not applicable"

Please refer to Note V (X) Financial instruments

14. Other receivables

Determination and accounting treatment of the anticipated credit loss of other receivables

Applicable" Not applicable"

Please refer to Note V (X) Financial instruments

15. Inventories

Applicable" Not applicable"

(1) Classification of inventories

Inventories include raw materials, materials in transit, turnover materials, goods-in-stock, expendable biological assets, goods in production, goods in transit, commissioned processing materials and so forth.

(2) Determination of cost

Cost of inventories is determined using the weighted average method.

(3) Basis for the determination of net realizable value for different types of inventories

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling price less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the exceeding part shall be calculated on the ground of general selling price. Provision for decline in value of inventories is made on an item-by-item basis at the end of the period. For large quantity and low value items of inventories, provision for decline in value may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area with the same or similar end uses or purposes, which are impossible to be evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Unless there is clear evidence indicating that abnormality in market price exists as of the balance sheet date, the net realizable value of inventories is determined based on the market price as of the balance sheet date.

The net realizable value of inventories at the end of current period is determined based on the market price of the balance sheet date.

(4) Inventory system

The perpetual inventory system is adopted.

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

- ① Low-value consumables are amortized using the immediate write-off method;
- ② Packaging materials are amortized using the immediate write-off method.

16. Held for sale assets

Applicable" Not applicable"

The Company classifies the non-current assets or disposal groups which meet the following conditions as held-for-sale categories:

- (1) According to the general practice for selling such kind of asset or disposal group in the similar transaction, it can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or group is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

17. Debt investment

(1). Determination and accounting treatment of the anticipated credit loss of debt investments

Applicable" Not applicable"

18. Other debt investment

(1). Determination and accounting treatment of the anticipated credit loss of other debt investments

Applicable" Not applicable"

19. Long-term receivables

(1) Determination and accounting treatment of the anticipated credit loss of long-term receivables

Applicable" Not applicable"

Please refer to Note V (X) Financial instruments

20. Long-term equity investments

Applicable" Not applicable"

(1) Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. The Company together with the other joint venture parties can jointly control over the investee, and are entitled to the right of the net assets of the investee who is joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not power to control or jointly control the formulation of such policies with other parties. Where the investor can exercise significant influence over the investee, the investee is an associate of the Company.

(2) Determination of initial investment cost

① Long-term equity investments formed through business combination of entities

For business combinations involving entities under common control: where the Company pays cash, transfers non-cash assets, bears debts or issues equity securities as consideration of combinations, the initial investment cost of long-term equity investments are the share with reference to the book value of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, the initial investment cost of long-term equity investments shall be determined based on share of carrying amount in the consolidated financial statements of the ultimate controlling party by net assets of acquiree after the merger on the date of merger. The difference between initial investment cost and the carrying amount of long term equity investment before merger and the sum of carrying amount of newly paid consideration for additional shares acquired on the date of merger is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

For business combinations involving entities not under common control: the cost of the combinations ascertained on the date of acquisition shall be taken as the initial investment cost of the long-term equity investments. In connection with imposing control over the investee not

under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying amount of the equity investment originally held and the newly increased initial investment cost.

② Long-term equity investments acquired by other means

The initial investment cost of a long-term equity investment obtained by the Company by cash payment shall be the purchase cost paid actually.

The initial investment cost of a long-term equity investment obtained by the Company by means of issuance of equity securities shall be the fair value of the equity securities issued.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, fair value shall be taken as the measurement basis. If the assets received or surrendered can be reliably measured, for long-term equity investments received, the fair value of the assets surrendered and related taxes payable are recognized as the initial investment cost of long-term equity investments received, unless there is clear evidence indicating that the fair value of the assets received is more reliable. If neither the non-monetary assets transaction is commercial in nature, nor can the fair value of the assets received and surrendered be reliably measured, for long-term equity investments received, the carrying amount of the assets surrendered and related taxes payable are recognized as the initial investment cost of long-term equity investments received.

For the long-term equity investments acquired through debt restructuring, its carrying amount is determined based on the fair value of the creditor's rights waived, the taxes that can be directly attributable to the assets and other costs, and the balance between the fair value and carrying amount of the creditor's rights waived is included in the current profit or loss.

(3) Subsequent measurement and recognition of profit or loss

① Long-term equity investment accounted for by cost method

Long-term equity investment in subsidiaries of the Company is accounted for by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains are recognized as the Company's shares of cash dividends or profits declared by the investee.

② Long-term equity investment accounted for by equity method

Long-term equity investments of associates and joint ventures are accounted for by equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the date of acquisition, no adjustment shall be made to the initial investment cost of long-term equity investments; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the difference shall be included in the current profit or loss.

The Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying amount of long-term equity investments; the carrying amount of long-term equity investments shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owners' equity except for net profit and loss, other comprehensive income and profit distributions of the investee, the carrying amount of long-term equity investments shall be adjusted and included in the owners' equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as the basis, and adjustment shall be made to the net profit of the investee according to the accounting policies and accounting period of the Company. During the period of holding investments, when the investee prepares consolidated financial statements, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owners' equity in the consolidated financial statements.

The unrealized profit or loss resulting from transactions between the Company and its associates or joint ventures shall be offset in proportion to the investor's equity interest of investee, based on which investment income or loss shall be recognized. Any losses resulting from internal transactions, which are attributable to impairment of assets, shall be fully recognized. Transactions of the assets casted and sold that are able to constitute an agreement between the Company and associates and joint ventures shall be dealt with in accordance with Note "III (V) Accounting treatments for enterprise merger under and not under joint control" and Note III (VI) "Preparation of consolidated financial statements".

In recognition of share of losses in the investee, the Company treats it in the following order: firstly, the Company will write off the carrying amount of long-term equity investments. Secondly, in the event the aforesaid carrying amount is insufficient for write-off, it shall continue to recognize investment loss and write off carrying amount of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume, and included in the current investment loss.

③ Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the carrying amount and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when such investment is disposed, part of amounts that shall be originally included in other comprehensive income shall be

accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owners' equity which is recognized due to other changes of owners' equity except for net profit and loss, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

When the control or material influence over the investee is lost due to partial disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying amount at the date when control or material influence is lost shall be included in the current profit or loss. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated with the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owners' equities which are recognized due to other changes of owners' equity except for net profit and loss, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When the control over the investee is lost due to partial disposal of equity investment and other reasons, the remaining equities after disposal shall be accounted for by equity method in preparing individual financial statements provided that joint control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for by the equity method since they are obtained. Where the remaining equities after disposal cannot impose joint control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying amount on the date when control is lost shall be included in the current profit or loss.

If the disposed equity interest is acquired in an enterprise merger as a result of making additional investment or other reasons, the remaining equity interest after disposal will be accounted for by cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognized when the equity interests held on the date of acquisition is accounted for by equity method and shall be transferred on pro rata basis; for the remaining equity interest after disposal accounted for by the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

21. Investment real estate

Not applicable

22. Fixed assets

(1) Conditions for recognition

Applicable" Not applicable"

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year. Fixed assets are recognized when they meet the following conditions:

- ① It is probable that the economic benefits associated with the fixed assets will flow to the enterprise;
- ② The cost of fixed assets can be reliably measured.

(2) Method for depreciation

Applicable" Not applicable"

Category	Method for depreciation	Useful lives of depreciation (year)	Residual value	Annual depreciation rate
Property and buildings	Straight-line method	20	5	4.75
Machinery and equipment	Straight-line method	10	5-10	9.5-9
Transportation vehicles	Straight-line method	4-10	0-10	25-9
Other equipment	Straight-line method	2-10	0-10	47.5-9.5

Fixed assets are depreciated by categories using the straight-line method, and the depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual value. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall be applied, and each part shall be depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation will be prepared during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation will be prepared during the lease term or the remaining useful life of the leased asset, whichever is shorter.

Note: physical assets newly acquired through the increase of capital by M&G Holdings (Group) Co., Ltd. to the Company in 2010 are stated at valuation, and depreciated at the remaining useful life.

(3) Recognition basis and measurement method of fixed assets under finance lease

Applicable" Not applicable"

Where any one of the following conditions is provided in the lease agreement between the Company and the lesser, assets under finance lease will be recognized:

- ① the ownership of the leased asset is transferred to the Company upon the expiry of lease;
- ② the Company has the option to purchase the leased asset, and the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option;
- ③ the lease term accounts for the majority of the useful life of the leased asset;
- ④ the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased asset.

On the commencement of the lease, the leased asset shall be stated at an amount equal to the fair value of the leased asset or the present value of the minimum lease payments (whichever is lower), and the minimum lease payments shall be stated as the carrying amount of long-term payables. The difference between the stated amount of the leased asset and the minimum lease payments shall be accounted for as unrecognized finance charge.

23. Construction in progress

Applicable" Not applicable"

Construction in progress is measured and recognized as fixed assets at all the expenses incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to the Company's depreciation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, but the original depreciation charge will not be adjusted.

24. Borrowing costs

Applicable" Not applicable"

(1) Criteria for recognition of capitalized borrowing costs

Borrowing costs refer to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings.

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalization, the costs will be capitalized and

included in the costs of the related assets. Other borrowing costs shall be recognized as expense in the period in which they incur and are included in the current profit or loss.

Assets qualified for capitalization are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs begins when the following three conditions are fully satisfied:

- ① expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalization) have been incurred;
- ② borrowing costs have been incurred;
- ③ acquisition, construction or production that are necessary to enable the asset reach its intended usable or saleable condition have commenced.

(2) Capitalization period of borrowing costs

The capitalization period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalization of borrowing costs is temporarily suspended.

Capitalization of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalization of its relevant borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

(3) Suspension of capitalization period

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such suspension period shall be recognized as the current profit or loss. When the acquisition and construction or production of the asset resumes, the capitalization of borrowing costs commences.

(4) Calculation of capitalization rate and amount of borrowing costs

For specific borrowings for the acquisition, construction or production of assets qualified for capitalization, the amount of borrowing costs for capitalization is determined through borrowing

costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment.

For general borrowings for the acquisition, construction or production of assets qualified for capitalization, the to-be-capitalized amount of interests on the general borrowings shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalization rate of the general borrowings used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of the general borrowings.

25. Biological assets

Applicable" Not applicable"

26. Oil and gas assets

Applicable" Not applicable"

27. Right-of-use assets

Applicable" Not applicable"

28. Intangible assets

(1) Valuation method, useful life and impairment test

Applicable" Not applicable"

① Valuation method of intangible assets

A. Intangible assets are initially measured at cost upon acquisition by the Company;

The costs of externally purchased intangible assets include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for the intangible assets is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

For the intangible assets obtained through debt restructuring for offsetting the debt of the debtor, its stated value is determined by the fair value of the creditor's rights waived, the taxes that can be directly attributable to putting the asset into condition for its intended use and other costs, and the balance between the fair value and carrying amount of the creditor's rights waived is included in the current profit or loss.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, fair value shall be taken as the measurement basis. If the assets received or surrendered can be reliably measured, for intangible assets

received, the fair value of the assets surrendered and related taxes payable are recognized as the initial investment cost of intangible assets received, unless there is clear evidence indicating that the fair value of the assets received is more reliable. If neither the non-monetary assets transaction is commercial in nature, nor can the fair value of the assets received and surrendered be reliably measured, for intangible assets received, the carrying amount of the assets surrendered and related taxes payable are recognized as the initial investment cost of intangible assets received.

B. Subsequent measurement

The useful life of intangible assets shall be analyzed and judged upon acquisition.

As for intangible assets with finite useful life, they are amortized using the straight-line method over the term in which economic benefits are brought to the enterprise; if the term in which economic benefits are brought to the enterprise by intangible assets cannot be estimated, the intangible assets shall be regarded as intangible assets with indefinite useful life, and shall not be amortized.

② Estimated useful lives for the intangible assets with finite useful life

Item	Estimated useful lives	Basis
Land use rights	50	Certificate of land use rights
Image identification rights	12 months to 64 months	License contract
Software	3 to 10 years	Expected years of benefit
Patent right	10	Patent right certificate
Others	19 months to 120 months	Expected years of benefit

Note: land use rights newly acquired through the increase of capital by M&G Holdings (Group) Co., Ltd. to the Company in 2010 are stated at valuation, and amortized at the remaining useful life.

(2) Accounting policy regarding the expenditure on the internal research and development

"√ Applicable" "□ Not applicable"

① Specific criteria for the division of research phase and development phase

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: scheduled, innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

② Specific criteria for capitalization at development phase

Expenses in the development phase are recognized as an intangible asset when all of the following conditions are satisfied:

- A. it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- B. there is an intention to complete the intangible asset for use or sale;
- C. the intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- D. there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- E. the expenses attributable to the development stage of the intangible asset can be measured reliably.

Expenses incurred during the development stage which do not meet the above conditions, are included in the current profit or loss. Expenses incurred during the research phase are included in the current profit or loss.

29. Impairment of long-term assets

"Applicable" "Not applicable"

Long-term assets, such as long-term equity investment, fixed assets, construction in progress, intangible assets with finite useful life, are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, the difference shall be used to make impairment provision and an impairment loss are recognized. The recoverable amount is the higher of the net amount of asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. An assets group is the smallest group of assets that is able to generate cash inflow independently.

Impairment test to goodwill, intangible assets with indefinite useful life and intangible assets not ready to use shall be carried out at least at the end of each year.

When the Company carries out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying amount of the goodwill formed by enterprise merger to the relevant asset groups, or if there is a difficulty in allocation, the Company shall allocate it to the portfolio of asset groups. When apportioning the carrying amount of goodwill, the Company shall carry out impairment test to goodwill after conducting apportionment

in accordance with relative benefit that the assets group or portfolio of asset groups can obtain from the synergistic effect of enterprise merger.

For the purpose of impairment test to the relevant asset groups or portfolio of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or portfolio of asset groups related to goodwill exists, an impairment test will be made firstly on the asset groups or portfolio of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying amount so as to recognize the corresponding impairment loss. Then the Company will make an impairment test to the asset groups or portfolio of asset groups containing goodwill, and compare the carrying amount of these asset groups or portfolio of asset groups (including the carrying amount of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or portfolio of the asset groups is lower than the carrying amount thereof, the impairment loss of the goodwill shall be recognized.

Once the above asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

30. Long-term prepaid expenses

Applicable" Not applicable"

Long-term prepaid expenses are expenses which have occurred with amortization period over 1 year and shall be borne by the current period and subsequent periods. Long-term prepaid expenses of the Company include decoration fee and so forth.

(1) Amortization method

Long-term prepaid expenses are amortized averagely in the expected benefit period.

(2) Amortization period

Item	Estimated useful lives	Basis
Decoration fee	3 to 5 years	Expected years of benefit
Others	2	Expected years of benefit

31. Employee remuneration

(1) Method of accounting treatment for short-term remuneration

Applicable" Not applicable"

During the accounting period when employees provide service, the Company will recognize the short-term remuneration actually incurred as liabilities, and the liabilities will be included in the current profit or loss or relevant costs of assets.

The Company will pay social insurance and housing funds for the employees, and will make provision of trade union funds and employee education costs in accordance with the requirements. During the accounting period when employees provide service, the Company will

determine relevant amount of employee remuneration in accordance with the required provision basis and provision ratios.

Non-currency employee benefits will be measured in accordance with their fair value if they can be measured reliably.

(2) Method of accounting treatment for post-employment benefits

"√ Applicable" "□ Not applicable"

① Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the employees. During the accounting period when employees provide service, the Company will calculate the amount payable which will be recognized as liabilities in accordance with the local stipulated basis and proportions, and the liabilities will be included in the current profit or loss or costs of related assets.

In addition to basic pension insurance, the Company also established the enterprise annuity payment system (supplementary pension insurance)/enterprise annuity scheme according to relevant policy of national enterprise annuity system. The Company makes payment to local social insurance agencies/annuity scheme based on a certain proportion of total employee remuneration. Corresponding expense is included in the current profit or loss or costs of related assets.

② Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method will be vested to the service period of employees and included into the current profit or costs of related assets.

The deficit or surplus generated from the present value of obligations of the defined benefit scheme minus the fair value of the assets of defined benefit scheme is recognized as net liabilities or net assets. When the defined benefit scheme has surplus, the Company will measure the net assets of the defined benefit scheme at the lower of the surplus of defined benefit scheme and the upper limit of the assets.

All obligations of the defined benefit plan, including the expected duty of payment within 12 months after the end of annual reporting period during which employees provide service, shall be discounted based on the bond market yield of sovereign bond matching the term of obligations of the defined benefit plan and currency or corporate bonds of high quality in the active market on the balance sheet date.

The service cost incurred by defined benefit scheme and the net interest of the net liabilities and net assets of the defined benefit scheme will be included in the current profit or loss or costs of relevant assets. The changes as a result of re-measurement of the net defined benefit liabilities or assets shall be recognized in other comprehensive income and shall not be reversed to profit or loss at subsequent accounting period. When the original defined benefit plan is terminated,

amount originally included in other comprehensive income shall be transferred to undistributed profit in the scope of equity.

When the defined benefit scheme is settled, the gain or loss is confirmed based on the difference between the present value of obligations and the settlement price of the defined benefit scheme as at the balance sheet date.

(3) Accounting method for termination benefits

Applicable" Not applicable"

The Company will pay termination benefits when the Company can no longer withdraw the offer of termination plan or layoff proposal or when the Company recognizes costs for restructuring which involving the payment of termination benefits (whichever is earlier). The remuneration incurred by the termination benefits will be recognized as liabilities that will be included in the current profit or loss.

(4) Accounting treatment of other long-term employees' benefits

Applicable" Not applicable"

32. Lease liabilities

Applicable" Not applicable"

33. Estimated liabilities

Applicable" Not applicable"

(1) Recognition criteria for estimated liabilities

The Company shall recognize the obligations related to contingencies involving litigation, guarantee provided to debt, loss-making contract, restructuring as estimated liabilities, when all of the following conditions are satisfied:

- ① the obligation is a present obligation of the group;
- ② it is probable that an outflow of economic benefits will be required to settle the obligation;
- ③ the amount of the obligation can be measured reliably.

(2) Method of measuring the various estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenses required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in getting the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, and if the contingency is related to individual item, the best estimate should be determined as the most likely amount; if the contingency is related to several items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenses required to settle an estimated liability are expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the liability recognized.

34. Share-based payments

Applicable" Not applicable"

Share-based payments are transactions that grant equity instruments or assume equity-instrument based liabilities for receiving services rendered by employees or other parties. The Company's share-based payments included equity-settled share-based payments and cash-settled share-based payments.

Equity-settled share-based payments

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value of equity instruments granted to employees. If the Company makes the share-based payments by restricted shares, employees will subscribe shares, but the shares shall not be listed on the market or transferred before it fulfills the unlocking condition to be unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognize the share capital and capital reserve (share capital premium) according to the payment it receives, while fully recognizing a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as [the updated changes in the number of executives] and [the achievement of performance standard]. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

For the share-based payments that are not vested eventually, no cost or expense will be recognized, unless the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payments will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

If the terms of the equity-settled share-based payments are amended, the Company shall recognize the services received at least based on the situation before the amendment is made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to employees on the amendment date, will be recognized as an increase in the service received.

If the equity-settled share-based payments are canceled, they will be accounted for as accelerated exercise on the date of cancellation, and the unrecognized amount will be recognized immediately. If employees and other parties are able to satisfy the non-vesting conditions, but the conditions are not fulfilled during the vesting period, the equity settled share-based payments will be deemed as canceled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to canceled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.

35. Preference shares, perpetual bonds and other financial instruments

Applicable" Not applicable"

36. Revenue

Applicable" Not applicable"

(1) General principle of recognition of revenue from sales of goods

- ① All the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- ② The Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold;
- ③ The amount of revenue can be reliably measured;
- ④ It is probable that relevant economic benefits will flow to the Company;
- ⑤ The relevant amount of costs incurred or to be incurred can be measured reliably.

(2) Specific principles

- ① Timing of revenue recognition for regional sales and overseas sale (export agent): Shanghai: sales revenue is recognized after goods are delivered; regions other than Shanghai: sales revenue is recognized after goods are delivered and delivery documents are confirmed with signature from the logistic companies;

- ② Timing of revenue recognition for KA sales: sales revenue is recognized after goods are delivered and delivery documents are confirmed with signature from the logistic companies;
- ③ Timing of revenue recognition for self-managing and export business: revenue is recognized when the goods pass the ship's rail in the port of shipment under the term of FOB;
- ④ Timing of revenue recognition for direct sales of office supplies: sales revenue is recognized after goods are delivered and confirmed by customers;
- ⑤ Timing of revenue recognition for direct sales large flagship store: sales revenue is recognized after goods are delivered and confirmed by customers.

37. Government grant

" Applicable" " Not applicable"

(1) Types

Government grants are transfer of monetary assets or non-monetary assets from the government to the Company at no consideration, and are classified into government grants related to assets and government grants related to income.

Government grant related to assets refers to government grant obtained by the Company that are used to purchase or construct or otherwise form long-term assets. Government grants related to income refer to the government grants other than government grants related to assets. The standard for the Company to classify the government grant as assets related: If obtained grant is used to purchase, construct or otherwise form fixed assets, intangible assets and other long-term assets as expressly stipulated in government documents, then such grant is deemed as assets related.

The standard for the Company to classify the government grant as income related: If the government grant (excluding grant related to assets) is used to compensate relevant costs or losses of the Company that are already incurred or to be incurred in subsequent periods, then such grant is deemed as income related.

Where there is no express regulation on the grant object in government documents, then the Company will classify a government grant as assets related or as income related depending on the specific purpose that the grant is used for.

(2) Timing of recognition

Government grants are recognized when the grants are received actually or when the rights to get government grants are obtained and it is basically certain that the grants can be received.

(3) Accounting treatment

Government grants related to assets shall offset the carrying amount of relevant assets or be recognized as deferred income. If it is recognized as deferred income, it shall be included in the current profit and loss in a reasonable and systematic way within the useful life of the relevant

assets (if it is related to the daily activities of the Company, it shall be included in other income; otherwise, it shall be included in the non-operating income);

Government grants related to income that are used for compensation for the relevant costs or losses of the Company in subsequent periods are recognized as deferred income and are included in the current profit or loss in the period in which the relevant costs, expenses or losses are recognized (if it is related to the daily activities of the Company, it shall be included in other income; otherwise, it shall be included in the non-operating income) or offset the relevant costs or losses; government grants related to income that are used for compensation for the relevant costs or losses that the Company has already incurred shall be directly included in the current profit or loss (if it is related to the daily activities of the Company, it shall be included in other income; otherwise, it shall be included in the non-operating income) or offset the relevant costs or losses.

