

Stock Code: 603899

Short Name: M&G Stationery

SHANGHAI M&G STATIONERY INC.
Annual Report 2020



Going Forward with our Mission

Dear shareholders, partners and friends,

The year 2020 was an extraordinary year. Since the beginning of the year, the sudden outbreak of the COVID-19 pandemic has brought tremendous impacts to various industries. Due to such macroeconomic climate and the delay in school return date, many stationery shops faced grave challenges to resume operation. Among such uncertainties, what M&G can do is do "things with certainty". The Company acted quickly to fight against the pandemic. On the one hand, we adopted pandemic prevention and control measures to protect our employees, provided PPE for front-line workers and donated money and materials. On the other hand, the Company took resolute steps to restart factories to resume production. In the first half of the year, the Company recorded a decrease in results. With our strenuous efforts, we achieved satisfactory performance in the second half. One of the most important things we learned in 2020 is that if you truly aspire something, you can always work out a way and if you persist enough, you can make the seemingly impossible come true.

In 2020, the Company recorded revenue of RMB13 billion, an increase of 17.9%, and net profit of RMB1.2 billion, an increase of 18.4%. For the past years since going public, M&G has maintained health growth and sound asset condition. The year 2020 was of great significance to M&G. Exploring with the spirit of a startup company, M&G has been founded for three decades, and it launched a new round of a five-year strategy plan.

The year 2021 is the beginning of China's 14th Five-Year Plan, and also the start of M&G's new five-year strategy. M&G will adhere to the new development thinking of growth with emphasis on quality and efficiency. Our new five-year strategy is formulated in line with the direction of the previous strategy, and reflects China's population trend and consumption upgrade in the new era. The new strategy calls for product mix upgrade and on-line business expansion, supported by digitalization, MBS, and merger and acquisition. The Company's mission is to "make study and work more joyful and effective", and the Company's vision is to become a "world-class M&G".

We believe that good stationery has vitality, as a good book and stationery is temperate and can make a positive difference. In China, we see great potential in the stationery and creative culture products industry. Every year, M&G launches thousands of new products based on

consumer insights. To deliver a better experience for consumers, we hope to include new features in our products, incorporating functionality and a sense of beauty and humor. According to the vision to become "world-class M&G" as set out in our new five-year strategy, M&G devotes to providing better products for China and the world, aiming to become a pioneer in global stationery industry when it comes to products and technology. From stationery to creative culture products, M&G must have a more open mindset. M&G Colipu is committed to making work more joyful and effective, and becoming a leader in China's office supplies 2B industry with about one trillion RMB market. While promoting international business and carrying out Dual Circulation, we will break various bottlenecks and strive for higher goals.

Dear shareholders and partners, we will go forward with our mission in mind! M&G is inspired by grand national rejuvenation, yet we also take clue from ordinary people. We believe the best way to help us successfully is by helping related others successful, we believe that the success of individuals and companies depends on their "energy, will and spirit". We believe in long-termism, choosing to do harder but right things, and doing daily work with excellence. "The new era belongs to those who strive. Striving leads to happiness and striving in itself is a happiness."

We would like to express our heartfelt thanks to our customers and partners, for your care and support for the development of the Company. M&G is willing to work together with all of you, remain true to our original aspiration, and forge ahead to promote a sustainable, sound and high-quality development, and create better value for all shareholders. Strive towards a "world-class M&G". We look forward to working with you towards a bright future!

Chairman: Chen Huwen

26 March 2021

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, Quan Qiang, 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 proposes to distribute cash dividend of RMB5.00 (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. The profit distribution plan is subject to being submitted the Company's 2020 annual general meeting of shareholders for deliberation.

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. Are there more than half of the directors who cannot warrant the truthfulness, accuracy and completeness of the annual report disclosed by the Company

No

X. 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 Chapter IV. Investors are advised to pay attention to risk of investment.

XI. 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.*

Contents

Pressing Forward with Mission in Mind.....	2
Chapter I Definition	7
Chapter II Company Profile and Key Financial Indicators	8
Chapter III Business Overview.....	13
Chapter IV Discussion and Analysis of Operation.....	18
Chapter V Major Events	39
Chapter VI Changes in Ordinary Shares and Shareholders	66
Chapter VII Preference Shares	76
Chapter VIII Directors, Supervisors, Senior Management and Employees	77
Chapter IX Corporate Governance.....	84
Chapter X Corporate Bonds.....	88
Chapter XI Financial Report.....	89
Chapter XII References.....	244

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 2020
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 Life 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 2020, from 1 January 2020 to 31 December 2020
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 Stationery
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
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 Certified Public Accounts LLP
	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	2020	2019	Year-on-year change (%)	2018
Revenue	13,137,745,727.18	11,141,101,364.44	17.92	8,534,988,597.55
Net profit attributable to shareholders of the listed company	1,255,426,655.27	1,060,083,625.03	18.43	806,847,308.41
Net profit attributable to shareholders of the listed company, net of non-recurring gains and losses	1,102,712,281.50	1,005,187,834.38	9.70	749,412,457.07
Net cash flow generated from operating activities	1,271,697,892.28	1,081,941,383.68	17.54	827,940,565.51
	End of 2020	End of 2019	Year-on-year change (%)	End of 2018
Net assets attributable to shareholders of the listed company	5,193,568,712.05	4,201,500,384.99	23.61	3,410,808,445.41
Total asset	9,709,908,436.32	7,565,115,311.74	28.35	5,677,500,049.71

2) Key financial indicators

Key financial indicators	2020	2019	Year-on-year change (%)	2018
Basic earnings per share (Yuan/share)	1.3558	1.1523	17.66	0.8770
Diluted earnings per share (Yuan/share)	1.3558	1.1523	17.66	0.8770
Basic earnings per share, net of non-recurring gains and losses (Yuan/share)	1.1908	1.0926	8.99	0.8146
Weighted average ROE (%)	26.91	28.17	Decrease by 1.26 percentage points	26.16
Weighted average ROE, net of non-recurring gains and losses (%)	23.63	26.71	Decrease by 3.08 percentage points	24.30

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

"□ Applicable" "√ Not applicable"

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 2020 by Quarter

Unit: Yuan Currency: RMB

	1 st Quarter (January - March)	2 nd Quarter (April - June)	3 rd Quarter (July - September)	4 th Quarter (October - December)
Revenue	2,083,587,295.14	2,677,836,377.15	3,776,378,538.71	4,599,943,516.18
Net profit attributable to shareholders of the listed company	230,373,494.44	234,127,325.67	448,408,007.50	342,517,827.66
Net profit attributable to shareholders of the listed company after non-recurring profit or loss	173,986,745.54	213,134,322.82	405,711,591.63	309,879,621.51
Net cash flow generated from operating activities	-258,692,211.83	385,237,644.11	767,509,677.24	377,642,782.76

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"

Items of Non-recurring Gains or Losses	Amounts in 2020	Notes (if applicable)	Unit: Yuan	Currency: RMB
			Amounts in 2019	Amounts in 2018
Gains or losses on disposal of non-current assets	169,704.92	Mainly due to the Company's renewal of some old equipment	6,081,606.95	-69,195.83
Government subsidies 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 State policies	135,222,930.01	Mainly including government subsidies received during the Reporting Period and government subsidies transferred from deferred income	42,747,681.46	42,122,713.66
Gains or losses on entrusted investment or asset management				35,517,479.65
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 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	37,743,018.95	Revenue generated from purchase of wealth management products	29,184,868.54	
Reversal of provision for impairment of receivables and contractual assets which are individually tested for impairment	8,958,818.94	Mainly due to the provision reversal of bad debts on individual receivables of the Company	1,803,027.63	
Other net non-operating income and expenses, other than the above items	18,746,671.42	Mainly including the non-operating income transferred from the proceeds from the merger and acquisition of Office Depot, and the expenditure of charity donations.	-5,743,388.02	-7,936,377.76
Effect of minority equity	-18,957,557.36		-4,764,697.27	-2,192,444.11
Effect of income tax	-29,169,213.11		-14,413,308.64	-10,007,324.27
Total	152,714,373.77		54,895,790.65	57,434,851.34

XI. Items Measured at Fair Values

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance	Changes in the Period	Effect on profit for the Period
Held-for-trading financial assets	661,878,587.24	1,428,277,848.33	766,399,261.09	32,281,250.23
Receivables financing	29,549,924.83	61,412,976.46	31,863,051.63	
Derivative financial assets				
Other debt investments (including other current assets)				
Other non-current financial assets				
Investments in other equity instruments	3,909,179.93	5,476,577.42	1,567,397.49	
Held-for-trading financial liabilities				
Derivative financial liabilities				
Total	695,337,692.00	1,495,167,402.21	799,829,710.21	32,281,250.23

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

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

2. Principal 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 warehouse and logistics, to distribution network management. 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 proposition to product design, product mold 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 features sales-driven production, in-house and OEM outsourcing. The Company has 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 in 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 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 leading companies in China's stationery business that engage in large-scale brand sales management and franchise management.

M&G Technologies mainly comprises of online businesses in Tmall and JD. Tmall business is M&G Technologies' Tmall flagship store where customers can place orders. For the business on JD platform, it takes purchase order monthly based on inventory and shelf sales ratio, and responds to purchase order according to M&G Technologies' actual inventory condition; after the order is confirmed, it will then be forwarded to the warehouse system where it then delivers goods to JD according to the confirmed purchase order. M&G Technologies is also responsible for online full platform marketing and management of authorized online stores.

M&G retail store businesses include two store types: Jiumu stores and M&G Life stores. Targeting female consumers aged 15-29, Jiumu Stores primarily sell stationery, cultural and recreative products, educational and entertainment products, and daily household and home products. Jiumu stores are mostly located in high-quality shopping malls in prime urban districts. Jiumu stores represent the Company's ongoing exploration in new retail model in lifestyle products with a distinct cultural element. Jiumu Store started franchising in July 2018, where franchisees pay contract deposit and decoration fee according to contracts, and store rent, store staff salary, utilities and other costs incurred in franchising stores. M&G

Life stores mainly target students aged 8-15, primarily selling stationery products. M&G Life stores mostly locate in Xinhua Bookstore and compound bookstores, M&G Life stores represent the Company's efforts to move beyond the dominant traditional channels of retail stationery shops nearby schools.

In the direct office supplies service business, M&G Colipu provides governments, public institutions, Fortune Global 500 companies and other SMEs with cost-effective one-stop office supplies procurement service. M&G Colipu has a rich product offering, covering office supplies, MRO industrial products, marketing gifts, employee benefits and corporate services, more than one million products including office paper, office stationery, office supplies, office equipment, computers and accessories, digital and communications, office appliances, daily necessities, labor protection industrial supplies, food and beverages, business gifts and office furniture. By shortening the supply chain, M&G Colipu provides customers with cost-effective procurement and customized value-added services.

With changing demographics of China in particular the decreasing birth rate, it becomes increasingly difficult to achieve revenue growth from unit volume growth in the future, and stationery industry growth is increasingly driven by consumption upgrade and product upgrade. The Company's traditional core businesses are challenged with changing demands from more individualized population born after 1990 and 2000. Stationery consumption in China is becoming more brand conscious, innovative, individualized and more premium. There is a clear growth in demand for better cultural and creative products, which accelerates industry transformation towards one with more cultural and creative elements. M&G Technologies reflects channel diversification trend and helps the Company's omni-channel strategy by expansion of online business. Jiumu stores and M&G Life stores both serve as the Company's bridgehead to continue products and channels upgrading of its traditional core businesses, and they play an important role in promoting the Company's brands and products upgrade. M&G Colipu's direct office supplies service business meets demands for purchasing office supplies from large corporations and institutions, which helps boosting the sales of writing instruments and office stationery of the Company's traditional core business.

3. Major driver for revenue growth

(1) Social transformation and consumption upgrade; (2) State investment in education; (3) Favorable policy environment for culture industry development; (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 stationery, arts, sports and entertainment products industry. The Company is a member of China Stationery & Sporting Goods Association, and China Writing Instrument Association.

During January-November 2020, revenue of China's stationery and office supplies industry amounted to RMB136.7 billion, representing a decline of 1% from the previous year, and total profits amounted to RMB7.9 billion, representing a fall of 11% from the previous year. There were 1,033 enterprises above designated size in China's stationery and office supplies industry (Source: China Stationery & Sporting Goods Association).

In 2020, 212 member enterprises of China Writing Instrument Association recorded revenue from principal business of RMB14.5 billion, representing a decrease of 11% from the previous year, and realized profits of RMB0.7 billion, representing a decline of 20% from the previous year. In 2020, writing instrument industry exports amounted to USD2.4 billion, down 16% from previous year. Affected by the pandemic, the demand for writing instruments decreased across the world, and export was severely hit in

2020, reaching the lowest point in the past ten years. The writing instrument industry imports amounted to USD800 million, up 1% from the previous year. (Source: China Writing Instrument Association)

2. Features of the industry

(1) Periodicity

Writing instruments, student stationery and office supplies are less affected by economic fluctuations. With low unit price, writing instruments and student stationery are more of necessity goods with relatively low income elasticity, relatively less sensitive to economic fluctuations.

(2) Seasonality

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

3. Development trend of the industry

With the changes in the way of life and consumption habit of consumers, China’s retail industry entered a new stage of redevelopment and innovation. Stationery industry faces challenges with uncertainty of external environment, diversification of retail channels, and more individualized demands from main customers group (now being the post-90s and post-00s). With the changing demographics of China in particular the decreasing birth rate, stationery industry revenue growth comes less from by unit volume growth, and more from consumption upgrade and product upgrade. Domestic market demand for mid- to high-end stationery products keeps increasing, reshaping market structure dominated by low-end products. This provides opportunities for mid- to high-end stationery products with better quality and higher price. China’s population of 1.4 billion accounts for about 18% of global population, while leading stationery companies in China can continue to mostly rely on the huge domestic market, they also have room for international expansion in international markets, which could reinforce each other under favorable conditions.

Traditional retail stationery shops nearby school are still the dominant channel for China’s stationery industry, and shares of other retail formats are increasing faster. Sales terminals and channels of the industry are becoming more diversified, upgrading and competition in channels becomes more obvious. Domestic consumption for stationery in China becomes more brand conscious, innovative, individualized and more premium. There is a growing demand for premium cultural and creative products, stationery products are moving from those primarily focus on functionality towards those with more cultural and creative elements catering to customers. There are around thousands of stationery manufacturers in China’s domestic stationery industry and the industry is quite decentralized. There are a few leading companies for most sub-category stationery products, with continued development in the stationery industry, there could be higher industry consolidation, and leading companies could gain larger market shares.

The market of the direct office supplies service has been growing fast in China. According to industry research report, 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 2019, the *Notice on Promoting Fair Competition and Optimizing the Business Environment in Government Procurement* clearly proposed to accelerate the promotion of electronic government procurement. With strong national policy supports, B2B office supplies procurement in China got a unique opportunity for rapid development. At present days, driven by favorable policies and leading large and medium-sized enterprises, various digital procurement service providers are entering the market, accelerating development of e-procurement with public purchasing. The continuous integration and development of public procurement and high technology has also promoted the development of public procurement towards more professional, intelligent market-oriented and international.

During the pandemic, offline consumption was hindered, and consumption towards online accelerated. According to the National Bureau of Statistics, online retail sales across the country recorded RMB12 trillion in 2020, a year-on-year increase of 11%. Leading consumer products companies seized opportunities of online consumption and achieved sustained growth through online and offline integration.

China's digital economy accounts for 36% of the total economy (source: China Academy of Information and Communications Technology). Data has become a new factor of production. Industrial digitization is becoming the main pillar of the digital economy. Traditional industries have gained growth momentum in the digital age.

With smart technology and products upgrade, promotion of national education informatization and the development of the online education market, smart stationery products have developed rapidly in the past few years. Technology-empowered smart pens and smart books are widely adopted in online education, providing an increasingly better user experience.

4. Company position in the industry

As a leader of “own brand + domestic demand” in China’s stationery industry, the Company has a strong first-mover and leading advantage, with a wide and deep distribution network coverage in China’s stationery market. At the end of the Reporting Period, the Company has a national distribution network covering over 80,000 retail stationery shops using the store sign “M&G Stationery” across China, enabling the Company to establish market leading position for its own brand products amidst competitions. The Company ranked first in “Top Ten Enterprises in China’s Light Industry and Writing Instrument” for nine 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 Chapter IV for more details.

III. Analysis on core competitiveness during the Reporting Period

"√ Applicable" "□ Not applicable"

1. Brand advantage

As a leader of “own brand + domestic demand” in China’s stationery industry, the Company has established a leading position for its own brand products amidst competitions of domestic market. The Company ranked the first in “Top Ten Enterprises in China’s Light Industry and Writing Instrument” for nine consecutive years. M&G brand has sound brand recognition among consumers, and served as the designated stationery brand for Boao Forum for Asia for many years. During the Reporting Period, the Company won the "Shanghai Brand" certification.

2. Channel advantage

The Company has a strong first-mover and leading advantage with a wide and deep coverage of distribution network across China. The Company has established an efficient distribution management system and a domestic terminal network with deep penetration. At the end of the Reporting Period, the Company has 36 tier-one distributor partners, and about 1,200 tier-two and tier-three distributor partners across China, covering over 80,000 retail stationery shops with “M&G Stationery” logo across China.

3. Design and R&D advantage

The Company has the capability to respond timely to market and strong R&D capacity for new products. The Company conducts market research for new product development and identifies market trends. The Company launches about one thousand new products each year to meet consumer needs, covering writing instruments, writing pads, art materials, office supplies and other categories. Through innovation, the Company has developed a variety of products such as quick-drying series, heat erasable series, and professional painting materials. The Company was awarded high profile industrial design

awards including German iF Award, Red Dot Design Award, G-mark, and IDEA, also product design awards such as Gold Ideas Medal and Red Star Medal, reflecting the Company's design capabilities. The Company pioneered application of antibacterial, high-density, spray-free, and biodegradable materials, broadened stationery materials, helped the environmental protection and green development of the industry.

4. Technology advantage

The Company has raw material formula and production process with intellectual property rights. The Company was recognized as a national high-tech enterprise since 2010. The Company hosts the “national industry design center”, “China key laboratory of light industry and writing instrument engineering technology”, “Shanghai research center of writing instrument engineering technology” and other national, provincial and ministerial level technology centers. The testing laboratory of the Company obtained CNAS certification qualification and testing results are recognized by over 100 countries. The Company has undertaken a number of national, provincial and ministerial-level and independent research and development projects. The Company won two First Prizes for State Science and Technology Progress Award issued by China National Light Industry Council.

5. Manufacturing advantage

The Company benefits from experience of large-scale manufacturing accumulated from past years, in-house mold capability, reliable supply chain, sound quality control system and adoption of information management systems. The Company has the capability of large-scale manufacturing with high quality control standard. Its product quality has won general recognition and favorable comments from consumers. The Company promotes the application of intelligent manufacturing technology in the production and inspection, and applies machine vision technology in various key links to improve the efficiency. The Company sets itself as a model for transforming the stationery industry towards a leaner manufacturing model.

6. Supply chain advantage

With the idea of partnership in its business operation, the Company has strived to build a high standard supply chain ecosystem. The Company keeps upgrading the management for supply chain, and has information collaboration, inventory optimization, financial support, quality and order management, performance optimization to help supply chain partners to be stronger, improve consistency and operation capability of our supply chain partners.

Chapter IV Discussion and Analysis of Operation

I. Discussion and Analysis of Operation

In the first half of 2020, due to the impact of the COVID-19 pandemic, both domestic economic growth momentum and foreign trade demand significantly slowed down. The office stationery industry was severely affected by the macro economy and delayed school openings, especially primary and secondary schools. On the one hand, the Company actively complied with pandemic prevention and control measures; on the other hand, the Company steadily promoted resumption of factory and production, raced against time to resume normal operations. In the second half of the year, thanks to the efforts of the state and local government, pandemic was largely brought under control, national GDP resumed positive growth. Company management paid close attention to market dynamics and actively took countermeasures. Guided by company strategy, and driven by innovations, the Company continued to execute its growth strategy and business plans. Adhering to normalized pandemic control measures, the Company managed to maintain its growth momentum and further enhance its competitiveness through such measures as focused channel cultivation, rapid growth of online business, comprehensive advance of traditional core business and continuous expansion of new businesses. At the same time, the Company's internal management was continuously improved and the restricted stock incentive plan for 2020 was introduced, demonstrating confidence in long-term development and determination to grow stronger.

Operation of the Company in 2020 is summarized as follows:

1. Push the Four Segments of Traditional Core Business

(1) Mass market stationery segment

With "exploitation of potential, collaboration, product capability" as the key words, continued the strong product strategy, develop less and better products. This segment continued to optimize product structure and increase contribution of individual products. It established a mechanism to unleash the potential of long life cycle products and has achieved initial results in the development of long life cycle and best-selling products. Promotion for category was carried out collaboratively with offline distribution channel to increase on shelf ratio, coordination was made with online channel to identify potential products and form individual best-selling products for distribution. Online product management and ordering procedures were formulated to meet customer ordering needs and increase online sales of consumer products.

(2) Premium stationery segment

Improved the development and presentation for key categories based on terminal sale to develop formations of premium stationery segment with strong function; focused on top star products and core popular products to enhance the contribution of individual products, combined with mature serialized products and trendy stationery (such as blind boxes, products featuring IP and season-theme, etc.) to open up a situation where medium and high priced items coexist. With quality improved on the Company's single stores in key areas, the proportion of high-quality premium stationery products in traditional channels was enhanced. At the same time, the Company shortened the channels, continued to promote direct-to-customer business both at headquarters and at partner level, focused on quality domestic stationery retail terminals (bookstores, grocery retail and stationery retail terminals).

(3) Arts and kids drawing segment

Optimized product structure, promoted long life cycle products and new products, increased contribution from key products; made further efforts to build dedicated areas for products of this segment in various channels, developed national art stores, explored big store business, and increased terminal on shelf rate of art products; accelerated the expansion of online product lines and opportunity categories, created online best-selling products. The online sales of best-selling marker pens, clays, and pigments increased significantly, and professional art and puzzle categories were expanded. Through the promotion

of key product categories, the expansion of dedicated areas, and seminars, arts products for children were promoted. Online and offline channels were integrated to promote CARIOCA brand products. The CARIOCA brand added new products to existing portfolios.

(4) Office stationery segment

Under the pandemic, product development cycle was shortened. Anti-pandemic office supplies were launched. The office stationery segment was further developed and integrated solutions were proposed so that core products could be put on shelves. The online sales of office supplies significantly increased. Focus was placed on development and breakthrough of “key customer”, “key category” and “key platform”. Developed large office stationery customers across the country. The segment made further efforts to develop the professional channel model of direct office supplies.

2. Focus and Optimize Channels

Due to the COVID-19 pandemic, the traditional core business was greatly restricted in the first half of the year. School opening was delayed, which impacted the operation of terminals near schools. The Company's sales team and partners worked together to actively maintain retail terminals and helped them to boost sales and confidence. With favorable policy support and as the pandemic was largely brought under control, market picked up during the schooling peak season, many business indicators steadily improved. During the Reporting Period, the Company adhered to its strategy, focused on key terminals, cultivated model stores, pushed optimization and upgrading of domestic channels: (1) improved single store quality, facilitated the upgrading of distribution centers; (2) strengthened categories promotion and dedicated retail spaces for key products, promoted the optimization of the product mix of terminals across the country, opened up channels, and established a normal promotion mechanism for staple products; (3) built dedicated areas for key categories in the sales terminal, increased the on shelf ratio of staple products on the counter, and improved the quality of single stores; and (4) focused on improving single stores quality in key areas to improve shares in key business districts. At the end of the Reporting Period, the Company has 36 tier-one distributor partners, and about 1,200 tier-two and tier-three distributor partners across China, covering over 80,000 retail stationery shops with “M&G Stationery” logo across China. The Company actively promoted M&G Alliance APP, to build a stronger connection among headquarters, multi-tier distribution partners and retail stationery shops with the help of digital tools, improved digitization of business and flow of information.

3. Increase Online Sales

During the Reporting Period, facing declined demand from offline terminals, M&G Technologies accelerated the development of online distribution channels, developed best-selling products based on demand and traffic flow. Growth rate of online business was significantly higher than the industry average: (1) collaborated with the four segments of traditional core business to launch many products for online sales; (2) enhanced online product development capabilities and made breakthroughs in new products while continuing efforts for existing product portfolios; (3) carried out external and internal live streaming events to improve category promotion efficiency and brand exposure; (4) emphasized market management to strengthen collaboration of the online distribution system; and (5) actively promoted key stores to increase market share and strengthened member operations. During the Reporting Period, M&G Technologies recorded revenue of RMB473 million, representing an increase of 59% from the previous year. During the Reporting Period, M&G Technologies increased expenditure on brand promotion and online distribution channels.

Unit: 0'000

M&G Technologies	2020	2019	2018	3-year average
Revenue	47,368.78	29,668.20	23,434.15	33,490.38
Net profit	-1,195.77	-120.59	963.31	-117.68

4. Continue to Improve Brand Image

During the Reporting Period, the Company made progress in corporate brand infrastructure, brand communication, and public relations. Launched a number of season-themed events such as cherry blossom season, children season and exam season. Brand and product information reached core audience. The Company's brand influence and reputation were enhanced. During such events, the Company gained tens of millions of exposures on social media platforms such as Weibo, Bilibili, and Xiaohongshu; the Company put product placement on websites, print media, WeChat, and Weibo, etc., gaining tens of millions of exposures which increased brand value.

5. Promote Design and R&D

During the Reporting Period, the Company's product segments continued innovations based on consumer insights, optimized online and offline products offerings, and improved its product portfolio based on market feedback. The successful development and production of new color series writing instruments expanded products application. The research projects under the 13th Five-Year National Key R&D Program - New Environmentally Friendly Materials for Writing Instrument, several sub-projects were completed and entered final review stage. The Company promoted cooperation with external design resources, and launched "M&G Global Design Center - Israel Studio", attracting more overseas outstanding designers to contribute the Company's products and brands.

6. Steadily Develop Own-operated Retail Stores

The Company actively improved product portfolio and service model of its own-operated retail stores, developed Jiumu Store and tried some remodeling for M&G Life stores. During the Reporting Period, the business of retail stores was greatly affected by the pandemic. In the first half of the year, retail stores were mostly closed or operated abnormally. Since the second half of the year, stores have gradually recovered operations, customer traffic has gradually picked up. M&G Life (including Jiumu Store) recorded revenue of RMB654 million, representing an increase of 9%. Jiumu Store recorded revenue of RMB558 million, representing an increase of 21%. At the end of the Reporting Period, the Company had 441 large own-operated retail stores in China, of which 80 are M&G Life, and 361 are Jiumu Stores (237 own stores and 124 franchise stores).

Jiumu Stores continued to optimize its product mix and explored new category opportunities. Jiumu Stores maintained steady development of offline channels, promoted online businesses such as the opening of Tmall's official flagship store, live broadcast, and social media marketing, boosted customer repurchase through several season themed and holiday marketing. M&G Life continued to optimize store operation and management, improved efficiency and reduced store labor costs, with single store quality improvement as its main target. During the Reporting Period, due to lower customer traffic and new stores opening, loss of the own-operated retail store business increased.

Unit: 0'000

M&G Life (consolidated)	2020	2019	2018	3-year average
Revenue	65,484.36	60,063.70	30,592.14	52,046.73
Net profit	-5,022.93	-804.67	-3,030.04	-2,952.55
Of which, Jiumu Store	2020	2019	2018	3-year average
Revenue	55,849.09	46,043.51	15,299.61	39,064.07
Net profit	-4,207.86	-693.11	-2,602.78	-2,501.25

7. Continue to Grow M&G Colipu

M&G Colipu leveraged its channel advantages, optimized resources, boosted supplies for epidemic prevention and control and helped other companies. Relying on its electronic transaction system, intelligent warehousing and logistics system, high-quality product supply chain and personalized service, M&G Colipu's business continued to develop. During the Reporting Period, M&G Colipu recorded

revenue of RMB5,000 million, representing an increase of 37% from the previous year. Its influence in the direct office supplies service market was further enhanced.

(1) Customer Development

For government customers, M&G Colipu was shortlisted for e-commerce projects of the People's Government of Shandong Province, Hu'nan Province, and Chongqing Municipal People's Government; for central state-owned enterprises, M&G Colipu was shortlisted for procurement projects of China Resources Group, China Railway, Aluminum Corporation of China and Commercial Aircraft Corporation of China (COMAC); for financial institutions, M&G Colipu was shortlisted for the branch project of CCB, CEB and SPD Bank; for other enterprises, M&G Colipu won the bidding for procurement projects of Shimao Group, SF Express and Lingang Group. M&G Colipu launched MRO online stores.

(2) Warehouse and Logistics

As of the end of the Reporting Period, M&G Colipu operates 6 central warehouses across the country, covering North China, South China, East China, West China, Central China, and Northeast China. The central warehouse in Northeast China was added to improve order responsiveness. At the same time, a new central warehouse in East China was put into use, which adopted several intelligent processing systems such as the dense storage system, indicating M&G Colipu becomes one of leading companies with intelligent warehousing and logistics.

Unit: 0'000

M&G Colipu	2020	2019	2018	3-year average
Revenue	500,027.59	365,806.17	258,604.90	374,812.89
Net profit	14,382.86	7,580.35	3,213.52	8,392.24

8. Continue to Improve Internal Management

During the Reporting Period, the Company focused on “pandemic prevention and control, production capacity restoration, cost reduction and efficiency enhancement, and quality improvement”, established a pandemic prevention and control process, ensured product delivery. The Company actively promoted the MBS (M&G Management System) to implement multiple company-level improvement projects, including new product SKU control, channel efficiency improvement, APP order fulfillment rate improvement, etc., promoted lean management, formed standard processes, and continuously improved management capabilities.

The Company paid equal attention to broadening revenues and saving costs. Costs were cut down and supply chain was improved through product value engineering and lean production. The Company continued to advance the proactive prevention mechanism by using big data to analyze potential quality risks and tracking the implementation of improvement measures, to prevent production of defective products from the source and improve product quality.

For human resources, through development methods such as the leadership curriculum system and internal trainer team, high-potential training projects, mentor guidance, job rotation learning, personal development path design, etc., carried out talent training and ability enhancement.

9. Continue Digitalization

During the Reporting Period, the Company continued to empower business with data, promoted the construction of data middle platform. The Company refactored the MDM (Commodity Master Data Management) system, and developed and launched the QMS (Quality Management) system and the IPQC (Production Quality Process Inspection) system to visualize quality inspection process; M&G Alliance APP was upgraded continuously to improve user experience.

10. Implement Equity Incentive Plan

During the Reporting Period, the Company implemented the 2020 restricted stock incentive plan with the first batch of stocks granted at the end of May 2020. The Company's implementation of the restricted

stock incentive plan is conducive to further improving the Company's governance structure, improving its incentive mechanism, enhancing management team and business backbones' sense of responsibility and mission to achieve the Company's sustainable and healthy development, and is also conducive to the Company's sustainable development. During the Reporting Period, the Company's share-based payment recognized as current year expenses was RMB8 million.

11. Axis Stationery

Export business accounts for more than 70% of the revenue of Axis Stationery. During the Reporting Period, export was severely affected by the pandemic and the overseas market suffered greatly. Particularly in South America, a key market of Axis Stationery, factories and schools were closed and export revenue declined. In China, the school opening was delayed in the first half of 2020, sales of the self-owned brand MARCO, which targets students and focuses on basic writing instruments, recorded a year-on-year decline. Through adjustments in the second half of the year, domestic sales were largely restored on par with the same period last year. Factories efficiency was at a multi-year low due to fluctuation in capacity utilization. During the Reporting Period, Axis Stationery incurred significant losses, primarily due to high manufacturing cost resulting from under utilization of its factories.

12. Actively Explore Overseas Markets

The Company's products are exported to more than 50 countries and regions, with distribution and procurement networks in Thailand, Vietnam, Malaysia and other countries. During the Reporting Period, the Company actively explored overseas markets, and dispatched experienced project teams to Africa, promoted M&G products and business models based on local conditions. With the mission of "providing affordable and quality stationery to local students", the Company started to form a channel model and product development tailored to local conditions.

II. Financial Performance during the Reporting Period

In 2020, the Company recorded revenue of RMB13,137,745,700, representing an increase of 17.92% from the previous year. The net profit attributable to shareholders of the listed company amounted to RMB1,255,426,700, representing an increase of 18.43% from the previous year, while net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss amounted to RMB1,102,712,300, representing an increase of 9.70% as compared to the corresponding period of last year. As at the end of 2020, total asset of the Company amounted to RMB9,709,908,400, representing an increase of 28.35% from the previous year. The net asset attributable to shareholders of the listed company amounted to RMB5,193,568,700, representing an increase of 23.61% from the previous year. The Company has maintained health growth and sound asset condition.

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	13,137,745,727.18	11,141,101,364.44	17.92
Operation cost	9,806,609,999.48	8,229,837,268.86	19.16
Selling expenses	1,103,184,023.51	980,166,101.18	12.55
Administrative expenses	602,627,135.41	469,262,188.13	28.42
R&D expenses	160,178,941.89	160,403,362.97	-0.14
Financial expenses	9,060,176.35	-8,397,277.65	207.89
Net cash flow generated from operating activities	1,271,697,892.28	1,081,941,383.68	17.54
Net cash flow generated from investing activities	-1,065,448,932.04	-74,352,686.18	-1,332.97
Net cash flow from financing activities	-200,057,726.09	-364,300,101.66	-45.08

2. Analysis of revenue and cost

"√ Applicable" "□ Not applicable"

During the Reporting Period, the Company's traditional core business increased by 9% as compared to the corresponding period of last year, and new business increased by 32% as compared to the corresponding period of last year.

(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	7,745,854,967.03	5,165,288,162.73	33.32	9.33	6.35	Increase by 1.87 percentage points
Retail industry	5,385,322,954.25	4,641,066,357.09	13.82	32.96	37.61	Decrease by 2.91 percentage points

Service industry	2,368,196.45	/	/	-48.10	/	/
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	2,280,319,347.53	1,349,337,371.37	40.83	4.29	-2.44	Increase by 4.08 percentage points
Student stationery	2,705,879,062.04	1,801,327,917.08	33.43	2.29	1.13	Increase by 0.77 percentage points
Office stationery	2,821,455,762.73	2,024,465,110.41	28.25	20.22	17.30	Increase by 1.79 percentage points
Other products	323,247,832.92	180,119,757.57	44.28	8.30	12.64	Decrease by 2.15 percentage points
Direct sales of office supplies	5,000,275,916.06	4,451,104,363.39	10.98	36.69	40.01	Decrease by 2.11 percentage points
Management fee for franchising	2,368,196.45	/	/	-48.10	/	/
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	12,770,598,738.37	9,508,541,355.21	25.54	18.75	19.81	Decrease by 0.66 percentage points
Other countries	362,947,379.36	297,813,164.61	17.95	-5.91	1.57	Decrease by 6.04 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. Revenue from service industry refers to management fee for franchising. The reasons for the decrease during the Reporting Period were: (1) The number of franchise stores of Jiumu Stores decreased; (2) The franchise stores of traditional channels stopped charging franchise management fees since 2017, and the management fees that have been collected are recognized in the benefit year.
4. Writing instruments refer to products of writing utensil sold by the Company (excluding M&G Colipu).

5. Student stationery refers to products of student stationery sold by the Company (excluding M&G Colipu).
 6. Office stationery refers to products of office supplies sold by the Company (excluding M&G Colipu).
 7. Other products refer to products sold by the Company (excluding M&G Colipu) apart from writing instruments, student stationery and office supplies.
 8. 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.

Unit: 0'000

Result of revenue by business				
Business	Revenue in 2020	Revenue in 2019	Change in amount	Change
Traditional core business	757,611.01	694,737.18	62,873.83	9.05%
Colipu Office Supplies business	500,027.59	365,806.17	134,221.42	36.69%
Retail large store business	65,484.36	60,063.70	5,420.66	9.02%
Transactions offset	-9,348.39	-6,496.91	-2,851.48	
Total	1,313,774.57	1,114,110.14	199,664.43	17.92%

(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	2,327,748,721	2,313,385,523	595,035,911	1.12	1.88	2.47
Student stationery	Piece	5,356,021,889	5,336,153,012	664,318,843	-2.52	0.58	3.08
Office stationery	Piece	1,621,574,646	1,605,115,091	155,040,179	13.93	13.54	11.88
Other products	Piece	10,234,954	9,552,791	6,092,965	-18.62	4.08	12.61
Direct sales of office supplies	Piece	375,325,301	374,156,127	22,283,146	29.21	29.68	5.54

Explanation on production and sales volume

No

(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 year (%)	Explanation on the situation
Manufacturing and sales of stationery and office supplies	Cost of principal business	5,165,288,162.73	52.67	4,856,789,638.83	59.02	6.35	
Retail industry	Cost of principal business	4,641,066,357.09	47.33	3,372,542,728.19	40.98	37.61	
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	1,349,337,371.37	13.76	1,383,090,906.87	16.81	-2.44	
Student stationery	Cost of principal business	1,801,327,917.08	18.37	1,781,278,080.67	21.65	1.13	
Office stationery	Cost of principal business	2,024,465,110.41	20.64	1,725,910,247.56	20.97	17.30	
Other products	Cost of principal business	180,119,757.57	1.84	159,902,745.78	1.94	12.64	
Direct sales of office supplies	Cost of principal business	4,451,104,363.39	45.39	3,179,150,386.14	38.63	40.01	
Management fee for franchising	/	/	/	/	/	/	

Explanation on other situations of cost analysis

Cost increased simultaneously with sales. The growth in the costs of direct office supplies service business is mainly because business of M&G Colipu developed rapidly and sales increased.

(4). Major customers and suppliers

"√ Applicable" "□ Not applicable"

Sales of the top 5 customers amounted to RMB2,276,310,000, accounting for 17.33% of the total annual sales. Of the sales of the top 5 customers, sales of related parties amounted to RMB439,540,000, accounting for 3.35% of the total annual sales.

Unit: RMB Yuan

Rank	Customer name	Amount	Related relationship
1	First	711,492,936.94	No
2	Second	439,535,408.86	Yes
3	Third	382,832,718.47	No
4	Fourth	377,120,118.00	No
5	Fifth	365,330,048.64	No
	Total	2,276,311,230.91	

Related relationship between the Company and top five customers in 2020: the second customer is Nanjing Zhaochen Stationery Sales Co., Ltd, a sales company controlled by Guo Weilong who is a close family member 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 RMB1,401,640,000, accounting for 15.39% 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 suppliers	Amount	Related relationship
1	First	381,920,265.59	No
2	Second	313,739,685.53	No
3	Third	304,078,713.52	No
4	Fourth	213,912,775.27	No
5	Fifth	187,985,398.96	No
	Total	1,401,636,838.87	

There was no related relationship between the Company and the top 5 suppliers in 2020.

Other descriptions

No

3. Expense

"√ Applicable" "□ Not applicable"

Unit: RMB Yuan

Item in statement	Amount in the current period	Amount in the last period	Change in the proportion (%)	Reason for change
Selling expenses	1,103,184,023.51	980,166,101.18	12.55	
Administrative expenses	602,627,135.41	469,262,188.13	28.42	
R&D expenses	160,178,941.89	160,403,362.97	-0.14	
Financial expenses	9,060,176.35	-8,397,277.65	207.89	Please see details below

Explanation on the reason for change in financial expenses:

Financial expenses increased by RMB17,450,000, representing an increase of 207% as compared to the corresponding period of last year. Reasons for change: (1) The exchange loss during the Reporting Period increased compared with the same period last year; (2) The interest income obtained decreased compared with the corresponding period of last year.

4. R&D investment

(1). Table of R&D investment

"√ Applicable" "□ Not applicable"

Unit: RMB Yuan

Expensed R&D investment in the current period	160,178,941.89
Capitalized R&D investment in the current period	0.00
Total R&D investment	160,178,941.89
Proportion of total R&D investment in operating income (%)	1.22
Number of the Company's R&D staff	462
Percentage of the number of R&D staff to the Company's total number of employees (%)	8.12
Percentage of capitalized R&D investment (%)	0.00

(2). Explanation on the result

"√ Applicable" "□ Not applicable"

The total R&D investment accounted for 3.82% of the parent company's operating income.

5. Cash flow

"√ Applicable" "□ Not applicable"

Unit: RMB Yuan

Item	Amount in the current period	Amount in the same period last year	Change in the proportion (%)	Reason for change
Net cash flow generated from operating activities	1,271,697,892.28	1,081,941,383.68	17.54	
Net cash flow generated from investing activities	-1,065,448,932.04	-74,352,686.18	-1,332.97	Mainly because the bank wealth management products were purchased at a higher price than they are redeemed during the Reporting Period, while the bank wealth management products were purchased at a lower price than they are redeemed in the corresponding period of last year.
Net cash flow from financing activities	-200,057,726.09	-364,300,101.66	-45.08	1. The employee equity incentive was implemented during the Reporting Period, and the net equity investment absorbed increased by RMB132 million compared with the corresponding period of last year (the capital increase of M&G Colipu), which increased the inflow of the current period; 2. During the Reporting Period, the dividends paid, the net amount of borrowed and repaid principals, and the interest paid on Axis Stationery loans decreased by RMB23 million as compared with the corresponding period of last year, which decreased the outflow in the current period.

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	2,562,158,926.11	26.39	1,935,600,694.35	25.59	32.37	Increase in cash and equivalents brought by the growth of income and net profit.
Held-for-trading financial assets	1,428,277,848.33	14.71	661,878,587.24	8.75	115.79	Mainly because the unredeemed bank wealth management products increased as compared with the corresponding period of last year.
Accounts receivable	1,561,211,468.90	16.08	1,026,094,724.15	13.56	52.15	The growth in sales in the second half of the year caused the accounts receivable to increase, of which M&G Colipu had a longer account period and the accounts receivable increased significantly.
Receivables financing	61,412,976.46	0.63	29,549,924.83	0.39	107.83	Mainly because M&G Colipu received more bank acceptance bills as compared with the corresponding period of last year.
Prepayment	131,596,384.76	1.36	85,371,444.73	1.13	54.15	Mainly because the Company developed and was required to make more advance payments for goods.
Non-current assets due within one year	4,637,213.00	0.05		0.00		Compensation payable to the Company by the original shareholders of Axus Stationery according to the agreement will expire within one year.
Long-term receivables		0.00	6,624,590.00	0.09	-100.00	Compensation payable to the Company by the original shareholders of Axus Stationery according to the agreement was partially recovered during the Reporting Period, and the remaining receivables will be due within one year.
Investments in	5,476,577.42	0.06	3,909,179.93	0.05	40.10	Increase in return on the investment for Shanghai M&G

other equity instruments						Culture and Creativity (上海晨光文化创意) held by the Company for non-transaction purpose
Fixed assets	1,847,635,724.45	19.03	1,163,702,352.12	15.38	58.77	Mainly because Songjiang office house and Qingcun Production Base Construction Project were converted into fixed assets.
Construction in progress	54,946,300.66	0.57	260,469,728.76	3.44	-78.90	Mainly because Qingcun Production Base Construction Project was converted into fixed assets.
Goodwill		0.00	30,175,537.19	0.40	-100.00	After the goodwill impairment test, the Company made provision for impairment of all the goodwill formed by the acquisition of Axus Stationery.
Deferred income tax assets	99,939,414.58	1.03	36,623,535.59	0.48	172.88	Deferred income tax assets were mostly generated from the share-based payment expenses related to equity incentives, the asset depreciation and amortization difference between M&G Colipu's parent company and subsidiary companies, deferred income, and deductible losses.
Other non-current assets	6,258,468.47	0.06	315,153,408.27	4.17	-98.01	Mainly because Songjiang office house was converted into fixed assets.
Accounts payable	2,602,020,507.99	26.80	1,861,072,467.87	24.60	39.81	The Company's sales growth in the fourth quarter also brought an increase in purchases, of which M&G Colipu increased significantly.
Accounts received in advance		0.00	206,762,293.94	2.73	-100.00	According to the requirements of the new revenue standards, the advance receipts that meet the requirements of the standards were transferred to contract liabilities.
Taxes payable	477,240,219.10	4.91	258,583,118.14	3.42	84.56	1. The growth of revenue and total profit in the fourth quarter caused the turnover tax payable and corporate income tax payable to increase; 2. Timing difference of tax payment for some companies.
Other payables	625,468,675.97	6.44	331,438,976.35	4.38	88.71	Mainly because the obligation to repurchase restricted stocks, unpaid provisional estimate of the construction project of the Qingcun Production Base Construction Project, and the margins collected by M&G Colipu from suppliers increased.
Contract liabilities	114,100,035.35	1.18		0.00		According to the requirements of the new revenue standards, the advance receipts that meet the requirements of the standards were transferred to contract liabilities.
Other current liabilities	13,746,089.97	0.14		0.00		Taxes and charges relating to contract liabilities.

Estimated liabilities	12,211,357.80	0.13		0.00		Possible liabilities incurred by returned goods according to the requirements of the new revenue standards.
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Other descriptions

No

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

Applicable" Not applicable"

On 24 September 2020, Axus Stationery and Industrial Bank Co., Ltd. Shanghai Zhangyang Branch entered into the Line Credit Contract numbered Zhang Yang SXAS2020 with the credit line of RMB250,000,000.00 for 12 months from 24 September 2020 to 23 September 2021. The specific types of line business include, but are not limited to, working capital loans, bank notes, and letters of credit.

On 24 September 2020, Axus Stationery and Industrial Bank Co., Ltd. Shanghai Zhangyang Branch entered into the Maximum Mortgage Contract numbered Zhang Yang DYAS2020. This contract is a sub-contract of the Line Credit Contract. The maximum principal limit of the mortgage under this contract is RMB200,000,000.00, and the mortgage limit is valid from 24 September 2020 to 23 September 2021.

The mortgage term runs 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	24,976,111.47	22,085,342.05
No. 233 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2013) No. 013396	32,156,238.78	12,856,455.39	19,299,783.39
No. 333 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2015) No. 015718	60,230,210.97	15,309,106.79	44,921,104.18
Total		139,447,903.27	53,141,673.65	86,306,229.62

Under the framework of the above-mentioned Line Credit Contract and Maximum Mortgage Contract, on 24 September 2020, Axus Stationery and Industrial Bank Co., Ltd. Shanghai Zhangyang Branch signed the Working Capital Loans Contract numbered Zhang Yang LDAS2020, with the contractual loan amount of RMB180,000,000.00, the loan period of 12 months from 25 September 2020 to 24 September 2021, and the loan interest rate of one-year term LPR.

As of 31 December 2020, the outstanding loan of Axus Stationery was RMB180,000,000.00.

3. Other descriptions

Applicable" Not applicable"

4) Analysis on industry operating information

Applicable" Not applicable"

Please refer to “I. Description of the Company’s principal business, operation model and industry condition during the Reporting Period” set out in “Business Overview” of Chapter III.

5) Analysis of investment**1、 Overall analysis of external equity investment**

Applicable" Not applicable"

During the Reporting Period, the Company made foreign investments.

(1) Significant equity investment

Applicable" Not applicable"

1. The Company has established a wholly-owned subsidiary, Shanghai Chenxun Enterprise Management Co., Ltd., with a registered capital of RMB70 million; the Company has completed the relevant industrial and commercial registration procedures, and has not yet paid the capital;

2. the Company has established a subsidiary Shanghai Qizhihaowan Cultural and Creative Co., Ltd., with an investment of RMB57 million; the Company has promised but has not contributed RMB57.0 million, with the shareholding ratio of 57%.

(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	3,426.47	-603.38	322.06
Shanghai M&G Colipu Office Supplies Co., Ltd.	Wholesale and retail	Office supplies	66,000.00	243,746.53	56,879.45	14,382.86
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	121,266.40	46,755.47	8,037.45
M&G Life 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	43,751.23	-7,469.18	-5,022.93
Shanghai M&G Jiamei	Manufacturing,	Stationery and	3,000.00	4,800.12	3,842.31	104.69

Stationery Co., Ltd. (上海晨光佳美文具有限公司)	wholesale and retail	office supplies				
Shanghai M&G Information Technology Co., Ltd. (上海晨光信息科技有限公司)	Wholesale and retail	Office supplies	5,000.00	22,748.86	5,598.78	-1,195.77
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	2,795.57	1,216.19	30.47
Shanghai M&G Office Supplies Co., Ltd.	Wholesale and retail	Office supplies	5,000.00	41,251.68	13,052.09	3,416.63
Axus Stationery (Shanghai) Company Ltd.	Production, sale and so forth	Stationery and office supplies	8,100.00	68,842.62	17,313.85	-7,884.61

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"

With the changes in the way of life and consumption habit of consumers, China's retail industry entered a new stage of redevelopment and innovation. Stationery industry faces challenges with uncertainty of external environment, diversification of retail channels, and more individualized demands from main customers group (now being the post-90s and post-00s). With the changing demographics of China in particular the decreasing birth rate, stationery industry revenue growth comes less from by unit volume growth, and more from consumption upgrade and product upgrade. Domestic market demand for mid- to high-end stationery products keeps increasing, reshaping market structure dominated by low-end products. This provides opportunities for mid- to high-end stationery products with better quality and higher price. China's population of 1.4 billion accounts for about 18% of global population, while leading stationery companies in China can continue to mostly rely on the huge domestic market, they also have room for international expansion in international markets, which could reinforce each other under favorable conditions.

Traditional retail stationery shops nearby school are still the dominant channel for China's stationery industry, and shares of other retail formats are increasing faster. Sales terminals and channels of the industry are becoming more diversified, upgrading and competition in channels becomes more obvious. Domestic consumption for stationery in China becomes more brand conscious, innovative, individualized and more premium. There is a growing demand for premium cultural and creative products, stationery products are moving from those primarily focus on functionality towards those with more cultural and creative elements catering to customers. There are around thousands of stationery manufacturers in China's domestic stationery industry and the industry is quite decentralized. There are a few leading

companies for most sub-category stationery products, with continued development in the stationery industry, there could be higher industry consolidation, and leading companies could gain larger market shares.

The market of the direct office supplies service has been growing fast in China. According to industry research report, 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 2019, the *Notice on Promoting Fair Competition and Optimizing the Business Environment in Government Procurement* clearly proposed to accelerate the promotion of electronic government procurement. With strong national policy supports, B2B office supplies procurement in China got a unique opportunity for rapid development. At present days, driven by favorable policies and leading large and medium-sized enterprises, various digital procurement service providers are entering the market, accelerating development of e-procurement with public purchasing. The continuous integration and development of public procurement and high technology have also promoted the development of public procurement towards more professional, intelligent market-oriented and international.

During the pandemic, offline consumption was hindered, and consumption towards online accelerated. According to the National Bureau of Statistics, online retail sales across the country recorded RMB12 trillion in 2020, a year-on-year increase of 11%. Leading consumer products companies seized opportunities of online consumption and achieved sustained growth through online and offline integration.

China's digital economy accounts for 36% of the total economy (source: China Academy of Information and Communications Technology). Data has become a new factor of production. Industrial digitization is becoming the main pillar of the digital economy. Traditional industries have gained growth momentum in the digital age.

With smart technology and products upgrade, promotion of national education informatization and the development of the online education market, smart stationery products have developed rapidly in the past few years. Technology-empowered smart pens and smart books are widely adopted in online education, providing an increasingly better user experience.

2) Development strategy of the Company

Applicable" Not applicable"

To consolidate competitive advantages of traditional core businesses by adhering to the mission of "make study and work more joyful and effective", being consumer centric, and emphasizing on innovation of technology and products; to further develop new business including direct office supplies service and own-operated retail stores; to actively expand international market; and to promote digitalization, organization development and talents, mergers and acquisitions with synergy. With continued efforts in those four areas, to realize the vision of becoming a "world-class M&G".

The Company's mission is to "make study and work more joyful and effective", and the Company's vision is to become a "world-class M&G".

3) Operation plan

"√ Applicable" "□ Not applicable"

In 2021, the Company plans to reach revenue of RMB16,200,000,000, an increase of 23%, mainly through the following:

1. Traditional core business

To make good use of the advantages in channel, brand, design and R&D and supply chain, to maintain fast and stable growth in traditional core business, improve the quality of development, continue product mix upgrade, and improve quality of online business.

(1) Promote four segments comprehensively

① Mass market stationery segment

The Company will focus on development of long life cycle products and best-selling products, increase share of long life cycle products, increase new products with longer life cycle with new functions, new technologies and at higher prices. Continue to improve design capabilities and quality. Using MBS method to continuously optimize new product development process and reduce lead time of product development. The Company will take advantage of online channels to enhance the sales of mass market products.