The Company's policy-based concessional loans are classified into the following two conditions and are accounted for respectively:

- ① If the lending bank provides loans to the Company at a policy-based preferential interest rate after the Ministry of Finance allocates the interest-grant funds to the lending bank, the actual borrowing amount received is recognized as the entry value of the borrowing and the relevant borrowing expenses are measured in accordance with the principal amount of the borrowing and policy-based preferential interest rate.
- ② When the government directly distributes the interest-grant funds to the Company, the corresponding discount will offset the relevant borrowing costs.

38. Deferred income tax assets and liabilities

Applicable" Not applicable"

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be offset. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognizing deferred tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than enterprise merger in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

39. Lease

(1) Accounting treatment method of operating lease

" Applicable" " Not applicable"

① The Company's rental expenses paid for leased assets shall be amortized at straight-line method over the whole lease period (including rent-free period) and will be included in the current expenses. Initial direct expenses related to lease transactions paid by the Company shall be included in current expenses.

When the lessor of assets bears expenses related to the lease which shall be borne by the Company, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term and include them in current expenses.

② The Company's rental expenses collected for leased assets shall be amortized at straight-line method over the whole lease period (including rent-free period) and recognized as the relevant rental income. Initial direct costs related to lease transactions and paid by the Company are included in current expenses; in case of a large amount, such costs shall be capitalized and then included in the current revenue by stages at the same base as the recognition of rental income over the whole lease term.

When the Company bears expenses related to the lease which shall be borne by the lessee, the Company shall deduct the part of expenses from the total rental income and amortize the rents after deduction over the lease term.

(2) Accounting treatment method of financing lease

" Applicable" " Not applicable"

① Assets acquired under financing leases: At the commencement of the lease term, assets acquired under financing leases shall be recorded at the lower of their fair values and the present values of the minimum lease payments, and the Company shall recognize the long-term payables at amounts equal to the minimum lease payments, and shall record the differences between book value of the leased assets and the long-term payables as unrecognized financing expenses. The Company adopts the effective interest rate method for unrecognized financing

expenses, which shall be amortized over the lease terms and included in financial expenses. Initial direct expenses incurred to the Company shall be included in the value of the leased assets.

② Assets leased out under financing leases: On the lease beginning date, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes them as rental income over the periods when the rents are received in the future. Initial direct expenses related to the rental transactions incurred to the Company shall be included in the initial measurement of the financing lease receivables and the amount of income recognized in the lease term will be reduced.

(3) Determination method and accounting treatment method of lease under new lease standards

Applicable" Not applicable"

40. Other significant accounting policies and accounting estimates

Applicable" Not applicable"

Discontinued operation is a component that satisfies one of the following conditions and is separately identifiable, and has been disposed of by the Company or is classified by the Company as held for sale:

- (1) It represents a separate major line of business or geographical area of operations;
- (2) It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (3) It is a subsidiary acquired exclusively with a view to resale.

41. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable" Not applicable"

Contents and reasons of changes in accounting policies	Review and approval procedure	Remarks (name and amount of report items affected materially)
The Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 and the Notice on Revising and Issuing the	The 18th meeting of the fourth Board meeting	See other descriptions I

Format of Consolidated Financial Statements (2019 Version) were implemented		
The Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 - Hedging Accounting and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments (revised in 2017) were implemented	The 18th meeting of the fourth Board meeting	See other descriptions 2

Other explanation

1. The Ministry of Finance released the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (Cai Kuai (2019) No.6) and the Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Version) ((Cai Kuai (2019) No.16)) on 30 April 2019 and 19 September 2019 respectively, revising the format of financial statements of general enterprises. The main impact of the Company's implementation of the above regulations is shown as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Item and amount in statement influenced	
		Consolidation	Parent company
(1) The "bills receivable and accounts receivable" in the balance sheet is divided into "bills receivable" and "accounts receivable";	The 18th meeting of the fourth Board meeting	The "bills receivable and accounts receivable" is divided into "bills receivable" and "accounts receivable". Balance of "bills receivable" at the end of	The "bills receivable and accounts receivable" is divided into "bills receivable" and "accounts receivable". Balance of "bills receivable" at the

<p>the “bills payable and accounts payable” is divided into “bills payable” and “accounts payable”; the comparison data is adjusted accordingly.</p>		<p>last year is RMB1,894,232.00, and balance of “accounts receivable” at the end of last year is RMB808,772,112.91; The “bills payable and accounts payable” is divided into “bills payable” and “accounts payable”. Balance of “bills payable” at the end of last year is RMB0.00, and balance of “accounts payable” at the end of last year is RMB1,319,407,048.21.</p>	<p>end of last year is RMB0.00, and balance of “accounts receivable” at the end of last year is RMB93,324,765.86; The “bills payable and accounts payable” is divided into “bills payable” and “accounts payable”. Balance of “bills payable” at the end of last year is RMB0.00, and balance of “accounts payable” at the end of last year is RMB240,475,062.99.</p>
<p>(2) The item of “Including: derecognition of income from financial assets at amortized cost” is added to the item of investment income in the income statement. The comparison data is not adjusted.</p>	<p>The 18th meeting of the fourth Board meeting</p>	<p>The amount of “derecognition of income from financial assets at amortized cost” in the current period is RMB0.00.</p>	<p>The amount of “derecognition of income from financial assets at amortized cost” in the current period is RMB0.00.</p>

2. In 2017 the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 - Hedging Accounting and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments. It is stipulated in the revised standards that for financial instruments that have not been derecognized on the date of first implementation, if the previous recognition and measurement are inconsistent with the revised standards, they shall be retrospectively adjusted. If the comparative figures in financial

statements for the prior period are inconsistent with the revised standards, no adjustment is required. The Company adjusted the retained earnings and other comprehensive income at the beginning of the year due to the cumulative impact of retrospective adjustment. Based on the adjusted balance at the end of last year according to Cai Kuai (2019) No. 6 and Cai Kuai (2019) No. 16, the main impacts of implementing the above new financial instrument standards are as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Item and amount in statement influenced	
		Consolidation	Parent company
(1) Non-tradable available-for-sale equity instrument investments are designated as “financial assets measured at fair value through other comprehensive income”.	The 18th meeting of the fourth Board meeting	Available-for-sale financial assets: decreased by RMB3,600,000.00 Other equity instrument investments: increased by RMB3,600,000.00	Available-for-sale financial assets: decreased by RMB3,600,000.00 Other equity instrument investments: increased by RMB3,600,000.00
(2) Provision of expected credit loss was made for “financial assets at amortized cost” and “financial assets measured at fair value through other comprehensive income (debt instrument)”.	The 18th meeting of the fourth Board meeting	Retained earnings: decreased by RMB0.00 Bills receivable: decreased by RMB0.00 Accounts receivable: decreased by RMB0.00 Other receivables: decreased by RMB0.00 Debt investment: decreased by RMB0.00 Other comprehensive income: increased by RMB0.00 Deferred income tax assets: increased by RMB0.00	Retained earnings: decreased by RMB0.00 Bills receivable: decreased by RMB0.00 Accounts receivable: decreased by RMB0.00 Other receivables: decreased by RMB0.00 Debt investment: decreased by RMB0.00 Other comprehensive income: increased by RMB0.00

			Deferred income tax assets: increased by RMB0.00
(3) Bank financial product is reclassified into financial assets held for trading and measured at fair value	The 18th meeting of the fourth Board meeting	Retained earnings: increased by RMB6,081,955.00 Other current assets: decreased by RMB1,020,000,000.00 Deferred income tax liabilities: increased by RMB1,183,345.00 Financial assets held for trading: increased by RMB1,027,265,300.00	Retained earnings: increased by RMB5,380,330.00 Other current assets: decreased by RMB820,000,000.00 Deferred income tax liabilities: increased by RMB949,470.00 Financial assets held for trading: increased by RMB826,329,800.00

(2) Changes in significant accounting estimates

Applicable" Not applicable"

(3) Particulars on adjustment to relevant items of the financial statements for the year due to implementation of new standards for financial instruments, new standards for revenues or new standards for lease from 2019

Applicable" Not applicable"

Combined Balance Sheet

Unit: Yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment amount
Current assets:			
Cash and equivalents	1,046,668,874.97	1,046,668,874.97	
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	Not applicable	1,027,265,300.00	1,027,265,300.00

Financial assets at fair value through current profit or loss		Not applicable	
Derivative financial assets			
Bills receivable	1,894,232.00		-1,894,232.00
Accounts receivable	808,772,112.91	808,772,112.91	
Receivables financing	Not applicable	1,894,232.00	1,894,232.00
Prepayment	42,336,973.71	42,336,973.71	
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	110,280,059.38	110,280,059.38	
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	1,042,701,610.00	1,042,701,610.00	
Held for sale assets			
Non-current assets due within one year			
Other current assets	1,046,977,400.35	26,977,400.35	-1,020,000,000.00
Total current assets	4,099,631,263.32	4,106,896,563.32	7,265,300.00
Non-current assets:			
Loans and advances to customers			
Debt investment	Not applicable		
Available-for-sale financial assets	3,600,000.00	Not applicable	-3,600,000.00
Other debt investment	Not applicable		
Held-to-maturity investment		Not applicable	
Long-term receivables			
Long-term equity investments	30,175,665.26	30,175,665.26	

Investments in other equity instruments	Not applicable	3,600,000.00	3,600,000.00
Other non-current financial assets	Not applicable		
Investment real estate			
Fixed assets	876,617,888.99	876,617,888.99	
Construction in progress	24,506,469.59	24,506,469.59	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	187,987,875.67	187,987,875.67	
Development expenses			
Goodwill	131,001.23	131,001.23	
Long-term prepaid expenses	118,024,364.67	118,024,364.67	
Deferred income tax assets	25,525,520.98	25,525,520.98	
Other non-current assets	311,300,000.00	311,300,000.00	
Total non-current assets	1,577,868,786.39	1,577,868,786.39	
Total assets	5,677,500,049.71	5,684,765,349.71	7,265,300.00
Current liabilities:			
Short-term borrowings			
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities	Not applicable		
Financial liabilities at fair value through current profit or loss		Not applicable	
Derivative financial liabilities			
Bills payable			
Accounts payable	1,319,407,048.21	1,319,407,048.21	
Accounts received in advance	147,647,053.87	147,647,053.87	

Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	120,786,076.52	120,786,076.52	
Taxes payable	279,377,546.18	279,377,546.18	
Other payables	240,665,881.17	240,665,881.17	
Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsured accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	2,107,883,605.95	2,107,883,605.95	
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable	5,109,800.00	5,109,800.00	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	67,277,109.51	67,277,109.51	

Deferred income tax liabilities	564,909.50	1,748,254.50	1,183,345.00
Other non-current liabilities			
Total non-current liabilities	72,951,819.01	74,135,164.01	1,183,345.00
Total liabilities	2,180,835,424.96	2,182,018,769.96	1,183,345.00
Owner's equity (or shareholders' equity):			
Share capital	920,000,000.00	920,000,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	272,347,764.53	272,347,764.53	
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	343,733,386.35	344,271,419.35	538,033.00
General risk provision			
Undistributed profit	1,874,727,294.53	1,880,271,216.53	5,543,922.00
Total equity attributable to the owners of the parent company	3,410,808,445.41	3,416,890,400.41	6,081,955.00
Minority equity	85,856,179.34	85,856,179.34	
Total owners' equity (or shareholders' equity)	3,496,664,624.75	3,502,746,579.75	6,081,955.00
Total liabilities and owner's equity (or shareholders' equity)	5,677,500,049.71	5,684,765,349.71	7,265,300.00

Description on adjustment to relevant items:

Applicable" Not applicable"

See Note V (41). (4) Description on retrospective adjustment to previous comparative data due to implementation of new standards for financial instruments and new standards for leases for details.

Parent Company's Balance Sheet

Unit: Yuan Currency: RMB

Item	31 December 2018	1 January 2019	Adjustment amount
Current assets:			
Cash and equivalents	552,507,774.24	552,507,774.24	
Held-for-trading financial assets	Not applicable	826,329,800.00	826,329,800.00
Financial assets at fair value through current profit or loss		Not applicable	
Derivative financial assets			
Bills receivable			
Accounts receivable	93,324,765.86	93,324,765.86	
Receivables financing	Not applicable		
Prepayment	9,002,289.37	9,002,289.37	
Other receivables	227,644,350.97	227,644,350.97	
Including: Interest receivable			
Dividend receivable			
Inventories	433,945,665.76	433,945,665.76	
Held for sale assets			
Non-current assets due within one year			
Other current assets	820,679,150.20	679,150.20	- 820,000,000.00
Total current assets	2,137,103,996.40	2,143,433,796.40	6,329,800.00
Non-current assets:			
Debt investment	Not applicable		
Available-for-sale financial assets	3,600,000.00	Not applicable	-3,600,000.00
Other debt investment	Not applicable		
Held-to-maturity investment		Not applicable	
Long-term receivables			
Long-term equity investments	878,722,964.35	878,722,964.35	
Investments in other equity instruments	Not applicable	3,600,000.00	3,600,000.00
Other non-current financial assets	Not applicable		
Investment real estate			
Fixed assets	792,636,398.34	792,636,398.34	

Construction in progress	23,686,726.44	23,686,726.44	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	184,634,388.95	184,634,388.95	
Development expenses			
Goodwill			
Long-term prepaid expenses	15,345,487.19	15,345,487.19	
Deferred income tax assets	5,277,303.99	5,277,303.99	
Other non-current assets	311,300,000.00	311,300,000.00	
Total non-current assets	2,215,203,269.26	2,215,203,269.26	
Total assets	4,352,307,265.66	4,358,637,065.66	6,329,800.00
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities	Not applicable		
Financial liabilities at fair value through current profit or loss		Not applicable	
Derivative financial liabilities			
Bills payable			
Accounts payable	240,475,062.99	240,475,062.99	
Accounts received in advance	80,736,039.60	80,736,039.60	
Employee benefits payable	76,794,379.93	76,794,379.93	
Taxes payable	187,418,365.45	187,418,365.45	
Other payables	29,240,729.97	29,240,729.97	
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	140,000,000.00	140,000,000.00	
Other current liabilities			
Total current liabilities	754,664,577.94	754,664,577.94	
非流动负债:			
Long-term borrowings			
Bonds payable			

Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payable	187,109,800.00	187,109,800.00	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	29,979,024.38	29,979,024.38	
Deferred income tax liabilities		949,470.00	949,470.00
Other non-current liabilities			
Total non-current liabilities	217,088,824.38	218,038,294.38	949,470.00
Total liabilities	971,753,402.32	972,702,872.32	949,470.00
Owner's equity (or shareholders' equity):			
Share capital	920,000,000.00	920,000,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	274,008,599.09	274,008,599.09	
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	343,404,526.44	343,942,559.44	538,033.00
Undistributed profit	1,843,140,737.81	1,847,983,034.81	4,842,297.00
Total owners' equity (or shareholders' equity)	3,380,553,863.34	3,385,934,193.34	5,380,330.00
Total liabilities and owner's equity (or shareholders' equity)	4,352,307,265.66	4,358,637,065.66	6,329,800.00

Description on adjustment to relevant items:

"√ Applicable" "□ Not applicable"

See Note V (41). (4) Description on retrospective adjustment to previous comparative data due to implementation of new standards for financial instruments and new standards for leases for details.

(4) Description on retrospective adjustment to previous comparative data due to implementation of new standards for financial instruments and new standards for leases from 2019

"√ Applicable" "□ Not applicable"

Based on the balance at the end of the previous year adjusted according to Cai Kuai (2019) No.6 and Cai Kuai (2019) No.16, various financial assets and financial liabilities were classified in accordance with the provisions of the standards for recognition and measurement of financial instruments before and after the revision and the measurement results were compared as follows:

Consolidation

Old standards for financial instruments			New standards for financial instruments		
Presentation item	Measurement category	Carrying value	Presentation item	Measurement category	Carrying value
Cash and equivalents	Amortized cost	1,046,668,874.97	Cash and equivalents	Amortized cost	1,046,668,874.97
Financial assets at fair value through current profit or loss	at fair value through profit or loss		Held-for-trading financial assets	at fair value through profit or loss	
Derivative financial assets	at fair value through profit or loss		Derivative financial assets	at fair value through profit or loss	
Bills receivable	Amortized cost	1,894,232.00	Bills receivable	Amortized cost	
			Receivables financing	at fair value through other comprehensive income	1,894,232.00
Accounts receivable	Amortized cost	808,772,112.91	Accounts receivable	Amortized cost	808,772,112.91
			Receivables financing	at fair value through other comprehensive income	
Other receivables	Amortized cost	110,280,059.38	Other receivables	Amortized cost	110,280,059.38
Held-to-maturity investment (Including other current assets)	Amortized cost		Debt investment (Including other current assets)	Amortized cost	

Available-for-sale financial assets (Including other current assets)	at fair value through other comprehensive income (debt instruments)		Debt investment (Including other current assets)	Amortized cost	
			Other debt investment (Including other current assets)	at fair value through other comprehensive income	
	at fair value through other comprehensive income (equity instruments)		Held-for-trading financial assets	at fair value	
			Other non-current financial assets	through profit or loss	
			Investments in other equity instruments	at fair value through other comprehensive income	
	at cost (equity instruments)	3,600,000.00	Held-for-trading financial assets	at fair value	
Other non-current financial assets			through profit or loss		
Investments in other equity instruments			at fair value through other comprehensive income	3,600,000.00	
Other current assets	Amortized cost	1,020,000,000.00	Held-for-trading financial assets	at fair value through profit or loss	1,027,265,300.00
Long-term receivables	Amortized cost		Long-term receivables	Amortized cost	
Financial liabilities at fair value through current profit or loss	at fair value through profit or loss		Held-for-trading financial liabilities	at fair value through profit or loss	
Derivative financial liabilities	at fair value through profit or loss		Derivative financial liabilities	at fair value through profit or loss	

Parent company

Old standards for financial instruments			New standards for financial instruments		
Presentation item	Measurement	Carrying value	Presentation	Measurement	Carrying value

	category		item	category	
Cash and equivalents	Amortized cost	552,507,774.24	Cash and equivalents	Amortized cost	552,507,774.24
Financial assets at fair value through current profit or loss	at fair value through profit or loss		Held-for-trading financial assets	at fair value through profit or loss	
Derivative financial assets	at fair value through profit or loss		Derivative financial assets	at fair value through profit or loss	
Bills receivable	Amortized cost		Bills receivable	Amortized cost	
			Receivables financing	at fair value through other comprehensive income	
Accounts receivable	Amortized cost	93,324,765.86	Accounts receivable	Amortized cost	93,324,765.86
			Receivables financing	at fair value through other comprehensive income	
Other receivables	Amortized cost	227,644,350.97	Other receivables	Amortized cost	227,644,350.97
Held-to-maturity investment (Including other current assets)	Amortized cost		Debt investment (Including other current assets)	Amortized cost	
Available-for-sale financial assets (Including other current assets)	at fair value through other comprehensive income (debt instruments)		Debt investment (Including other current assets)	Amortized cost	
			Other debt investment (Including other current assets)	at fair value through other comprehensive income	
	at fair value through other		Held-for-trading financial assets	at fair value through profit or	

	comprehensive income (equity instruments)		Other non-current financial assets	loss	
			Investments in other equity instruments	at fair value through other comprehensive income	
	at cost (equity instruments)	3,600,000.00	Held-for-trading financial assets	at fair value	
			Other non-current financial assets	through profit or loss	
			Investments in other equity instruments	at fair value through other comprehensive income	3,600,000.00
Other current assets	Amortized cost	820,000,000.00	Held-for-trading financial assets	at fair value through profit or loss	826,329,800.00
Long-term receivables	Amortized cost		Long-term receivables	Amortized cost	
Financial liabilities at fair value through current profit or loss	at fair value through profit or loss		Held-for-trading financial liabilities	at fair value through profit or loss	
Derivative financial liabilities	at fair value through profit or loss		Derivative financial liabilities	at fair value through profit or loss	

42. Others

"√ Applicable" "□ Not applicable"

Hedge accounting

(1) Classification of hedging

- ① Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign exchange risk).
- ② Cash flow hedge is a hedge of the exposure to changes in cash flows. Such changes in cash flows mainly come from a specific type of risk related to a recognized asset or liability or an

expected transaction that is likely to occur, or the foreign exchange risk included in an unrecognized firm commitment.

② Hedge of net investment in an overseas operation is a hedge of the foreign exchange exposure arising from net investment in an overseas operation. Net investment in an overseas operation refers to an enterprise's equity proportion in the net assets in an overseas operation.

(2) Designation of hedging relationship and confirmation of hedging effectiveness

Applicable accounting policies from 1 January 2019

At the commencement of the hedging relationship, the Company shall specify the hedging relationship formally and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging. This document shall at least specify the contents and number of the hedging instruments, the nature and number of the hedged items, the nature of the hedged risk, the type of hedge and the evaluation of the Company on the effectiveness of the hedging instruments. Hedging effectiveness refers to the extent that the changes in the fair value or cash flow of a hedging instrument may offset the changes resulted from the hedging risks in the fair value or cash flow of a hedged item.

The Company shall continuously evaluate the hedging effectiveness to determine whether the hedging meets the requirements on effectiveness for using hedging accounting within the accounting period when the hedging relationship is specified. If the hedging fails to meet the requirements, the use of hedging relationship shall be terminated.

The use of hedge accounting shall meet the following requirements for the hedging effectiveness:

- ① There is an economic relationship between the hedged item and the hedging instrument.
- ② In the value change caused by the economic relationship between the hedged item and the hedging instrument, the influence of credit risk is not dominant.
- ③ An appropriate hedging ratio is adopted, and this ratio will not form an imbalance in the relative weight of the hedged item and the hedging instrument, thereby generating accounting results that are inconsistent with the hedge accounting objectives. If the hedging ratio is no longer appropriate, but the hedging risk management objectives have not changed, the number of hedged items or hedging instruments shall be adjusted so that the hedging ratio meets the requirements on effectiveness again.

Applicable accounting policies before 1 January 2019

At the commencement of the hedging relationship, the Company shall specify the hedging relationship formally and prepare a formal written document on the hedging relationship, risk management objectives and the strategies of hedging. This document shall state the nature of the hedging instruments, the hedged items or transactions, and the hedged risk, and the method of the Company for the evaluation on the effectiveness of the hedging instruments.

Hedging effectiveness refers to the extent that the changes in the fair value or cash flow of a hedging instrument may offset the changes resulted from the hedging risks in the fair value or cash flow of a hedged item. The Company shall continuously evaluate the hedging effectiveness to judge whether the hedging is highly effective within the accounting period when the hedging relationship is specified. If a hedging satisfies the following conditions simultaneously, the Company shall recognize it as being highly efficient:

- ① At the commencement and in subsequent periods of a hedging, the hedging is expected to be highly effective in offsetting the changes in the fair value or cash flows caused by the hedged risk during the period in which the hedging is specified; and
- ② The actual offset result of the hedging is within a range of 80% to 125%.

(3) Accounting treatment method of hedge

① Fair value hedge

Changes in the fair value of hedging derivatives are included in the current profit and loss. Changes in the fair value of a hedged item due to hedging risk are included in the current profit and loss, while adjusting the book value of the hedged item.

For fair value hedges related to financial instruments measured at amortized cost, adjustments to the carrying value of the hedged item are amortized in the remaining period between the adjustment date and the maturity date and are included in the current profit and loss. Amortization carried out in accordance with the effective interest rate method can begin immediately after the adjustment of the carrying value, and shall not be later than the adjustment made due to the changes in the fair values caused by the hedging risk after the hedged item is terminated.

If the hedged item is derecognized, the un-amortized fair value is recognized as current profit or loss.

If the hedged item is a unrecognized firm commitment, the accumulated changes in the fair value of the firm commitment caused due to the hedged risk is recognized as an asset or liability, and the related gains or losses are included in the current profit and loss. Changes in the fair value of hedging instruments are also included in the current profit and loss.

② Cash flow hedge

The portion of the gains or losses from hedging instruments, which belongs to the effective hedge, shall be directly recognized as other comprehensive income, and the portion which belongs to the ineffective hedge shall be included in the current profit and loss.

If the hedged transaction affects the current profit or loss, for example, when the hedged financial income or financial expense is confirmed or the expected sale occurs, the amount recognized in other comprehensive income will be transferred to the current profit and loss. If the hedged item is the cost of a non-financial asset or liability, the amount originally recognized in other comprehensive income is transferred out and included in the initial recognition amount of the

non-financial asset or liability (or the amount originally recognized in other comprehensive income is transferred out in the same period in which the non-financial asset or liability affects the profit and loss, and included in the current profit and loss).

If the expected transaction or firm commitment is not expected to occur, the cumulative gains or losses of hedging instruments previously included in shareholders' equity are transferred out and included in the current profit and loss. If the hedging instrument expires, is sold, terminated or exercised (but has not been replaced or extended), or the designation of the hedging relationship is revoked, the amount previously included in other comprehensive income will not be transferred out until the expected transaction or firm commitment affects the current profit and loss.

③ Hedge of net investment in an overseas operation

Hedge of net investment in an overseas operation, including hedge of monetary items as part of net investment, is handled similarly to cash flow hedge. The portion of the gains or losses from hedging instruments, which is recognized as effective hedge, shall be recorded in other comprehensive income, and the portion which is recognized as ineffective hedge shall be included in the current profit and loss. When disposing of overseas operations, any accumulated gains or losses included in shareholders' equity are transferred out and included in the current profit and loss.

VI. Taxes

1. Major tax types and tax rates

Particulars on major tax types and tax rates

"√ Applicable" "□ Not applicable"

Tax type	Taxing basis	Tax rate
Value added tax ("VAT")	The output tax is calculated on the basis of the income from sales of products and taxable income from rendering of services calculated according to the provisions of the tax law. The difference between the output tax and the input tax which is allowed to be deductible in the current period is the payable VAT.	16%, 13% (Note), 10%, 9%, 6%, 5%
Urban maintenance and construction tax	Calculated and paid according to the actually-paid VAT and consumption tax	7%、 1%

Enterprise income tax	Calculated and paid according to the taxable income	15%、20%、25%
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Note: According to the Notice on Adjusting the VAT Rate of the Ministry of Finance and the State Administration of Taxation (Cai Shui [2019] No. 39), the original 16% and 10% VAT rates are respectively adjusted to 13% and 9% for taxable sale behaviors and imported goods of the taxpayers from 1 April 2019. The income from sales of products of the Company and its subsidiaries is subject to VAT at the rate of 16% from January to March 2019 and at the rate of 13% from 1 April 2019.

If there are taxpayers with different enterprise income tax rates, the disclosure will be made for description

"√ Applicable" "□ Not applicable"

Name of taxpayer	Income tax rate (%)
Shanghai M&G Zhenmei Stationery Co., Ltd.(上海晨光珍美文具有限公司)	25
Shanghai M&G Colipu Office Supplies Co., Ltd.	25
Lianyungang Colipu Office Supplies Co., Ltd.(连云港市科力普办公用品有限公司)	20
Shenyang M&G Colipu Office Supplies Co., Ltd.(沈阳晨光科力普办公用品有限公司)	25
Shanghai M&G Stationery & Gift Co., Ltd.(上海晨光文具礼品有限公司)	25
Shanghai M&G Stationery Sales Co., Ltd.(上海晨光文具销售有限公司)	25
Guangzhou M&G Stationery&Gifts Sales Co., Ltd.(广州晨光文具礼品销售有限公司)	25
Yiwu Chenxing Stationery Co., Ltd.(义乌市晨兴文具用品有限公司)	25
Harbin M&G Sanmei Stationery Co., Ltd.(哈尔滨晨光三美文具有限公司)	25
Zhengzhou M&G Stationery&Gifts Co., Ltd.(郑州晨光文具礼品有限责任公司)	25
M&G Life Enterprise Management Co., Ltd.(晨光生活馆企业管理有限公司)	25
M&G Life Enterprise Management (Shanghai) Co., Ltd.(晨光生活馆企业管理(上海)有限公司)	25

Shanghai M&G Jiamei Stationery Co., Ltd.(上海晨光佳美文具有限公司)	25
Jiangsu M&G Life Enterprise Management Co., Ltd.(江苏晨光生活馆企业管理有限公司)	25
Zhejiang New M&G Life Enterprise Management Co., Ltd.(浙江新晨光生活馆企业管理有限公司)	25
Jiumu M&G Store Enterprise Management Co., Ltd.(九木杂物社企业管理有限公司)	25
Shanghai M&G Information Technology Co., Ltd.(上海晨光信息科技有限公司)	25
Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔雅文化创意发展有限公司)	25
Shanghai M&G Office Supplies Co., Ltd.	25
Office Depot Network Technology Co., Ltd.	25
Luoyang M&G Stationery Sales Co., Ltd.(洛阳晨光文具销售有限公司)	20
Hangzhou Sanmei M&G Stationery Co., Ltd.(杭州三美晨光文具有限公司)	25
Jiangsu Marco Pen Co., Ltd.(江苏马可笔业有限公司)	25
Changchun Macro Stationery Co., Ltd.(长春马可文教用品有限公司)	25
Yili Senlai Wood Co., Ltd.(伊犁森徠木业有限公司)	25
Axus Stationery (Hong Kong) Company Ltd.	16.5
International stationery company	20

2. Tax preference

Applicable" Not applicable"

On 28 October 2019, the Company obtained High- and New-tech Enterprise Certificate (certificate number GR201931001046, valid for 3 years) issued jointly by Shanghai Municipal Science and Technology Commission, Shanghai Finance Bureau and Shanghai Municipal Tax Service, State Taxation Administration.

On 2 November 2018, the subsidiary Axus Stationery (Shanghai) Company Ltd. ("Axus Stationery") obtained High- and New-tech Enterprise Certificate (certificate number GR201831003575, valid for 3 years) issued jointly by Shanghai Municipal Science and Technology Commission, Shanghai Finance Bureau and Shanghai Municipal Tax Service, State Taxation Administration.

The Company and the subsidiary Axus Stationery paid the enterprise income tax at the rate of 15% this year.

The subsidiaries Luoyang M&G Stationery Sales Co., Ltd. and Lianyungang Colipu Office Supplies Co., Ltd. paid the enterprise income tax according to the Enterprise Income Tax Law of the People's Republic of China and the Notice of the Ministry of Finance and the State Administration of Taxation on the Implementation of Inclusive Tax Relief Policy for Small and Micro Enterprises (Cai Shui [2019] No. 13), namely, starting from 1 January 2019 to 31 December 2021, for SMEs with annual taxable income not exceeding RMB 1 million, the enterprise income tax at 20% shall apply based on 25% of the taxable income; for SMEs with annual taxable income between RMB 1 million and RMB 3 million, the enterprise income tax at 20% shall apply based on 50% of the taxable income.

3. Others

Applicable" Not applicable"

VII. Notes to the Items in Consolidated Financial Statements

1. Cash and equivalents

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	503,222.44	816,463.47
Cash at bank	1,922,791,232.44	736,640,850.12
Other cash and equivalents	12,306,239.47	309,211,561.38
Total	1,935,600,694.35	1,046,668,874.97
Including: Total cash deposited outside China	3,541,107.84	

Other explanation

Details of the Cash and equivalents that are restricted for use due to mortgage, pledge or freeze and which are deposited overseas and of which the remittance is restricted were as follows:

Item	Closing balance	Balance at the end of the year
Letter of credit ("L/C") deposit	5,079,343.94	4,926,946.37
Performance bond	230,000.00	240,482.50
Structured deposit		300,000,000.00
Fund of restricted use	2,844,914.52	
Time deposits over three months	550,000,000.00	
Total	558,154,258.46	305,167,428.87

2. Held-for-trading financial assets

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through current profit or loss	661,878,587.24	1,027,265,300.00
Including:		
Debt instrument investment		
Equity instrument investment		
Derivative financial assets		
Others	661,878,587.24	1,027,265,300.00
Financial asset designated as at fair value through profit or loss		
Including:		
Total	661,878,587.24	1,027,265,300.00

Other descriptions:

Applicable" Not applicable"

Other bank wealth management products purchased for the Company.

3. Derivative financial assets

Applicable" Not applicable"

4. Bills receivable

(1). Notes receivable presented by category

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills		0
Commercial acceptance bills		0
Total		0

(2). Notes receivable pledged by the Company at the end of the period

Applicable" Not applicable"

(3). Notes receivable endorsed or discounted by the Company at the end of the period but not due yet at the balance sheet date

Applicable" Not applicable"

(4). Notes transferred by the Company into accounts receivable at the end of the period due to the note issuer's failure of performance

Applicable" Not applicable"

(5). Disclosure by accruing method for bad debt provisions

Applicable" Not applicable"

Bad debt provisions accrued separately:

Applicable" Not applicable"

Bad debt provisions accrued according to the combination:

Applicable" Not applicable"

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable" Not applicable"

(6). Particulars on bad debt provisions

Applicable" Not applicable"

(7). Particulars on notes receivable actually written-off in the current period

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

5. Accounts receivable**(1). Disclosure by account age**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	1,022,427,308.95
1 to 2 years	30,982,477.00
2 to 3 years	3,510,597.38
Above 3 years	2,117,572.04
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-32,943,231.22
Total	1,026,094,724.15

(2). Disclosure by accruing method for bad debt provisions

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Bad debt provisions		Carrying value	Carrying balance		Bad debt provisions		Carrying value
	Amount	Percentage (%)	Amount	Accruing percentage (%)		Amount	Percentage (%)	Amount	Accruing percentage (%)	
Bad debt provisions accrued separately	23,438,444.19	2.21	13,612,009.12	58.08	9,826,435.07	2,713,628.91	0.33	2,713,628.91	100.00	
Including:										
Bad debt provisions accrued according to the combination	1,035,599,511.18	97.79	19,331,222.10	1.87	1,016,268,289.08	821,997,824.94	99.67	13,225,712.03	1.61	808,772,112.91
Including:										
Combination 1: Account age	1,035,599,511.18	97.79	19,331,222.10	1.87	1,016,268,289.08	821,997,824.94	99.67	13,225,712.03	1.61	808,772,112.91
Total	1,059,037,955.37	/	32,943,231.22	/	1,026,094,724.15	824,711,453.85	/	15,939,340.94	/	808,772,112.91

Bad debt provisions accrued separately:

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Name	Closing balance			
	Carrying balance	Bad debt provisions	Accruing percentage (%)	Accruing reason
Xiangshan Haowenke Stationery & Sports Goods Co., Ltd.	68,304.73	68,304.73	100.00	Not expected to be recovered
Changxing Shengxing Stationery Co., Ltd.	264,790.33	264,790.33	100.00	Not expected to be recovered
Hangzhou Yunman Department Store Co., Ltd.	227,671.00	227,671.00	100.00	Not expected to be recovered
Zhejiang C&U Supermarket Co., Ltd.	11,756.54	11,756.54	100.00	Not expected to be recovered
Zebra Higo (Beijing) Commercial Chain Management Co., Ltd.	1,539,651.03	1,539,651.03	100.00	Not expected to be recovered
Kiddy Children's Products (Shanghai) Co., Ltd.	8,636.16	8,636.16	100.00	Not expected to be recovered
Shanghai Kingwing General Aviation Co., Ltd.	183,045.93	183,045.93	100.00	Not expected to be recovered
Shanghai Eastone Automotive Technology Co., Ltd.	17,033.08	17,033.08	100.00	Not expected to be recovered
Shanghai Zhouji Restaurant Management Co., Ltd.	22,978.71	22,978.71	100.00	Not expected to be recovered
Shenzhen TFS Investment Development Co., Ltd.	11,859.64	11,859.64	100.00	Not expected to be recovered
Danone (China) Food & Beverage Co., Ltd.	79,476.80	79,476.80	100.00	Not expected to be recovered
Shanghai Chuangzhi Computer Technology Co., Ltd.	4,082.47	4,082.47	100.00	Not expected to be recovered
Shanghai Yiguo E-commerce Co., Ltd.	210,937.67	210,937.67	100.00	Not expected to be recovered
Shanghai Lantern Network Technology Co., Ltd.	585,865.00	585,865.00	100.00	Not expected to be recovered
Ping An Bank Co., Ltd. Shanghai Branch	51,623.74	51,623.74	100.00	Not expected to be recovered
Huzhou Yuanhui Real Estate Development Co., Ltd.	83,636.84	83,636.84	100.00	Not expected to be recovered
Shanghai Renjian Investment Co., Ltd.	64,389.16	64,389.16	100.00	Not expected to be recovered
HNA Import and Export Co., Ltd.	19,652,870.14	9,826,435.07	50.00	As the liquidity risk of the group company is high, whether it can be recovered is uncertain
Shanghai Donghao Oil Products Co., Ltd.	126,732.39	126,732.39	100.00	Not expected to be recovered
Ningbo Jiangdong Benyuan Stationery Co., Ltd.	62,788.05	62,788.05	100.00	Not expected to be recovered

Guangdong ONE PLUS ONE Commercial Chain Stores Co., Ltd.	43,451.16	43,451.16	100.00	Not expected to be recovered
Shenyang Yong Modern Trading Company	36,202.46	36,202.46	100.00	Not expected to be recovered
Changsha Kaifu Huida Stationery Supermarket	21,799.03	21,799.03	100.00	Not expected to be recovered
Dongguan Tangxia Yikang Stationery and Sports Goods Mall	16,399.07	16,399.07	100.00	Not expected to be recovered
Wuhan Bowen Stationery Business Department	11,089.41	11,089.41	100.00	Not expected to be recovered
Shaoxing Datong Commercial Trading Co., Ltd.	10,838.99	10,838.99	100.00	Not expected to be recovered
Beijing Guoyu Rongfeng Co., Ltd.	9,036.16	9,036.16	100.00	Not expected to be recovered
Huai'an Famous Brand Culture and Education Office Supplies Co., Ltd.	3,261.97	3,261.97	100.00	Not expected to be recovered
Shenzhen Luohu Jinhonghui Stationery Store	3,093.39	3,093.39	100.00	Not expected to be recovered
Shanghai Golden Times Commercial Trading Co., Ltd.	2,038.64	2,038.64	100.00	Not expected to be recovered
Hefei Yizheng Stationery Co., Ltd.	1,795.12	1,795.12	100.00	Not expected to be recovered
Yunnan Timely Rain Commercial Trading Co., Ltd.	1,038.51	1,038.51	100.00	Not expected to be recovered
Nanning Feida Zhishang Stationery Company	270.87	270.87	100.00	Not expected to be recovered
Total	23,438,444.19	13,612,009.12	58.08	/

Description on bad debt provisions accrued separately:

Applicable" Not applicable"

No

Bad debt provisions accrued according to the combination:

Applicable" Not applicable"

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable" Not applicable"

(3). Particulars on bad debt provisions

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Opening	Change of the current period	Closing balance
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	balance	Accrued	Recovered or reversed	Resold or written-off	Other changes	
Accrued separately	2,713,628.91	12,701,407.84	1,803,027.63			13,612,009.12
Combination 1: Account age	13,225,712.03	7,138,040.23		1,032,530.16		19,331,222.10
Total	15,939,340.94	19,839,448.07	1,803,027.63	1,032,530.16		32,943,231.22

Other descriptions:

Combination 1: The accruing of the account age change of the current period included an increase of RMB4,861,462.60 for business combination. The actual amounts accrued separately and according to the combination were: RMB14,977,985.47.

Significant bad debt provision amounts recovered or reversed in the current period:

Applicable" Not applicable"

(4). Particulars on accounts receivable actually written-off in the current period

Applicable" Not applicable"

(5). Particulars on top 5 accounts receivable in terms of the balance at the end of the period based on debtors

Applicable" Not applicable"

Company name	Closing balance		
	Accounts receivable	Percentage (%) of the total accounts receivable	Bad debt provisions
State Grid Materials Co., Ltd.	231,601,047.00	21.87	1,725,419.13
China Southern Power Grid Materials Co., Ltd.	77,503,551.38	7.32	393,433.13
China Post Group Company	75,578,464.82	7.14	600,085.53
China Petroleum & Chemical Corporation Material Assembly Department	43,627,058.44	4.12	326,105.44

China National Water Resources & Electric Power Materials & Equipment (Beijing)	32,672,838.56	3.09	164,099.08
Total	460,982,960.20	43.54	3,209,142.31

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

Applicable" Not applicable"

(7). Assets and liabilities formed due to the transfer and continuous involvement of accounts receivable

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

6. Receivables financing

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bills receivable	24,262,204.08	1,894,232.00
Factoring of accounts receivable	5,287,720.75	
Total	29,549,924.83	1,894,232.00

Changes in receivables financing during the current period and changes in fair value:

Applicable" Not applicable"

See the table below for details

Item	Balance at the beginning of the year	Increase of the current period	Derecognition of the current period	Other changes	Closing balance	Accumulated loss provisions recognized in other comprehensive income
Bills receivable	1,894,232.00	52,633,199.44	30,265,227.36		24,262,204.08	

Factoring of accounts receivable		105,362,252.36	106,817,205.35	6,742,673.74	5,287,720.75	
Total	1,894,232.00	157,995,451.80	137,082,432.71	6,742,673.74	29,549,924.83	

Other descriptions: Other changes were caused by the increase in business combinations this year.

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

Notes receivable endorsed or discounted by the Company at the end of the period but not due yet at the balance sheet date

Unit: Yuan Currency: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	12,030,000.00	

7. Prepayment

(1) Advance payment presented by account age

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	84,880,944.13	99.43	41,922,742.37	99.02
1 to 2 years	490,500.60	0.57	392,024.18	0.93
2 to 3 years			1,876.10	
Above 3 years			20,331.06	0.05
Total	85,371,444.73	100.00	42,336,973.71	100.00

Description on the reasons for failure to settle the advance payment with an account age over one year and a significant amount:

No

(2) Particulars on top 5 advance payments in terms of the balance at the end of the period according to the concentration of parties to which the advance payments are made

"√ Applicable" "□ Not applicable"

Parties to which the advance payments are made	Closing balance	Percentage (%) in the total balance at the end of the period of advance payment
CNBM Technology Corporation Limited	33,075,300.00	38.74
M&G Holdings (Group) Co., Ltd.	3,419,063.44	4.00
Suzhou Double Elephant Optical Materials Co., Ltd.	2,215,051.32	2.59
A. O. Smith (China) Environmental Products Co., Ltd.	1,994,936.63	2.34
Shijiazhuang Guoda Logistics Co., Ltd. Yuanshi Branch	1,766,136.44	2.07
Total	42,470,487.83	49.74

Other explanation

"□ Applicable" "√ Not applicable"

8. Other receivables

Presented by item

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
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Interest receivable		
Dividend receivable		
Other receivables	117,647,039.93	110,280,059.38
Total	117,647,039.93	110,280,059.38

Other descriptions:

Applicable" Not applicable"

Interest receivable

(1) Classification of interest receivable

Applicable" Not applicable"

(2) Important overdue interest

Applicable" Not applicable"

(3) Particulars on accruing of bad debt provisions

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

Dividend receivable

(1) Dividend receivable

Applicable" Not applicable"

(2) Important dividend receivable with the account age over one year

Applicable" Not applicable"

(3) Particulars on accruing of bad debt provisions

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

Other receivables

(1) Disclosure by account age

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
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Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	99,752,417.89
1 to 2 years	25,715,031.11
2 to 3 years	13,588,611.30
Above 3 years	4,645,114.88
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-26,054,135.25
Total	117,647,039.93

(2) Particulars on classification by amount nature

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency:

RMB

Amount nature	Carrying balance at the end of the period	Carrying balance at the beginning of the period
Personal loans and petty cash	8,848,583.44	8,467,628.64
Amount paid for materials	34,532,789.63	13,688,452.79
Consolidated balance of related-parties current accounts - provisional input tax	17,406,678.21	20,205,179.36
Margin and deposit	66,283,403.63	50,835,514.15
Royalties collected on behalf		39,000.00
Bank wealth management products with guaranteed principal and guaranteed income		20,000,000.00
E-commerce platform amount		781.00
Others	16,629,720.27	11,404,419.62
Total	143,701,175.18	124,640,975.56

(3) Particulars on accruing of bad debt provisions

"√ Applicable" "□ Not applicable"

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2019	14,360,916.18			14,360,916.18
Balance as at 1 January 2019 in the current period	-651,031.11		651,031.11	
-- Transferred into Phase 2				
-- Transferred into Phase 3	-651,031.11		651,031.11	
-- Reversed into Phase 2				
-- Reversed into Phase 1				
Accrued in the current period	9,819,847.25		3,208,177.16	13,028,024.41
Reserved in the current period				
Resold in the current period				
Written-off in the current period	705,861.68		2,359,820.28	3,065,681.96
Other changes	1,730,876.62			1,730,876.62
Balance as at 31 December 2019	24,554,747.26		1,499,387.99	26,054,135.25

Other descriptions:

Other changes included the increase of RMB1,719,516.14 for the Company's business combination and the translation difference of RMB11,360.48 of foreign currency statements of overseas subsidiaries at the end of the year.