② Premium stationery segment

The Company will continue to optimize the existing product offering of premium stationery segment, improve product mix, increase contribution of single products, create a series of best-selling products, and increase the proportion of premium stationery segment in traditional channels; and develop tailored premium stationery products for Jiumu Stores, direct channels, E-commerce and APPs to better meet demand of higher income consumers. The Company will also focus more on best-selling products by better coordinating marketing, design, supply chain and channel actions, improve the launch pace and distribution of IP products.

③ Office stationery segment

The Company will strengthen the development and promotion of office products, focus on the development of high-end innovative products in terms of solving pain points of end users, optimize quality control process; promote channel transformation with direct supply from the headquarters focusing on the development of key customers; expand M&G stores for office supplies and develop model stores for office supplies on a continuous basis; focus on development of online office supplies in all categories and multiple channels to drive the overall growth of the office supplies.

④ Arts and kids drawing segment

The Company will focus on product design and quality upgrade and development of high-value best-selling products; create best-selling products and drive channels through categories; develop e-commerce product lines with integrated thinking, carry out cultivation of categories to form M&G's integrated online product matrix + channel promotion matrix + supply support plan of arts products for children, and build loyalty of children's arts category at new channels; exert more efforts in the exploration of new categories; expand category width and improve the store product structure.

(2) Focus on and further develop traditional channels, and promote channel transformation

The Company will focus on key terminals, and build model stores to improve single store quality, facilitate the optimization and upgrading of franchise stores and delivery centers, and upgrade channel. Besides, the Company will also strengthen promotion for categories and dedicated zones for products to increase on shelf ratio of the must-have products, increase presence in major business districts and expand market share, promote direct supply both at headquarters and partners level to create incremental sales. The Company will better utilize data to upgrade traditional distribution network, including using M&G Alliance APP to shorten the feedback between retail terminal and the Company, to form a closed-loop order and increase the number of APP monthly active users.

(3) Improve online business quality

M&G Technologies will join in hands with product segments to launch online products and build a standard process for online product development, explore opportunities in key categories, improve product efficiency, improve online product offering; use platform data to guide the development of premium products; coordinate brand and the segments to build the content output capacity of product promotion. To build promotion matrix of celebrity, live broadcast and video, to promote new channel business including Douyin live broadcast and Xiaohongshu; enhance online operations capabilities by combining Tmall digital category captain project and promote a more refined membership operations.

(4) Continue digitalization

In line with corporate strategy, the Company plans to build foundation for M&G's data governance, initiate quick-win projects for members and channels, and improve products and core business processes of the supply chain. The Company will establish a unified data standard to improve M&G's data analysis; upgrade the existing dealer information system to improve the ability to "select the right stores and deliver the right goods"; use member operations as a key handle to grow online business.

(5) Axis Stationery to reduce loss

Stabilize overseas markets and continue to develop MARCO's own brand and online business, build brand image of MARCO's professional art pencils, increase sources of revenue and cut costs, increase efficiency, improve quality improvement and new product launch, aiming for an turnaround.

2. New business development

(1) Continue to develop retail large store business

For Jiumu Stores, continue to exert efforts in member operations, closed-loop online business, continuous optimization of products, and optimization of store operating standards to achieve high-quality growth of offline channels and higher growth of online business. As M&G's bridgehead in upgrading its products and channels, Jiumu stores will work closely with the Company to increase the sales ratio of premium products. M&G Life will improve operation capacity of the stores and sales of per employee, and optimize human resource cost for stores.

(2) Continue to grow 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. Renowned companies in the industry continue to enhance competitiveness through improving service quality, enriching product categories, seeking more customers and developing nationwide supply chain system. M&G Colipu is expected to maintain relatively rapid growth, and become one of the main competitors in its market. M&G Colipu will continue to win new large national customers, while maintaining good services for contracted projects, to increase

prefecture-level city coverage, strengthen sales and service capabilities, and improve supply chain systems, to enhance service efficiency, better meet market needs, and improve organizational capabilities.

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 has recruited 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 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 2021. The Company pays close attention to the development of COVID-19, and adopts 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 20th meeting of the fourth Board meeting and 2019 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 (%)
2020	0	5	0	463,713,800.00	1,255,426,655.27	36.94
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

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 , 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	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	36 months	Yes	Yes		

	Jiekui Investment	<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>					
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</p>	Not applicable	No	Yes		

		<p>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 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, 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</p>	Not applicable	No	Yes		

			<p>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.</p> <p>(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>					
Address competition between counterparts	M&G Group , Keying Investment , Jiekui Investment	<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			

<p>Address competition between counterparts</p>	<p>Chen Huwen , Chen Huxiong , 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>	<p>Not applicable</p>	<p>No</p>	<p>Yes</p>		
<p>Others</p>	<p>M&G</p>	<p>Undertaking on the binding measures in case of the failure to fulfill the undertaking by M&G Stationery</p>	<p>Not applicable</p>	<p>No</p>	<p>Yes</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> <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	<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>	Not applicable	No	Yes			

	Chen Huxiong , Chen Xueling	<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>					
Others	Keying Investment , 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		

- 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 thereof**

Whether the original profit forecast is reached and the description of reasons

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. Implementation of the *Accounting Standards for Business Enterprises No. 14 - Revenue* (revised in 2017)

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 14 - Revenue* (hereinafter referred to as the "New Revenue Standards") in 2017. The revised standards stipulate that for the first implementation of the standards, the amounts of retained earnings and other related items in the financial statements at the beginning of the year should be adjusted according to the cumulative impact, and the information for the comparable period should not be adjusted.

The Company implements the new revenue standards from 1 January 2020. According to the provisions of the new revenue standards, the Company only adjusted the amounts of retained earnings and other related items in the financial statements at the beginning of 2020 for the cumulative impact of contracts that have not been completed on the date of first implementation, and did not make adjustments to the comparative financial statements. The main impacts of the implementation of the standards are as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Affected item in statement	Effect on balance at 1 January 2020	
			Consolidation	Parent company
(1) The original revenue from the e-	The 20th meeting	Accounts	47,244,304.93	

commerce platform business is recognized at the time of the receipt of the platform statement. Due to the implementation of the new revenue standards, the revenue is recognized at the time of the transfer of control, namely it is recognized when the e-commerce platform actually accepts and warehouses the products.	of the fourth Board of Directors	receivable		
		Inventories	-35,291,780.35	
		Deferred income tax assets	-1,208,991.72	
		Undistributed profit	10,596,781.73	
		Minority equity	146,751.13	
(2) Reclassification of accounts received in advance arising from sales contracts to contract liabilities	The 20th meeting of the fourth Board of Directors	Contract liabilities	182,975,481.36	103,292,286.89
		Other current liabilities	23,786,812.58	13,427,997.30
		Accounts received in advance	- 206,762,293.94	- 116,720,284.19

Compared with the original revenue standards, the impacts of the implementation of the new revenue standards on the relevant items of the 2020 financial statements are as follows (increase/decrease):

Affected item in balance sheet	Effect on balance at 31 December 2020	
	Consolidation	Parent company
Accounts receivable	71,949,017.96	
Inventories	-52,850,926.86	
Deferred income tax assets	-619,504.51	
Accounts received in advance	-127,846,125.32	-86,209,335.15
Contract liabilities	114,100,035.35	76,291,447.04
Taxes payable	9,092,049.66	
Other current liabilities	13,746,089.97	9,917,888.11
Undistributed profit	9,156,410.72	
Minority equity	230,126.21	

Affected item in income statement	Effect on amount incurred in 2020	
	Consolidation	Parent company
Revenue	22,717,752.44	
Operation cost	126,244,555.60	23,728,733.05

Selling expenses	-77,637,937.98	7,318,738.06
Administrative expenses	-31,047,471.11	-31,047,471.11
Credit impairment losses	-1,269,284.91	
Income tax expenses	-210,406.66	
Net profit	-1,356,995.93	

2. Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 13*

The Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises No. 13* (Cai Kuai [2019] No. 21, hereinafter referred to as "Interpretation No. 13") on 10 December 2019, which comes into force on 1 January 2020. No retrospective adjustment is required.

(1) Determination of related parties

Interpretation No. 13 clarifies that the following circumstances constitute a related party: a joint venture or associate between an enterprise and other member units (including parent companies and subsidiaries) of the enterprise group to which it belongs; a joint venture of an enterprise and other joint ventures or associates of the enterprise. In addition, Interpretation No. 13 clarifies that two or more companies that are only significantly affected by one party do not constitute related parties. It also adds that associates include associates and their subsidiaries, and joint ventures include joint ventures and their subsidiaries.

(2) Definition of business

Interpretation No. 13 completes the three elements of business composition, refines the judgment conditions of the business composition, and introduces the "concentration test" option to simplify to a certain extent the judgment of whether a combination obtained not under common control constitutes a business.

The Company implements Interpretation No. 13 from 1 January 2020, and the comparative financial statements are not adjusted. The implementation of Interpretation No. 13 had no significant impact on the Company's financial status and operating results.

3. Implementation of the *Interim Provisions on the Accounting Treatment of Carbon Emission Permit Trading*

On 16 December 2019, the Ministry of Finance issued the *Interim Provisions on the Accounting Treatment of Carbon Emission Permit Trading* (Cai Kuai [2019] No. 22), which is applicable to related companies in the key emission units engaged in the trading business of carbon emission rights in accordance with the *Interim Measures for the Administration of Carbon Emission Permit Trading* and other relevant regulations (hereinafter referred to as "key emission companies"). The Provisions come into effect on 1 January 2020, and key emission companies should adopt the future applicable law to apply the Provisions.

The Company implements the Provisions from 1 January 2020, and the comparative financial statements are not adjusted. The implementation of the Provisions had no significant impact on the Company's financial status and operating results.

4. Implementation of the *Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concessions*

On 19 June 2020, the Ministry of Finance issued the *Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concessions* (Caikuai (2020) No. 10) with immediate effect, allowing companies to adjust relevant rental concessions incurred between 1 January 2020 and the implementation date of the Provisions. According to the Provisions, companies can resort to a simplified method for accounting treatment for rental reductions, deferred rent payment and other rental concessions relating to COVID-19 pandemic that meet the stipulations of the Provisions.

The Company used the simplified method for accounting treatment for all rental concessions that fall within the scope of the Provisions, and adjusted the relevant rent concessions incurred between 1 January 2020 and the effective date of the Provisions accordingly.

As the lessee, the Company adopted a simplified method to deal with related rental concessions to offset the current operating costs, management expenses and sales expenses totaling RMB 12,799,186.64.

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 descriptions

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	136.5
Term of office of domestic accounting firm	11

	Name	Remuneration
Internal control audit accounting firm	BDO China Shu Lun Pan Certified Public Accounts LLP	52.5

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"

Overview of matters	Query index
On 10 April 2020, the Company held the 20th meeting of the fourth Board of Directors and the 13th meeting of the fourth Board of Supervisors, which reviewed and passed the <i>Proposal on the Company's 2020 Restricted Stock Incentive Plan (Draft) and Its</i>	<i>Announcement on Resolutions of the 20th Meeting of the Fourth Board of Directors</i> numbered 2020-006

<p><i>Summary, the Proposal on the Management Measures for the Implementation of the Company's 2020 Restricted Stock Incentive Plan, and the Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Deal with Matters Related to Restricted Stock Incentives.</i></p>	<p><i>Announcement on Resolutions of the 13th Meeting of the Fourth Board of Directors</i> numbered 2020-007</p> <p><i>Announcement on the Summary of the Equity Incentive Plan Draft</i> numbered 2020-015</p>
<p>On 8 May 2020, the Company held the 2019 Annual General Meeting of Shareholders, which reviewed and passed the <i>Proposal on the Company's 2020 Restricted Stock Incentive Plan (Draft) and Its Summary, the Proposal on the Management Measures for the Implementation of the Company's 2020 Restricted Stock Incentive Plan, and the Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Deal with Matters Related to Restricted Stock Incentives.</i></p>	<p><i>Announcement on Resolutions of the 2019 Annual General Meeting of Shareholders</i> numbered 2020-022</p>
<p>On 8 May 2020, the Company held the 1st meeting of the fifth Board of Directors and the 1st meeting of the fifth Board of Supervisors, which reviewed and passed the <i>Proposal on Adjusting the 2020 Restricted Stock Incentive Plan and the Proposal on Granting Restricted Stocks to Incentive Objects in 2020.</i></p>	<p><i>Announcement on Resolutions of the 1st Meeting of the Fifth Board of Directors</i> numbered 2020-024</p> <p><i>Announcement on Resolutions of the 1st Meeting of the Fifth Board of Supervisors</i> numbered 2020-025</p> <p><i>Announcement on Adjusting Matters Related to the 2020 Restricted Stock Incentive Plan</i> numbered 2020-026</p> <p><i>Proposal on Granting Restricted Stocks to Incentive Objects in 2020</i> numbered 2020-027</p>
<p>On 29 May 2020, the Company completed the registration of restricted stocks with China Securities Depository and Clearing Corporation Limited Shanghai Branch.</p>	<p><i>Announcement on the Results of the First Grant of the 2020 Restricted Stock Incentive Plan</i> numbered 2020-029</p>

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

Equity incentive

Applicable" Not applicable"

Other descriptions

Applicable" Not applicable"

Employee shareholding plan

Applicable" Not applicable"

Other incentive measures

Applicable" " Not applicable"

XIV. Major related transactions

1) 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 20th meeting of the fourth Board meeting and 2019 annual general meeting of the Company reviewed and passed the *Proposal on the Implementation of Daily Related Transactions in 2019 and Expected Daily Related Transactions in 2020*, and issued the Announcement on the Implementation of Daily Related Transactions in 2019 and Expected Daily Related Transactions in 2020 (numbered 2020-011) on 14 April 2020.

In 2020, sales to the sales company controlled by Guo Weilong were estimated to be RMB460,000,000.00. 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 RMB4,620,952.38; fees for the lease of self-owned office buildings and parking space amount to RMB3,831,849.04; utilities amount to RMB6,000,000.00. M&G Colipu is expected to pay M&G Group RMB11,714,870.72 for the lease of self-owned office building and parking space; M&G Colipu is expected to pay M&G Group RMB3,125,755.71 for the lease of self-owned office building; 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 RMB5,714.29 for the lease of parking space.

In 2020, actual sales to the sales company controlled by Guo Weilong were RMB439,535,408.86. Fees for the lease of self-owned houses (including office buildings, workshops, parking space, warehouses and dormitories) actually paid to M&G Group amount to RMB4,620,952.38; fees for the lease of self-owned office buildings and parking space amount to RMB3,519,671.17; and utilities amount to RMB5,164,795.80. M&G Colipu actually paid M&G Group RMB10,761,012.43 for the lease of self-owned office building and parking space; M&G Colipu actually paid M&G Group RMB2,865,276.09 for the lease of self-owned office building; M&G Technologies actually paid M&G Group RMB1,541,431.33 for the lease of self-owned office building and parking space; M&G Life actually paid M&G Group RMB5,714.29 for the lease of self-owned parking space.

3. Events not disclosed in temporary announcements

Applicable" " Not applicable"

2) 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"

3) 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"

4) 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"

5) 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	0	0	0
Entrusted wealth management of banks	Self-owned capital	151,000	140,000	0

Others

Applicable" Not applicable"

(2) Individual entrusted wealth management

"√ Applicable" "□ Not applicable"

Unit: 0'000

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 way	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)
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	10,000	2019/7/4		Self-owned capital						Unrecovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	40,000	2019/7/4		Self-owned capital			3.59%		352.64	Partial recovery	Yes	Yes	
Bank of Communications Co., Ltd. Shanghai	Non-principal guaranteed with	20,000	2020/1/2	2020/8/4	Self-owned capital			3.45%		335.18	Recovered	Yes	Yes	

Fengxian Sub-branch	floating returns													
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	40,000	2020/1/3	2020/1/19	Self-owned capital			2.95%		51.73	Recovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	20,000	2020/4/2	2020/7/1	Self-owned capital			3.90%		192.33	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	15,000	2020/4/8	2020/5/22	Self-owned capital			3.02%		55.91	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	15,000	2020/4/9	2020/7/13	Self-owned capital			3.29%		128.53	Recovered	Yes	Yes	

Bank of Communications Co., Ltd. Shanghai Fengxian Sub-branch	Non-principal guaranteed with floating returns	50,000	2020/7/15	2020/12/29	Self-owned capital			3.10%		455.23	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	40,000	2020/7/17	2020/12/30	Self-owned capital			2.71%		493.04	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	30,000	2020/8/5		Self-owned capital						Unrecovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	40,000	2020/12/31		Self-owned capital						Unrecovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed	20,000	2020/12/31		Self-owned capital						Unrecovered	Yes	Yes	

	with floating returns													
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Fixed returns and non-principal guaranteed with floating returns	12,000	2019/6/20		Self-owned capital						Partial recovery	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-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 Shanghai Gumei Road Sub-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 Shanghai Gumei Road Sub-branch	Fixed returns and non-principal guaranteed with floating returns	1,000	2019/9/29		Self-owned capital						Unrecovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Fixed returns and non-principal guaranteed with floating returns	3,550	2020/6/3		Self-owned capital						Unrecovered	Yes	Yes	
Bank of Shanghai Co., Ltd. Puxi Sub-branch	Fixed returns and non-principal guaranteed with floating returns	2,000	2020/6/22		Self-owned capital						Unrecovered	Yes	Yes	
Industrial and Commercial Bank of China	Fixed returns and non-	3,000	2020/7/8		Self-owned capital						Unrecovered	Yes	Yes	

Limited Shanghai Gumei Road Sub- branch	principal guaranteed with floating returns													
China Merchants Bank Co., Ltd. Beijing Branch Dongsanhuan Sub-branch	Fixed returns and non- principal guaranteed with floating returns	3,550	2020/3/31	2020/6/3	Self- owned capital			3.36%		20.57	Recovered	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 2020 Annual Report on Social Responsibilities disclosed by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 30 March 2021.

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 descriptions

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

Unit: share

	Before this change		Increase or decrease (+ or -) due to this change					After this change	
	Number	Percentage (%)	Issuance of new shares	Bonus shares	Shares transferred from provident funds	Others	Sub-total	Number	Percentage (%)
I. Shares held subject to selling restrictions	0	0	7,427,600				7,427,600	7,427,600	0.80
1. Shares held by the state									
2. Shares held by the state-owned legal person									
3. Shares held by other domestic funds	0	0	7,427,600				7,427,600	7,427,600	0.80
Including: Shares held by domestic non-state-owned legal person									
Shares held by domestic natural person	0	0	7,427,600				7,427,600	7,427,600	0.80
4. Shares held by foreign funds									
Including: Shares held by foreign legal person									
Shares held by foreign natural person									

II. Circulating shares not subject to selling restrictions	920,000,000	100						920,000,000	99.20
1. Ordinary RMB Shares	920,000,000	100						920,000,000	99.20
2. Foreign-funded shares listed domestically									
3. Foreign-funded shares listed overseas									
4. Others									
III. Total number of ordinary shares	920,000,000	100	7,427,600				7,427,600	927,427,600	100

2. Explanation on changes in ordinary shares

Applicable" Not applicable"

In accordance with the Company's 2020 Restricted Stock Incentive Plan and the authorization of the 2019 Annual General Meeting of Shareholders and upon deliberation and approval by the 1st meeting of the fifth Board of Directors and the 1st meeting of the fifth Board of Supervisors, the Company completed the registration of the first grant of restricted stocks relating to the 2020 equity incentive plan with China Securities Depository and Clearing Corporation Limited Shanghai Branch on 29 May 2020, granting 7,427,600 restricted stocks to 334 incentive objects. After the registration of this grant, the Company's total share capital increased from 920,000,000 shares before the issuance to 927,427,600 shares after the issuance.

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"

During the Reporting Period, as the Company granted 7,427,600 restricted shares to 334 incentive objects, the Company's total number of shares increased from 920,000,000 shares to 927,427,600 shares. Regardless of the impact of the above changes, earnings per share and net assets per share were RMB1.3646/share and RMB5.6452/share respectively in 2020; if calculated based on the total share capital of 927,427,600 shares at the end of the Reporting Period, earnings per share and net assets per share were RMB1.3537/share and RMB5.6000/share respectively in 2020.

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"

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares unlocked during the current year	Number of restricted shares increased during the current year	Number of restricted shares at the end of the year	Reason for restricted sale	Date of unlocking restricted sale
Incentive objects of restricted stocks in 2020	0	0	7,427,600	7,427,600	Equity incentive selling restrictions	Note
Total	0	0	7,427,600	7,427,600	/	/

Note: The restricted stocks granted by the equity incentive plan implemented in 2020 must be unlocked in batches in accordance with the Company's 2020 Restricted Stock Incentive Plan.

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	18,160
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	33,203
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	57.79	0	No	0	Domestic nonstate-owned legal person
Hong Kong Securities Clearing Company Limited	-528,095	32,961,426	3.55	0	No	0	Unknown
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)	9,500,094	21,499,948	2.32	0	No	0	Unknown
Shanghai Keying Investment Management Office (L.P.)	-5,850,000	17,550,000	1.89	0	No	0	Others
Shanghai Jiekui Investment Management Firm (L.P.)	-5,775,000	17,325,000	1.87	0	No	0	Others
Chen Huxiong	-5,700,000	17,100,000	1.84	0	No	0	Domestic natural person
Chen Huwen	-5,700,000	17,100,000	1.84	0	No	0	Domestic natural person

Chen Xueling	-3,600,000	10,800,000	1.16	0	No	0	Domestic natural person
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)	-560,000	8,700,000	0.94	0	No	0	Unknown
Central Huijin Asset Management Co., Ltd.	0	8,539,200	0.92	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	32,961,426	Ordinary RMB Shares	32,961,426				
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)	21,499,948	Ordinary RMB Shares	21,499,948				
Shanghai Keying Investment Management Office (L.P.)	17,550,000	Ordinary RMB Shares	17,550,000				
Shanghai Jiekui Investment Management Firm (L.P.)	17,325,000	Ordinary RMB Shares	17,325,000				
Chen Huxiong	17,100,000	Ordinary RMB Shares	17,100,000				
Chen Huwen	17,100,000	Ordinary RMB Shares	17,100,000				
Chen Xueling	10,800,000	Ordinary RMB Shares	10,800,000				
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)	8,700,000	Ordinary RMB Shares	8,700,000				
Central Huijin Asset Management Co., Ltd.	8,539,200	Ordinary RMB Shares	8,539,200				

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"

Unit: share

Number	Name of shareholder subject to selling restrictions	Number of shares held subject to selling restrictions	Available-for-listing-and-trading conditions of shares held subject to selling restrictions		Selling restrictions
			Available-for-listing-and-trading time	Number of new available-for-listing-and-trading shares	
1	Incentive objects of restricted stocks in 2020	7,427,600			Equity incentive selling restrictions
Explanation on the related relationship or parties acting in concert among the above shareholders		Not applicable			

Note: The restricted stocks granted by the equity incentive plan implemented in 2020 must be unlocked in batches in accordance with the Company's 2020 Restricted Stock Incentive Plan.

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

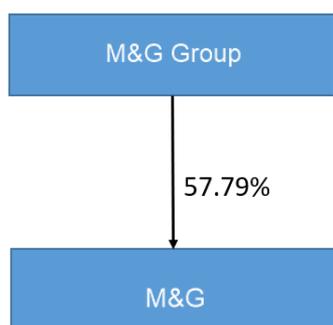
Applicable" Not applicable"

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

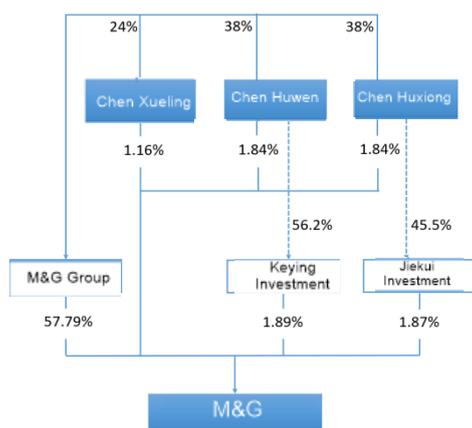
Applicable" Not applicable"

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: share											
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	51	2014-6-12	2023-5-7	22,800,000	17,100,000	-5,700,000	Personal capital needs	180.67	No
Chen Huxiong	Vice Chairman and President	Male	51	2014-6-12	2023-5-7	22,800,000	17,100,000	-5,700,000	Personal capital needs	180.67	No
Chen Xueling	Director and Vice President	Female	54	2014-6-12	2023-5-7	14,400,000	10,800,000	-3,600,000	Personal capital needs	100.37	No
Fu Chang	Director and Vice President	Male	51	2018-3-23	2023-5-7	0	109,200	109,200	Equity incentive	177.63	No
Zhang Jingzhong	Independent Director	Male	58	2017-5-11	2023-5-7	0	0	0		14.00	No
Chen Jingfeng	Independent Director	Male	53	2017-5-11	2023-5-7	0	0	0		14.00	No
Cheng Bo	Independent Director	Male	46	2016-4-19	2023-5-7	0	0	0		14.00	No
Zhu Yiping	Chairman of the Board of Supervisors	Female	62	2014-6-12	2023-5-7	0	0	0		0	Yes
Han Lianhua	Supervisor	Female	43	2014-6-12	2023-5-7	0	0	0		0	Yes
Zhang	Employee	Female	42	2020-5-8	2023-5-7	0	0	0		11.85	No

Chaohua	Supervisor										
Zhou Yonggan	Vice President	Male	46	2020-5-8	2023-5-7	0	102,400	102,400	Equity incentive	28.93	No
Quan Qiang	Board Secretary	Male	48	2017-3-31	2023-5-7	0	71,700	71,700	Equity incentive	97.11	No
Xu Jingjin	Employee Supervisor	Male	42	2014-6-12	2020-5-7	0	0	0		27.26	No
Yao Hezhong	Chief Engineer	Male	65	2014-6-12	2020-5-7	0	0	0		25.50	No
Zhang Qing	Chief Financial Officer	Male	46	2018-4-4	2020-10-30	0	71,700	71,700	Equity incentive	154.68	No
Total	/	/	/	/	/	60,000,000	45,355,000	-14,645,000	/	1,026.67	/

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.
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.
Zhang Chaohua	Once worked as Business Commissioner of Shanghai Sino-Korean M&G Stationery Manufacturing Co., Ltd., Manager of Shanghai Apollo Machinery Co., Ltd., and Deputy Manager of M&G Group. Now works as Deputy Manager of the Company.
Zhou Yonggan	Joined M&G Stationery in August 2005 and successively served as Assistant to the Chairman, Deputy Director, Director of the Marketing Center, and General Manager of the Office Business Department. Now works as Vice President 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.
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.
Yao Hezhong	Joined M&G Stationery in 1999 and successively served as Deputy General Manager, Deputy President and Chief Engineer of the Company's R&D Center.
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., and Chief Financial Officer 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"

Applicable" Not applicable"

Unit: share

Name	Position	Number of restricted stocks held at the beginning of the year	Number of restricted stocks granted during the Reporting Period	Grant price of restricted stocks (RMB)	Unlocked shares	Locked shares	Number of restricted stocks held at the end of the period	Market price at the end of the Reporting Period (RMB)
Fu Chang	Director	0	109,200	23.70	0	109,200	109,200	88.56
Quan Qiang	Senior management	0	71,700	23.70	0	71,700	71,700	88.56
Zhou Yonggan	Senior management	0	102,400	23.70	0	102,400	102,400	88.56

Zhang Qing	Senior management	0	71,700	23.70	0	71,700	71,700	88.56
Total	/	0	355,000	/	0	355,000	355,000	/

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	
Chen Huwen	Keying Investment	General Partner	2011-02-18	
Chen Huxiong	M&G Group	Chairman	2007-05-10	
Chen Huxiong	Jiekui Investment	General Partner	2011-02-18	
Chen Xueling	M&G Group	Director	2007-05-10	
Zhu Yiping	M&G Group	Person in charge of internal control	2020-01-01	
Han Lianhua	M&G Group	Chief Financial Officer	2020-01-01	
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	
Chen Huwen	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	
Chen Huxiong	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	
Chen Xueling	Chenguang Sanmei (晨光三美)	Director	26 May 2008	
Zhang Jingzhong	Zhejiang T & C Law Firm	Director	October 1988	
Zhang Jingzhong	Kweichow Moutai Co., Ltd.	Independent Director	August 2016	

Zhang Jingzhong	Zhejiang Jinggong Science & Technology Co., Ltd.	Independent Director	January 2018	
Zhang Jingzhong	Lily Group Co., Ltd.	Independent Director	September 2018	
Zhang Jingzhong	Gansu Huangtai Wine-Marketing Industry Co., Ltd.	Independent Director	October 2020	
Chen Jingfeng	Zhongyun Capital	Chairman	October 2017	
Cheng Bo	Zhejiang Agriculture and Forestry University	Full-time Teacher	June 2014	
Cheng Bo	Shanghai Serum Bio-technology Co., Ltd.	Independent Director	January 2018	September 2020
Cheng Bo	Hangzhou Silan Microelectronics Co., Ltd.	Independent Director	June 2019	
Cheng Bo	Shanghai Construction Building Materials Technology Group Co., Ltd.	Independent Director	June 2020	
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	RMB 10,266,700
Total remuneration actually received by all directors, supervisors and senior management at the end of the Reporting Period	RMB 10,266,700

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

"√ Applicable" "□ Not applicable"

Name	Position held	Changes	Reason for change
Chen Huwen	Chairman	Election	Change of session due to expiration
Chen Huxiong	Vice Chairman	Election	Change of session due to expiration
Chen Xueling	Director	Election	Change of session due to expiration
Fu Chang	Director	Election	Change of session due to expiration

Zhang Jingzhong	Independent Director	Election	Change of session due to expiration
Chen Jingfeng	Independent Director	Election	Change of session due to expiration
Cheng Bo	Independent Director	Election	Change of session due to expiration
Zhu Yiping	Chairman of the Board of Supervisors	Election	Change of session due to expiration
Han Lianhua	Supervisor	Election	Change of session due to expiration
Zhang Chaohua	Employee Supervisor	Election	Change of session due to expiration
Chen Huxiong	President	Employment	Change of session due to expiration
Chen Xueling	Vice President	Employment	Change of session due to expiration
Fu Chang	Vice President	Employment	Change of session due to expiration
Zhou Yonggan	Vice President	Employment	Change of session due to expiration
Quan Qiang	Board Secretary	Employment	Change of session due to expiration
Xu Jingjin	Employee Supervisor	Retired	Expiration of term of office
Yao Hezhong	Chief Engineer	Retired	Expiration of term of office
Zhang Qing	Chief Financial Officer	Retired	Resigned for personal reasons

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	2,221
Number of employees in major subsidiaries	3,468
Number of employees	5,689
Number of retirees of whom the parent company and major subsidiaries are responsible for the expenses	
Professional structure	
Category	Number
Production personnel	1,952
Sales personnel	1,313
Technical personnel	462
Finance personnel	198
Administration personnel	280
Management personnel	1,068
Others	416
Total	5,689
Education background	
Category	Number (person)
University (including college) and above	3,013
High school, technical secondary school	1,197
Others	1,479
Total	5,689

2) Remuneration policy

Applicable" Not applicable"

To conform to the Company's organizational strategy, the Company implements a competitive remuneration policy where the employees' remuneration is determined considering the job value, person-job fit and performance. By establishing and improving competitive remunerations and benefits, performance appraisal systems and incentive systems, the Company actively promoted equity incentive plans, attracted all kinds of professional talents and formed healthy competitive work environment to stimulate the vitality and potential of employees, build a stable, professional team, and ensure the growth of the Company's performance.

3) Training program

Applicable" Not applicable"

The Company attached great importance to the development of talents in the organization, especially the establishment of leadership talent echelon and the cultivation of managers at all levels and personnel for strategic key positions. Through development methods such as the leadership curriculum system and internal trainer team construction, high-potential training projects, mentor guidance, job rotation learning, personal development path design, etc., talent training and ability enhancement were carried out. 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 attention was paid to the cultivation of branch managers.

4) Labor outsourcing

Applicable" Not applicable"

Total working hours of labor outsourcing	19,330,394 hours
Total remuneration paid for labor outsourcing	RMB549,352,245

VII. Others

Applicable" Not applicable"

Chapter IX Corporate Governance

I. Particulars on corporate governance

"√ Applicable" "□ Not applicable"

During the Reporting Period, the Company, in strict compliance with the Company Law, the Securities Law, the *Code of Corporate Governance for Listed Companies*, and other relevant laws and regulations promulgated by the China Securities Regulatory Commission and the Shanghai Stock Exchange, continuously optimized the corporate governance structure of the Company and improved the operational level of the Company, strengthened the management of insider information, and enhanced the awareness of information disclosure responsibility, to ensure continuous and stable development and effectively protect the legitimate rights and interests of investors and relevant stakeholders. The specific governance situation was as follows:

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. For the convenience of the Company's shareholders, general shareholders' meetings allow its shareholders to vote on site or online. This ensures the minority shareholders have the right to stay informed about and vote on major issues of the Company and participate in the operation of the Company and this also helps protect the interests of minority shareholders. 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 minority shareholders.

2. Directors and the Board of Directors: All directors of the Company could, in accordance with the *Rules of Procedure of the Board of Directors* and other systems, earnestly perform their duties as directors and make prudent and scientific decisions. The convening of each meeting met the requirements of relevant regulations. During the Reporting Period, the Company completed the election of the new session of Board of Directors. The Company's Board of Directors had four special committees, namely, the Audit Committee, the Strategy Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. The special committees performed their duties with due diligence and conscientiousness in accordance with their respective working rules to promote the scientific decision-making and standardized operation of the Board of Directors.

3. Supervisors and the Board of Supervisors: The Board of Supervisors of the Company was responsible for the Company and its shareholders, strictly implemented the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors, earnestly fulfilled its duties, attended the general meeting of shareholders and the meetings of the Board of Directors, convened the meetings of the Board of Supervisors, and exercised supervisory functions and powers in accordance with the law, supervising corporate governance, major issues, financial conditions, and the compliance with rights and regulations of the Company's directors, managers and other senior management in performing their duties, and promoting the legal and standardized operations of the Company. During the Reporting Period, the Company completed the election of the new session of Board of Supervisors.

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.

5. Information disclosure and transparency: the Company adhered to the principle of "truth, accuracy, completeness, timeliness, and fairness", and strictly followed the requirements of temporary announcement and periodic report format guidelines for information disclosure. To help investors get familiar with the situation of the Company, the content to be disclosed must be concise, clear, and easy to understand and must truly and duly reflect the operating status of the Company.

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
2019 annual general shareholders' meeting	8 May 2020	www.sse.com.cn	9 May 2020
2020 1st extraordinary general shareholders' meeting	29 June 2020	www.sse.com.cn	30 June 2020

Particulars on general shareholders' meetings

Applicable" Not applicable"

The proposals considered at 2019 annual general shareholders' meeting and 2020 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	6	6	3	0	0	No	2
Chen Huxiong	No	6	6	4	0	0	No	0
Chen Xueling	No	6	6	4	0	0	No	0
Fu Chang	No	6	6	5	0	0	No	0
Zhang Jingzhong	Yes	6	6	5	0	0	No	0
Chen Jingfeng	Yes	6	6	4	0	0	No	0
Cheng Bo	Yes	6	6	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	6
Including: on site	3
by communication	3
on site and by communication	3

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"

2020 Appraisal Report on Internal Control was considered and approved at the 5th meeting of the fifth Board of Directors of the Company. For the full text of the report, please see 2020 Appraisal Report on Internal Control disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 30 March 2021.

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 2020 financial statements and the Audit Report on Internal Control was issued. For the full text of the report, please see 2020 Audit Report on Internal Control disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 30 March 2021.

Whether to disclose the audit report on internal control: yes

Opinion type of the audit report on internal control: With unqualified opinion

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 [2021] No. ZA10558

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 2020, 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 2020, 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 2020 and of its consolidated and parent company's operating results and cash flows for the year of 2020.

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 key audit matters identified in our audit are summarized as follows:

Key audit matters	How our audit addressed the key audit matter
1) 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" (XXIII) and "V Notes to Consolidated Financial Statements" (XXXVII).</p> <p>M&G Stationery mainly specializes in selling stationery and office supplies.</p> <p>In 2020, M&G Stationery's revenue from principal business in sales recognition amounted to RMB13,133,546,100.</p> <p>M&G Stationery recognized revenue based on the expected amount of consideration that it is</p>	<p>1. We understood and evaluated design of the key internal control designed by management and we tested the effectiveness of implementing key controls;</p> <p>2. We inspected customer contracts, on a sample basis, to identify terms and conditions related to the transfer of control over the goods, and assessed the timing of revenue recognition with reference to the requirements of prevailing accounting standards;</p> <p>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</p>

<p>entitled to receive when the customer obtains control of the relevant products.</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>recognized in accordance with M&G Stationery's revenue recognition accounting policies;</p> <p>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;</p> <p>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 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>
<p>2) Anticipated credit loss of accounts receivable</p>	
<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" (III).</p> <p>As at 31 December 2020, balance of accounts receivable amounted to RMB1,598,035,700, and provision made for credit impairment loss of accounts receivable amounted to RMB36,824,200.</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>	<p>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;</p> <p>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;</p> <p>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> <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>

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 2020 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 consolidated 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
LLP**

Certified Public Accountant: Gu Xuefeng (Project Partner)

Certified Public Accountant: Wang Aijia

Shanghai • China

26 March 2021

II. Financial Statements

Consolidated Balance Sheet

31 December 2020

Prepared by: SHANGHAI M&G STATIONERY INC.

Unit: Yuan Currency: RMB

Item	Notes	31 December 2020	31 December 2019
Current assets:			
Cash and equivalents	VII. 1	2,562,158,926.11	1,935,600,694.35
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	VII. 2	1,428,277,848.33	661,878,587.24
Derivative financial assets			
Bills receivable	VII. 4		
Accounts receivable	VII. 5	1,561,211,468.90	1,026,094,724.15
Receivables financing	VII. 6	61,412,976.46	29,549,924.83
Prepayment	VII. 7	131,596,384.76	85,371,444.73
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VII. 8	141,753,102.00	117,647,039.93
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	VII. 9	1,322,812,846.83	1,378,108,759.85
Contract assets			
Held for sale assets			
Non-current assets due within one year	VII. 12	4,637,213.00	
Other current assets	VII. 13	27,286,607.30	29,280,925.29
Total current assets		7,241,147,373.69	5,263,532,100.37
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables	VII. 16		6,624,590.00
Long-term equity investments	VII. 17	34,722,395.67	35,582,783.47
Investments in other equity instruments	VII. 18	5,476,577.42	3,909,179.93
Other non-current financial assets			
Investment real estate			
Fixed assets	VII. 21	1,847,635,724.45	1,163,702,352.12
Construction in progress	VII. 22	54,946,300.66	260,469,728.76
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VII. 26	320,746,328.60	331,005,762.09
Development expenses			
Goodwill	VII. 28		30,175,537.19
Long-term prepaid expenses	VII. 29	99,035,852.78	118,336,333.95
Deferred income tax assets	VII. 30	99,939,414.58	36,623,535.59
Other non-current assets	VII. 31	6,258,468.47	315,153,408.27
Total non-current assets		2,468,761,062.63	2,301,583,211.37
Total assets		9,709,908,436.32	7,565,115,311.74
Current liabilities:			
Short-term borrowings	VII. 32	180,176,000.00	183,193,763.86
Borrowings from central bank			
Placements from banks and other financial institutions			

Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	VII. 36	2,602,020,507.99	1,861,072,467.87
Accounts received in advance	VII. 37		206,762,293.94
Contract liabilities	VII. 38	114,100,035.35	
Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	VII. 39	152,625,106.89	154,119,492.32
Taxes payable	VII. 40	477,240,219.10	258,583,118.14
Other payables	VII. 41	625,468,675.97	331,438,976.35
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	VII. 44	13,746,089.97	
Total current liabilities		4,165,376,635.27	2,995,170,112.48
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	VII. 48	8,420,000.00	6,620,000.00
Long-term employee benefits payable			
Estimated liabilities	VII. 50	12,211,357.80	
Deferred income	VII. 51	46,132,513.40	65,823,213.11
Deferred income tax liabilities	VII. 30	36,781,069.25	36,576,744.55
Other non-current liabilities			
Total non-current liabilities		103,544,940.45	109,019,957.66
Total liabilities		4,268,921,575.72	3,104,190,070.14
Owner's equity (or shareholders' equity):			
Share capital	VII. 53	927,427,600.00	920,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 55	533,384,131.66	272,347,764.53
Less: Treasury shares	VII. 56	176,034,120.00	
Other comprehensive income	VII. 57	2,141,402.48	526,359.55
Special reserve			
Surplus reserve	VII. 59	464,042,659.91	440,260,399.59
General risk provision			
Undistributed profit	VII. 60	3,442,607,038.00	2,568,365,861.32
Total equity attributable to the owners of the parent company		5,193,568,712.05	4,201,500,384.99
Minority equity		247,418,148.55	259,424,856.61
Total owners' equity (or shareholders' equity)		5,440,986,860.60	4,460,925,241.60
Total liabilities and owner's equity (or shareholders' equity)		9,709,908,436.32	7,565,115,311.74

Legal Representative: Chen Huwen Accountant in charge: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Parent Company's Balance Sheet

31 December 2020

Prepared by: SHANGHAI M&G STATIONERY INC.

Unit: Yuan Currency: RMB

Item	Notes	31 December 2020	31 December 2019
Current assets:			
Cash and equivalents		1,887,003,379.89	1,358,805,872.56
Held-for-trading financial assets		1,272,219,811.46	509,467,061.37
Derivative financial assets			
Bills receivable			
Accounts receivable	XVII. 1	177,648,799.65	82,949,224.65
Receivables financing			
Prepayment		36,987,935.22	9,630,209.45
Other receivables	XVII. 2	399,678,347.22	285,036,794.54
Including: Interest receivable		35,000.00	192,500.00
Dividend receivable			
Inventories		332,755,309.92	448,245,658.48
Contract assets			
Held for sale assets			
Non-current assets due within one year		4,637,213.00	
Other current assets		150,000,000.00	150,047,540.99
Total current assets		4,260,930,796.36	2,844,182,362.04
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			6,624,590.00
Long-term equity investments	XVII. 3	1,098,535,037.00	1,089,168,192.56
Investments in other equity instruments		5,476,577.42	3,909,179.93
Other non-current financial assets			
Investment real estate			
Fixed assets		1,471,196,714.32	749,415,024.84
Construction in progress		50,603,926.95	258,864,834.00
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		177,722,510.27	182,268,368.82
Development expenses			
Goodwill			
Long-term prepaid expenses		5,417,965.45	10,106,589.01
Deferred income tax assets		29,239,636.35	5,469,359.66
Other non-current assets		5,829,768.47	311,929,028.24
Total non-current assets		2,844,022,136.23	2,617,755,167.06
Total assets		7,104,952,932.59	5,461,937,529.10
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable		320,744,916.72	225,831,712.59
Accounts received in advance			116,720,284.19
Contract liabilities		76,291,447.04	

Employee benefits payable		84,898,291.78	87,609,891.62
Taxes payable		263,690,993.11	160,129,252.33
Other payables		1,089,678,737.94	513,035,659.92
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		9,917,888.11	
Total current liabilities		1,845,222,274.70	1,103,326,800.65
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables		260,420,000.00	258,620,000.00
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		23,417,137.82	28,453,779.37
Deferred income tax liabilities		3,614,458.33	1,420,059.21
Other non-current liabilities			
Total non-current liabilities		287,451,596.15	288,493,838.58
Total liabilities		2,132,673,870.85	1,391,820,639.23
Owner's equity (or shareholders' equity):			
Share capital		927,427,600.00	920,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		538,163,670.62	274,008,599.09
Less: Treasury shares		176,034,120.00	
Other comprehensive income		2,329,031.21	292,894.11
Special reserve			
Surplus reserve		463,713,800.00	439,931,539.68
Undistributed profit		3,216,679,079.91	2,435,883,856.99
Total owners' equity (or shareholders' equity)		4,972,279,061.74	4,070,116,889.87
Total liabilities and owner's equity (or shareholders' equity)		7,104,952,932.59	5,461,937,529.10

Legal Representative: Chen Huwen Accountant in charge: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Consolidated Income Statement

January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Total operating income		13,137,745,727.18	11,141,101,364.44
Including: Revenue	VII. 61	13,137,745,727.18	11,141,101,364.44
Interest income			
Premium received			
Handling fee and commission income			
II. Total operating costs		11,732,355,241.35	9,873,266,701.55
Including: Operating cost	VII. 61	9,806,609,999.48	8,229,837,268.86
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. 62	50,694,964.71	41,995,058.06
Selling expenses	VII. 63	1,103,184,023.51	980,166,101.18
Administrative expenses	VII. 64	602,627,135.41	469,262,188.13
R&D expenses	VII. 65	160,178,941.89	160,403,362.97
Financial expenses	VII. 66	9,060,176.35	-8,397,277.65
Including: Interest expenses		6,948,206.51	8,386,182.80
Interest income		13,415,173.15	20,872,167.57
Add: Other gains	VII. 67	45,665,409.77	26,504,881.46
Income from investment (“-” refers to loss)	VII. 68	3,851,154.70	23,994,985.32
Including: Investment income from associates and joint ventures		-1,610,614.02	-576,595.97
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. 70	32,281,250.23	4,613,287.24
Losses on credit impairment (“-” refers to loss)	VII. 71	-38,225,902.12	-28,006,009.88
Losses on assets impairment (“-” refers to loss)	VII. 72	-40,287,483.83	-17,843,081.89
Gains from asset disposal (“-” refers to loss)	VII. 73	169,704.92	6,081,606.95
III. Operating profits (“-” refers to loss)		1,408,844,619.50	1,283,180,332.09
Add: Non-operating profits	VII. 74	128,775,498.09	29,358,655.04
Less: Non-operating expenses	VII. 75	20,471,306.43	18,859,243.06
IV. Total profits (“-” refers to total loss)		1,517,148,811.16	1,293,679,744.07
Less: Income tax expenses	VII. 76	278,775,085.16	217,602,900.41
V. Net profits (“-” refers to net loss)		1,238,373,726.00	1,076,076,843.66
(I) Classified by operation continuity			
1. Net profits from continuing activities (“-” refers to net loss)		1,238,373,726.00	1,076,076,843.66

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)		1,255,426,655.27	1,060,083,625.03
2. Profit or loss attributable to minority shareholders (“-” refers to net loss)		-17,052,929.27	15,993,218.63
VI. Net amount of other comprehensive income after tax		1,284,183.22	709,796.69
(I) Net amount of other comprehensive income after tax attributable to owners of the parent company		1,615,042.93	526,359.55
1. Other comprehensive income not to be reclassified into profit or loss		2,024,062.42	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		738,151.54	
(3) Change in fair value of investments in other equity instruments		1,285,910.88	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		-409,019.49	217,179.62
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		12,074.68	-16,285.82
(2) Change in fair value of other debt investments			
(3) Amount included in other comprehensive income on reclassification of financial assets			
(4) Credit impairment provisions of other debt investments			
(5) Cash flow hedging reserve			
(6) Exchange differences from translation of financial statements		-421,094.17	233,465.44
(7) Others			
(II) Net amount of other comprehensive income after tax attributable to minority shareholders		-330,859.71	183,437.14
VII. Total comprehensive income		1,239,657,909.22	1,076,786,640.35
(I) Total comprehensive income attributable to owners of the parent company		1,257,041,698.20	1,060,609,984.58
(II) Total comprehensive income attributable to minority shareholders		-17,383,788.98	16,176,655.77
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		1.3558	1.1523
(II) Diluted earnings per share (Yuan/share)		1.3558	1.1523

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: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Income Statement of the Parent Company

January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Revenue	XVII. 4	4,195,911,462.19	3,933,991,943.14
Less: Operating cost	XVII. 4	2,164,311,904.18	2,183,782,074.37
Taxes and surcharges		18,164,236.07	17,610,206.96
Selling expenses		205,919,659.54	186,518,505.25
Administrative expenses		425,917,972.99	338,338,989.17
R&D expenses		135,381,593.07	129,731,243.16
Financial expenses		-7,024,536.16	-12,660,392.50
Including: Interest expenses		1,517,396.53	948,654.26
Interest income		18,306,911.40	12,582,570.87
Add: Other gains		10,610,663.43	5,782,081.23
Income from investment (“-” refers to loss)	XVII. 5	3,153,311.04	21,470,373.55
Including: Investment income from associates and joint ventures		-1,610,614.02	-576,595.97
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)		28,634,739.23	3,137,261.37
Losses on credit impairment (“-” refers to loss)		-3,408,970.51	-651,502.57
Losses on assets impairment (“-” refers to loss)		872,454.58	-2,154,113.62
Gains from asset disposal (“-” refers to loss)		25,621.30	190,467.53
II. Operating profits (“-” refers to loss)		1,293,128,451.57	1,118,445,884.22
Add: Non-operating profits		90,245,541.69	17,311,132.84
Less: Non-operating expenses		5,632,154.87	2,001,519.26
III. Total profits (“-” refers to total loss)		1,377,741,838.39	1,133,755,497.80
Less: Income tax expenses		205,164,355.15	173,865,695.38
IV. Net profits (“-” refers to net loss)		1,172,577,483.24	959,889,802.42
(I) Net profits from continuing activities (“-” refers to net loss)		1,172,577,483.24	959,889,802.42
(II) Net profits from discontinuing activities (“-” refers to net loss)			
V. Net amount of other comprehensive income after tax		2,036,137.10	292,894.11
(I) Other comprehensive income not to be reclassified into profit or loss		2,024,062.42	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		738,151.54	
3. Change in fair value of investments in other equity instruments		1,285,910.88	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		12,074.68	-16,285.82
1. Other comprehensive income that may be reclassified to profit or loss under equity method		12,074.68	-16,285.82
2. Change in fair value of other debt investments			
3. Amount included in other comprehensive income on reclassification of financial assets			
4. Credit impairment provisions of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences from translation of financial statements			
7. Others			
VI. Total comprehensive income		1,174,613,620.34	960,182,696.53
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: Quan Qiang Person in charge of
Accounting Department: Zhai Yu

Consolidated Cash Flow Statement
January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		14,375,933,624.40	12,659,206,706.73
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		11,398,390.80	10,615,726.68
Other cash received from operating activities	VII. 78	744,295,214.21	278,708,570.57
Sub-total of cash inflows from operating activities		15,131,627,229.41	12,948,531,003.98
Cash paid for goods and services		10,196,223,261.78	9,111,402,404.98
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		820,264,591.39	727,849,843.52
Taxes and fees paid		663,182,452.66	676,394,326.12
Cash paid for other operating activities	VII. 78	2,180,259,031.30	1,350,943,045.68
Sub-total of cash outflows from operating activities		13,859,929,337.13	11,866,589,620.30
Net cash flow generated from operating activities		1,271,697,892.28	1,081,941,383.68
II. Cash flow from investing activities:			
Cash received from disposal of investments		2,291,000,000.00	1,250,355,226.95
Cash received from returns on investments		21,189,324.39	24,216,354.35
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,631.67	5,463,204.22
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities	VII. 78	1,987,377.00	

Sub-total of cash inflows from investing activities		2,314,193,333.06	1,280,034,785.52
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		323,935,562.77	377,738,579.26
Cash paid for investment		3,042,050,000.00	866,000,000.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities		13,656,702.33	110,648,892.44
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		3,379,642,265.10	1,354,387,471.70
Net cash flow generated from investing activities		-1,065,448,932.04	-74,352,686.18
III. Cash flow generated from financing activities:			
Proceeds received from financing activities		176,034,120.00	42,000,000.00
Including: Proceeds received by subsidiaries from minority shareholders' investment			42,000,000.00
Cash received from borrowings		180,000,000.00	346,892,780.31
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		356,034,120.00	388,892,780.31
Cash repayments of borrowings		180,000,000.00	458,363,649.10
Dividends paid, profit distributed or interest paid		374,506,316.09	286,141,698.09
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities	VII. 78	1,585,530.00	8,687,534.78
Sub-total of cash outflows from financing activities		556,091,846.09	753,192,881.97
Net cash flow from financing activities		-200,057,726.09	-364,300,101.66
IV. Effects of exchange rate fluctuations on cash and cash equivalents		-6,291,534.79	-7,343,606.05
V. Net increase in cash and cash equivalents		-100,300.64	635,944,989.79
Add: Cash and cash equivalents at the beginning of the period		1,377,446,435.89	741,501,446.10
VI. Cash and cash equivalents at the end of the period		1,377,346,135.25	1,377,446,435.89