Particulars on the significant changes in the carrying balance of other receivables in which changes in loss provisions occurred in the current period:

"√ Applicable" "□ Not applicable"

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2019	124,640,975.55			124,640,975.55
Balance as at 1 January 2019 in the current period	-797,789.51		797,789.51	
-- Transferred into Phase 2				
-- Transferred into Phase 3	-797,789.51		797,789.51	
-- Reversed into Phase 2				
-- Reversed into Phase 1				
Increase of the current period	1,096,121,348.25		1,499,387.99	1,097,620,736.24
Direct reduction of the current period				
Derecognition of the current period	1,086,784,428.54		797,789.51	1,087,582,218.05
Other changes	9,021,681.43			9,021,681.43

Balance as at 31 December 2019	142,201,787.19		1,499,387.99	143,701,175.18
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Other descriptions:

Other changes were caused by the increase for the Company's business combinations.

The basis for adopting the amount of bad debt provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable" Not applicable"

(4) Particulars on bad debt provisions

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Opening balance	Change of the current period				Closing balance
		Accrued	Recovered or reversed	Resold or written-off	Other changes	
Bad debt provisions accrued separately		3,208,177.16		1,708,789.17		1,499,387.99
Combination 1: Account age	14,360,916.18	11,550,723.87		1,356,892.79		24,554,747.26
Total	14,360,916.18	14,758,901.03		3,065,681.96		26,054,135.25

Other descriptions:

Combination 1: The accruing of the account age change of the current period included an increase of RMB1,719,516.14 for business combination. The actual amounts accrued separately and according to the combination were RMB13,028,024.41. The amount affected by foreign exchange rate changes was RMB11,360.48.

Significant bad debt provision amounts reversed or recovered in the current period:

Applicable" Not applicable"

(5) Particulars on other receivables actually written-off in the current period

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Written-off amount
Other receivables actually written-off	3,065,681.96

Significant writing-off of other receivables:

Applicable" Not applicable"

Description on writing-off of other receivables:

Applicable" Not applicable"

(6) Particulars on top 5 other receivables in terms of the balance at the end of the period based on debtors

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Company name	Amount nature	Closing balance	Account age	Percentage (%) in the total balance at the end of the period of other receivables	Bad debt provisions Closing balance
Provisional input tax	Consolidated balance of related-parties current accounts - provisional input tax	17,406,678.21	Within 1 year	12.11	
Shanghai Xiqia Stationery Factory	Amount paid for materials	12,713,462.64	Within 1 year	8.85	635,673.13
Shanghai Linsong Real Estate Co., Ltd.	Margin and deposit	3,279,861.00	2-3 years	2.28	1,967,916.60
State Grid Materials Co., Ltd.	Margin and deposit	2,400,000.00	Within 1 year	1.67	120,000.00

Shenzhen Shuncheng Supply Chain Service Co., Ltd.	Margin and deposit	1,627,000.00	Within 1 year	1.13	81,350.00
Total	/	37,427,001.85		26.04	2,804,939.73

(7) Receivables involving government subsidies

Applicable" Not applicable"

(8) Other receivables derecognized due to the transfer of financial assets

Applicable" Not applicable"

(9) Assets and liabilities formed due to the transfer and continuous involvement of other receivables

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Devaluation provisions	Carrying value	Carrying balance	Devaluation provisions	Carrying value
Raw materials	230,583,859.11	1,418,134.61	229,165,724.50	179,668,368.02		179,668,368.02
Work-in-process	55,336,578.58	91,431.46	55,245,147.12	25,245,351.77		25,245,351.77
Finished products	1,070,802,359.90	35,434,374.53	1,035,367,985.37	835,427,474.28	16,909,196.39	818,518,277.89
Revolving materials	17,933,897.04	1,035,002.57	16,898,894.47	402,083.23		402,083.23
Expendable biological assets	14,937,710.39		14,937,710.39			
Completed unsettled assets formed by construction contracts						
Materials in transit	4,258,709.42		4,258,709.42			

Consigned processing materials	14,249,868.76		14,249,868.76	16,215,146.47		16,215,146.47
Shipped goods	7,984,719.82		7,984,719.82	2,652,382.62		2,652,382.62
Total	1,416,087,703.02	37,978,943.17	1,378,108,759.85	1,059,610,806.39	16,909,196.39	1,042,701,610.00

(2) Devaluation provisions of inventories

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase amount of the current period		Decrease amount of the current period		Closing balance
		Accrued	Others	Reversed or resold	Others	
Raw materials		739,072.04	670,188.37		-8,874.20	1,418,134.61
Work-in-process		-580,268.16	671,699.62			91,431.46
Finished products	16,909,196.39	16,660,777.49	1,862,261.83		-2,138.82	35,434,374.53
Revolving materials		892,499.29	141,489.51		-1,013.77	1,035,002.57
Expendable biological assets						
Completed unsettled assets formed by construction contracts						
Materials in transit						
Consigned processing materials						
Shipped goods						
Total	16,909,196.39	17,712,080.66	3,345,639.33		-12,026.79	37,978,943.17

Other descriptions:

Increase amount of the current period - others were caused by the business combination, while decrease amount of the current period - others were caused by the translation difference of foreign currency statements of overseas subsidiaries at the end of the year.

(3) Description on the capitalization amount of the borrowing expenses included in the balance of inventories at the end of the period

Applicable" Not applicable"

(4) Particulars on completed but unsettled assets formed by construction contract at the end of the period

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

10. Held for sale assets

Applicable" Not applicable"

11. Non-current assets due within one year

Applicable" Not applicable"

Important debt investment and other debt investment at the end of the period:

Applicable" Not applicable"

Other explanation

No

12. Other current assets

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank wealth management products		0
VAT input tax to be certified	20,104,638.98	12,930,815.35
Pre-paid enterprise income tax	1,104,950.25	154,827.95
Carbon quota	35,824.00	
VAT retention amount	8,035,512.06	13,891,757.05
Total	29,280,925.29	26,977,400.35

Other explanation

No

13. Debt investment**(1) Particulars on debt investment**

Applicable" Not applicable"

(2) Important debt investment at the end of the period

Applicable" Not applicable"

(3) Particulars on accruing of impairment provisions

Applicable" Not applicable"

The basis for adopting the amount of impairment provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

14. Other debt investment**(1) Particulars on other debt investments**

Applicable" Not applicable"

(2) Important other debt investments at the end of the period

Applicable" Not applicable"

(3) Particulars on accruing of impairment provisions

Applicable" Not applicable"

The basis for adopting the amount of impairment provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

15. Long-term receivables**(1) Long-term receivables**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance			Discount rate range
	Carrying balance	Bad debt provisions	Carrying value	Carrying balance	Bad debt provisions	Carrying value	
Financing lease receivables							
Including: Unrealized financing income							
Installment sales of goods							
Installment rendering of services							
Others	6,624,590.00		6,624,590.00				
Total	6,624,590.00		6,624,590.00				/

Other descriptions:

On 29 July 2019, the Company and Axus Stationery's original actual controllers (Mr. Xu Peifeng and Mr. Andre Francis Viegas) and original shareholders (Yilin Investment (Shanghai) Co., Ltd. ("Yilin Investment"), Higton Limited and Beilin Investment (Shanghai) Co., Ltd. ("Beilin Investment") signed the Supplementary Agreement to the Equity Transfer Agreement (2). According to the Agreement, Yilin Investment, Higton Limited and Beilin Investment agreed to provide company compensation for audit adjustments and losses during the period, and the compensation would be implemented in two years from 1 July 2019, namely RMB3,312,295 would be returned before 30 June 2020 and RMB3,312,295 before 30 June 2021; Mr. Xu Peifeng agreed to assume personal guarantee of joint and several liability for the company for all the above compensation obligations, and the guarantee period started from the effective date of the Agreement to the date when the creditor's right was fully performed; the scope of guarantee included but was not limited to the creditor's right, damage compensation (if any), and the company's cost for realizing the creditor's right; Mr. Xu Peifeng's assets involved in the assumption of guarantee responsibility were including but not limited to his indirectly-held shares of Axus Stationery.

(2) Particulars on accruing of bad debt provisions

Applicable" Not applicable"

The basis for adopting the amount of bad debt provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable" Not applicable"

(3) Long receivables derecognized due to the transfer of financial assets

Applicable" Not applicable"

(4) Assets and liabilities formed due to the transfer and continuous involvement of long receivables

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

16. Long-term equity investments

Applicable" Not applicable"

Unit: Yuan Currency: RMB

		Change of the current period		
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Invested company	At the beginning of the period Balance	Additional investment	Withdrawn investment	Investment gains and losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Declaration on distribution of cash dividends or profits	Accruing of impairment provisions	Others	At the end of the period Balance	Balance of impairment provisions at the end of the period
I. Joint venture											
Sub-total											
II. Associate											
Ningbo Zhongchen Equity Investment Partnership (Limited Partnership)	30,175,665.26			-313,145.25	-16,285.82					29,846,234.19	
Shanghai Pen-making Technology Services Co., Ltd.		6,000,000.00		-263,450.72						5,736,549.28	
Sub-total	30,175,665.26	6,000,000.00		-576,595.97	-16,285.82					35,582,783.47	
Total	30,175,665.26	6,000,000.00		-576,595.97	-16,285.82					35,582,783.47	

Other explanation

No

17. Investments in other equity instruments**(1) Particulars on other equity instrument investments**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Shanghai M&G Culture and Creativity Co., Ltd.	3,909,179.93	3,600,000.00
Total	3,909,179.93	3,600,000.00

(2) Particulars on non-trading equity instrument investment

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Dividend income recognized in the current period	Accumulated gains	Accumulated losses	Amount transferred from other comprehensive income into retained earnings	Reason for designation as at fair value through other comprehensive income	Reason for transfer from other comprehensive income into retained earnings

Shanghai M&G Culture and Creativity Co., Ltd.		309,179.93			The Company held the investment for non-trading purposes	
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Other descriptions:

Applicable Not applicable

18. Other non-current financial assets

Applicable Not applicable

Other descriptions:

Applicable Not applicable

19. Investment real estate

Measurement model of investment real estate

Not applicable

20. Fixed assets

Presented by item

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	1,163,702,352.12	876,617,888.99
Disposal of fixed assets		
Total	1,163,702,352.12	876,617,888.99

Other descriptions:

Applicable Not applicable

Fixed assets

(1) Particulars on fixed assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Property and buildings	Machinery and equipment	Means of transportation	Other equipment	Total

I. Original carrying value:					
1. Balance at the beginning of the period	634,058,338.98	508,257,905.74	51,896,534.68	247,138,600.17	1,441,351,379.57
2. Increase amount of the current period	307,887,708.81	228,594,626.61	7,103,818.01	65,925,711.32	609,511,864.75
(1) Acquisition	1,124,312.14	2,243,162.75	2,718,213.62	8,683,132.13	14,768,820.64
(2) Transfer-in from construction in progress	344,573.67	44,870,318.20		43,644,778.63	88,859,670.50
(3) Increase for business combination	306,418,823.00	181,481,145.66	4,385,604.39	13,597,800.56	505,883,373.61
3. Decrease amount of the current period	-34,853.14	10,671,810.89	1,609,309.01	8,464,792.35	20,711,059.11
(1) Disposal or scraping	344,908.44	11,288,741.19	1,619,341.63	8,648,782.88	21,901,774.14
(2) Translation difference of foreign-currency statements	-379,761.58	-616,930.30	-10,032.62	-183,990.53	-1,190,715.03
4. Balance at the end of the period	941,980,900.93	726,180,721.46	57,391,043.68	304,599,519.14	2,030,152,185.21

II. Accumulative depreciation					
1. Balance at the beginning of the period	154,272,296.01	195,023,643.78	39,846,494.48	175,591,056.31	564,733,490.58
2. Increase amount of the current period	100,482,179.17	150,350,773.86	6,746,608.71	59,581,720.59	317,161,282.33
(1) Accruing	44,858,253.67	60,679,850.29	3,421,246.71	51,540,231.67	160,499,582.34
(2) Increase for business combination	55,623,925.50	89,670,923.57	3,325,362.00	8,041,488.92	156,661,699.99
3. Decrease amount of the current period	647,425.55	5,883,989.75	877,379.09	8,270,294.13	15,679,088.52
(1) Disposal or scraping	660,455.03	6,242,258.00	889,987.33	8,342,204.06	16,134,904.42
(2) Translation difference of foreign- currency statements	-13,029.48	-358,268.25	-12,608.24	-71,909.93	-455,815.90
4. Balance at the end of the period	254,107,049.63	339,490,427.89	45,715,724.10	226,902,482.77	866,215,684.39
III. Impairment provisions				(0.00)	
1. Balance at the					

beginning of the period					
2. Increase amount of the current period		234,148.70			234,148.70
(1) Accruing					
(2) Increase for business combination		234,148.70			234,148.70
3. Decrease amount of the current period					
(1) Disposal or scraping					
4. Balance at the end of the period		234,148.70			234,148.70
IV. Carrying value					
1. Carrying value at the end of the period	687,873,851.30	386,456,144.87	11,675,319.58	77,697,036.37	1,163,702,352.12
2. Carrying value at the beginning of the period	479,786,042.97	313,234,261.96	12,050,040.20	71,547,543.86	876,617,888.99

Other descriptions:

For the restricted situation of fixed assets, please refer to Note XIV. Commitments and Contingencies.

(2) Particulars on temporary idle fixed assets

" Applicable" " Not applicable"

(3) Particulars on fixed assets leased in under financing leases

Applicable" Not applicable"

(4) Fixed assets leased out under operating leases

Applicable" Not applicable"

(5) Particulars on fixed assets of which the property ownership certificates have not been obtained

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

Disposal of fixed assets

Applicable" Not applicable"

21. Construction in progress

Presented by item

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	260,469,728.76	24,506,469.59
Engineering materials		
Total	260,469,728.76	24,506,469.59

Other descriptions:

 Applicable Not applicable**Construction in progress****(1) Particulars on construction in progress** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value
Qingcun Production Base Construction Project	158,942,138.30		158,942,138.30	2,300,484.22		2,300,484.22
Internet E-Commerce Industrial Park Project	82,259,438.98		82,259,438.98			
Fixed assets not yet installed and put into use	8,824,754.04		8,824,754.04	20,922,274.63		20,922,274.63
Others	10,443,397.44		10,443,397.44	1,283,710.74		1,283,710.74
Total	260,469,728.76		260,469,728.76	24,506,469.59		24,506,469.59

Changes in important construction in progress projects in the current period

 Applicable Not applicable

Unit: Yuan Currency: RMB

Items	Budget	At the beginning of the period Balance	Increase amount of the current period	Amount of fixed assets transferred in the current period	Other decrease amounts in the current period	At the end of the period Balance	Proportion of cumulative investment in the project to the budget (%)	Progress of works	Accumulated amount of interest capitalization	Including: Amount of interest capitalization in the current period	Interest capitalization rate (%) in the current period	Source of fund
Qingcun Production Base Construction Project	733,910,100.00	2,300,484.22	156,792,972.06	151,317.98		158,942,138.30	91.22	91.22				Self-raised funds, borrowings from financial institutions
Internet E-Commerce Industrial Park Project			82,259,438.98			82,259,438.98						
Fixed assets not yet installed and put into use		20,922,274.63	73,095,059.90	85,192,580.49		8,824,754.04						
Others		1,283,710.74	15,396,762.86	3,515,772.03	2,721,304.13	10,443,397.44						
Total	733,910,100.00	24,506,469.59	327,544,233.80	88,859,670.50	2,721,304.13	260,469,728.76	/	/			/	/

The amount of other increases transferred into intangible assets was RMB2,461,673.93, and the amount transferred into long-term deferred expenses was RMB259,630.20.

(2) Particulars on impairment provisions accrued for construction in progress in the current period

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

Engineering materials

(1) Particulars on engineering materials

Applicable" Not applicable"

22. Productive biological assets

(1) Productive biological assets using cost measurement model

Applicable" Not applicable"

(2) Productive biological assets using fair value measurement model

Applicable" Not applicable"

Other explanation

 Applicable Not applicable**23. Oil and gas assets** Applicable Not applicable**24. Right-of-use assets** Applicable Not applicable**25. Intangible assets****(1) Particulars on intangible assets** Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Land use rights	Patent right	Unpatented technology	Image identification rights	Software	Others	Total
I. Original carrying value							
1. Balance at the beginning of the period	187,858,988.00	6,175,637.85		14,754,928.91	24,618,010.88	1,650,000.00	235,057,565.64
2. Increase amount of the current period	151,557,936.87	6,470,027.94		93,989.00	8,633,605.89	32,622.64	166,788,182.34
(1) Acquisition		741,339.43			3,590,815.98		4,332,155.41
(2) R&D							
(3) Increase for business combination	151,557,936.87	5,728,688.51		93,989.00	2,581,115.98	32,622.64	159,994,353.00
(4) Transfer-in from construction in progress					2,461,673.93		2,461,673.93
3. Decrease amount of the current period	-600,414.23			14,754,928.91			14,154,514.68
(1) Disposal							
(2) Translation difference of foreign-	-600,414.23						-600,414.23

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currency statements							
(3) Invalid and derecognized use rights				14,754,928.91			14,754,928.91
4. Balance at the end of the period	340,017,339.10	12,645,665.79		93,989.00	33,251,616.77	1,682,622.64	387,691,233.30
2. Cumulative amortization							
1. Balance at the beginning of the period	19,524,715.50	2,023,538.20		14,335,071.58	10,286,364.69	900,000.00	47,069,689.97
2. Increase amount of the current period	15,562,298.97	1,278,556.24		513,846.33	6,806,933.57	182,622.48	24,344,257.59
(1) Accruing	6,253,494.22	1,047,818.95		419,857.33	4,373,675.91	150,000.00	12,244,846.41
(2) Increase for business combination	9,308,804.75	230,737.29		93,989.00	2,433,257.66	32,622.48	12,099,411.18
3. Decrease amount of the current period	-26,452.56			14,754,928.91			14,728,476.35
(1) Disposal							
(2) Invalid and derecognized use rights				14,754,928.91			14,754,928.91
(3) Translation difference of foreign-currency statements	-26,452.56						-26,452.56
4. Balance at the end of the period	35,113,467.03	3,302,094.44		93,989.00	17,093,298.26	1,082,622.48	56,685,471.21
III. Impairment provisions							
1. Balance at the beginning of the period							
2. Increase amount of the current period							
(1) Accruing							
(2) Increase for business combination							

3. Decrease amount of the current period							
(1) Disposal							
4. Balance at the end of the period							
IV. Carrying value							
1. Carrying value at the end of the period	304,903,872.07	9,343,571.35			16,158,318.51	600,000.16	331,005,762.09
2. Carrying value at the beginning of the period	168,334,272.50	4,152,099.65		419,857.33	14,331,646.19	750,000.00	187,987,875.67

The proportion of intangible assets formed by the Company's internal R&D at the end of the current period in the balance of intangible assets was 0

(2) Particulars on use rights of land of which the property ownership certificates have not been obtained

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

26. Development expenses

Applicable" Not applicable"

27. Goodwill

(1) Original carrying value of goodwill

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Name of invested company or event forming goodwill	Opening balance	Increase of the current period		Decrease of the current period		Closing balance
		Formed due to business combination	Others	Disposal	Others	

Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔雅文化创意发展有限公司)	131,001.23					131,001.23
Axus Stationery (Shanghai) Company Ltd.		30,175,537.19				30,175,537.19
Total	131,001.23	30,175,537.19				30,306,538.42

(2) Impairment provisions of goodwill

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Name of invested company or event forming goodwill	Opening balance	Increase of the current period		Decrease of the current period		Closing balance
		Accrued	Others	Disposal	Others	
Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔雅文化创意发展有限公司)		131,001.23				131,001.23
Total		131,001.23				131,001.23

(3) Information regarding the asset group or the combination of asset groups to which goodwill belongs

"√ Applicable" "□ Not applicable"

Name of asset group	Carrying value of goodwill attributable to shareholders of the parent	Carrying value of goodwill attributable to minority shareholders	Total carrying value of goodwill	Carrying value of other assets in the asset group or the combination of	Carrying value of the asset group or the combination of asset groups	Whether the asset group has

	company			asset groups	including goodwill	changed
Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔雅文化创意发展有限公司)	131,001.23	125,863.93	256,865.16	1,347,489.93	1,604,355.09	No
Axus Stationery (Shanghai) Company Ltd.	30,175,537.19	23,709,350.65	53,884,887.84	438,838,223.62	492,723,111.46	No

(4) Describe the goodwill impairment test process, key parameters (such as growth rate in the forecast period, growth rate in the stable period, profit margin, discount rate, forecast period, etc. when estimating the present value of the estimated future cash flow, if applicable) and the recognition method for impairment losses of goodwill

"√ Applicable" "□ Not applicable"

Name of asset group	Key parameter					Present value of estimated future cash flow	Amount of goodwill impairment provisions
	Forecast period	Expected growth rate	Growth rate in the steady period	Profit margin	Discount rate (weighted average cost of capital WACC)		
Axus Stationery (Shanghai) Company Ltd.	2020-2024	[Note]	Flat	Calculated according to predicted income, costs, expenses, etc.	15.43%	519,000,000.00	

Note: According to the comprehensive analysis of the contracts and agreements signed by Axus Stationery, and development plans, operating trends over the years, market competition and other factors, the main business income and related costs, expenses and profits in the next five years starting from the evaluation base date were estimated.

(5) Effect of goodwill impairment test

"√ Applicable" "□ Not applicable"

The Company's acquisition of Axus Stationery was based on the performance promise that the agreed gross profit margin needs to be achieved in 2019 and the income from sales outside China needs to reach the corresponding amount, but because the Company failed to achieve such goals, according to the relevant provisions of the Accounting Standards for Business Enterprises, should any new or further evidence arises within 12 months after the acquisition date and makes it necessary to adjust the contingent consideration on the acquisition date, it shall be recognized and the amount originally included into consolidated goodwill shall be adjusted; the Company determined the carrying value of goodwill according to the adjusted corresponding consideration.

For the current year, the Company hired Shanghai Lixin Appraisal Co., Ltd. to issue the Asset Appraisal Report on the Recoverable Amount of Relevant Asset Groups of Axus Stationery (Shanghai) Company Ltd. involved in the Goodwill Impairment Test Carried out by Shanghai M&G Stationery Inc. for the Purpose of Financial Reporting with the report number of Xin Zi Ping Bao Zi [2020] No.40043 on 10 April 2020. According to the appraisal results, as of 31 December 2019, the carrying value of the asst group or the combination of asset groups including goodwill of Axus Stationery acquired by the Company was RMB492,723,100, and the recoverable amount was RMB519,000,000; after the test, there was no impairment of the goodwill formed by the Company's acquisition of Axus Stationery.

Other explanation

Applicable" Not applicable"

28. Long-term prepaid expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase amount of the current period	Amortization amount of the current period	Other decrease amounts	Closing balance
Decoration fee	117,412,655.81	58,969,490.95	56,178,649.63	3,936,583.49	116,266,913.64
Others	611,708.86	12,770,468.84	2,144,251.34	9,168,506.05	2,069,420.31
Total	118,024,364.67	71,739,959.79	58,322,900.97	13,105,089.54	118,336,333.95

Other descriptions:

The increase amount of the current period included the original value of RMB12,538,099.65 of long-term deferred expenses increased for business combinations.

Other decrease amounts included the accumulated amortization amount of RMB12,279,319.47 of long-term deferred expenses increased for business combinations.

29. Deferred income tax assets/Deferred income tax liabilities**(1) Unoffset deferred income tax assets**

"√ Applicable" "□ Not applicable"

Unit: RMB Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax Assets	Deductible temporary differences	Deferred income tax Assets
Impairment provisions of assets	59,901,405.29	14,183,474.28	28,661,424.71	6,791,290.35
Unrealized profits from internal transactions	105,422,678.59	17,734,494.35	82,691,090.00	14,122,763.53
Deductible losses	1,394,984.07	348,746.02		
Deferred income	28,808,795.45	4,356,820.94	30,437,478.08	4,611,467.10
Total	195,527,863.40	36,623,535.59	141,789,992.79	25,525,520.98

(2) Unoffset deferred income tax liabilities

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax Liabilities	Taxable temporary differences	Deferred income tax Liabilities
Assets appreciation for business combination not under the common control	190,554,505.02	34,553,803.87	2,259,638.02	564,909.50
Changes in fair value of other debt investments				
Changes in fair value of other equity instrument investments				

Changes in fair value of trading financial assets	11,878,587.24	2,022,940.68		
Total	202,433,092.26	36,576,744.55	2,259,638.02	564,909.50

(3) Deferred income tax assets or liabilities presented on a net basis after offsetting

Applicable" Not applicable"

(4) Details of unrecognized deferred income tax assets

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	80,145,537.46	55,387,660.23
Deductible losses	319,004,132.22	222,133,153.97
Total	399,149,669.68	277,520,814.20

(5) The deductible losses of unrecognized deferred income tax assets will expire in the following years

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Year	Amount at the end of the period	Amount at the beginning of the period	Note
2024	51,157,003.13		
2023	128,291,769.66	58,495,645.77	
2022	35,217,084.45	52,048,124.68	
2021	81,175,636.36	86,639,439.53	
2020	20,866,933.92	15,739,983.66	
2019	2,295,704.70	9,209,960.33	
Total	319,004,132.22	222,133,153.97	/

Other descriptions:

Applicable" Not applicable"

30. Other non-current assets

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Prepayments for real estate, engineering, equipment, etc.	315,153,408.27	311,300,000.00
Total	315,153,408.27	311,300,000.00

Other descriptions:

No

31. Short-term borrowings**(1) Classification of short-term borrowings**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Pledged borrowings		
Mortgaged borrowings	182,979,528.81	
Guaranteed borrowings		
Credit borrowings		
Interest payable	214,235.05	
Total	183,193,763.86	

Other descriptions:

For the relevant mortgage information, please refer to Note XIV. Commitments and Contingencies.

(2) Particulars on overdue but yet unrepaid short-term borrowings

"□ Applicable" "√ Not applicable"

Particulars of important overdue but yet unrepaid short-term borrowings:

"□ Applicable" "√ Not applicable"

Other explanation

"□ Applicable" "√ Not applicable"

32. Held-for-trading financial liabilities

"□ Applicable" "√ Not applicable"

33. Derivative financial liabilities

"□ Applicable" "√ Not applicable"

34. Bills payable**(1) Presentation of notes payable**

Applicable" Not applicable"

35. Accounts payable**(1) Presentation of accounts payable**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Within 1 year	1,857,292,820.26	1,316,235,807.23
1 to 2 years	2,179,464.37	1,992,272.43
2 to 3 years	1,103,433.79	731,795.95
Above 3 years	496,749.45	447,172.60
Total	1,861,072,467.87	1,319,407,048.21

(2) Accounts payable with the account age over one year

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

36. Accounts received in advance**(1) Presentation of advance received from customers**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Within 1 year	205,407,801.97	144,643,662.55
1 to 2 years	824,974.39	2,713,712.64
2 to 3 years	316,841.78	179,943.98
Above 3 years	212,675.80	109,734.70
Total	206,762,293.94	147,647,053.87

(2) Significant advance received from customers with the account age over one year

Applicable" Not applicable"

(3) Particulars of settled but uncompleted projects formed by construction contract at the end of the period

Applicable" Not applicable"

Other explanation

Applicable" Not applicable"

37. Employee benefits payable**(1) Presentation of employee benefits payable**

Applicable" Not applicable"

Item	Unit: Yuan		Currency: RMB	
	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
I. Short-term benefits	114,073,241.17	684,508,436.90	651,801,356.38	146,780,321.69
II. Post-employment benefits - Defined contribution plans	6,712,835.35	77,590,743.51	76,964,408.23	7,339,170.63
III. Dismissal benefits		417,251.98	417,251.98	
IV. Other benefits due within one year				
Total	120,786,076.52	762,516,432.39	729,183,016.59	154,119,492.32

(2) Presentation of short-term benefits

Applicable" Not applicable"

Item	Unit: RMB		Currency: RMB	
	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
I. Salary, bonus, allowance and subsidy	109,048,913.79	599,982,363.54	572,282,508.82	136,748,768.51
II. Employee benefits		1,248,410.48	1,248,017.15	393.33
III. Social insurance	2,599,960.27	48,360,502.97	47,133,344.02	3,827,119.22
Including: Medical insurance	2,298,876.31	40,569,713.86	39,530,719.41	3,337,870.76
Work-related injury insurance	66,036.09	3,242,652.28	3,163,283.70	145,404.67

Maternity insurance	235,047.87	4,548,136.83	4,439,340.91	343,843.79
IV. Housing provident fund	2,196,410.89	19,535,462.44	19,132,641.66	2,599,231.67
V. Labor union and employee education funds	38,055.30	6,169,123.07	2,884,748.42	3,322,429.95
VI. Short-term compensated absences	189,900.92	8,439,402.26	8,349,327.80	279,975.38
VII. Short-term profit sharing plan				
VIII. Other short-term benefits		773,172.14	770,768.51	2,403.63
Total	114,073,241.17	684,508,436.90	651,801,356.38	146,780,321.69

(3) Presentation of defined contribution plans

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
1. Basic pension	6,589,734.69	75,307,562.28	74,741,520.09	7,155,776.88
2. Unemployment insurance	123,100.66	2,283,181.23	2,222,888.14	183,393.75
3. Enterprise annuity payment				
Total	6,712,835.35	77,590,743.51	76,964,408.23	7,339,170.63

Other descriptions:

Applicable" Not applicable"

38. Taxes payable

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value added tax ("VAT")	104,412,244.02	141,466,661.91
Consumption tax		
Business tax		
Enterprise income tax	130,486,171.57	120,221,282.24
Personnel income tax	8,228,966.18	6,628,590.90

Urban maintenance and construction tax	3,975,132.04	5,216,961.88
Property tax	476,707.70	
Education surcharge	5,857,154.52	5,740,453.51
Land use tax	1,492,046.98	
Stamp duty	3,439,030.61	103,401.74
Others	215,664.52	194.00
Total	258,583,118.14	279,377,546.18

Other descriptions:

No

39. Other payables

Presented by item

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		
Other payables	331,438,976.35	240,665,881.17
Total	331,438,976.35	240,665,881.17

Other descriptions:

Applicable" Not applicable"

Interest payable

(1) Presentation by category

Applicable" Not applicable"

Dividend payable

(1) Presentation by category

Applicable" Not applicable"

Other payables

(1) Other payables presented by amount nature

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
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Margin and deposit	153,783,801.10	120,859,921.25
Product license fee	1,051,890.00	1,539,546.31
Estimated fees	126,261,415.65	78,855,783.50
Engineering and decoration fund	28,482,632.65	26,019,961.51
Others	21,859,236.95	13,390,668.60
Total	331,438,976.35	240,665,881.17

(2) Other payables with the account age over one year

Applicable" Not applicable"

Other particulars:

Applicable" Not applicable"

40. Held-for-sale liabilities

Applicable" Not applicable"

41. Non-current liabilities due within one year

Applicable" Not applicable"

42. Other current liabilities

Particulars on other current liabilities

Applicable" Not applicable"

Changes in short-term bonds payable:

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

43. Long-term borrowings**(1) Classification of long-term borrowings**

Applicable" Not applicable"

Other particulars, including interest rate ranges:

Applicable" Not applicable"

44. Bonds payable**(1) Bonds payable**

Applicable" Not applicable"

(2) Changes in bonds payable: (excluding other financial instruments such as preferred shares classified as financial liabilities and perpetual bonds)

Applicable" Not applicable"

(3) Description on the conversion conditions and conversion time of convertible corporate bonds

Applicable" Not applicable"

(4) Description on other financial instruments classified as financial liabilities

Basic information on other financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

Applicable" Not applicable"

Form of changes in financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

Applicable" Not applicable"

Description of the basis for other financial instruments classified as financial liabilities:

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

45. Lease liabilities

Applicable" Not applicable"

46. Long-term payables**Presented by item**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term payable		
Special payables	6,620,000.00	5,109,800.00
Total	6,620,000.00	5,109,800.00

Other descriptions:

Applicable" Not applicable"

Long-term payable

(1) Long-term payables presented by amount nature

Applicable" Not applicable"

Special payables

(1) Special payables presented by amount nature

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance	Cause of formation
New environment-friendly pen-making material project belonging to key special projects for improvement and industrialization of key basic materials under the national key R&D plan	5,109,800.00	8,710,200.00	7,200,000.00	6,620,000.00	
Total	5,109,800.00	8,710,200.00	7,200,000.00	6,620,000.00	/

Other descriptions:

No

47. Long-term employee benefits payable

Applicable" Not applicable"

48. Estimated liabilities

Applicable" Not applicable"

49. Deferred income

Particulars on deferred income

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance	Cause of formation
Government grant	30,215,315.26	5,543,095.62	4,291,731.80	31,466,679.08	
Reward on customer points	2,904,973.75	148,497.62	2,853,757.84	199,713.53	
Brand maintenance	34,156,820.50			34,156,820.50	
Total	67,277,109.51	5,691,593.24	7,145,489.64	65,823,213.11	/

Items involving government subsidies:

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Liability items	Opening balance	Subsidy amount increased in the current period	Amount included in non-operating income of the current period	Amount included in other income of the current period	Other changes	Closing balance	Pertinent to assets/income
Special Fund for Shanghai Modern Service Industry - Three-dimensional Warehouse	10,080,267.27			672,017.88		9,408,249.39	Pertinent to assets
Shanghai's second batch special fund for encouraging enterprises to purchase international R&D equipment in 2014	783,000.00			174,000.00		609,000.00	Pertinent to assets
R&D and industrialization of key materials and preparation technologies in the pen-making industry	966,610.33			244,646.88		721,963.45	Pertinent to assets
Subsidies for the second batch of key technological	2,783,993.79			586,104.12		2,197,889.67	Pertinent to assets

transformation projects in 2013							
Subsidies for absorption and innovation projects in 2014	620,217.51			90,443.52		529,773.99	Pertinent to assets
Service industry guidance funds in 2014	2,123,531.21			328,891.68		1,794,639.53	Pertinent to assets
Key technological transformation projects of Shanghai in 2015	4,260,910.89			561,878.28		3,699,032.61	Pertinent to assets
Inbound Marketing - Internet + product development project	687,029.12			107,310.24		579,718.88	Pertinent to assets
Special fund for Shanghai informatization development	1,340,000.00	580,000.00		325,087.60		1,594,912.40	Pertinent to assets
Special funds for technology R&D projects	266,167.65			134,548.27		131,619.38	Pertinent to assets
Special funds for industrial transformation and upgrade development of Shanghai in 2016	1,100,000.00			120,879.10		979,120.90	Pertinent to assets
High-value-added product creative development project	197,296.61			29,437.44		167,859.17	Pertinent to assets
Industrial foundation consolidation project in 2016	3,770,000.00					3,770,000.00	Pertinent to assets
Special funds for development of SMEs in Shanghai in 2016	236,290.88			80,988.33		155,302.55	Pertinent to assets
Funds for improvement of capacities of Shanghai Engineering Research Center in 2017	1,000,000.00					1,000,000.00	Pertinent to assets
Cultural and creative project in 2019		700,000.00				700,000.00	Pertinent to assets

Subsidies for injection molding machine intelligent equipment		570,000.00				570,000.00	Pertinent to assets
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of "Green Design - Innovative R&D" by Marco Colorful Painting Pen C1085		1,542,320.00		709,085.34	529,461.95	1,362,696.61	Pertinent to assets
Special fund plan for key technological renovation projects in Qingpu District in 2012				77,333.36	473,666.66	396,333.30	Pertinent to assets
Construction Project of "Marco-Color-Source" Creative Experience Center		362,370.95				362,370.95	Pertinent to assets
Special funds for central foreign economic and trade development				49,079.76	785,276.06	736,196.30	Pertinent to assets
Total	30,215,315.26	3,754,690.95		4,291,731.80	1,788,404.67	31,466,679.08	

Other descriptions:

Applicable" Not applicable"

Other changes were caused by the increase for business combinations.

50. Other non-current liabilities

Applicable" Not applicable"

51. Share capital

Applicable" Not applicable"

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease (+ or -) due to this change					Closing balance
		Issue New shares	Bonus shares	Provident funds Transferred shares	Others	Sub-total	

Total shares	920,000,000.00						920,000,000.00
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Other descriptions:

No

52. Other equity instruments

(1) Basic information on other financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

Applicable" Not applicable"

(2) Form of changes in financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

Applicable" Not applicable"

Changes in other equity instruments of the current period, reasons for changes, and basis for relevant accounting treatment:

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

53. Capital reserve

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
Capital premium (Share premium)	272,347,764.53			272,347,764.53
Other capital reserve				
Total	272,347,764.53			272,347,764.53

Other descriptions, including descriptions on changes of the current period and reasons for changes:

No

54. Treasury shares

Applicable" Not applicable"

55. Other comprehensive income

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	At the beginning of the period Balance	Amount accounted for in the current period						At the end of the period Balance
		Amount incurred before income tax for the current period	Less: Included in other comprehensive income in the previous period and transferred to profit or loss in the current period	Less: Included in other comprehensive income in the previous period and transferred to retained earnings in the current period	Less: Income tax expenses	Attributable to the parent company after the tax	Attributable to minority shareholders after the tax	
I. Other comprehensive income not to be reclassified into profit or loss		309,179.93				309,179.93		309,179.93
Including: Change in re-measurement of defined benefit plans								
Other comprehensive income that may not be reclassified to profit or loss under equity method								
Changes in fair value of other equity instrument investments		309,179.93				309,179.93		309,179.93
Change in fair value of enterprise's own credit risk								

II. Other comprehensive income to be reclassified into profit or loss		400,616.76				217,179.62	183,437.14	217,179.62
Including: Other comprehensive income that may be reclassified to profit or loss under equity method		-16,285.82				-16,285.82		-16,285.82
Changes in fair value of other debt investments								
Amount included in other comprehensive income on reclassification of financial assets								
Credit impairment provisions of other debt investments								
Effective portion of cash flow hedging profit or loss								
Exchange differences from translation of financial statements		416,902.58				233,465.44	183,437.14	233,465.44
Total other comprehensive income		709,796.69				526,359.55	183,437.14	526,359.55

Other descriptions, including the adjustment of the effective portion of cash flow hedging profit or loss transferred to the initial recognition amount of the hedged item:

No

56. Special reserve

Applicable" Not applicable"

57. Surplus reserve

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
Statutory surplus reserve	344,271,419.35	95,988,980.24		440,260,399.59
Arbitrary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	344,271,419.35	95,988,980.24		440,260,399.59

Descriptions on surplus reserve, including descriptions on changes of the current period and reasons for changes:

The statutory surplus reserve is accrued at 10% of the parent company's net profits.

58. Undistributed profit

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Pre-adjustment undistributed profits at the end of the previous period	1,874,727,294.53	1,372,359,133.67

Total adjustment amount of undistributed profits at the beginning of the period (“+” refers to increase by adjustment and “-” refers to decrease by adjustment)	5,543,922.00	
Post-adjustment amount of undistributed profits at the beginning of the period	1,880,271,216.53	1,372,359,133.67
Add: Net profit attributable to shareholders of the parent company in the current period	1,060,083,625.03	806,847,308.41
Less: Statutory surplus reserve accrued	95,988,980.24	74,479,147.55
Arbitrary surplus reserve accrued		
Withdrawal of general risk provision		
Dividends on common shares payable	276,000,000.00	230,000,000.00
Dividends on common shares converted to stock capital		
Undistributed profit at the end of the period	2,568,365,861.32	1,874,727,294.53

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

1. Due to the retrospective adjustment based on the Accounting Standards for Business Enterprises and their related new regulations, the affected undistributed profit at the beginning of the period was RMB5,543,922.00.
2. Due to changes in accounting policies, the affected undistributed profit at the beginning of the period was RMB0.
3. Due to correction of major accounting errors, the affected undistributed profit at the beginning of the period was RMB0.
4. Due to changes in the scope of the consolidated financial statements caused by the business combination under common control, the affected undistributed profit at the beginning of the period was RMB0.
5. Due to other adjustments, the affected undistributed profit at the beginning of the period was RMB0.

59. Operating income and operating costs**(1) Operating income and operating costs**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period		Amount accounted for in the previous period	
	Revenue	Costs	Revenue	Costs
Main operations	11,139,921,640.93	8,229,332,367.02	8,533,924,778.69	6,330,424,573.53
Other operations	1,179,723.51	504,901.84	1,063,818.86	22,166.63
Total	11,141,101,364.44	8,229,837,268.86	8,534,988,597.55	6,330,446,740.16

Other descriptions:

Details on operating income:

Item	Amount in the current period	Amount in the last period
Income from main operations	11,139,921,640.93	8,533,924,778.69
Including: Sales of goods	11,128,504,198.10	8,530,618,597.18
Management fee for franchising	4,562,765.09	2,709,394.05
Hardware and software	6,854,677.74	596,787.47
Income from other operations	1,179,723.51	1,063,818.86
Including: Material income	996,698.40	
Rental income	63,875.37	955,179.69
Others	119,149.74	108,639.17
Total	11,141,101,364.44	8,534,988,597.55

60. Taxes and surcharges

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Consumption tax		
Business tax		

Urban maintenance and construction tax	11,196,254.01	12,512,019.05
Education surcharge	17,562,369.49	18,171,704.35
Resource tax		
Property tax	1,348,318.75	
Land use tax	683,113.09	754,343.70
Vehicle usage tax		
Stamp duty	11,052,982.62	3,211,910.43
Others	152,020.10	70,701.73
Total	41,995,058.06	34,720,679.26

Other descriptions:

No

61. Selling expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Total	980,166,101.18	789,386,543.37
Items with relatively large amount:		
Salaries and benefits	282,098,540.51	264,361,912.83
Channel construction fee	52,031,005.95	46,590,825.26
Brand promotion fee	49,109,586.72	26,183,591.17
Transportation and handling charge	86,718,004.33	81,667,789.42
Business promotion fee	77,878,656.77	67,602,773.25
Rental fee	149,176,463.15	108,921,114.59
Others	283,153,843.75	194,058,536.85

Other descriptions:

No

62. Administrative expenses

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Total	469,262,188.13	379,618,754.18
Items with relatively large amount:		
Salaries and benefits	226,532,654.57	187,276,647.20
Depreciation and amortization	57,040,455.35	46,069,652.50
Rental fee	34,022,959.81	30,456,723.78
Office expense	23,030,837.14	11,263,997.46
Others	128,635,281.26	104,551,733.24

Other descriptions:

No

63. R&D expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Total	160,403,362.97	114,388,916.75
Items with relatively large amount:		
Salaries and benefits	74,850,775.54	31,648,292.56
Inventory consumption	56,560,157.03	66,844,278.08
Others	28,992,430.40	15,896,346.11

Other descriptions:

No

64. Financial expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Interest expense	8,386,182.80	
Less: Interest income	-20,872,167.57	-5,997,422.97
Exchange gains and losses	566,099.52	-2,768,222.32
Others	3,522,607.60	806,195.64
Total	-8,397,277.65	-7,959,449.65

Other descriptions:

No

65. Other income

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Government grant	26,355,003.29	8,716,713.66
Accrual and deduction of input tax		
Handling charge on withholding personnel income tax	149,878.17	
Total	26,504,881.46	8,716,713.66

Other descriptions:

Government subsidies included in other income

Subsidy projects	Amount in the current period	Amount in the last period	Pertinent to assets/income
Special Fund for Shanghai Modern Service Industry - Three-dimensional Warehouse	672,017.88	672,017.88	Pertinent to assets
Shanghai's second batch special fund for encouraging enterprises to purchase international R&D equipment in 2014	174,000.00	174,000.00	Pertinent to assets
R&D and industrialization of key materials and preparation technologies in the pen-making industry	244,646.88	244,646.88	Pertinent to assets
Subsidies for the second batch of key technological	586,104.12	586,104.12	Pertinent to assets

transformation projects in 2013			
Subsidies for absorption and innovation projects in 2014	90,443.52	90,443.52	Pertinent to assets
Service industry guidance funds in 2014	328,891.68	328,891.68	Pertinent to assets
Key technological transformation projects of Shanghai in 2015	561,878.28	619,089.11	Pertinent to assets
Inbound Marketing - Internet + product development project	107,310.24	107,310.24	Pertinent to assets
Special fund for Shanghai informatization development	325,087.60		Pertinent to assets
Special funds for technology R&D projects	134,548.27	134,548.32	Pertinent to assets
Special funds for industrial transformation and upgrade development of Shanghai in 2016	120,879.10		Pertinent to assets
High-value-added product creative development project	29,437.44	272,402.74	Pertinent to assets
Special funds for development of SMEs in Shanghai in 2016	80,988.33	228,817.89	Pertinent to assets
Zhangjiang Special Development Fund	709,085.34		Pertinent to assets

in 2017 - Achievement Transformation of “Green Design - Innovative R&D” by Marco Colorful Painting Pen C1085			
Special fund plan for key technological renovation projects in Qingpu District in 2012:	77,333.36		Pertinent to assets
Special funds for central foreign economic and trade development	49,079.76		Pertinent to assets
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of “Green Design - Innovative R&D” by Marco Colorful Painting Pen C1085	1,217,680.00		Pertinent to income
Zero Balance Special Account of Shanghai Qingpu District Finance Bureau - Enterprise Support Fund of Shanghai Municipal Administration for Market Regulation Qingpu District Branch	10,100.00		Pertinent to income
Construction Project of "Marco-Color-	12,629.05		Pertinent to income

Source" Creative Experience Center			
Subsidies for coal-fired boilers	36,864.00		Pertinent to income
Government subsidies	742,900.00		Pertinent to income
Industry development guidance funds	153,400.00		Pertinent to income
Post stability subsidies	428,526.10	218,788.32	Pertinent to income
Support funds for export credit insurance premium	4,451.92	202,358.65	Pertinent to income
Disability benefit awards	68,181.83		Pertinent to income
IP related rewards	489,463.00	203,334.50	Pertinent to income
Cultural festival bonuses	4,000.00		Pertinent to income
Special development funds for SMEs		3,440,000.00	Pertinent to income
Training fee subsidies	1,795,663.80	914,733.81	Pertinent to income
Funds for investment promotion in Fengxian District		69,226.00	Pertinent to income
Rewards from Hangzhou Qiantang Smart City Industrial Construction Center		210,000.00	Pertinent to income
Support funds for physical industries	1,780,000.00		Pertinent to income
Appropriation of bonuses for recognition of enterprises	5,000.00		Pertinent to income
Unemployment insurance from Yiwu	418,811.79		Pertinent to income

Employment Management & Service Bureau			
Government subsidies for automobile scrapping	15,600.00		Pertinent to income
Special funds for development of enterprises	14,600,000.00		Pertinent to income
Amount returned by financial department in 2018	280,000.00		Pertinent to income
Total	26,355,003.29	8,716,713.66	

66. Investment income

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Long-term equity investment income accounted for under the equity method	-576,595.97	-393,609.74
Investment income from disposal of long-term equity investment		
Investment income from financial asset designated as at fair value through profit or loss during the holding period		
Investment income from disposal of financial asset designated as at fair value through profit or loss		
Investment income from held-to-maturity investments during the holding period		
Investment income from disposal of held-to-maturity investments		

Investment income from available-for-sale financial assets during the holding period		
Investment income from disposal of available-for-sale financial assets		
Investment income from held-for-trading financial assets during the holding period		
Dividend income from other equity instrument investments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets	24,571,581.29	
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Income from bank wealth management products		35,517,479.65
Total	23,994,985.32	35,123,869.91

Other descriptions:

No

67. Net gain on exposure hedging

Applicable" Not applicable"

68. Gain on change in fair value

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Sources of income from changes in fair value	Amount accounted for in the current period	Amount accounted for in the previous period
Held-for-trading financial assets	4,613,287.24	
Including: Income from changes in fair value of derivative financial instruments		
Held-for-trading financial liabilities		
Investment real estate measured at fair value		
Total	4,613,287.24	

Other descriptions:

No

69. Credit impairment losses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Bad debt losses of accounts receivable	14,977,985.47	
Bad debt losses of other receivables	13,028,024.41	
Impairment losses of debt investment		
Impairment losses of other debt investments		
Bad debt losses of long-term receivables		
Total	28,006,009.88	

Other descriptions:

No

70. Asset impairment losses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
1. Bad debt losses		-4,070,164.66
2. Inventory devaluation losses	17,712,080.66	7,482,750.36
3. Impairment losses of available-for-sale financial assets		
4. Impairment losses of held-to-maturity investment		
5. Impairment losses of long-term equity investment		
6. Impairment losses on investment real estate		
7. Impairment losses of fixed assets		
8. Impairment losses of engineering materials		
9. Impairment losses of construction in progress		
10. Impairment losses of productive biological assets		
11. Impairment losses of oil and gas assets		
12. Impairment losses of intangible assets		
13. Impairment losses of goodwill	131,001.23	
14. Others		
Total	17,843,081.89	3,412,585.70

Other descriptions:

No

71. Gains from asset disposal

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Gains or losses from disposal of fixed assets	6,081,606.95	-69,195.83

Total	6,081,606.95	-69,195.83
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Other descriptions:

No

72. Non-operating profits

Non-operating profits

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period	Amount included in the current non-recurring gains and losses
Total gains from disposal of non-current assets			
Including: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Gains from restructuring of debts			
Gains from exchange of non-currency assets			
Acceptance of donations			
Government grant	16,242,800.00	33,406,000.00	16,242,800.00
Brand maintenance		7,843,179.50	
Liquidated damages and fine income	922,677.94	2,814,531.50	922,677.94
Others	12,193,177.10	1,945,301.19	12,193,177.10
Total	29,358,655.04	46,009,012.19	29,358,655.04

Government subsidies included in current profit and loss

 Applicable" Not applicable"

Unit: Yuan Currency: RMB

Subsidy projects	Amount accounted for in the current period	Amount accounted for in the previous period	Pertinent to assets/income
Financial support	16,242,800.00	33,406,000.00	Pertinent to income
Total	16,242,800.00	33,406,000.00	

Other descriptions:

 Applicable" Not applicable"**73. Non-operating expenses** Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period	Amount included in the current non-recurring gains and losses
Total losses from disposal of non-current assets	3,153,550.20	7,769,418.99	3,153,550.20
Including: Losses from disposal of fixed assets			
Losses from disposal of intangible assets			
Losses from restructuring of debts			
Losses from exchange of non-currency assets			
Offering of donations	4,456,387.80	5,211,500.00	4,456,387.80
Abnormal loss	11,579.27		11,579.27
Fine late payment	19,532.73	113,965.06	19,532.73

Compensation expenses	657,935.89	831,477.90	657,935.89
Inventory losses	25,692.24	13,243.48	25,692.24
Others	10,534,564.93	6,599,784.52	10,534,564.93
Total	18,859,243.06	20,539,389.95	18,859,243.06

Other descriptions:

No

74. Income tax expenses

(1) Table of income tax expenses

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Current income tax expenses	229,869,239.88	159,360,651.89
Deferred income tax expenses	-12,266,339.47	-6,982,228.14
Total	217,602,900.41	152,378,423.75

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period
Total profits	1,293,679,744.07
Income tax expenses calculated at statutory/applicable tax rate	194,051,961.61
Effect of applying different tax rates to subsidiaries	18,551,460.39
Effect of adjusting income taxes of the previous periods	-1,593,706.87
Effect of non-taxable income	-28,090,838.02
Effect of non-deductible costs, expenses and losses	26,010,897.30
Effect of deductible losses of deferred income tax assets not recognized in the previous period	-18,128,238.44

Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	26,801,364.44
Income tax expenses	217,602,900.41

Other descriptions:

Applicable" Not applicable"

75. Other comprehensive income

Applicable" Not applicable"

76. Items of the cash flow statement

(1) Other cash received from operating activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Recovery of current amount and advances	212,985,779.50	58,188,219.81
Special allowances and subsidies	43,659,627.09	41,020,341.28
Rental income		
Interest income	20,872,167.57	5,997,422.97
Non-operating profits	1,190,996.41	2,516,883.71
Total	278,708,570.57	107,722,867.77

Descriptions on other cash received from operating activities:

No

(2) Cash paid for other operating activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Inter-company business	453,378,164.39	340,401,634.22
Sales expenses	670,248,889.99	452,856,547.19
Administration expenses	191,012,799.95	126,951,476.82
Financial expenses	3,522,607.60	1,351,716.08

Non-operating expenses	5,881,790.24	6,364,330.49
R&D expenses	26,898,793.51	14,183,851.22
Total	1,350,943,045.68	942,109,556.02

Descriptions on cash paid for other operating activities:

No

(3) Other cash received relating to investing activities

Applicable" Not applicable"

(4) Other cash paid relating to investing activities

Applicable" Not applicable"

(5) Other cash received from financing-related activities

Applicable" Not applicable"

(6) Other cash paid for financing-related activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Cash paid for financing lease	8,687,534.78	
Total	8,687,534.78	

Descriptions on other cash paid for financing-related activities:

No

77. Supplementary information for the cash flow statement

(1) Supplementary information for the cash flow statement

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Supplementary information	Amount in the current period	Amount in the last period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,076,076,843.66	807,836,414.01
Add: Impairment provisions of assets	28,006,009.88	3,412,585.70
Depreciation of fixed assets, oil and gas assets, and productive biological assets	17,843,081.89	
Amortization of right-of-use assets	160,499,582.34	137,811,934.54
Amortization of intangible assets	12,244,846.41	9,858,077.23
Amortization of long-term prepaid expenses	58,322,900.97	50,404,368.15
Losses from disposal of fixed assets, intangible assets and other long-term assets (“-” refers to gains)	-6,081,606.95	69,195.83
Losses from retirement of fixed assets (“-” refers to gains)	3,153,550.20	7,769,418.99
Losses from changes in fair value (“-” refers to gains)	-4,613,287.24	
Financial expenses (“-” refers to income)	15,729,788.85	-2,580,870.25
Investment losses (“-” refers to gains)	-23,994,985.32	-35,123,869.91
Decrease in deferred income tax assets (“-” refers to increase)	-11,098,014.61	-6,866,481.94
Increase in deferred income tax liabilities (“-” refers to decrease)	-1,168,324.86	-115,746.20
Decrease in inventories (“-” refers to increase)	-168,780,666.90	-178,327,653.13
Decrease in operating receivables (“-” refers to increase)	-393,772,873.21	-667,687,434.76

Increase in operating payables ("-" refers to decrease)	319,574,538.57	701,480,627.25
Others		
Net cash flow generated from operating activities	1,081,941,383.68	827,940,565.51
2. Major investing and financing activities not involving cash payment and receipts:		
Debts converted to capital		
Convertible company bonds due within one year		
Fixed assets acquired under financing leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	1,377,446,435.89	741,501,446.10
Less: Opening balance of cash	741,501,446.10	432,046,118.69
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	635,944,989.79	309,455,327.41

(2) Net cash amount paid for the acquisition of subsidiaries in the current period

"√" Applicable "□" Not applicable

Unit: Yuan Currency: RMB

	Amount
Cash or cash equivalents paid for the business combination of the current period in the current period	170,005,997.67
Including: Axus Stationery (Shanghai) Company Ltd.	170,005,997.67
Less: Cash and cash equivalents held by subsidiaries on the acquisition date	59,357,105.23
Including: Axus Stationery (Shanghai) Company Ltd.	59,357,105.23

Add: Cash or cash equivalents paid for the business combination of the prior periods in the current period	
Net cash paid for acquiring subsidiaries	110,648,892.44

Other descriptions:

No

(3) Net cash amount received from the disposal of subsidiaries in the current period

Applicable" Not applicable"

(4) Composition of cash and cash equivalents

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
I. Cash	1,377,446,435.89	741,501,446.10
Including: Cash on hand	503,222.44	816,463.47
Bank deposits readily available for payment	1,372,791,232.44	736,400,367.62
Other Cash and equivalents readily available for payment at any time	4,151,981.01	4,284,615.01
Due from central bank available for payment		
Due from placements with banks and other financial institutions		
Call loan to banks and other financial institutions		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Closing balance of cash and cash equivalents	1,377,446,435.89	741,501,446.10
Including: Cash and cash equivalents of which the use is restricted for the parent company or subsidiaries within the group		

Other descriptions:

Applicable" Not applicable"

78. Notes to items of the statement of changes in owners' equity

Description on "other" item name and adjustment amount adjusted for balance at the end of the previous year:

Applicable" Not applicable"

79. Assets with restricted ownership or use rights

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Carrying value at the end of the period	Reason for restriction
Cash and equivalents	558,154,258.46	Letter of credit deposit and performance bond and fixed deposit over three months, etc.
Bills receivable		
Inventories		
Fixed assets	93,297,472.82	Mortgaged borrowings
Intangible assets		
Receivables financing	5,287,720.75	Factoring of accounts receivable
Total	656,739,452.03	/

Other descriptions:

For details of accounts receivable factoring and fixed asset mortgage borrowing, please refer to Note XIV. Commitments and Contingencies.

80. Foreign currency monetary items

(1) Foreign currency monetary items

Applicable" Not applicable"

Unit: RMB Yuan

Item	Foreign currency balance at the end of the period	Translation foreign exchange rate	RMB translated at the end of the period Balance

Cash and equivalents	-	-	122,488,302.78
Including: USD	17,048,608.25	6.9762	118,934,500.87
EURO	90.76	7.8155	709.33
JPY	1,121.00	0.0641	71.84
HKD	22,127.12	0.8958	19,821.03
GBP	1,175.00	9.1501	10,751.37
VND	11,736,445,624.57	0.0003	3,522,448.34
Accounts receivable	-	-	24,143,538.52
Including: USD	453,301.38	6.9762	3,162,321.09
VND	69,900,471,814.68	0.0003	20,979,162.58
HKD	2,293.92	0.8958	2,054.85
Prepayments	-	-	462,263.86
Including: VND	1,540,216,961.20	0.0003	462,263.86
Accounts payable	-	-	76,022,447.65
Including: USD	375,614.18	6.9762	2,620,359.64
VND	244,279,581,853.16	0.0003	73,315,400.18
HKD	96,773.57	0.8958	86,687.83
Accounts received in advance	-	-	5,344,175.70
Including: USD	746,196.83	6.9762	5,205,618.33
VND	461,659,311.36	0.0003	138,557.37
Other receivables	-	-	497,820.40
Including: VND	1,620,977,408.45	0.0003	486,502.42
HKD	12,634.78	0.8958	11,317.98
Other payables	-	-	1,091,367.20
Including: VND	3,502,005,373.20	0.0003	1,051,053.56
HKD	45,003.95	0.8958	40,313.64
Long-term borrowings	-	-	
Including: USD			
Short-term borrowings	-	-	2,979,528.81
Including: USD	427,099.11	6.9762	2,979,528.81

Other descriptions:

No

(2) Descriptions on overseas operating entities, including: for important overseas business entities, their main overseas business locations, bookkeeping currency and selection basis shall be disclosed; in case of any change in the bookkeeping currency, the reasons for such change shall be also disclosed

Applicable" Not applicable"

81. Hedging

Applicable" Not applicable"

82. Government grant

(1) Basic information on government grant

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Type	Amount	Presentation item	Amount included in current profit and loss
Special Fund for Shanghai Modern Service Industry - Three-dimensional Warehouse	13,131,632.13	Deferred income	672,017.88
Shanghai's second batch special fund for encouraging enterprises to purchase international R&D equipment in 2014	1,740,000.00	Deferred income	174,000.00
R&D and industrialization of key materials and preparation technologies in the pen-making industry	2,446,471.05	Deferred income	244,646.88
Subsidies for the second batch of key technological transformation projects in 2013	5,328,614.61	Deferred income	586,104.12
Subsidies for absorption and innovation projects in 2014	951,743.46	Deferred income	90,443.52
Service industry guidance	3,450,000.00	Deferred income	328,891.68

funds in 2014			
Key technological transformation projects of Shanghai in 2015	4,880,000.00	Deferred income	561,878.28
Inbound Marketing - Internet + product development project	1,000,000.00	Deferred income	107,310.24
Special fund for Shanghai informatization development	1,340,000.00	Deferred income	325,087.60
Special funds for technology R&D projects	786,219.51	Deferred income	134,548.27
Special funds for industrial transformation and upgrade development of Shanghai in 2016	1,100,000.00	Deferred income	120,879.10
High-value-added product creative development project	1,300,000.00	Deferred income	29,437.44
Industrial foundation consolidation project in 2016	3,770,000.00	Deferred income	
Special funds for development of SMEs in Shanghai in 2016	465,108.77	Deferred income	80,988.33
Funds for improvement of capacities of Shanghai Engineering Research Center in 2017	1,000,000.00	Deferred income	
Cultural and creative project in 2019	700,000.00	Deferred income	
Subsidies for injection molding machine intelligent equipment	570,000.00	Deferred income	
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of "Green	4,600,000.00	Deferred income	709,085.34

Design - Innovative R&D” by Marco Colorful Painting Pen C1085			
Special fund plan for key technological renovation projects in Qingpu District in 2012:	1,160,000.00	Deferred income	77,333.36
Special funds for central foreign economic and trade development	1,000,000.00	Deferred income	49,079.76
Construction Project of "Marco-Color-Source" Creative Experience Center	2,500,000.00	Deferred income	
Financial support	16,242,800.00	Non-operating profits	16,242,800.00
Special development funds for SMEs		Other income	
Support funds for export credit insurance premium	4,451.92	Other income	4,451.92
Training fee subsidies	1,795,663.80	Other income	1,795,663.80
Post stability subsidies	428,526.10	Other income	428,526.10
Knowledge products and patent subsidies	489,463.00	Other income	489,463.00
Funds for investment promotion in Fengxian District		Other income	
Rewards from Hangzhou Qiantang Smart City Industrial Construction Center		Other income	
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of “Green Design - Innovative R&D” by Marco Colorful Painting Pen C1085	1,217,680.00	Other income	1,217,680.00
Zero Balance Special	10,100.00	Other income	10,100.00

Account of Shanghai Qingpu District Finance Bureau - Enterprise Support Fund of Shanghai Municipal Administration for Market Regulation Qingpu District Branch			
Construction Project of "Marco-Color-Source" Creative Experience Center	12,629.05	Other income	12,629.05
Subsidies for coal-fired boilers	36,864.00	Other income	36,864.00
Government subsidies	742,900.00	Other income	742,900.00
Industry development guidance funds	153,400.00	Other income	153,400.00
Disability benefit awards	68,181.83	Other income	68,181.83
Cultural festival bonuses	4,000.00	Other income	4,000.00
Support funds for physical industries	1,780,000.00	Other income	1,780,000.00
Appropriation of bonuses for recognition of enterprises	5,000.00	Other income	5,000.00
Unemployment insurance from Yiwu Employment Management & Service Bureau	418,811.79	Other income	418,811.79
Government subsidies for automobile scrapping	15,600.00	Other income	15,600.00
Special funds for development of enterprises	14,600,000.00	Other income	14,600,000.00
Amount returned by financial department in 2018	280,000.00	Other income	280,000.00

(2) Return of government grant

Applicable" Not applicable"

Other descriptions:

No

83. Others

Applicable" Not applicable"

VIII. Change in consolidation scope**1. Business combinations not under common control**

Applicable" Not applicable"

(1) Business combinations not under common control occurring during the current period

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Name of acquiree	Equity acquisition time	Equity acquisition cost	Equity acquisition percentage (%)	Equity acquisition type	Date of acquisition	Basis for determining the acquisition date	Income of acquiree from the acquisition date to the end of the period	Net profit of acquiree from the acquisition date to the end of the period
Axus Stationery (Shanghai) Company Ltd.	30 April 2019	177,038,110.00	56.00	Acquisition	2019-4-30	Acquisition agreement	364,743,402.42	-9,934,923.15

Other descriptions:

No

(2) Business combination cost and goodwill

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Combination cost	XX Company
--Cash	170,005,997.67
--Fair value of non-cash assets	
--Fair value of the debts issued or assumed	13,656,702.33
--Fair value of the equity securities issued	
--Fair value of contingent consideration	

--Acquisition-date fair value of the equity held before the acquisition date	
--Others	-6,624,590.00
Total combination cost	177,038,110.00
Less: Fair value share of the identifiable net assets acquired	146,862,572.81
Goodwill/Amount of the combination cost below fair value share of the identifiable net assets acquired	30,175,537.19

Description on determination method for fair value of combination cost, contingent consideration and its change:

No

Main reason for the formation of large-amount goodwill:

No

Other descriptions:

According to the equity transfer agreement signed between the Company and the original shareholder and ultimate controller of Axus Stationery, the consideration for 56% equity of Axus Stationery was RMB177,038,110.00, of which RMB13,656,702.33 was not paid; the amount in arrear of Axus Stationery's original shareholder was RMB6,624,590.00, of which RMB170,005,997.67 has been paid in cash.

(3) Identifiable assets and liabilities of acquiree on the acquisition date

Applicable Not applicable

Unit: Yuan Currency: RMB

	Axus Stationery (Shanghai) Company Ltd.	
	Fair value on the acquisition date	Carrying value on the acquisition date
Assets:	815,983,742.56	617,929,441.79
Cash and equivalents	63,033,979.82	63,033,979.82
Receivables	60,954,759.68	60,954,759.68
Inventories	186,767,547.77	174,919,855.43
Fixed assets	348,987,524.92	271,750,108.32
Intangible assets	147,781,660.13	38,812,468.30

Construction in progress	2,025,571.50	2,025,571.50
Long-term prepaid expenses	258,780.18	258,780.18
Other current assets	6,078,498.05	6,078,498.05
Other non-current assets	95,420.51	95,420.51
Liabilities:	553,729,148.25	517,829,203.29
Borrowings	293,443,925.46	293,443,925.46
Payables	216,213,376.08	216,213,376.08
Deferred income tax liabilities	35,899,944.96	
Long-term payable	6,383,497.08	6,383,497.08
Deferred income	1,788,404.67	1,788,404.67
Net assets	262,254,594.31	100,100,238.50
Less: Minority equity	115,392,021.50	44,044,104.94
Net assets acquired	146,862,572.81	56,056,133.56

Determination method for fair value of identifiable assets and liabilities:

No

Contingent liabilities of acquiree assumed in the business combination:

No

Other descriptions:

No

(4) Gains or losses arising from the re-measurement of the equity held before the acquisition date at fair value

Whether there is a transaction where a business combination is achieved stepwise through multiple transactions and the control is obtained within the Reporting Period

Applicable" Not applicable"

(5) Descriptions on the situation that it is unable to reasonably determine the combination consideration or the fair value of identifiable assets and liabilities of the acquiree at the combination date or the end of the combination period

Applicable" Not applicable"

(6) Other explanation

Applicable" Not applicable"

2. Enterprise merger under the same control

Applicable" Not applicable"

3. Reverse acquisition

Applicable" Not applicable"

4. Disposal of subsidiaries

Whether there is a loss of control upon a single disposal of investment to subsidiaries

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

Whether there is a loss of control in the current period upon a stepwise disposal of investment to subsidiaries through multiple transactions

Applicable" Not applicable"

5. Changes in scope of consolidated financial statements for other reasons

Descriptions on changes in the scope of consolidated financial statements for other reasons (e.g, establishing subsidiaries, clearing subsidiaries, etc.) and their related circumstances:

Applicable" Not applicable"

(1) This year the Company deregisters two subsidiaries M&G Life Jiangxi Enterprise Management Co., Ltd. and Beijing Asia Business Online Information Technology Co., Ltd.