Legal Representative: Chen Huwen Accountant in charge: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Cash Flow Statement of the Company
January - December 2020

Unit: Yuan Currency: RMB

Item	Notes	2020	2019
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		4,597,258,430.48	4,481,220,462.21
Tax rebates			
Other cash received from operating activities		1,051,218,859.99	869,793,478.23
Sub-total of cash inflows from operating activities		5,648,477,290.47	5,351,013,940.44
Cash paid for goods and services		2,109,943,577.01	2,424,224,396.02
Cash paid to and on behalf of employees		403,578,239.43	366,624,770.76
Taxes and fees paid		398,632,878.68	445,473,384.86
Cash paid for other operating activities		1,641,002,312.95	894,987,272.24
Sub-total of cash outflows from operating activities		4,553,157,008.07	4,131,309,823.88
Net cash flow generated from operating activities		1,095,320,282.40	1,219,704,116.56
II. Cash flow from investing activities:			
Cash received from disposal of investments		2,150,000,000.00	1,020,000,000.00
Cash received from returns on investments		20,645,914.20	22,046,969.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		604,365.44	1,564,005.35
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities		1,987,377.00	
Sub-total of cash inflows from investing activities		2,173,237,656.64	1,043,610,974.87
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		254,982,539.91	301,156,480.55
Cash paid for investment		2,900,000,000.00	954,000,000.00
Net cash paid for acquiring subsidiaries and other operating entities		13,656,702.33	170,005,997.67
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		3,168,639,242.24	1,425,162,478.22
Net cash flow generated from investing activities		-995,401,585.60	-381,551,503.35
III. Cash flow generated from financing activities:			

Proceeds received from financing activities		176,034,120.00	
Cash received from borrowings			
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		176,034,120.00	
Cash repayments of borrowings			
Dividends paid, profit distributed or interest paid		369,517,396.53	276,948,654.26
Other cash paid for financing-related activities		1,585,530.00	
Sub-total of cash outflows from financing activities		371,102,926.53	276,948,654.26
Net cash flow from financing activities		-195,068,806.53	-276,948,654.26
IV. Effects of exchange rate fluctuations on cash and cash equivalents		-5,972,061.74	-2,444,756.42
V. Net increase in cash and cash equivalents		-101,122,171.47	558,759,202.53
Add: Cash and cash equivalents at the beginning of the period		806,340,030.40	247,580,827.87
VI. Cash and cash equivalents at the end of the period		705,217,858.93	806,340,030.40

Legal Representative: Chen Huwen Accountant in charge: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Consolidated Statements of Changes in Owners' Equity
January - December 2020

Unit: Yuan Currency: RMB

Item	2020														
	Equity attributable to owners of the parent company												Minority equity	Total equity attributable to owners	
	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		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
Add: Changes in accounting policies											10,596,781.73		10,596,781.73	146,751.13	10,743,532.86
Correction for previous errors															
Business combination under common control															
Others															
II. Balance at the beginning of the year	920,000,000.00				272,347,764.53		526,359.55		440,260,399.59		2,578,962,643.05		4,212,097,166.72	259,571,607.74	4,471,668,774.46
III. Increase and decrease for the period ("-" for decrease)	7,427,600.00				261,036,367.13	176,034,120.00	1,615,042.93		23,782,260.32		863,644,394.95		981,471,545.33	-12,153,459.19	969,318,086.14
(I) Total comprehensive income							1,615,042.93				1,255,426,655.27		1,257,041,698.20	-17,383,788.98	1,239,657,909.22
(II) Owner's contribution and capital reduction	7,427,600.00				261,036,367.13	176,034,120.00							92,429,847.13	5,230,329.79	97,660,176.92
1. Ordinary shares contributed by the owners	7,427,600.00				168,606,520.00	176,034,120.00								-1,050,000.00	-1,050,000.00
2. Capital contributions by other equity instrument holders															
3. Amount of share-based					71,971,792.64								71,971,792.64		71,971,792.64

Annual Report 2020

payments credited to owners' equity														
4. Others					20,458,054.49							20,458,054.49	6,280,329.79	26,738,384.28
(III) Profit distribution								23,782,260.32	-391,782,260.32		-368,000,000.00			-368,000,000.00
1. Withdrawal of surplus reserve								23,782,260.32	-23,782,260.32					
2. Withdrawal of general risk provision														
3. Distribution to owners (or shareholders)									-368,000,000.00		-368,000,000.00			-368,000,000.00
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	927,427,600.00				533,384,131.66	176,034,120.00	2,141,402.48	464,042,659.91	3,442,607,038.00		5,193,568,712.05	247,418,148.55	5,440,986,860.60	

Annual Report 2020

Item	2019													Minority equity	Total equity attributable to owners
	Equity attributable to owners of the parent company											Sub-total			
	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		
	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															
Business combination under common 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
(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															

Annual Report 2020

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		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

Legal Representative: Chen Huwen Accountant in charge: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Statements of Changes in Equity of Owners of Parent Company
January - December 2020

Unit: Yuan Currency: RMB

Item	2020										
	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		292,894.11		439,931,539.68	2,435,883,856.99	4,070,116,889.87
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Balance at the beginning of the year	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
III. Increase and decrease for the period ("-" for decrease)	7,427,600.00				264,155,071.53	176,034,120.00	2,036,137.10		23,782,260.32	780,795,222.92	902,162,171.87
(I) Total comprehensive income							2,036,137.10			1,172,577,483.24	1,174,613,620.34
(II) Owner's contribution and capital reduction	7,427,600.00				264,155,071.53	176,034,120.00					95,548,551.53
1. Ordinary shares contributed by the owners	7,427,600.00				168,606,520.00	176,034,120.00					
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					82,199,024.88						82,199,024.88
4. Others					13,349,526.65						13,349,526.65
(III) Profit distribution									23,782,260.32	-391,782,260.32	-368,000,000.00

Annual Report 2020

1. Withdrawal of surplus reserve									23,782,260.32	-23,782,260.32	
2. Distribution to owners (or shareholders)										-368,000,000.00	-368,000,000.00
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	927,427,600.00				538,163,670.62	176,034,120.00	2,329,031.21		463,713,800.00	3,216,679,079.91	4,972,279,061.74

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

Annual Report 2020

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											
(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

Legal Representative: Chen Huwen Accountant in charge: Quan Qiang 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 company limited by shares 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 2020, the Company issued a total of 927,427,600 shares accumulatively, including 7,427,600 restricted shares, and its registered capital amounted to RMB927,427,600. The registered address of the Company is Building 3, No. 3469 Jinqian Road, Fengxian District, Shanghai. The principal operations of the Company include:

Permitted items: Food operation; printing of packaging and decoration printing products; printing of documents, materials and other printing products; publication operation. (For items subject to approval, operation activities are conducted after getting the approval from relevant departments. For specific operation items, the approval documents or permits of relevant departments shall prevail)

General items: Manufacturing and sales of stationery products; wholesale and retail of 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, daily necessities, textiles, clothing and footwear, household goods, sporting goods and equipment, disinfectants (excluding hazardous chemicals), kitchen utensils, sanitary ware and daily sundries, daily chemical products, first-class medical equipment, second-class medical equipment, machinery equipment, office equipment and consumables, photographic equipment, audio equipment, decorative materials, fire-fighting equipment, hotel supplies, glass products, power and electronic components, lubricants, plumbing pipes and accessories, ceramic pipes and accessories, automotive supplies, sanitary products, and mother and baby supplies; import and export of goods and technology; e-commerce and enterprise management consulting. (Except for items subject to approval according to law, operation activities are carried out independently with business license according to law)

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 26 March 2021.

2. Scope of consolidated financial statements

Applicable" Not applicable"

As of 31 December 2020, 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 Life Enterprise Management Co., Ltd. (晨光生活馆企业管理有限公司)
M&G Life 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 Life Enterprise Management Co., Ltd. (江苏晨光生活馆企业管理有限公司)
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)
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.
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)
Shanghai Qizhihaowan Culture and Creativity Co., Ltd. (上海奇只好玩文化创意有限公司)
Shanghai Chenxun Enterprise Management Co., Ltd. (上海晨讯企业管理有限公司)
Shanghai Colipu Information Technology Co., Ltd. (上海科力普信息科技有限公司)
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. (伊犁森徠木业有限公司)
Axus Stationery (Hong Kong) Company Ltd. (安硕文教用品(香港)有限公司)
International stationery company

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

IV. Preparation basis of financial statements

1. Preparation basis

the Company prepared financial statements in accordance with the *Accounting Standards for Business Enterprises - Basic Standards*, and 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 “Accounting Standards for Business Enterprises”) promulgated 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 details, please refer to Notes "V (10) Financial Instruments", "V (23) Fixed Assets", "V (29) Intangible Assets", "V (31) Long-term Deferred Expenses", "V (38) Income", and "V (40) Government Subsidies".

1. Statement of compliance of accounting standards for business enterprises

The financial statements are in compliance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance, and truly and completely present the consolidated and parent company's financial position of the Company as at 31 December 2020, as well as the consolidated and parent company's operating results and cash flows for the year then ended.

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

RMB is adopted by the Company as the bookkeeping currency.

5. Accounting treatments for business combination under or not under common control

Applicable" Not applicable"

Business combination under common control: the assets and liabilities acquired by the Company in business combination (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) shall be measured at the carrying amount of the assets and liabilities of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination. 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.

Business combination not under common control: the cost of merger is the fair value of the assets paid by the acquirer to obtain the control right of the acquiree, the liabilities incurred or assumed, and the equity securities issued at the date of purchase. 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 identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the combination that meet the recognition conditions are measured at their fair values at the date of purchase.

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. The term "control" refers to the power held by the Company over the invested enterprise, through which the Company is capable of enjoying variable return by participating in relevant activities of the invested enterprise, and having the ability to influence the amount of return via such control.

(2) Consolidation procedure

The Company regards the entire enterprise group as an accounting entity and prepares the consolidated financial statements in accordance with unified accounting policies to reflect the overall financial status, operating results and cash flow of the enterprise group. The influence of internal transactions between the Company and its subsidiaries and among the subsidiaries shall be offset. If internal transactions indicate that the relevant assets have suffered impairment losses, the losses shall be fully recognized. 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 the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company.

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 operating results and cash flows of the subsidiary or business combination from the beginning of the current period to the end of the Reporting Period are included into the consolidated financial statements, and at the same time, the amount at the end of the period of the consolidated financial statements and the relevant items in the comparative statements are 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, 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 the retained profit at the beginning of the period of the comparative statements or the profit or loss of the current period respectively.

During the Reporting Period, if there is an addition of subsidiary or business due to business combination not under common control, it shall be included in the consolidated financial statements on the basis of the fair value of the identifiable assets, liabilities and contingent liabilities determined at the date of purchase.

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 current period. Where equity interest of the acquiree held before the date of purchase is related to other comprehensive income that can be reclassified into profit and loss in the future and other changes in owners' equity under the equity method, such equity interest is transferred to investment gains of the period to which the date of purchase belongs.

② Disposal of subsidiaries

A. General treatment for disposal

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 that is related to the equity investment in the original subsidiary and can be reclassified into profit and loss in the future and other changes in owners' equity under the equity method, are transferred to investment gains of the period during which the control is lost.

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 constitute a basket of transactions, the Company accounts for the transactions as a transaction of disposal of a subsidiary until control is lost; 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 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 disposal consideration 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

Cash refers to the cash on hand and deposits that are available for payment of the Company. Cash equivalents refer to investments held by the Company that are short-term, highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

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"

The Company recognizes a financial asset, a financial liability or an equity instrument when it becomes a party to a financial instrument contract.

(1) Classification of the financial instruments

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 at fair value through profit or loss, and other financial assets at fair value through current profit or loss.

The Company classifies financial assets that simultaneously meet the following conditions and are not designated as financial assets at fair value through current profit or loss as financial assets measured at amortized cost:

- the business model aims at collecting contractual cash flows; and
- contractual cash flows are only the payment made based on the principal and the interest of the outstanding principal amount.

The Company classifies financial assets that simultaneously meet the following conditions and are not designated as financial assets at fair value through current profit or loss as financial assets (debt instruments) at fair value through other comprehensive income:

- 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.

For non-trading equity instrument investments, the Company irrevocably designates them as financial assets (equity instruments) at fair value through other comprehensive income at the time of initial recognition. The designation is made on the basis of a single investment, and the related investment meets the definition of an equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets measured at amortized cost and at fair value through other comprehensive income, the Company classifies all other financial assets as financial assets at fair value through current profit or loss. At the time of initial recognition, if accounting mismatches can be eliminated or significantly reduced, the Company can irrevocably designate financial assets that should be classified as financial assets measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through current profit or loss.

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.

(2) Recognition and measurement of financial instruments

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.

(3) Derecognition of financial assets and transfer of financial assets

The Company derecognizes financial assets when one of the following conditions is met:

- the contractual rights to collect the cash flows from the financial assets expire;
- the financial assets have been transferred and nearly all the risks and rewards related to the ownership of the financial assets have been transferred to the transferee; or
- the financial assets have been transferred, and the Company have neither transferred nor retained almost all risks and rewards related to the ownership of the financial assets, but did not retain control over the financial assets.

Where a financial asset is transferred, 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).

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 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).

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) 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

The Company estimates the anticipated credit loss on a single or combination of financial assets measured at amortized cost, financial assets (debt instruments) at fair value through other comprehensive income and financial guarantee contracts.

The Company considers reasonable and evidence-based information about past events, current conditions, and forecasts of future economic conditions, and uses the risk of default as the weight to calculate the probability-weighted amount of the present value of the difference between the contractual cash flow receivable and the expected cash flow, and recognizes the expected credit loss.

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.

the Company compares the risk of default on the balance sheet date of a financial instrument with the risk of default on the date of initial recognition to determine the relative change in the risk of default during the

expected life of the financial instrument so as to assess whether the credit risk of the financial instrument has increased significantly since the initial recognition. 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.

Regarding the receivables and contract assets formed from transactions regulated by the Accounting Standards for Business Enterprises No. 14 - Revenue (2017), regardless of whether they contain significant financing components or not, the Company always measures their loss reserves in accordance with the amount of anticipated credit losses for the entire lifetime.

For lease receivables, the Company always measures their loss reserves in accordance with the amount of anticipated credit losses for the entire lifetime.

If the Company no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in whole or in part, it will directly write down the book balance of the financial asset.

11. Bills receivable

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

Applicable" Not applicable"

For details, please refer to Note V (10) Financial Instruments.

12. Accounts receivable

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

Applicable" Not applicable"

For details, please refer to Note V (10) Financial Instruments.

13. Receivables financing

Applicable" Not applicable"

For details, please refer to Note V (10) Financial Instruments.

14. Other receivables

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

Applicable" Not applicable"

For details, please refer to Note V (10) Financial Instruments.

15. Inventories

Applicable" Not applicable"

(1) Classification and cost of inventories

Inventories are classified into materials in transit, raw materials, turnover materials, goods-in-stock, goods in production, goods in transit, commissioned processing materials and so forth.

Inventories are initially measured at cost. The cost of inventories includes purchase cost, processing cost and other expenditures incurred to bring inventory to its current location and state.

(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

At the balance sheet date, the inventories are measured according to the cost or the net realizable value, whichever is lower. If the cost of inventories is higher than the net realizable value, the provision for decline in value of inventories is made. The net realizable value refers, in the ordinary course of business, to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price 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.

If the factors, which cause any value write-down of the inventories, have disappeared, thus causing the inventories' net realizable value to be higher than their carrying amount, the amount of write-down is reversed from the provision for the loss on decline in value of inventories which has been made. The reversed amount is included in the profits and losses of the current period.

(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. Contract assets

(1). Recognition methods and standards of contract assets

Applicable" Not applicable"

Accounting policies from 1 January 2020

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company presents the right to receive consideration for the transfer of goods or services rendered to customers (and the right depends on other factors other than the passage of time) as contract assets. Contract assets and contract liabilities under the same contract are presented in net amounts. The Company's unconditional (only depending on the passage of time) right to collect consideration from customers is separately presented as receivables.

(2). Determination and accounting treatment of the anticipated credit loss of contract assets

Applicable" Not applicable"

17. Held for sale assets

Applicable" Not applicable"

18. Debt investment

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

Applicable" Not applicable"

19. Other debt investment

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

Applicable" Not applicable"

20. Long-term receivables

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

Applicable" Not applicable"

For details, please refer to Note V (10) Financial Instruments.

21. 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.

The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of the invested enterprise, but not to control or do joint control together with other parties over the formulation of these policies. 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 long-term equity investments in subsidiaries formed by business combination under common control, the initial investment cost of long-term equity investments shall be determined based on share of the book value of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the date of combination. The difference between the initial investment cost of the long-term equity investment and the carrying value of the consideration paid is adjusted to the equity premium in the capital reserve. If the capital premium in capital reserve is not sufficient to offset the difference, the remaining balance is adjusted against retained earnings. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, the difference between the initial investment cost of the long-term

equity investment recognized in accordance with the above principles and the carrying amount of the long term equity investment before the combination and the sum of carrying amount of newly paid consideration for additional shares acquired on the date of combination is adjusted to equity premium. If the capital premium in capital reserve is not sufficient to offset the difference, the remaining balance is adjusted against retained earnings.

For long-term equity investment in subsidiaries formed by business combination not under common control, the cost of the combination 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 is 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 means other than business combination

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.

(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, unless the investment meets the conditions for holding for sale. 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 is 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 is included in the profits or losses of the current period, and the cost of the long-term equity investment is adjusted simultaneously.

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 (hereinafter referred to as "other changes in owners' equity"), 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, other comprehensive income and other changes in owners' equity 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 and other comprehensive income of the investee according to the accounting policies and accounting period of the Company.

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. However, the situation that the assets invested or sold constitute business is excluded. Any losses resulting from internal transactions, which are attributable to impairment of assets, shall be fully recognized.

The Company shall recognize the net losses of the joint ventures or associates until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the joint ventures or associates have the obligation to undertake extra losses. If the joint ventures or associates realize net profits in the future, the Company resumes recognizing its share of profits after the share of profits makes up for the share of unrecognized losses.

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 partial disposal of long-term equity investments accounted for by the equity method, if the remaining equity is still accounted for by the equity method, the other comprehensive income calculated and recognized by the original equity method shall be carried forward in corresponding proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other changes in owners' equity shall be carried forward to the profits or losses of the current period on a pro rata basis.

When the joint control or material influence over the investee is lost due to disposal of equity investment and other reasons, other comprehensive income recognized in the original equity investment due to the use of the equity method shall, when it is no longer calculated by the equity method, be subject to the accounting treatment on the same basis as the investee used for direct disposal of relevant assets or liabilities. Other changes in owners' equity shall be all transferred into the profits or losses of the current period when they are no longer calculated by 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. The other comprehensive income recognized before the control over the investee is obtained shall be carried forward in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities, and the other changes in owners' equity calculated and recognized using the equity method shall be carried forward to the profits or losses of the current period on a pro rata basis. Where the remaining equities after disposal cannot impose joint control or material influence over the investee, they shall be recognized as financial assets, and the difference between fair value and the carrying amount on the date when control is lost shall be included in the profits or losses of the current period. All other comprehensive income and other changes in owners' equity recognized before the control over the investee is obtained shall be carried forward.

In respect of stepwise disposal of equity investment in a subsidiary through multiple transactions until control is lost, where the transactions 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 carrying amount of long-term equity investments corresponding to the disposal of equity is recognized as other comprehensive income in the individual financial statements, and is transferred to the profits or losses of the current period during which control is lost upon loss of control. Where the transactions do not constitute a basket of transactions, each transaction shall be accounted for separately.

22. Investment real estate

Not applicable

23. 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.

A fixed asset is initially measured at its cost (and considering the impact of expected abandonment cost factors).

Subsequent expenditures related to fixed assets are included in the cost of fixed assets when their related economic benefits are likely to flow in to the Company and their costs can be reliably measured; the book value of the replaced part is derecognized; all other subsequent expenditures are included in the profits or losses of the current period at the time of occurrence.

(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. For fixed assets with provision for impairment accrued, the depreciation amount shall be determined according to the book value after deduction of the impairment provision and the remaining useful life in the future period. 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.

Fixed assets leased under finance lease are subject to the same depreciation policy as self-owned fixed assets. 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.
- ⑤ Leased assets of special nature can only be used by the lessee unless major renovations are made.

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.

24. Construction in progress

Applicable" Not applicable"

Construction in progress is measured at the actual cost incurred. Actual cost includes construction cost, installation cost, borrowing expense qualified for capitalization, and other necessary expenditures incurred before the construction in progress reaches its intended use status. When the construction in progress reaches the intended use status, it shall be transferred to fixed assets and its depreciation shall be accrued from the next month.

25. Borrowing costs

Applicable" Not applicable"

(1) Criteria for recognition of capitalized borrowing costs

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.

(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 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.

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.

(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 actual interest rate of the general borrowings.

During the capitalization period, the exchange difference between the principal and interest of dedicated borrowings in foreign currency is capitalized and included in the cost of the assets qualified for capitalization. Exchange differences arising from the principal and interest of borrowings in foreign currency other than dedicated borrowings in foreign currency are included in the profits or losses of the current period.

26. Biological assets

Applicable" Not applicable"

27. Oil and gas assets

Applicable" Not applicable"

28. Right-of-use assets

Applicable" Not applicable"

29. 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.

B. Subsequent measurement

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

As for intangible assets with finite useful life, they are amortized 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 years	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 years	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

Expenditure in the research phase is included in the profit or loss for the current period at the time of occurrence. Expenses in the development phase are recognized as an intangible asset when all of the following conditions are satisfied, otherwise are included in the current profit or loss:

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.

If it is impossible to distinguish the expenses in the research phase from the expenses in the development phase, all the incurred research and development expenses shall be included in the current profit or loss.

30. 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, and oil and gas assets 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 formed by business combination, 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, regardless of whether there are any indications of impairment.

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. Relevant asset groups or portfolio of asset groups refer to the asset groups or portfolio of asset groups that can benefit from the synergistic effect of business combination.

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 their carrying value with their recoverable amount. Where the recoverable amount is lower than the carrying value thereof, the amount of impairment loss is first deducted and allocated to the carrying value of goodwill in the asset groups or portfolio of asset groups, and then the carrying value of other assets other than goodwill in the asset groups or portfolio of asset groups is deducted according to the percentages of the carrying value of such other assets.

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

31. 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.

Amortization periods and amortization methods of various expenses are as follows:

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

32. Contract liabilities

(1). Recognition methods of contract liabilities

Applicable" Not applicable"

Accounting policies from 1 January 2020

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company's obligation to transfer goods or provide services to customers for consideration received or receivable from customers is presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented in net amounts.

33. 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.

The employee welfare expenses incurred by the Company are included in the current profit or loss or related asset costs based on the actual amounts when they actually occur. Among them, non-monetary benefits are measured at fair value.

(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, the Company also participates in the enterprise annuity scheme/supplementary pension insurance fund approved by the relevant state departments. The Company makes payment to the annuity scheme/local social insurance agencies 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"

Where the Company provides termination benefits to its employees, the employee benefits liabilities resulting from termination benefits are recognized on the following date (whichever is earlier) and are included in the current profit or loss: when the Company cannot unilaterally withdraw the termination benefits provided due to the cancellation of the labor relationship with the employees or the layoff proposal; or when the Company recognizes the costs or expenses of reorganization relating to payment of termination benefits.

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

Applicable" Not applicable"

34. Lease liabilities

Applicable" Not applicable"

35. Estimated liabilities

Applicable" Not applicable"

The Company shall recognize the obligations related to contingencies when all of the following conditions are satisfied:

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

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.

Where the expenses required have a successive range and the possibilities of occurrence of each result are the same in the range, the best estimate shall be determined according to the median value within the range; in other cases, the best estimate shall be determined as below:

- If contingencies involve a single item, the best estimate shall be determined according to the most possible occurrence amount.

- If contingencies involve multiple items, the best estimate shall be calculated and determined in accordance with various possible outcomes and related 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.

The Company reviews the carrying value of the estimated liabilities at the balance sheet date. If there is any exact evidence indicating that the carrying value cannot really reflect the current best estimate, the carrying value shall be adjusted in accordance with the current best estimate.

36. 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.

(1) Equity-settled share-based payments and equity instruments

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. Share-based payment transactions vested immediately after the date of grant shall be included in the relevant cost or expense based on the fair value of equity instruments at the date of grant, and the capital reserve shall be increased accordingly. For share-based payment transactions vested only when the services during the waiting period are completed or the specified performance conditions are satisfied after the grant, the Company shall, at each balance sheet date during the waiting period, include the services obtained during the period in relevant cost or expense at the fair value of the date of grant, according to the best estimate of the number of vested equity instruments, and the capital reserve shall be increased accordingly.

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.

During the waiting period, if the granted equity instrument is cancelled, the Company will accelerate the vesting thereof, immediately include the remaining amount that should be recognized in the waiting period in the current profit or loss, and recognize the capital reserve. However, if new equity instruments are vested and

they are verified at the vesting date of new equity instrument as alternatives vested to cancel equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.

(2) Cash-settled share-based payments and equity instruments

Cash-settled share-based payments are measured at the fair value of the liabilities calculated and determined on the basis of shares or other equity instruments undertaken by the Company. Share-based payment transactions vested immediately after the date of grant shall be included in the relevant cost or expense based on the fair value of liabilities undertaken at the date of grant, and the liabilities shall be increased accordingly. For share-based payment transactions vested only when the services during the waiting period are completed or the specified performance conditions are satisfied after the grant, the Company shall include the services obtained during the period in relevant cost or expense at the fair value of the liabilities undertaken by the Company based on the best estimate of the vesting situation, and the liabilities shall be included accordingly. At each balance sheet date before the settlement and the settlement date of relevant liabilities, the fair value of the liabilities is remeasured, and its changes are included in the current profit or loss.