(2) This year the subsidiary Shenyang M&G Colipu Office Supplies Co., Ltd. was incorporated into the scope of consolidated financial statements through establishment. The registered capital is RMB500,000, and the investment ratio is 100%.

6. Others

Applicable" Not applicable"

IX. Equity in Other Entities**1. Equity in subsidiaries****(1) Composition of the corporate group**

"√ Applicable" "□ Not applicable"

Subsidiary name Name	Main place of business	Registered address	Nature of the business	Shareholding ratio (%)		Acquisition way
				Direct	Indirect	
Shanghai M&G Colipu Office Supplies Co., Ltd.	Shanghai	Shanghai	Retail, wholesale, etc.	70.00		Establishment
Shanghai M&G Stationery & Gift Co., Ltd.(上海晨光文具礼品 有限公司)	Shanghai	Shanghai	Production, sale and so forth	100.00		Establishment
Shanghai M&G Stationery Sales Co., Ltd.(上海晨光文具销售 有限公司)	Shanghai	Shanghai	Retail, wholesale, etc.		100.00	Establishment
Guangzhou M&G Stationery&Gifts Sales Co., Ltd.(广州晨光文 具礼品销售有限公司)	Guangzhou	Guangzhou	Retail, wholesale, etc.		100.00	Establishment
Yiwu Chenxing Stationery Co., Ltd.(义 乌市晨兴文具用品有限 公司)	Yiwu	Yiwu	Retail, wholesale, etc.		100.00	Establishment
M&G Life Enterprise Management Co., Ltd.(晨光生活馆企业管 理有限公司)	Shanghai	Shanghai	Retail, wholesale, etc.	60.00		Establishment
M&G Life Enterprise Management (Shanghai) Co., Ltd. (晨光生活馆企业管理 (上海)有限公司)	Shanghai	Shanghai	Retail, wholesale, etc.		100.00	Establishment

Shanghai M&G Jiamei Stationery Co., Ltd.(上海晨光佳美文具有限公司)	Shanghai	Shanghai	Production, sale and so forth	100.00		Establishment
Shanghai M&G Information Technology Co., Ltd.(上海晨光信息科技有限公司)	Shanghai	Shanghai	E-commerce business, etc.	55.00		Establishment
Jiangsu M&G Life Enterprise Management Co., Ltd.(江苏晨光生活馆企业管理有限公司)	Nanjing	Nanjing	Retail, wholesale, etc.		70.00	Establishment
Zhejiang New M&G Life Enterprise Management Co., Ltd.(浙江新晨光生活馆企业管理有限公司)	Hangzhou	Hangzhou	Retail, wholesale, etc.		100.00	Establishment
Jiumu M&G Store Enterprise Management Co., Ltd.(九木杂物社企业管理有限公司)	Shanghai	Shanghai	Retail, wholesale, etc.		100.00	Establishment
Shanghai M&G Zhenmei Stationery Co., Ltd.(上海晨光珍美文具有限公司)	Shanghai	Shanghai	Retail, wholesale, etc.	100.00		Acquired by business combination under common control
Harbin M&G Sanmei Stationery Co., Ltd.(哈尔滨晨光三美文具有限公司)	Harbin	Harbin	Retail, wholesale, etc.		100.00	Acquired by business combination under common control

Zhengzhou M&G Stationery&Gifts Co., Ltd.(郑州晨光文具礼品有限责任公司)	Zhengzhou	Zhengzhou	Retail, wholesale, etc.		100.00	Acquired by business combination under common control
Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔雅文化创意发展有限公司)	Shenzhen	Shenzhen	Design and so forth	51.00		Acquired by business combination under common control
Shanghai M&G Office Supplies Co., Ltd.	Shanghai	Shanghai	Retail, wholesale, etc.	100.00		Establishment
Office Depot Network Technology Co., Ltd.	Beijing	Beijing	Retail, wholesale, etc.		100.00	Acquired by business combination under common control
Lianyungang Colipu Office Supplies Co., Ltd.(连云港市科力普办公用品有限公司)	Lianyungang	Lianyungang	Retail, wholesale, etc.		100.00	Establishment
Shenyang M&G Colipu Office Supplies Co., Ltd.(沈阳晨光科力普办公用品有限公司)	Shenyang	Shenyang	Retail, wholesale, etc.		100.00	Establishment
Hangzhou Sanmei M&G Stationery Co., Ltd.(杭州三美晨光文具有限公司)	Hangzhou	Hangzhou	Retail, wholesale, etc.		100.00	Establishment
Luoyang M&G Stationery Sales Co., Ltd.(洛阳晨光文具销售有限公司)	Luoyang	Luoyang	Retail, wholesale, etc.		100.00	Establishment

Axus Stationery (Shanghai) Company Ltd.	Shanghai	Shanghai	Production, sale and so forth	56.00		Acquired by business combination not under common control
Jiangsu Marco Pen Co., Ltd.(江苏马可笔业有限公司)	Jiangsu	Jiangsu	Production, sale and so forth		100.00	Acquired by business combination not under common control
Changchun Macro Stationery Co., Ltd. (长春马可文教用品有限公司)	Jilin	Jilin	Production, sale and so forth		100.00	Acquired by business combination not under common control
Yili Senlai Wood Co., Ltd.(伊犁森徠木业有限公司)	Xinjiang	Xinjiang	Production, sale and so forth		100.00	Acquired by business combination not under common control
Axus Stationery (Hong Kong) Company Ltd.	Hong Kong	Hong Kong	Retail, wholesale, etc.		100.00	Acquired by business combination not under common control
International stationery company	Vietnam	Vietnam	Production, sale and so forth		100.00	Acquired by business combination not under common control

Descriptions on the situation that the shareholding ratio in the subsidiary is different from the share of the voting rights:

No

Basis for holding half or less of the voting rights of the investee but still controlling the investee and holding more than half of the voting rights but not controlling the investee:

No

Basis for controlling important structured entities included in the scope of consolidated financial statements:

No

Basis for determining whether the Company is an agent or a principal:

No

Other descriptions:

No

(2) Important non-wholly owned subsidiaries

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Name of subsidiaries	Minority shareholding ratio	Profits and losses attributable to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Minority equity balance at the end of the period
Shanghai M&G Colipu Office Supplies Co., Ltd.	30.00%	22,741,063.01		123,473,104.09

Descriptions on the situation that the shareholding ratio of minority shareholders in the subsidiary is different from that of the voting rights:

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

(3) Major financial information of important non-wholly owned subsidiaries

"√ Applicable" "□ Not applicable"

Unit: 0'000 Currency: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai M&G Colipu Office Supplies Co., Ltd.	163,996.71	3,579.48	167,576.19	122,907.02	3,511.47	126,418.49	112,789.59	3,253.11	116,042.70	93,003.83	3,461.53	96,465.36

Name of subsidiaries	Amount accounted for in the current period				Amount accounted for in the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Shanghai M&G Colipu Office Supplies Co., Ltd.	365,806.17	7,580.35		14,880.10	258,604.90	3,213.52		14,280.02

Other descriptions:

No

(4) Significant restrictions on the use of corporate group assets and the liquidation of corporate group debts

"□ Applicable" "√ Not applicable"

(5) Financial support or other support provided to structured entities included in the scope of consolidated financial statements

"□ Applicable" "√ Not applicable"

Other descriptions:

"□ Applicable" "√ Not applicable"

2. Transactions which result in a change in the share of owners' equity in the subsidiary but the Company still controls the subsidiary

"□ Applicable" "√ Not applicable"

3. Equity in joint ventures or associates

"√ Applicable" "□ Not applicable"

(1) Important joint ventures or associates

"□ Applicable" "√ Not applicable"

(2) Major financial information of important joint ventures

"□ Applicable" "√ Not applicable"

(3) Major financial information of important associates

"□ Applicable" "√ Not applicable"

(4) Summary financial information of unimportant joint ventures and associates

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

	Balance at the end of the period/Amount accounted for in the current period	Balance at the beginning of the period/Amount accounted for in the previous period
Joint ventures:		
Total carrying value of investments		
Total of the following items calculated according to the shareholding ratio		
--Net profits		
--Other comprehensive income		
--Total comprehensive income		
Associates:		
Total carrying value of investments	35,582,783.47	30,175,665.26

Total of the following items calculated according to the shareholding ratio		
--Net profits	-576,595.97	-393,609.74
--Other comprehensive income	-16,285.82	
--Total comprehensive income	-592,881.79	-393,609.74

Other explanation

No

(5) Descriptions on significant limitation of the ability of a joint venture or associate to transfer funds to the Company

Applicable" Not applicable"

(6) Excess losses incurred by a joint venture or associate

Applicable" Not applicable"

(7) Unrecognized commitments related to joint venture investment

Applicable" Not applicable"

(8) Contingent liabilities related to joint venture or associate investment

Applicable" Not applicable"

4. Important joint operations

Applicable" Not applicable"

5. Equity in structured entities not included in the consolidated financial statements

Descriptions on structured entities not included in the consolidated financial statements:

Applicable" Not applicable"

6. Others

Applicable" Not applicable"

X. Risks associated with financial instruments

"√ Applicable" "□ Not applicable"

The Company faces various financial risks in its business operations: credit risk, market risk and liquidity risk. The Company's Board of Directors is fully responsible for the determination of risk management objectives and policies and bears the ultimate responsibility for risk management objectives and policies. The Company's overall objective of risk management is to develop a risk management policy that minimizes risks without unduly affecting the Company's competitiveness and resilience.

(I) Credit risk

Credit risk is the risk that a party to a financial instrument fails to perform its obligations, causing financial losses to the other party. The Company mainly faces customer credit risk caused by credit sales. Before signing a new contract, the Company assesses the credit risk of new customers. The Company has set a credit limit for each customer, which is the maximum amount that does not require additional approval. The Company ensures that the overall credit risk of the Company is within a controllable range through the annual monitoring of existing customer credit ratings and the monthly review of aging analysis of accounts receivable.

(II) Market risk

Market risk of financial instruments is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices, including exchange rate risk and other price risks.

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company matches foreign currency income with foreign currency expenditure as far as possible to reduce exchange rate risk. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to avoid exchange rate risk. During the current period and the previous period, the Company did not sign any forward foreign exchange contracts or currency swap contracts.

Foreign exchange risk faced by the Company mainly comes from financial assets and liabilities denominated in USD, and the amounts of foreign currency financial assets and liabilities converted into RMB are shown below:

Item	Closing balance			Opening balance		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Cash and equivalents	118,934,500.87	3,553,801.91	122,488,302.78	51,086,558.15	79,156.03	51,165,714.18
Accounts receivable	3,162,321.09	20,981,217.43	24,143,538.52	4,107,704.54		4,107,704.54
Prepayment		462,263.86	462,263.86		4,002,319.29	4,002,319.29
Other		497,820.40	497,820.40			

receivables						
Total foreign currency financial assets	122,096,821.96	25,495,103.60	147,591,925.56	55,194,262.69	4,081,475.32	59,275,738.01
Short-term borrowings	427,099.11		427,099.11			
Accounts payable	2,620,359.64	73,402,088.01	76,022,447.65	4,242,195.19		4,242,195.19
Accounts received in advance	5,205,618.33	138,557.37	5,344,175.70	7,912,504.08		7,912,504.08
Other payables		1,091,367.20	1,091,367.20			
Total foreign currency financial liabilities	8,253,077.08	74,632,012.58	82,885,089.66	12,154,699.27		12,154,699.27

(III) Liquidity risk

Liquidity risk is the risk of a shortage of funds of the Company when the Company is performing its obligation to settle in the form of delivery of cash or other financial assets. The Company's policy is to ensure that there is sufficient cash to pay off the debts due. Liquidity risk is centrally controlled by the Company's Finance Department. Finance Department ensures that the Company has sufficient funds to repay debts under all reasonable forecasts by monitoring cash balances, marketable securities at any time, and rolling forecasts of the cash flows in the coming 12 months.

Financial liabilities of the Company are presented as unrealized contractual cash flows on the maturity date as follows:

Item	Closing balance					
	Within 1 month	1-3 months	3 months - 1 year	1-5 years	Above 5 years	Total
Short-term borrowings	214,235.05	2,979,528.81	180,000,000.00			183,193,763.86

XI. Disclosure of fair value**1. Closing fair value of assets and liabilities measured at fair value**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing fair value
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	Level-1 fair value measurement	Level-2 fair value measurement	Level-3 fair value measurement	Total
I. Continuous fair value measurement				
(I) Held-for-trading financial assets				
1. Financial assets at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
(4) Others	661,878,587.24			661,878,587.24
2. Financial assets designated as at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Other debt investments				
(III) Other equity instrument investments			3,909,179.93	3,909,179.93
(IV) Investment real estate				
1. Land use rights used for rent				
2. Rental buildings				
3. Land use rights held and ready to be transferred after appreciation				

(V) Biological assets				
1. Consumable biological assets				
2. Productive biological assets				
Receivables financing			29,549,924.83	29,549,924.83
Total assets continuously measured at fair value	661,878,587.24		33,459,104.76	695,337,692.00
(VI) Held-for-trading financial liabilities				
1. Financial liabilities at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities				
Others				
2. Financial liabilities designated as at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Non-continuous fair value measurement				
(I) Assets held for sale				
Total assets not continuously measured at fair value				

Total liabilities not continuously measured at fair value				
--	--	--	--	--

Other descriptions:

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value that is important to the fair value measurement as a whole belongs.

2. Basis for determining market prices of items continuously and not continuously measured at the first-level fair value

Applicable" Not applicable"

The input value of the first level is the unadjusted quotation of the same asset or liability that can be obtained on the measurement date in the active market.

3. Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the second-level fair value

Applicable" Not applicable"

The input value of the second level is the directly or indirectly observable input value of related assets or liabilities except the input value of the first level.

4. Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the third-level fair value

Applicable" Not applicable"

The input value of the third level is the unobservable input value of the related asset or liability.

5. Information on adjustment between the beginning carrying value and the closing carrying value of items continuously measured at the third-level fair value and sensitivity analysis on unobservable parameters

Applicable" Not applicable"

6. For items continuously measured at fair value, in case of any conversion between various levels during the period, reasons for the conversion and policies to determine the conversion time should be provided

Applicable" Not applicable"

7. Changes in valuation techniques and reasons for changes during the period

Applicable" Not applicable"

8. Particulars on fair value of financial assets and liabilities which are not measured at fair value

Applicable" Not applicable"

9. Others

Applicable" Not applicable"

XII. Related Parties and Related-Party Transactions**1. Particulars on the parent company of the Company**

Applicable" Not applicable"

Name of the parent company	Registered address	Nature of the business	Registered capital	Unit: 0'000	Currency: RMB
				The parent company's shareholding ratio in the Company (%)	The parent company's voting right ratio in the Company (%)
M&G Holdings (Group) Co., Ltd.	Shanghai	Industrial Investment	30,000	58.26	58.26

Descriptions on the parent company of the Company

No

The ultimate controlling party of the Company is Chen Huwen, Chen Huxiong and Chen Xueling

Other descriptions:

No

2. Particulars on subsidiaries of the Company

Particulars on subsidiaries of the Company are shown in the relevant notes

Applicable" Not applicable"

For particulars on subsidiaries of the Company, see Note VII. "Equity in Other Entities" for details.

3. Particulars on joint ventures and associates of the Company

For important joint ventures and associates of the Company, see the Notes for details

Applicable" Not applicable"

For important joint ventures and associates of the Company, see the Note VII. "Equity in Other Entities" for details.

Particulars on other joint ventures and associates which have related-party transactions with the Company in the current period or had related-party transactions with the Company in the previous period and form balances are as follows

Applicable" Not applicable"

Name of joint venture and associate	Relationship with the Company
Ningbo Zhongchen Equity Investment Partnership (Limited Partnership)	Associates
Shanghai Pen-making Technology Services Co., Ltd.	Associates

Other explanation

Applicable" Not applicable"

4. Particulars on other related parties

Applicable" Not applicable"

Name of other related parties	Relationship between other related parties and the Company
Shanghai Jiekui Investment Management Firm (L.P.)	Share-participation shareholders
Shanghai Keying Investment Management Office (L.P.)	Share-participation shareholders
Guo Weilong	Others
Wuxi Creative M&G Trading Co., Ltd.	Others
Nanjing Zhaochen Stationery Sales Co., Ltd.	Others
Nanjing Youchen Stationery Sales Co., Ltd.	Others
Nanjing Chenri Stationery Sales Co., Ltd.	Others

Other explanation

No

5. Particulars on related-party transactions

(1) Related-party transactions for the purchase and sales of goods and the rendering and receipt of services

Table of information on the purchase of goods/the receipt of services

Applicable" Not applicable"

Table of information on the sale of goods/the rendering of services

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Related party	Related-party transaction content	Amount accounted for in the current period	Amount accounted for in the previous period
Sales entities controlled by Guo Weilong	Sale of goods	387,821,087.67	332,427,736.80
M&G Holdings (Group) Co., Ltd.	Sale of goods		26,730.34
M&G Holdings (Group) Co., Ltd.	Fixed assets		5,882.90

Particulars on related-party transactions for the purchase and sales of goods and the rendering and receipt of services

Applicable" Not applicable"

(2) Particulars on related-party entrusted management/contracting and entrusting management/outsourcing

Table of information on the Company's entrusted management/contracting:

Applicable" Not applicable"

Particulars on related-party entrusting/contracting

Applicable" Not applicable"

Table of information on the Company's entrusting management/outsourcing

Applicable" Not applicable"

Particulars on related-party management/outsourcing

Applicable" Not applicable"

(3) Particulars on related-party leases

The Company as the lessor:

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Name of lessee	Types of leased assets	Rental income recognized in the current period	Rental income recognized in the previous period
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Shanghai Jiekui Investment Management Firm (L.P.)	Self-owned office building		
Shanghai Keying Investment Management Office (L.P.)	Self-owned office building		

The Company as the lessee:

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Name of lessor	Types of leased assets	Rental fee recognized in the current period	Rental fee recognized in the previous period
M&G Holdings (Group) Co., Ltd.	Self-owned houses (including office buildings, workshops, parking spaces, warehouses, dormitory buildings, etc.)	3,622,857.14	2,818,095.24
M&G Holdings (Group) Co., Ltd.	Self-owned office buildings and parking spaces	20,368,751.26	19,032,828.26
M&G Holdings (Group) Co., Ltd.	Utilities	5,283,878.50	5,602,223.96

Descriptions on related-party leases

Applicable" Not applicable"

(4) Particulars on related-party guarantees

The Company as a guarantor

Applicable" Not applicable"

The Company as a guaranteed party

Applicable" Not applicable"

Descriptions on related-party guarantees

Applicable" Not applicable"

(5) Related-party fund lending

Applicable" Not applicable"

(6) Related-party asset transfer and debt restructuring

Applicable" Not applicable"

(7) Compensation of key management personnel

Applicable" Not applicable"

(8) Other related-party transactions

Applicable" Not applicable"

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Items	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debt provisions	Carrying balance	Bad debt provisions
Accounts receivable	M&G Holdings (Group) Co., Ltd.			25,003.50	156.21
Prepayments	M&G Holdings (Group) Co., Ltd.	3,419,063.44		3,906,164.44	
Other receivables	Sales entities controlled by Guo Weilong	12.93	0.65		

(2) Payables

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Items	Related party	Carrying balance at the end of the period	Carrying balance at the beginning of the period
Accounts payable	Sales entities controlled by Guo Weilong	9,576.58	
Other payables	Sales entities controlled by Guo Weilong	1,310,000.00	961,000.00

	M&G Holdings (Group) Co., Ltd.	6,234,878.32	521,547.01
Advance receipts	Sales entities controlled by Guo Weilong	38,198,477.81	12,367,997.96

7. Related-party commitments

Applicable" Not applicable"

8. Others

Applicable" Not applicable"

XIII. Share-based payments**1. Overall situation of share-based payment**

Applicable" Not applicable"

2. Particulars on equity-settled share-based payment

Applicable" Not applicable"

3. Particulars on cash-settled share-based payment

Applicable" Not applicable"

4. Particulars on modification and termination of share-based payment

Applicable" Not applicable"

5. Others

Applicable" Not applicable"

XIV. Commitments and Contingencies**1. Important commitments**

Applicable" Not applicable"

Important external commitments, nature, and amount existing on the balance sheet date

(1) Mortgage, pledge and guarantee matters in which Shanghai Pudong Development Bank Co., Ltd. Songjiang Sub-branch ("SPD Songjiang Sub-branch") is involved

- ① On 24 March 2016, the subsidiary Jiangsu Marco Pen Co., Ltd. and SPD Songjiang Sub-branch signed the Cap Guarantee Contract numbered ZB9808201600000004, pursuant to which, SPD Songjiang Sub-branch provides a guarantee with a maximum amount not exceeding the equivalent of USD12,000,000.00 to the debts incurred by Jiangsu Marco Pen Co., Ltd. in handling various financing businesses during the period from 24 March 2016 to 23 March 2022;
- ② On 24 March 2016, Xu Peifeng and Yang Min, as the ultimate controllers of Axus Stationery, and SPD Songjiang Sub-branch signed the Cap Guarantee Contract numbered ZB9808201600000005, pursuant to which, SPD Songjiang Sub-branch provides a guarantee with a maximum amount not exceeding the equivalent of USD12,000,000.00 to the debts incurred by Axus Stationery in handling various financing businesses during the period from 24 March 2016 to 23 March 2022;
- ③ On 29 March 2017, Axus Stationery and SPD Songjiang Sub-branch signed the Factoring Agreement numbered 98082013280133, which stipulated that Axus Stationery transfers the receivables to SPD Songjiang Sub-branch through the way as agreed in the Agreement, and SPD Songjiang Sub-branch agrees to assign related accounts receivable and provide related factoring services in accordance with the conditions and methods stipulated in the Agreement. As of 31 December 2019, the outstanding factoring borrowing from Axus Stationery was USD427,099.11, equivalent to RMB2,979,528.81.