37. Preference shares, perpetual bonds and other financial instruments

Applicable" Not applicable"

38. Revenue

(1). Accounting policies used in recognition and measurement of revenue

Applicable" Not applicable"

Accounting policies from 1 January 2020

The Company recognizes revenue when its performance obligations in the contract are fulfilled, that is, the control over the relevant goods or services is obtained by the customer. Obtaining control over related goods or services means being able to lead the use of the goods or services and obtain almost all of the economic benefits from the goods or services.

If the contract contains two or more performance obligations, the Company will, at the date of the contract, allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation. The Company measures revenue based on the transaction price allocated to each individual performance obligation.

Transaction price refers to the amount of consideration that the Company expects to be entitled to receive due to the transfer of goods or services to customers, excluding amounts collected on behalf of third parties and amounts expected to be returned to customers. The Company determines the transaction price in accordance with the terms of the contract and combined with its past customary practices. When determining the transaction price, the Company considers the impact of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors. The Company determines the transaction price that includes variable consideration at an amount that does not exceed the amount of accumulated recognized revenue that is unlikely to be significantly reversed when the relevant uncertainty is eliminated. If there is a major financing component in the contract, the Company determines the transaction price based on the amount payable in cash when the customer obtains control over the goods or services, and

amortizes the difference between the transaction price and the contract consideration with the actual interest rate method during the contract period.

The performance obligation is fulfilled during a certain period of time if one of the following conditions is satisfied, otherwise, the performance obligation is fulfilled at a certain point in time:

- the customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company's performance.
- the customer can control the products under construction during the Company's performance.
- the goods produced during the Company's performance have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance part that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, the Company recognizes revenue in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the performance progress. When the performance progress cannot be reasonably determined, and the cost incurred is expected to be compensated, the Company recognizes the revenue according to the amount of the cost incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Company recognizes revenue at the point when the customer obtains control over the relevant goods or services. When judging whether the customer has obtained control over goods or services, the Company considers the following signs:

- the Company has the current right to receive payment for the goods or services, that is, the customer has the current payment obligation for the goods or services;
- the Company has transferred the legal ownership of the goods to the customer, that is, the customer has the legal ownership of the goods;
- the Company has transferred the goods to the customer in kind, that is, the customer has taken possession of the goods in kind;
- the Company has transferred the main risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the goods;
- the customer has accepted the goods or services.

Accounting policies before 1 January 2020

① General principle of recognition of revenue from sales of goods

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

② Specific principles

- A. 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;

B. 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;

C. 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;

D. Timing of revenue recognition for direct sales of office supplies: sales revenue is recognized after goods are delivered and confirmed by customers;

E. Timing of revenue recognition for direct sales large flagship store: sales revenue is recognized after goods are delivered and confirmed by customers.

(2). Differences in accounting policies for revenue recognition caused by the adoption of different operation models for similar businesses

Applicable" Not applicable"

39. Contract cost

Applicable" Not applicable"

Accounting policies from 1 January 2020

Contract cost includes contract performance cost and contract acquisition cost.

If the cost incurred by the Company for the performance of the contract does not fall within the scope of relevant standards and regulations for inventories, fixed assets or intangible assets, it shall be recognized as an asset as the contract performance cost when the following conditions are met:

- the cost is directly related to a current or expected contract;
- the cost increases the Company's future resources for fulfilling its performance obligations;
- the cost is expected to be recovered.

If the incremental cost incurred by the Company to obtain the contract is expected to be recovered, it will be recognized as an asset as the cost of obtaining the contract.

Assets related to contract costs are amortized on the same basis as the revenue recognition of goods or services related to the assets; however, if the amortization period of cost of obtaining the contract does not exceed one year, the Company will include it in the current profit or loss when it occurs.

If the carrying value of the assets related to the contract cost is higher than the difference between the following two items, the Company will make provision for impairment of the excess part and recognize it as an asset impairment loss:

(1) the remaining consideration expected to be obtained due to the transfer of goods or services related to the assets; and

(2) the costs expected to be incurred due to the transfer of the related goods or services.

If the depreciation factors in the previous period change later, causing the aforementioned difference to be higher than the carrying value of the assets, the Company will reverse the previously-made provision for impairment and include it in the current profit or loss, but the carrying value of the assets after the reversal cannot exceed the carrying value of the assets at the date of reversal under the assumption that no provision is made for the impairment.

40. Government subsidies

Applicable" Not applicable"

(1) Types

Government subsidies are monetary or non-monetary assets obtained by the Company from the government free of charge. They are divided into government subsidies related to assets and government subsidies related to income.

Government subsidies related to assets refers to government subsidies obtained by the Company that are used to purchase or construct or otherwise form long-term assets. Government subsidies related to income refer to the government subsidies other than government subsidies related to assets.

The specific standards for the Company to classify government subsidies into asset-related government subsidies are as follows:

If obtained subsidies are used to purchase, construct or otherwise form fixed assets, intangible assets and other long-term assets as expressly stipulated in government documents, then such subsidies are deemed as asset-related government subsidies.

The specific standards for the Company to classify government subsidies into income-related government subsidies are as follows:

If the government subsidies (excluding asset-related subsidies) are used to compensate relevant costs or losses of the Company that have been already incurred or to be incurred in subsequent periods, then such subsidies are deemed as income-related government subsidies.

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

(2) Timing of recognition

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

(3) Accounting treatment

Government subsidies 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 subsidies 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 subsidies 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.

41. Deferred income tax assets and liabilities

"√ Applicable" "□ Not applicable"

Income taxes include current income tax and deferred income tax. Except for income tax arising from business combination and transactions or events that are directly included in owners' equity (including other comprehensive income), the Company includes current income tax and deferred income tax in the current profit or loss.

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the difference (temporary difference) between the tax base of assets and liabilities and their carrying value.

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.

Deferred income tax liabilities are recognized for all taxable temporary differences arising from the investments in subsidiaries, joint ventures and associates, except to the extent that both of the following conditions are satisfied: the Company is able to control the timing of the reversal of the temporary differences; and it is likely that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognized for all deductible temporary differences associated with investments in subsidiaries, joint ventures and associates if all of the following conditions are satisfied: It is likely that the deductible temporary difference will reverse in the foreseeable future and it is likely that taxable profit in the future will be available against which the deductible temporary difference can be offset.

At the balance sheet date, deferred income tax assets and liabilities are measured at tax rates expected to be applied to the period when the assets are recovered or the liabilities are settled according to the tax law.

At the balance sheet date, the Company reviews the carrying value of deferred income tax assets. The carrying value of the deferred income tax assets are reduced if it is unlikely to obtain sufficient taxable income to offset the benefit of the deferred income tax assets in the future. When it is likely that sufficient taxable income will be available, the amount of write-down is reversed.

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.

At the balance sheet date, the deferred income tax assets and the deferred income tax liabilities are offset and presented on a net basis when all of the following conditions are satisfied:

- the taxable entity has a legal right to settle current income tax assets and liabilities on a net basis; and
- deferred income tax assets and deferred income 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.

42. 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"

43. 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.

The profit and loss from continuing operations and the profit and loss from discontinued operations are separately presented in the income statement. Operational gains and losses such as impairment losses and reversal amounts and disposal gains and losses from discontinued operations are reported as gains and losses from discontinued operations. For the discontinued operations reported in the current period, the Company re-reports the information previously reported as profits and losses from continuing operations as the profits and losses from discontinued operations for the comparable accounting period in the current financial statements.

44. 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)
Implementation of the Notice of the Ministry of Finance on Revising and Issuing the Accounting Standards for Business Enterprises No. 14 - Revenue (Cai Kuai [2017] No. 22)	The 20th meeting of the fourth Board of Directors	See Other description 1

Other descriptions

1. Implementation of the *Accounting Standards for Business Enterprises No. 14 - Revenue* (revised in 2017)

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 14 - Revenue* (hereinafter referred to as the "New Revenue Standards") in 2017. The revised standards stipulate that for the first implementation of the standards, the amounts of retained earnings and other related items in the financial statements at the beginning of the year should be adjusted according to the cumulative impact, and the information for the comparable period should not be adjusted.

The Company implements the new revenue standards from 1 January 2020. According to the provisions of the new revenue standards, the Company only adjusted the amounts of retained earnings and other related items in the financial statements at the beginning of 2020 for the cumulative impact of contracts that have not been completed on the date of first implementation, and did not make adjustments to the comparative financial statements. The main impacts of the implementation of the standards are as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Affected item in statement	Effect on balance at 1 January 2020	
			Consolidation	Parent company
(1) The original revenue from the e-commerce platform business is	The 20th meeting of	Accounts receivable	47,244,304.93	
		Inventories	-35,291,780.35	

recognized at the time of the receipt of the platform statement. Due to the implementation of the new revenue standards, the revenue is recognized at the time of the transfer of control, namely it is recognized when the e-commerce platform actually accepts and warehouses the products.	the fourth Board of Directors	Deferred income tax assets	-1,208,991.72	
		Undistributed profit	10,596,781.73	
		Minority equity	146,751.13	
(2) Reclassification of accounts received in advance arising from sales contracts to contract liabilities	The 20th meeting of the fourth Board of Directors	Contract liabilities	182,975,481.36	103,292,286.89
		Other current liabilities	23,786,812.58	13,427,997.30
		Accounts received in advance	-206,762,293.94	-116,720,284.19

Compared with the original revenue standards, the impacts of the implementation of the new revenue standards on the relevant items of the 2020 financial statements are as follows (increase/decrease):

Affected item in balance sheet	Effect on balance at 31 December 2020	
	Consolidation	Parent company
Accounts receivable	71,949,017.96	
Inventories	-52,850,926.86	
Deferred income tax assets	-619,504.51	
Accounts received in advance	-127,846,125.32	-86,209,335.15
Contract liabilities	114,100,035.35	76,291,447.04
Taxes payable	9,092,049.66	
Other current liabilities	13,746,089.97	9,917,888.11
Undistributed profit	9,156,410.72	
Minority equity	230,126.21	

Affected item in income statement	Effect on amount incurred in 2020	
	Consolidation	Parent company
Revenue	22,717,752.44	
Operation cost	126,244,555.60	23,728,733.05
Selling expenses	-77,637,937.98	7,318,738.06
Administrative expenses	-31,047,471.11	-31,047,471.11
Credit impairment losses	-1,269,284.91	

Income tax expenses	-210,406.66	
Net profit	-1,356,995.93	

2. Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 13*

The Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises No. 13* (Cai Kuai [2019] No. 21, hereinafter referred to as "Interpretation No. 13") on 10 December 2019, which comes into force on 1 January 2020. No retrospective adjustment is required.

(1) Determination of related parties

Interpretation No. 13 clarifies that the following circumstances constitute a related party: a joint venture or associate between an enterprise and other member units (including parent companies and subsidiaries) of the enterprise group to which it belongs; a joint venture of an enterprise and other joint ventures or associates of the enterprise. In addition, Interpretation No. 13 clarifies that two or more companies that are only significantly affected by one party do not constitute related parties. It also adds that associates include associates and their subsidiaries, and joint ventures include joint ventures and their subsidiaries.

(2) Definition of business

Interpretation No. 13 completes the three elements of business composition, refines the judgment conditions of the business composition, and introduces the "concentration test" option to simplify to a certain extent the judgment of whether a combination obtained not under common control constitutes a business.

The Company implements Interpretation No. 13 from 1 January 2020, and the comparative financial statements are not adjusted. The implementation of Interpretation No. 13 had no significant impact on the Company's financial status and operating results.

3. Implementation of the *Interim Provisions on the Accounting Treatment of Carbon Emission Permit Trading*

On 16 December 2019, the Ministry of Finance issued the *Interim Provisions on the Accounting Treatment of Carbon Emission Permit Trading* (Cai Kuai [2019] No. 22), which is applicable to related companies in the key emission units engaged in the trading business of carbon emission rights in accordance with the *Interim Measures for the Administration of Carbon Emission Permit Trading* and other relevant regulations (hereinafter referred to as "key emission companies"). The Provisions come into effect on 1 January 2020, and key emission companies should adopt the future applicable law to apply the Provisions.

The Company implements the Provisions from 1 January 2020, and the comparative financial statements are not adjusted. The implementation of the Provisions had no significant impact on the Company's financial status and operating results.

4. Implementation of the *Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concessions*

On 19 June 2020, the Ministry of Finance issued the *Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concessions* (Caikuai (2020) No. 10) with immediate effect, allowing companies to adjust relevant rental concessions incurred between 1 January 2020 and the implementation date of the Provisions. According to the Provisions, companies can resort to a simplified method for accounting treatment for rental reductions, deferred rent payment and other rental concessions relating to COVID-19 pandemic that meet the stipulations of the Provisions.

The Company used the simplified method for accounting treatment for all rental concessions that fall within the scope of the Provisions, and adjusted the relevant rent concessions incurred between 1 January 2020 and the effective date of the Provisions accordingly.

As the lessee, the Company adopted a simplified method to deal with related rental concessions to offset the current operating costs, management expenses and sales expenses totaling RMB 12,799,186.64.

(2). Changes in significant accounting estimates

Applicable" Not applicable"

(3). Particulars on adjustment to the financial statements for the year due to the first implementation of new standards for revenues or new standards for lease from 2020

Applicable" Not applicable"

Consolidated Balance Sheet

Unit: Yuan Currency: RMB

Item	31 December 2019	1 January 2020	Adjustment amount
Current assets:			
Cash and equivalents	1,935,600,694.35	1,935,600,694.35	
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	661,878,587.24	661,878,587.24	
Derivative financial assets			
Bills receivable			
Accounts receivable	1,026,094,724.15	1,073,339,029.08	47,244,304.93
Receivables financing	29,549,924.83	29,549,924.83	
Prepayment	85,371,444.73	85,371,444.73	
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	117,647,039.93	117,647,039.93	
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	1,378,108,759.85	1,342,816,979.50	-35,291,780.35
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets	29,280,925.29	29,280,925.29	
Total current assets	5,263,532,100.37	5,275,484,624.95	11,952,524.58
Non-current assets:			

Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables	6,624,590.00	6,624,590.00	
Long-term equity investments	35,582,783.47	35,582,783.47	
Investments in other equity instruments	3,909,179.93	3,909,179.93	
Other non-current financial assets			
Investment real estate			
Fixed assets	1,163,702,352.12	1,163,702,352.12	
Construction in progress	260,469,728.76	260,469,728.76	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	331,005,762.09	331,005,762.09	
Development expenses			
Goodwill	30,175,537.19	30,175,537.19	
Long-term prepaid expenses	118,336,333.95	118,336,333.95	
Deferred income tax assets	36,623,535.59	35,414,543.87	-1,208,991.72
Other non-current assets	315,153,408.27	315,153,408.27	
Total non-current assets	2,301,583,211.37	2,300,374,219.65	-1,208,991.72
Total assets	7,565,115,311.74	7,575,858,844.60	10,743,532.86
Current liabilities:			
Short-term borrowings	183,193,763.86	183,193,763.86	
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	1,861,072,467.87	1,861,072,467.87	
Accounts received in advance	206,762,293.94		-206,762,293.94
Contract liabilities		182,975,481.36	182,975,481.36
Financial assets sold under repurchase agreements			
Deposits from customers and other banks			
Brokerage for trading securities			
Brokerage for underwriting securities			
Employee benefits payable	154,119,492.32	154,119,492.32	
Taxes payable	258,583,118.14	258,583,118.14	

Other payables	331,438,976.35	331,438,976.35	
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		23,786,812.58	23,786,812.58
Total current liabilities	2,995,170,112.48	2,995,170,112.48	
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	6,620,000.00	6,620,000.00	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	65,823,213.11	65,823,213.11	
Deferred income tax liabilities	36,576,744.55	36,576,744.55	
Other non-current liabilities			
Total non-current liabilities	109,019,957.66	109,019,957.66	
Total liabilities	3,104,190,070.14	3,104,190,070.14	
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	526,359.55	526,359.55	
Special reserve			
Surplus reserve	440,260,399.59	440,260,399.59	
General risk provision			
Undistributed profit	2,568,365,861.32	2,578,962,643.05	10,596,781.73
Total equity attributable to the owners of the parent company	4,201,500,384.99	4,212,097,166.72	10,596,781.73
Minority equity	259,424,856.61	259,571,607.74	146,751.13
Total owners' equity (or shareholders' equity)	4,460,925,241.60	4,471,668,774.46	10,743,532.86

Total liabilities and owner's equity (or shareholders' equity)	7,565,115,311.74	7,575,858,844.60	10,743,532.86
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Description on adjustment to relevant items:

"□ Applicable" "√ Not applicable"

Parent Company's Balance Sheet

Unit: Yuan Currency: RMB

Item	31 December 2019	1 January 2020	Adjustment amount
Current assets:			
Cash and equivalents	1,358,805,872.56	1,358,805,872.56	
Held-for-trading financial assets	509,467,061.37	509,467,061.37	
Derivative financial assets			
Bills receivable			
Accounts receivable	82,949,224.65	82,949,224.65	
Receivables financing			
Prepayment	9,630,209.45	9,630,209.45	
Other receivables	285,036,794.54	285,036,794.54	
Including: Interest receivable	192,500.00	192,500.00	
Dividend receivable			
Inventories	448,245,658.48	448,245,658.48	
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets	150,047,540.99	150,047,540.99	
Total current assets	2,844,182,362.04	2,844,182,362.04	
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables	6,624,590.00	6,624,590.00	
Long-term equity investments	1,089,168,192.56	1,089,168,192.56	
Investments in other equity instruments	3,909,179.93	3,909,179.93	
Other non-current financial assets			
Investment real estate			
Fixed assets	749,415,024.84	749,415,024.84	
Construction in progress	258,864,834.00	258,864,834.00	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	182,268,368.82	182,268,368.82	

Development expenses			
Goodwill			
Long-term prepaid expenses	10,106,589.01	10,106,589.01	
Deferred income tax assets	5,469,359.66	5,469,359.66	
Other non-current assets	311,929,028.24	311,929,028.24	
Total non-current assets	2,617,755,167.06	2,617,755,167.06	
Total assets	5,461,937,529.10	5,461,937,529.10	
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	225,831,712.59	225,831,712.59	
Accounts received in advance	116,720,284.19		-116,720,284.19
Contract liabilities		103,292,286.89	103,292,286.89
Employee benefits payable	87,609,891.62	87,609,891.62	
Taxes payable	160,129,252.33	160,129,252.33	
Other payables	513,035,659.92	513,035,659.92	
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities		13,427,997.30	13,427,997.30
Total current liabilities	1,103,326,800.65	1,103,326,800.65	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables	258,620,000.00	258,620,000.00	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	28,453,779.37	28,453,779.37	
Deferred income tax liabilities	1,420,059.21	1,420,059.21	
Other non-current liabilities			
Total non-current liabilities	288,493,838.58	288,493,838.58	
Total liabilities	1,391,820,639.23	1,391,820,639.23	
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	292,894.11	
Special reserve			
Surplus reserve	439,931,539.68	439,931,539.68	
Undistributed profit	2,435,883,856.99	2,435,883,856.99	
Total owners' equity (or shareholders' equity)	4,070,116,889.87	4,070,116,889.87	
Total liabilities and owner's equity (or shareholders' equity)	5,461,937,529.10	5,461,937,529.10	

Description on adjustment to relevant items:

Applicable" Not applicable"

(4). Description on retrospective adjustment to previous comparative data due to the first implementation of new standards for revenues or new standards for lease from 2020

Applicable" Not applicable"

45. 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

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.

(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 other comprehensive income are transferred out and included in the current profit or 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 other comprehensive income are transferred out and included in the current profit or loss.

Segment Report

The Company determines the operating segment based on the internal organizational structure, management requirements, and internal reporting system, and determines the reporting segment based on the operating segment and discloses segment information.

Operating segment refers to the component of the Company that meets the following conditions simultaneously: (1) the component can generate income and incur expenses in daily activities; (2) the management of the Company can regularly evaluate the operating results of the component to decide to allocate resources to it and evaluate its performance; and (3) the Company can obtain relevant accounting information such as the financial status, operating results and cash flow of the component. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be combined into one operating segment.

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.	13%、10%、9%、6%、5%
Consumption tax		
Business tax		
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%

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
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
Shanghai Qizhihaowan Culture and Creativity Co., Ltd. (上海奇只好玩文化创意有限公司)	25
Shanghai Chenxun Enterprise Management Co., Ltd. (上海晨讯企业管理有限公司)	25
Shanghai Colipu Information Technology Co., Ltd. (上海科力普信息科技有限公司)	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. (伊犁森徕木业有限公司)	25
Axus Stationery (Hong Kong) Company Ltd. (安硕文教用品(香港)有限公司)	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.

In accordance with the *Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Software Products* (Cai Shui [2011] No. 100), the subsidiary Shanghai Colipu Information Technology Co., Ltd. was granted the tax incentive regarding the refund upon payment of VAT by Shanghai Xuhui District Tax Service, State Taxation Administration on software products on 9 June 2020, with a valid period from 1 April 2020 to 31 March 2070.

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	1,134,204.63	503,222.44
Cash at bank	2,551,360,452.36	1,922,791,232.44
Other cash and equivalents	9,664,269.12	12,306,239.47
Total	2,562,158,926.11	1,935,600,694.35
Including: Total cash deposited outside China	3,490,810.78	3,541,107.84

Other descriptions

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	2,137,865.56	5,079,343.94
Performance bond	2,674,925.30	230,000.00
Time deposits over three months	1,180,000,000.00	550,000,000.00
Fund of restricted use		2,844,914.52
Total	1,184,812,790.86	558,154,258.46

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	1,428,277,848.33	661,878,587.24
Including:		
Debt instrument investment		
Equity instrument investment		
Derivative financial assets		
Others	1,428,277,848.33	661,878,587.24
Financial asset designated as at fair value through profit or loss		
Including:		
Debt instrument investment		
Others		
Total	1,428,277,848.33	661,878,587.24

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"

(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 descriptions

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	1,586,045,928.63
1 to 2 years	8,184,203.32
2 to 3 years	1,883,220.15
Above 3 years	1,922,348.14
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-36,824,231.34
Total	1,561,211,468.90

(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	8,442,002.81	0.53	8,442,002.81	100.00		23,438,444.19	2.21	13,612,009.12	58.08	9,826,435.07
Including:										
Bad debt provisions accrued according to the combination	1,589,593,697.43	99.47	28,382,228.53	1.79	1,561,211,468.90	1,085,361,321.62	97.89	21,848,727.61	2.01	1,063,512,594.01
Including:										
Combination 1: Account age	1,589,593,697.43	99.47	28,382,228.53	1.79	1,561,211,468.90	1,085,361,321.62	97.89	21,848,727.61	2.01	1,063,512,594.01
Total	1,598,035,700.24	/	36,824,231.34	/	1,561,211,468.90	1,108,799,765.81	/	35,460,736.73	/	1,073,339,029.08

Bad debt provisions accrued separately:

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Name	Closing balance			
	Carrying balance	Bad debt provisions	Accruing percentage (%)	Accruing reason
Changxing Shengxing Stationery Co., Ltd.	264,790.33	264,790.33	100.00	Not expected to be recovered
Hangzhou Yunman Department Store Co., Ltd.	113,835.50	113,835.50	100.00	Not expected to be recovered
China Post Group Company Jiangxi Branch	2,503,300.41	2,503,300.41	100.00	Not expected to be recovered
HNA Import and Export Co., Ltd.	1,451,567.75	1,451,567.75	100.00	Not expected to be recovered
Guangzhou Greenland Real Estate Development Co., Ltd.	1,069,182.67	1,069,182.67	100.00	Not expected to be recovered
Shanghai Huazhen Logistics Co., Ltd.	584,648.60	584,648.60	100.00	Not expected to be recovered
Shanxi Road & Bridge Construction Group Co., Ltd.	397,417.68	397,417.68	100.00	Not expected to be recovered
Shaoguan Heping Road Primary School	285,600.00	285,600.00	100.00	Not expected to be recovered
61001 Troop	238,947.00	238,947.00	100.00	Not expected to be recovered
The Second JunYi University	235,552.69	235,552.69	100.00	Not expected to be recovered
Shaoguan Wulihe Central Primary School	235,200.00	235,200.00	100.00	Not expected to be recovered

Annual Report 2020

Shaoguan Zhenjiang District Lishi Town Central Primary School	184,800.00	184,800.00	100.00	Not expected to be recovered
Nokia Shanghai Bell Co., Ltd.	128,798.36	128,798.36	100.00	Not expected to be recovered
Shaoguan Zhenjiang District Nanfeng Primary School	100,800.00	100,800.00	100.00	Not expected to be recovered
Shaoguan Zhenjiang District Shaliyuan Primary School	100,800.00	100,800.00	100.00	Not expected to be recovered
China Vanke Co., Ltd.	84,048.73	84,048.73	100.00	Not expected to be recovered
Shaoguan Zhenjiang District Laixin Primary School	84,000.00	84,000.00	100.00	Not expected to be recovered
Postal Savings Bank of China Co., Ltd. Shaoxing Branch	80,566.85	80,566.85	100.00	Not expected to be recovered
Information Engineering University	62,980.00	62,980.00	100.00	Not expected to be recovered
Air Liquide (China) Holding Co., Ltd.	62,764.55	62,764.55	100.00	Not expected to be recovered
Nanjing Guodian Nanzi Software Engineering Co., Ltd.	41,972.00	41,972.00	100.00	Not expected to be recovered
The First Hospital of Changsha	33,783.00	33,783.00	100.00	Not expected to be recovered
91528 Troop of the Chinese People's Liberation Army	29,353.70	29,353.70	100.00	Not expected to be recovered
Yicheng Group Shanghai Investment Co., Ltd.	19,280.72	19,280.72	100.00	Not expected to be recovered
Beijing Taihe Jinxiu Real Estate Co., Ltd.	17,538.09	17,538.09	100.00	Not expected to be recovered
The 58th Research Institute of China Electronics Technology Group Corporation	15,774.57	15,774.57	100.00	Not expected to be recovered
Beijing Qiaoxi Investment Co., Ltd.	14,699.61	14,699.61	100.00	Not expected to be recovered
Total	8,442,002.81	8,442,002.81	100.00	/

Description on 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	
Accrued separately	13,612,009.12	7,785,464.46	8,958,818.94	3,996,651.83		8,442,002.81
Combination 1: Account age	21,848,727.61	6,829,380.72		295,879.80		28,382,228.53
Total	35,460,736.73	14,614,845.18	8,958,818.94	4,292,531.63		36,824,231.34

Other descriptions:

Combination 1: The resold or written-off amount in the current period included a foreign currency statement profit and loss adjustment of RMB46,257.92, and the actual written-off bad debt provision amount was RMB4,246,273.71.