(2) Mortgage matters in which China Merchants Bank Co., Ltd. Shanghai Branch is involved
On 29 October 2019, the subsidiary Axus Stationery and China Merchants Bank Co., Ltd. Shanghai Branch ("CMB Shanghai Branch") signed the Credit Agreement numbered 121XY2019028027; the credit line is RMB180,000,000.00, and the credit period is 12 months, from 30 October 2019 to 29 October 2020; the types of credit business under the credit line include but are not limited to loans\order loans, trade financing, bill discounting, commercial bill acceptance, commercial acceptance bill confirmation\discount, international\domestic letter of guarantee, customs duty payment guarantee, corporate account overdraft, derivative transaction and gold leasing. CMB Shanghai Branch has the right to adjust the floating ratio and/or basic point of current asset loans regularly or irregularly in accordance with changes in relevant national policies, changes in domestic credit market prices or changes in Axus Stationery's own credit policies. As of 31 December 2019, the outstanding loan of Axus Stationery was RMB180,000,000.00.

At the same time, Axus Stationery and the bank signed the Maximum Mortgage Contract numbered 121XY2019028027 based on the above credit agreement, the mortgage period is from the effective date of the mortgage contract to the expiration of the period of the creditor's rights claims under the Credit Agreement; the collaterals used for mortgage include:

Name of collateral	Ownership No.	Original value	Accumulated depreciation	Net value
No. 111 Xuezi	HFDQ Zi (2013)	47,061,453.52	22,483,546.11	24,577,907.41

South Road, Xianghuaqiao Street, Qingpu District	No. 015437			
No. 233 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2013) No. 013396	32,156,238.78	11,248,094.31	20,908,144.47
No. 333 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2015) No. 015718	60,230,210.97	12,418,790.03	47,811,420.94
Total		139,447,903.27	46,150,430.45	93,297,472.82

2. Contingencies

(1) Important contingencies on the balance sheet date

Applicable" Not applicable"

(2) If the Company has no important contingent issues that need to be disclosed, it should also be explained:

Applicable" Not applicable"

There were no important contingent issues that need to be disclosed during the Reporting Period

3. Others

Applicable" Not applicable"

XV. Post-balance sheet date events

1. Important non-adjustment matters

Applicable" Not applicable"

2. Profit distribution

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Profits or dividends proposed to be distributed	368,000,000
Profits or dividends reviewed and approved to be declared for distribution	

According to the Profit Distribution Plan for 2019 reviewed and approved by the 20th meeting of the 4th session of Board of Directors of the Company on 10 April 2020, based on the total sock capital registered on the registration date for the implementation of the equity distribution, the Company intends to distribute the dividend in cash at RMB4 every 10 shares (tax inclusive) and the total profit distributed this time is RMB368,000,000.00. The remaining distributable profits in 2019 will be carried forward to the following year.

3. Sales return

Applicable" Not applicable"

4. Explanations on other post-balance-sheet-date events

Applicable" Not applicable"

According to the 2020 Restricted Stock Incentive Plan of Shanghai M&G Stationery Inc. (Draft) considered and approved at the 20th meeting of the fourth Board of Directors of the Company on 10 April 2020, the form of incentives to be adopted is restricted stock. The source of the stock is RMB A-share common stock issued by the Company to the incentive target. Incentive target includes directors, senior management personnel and key management, technical, and business personnel who serve in the company (including holding subsidiaries, the same below) when the Company announces this incentive plan. It does not include independent directors, supervisors, shareholders or actual controllers who hold more than 5% of shares individually or in total, and their spouses, parents and children. The validity period of this incentive plan is from the date when the registration of the first grant of restricted stocks is completed to the date when all the restricted stocks granted to the incentive objects are exempt from restricted sales or the repurchase is canceled, and the maximum period is 48 months.

XVI. Other Important Issues

1. Correction of previous-period accounting errors

(1) Retrospective restatement method

Applicable" Not applicable"

(2) Future application method

Applicable" Not applicable"

2. Debt restructuring

Applicable" Not applicable"

3. Asset replacement**(1) Non-monetary asset exchange**

Applicable" Not applicable"

(2) Other asset replacement

Applicable" Not applicable"

4. Annuity plan

Applicable" Not applicable"

5. Discontinued operations

Applicable" Not applicable"

6. Segment information**(1) Basis for determining reporting segments and accounting policies**

Applicable" Not applicable"

According to the Company's internal organizational structure, management requirements and internal reporting system, two reporting segments are identified, namely: office direct-selling business and traditional core business. The Company's reporting segments provide different services. Since each segment requires different technical or marketing strategies, the management of the Company separately manages the operating activities of each reporting segment and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and the evaluation of their performance.

The transfer price between segments is determined on the basis of the actual transaction price, and the expenses indirectly attributable to each segment are grouped according to the actual share of each segment. Assets are allocated according to the operation of the segment and the location of the asset. Segment liabilities include liabilities that can be attributed to the segment formed by the segment's operating activities. If the expenses associated with liabilities shared by multiple operating segments are allocated to these operating segments, the jointly assumed liabilities are also allocated to these operating segments.

(2) Financial information of reporting segments

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Office direct-selling business	Traditional core business	Inter-segment elimination	Total
I. Revenue from foreign transactions	3,635,092,992.22	7,570,977,486.20	64,969,113.98	11,141,101,364.44
II. Revenue from inter-segment transactions	22,968,670.31	42,000,443.67		64,969,113.98
III. Income from investments in associates and joint ventures		-576,595.97		-576,595.97
IV. Credit impairment losses	-18,750,413.26	-9,255,596.62		-28,006,009.88
V. Asset impairment losses	-66,174.84	-17,776,907.05		-17,843,081.89
VI. Depreciation and amortization charges	9,128,652.71	221,938,677.01		231,067,329.72
VII. Total profits (total losses)	100,778,132.68	1,192,792,039.85	-109,571.54	1,293,679,744.07
VIII. Income tax expenses	24,974,589.33	192,600,918.20	-27,392.88	217,602,900.41
IX. Net profits (net losses)	75,803,543.35	1,000,191,121.65	-82,178.66	1,076,076,843.66
X. Total assets	1,675,761,928.19	5,904,802,289.55	15,448,906.00	7,565,115,311.74

XI. Total Liabilities	1,264,184,914.55	1,855,536,240.25	15,531,084.66	3,104,190,070.14
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(3) If the Company does not have a reporting segment, or if it cannot disclose the total assets and total liabilities of each reporting segment, the reason should be explained

Applicable" Not applicable"

(4) Other explanation

Applicable" Not applicable"

7. Other important transactions and matters that have an impact on investors' decisions

Applicable" Not applicable"

8. Others

Applicable" Not applicable"

XVII. Notes on the main items of the parent company's financial statements

1. Accounts receivable

(1) Disclosure by account age

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	83,650,659.61
1 to 2 years	61,547.48
2 to 3 years	16,481.17
Above 3 years	34,618.97
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-814,082.58
Total	82,949,224.65

(2) Disclosure by accruing method for bad debt provisions

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Bad debt provisions		Carrying value	Carrying balance		Bad debt provisions		Carrying value
	Amount	Percentage (%)	Amount	Accruing percentage (%)		Amount	Percentage (%)	Amount	Accruing percentage (%)	
Bad debt provisions accrued separately										
Including:										
Bad debt provisions accrued according to the combination	83,763,307.23	100.00	814,082.58	0.97	82,949,224.65	94,543,811.55	100.00	1,219,045.69	1.29	93,324,765.86
Including:										
Combination 1: Account age	16,281,651.67	19.44	814,082.58	5.00	15,467,569.09	21,821,635.34	23.08	1,219,045.69	5.59	20,602,589.65
Combination II: Consolidated balance of related-parties current accounts - provisional input tax										
Combination III: Related parties in the scope of the consolidated financial statements	67,481,655.56	80.56			67,481,655.56	72,722,176.21	76.92			72,722,176.21
Total	83,763,307.23	/	814,082.58	/	82,949,224.65	94,543,811.55	/	1,219,045.69	/	93,324,765.86

Bad debt provisions accrued separately:

"□ Applicable" "√ Not applicable"

Bad debt provisions accrued according to the combination:

"□ Applicable" "√ Not applicable"

If bad debt provisions are accrued according to the general model of expected credit losses, please refer to the disclosure on other receivables:

Applicable" Not applicable"

(3) Particulars on bad debt provisions

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Category	Opening balance	Change of the current period				Closing balance
		Accrued	Recovered or reversed	Resold or written-off	Other changes	
Combination 1: Account age	1,219,045.69	- 404,963.11				814,082.58
Total	1,219,045.69	- 404,963.11				814,082.58

Significant bad debt provision amounts recovered or reversed in the current period:

Applicable" Not applicable"

(4) Particulars on accounts receivable actually written-off in the current period

Applicable" Not applicable"

Writing-off of significant accounts receivable

Applicable" Not applicable"

(5) Particulars on top 5 accounts receivable in terms of the balance at the end of the period based on debtors

Applicable" Not applicable"

Company name	Closing balance		
	Accounts receivable	Percentage (%) of the total accounts receivable	Bad debt provisions
Shanghai M&G Stationery & Gift Co.,	47,760,091.18	57.02	

Ltd.(上海晨光文具礼品有限公司)			
Shanghai M&G Zhenmei Stationery Co., Ltd.(上海晨光珍美文具有限公司)	6,004,105.02		7.17
Shanghai M&G Office Supplies Co., Ltd.	3,371,128.25		4.02
Shanghai M&G Colipu Office Supplies Co., Ltd.	2,529,948.28		3.02
Hangzhou Sanmei M&G Stationery Co., Ltd.(杭州三美晨光文具有限公司)	2,368,106.90		2.83
Total	62,033,379.63		74.06

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

Applicable" Not applicable"

(7) Assets and liabilities formed due to the transfer and continuous involvement of accounts receivable

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

2. Other receivables**Presented by item**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable	192,500.00	
Dividend receivable		
Other receivables	284,844,294.54	227,644,350.97
Total	285,036,794.54	227,644,350.97

Other descriptions:

Applicable" Not applicable"

Interest receivable

(1) Classification of interest receivable

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Time deposits		
Entrusted loans	192,500.00	
Bond investment		
Total	192,500.00	

(2) Important overdue interest

Applicable" Not applicable"

(3) Particulars on accruing of bad debt provisions

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

Dividend receivable

(1) Dividend receivable

Applicable" Not applicable"

(2) Important dividend receivable with the account age over one year

Applicable" Not applicable"

(3) Particulars on accruing of bad debt provisions

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

Other receivables

(1) Disclosure by account age

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Account age	Carrying balance at the end of the period
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	106,166,103.04
1 to 2 years	55,612,983.59
2 to 3 years	48,436,923.11
Above 3 years	78,488,187.99
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-3,859,903.19
Total	284,844,294.54

(2) Particulars on classification by amount nature

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Amount nature	Carrying balance at the end of the period	Carrying balance at the beginning of the period
Personal loans and petty cash	2,564,837.10	3,433,742.17
Consolidated balance of related-parties current accounts	277,015,264.79	213,679,783.79
Amount paid for materials	100,145.85	2,133,099.15
Consolidated balance of related-parties current accounts - provisional input tax	1,500,098.94	2,191,731.16
Margin and deposit	4,865,737.79	6,372,345.19
Others	2,658,113.26	2,637,087.02
Total	288,704,197.73	230,447,788.48

(3) Particulars on accruing of bad debt provisions

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2019	2,803,437.51			2,803,437.51
Balance as at 1 January 2019 in the current period				
-- Transferred into Phase 2				
-- Transferred into Phase 3				
-- Reversed into Phase 2				
-- Reversed into Phase 1				
Accrued in the current period	1,056,465.68			1,056,465.68
Reserved in the current period				
Resold in the current period				
Written-off in the current period				
Other changes				
Balance as at 31 December 2019	3,859,903.19			3,859,903.19

Particulars on the significant changes in the carrying balance of other receivables in which changes in loss provisions occurred in the current period:

"√ Applicable" "□ Not applicable"

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2019	230,447,788.48			230,447,788.48
Balance as at 1 January 2019 in the current period				
-- Transferred into Phase 2				
-- Transferred into Phase 3				
-- Reversed into Phase 2				
-- Reversed into Phase 1				
Increase of the current period	270,055,776.41			270,055,776.41
Direct reduction of the current period				
Derecognition of the current period	211,799,367.16			211,799,367.16
Other changes				
Balance as at 31 December 2019	288,704,197.73			288,704,197.73

The basis for adopting the amount of bad debt provisions accrued for the current period and the assessment on whether the credit risk of financial instruments increased significantly:

Applicable" Not applicable"

(4) Particulars on bad debt provisions

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Category	Opening balance	Change of the current period				Closing balance
		Accrued	Recovered or reversed	Resold or written-off	Other changes	
Combination 1: Account age	2,803,437.51	1,056,465.68				3,859,903.19
Total	2,803,437.51	1,056,465.68				3,859,903.19

Significant bad debt provision amounts reversed or recovered in the current period:

"□ Applicable" "√ Not applicable"

(5) Particulars on other receivables actually written-off in the current period

"□ Applicable" "√ Not applicable"

(6) Particulars on top 5 other receivables in terms of the balance at the end of the period based on debtors

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Company name	Amount nature	Closing balance	Account age	Percentage (%) in the total balance at the end of the period of other receivables	Bad debt provisions Closing balance
Jiumu M&G Store Enterprise Management Co., Ltd.(九木杂物社企业管理有限公司)	Consolidated balance of related-parties current accounts	110,420,206.25	Within 1 year: RMB70,274,700 1-2 years: RMB40,145,500	38.25	

Shanghai M&G Information Technology Co., Ltd.(上海晨光信息科技有限公司)	Consolidated balance of related-parties current accounts	23,521,310.33	Within 1 year	8.15	
Shanghai M&G Zhenmei Stationery Co., Ltd.(上海晨光珍美文具有限公司)	Consolidated balance of related-parties current accounts	21,750,000.00	1-2 years: RMB13,750,000 Above 3 years: RMB8,000,000	7.53	
Shanghai Linsong Real Estate Co., Ltd.	Margin and deposit	3,279,861.00	2-3 years	1.14	1,967,916.60
Shanghai M&G Stationery & Gift Co., Ltd.(上海晨光文具礼品有限公司)	Consolidated balance of related-parties current accounts	2,548,081.03	Within 1 year	0.88	
Total	/	161,519,458.61	/	55.95	1,967,916.60

(7) Receivables involving government subsidies

Applicable Not applicable

(8) Other receivables derecognized due to the transfer of financial assets

Applicable Not applicable

(9) Assets and liabilities formed due to the transfer and continuous involvement of other receivables

Applicable Not applicable

Other descriptions:

Applicable Not applicable

3. Long-term equity investments

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value
Investment to subsidiaries	1,053,585,409.09		1,053,585,409.09	848,547,299.09		848,547,299.09
Investments to associates and joint ventures	35,582,783.47		35,582,783.47	30,175,665.26		30,175,665.26
Total	1,089,168,192.56		1,089,168,192.56	878,722,964.35		878,722,964.35

(1) Investment to subsidiaries

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Invested company	Opening balance	Increase of the current period	Decrease of the current period	Closing balance	Impairment provisions accrued in the current period	Balance of impairment provisions at the end of the period
Shanghai M&G Colipu Office Supplies Co., Ltd.	462,000,000.00	28,000,000.00		490,000,000.00		
Shanghai M&G Zhenmei Stationery Co., Ltd.(上海晨光珍美文具有限公司)	13,288,599.09			13,288,599.09		
Shanghai M&G Stationery & Gift Co., Ltd.(上海晨光文具礼品有限公司)	199,419,400.00			199,419,400.00		
M&G Life Enterprise Management Co., Ltd.(晨光生活馆企业管理有限公司)	60,000,000.00			60,000,000.00		
Shanghai M&G Jiamei Stationery Co.,	30,000,000.00			30,000,000.00		

Ltd.(上海晨光佳 美文具有限公司)					
Shanghai M&G Information Technology Co., Ltd.(上海晨光信 息科技有限公司)	27,500,000.00			27,500,000.00	
Shenzhen Erya Creative and Cultural Development Co., Ltd.(深圳尔 雅文化创意发展 有限公司)	6,339,300.00			6,339,300.00	
Shanghai M&G Information Technology Co., Ltd.(上海晨光信 息科技有限公司)	50,000,000.00			50,000,000.00	
Axus Stationery (Shanghai) Company Ltd.		177,038,110.00		177,038,110.00	
Total	848,547,299.09	205,038,110.00		1,053,585,409.09	

(2) Investments to associates and joint ventures

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Investment Unit	At the beginning of the period Balance	Change of the current period								At the end of the period Balance	Balance of impairment provisions at the end of the period
		Additional investment	Withdrawn investment	Investment gains and losses recognized under the equity method	Adjustment to other comprehen sive income	Other equity changes	Declaration on distribution of cash dividends or profits	Accruing of impairment provisions	Others		
I. Joint venture											
Sub-total											
II. Associate											
Ningbo Zhongchen Equity Investment Partnership (Limited Partnership)	30,175,665.26			-313,145.25	-16,285.82						29,846,234.19
Shanghai Pen-making Technology Services Co., Ltd.		6,000,000.00		-263,450.72							5,736,549.28
Sub-total	30,175,665.26	6,000,000.00		-576,595.97	-16,285.82						35,582,783.47
Total	30,175,665.26	6,000,000.00		-576,595.97	-16,285.82						35,582,783.47

Other descriptions:

No

4. Operating income and operating costs**(1) Operating income and operating costs**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period		Amount accounted for in the previous period	
	Revenue	Costs	Revenue	Costs
Main operations	3,888,768,953.18	2,183,782,074.37	3,397,296,920.86	2,034,456,319.11
Other operations	45,222,989.96		5,325,437.68	
Total	3,933,991,943.14	2,183,782,074.37	3,402,622,358.54	2,034,456,319.11

Other descriptions:

Details on operating income:

Item	Amount in the current period	Amount in the last period
Income from main operations	3,888,768,953.18	3,397,296,920.86
Including: Sales of goods	3,888,768,953.18	3,397,296,920.86
Income from other operations	45,222,989.96	5,325,437.68
Including: Rental income	4,628,381.90	5,325,437.68
Interest income from entrusted loans	1,983,333.33	
Jiku TP freight income	38,611,274.73	
Total	3,933,991,943.14	3,402,622,358.54

5. Investment income

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Long-term equity investment income calculated by cost method		
Long-term equity investment income accounted for under the equity method	-576,595.97	-393,609.74

Investment income from disposal of long-term equity investment		
Investment income from financial asset designated as at fair value through profit or loss during the holding period		
Investment income from disposal of financial asset designated as at fair value through profit or loss		
Investment income from held-to-maturity investments during the holding period		
Investment income from disposal of held-to-maturity investments		
Investment income from available-for-sale financial assets during the holding period		
Investment income from disposal of available-for-sale financial assets		
Investment income from held-for-trading financial assets during the holding period		
Dividend income from other equity instrument investments during the holding period		
Interest income from debt investment during the holding period		
Interest income from other debt investments during the holding period		
Investment income from disposal of held-for-trading financial assets	22,046,969.52	
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Bank wealth management products		32,583,726.23

Total	21,470,373.55	32,190,116.49
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Other descriptions:

No

6. Others

Applicable" Not applicable"

XVIII. Supplementary information

1. Table on details of non-recurring gains and losses of the current period

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount	the situation
Gains or losses on disposal of non-current assets	6,081,606.95	Mainly due to the disposal of certain old equipment by the subsidiaries held by the Company and the winding up of certain subsidiaries under the subsidiaries held by the Company, which is in view of the business demands
Government subsidies included in the profits and losses of the current period (except those closely related to the Company's business and of fixed amount or fixed quantity granted in accordance with national uniform standards)	42,747,681.46	Mainly including government grants received during the Reporting Period and government grants transferred from deferred income
Investment income arising from changes in fair values held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment gains on the disposal of held-for-trading financial	29,184,868.54	Revenue generated from purchase of wealth management products

assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investment, except the Company normal operations related to effective hedging business		
Reversal of provision for impairment of receivables which are individually tested for impairment	1,803,027.63	Mainly due to the provision reversal of bad debts on individual receivables of the Company
Other net non-operating income and expenses, other than the above items	-5,743,388.02	Mainly the expense of public donations and the losses arising from the winding up of certain subsidiaries controlled by the subsidiaries of the Company
Effect of income tax	-14,413,308.64	
Effect of minority equity	-4,764,697.27	
Total	54,895,790.65	

For non-recurring profit and loss items defined by the Company according to the Explanatory Announcement of Information Disclosure by Companies Offering Securities to the Public No. 1 - Non-recurring Gains and Losses, and non-recurring profit and loss items listed in the Explanatory Announcement of Information Disclosure by Companies Offering Securities to the Public No. 1 - Non-recurring Gains and Losses defined as recurring profit and loss items, the reasons shall be explained.

Applicable" Not applicable"

2. Return on net assets and earnings per share

Applicable" Not applicable"

Profits during the Reporting Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share

Net profit attributable to ordinary shareholders of the company	28.17	1.1523	1.1523
Net profit attributable to ordinary shareholders of the company after deducting non-recurring gains and losses	26.71	1.0926	1.0926

3. Difference in the Accounting Information under the PRC Accounting Standards for Business Enterprise ("PRC GAAP") and Overseas Accounting Standards

Applicable" Not applicable"

4. Others

Applicable" Not applicable"

Chapter XII References

References	Financial statements signed and sealed by the legal representative, the person in charge of accounting work, and the person in charge of the accounting agency.
References	Original of the auditor's report with the seal of the accounting firm and the signature and seal of the certified public accountant.
References	Originals of all company documents and announcements publicly disclosed on the designated information disclosure media by CSRC during the Reporting Period.

Chairman: Chen Huwen

Date of report and submission approved by the Board of Directors: 10 April 2020

Revision information

Applicable" Not applicable"