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Company name	Recovered or reversed amount	Recovery way
HNA Import and Export Co., Ltd.	8,374,867.32	Bank repayment
Total	8,374,867.32	/

Other descriptions:

No

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Written-off amount
Accounts receivable actually written-off	4,246,273.71

Writing-off of significant accounts receivable

Applicable" Not applicable"

Description on writing-off of 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
First	267,682,145.37	16.75	1,818,616.11
Second	172,150,746.16	10.77	3,353,683.96
Third	97,355,830.97	6.09	486,779.15
Fourth	64,459,459.89	4.03	576,915.52
Fifth	61,451,947.79	3.85	3,072,597.39
Total	663,100,130.18	41.49	9,308,592.13

(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	61,412,976.46	24,262,204.08
Factoring of accounts receivable		5,287,720.75
Total	61,412,976.46	29,549,924.83

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

Applicable" Not applicable"

Unit: Yuan Currency: RMB

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	24,262,204.08	100,038,314.02	62,887,541.64		61,412,976.46	
Factoring of	5,287,720.75		5,287,720.75			

accounts receivable						
Total	29,549,924.83	100,038,314.02	68,175,262.39		61,412,976.46	

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	8,082,485.71	

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	150,881,413.40	99.53	84,880,944.13	99.43
1 to 2 years	443,712.70	0.29	490,500.60	0.57
2 to 3 years	271,258.66	0.18		
Above 3 years				
Less: Bad debt provisions	-20,000,000.00			
Total	131,596,384.76	100.00	85,371,444.73	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
First	40,000,000.00	26.39
Second	11,218,218.00	7.40
Third	10,308,250.72	6.80
Fourth	7,166,689.42	4.73

Fifth	6,592,122.82	4.35
Total	75,285,280.96	49.67

Note: The original value of the ending balance of the first advance payment is RMB40 million. Because the relevant party failed to deliver goods on time as agreed in the contract, there is uncertainty about whether it will be able to perform the original contract or refund the amount in the future. Therefore, there is a risk of loss for this advance payment, and the provision for bad debts of RMB20 million was accrued in the current period.

Other descriptions

Applicable" Not applicable"

8. Other receivables

Presented by item

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividend receivable		
Other receivables	141,753,102.00	117,647,039.93
Total	141,753,102.00	117,647,039.93

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
Within 1 year	
Including: Sub-item within 1 year	
Sub-total within 1 year	114,136,931.70
1 to 2 years	37,461,137.32
2 to 3 years	13,197,142.97
Above 3 years	14,050,615.76
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-37,092,725.75
Total	141,753,102.00

(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	7,619,165.29	8,848,583.44
Amount paid for materials	33,583,639.24	34,532,789.63
Consolidated balance of related-parties current accounts - provisional input tax	36,427,271.95	17,406,678.21
Margin and deposit	82,608,805.20	66,283,403.63
Others	18,606,946.07	16,629,720.27
Total	178,845,827.75	143,701,175.18

(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	Expected credit loss	Expected credit loss	

	losses in the next 12 months	for the entire duration (no credit impairment occurred)	for the entire duration (credit impairment occurred)	
Balance as at 1 January 2020	24,554,747.26		1,499,387.99	26,054,135.25
Balance as at 1 January 2020 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	12,569,875.88			12,569,875.88
Reserved in the current period				
Resold in the current period				
Written-off in the current period	6,500.00		1,499,387.99	1,505,887.99
Other changes	25,397.39			25,397.39
Balance as at 31 December 2020	37,092,725.75			37,092,725.75

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 2020	142,201,787.19		1,499,387.99	143,701,175.18
Balance as at 1 January 2020 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	709,959,479.04			709,959,479.04
Derecognition of the current period	673,315,438.48		1,499,387.99	674,814,826.47
Other changes				
Balance as at 31 December 2020	178,845,827.75			178,845,827.75

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	1,499,387.99			1,499,387.99		
Combination 1: Account age	24,554,747.26	12,569,875.88		31,897.38		37,092,725.75
Total	26,054,135.25	12,569,875.88		1,531,285.37		37,092,725.75

Other descriptions:

Combination 1: The resold or written-off amount in the current period included a foreign currency statement profit and loss adjustment of RMB25,397.38, and the actual written-off bad debt provision amount was RMB1,505,887.99.

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	1,505,887.99

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
First	Consolidated balance of related-parties current accounts - provisional input tax	36,427,271.95	Within 1 year	20.37	
Second	Amount paid for materials	7,705,462.64	1-2 years	4.31	2,311,638.79
Third	Others	5,576,436.30	Within 1 year	3.12	278,821.82
Fourth	Margin and deposit	4,000,000.00	Within 1 year	2.24	200,000.00
Fifth	Margin and deposit	3,821,857.88	Above 3 years	2.14	3,821,857.88
Total	/	57,531,028.77	/	32.18	6,612,318.49

(7). Receivables involving government subsidies

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Company name	Government subsidies	Closing balance	Account age at the end of the period	Estimated time, amount and basis of receipt
Shanghai Xuhui District Tax Service, State Taxation Administration	Refund upon payment of VAT on software enterprises	5,576,436.30	Within 1 year	Refund upon payment of VAT on software enterprises
Total		5,576,436.30		

Other descriptions

No

(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	Provision for the loss on decline in value of inventories/provision for the impairment of contract performance cost	Carrying value	Carrying balance	Provision for the loss on decline in value of inventories/provision for the impairment of contract performance cost	Carrying value
Raw materials	171,682,717.53	503,028.26	171,179,689.27	230,583,859.11	1,418,134.61	229,165,724.50
Work-in-process	67,576,697.07	90,168.22	67,486,528.85	55,336,578.58	91,431.46	55,245,147.12
Finished products	1,065,016,694.84	45,926,598.58	1,019,090,096.26	1,035,510,579.55	35,434,374.53	1,000,076,205.02
Revolving materials	16,274,211.14	1,514,799.76	14,759,411.38	17,933,897.04	1,035,002.57	16,898,894.47
Expendable biological assets	14,814,590.65		14,814,590.65	14,937,710.39		14,937,710.39
Contract performance cost						
Materials in transit	4,146,657.42	39,054.79	4,107,602.63	4,258,709.42		4,258,709.42
Consigned processing materials	13,713,637.94		13,713,637.94	14,249,868.76		14,249,868.76
Shipped goods	17,661,289.85		17,661,289.85	7,984,719.82		7,984,719.82
Total	1,370,886,496.44	48,073,649.61	1,322,812,846.83	1,380,795,922.67	37,978,943.17	1,342,816,979.50

(2). Provision for the loss on decline in value of inventories and provision for the impairment of contract performance cost

"√ 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	1,418,134.61	-908,328.15			6,778.20	503,028.26
Work-in-process	91,431.46	-1,263.24				90,168.22
Finished products	35,434,374.53	10,502,686.05			10,462.00	45,926,598.58
Revolving materials	1,035,002.57	479,797.19				1,514,799.76
Expendable biological assets						
Contract performance cost						
Materials in transit		39,054.79				39,054.79
Consigned processing materials						
Shipped goods						
Total	37,978,943.17	10,111,946.64			17,240.20	48,073,649.61

(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). Description on amortization amount of the current period of contract performance cost

"□ Applicable" "√ Not applicable"

Other descriptions

"□ Applicable" "√ Not applicable"

10. Contract assets**(1). Particulars on contract assets**

"□ Applicable" "√ Not applicable"

(2). Amount of and reason for significant changes in carrying value during the Reporting Period

"□ Applicable" "√ Not applicable"

(3). Particulars on impairment provisions accrued for contract assets in the current period

"□ 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"

Other descriptions:

Applicable" Not applicable"

11. Held for sale assets

Applicable" Not applicable"

12. Non-current assets due within one year

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Debt investment due within one year		
Other debt investments due within one year		
Long-term receivables due within one year	4,637,213.00	
Total	4,637,213.00	

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

Applicable" Not applicable"

Other descriptions

No

13. Other current assets

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract acquisition cost		
Receivable return cost	10,541,165.83	
VAT input tax to be certified	8,685,801.62	20,104,638.98
Pre-paid enterprise income tax	549,155.49	1,104,950.25
Carbon quota		35,824.00
VAT retention amount	7,510,484.36	8,035,512.06
Total	27,286,607.30	29,280,925.29

Other descriptions

No

14. 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 descriptions

Applicable" Not applicable"

15. 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"

16. 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. As of 31 December 2020, the amount that has not yet been repaid was RMB4,637,213.00. Since the remaining period is shorter than one year, it is reclassified to other non-current assets due within one year in the statement.

(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 descriptions

Applicable" Not applicable"

17. Long-term equity investments

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Invested company	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 comprehensive 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)	29,846,234.19			-903,362.87	750,226.22						29,693,097.54
Shanghai Pen-making Technology Services Co., Ltd.	5,736,549.28			-707,251.15							5,029,298.13
Sub-total	35,582,783.47			-1,610,614.02	750,226.22						34,722,395.67
Total	35,582,783.47			-1,610,614.02	750,226.22						34,722,395.67

Other descriptions

No

18. 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.	5,476,577.42	3,909,179.93
Total	5,476,577.42	3,909,179.93

(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.		1,876,577.42			the Company held the investment for non-trading purposes	

Other descriptions:

"□ Applicable" "√ Not applicable"

19. Other non-current financial assets

"□ Applicable" "√ Not applicable"

Other descriptions:

"□ Applicable" "√ Not applicable"

20. Investment real estate

Measurement model of investment real estate

Not applicable

21. Fixed assets**Presented by item**

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Fixed assets	1,847,635,724.45	1,163,702,352.12

Disposal of fixed assets		
Total	1,847,635,724.45	1,163,702,352.12

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	941,980,900.93	726,180,721.46	57,391,043.68	304,599,519.14	2,030,152,185.21
2. Increase amount of the current period	773,201,860.29	54,512,057.80	3,260,151.82	40,532,487.22	871,506,557.13
(1) Acquisition	413,350,966.04	1,598,780.42	2,402,056.10	7,741,673.34	425,093,475.90
(2) Transfer-in from construction in progress	359,850,894.25	52,913,277.38	858,095.72	32,790,813.88	446,413,081.23
(3) Increase for business combination					
3. Decrease amount of the current period	698,967.97	7,391,483.22	3,096,448.52	22,038,233.42	33,225,133.13
(1) Disposal or scrapping	10,950.18	6,202,686.37	3,079,876.82	21,730,278.32	31,023,791.69
(2) Translation difference of foreign-currency statements	688,017.79	1,188,796.85	16,571.70	307,955.10	2,201,341.44
4. Balance at the end of the period	1,714,483,793.25	773,301,296.04	57,554,746.98	323,093,772.94	2,868,433,609.21
II. Accumulative depreciation					
1. Balance at the beginning of the period	254,107,049.63	339,490,427.89	45,715,724.10	226,902,482.77	866,215,684.39
2. Increase amount of the current period	55,887,900.79	70,603,850.06	3,300,571.59	49,455,842.59	179,248,165.03
(1) Accruing	55,887,900.79	70,603,850.06	3,300,571.59	49,455,842.59	179,248,165.03
3. Decrease amount of the current period	76,324.60	5,426,153.45	2,345,248.30	17,052,387.01	24,900,113.36
(1) Disposal or scrapping	4,203.65	4,578,385.00	2,337,313.66	16,874,764.92	23,794,667.23
(2) Translation difference of foreign-currency statements	72,120.95	847,768.45	7,934.64	177,622.09	1,105,446.13
4. Balance at the end of the period	309,918,625.82	404,668,124.50	46,671,047.39	259,305,938.35	1,020,563,736.06
III. Impairment provisions					

Annual Report 2020

1. Balance at the beginning of the period		234,148.70			234,148.70
2. Increase amount of the current period					
(1) Accruing					
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	1,404,565,167.43	368,399,022.84	10,883,699.59	63,787,834.59	1,847,635,724.45
2. Carrying value at the beginning of the period	687,873,851.30	386,456,144.87	11,675,319.58	77,697,036.37	1,163,702,352.12

Note: For details of the fixed assets pledged at the end of the period, see 1. Important commitments under 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"

Unit: Yuan Currency: RMB

Item	Carrying value	Reason why the property ownership certificates have not been obtained
Rafael Cloud Porch	413,220,000.00	The property ownership certificate is being obtained
Qingcun Production Base Construction Project	227,388,278.15	The property ownership certificate is being obtained
Internet E-Commerce Industrial Park Project	132,462,616.10	The property ownership certificate is being obtained

Other descriptions:

Applicable" Not applicable"

Disposal of fixed assets

Applicable" Not applicable"

22. Construction in progress**Presented by item**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	54,946,300.66	260,469,728.76
Engineering materials		
Total	54,946,300.66	260,469,728.76

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
Internet E-Commerce Industrial Park Project				82,259,438.98		82,259,438.98
Fixed assets not yet installed and put into use	23,771,536.87		23,771,536.87	8,824,754.04		8,824,754.04
Others	31,174,763.79		31,174,763.79	10,443,397.44		10,443,397.44
Total	54,946,300.66		54,946,300.66	260,469,728.76		260,469,728.76

(2). 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	158,942,138.30	68,446,139.85	227,388,278.15			100.55	100.00%				Self-raised funds, borrowings from financial institutions
Internet E-Commerce Industrial Park Project		82,259,438.98	50,203,177.12	132,462,616.10			100.00	100.00%				Self-raising
Fixed assets not yet installed and put into use		8,824,754.04	101,968,814.90	86,378,205.32	643,826.75	23,771,536.87						
Total	733,910,100.00	250,026,331.32	220,618,131.87	446,229,099.57	643,826.75	23,771,536.87	/	/			/	/

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

Applicable" Not applicable"

Other descriptions

Applicable" Not applicable"

Engineering materials

(1). Particulars on engineering materials

Applicable" Not applicable"

23. 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 descriptions

Applicable" Not applicable"

24. Oil and gas assets

Applicable" Not applicable"

25. Right-of-use assets

Applicable" Not applicable"

26. Intangible assets

(1). Particulars on intangible assets

Applicable" Not applicable"

Item	Unit: Yuan						Currency: RMB
	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	340,017,339.10	12,645,665.79		93,989.00	33,251,616.77	1,682,622.64	387,691,233.30
2. Increase amount of the current period		529,481.27			2,937,777.45	853,144.87	4,320,403.59
(1) Acquisition		529,481.27			2,937,777.45	853,144.87	4,320,403.59
(2) R&D							
(3) Increase for business combination							
3. Decrease amount of the current period	1,097,401.49					445,051.37	1,542,452.86
(1) Disposal						445,051.37	445,051.37
(2) Difference of exchange gains and losses	1,097,401.49						1,097,401.49
4. Balance at the end of the period	338,919,937.61	13,175,147.06		93,989.00	36,189,394.22	2,090,716.14	390,469,184.03
2. Cumulative amortization							
1. Balance at the beginning 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
2. Increase amount of the current period	8,034,173.16	830,531.47			3,813,640.96	437,995.23	13,116,340.82
(1) Accruing	8,034,173.16	830,531.47			3,813,640.96	437,995.23	13,116,340.82
(2) Difference of exchange gains and losses							
3. Decrease amount of the current period	78,956.60						78,956.60

(1) Disposal							
(2) Invalid and derecognized portion							
4. Balance at the end of the period	43,068,683.59	4,132,625.91		93,989.00	20,906,939.22	1,520,617.71	69,722,855.43
III. Impairment provisions							
1. Balance at the beginning of the period							
2. Increase amount of the current period							
(1) Accruing							
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	295,851,254.02	9,042,521.15			15,282,455.00	570,098.43	320,746,328.60
2. Carrying value at the beginning of the period	304,903,872.07	9,343,571.35			16,158,318.51	600,000.16	331,005,762.09

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"

27. Development expenses

Applicable" Not applicable"

28. 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	30,306,538.42					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
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

(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 company	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 asset groups	Carrying value of the asset group or the combination of asset groups including goodwill	Whether the asset group has 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	1,000,251.34	1,257,116.50	No
Axus Stationery (Shanghai) Company Ltd.	30,175,537.19	23,709,350.65	53,884,887.84	397,174,874.58	451,059,762.42	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	Growth rate in the steady period	Profit margin	Discount rate (weighted average cost of capital WACC)		
Axus Stationery (Shanghai) Company Ltd.	2021-2026	Flat	Calculated according to predicted income, costs, expenses, etc.	12.30%	399,000,000.00	30,175,537.19

(5). Effect of goodwill impairment test

Applicable" Not applicable"

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 [2021] No.090009 on 26 March 2021. According to the appraisal results, as of 31 December 2020, the carrying value of the asset group or the combination of asset groups including goodwill of Axus Stationery acquired by the Company was RMB451,059,800, and the recoverable amount was RMB399,000,000; after the test, the full provision for impairment was accrued for the goodwill formed by the Company's acquisition of Axus Stationery.

Other descriptions

Applicable" Not applicable"

29. 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	116,266,913.64	42,992,088.15	61,611,508.84	478,493.84	97,168,999.11
Others	2,069,420.31	2,384,191.57	2,579,056.33	7,701.88	1,866,853.67
Total	118,336,333.95	45,376,279.72	64,190,565.17	486,195.72	99,035,852.78

Other descriptions:

No

30. Deferred income tax assets/Deferred income tax liabilities**(1). Unoffset deferred income tax assets**

Applicable" Not applicable"

Unit: Yuan 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	62,830,410.42	15,736,764.19	57,383,899.78	12,974,482.56
Unrealized profits from internal transactions	128,331,275.32	19,493,583.59	105,422,678.59	17,734,494.35
Deductible losses	15,475,765.74	3,868,941.44	1,394,984.07	348,746.02
Deferred income	43,408,616.60	8,510,440.37	28,808,795.45	4,356,820.94
Depreciation or amortization difference	88,272,113.20	22,068,028.30		

Time difference in revenue recognition	1,591,710.76	397,927.68		
Difference between the expected pre-tax deductible amount of equity incentive expenses during the waiting period and the fair value of the stock at the date of grant	101,643,345.93	16,511,152.05		
Equity incentive	82,199,024.88	13,352,576.96		
Total	523,752,262.85	99,939,414.58	193,010,357.89	35,414,543.87

(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	175,784,995.89	31,652,101.70	190,554,505.02	34,553,803.87
Changes in fair value of other debt investments				
Changes in fair value of other equity instrument investments	1,876,577.42	281,486.61		
Changes in fair value of trading financial assets	28,277,848.33	4,847,480.94	11,878,587.24	2,022,940.68
Total	205,939,421.64	36,781,069.25	202,433,092.26	36,576,744.55

(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	62,196,722.99	80,145,537.46
Deductible losses	351,596,864.50	316,708,427.52

Total	413,793,587.49	396,853,964.98
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(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
2025	118,026,277.48		
2024	61,116,333.17	51,157,003.13	
2023	110,708,628.54	128,291,769.66	
2022	35,828,658.63	35,217,084.45	
2021	25,916,966.68	81,175,636.36	
2020		20,866,933.92	
Total	351,596,864.50	316,708,427.52	/

Other descriptions:

"□ Applicable" "√ Not applicable"

31. Other non-current assets

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Impairment provisions	Carrying value	Carrying balance	Impairment provisions	Carrying value
Contract acquisition cost						
Contract performance cost						
Receivable return cost						
Contract assets						
Prepayments for real estate, engineering, equipment, etc.	6,258,468.47		6,258,468.47	315,153,408.27		315,153,408.27
Total	6,258,468.47		6,258,468.47	315,153,408.27		315,153,408.27

Other descriptions:

No

32. 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	180,000,000.00	182,979,528.81
Guaranteed borrowings		
Credit borrowings		
Interest payable	176,000.00	214,235.05
Total	180,176,000.00	183,193,763.86

Description on classification of short-term borrowings:

For details of the description on classification of short-term borrowings, see 1. Important commitments under 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 descriptions

Applicable" Not applicable"

33. Held-for-trading financial liabilities

Applicable" Not applicable"

34. Derivative financial liabilities

Applicable" Not applicable"

35. Bills payable**(1). Presentation of notes payable**

Applicable" Not applicable"

36. Accounts payable**(1). Presentation of accounts payable**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Within 1 year	2,552,911,388.83	1,857,292,820.26
1 to 2 years	46,850,996.73	2,179,464.37
2 to 3 years	1,389,918.08	1,103,433.79
Above 3 years	868,204.35	496,749.45

Total	2,602,020,507.99	1,861,072,467.87
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(2). Accounts payable with the account age over one year

Applicable" Not applicable"

Other descriptions

Applicable" Not applicable"

37. Accounts received in advance**(1). Presentation of advance received from customers**

Applicable" Not applicable"

(2). Significant advance received from customers with the account age over one year

Applicable" Not applicable"

Other descriptions

Applicable" Not applicable"

38. Contract liabilities**(1). Particulars on contract liabilities**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Loans	114,100,035.35	182,975,481.36
Total	114,100,035.35	182,975,481.36

(2). Amount of and reason for significant changes in carrying value during the Reporting Period

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

39. Employee benefits payable**(1). Presentation of employee benefits payable**

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
I. Short-term benefits	146,780,321.69	772,665,372.92	773,666,541.39	145,779,153.22
II. Post-employment benefits - Defined contribution plans	7,339,170.63	46,337,718.71	47,428,423.67	6,248,465.67
III. Dismissal benefits		4,110,868.79	3,513,380.79	597,488.00

IV. Other benefits due within one year				
Total	154,119,492.32	823,113,960.42	824,608,345.85	152,625,106.89

(2). Presentation of short-term benefits

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
I. Salary, bonus, allowance and subsidy	136,748,768.51	681,595,603.59	680,957,347.72	137,387,024.38
II. Employee benefits	393.33	19,919,866.58	19,887,526.58	32,733.33
III. Social insurance	3,827,119.22	41,736,224.16	41,822,820.28	3,740,523.10
Including: Medical insurance	3,337,870.76	37,403,336.63	37,122,847.35	3,618,360.04
Work-related injury insurance	145,404.67	3,080,065.03	3,113,015.83	112,453.87
Maternity insurance	343,843.79	1,252,822.50	1,586,957.10	9,709.19
IV. Housing provident fund	2,599,231.67	24,852,031.82	24,688,470.60	2,762,792.89
V. Labor union and employee education funds	3,322,429.95	459,468.67	1,927,978.56	1,853,920.06
VI. Short-term compensated absences	279,975.38	4,101,706.10	4,381,681.48	
VII. Short-term profit sharing plan				
VIII. Other short-term benefits	2,403.63	472.00	716.17	2,159.46
Total	146,780,321.69	772,665,372.92	773,666,541.39	145,779,153.22

(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	7,155,776.88	44,812,116.60	45,853,551.82	6,114,341.66
2. Unemployment insurance	183,393.75	1,525,602.11	1,574,871.85	134,124.01
3. Enterprise annuity payment				

Total	7,339,170.63	46,337,718.71	47,428,423.67	6,248,465.67
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Other descriptions:

Applicable" Not applicable"

40. Taxes payable

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value added tax (“VAT”)	223,026,940.44	104,412,244.02
Consumption tax		
Business tax		
Enterprise income tax	217,311,562.20	130,486,171.57
Personnel income tax	9,161,957.00	8,228,966.18
Urban maintenance and construction tax	7,416,779.26	3,975,132.04
Property tax	290,044.29	476,707.70
Education surcharge	10,972,177.74	5,857,154.52
Land use tax	1,539,806.37	1,492,046.98
Stamp duty	7,505,424.40	3,439,030.61
Others	15,527.40	215,664.52
Total	477,240,219.10	258,583,118.14

Other descriptions:

No

41. Other payables

Presented by item

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		
Other payables	625,468,675.97	331,438,976.35
Total	625,468,675.97	331,438,976.35

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
Margin and deposit	161,138,624.45	153,783,801.10
Repurchase obligations of restricted stocks	176,034,120.00	
Product license fee	1,860,000.00	1,051,890.00
Estimated fees	189,127,390.60	126,261,415.65
Engineering and decoration fund	75,577,971.07	28,482,632.65
Others	21,730,569.85	21,859,236.95
Total	625,468,675.97	331,438,976.35

(2). Other payables with the account age over one year

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

42. Held-for-sale liabilities

Applicable" Not applicable"

43. Non-current liabilities due within one year

Applicable" Not applicable"

44. Other current liabilities

Particulars on other current liabilities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Short-term bonds payable		
Return amount payable		
Output tax to be written off	13,746,089.97	23,786,812.58
Total	13,746,089.97	23,786,812.58

Changes in short-term bonds payable:

Applicable" Not applicable"

Other descriptions:

Applicable" Not applicable"

45. Long-term borrowings

(1). Classification of long-term borrowings

Applicable" Not applicable"

Other descriptions, including interest rate ranges:

Applicable" Not applicable"

46. 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"

47. Lease liabilities

Applicable" Not applicable"

48. Long-term payables

Presented by item

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term payables		
Special payables	8,420,000.00	6,620,000.00
Total	8,420,000.00	6,620,000.00

Other descriptions:

Applicable" Not applicable"

Long-term payables

(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	6,620,000.00	1,800,000.00		8,420,000.00	
Total	6,620,000.00	1,800,000.00		8,420,000.00	/

Other descriptions:

No

49. Long-term employee benefits payable

Applicable" Not applicable"

50. Estimated liabilities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Closing balance	Cause of formation
External guarantee			
Pending litigation			
Product quality assurance			

Restructuring obligations			
Onerous contract to be implemented			
Return amount payable		12,211,357.80	Estimated returns
Others			
Total		12,211,357.80	/

Other descriptions, including descriptions on important assumptions and estimates related to important estimated liabilities:

No

51. 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 subsidies	31,466,679.08	24,050,000.00	9,384,165.68	46,132,513.40	
Reward on customer points	199,713.53	311,962.20	511,675.73		
Brand maintenance	34,156,820.50		34,156,820.50		
Total	65,823,213.11	24,361,962.20	44,052,661.91	46,132,513.40	/

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	9,408,249.39			672,017.88		8,736,231.51	Pertinent to assets
Shanghai's second batch special fund for encouraging enterprises to purchase international R&D equipment in 2014	609,000.00			174,000.00		435,000.00	Pertinent to assets
R&D and industrialization of key materials and preparation technologies in the pen-making industry	721,963.45			244,646.88		477,316.57	Pertinent to assets
Subsidies for the second batch of key technological transformation projects in 2013	2,197,889.67			586,104.12		1,611,785.55	Pertinent to assets
Subsidies for absorption and innovation projects in 2014	529,773.99			90,443.52		439,330.47	Pertinent to assets
Service industry guidance funds in 2014	1,794,639.53			328,891.68		1,465,747.85	Pertinent to assets
Key technological transformation projects of Shanghai in 2015	3,699,032.61			561,878.28		3,137,154.33	Pertinent to assets
Inbound Marketing - Internet + product development project	579,718.88			107,310.24		472,408.64	Pertinent to assets

Special fund for Shanghai informatization development	1,594,912.40			194,331.20		1,400,581.20	Pertinent to assets
Special funds for technology R&D projects	131,619.38			105,943.09		25,676.29	Pertinent to assets
Special funds for industrial transformation and upgrade development of Shanghai in 2016	979,120.90	1,000,000.00		271,637.22		1,707,483.68	Pertinent to assets
High-value-added product creative development project	167,859.17			29,437.44		138,421.73	Pertinent to assets
Industrial foundation consolidation project in 2016	3,770,000.00				- 3,770,000.00		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
Special funds for Shanghai research center of writing instrument engineering technology		1,000,000.00				1,000,000.00	Pertinent to assets
Academician Expert Workstation		100,000.00				100,000.00	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	1,362,696.61			174,080.64		1,188,615.97	Pertinent to assets

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	396,333.30			116,000.04		280,333.26	Pertinent to assets
Construction Project of "Marco-Color-Source" Creative Experience Center	362,370.95			50,000.04		312,370.91	Pertinent to assets
Special funds for central foreign economic and trade development	736,196.30			73,619.64		662,576.66	Pertinent to assets
Subsidies for boiler retrofit		350,000.00		70,000.00		280,000.00	Pertinent to assets
Special funds for development of SMEs in Shanghai in 2016	155,302.55			78,831.89		76,470.66	Pertinent to assets
Special development funds for enterprises		18,260,000.00				18,260,000.00	Pertinent to assets
Subsidies for Internet projects		2,590,000.00		1,684,991.88		905,008.12	Pertinent to assets
Special funds for development of modern service industry		750,000.00				750,000.00	Pertinent to assets
Total	31,466,679.08	24,050,000.00		5,614,165.68	-	46,132,513.40	
					3,770,000.00		

Other descriptions:

" Applicable" " Not applicable"

52. Other non-current liabilities

Applicable" Not applicable"

53. 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	7,427,600.00				7,427,600.00	927,427,600.00

Other descriptions:

In accordance with the relevant resolutions of the Company, the restricted stock incentive plan was implemented in the current year, granting 7,441,200 shares for 335 incentive objects at a price of RMB23.70 per share; one of the incentive objects resigned and gave up the equity incentive plan before paying the subscription amount, so the number of incentive objects was changed to 334, and 7,427,600 shares were granted. The actual capital increase received from the incentive objects was RMB176,034,120.00, of which the share capital increased by RMB7,427,600.00 and the capital reserve increased by RMB168,606,520.00.

54. 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"

55. 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	168,606,520.00		440,954,284.53
Other capital reserve		92,429,847.13		92,429,847.13
Total	272,347,764.53	261,036,367.13		533,384,131.66

Other descriptions, including descriptions on changes of the current period and reasons for changes:

Other description 1: For the explanation on capital premium, refer to Note 7 (53) Share Capital.

Other description 2: The reasons for other changes in capital reserve were as follows:

(1) the equity incentive fee for the waiting period was recognized to be RMB71,971,792.64 as the restricted stock incentive plan was implemented during the current year in accordance with the relevant resolutions of the Company;

(2) the capital reserve increased by RMB7,159,062.56 due to the subsidiary's recognition of the equity incentive expenses for the waiting period for the implementation of the restricted stock incentive plan during the current year in accordance with the relevant resolutions of the Company;

(3) the capital reserve increased by RMB15,562,664.43 due to the recognition of the difference between the estimated pre-tax deductible amount of equity incentive expenses during the waiting period and the fair value of the stock on the date of grant as deferred income tax assets for the implementation of the restricted stock incentive plan during the current year in accordance with the relevant resolutions of the Company;

(4) the capital reserve decreased by RMB2,263,672.50 due to the further acquisition of minority shareholders' equity of Jiangsu M&G Life Enterprise Management Co., Ltd. as a subsidiary.

56. Treasury shares

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
Equity incentive repurchase		176,034,120.00		176,034,120.00
Total		176,034,120.00		176,034,120.00

Other descriptions, including descriptions on changes of the current period and reasons for changes:

No

57. 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	2,305,549.03			281,486.61	2,024,062.42		2,333,242.35
Including: Change in re-measurement of defined benefit plans								
Other comprehensive income that may not be reclassified to profit or loss under equity method		738,151.54				738,151.54		738,151.54
Changes in fair value of other equity instrument investments	309,179.93	1,567,397.49			281,486.61	1,285,910.88		1,595,090.81
Change in fair value of enterprise's own credit risk								
II. Other comprehensive income to be reclassified into profit or loss	217,179.62	-739,879.20				-409,019.49	-330,859.71	-191,839.87

Including: Other comprehensive income that may be reclassified to profit or loss under equity method	-16,285.82	12,074.68				12,074.68		-4,211.14
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								
Cash flow hedging reserve								
Exchange differences from translation of financial statements	233,465.44	-751,953.88				-421,094.17	-330,859.71	-187,628.73
Total other comprehensive income	526,359.55	1,565,669.83			281,486.61	1,615,042.93	-330,859.71	2,141,402.48

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

58. Special reserve

Applicable" Not applicable"

59. 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	440,260,399.59	23,782,260.32		464,042,659.91
Arbitrary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	440,260,399.59	23,782,260.32		464,042,659.91

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 and is capped at 50% of the share capital.

60. 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	2,568,365,861.32	1,874,727,294.53
Total adjustment amount of undistributed profits at the beginning of the period ("+" refers to increase by adjustment and "-" refers to decrease by adjustment)	10,596,781.73	5,543,922.00
Post-adjustment amount of undistributed profits at the beginning of the period	2,578,962,643.05	1,880,271,216.53
Add: Net profit attributable to shareholders of the parent company in the current period	1,255,426,655.27	1,060,083,625.03
Less: Statutory surplus reserve accrued	23,782,260.32	95,988,980.24
Arbitrary surplus reserve accrued		
Withdrawal of general risk provision		
Dividends on common shares payable	368,000,000.00	276,000,000.00
Dividends on common shares converted to stock capital		
Undistributed profit at the end of the period	3,442,607,038.00	2,568,365,861.32

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 RMB10,596,781.73. For details, refer to Note V. 44 Changes in significant accounting policies and accounting estimates.
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.

61. Revenue and operating costs

(1). Revenue 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	13,133,546,117.73	9,806,354,519.82	11,139,921,640.93	8,229,332,367.02
Other operations	4,199,609.45	255,479.66	1,179,723.51	504,901.84
Total	13,137,745,727.18	9,806,609,999.48	11,141,101,364.44	8,229,837,268.86

(2). Particulars on revenue from contracts

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Classification of contracts	Total
Types of goods	
1. Sales of goods	13,126,820,058.35
2. Management fee for franchising	2,368,196.45
3. Hardware and software	4,357,862.93
4. Material income	1,099,644.09
5. Others	2,483,821.51
Classification by operation territory	
1. China	12,774,182,203.97
2. Other countries	362,947,379.36
Total	13,137,129,583.33

Description on revenue from contracts:

Applicable" Not applicable"

(3). Description on performance obligations

Applicable" Not applicable"

(4). Description on allocation to remaining performance obligations

Applicable" Not applicable"

Other descriptions:

Details on revenue:

Item	Amount in the current period	Amount in the last period
Description on revenue from customer contracts	13,137,129,583.33	11,141,037,489.07
Rental income	616,143.85	63,875.37
Total	13,137,745,727.18	11,141,101,364.44

62. 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	15,541,751.43	11,196,254.01
Education surcharge	25,015,709.73	17,562,369.49
Resource tax		
Property tax	1,535,728.76	1,348,318.75
Land use tax	1,045,803.55	683,113.09
Vehicle usage tax		
Stamp duty	7,261,952.70	11,052,982.62
Others	294,018.54	152,020.10
Total	50,694,964.71	41,995,058.06

Other descriptions:

No

63. Selling expenses

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Salaries and benefits	308,941,016.61	282,098,540.51
Channel related expenditure	84,054,269.88	52,031,005.95
Brand promotion	68,021,855.27	49,109,586.72
Transportation and handling	18,558,875.62	86,718,004.33
Marketing	87,880,339.63	77,878,656.77
Rental fee	212,362,438.26	149,176,463.15
Others	323,365,228.24	283,153,843.75
Total	1,103,184,023.51	980,166,101.18

Other descriptions:

No

64. Administrative expenses

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Salaries and benefits	254,969,061.73	226,532,654.57
Depreciation and amortization	64,967,664.15	57,040,455.35
Rental fee	46,636,231.60	34,022,959.81
Office expense	21,420,634.26	23,030,837.14
Share-based payments	82,199,024.88	
Others	132,434,518.79	128,635,281.26
Total	602,627,135.41	469,262,188.13

Other descriptions:

No

65. 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
Salaries and benefits	66,828,400.15	74,850,775.54
Inventory consumption	54,757,593.65	56,560,157.03
Others	38,592,948.09	28,992,430.40
Total	160,178,941.89	160,403,362.97

Other descriptions:

No

66. 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	6,948,206.51	8,386,182.80
Less: Interest income	-13,415,173.15	-20,872,167.57
Exchange gains and losses	12,089,237.27	566,099.52
Others	3,437,905.72	3,522,607.60
Total	9,060,176.35	-8,397,277.65

Other descriptions:

No

67. 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 subsidies	44,472,282.85	26,355,003.29
Handling charge on withholding personnel income tax	1,193,126.92	149,878.17
Total	45,665,409.77	26,504,881.46

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 transformation projects in 2013	586,104.12	586,104.12	Pertinent to assets
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	561,878.28	Pertinent to assets
Inbound Marketing - Internet + product development project	107,310.24	107,310.24	Pertinent to assets
Special fund for Shanghai informatization	194,331.20	325,087.60	Pertinent to assets

development			
Special funds for technology R&D projects	105,943.09	134,548.27	Pertinent to assets
Special funds for industrial transformation and upgrade development of Shanghai in 2016	271,637.22	120,879.10	Pertinent to assets
High-value-added product creative development project	29,437.44	29,437.44	Pertinent to assets
Special funds for development of SMEs in Shanghai in 2016	78,831.89	80,988.33	Pertinent to assets
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of "Green Design - Innovative R&D" by Marco Colorful Painting Pen C1085	174,080.64	709,085.34	Pertinent to assets
Special fund plan for key technological renovation projects in Qingpu District in 2012	116,000.04	77,333.36	Pertinent to assets
Special funds for central foreign economic and trade development	73,619.64	49,079.76	Pertinent to assets
Construction Project of "Marco-Color-Source" Creative Experience Center	50,000.04	12,629.05	Pertinent to assets
Subsidies for boiler retrofit	70,000.00		Pertinent to assets
Subsidies for Internet projects	1,684,991.88		Pertinent to assets
Special certificate security skills training subsidy	3,180.00		Pertinent to income
"Four-help and four-offering" sales rewards	20,000.00		Pertinent to income
Rewards for the inclusion of technology-based SMEs	40,800.00		Pertinent to income
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of "Green Design - Innovative R&D" by Marco Colorful Painting Pen C1085	370,000.00	1,217,680.00	Pertinent to income
Rewards for the pass during the evaluation by the municipal enterprise technology center	100,000.00		Pertinent to income
Subsidies provided by the economic and information technology commission	25,440.00		Pertinent to income
Subsidies given by Shanghai Municipal Commission of Commerce for our legal fees for Brazilian anti-dumping case	53,008.00		Pertinent to income
Enterprise support funds in Qingpu District, Shanghai	255,800.00	10,100.00	Pertinent to income
Comprehensive support fund for Hangzhou Qiantang Smart City Industrial Construction Center in 2019	450,000.00		Pertinent to income
Special rental subsidies and special salary support for epidemic prevention and control	83,651.00		Pertinent to income
Subsidies for patents	417,000.00		Pertinent to income
2019 central import interest subsidies (directly paid by the municipal finance bureau)	210,146.00		Pertinent to income
Subsidies for R&D and innovation of the first batch of "Three Hundreds" enterprises (paid by Shanghai Fengxian District Finance Bureau)	439,500.00		Pertinent to income
Refund upon payment of VAT	7,039,516.55		Pertinent to income
Special funds for technological innovation and development	90,000.00		Pertinent to income
Subsidies for buildings due to the epidemic	100,000.00		Pertinent to income
Talent development funds	315,200.00		Pertinent to income
Talent subsidies provided by the Human	252,400.00		Pertinent to income

Resources and Social Security Bureau			
Subsidies for coal-fired boilers	170,000.00	36,864.00	Pertinent to income
Government subsidies	3,452,666.13	742,900.00	Pertinent to income
Industry development guidance funds		153,400.00	Pertinent to income
Post stability subsidies	2,971,018.41	428,526.10	Pertinent to income
Support funds for export credit insurance premium		4,451.92	Pertinent to income
Disability benefit awards	70,229.10	68,181.83	Pertinent to income
IP related rewards		489,463.00	Pertinent to income
Cultural festival bonuses		4,000.00	Pertinent to income
Training fee subsidies	3,305,599.20	1,795,663.80	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 Employment Management & Service Bureau	163,362.78	418,811.79	Pertinent to income
Government subsidies for automobile scrapping		15,600.00	Pertinent to income
Special funds for development of enterprises	18,400,000.00	14,600,000.00	Pertinent to income
Amount returned by financial department in 2018		280,000.00	Pertinent to income
The second batch of rewards and support for epidemic prevention provided by the Bureau of Industry and Information Technology of Longgang District, Shenzhen in 2020	20,000.00		Pertinent to income
Work-for-training subsidies	39,600.00		Pertinent to income
Total	44,472,282.85	26,355,003.29	

68. 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	-1,610,614.02	-576,595.97
Investment income from disposal of long-term equity investment		
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	5,461,768.72	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		
Total	3,851,154.70	23,994,985.32

Other descriptions:

No

69. Net gain on exposure hedging" Applicable" " Not applicable"**70. 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	32,281,250.23	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	32,281,250.23	4,613,287.24

Other descriptions:

No

71. 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 notes receivable		
Bad debt losses of accounts receivable	5,656,026.24	14,977,985.47
Bad debt losses of other receivables	12,569,875.88	13,028,024.41
Impairment losses of debt investment		
Impairment losses of other debt investments		
Bad debt losses of long-term receivables		
Impairment losses of contract assets		
Bad debt losses of prepayments	20,000,000.00	
Total	38,225,902.12	28,006,009.88

Other descriptions:

No

72. 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
I. Bad debt losses		
II. Loss for decline in value of inventories and loss for impairment of contract performance cost	10,111,946.64	17,712,080.66
III. Impairment losses of long-term equity investment		
IV. Impairment losses of investment real estate		
V. Impairment losses of fixed assets		
VI. Impairment losses of engineering materials		
VII. Impairment losses of construction in progress		
VIII. Impairment losses of productive biological assets		
IX. Impairment losses of oil and gas assets		
X. Impairment losses of intangible assets		

XI. Impairment losses of goodwill	30,175,537.19	131,001.23
XII. Others		
Total	40,287,483.83	17,843,081.89

Other descriptions:

No

73. 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	169,704.92	6,081,606.95
Total	169,704.92	6,081,606.95

Other descriptions:

No

74. 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 subsidies	89,557,520.24	16,242,800.00	89,557,520.24
Inventory profit	36,601.59		36,601.59
Brand maintenance	34,156,820.50		34,156,820.50
Liquidated damages and fine income	1,790,210.19	922,677.94	1,790,210.19
Others	3,234,345.57	12,193,177.10	3,234,345.57
Total	128,775,498.09	29,358,655.04	128,775,498.09

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	89,557,520.24	16,242,800.00	Pertinent to income

Total	89,557,520.24	16,242,800.00	
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Other descriptions:

Applicable" Not applicable"

75. 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			
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	8,044,041.60	4,456,387.80	8,044,041.60
Abnormal loss		11,579.27	
Inventory losses	180,639.72	25,692.24	180,639.72
Loss from damage and retirement of non-current assets	2,596,461.69	3,153,550.20	2,596,461.69
Fine late payment	1,042,177.33	19,532.73	1,042,177.33
Compensation expenses	3,191,899.75	657,935.89	3,191,899.75
Others	5,416,086.34	10,534,564.93	5,416,086.34
Total	20,471,306.43	18,859,243.06	20,471,306.43

Other descriptions:

No

76. 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	326,704,216.12	229,869,239.88
Deferred income tax expenses	-47,929,130.96	-12,266,339.47
Total	278,775,085.16	217,602,900.41

(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	1,517,148,811.16
Income tax expenses calculated at statutory/applicable tax rate	227,572,321.67
Effect of applying different tax rates to subsidiaries	24,972,662.61

Effect of adjusting income taxes of the previous periods	-6,945,475.40
Effect of non-taxable income	-9,025,850.71
Effect of non-deductible costs, expenses and losses	9,180,955.24
Effect of deductible losses of deferred income tax assets not recognized in the previous period	-1,134,459.56
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	34,154,931.31
Income tax expenses	278,775,085.16

Other descriptions:

Applicable" Not applicable"

77. Other comprehensive income

Applicable" Not applicable"

For details, refer to Note VII (57) Other Comprehensive Income.

78. 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	581,182,581.81	212,985,779.50
Special allowances and subsidies	148,419,247.78	43,659,627.09
Interest income	13,415,173.15	20,872,167.57
Non-operating profits	1,278,211.47	1,190,996.41
Total	744,295,214.21	278,708,570.57

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	1,207,529,783.72	453,378,164.39
Sales expenses	641,492,275.98	670,248,889.99
Administration expenses	226,914,119.41	191,012,799.95
Financial expenses	3,754,024.37	3,522,607.60
Non-operating expenses	14,108,869.53	5,881,790.24
R&D expenses	86,459,958.29	26,898,793.51
Total	2,180,259,031.30	1,350,943,045.68

Descriptions on cash paid for other operating activities:

No

(3). Other cash received relating to investing activities

Applicable" Not applicable"

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Equity funds of original shareholders of Axus Stationery	1,987,377.00	
Total	1,987,377.00	

Description on other cash received relating to investing activities:

No

(4). Other cash paid relating to investing activities

Applicable" Not applicable"

(5). Other cash received related to financing 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
Repurchase payment of treasury shares	1,585,530.00	
Cash paid for financing lease		8,687,534.78
Total	1,585,530.00	8,687,534.78

Descriptions on other cash paid for financing-related activities:

No

79. 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	1,238,373,726.00	1,076,076,843.66
Add: Impairment provisions of assets	40,287,483.83	17,843,081.89
Credit impairment losses	38,225,902.12	28,006,009.88
Depreciation of fixed assets, oil and gas assets, and productive biological assets	179,248,165.03	160,499,582.34
Amortization of right-of-use assets		
Amortization of intangible assets	13,116,340.82	12,244,846.41
Amortization of long-term prepaid expenses	64,190,565.17	58,322,900.97
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" refers to gains)	-169,704.92	-6,081,606.95
Losses from retirement of fixed assets ("-" refers to gains)	2,596,461.69	3,153,550.20
Losses from changes in fair value ("-" refers to gains)	-32,281,250.23	-4,613,287.24
Financial expenses ("-" refers to income)	13,239,741.30	15,729,788.85
Investment losses ("-" refers to gains)	-3,851,154.70	-23,994,985.32
Decrease in deferred income tax assets ("-" refers to increase)	-48,643,095.04	-11,098,014.61
Increase in deferred income tax liabilities ("-" refers to decrease)	204,324.70	-1,168,324.86
Decrease in inventories ("-" refers to increase)	55,821,469.29	-168,780,666.90
Decrease in operating receivables ("-" refers to increase)	-638,589,375.17	-393,772,873.21

Increase in operating payables (“-” refers to decrease)	349,928,292.39	319,574,538.57
Others		
Net cash flow generated from operating activities	1,271,697,892.28	1,081,941,383.68
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	1,377,346,135.25	1,377,446,435.89
Less: Opening balance of cash	1,377,446,435.89	741,501,446.10
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-100,300.64	635,944,989.79

(2). Net cash amount paid for the acquisition of subsidiaries in the current period

Applicable" Not applicable"

(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	1,377,346,135.25	1,377,446,435.89
Including: Cash on hand	1,134,204.63	503,222.44
Bank deposits readily available for payment	1,371,360,452.36	1,372,791,232.44
Other cash and equivalents readily available for payment at any time	4,851,478.26	4,151,981.01
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	1,377,346,135.25	1,377,446,435.89
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"

80. 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"

81. 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	1,184,812,790.86	Letter of credit deposit and fixed deposit with restricted use and over three months, etc.
Bills receivable		
Inventories		
Fixed assets	86,306,229.62	Loan mortgage
Intangible assets		
Total	1,271,119,020.48	/

Other descriptions:

No

82. 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	-	-	85,165,095.66
Including: USD	12,652,630.01	6.5249	82,557,145.55
EURO	229,387.82	8.0250	1,840,837.26
JPY	1,121.00	0.0632	70.85
HKD	79,523.02	0.8416	66,926.57
VND	2,333,718,087.78	0.0003	700,115.43
Accounts receivable	-	-	31,687,341.28
Including: USD	4,827,758.50	6.5249	31,500,641.44
EURO	22,896.07	8.0250	183,740.96
HKD	3,515.78	0.8416	2,958.88
Accounts payable	-	-	5,746,409.23
Including: USD	608,161.27	6.5249	3,968,191.47
JPY	4,525,212.00	0.0632	285,993.40
CHF	3,128.00	7.4006	23,149.08
VND	4,896,917,616.40	0.0003	1,469,075.28
Other receivables	-	-	427,463.91
Including: VND	1,424,879,696.12	0.0003	427,463.91
Other payables	-	-	282,014.95
Including: VND	940,049,816.99	0.0003	282,014.95
Long-term borrowings	-	-	
Including: USD			

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"

83. Hedging

Applicable" Not applicable"

84. Government subsidies**(1). Basic information on government subsidies**

"√ 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 funds in 2014	3,450,000.00	Deferred income	328,891.68
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	194,331.20
Special funds for technology R&D projects	786,219.51	Deferred income	105,943.09
Special funds for industrial transformation and upgrade development of Shanghai in 2016	1,100,000.00	Deferred income	271,637.22
High-value-added product creative development project	1,300,000.00	Deferred income	29,437.44
Special funds for development of SMEs in Shanghai in 2016	465,108.77	Deferred income	78,831.89
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of "Green Design - Innovative R&D" by Marco Colorful Painting Pen C1085	4,600,000.00	Deferred income	174,080.64
Special fund plan for key technological renovation projects in Qingpu District in 2012	1,160,000.00	Deferred income	116,000.04
Special funds for central foreign economic and trade development	1,000,000.00	Deferred income	73,619.64
Construction Project of "Marco-Color-Source" Creative Experience Center	2,500,000.00	Deferred income	50,000.04
Subsidies for boiler retrofit	350,000.00	Deferred income	70,000.00
Subsidies for Internet projects	2,590,000.00	Deferred income	1,684,991.88
Financial support	89,557,520.24	Non-operating expenses	89,557,520.24
Special certificate security skills training subsidy	3,180.00	Other income	3,180.00

“Four-help and four-offering” sales rewards	20,000.00	Other income	20,000.00
Rewards for the inclusion of technology-based SMEs	40,800.00	Other income	40,800.00
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of “Green Design - Innovative R&D” by Marco Colorful Painting Pen C1085	370,000.00	Other income	370,000.00
Rewards for the pass during the evaluation by the municipal enterprise technology center	100,000.00	Other income	100,000.00
Subsidies provided by the economic and information technology commission	25,440.00	Other income	25,440.00
Subsidies given by Shanghai Municipal Commission of Commerce for our legal fees for Brazilian anti-dumping case	53,008.00	Other income	53,008.00
Enterprise support funds in Qingpu District, Shanghai	255,800.00	Other income	255,800.00
Comprehensive support fund for Hangzhou Qiantang Smart City Industrial Construction Center in 2019	450,000.00	Other income	450,000.00
Special rental subsidies and special salary support for epidemic prevention and control	83,651.00	Other income	83,651.00
Subsidies for patents	417,000.00	Other income	417,000.00
2019 central import interest subsidies (directly paid by the municipal finance bureau)	210,146.00	Other income	210,146.00
Subsidies for R&D and innovation of the first batch of "Three Hundreds" enterprises (paid by Shanghai Fengxian District Finance Bureau)	439,500.00	Other income	439,500.00
Refund upon payment of VAT	7,039,516.55	Other income	7,039,516.55
Special funds for technological innovation and development	90,000.00	Other income	90,000.00
Subsidies for buildings due to the epidemic	100,000.00	Other income	100,000.00
Talent development funds	315,200.00	Other income	315,200.00
Talent subsidies provided by the Human Resources and Social Security Bureau	252,400.00	Other income	252,400.00
The second batch of rewards and support for epidemic prevention provided by the Bureau of Industry and Information Technology of Longgang District, Shenzhen in 2020	20,000.00	Other income	20,000.00
Work-for-training subsidies	39,600.00	Other income	39,600.00
Training fee subsidies	3,305,599.20	Other income	3,305,599.20
Post stability subsidies	2,971,018.41	Other income	2,971,018.41
Subsidies for coal-fired boilers	170,000.00	Other income	170,000.00
Government subsidies	3,452,666.13	Other income	3,452,666.13
Disability benefit awards	70,229.10	Other income	70,229.10
Unemployment insurance from Yiwu Employment Management & Service Bureau	163,362.78	Other income	163,362.78
Special funds for development of	18,400,000.00	Other income	18,400,000.00

enterprises			
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(2). Return of government subsidies

Applicable" Not applicable"

Other descriptions:

No

85. Others

Applicable" Not applicable"

VIII. Change in consolidation scope**1、 Business combinations not under common control**

Applicable" Not applicable"

2、 Business combination under common control

Applicable" Not applicable"

3、 Reverse acquisition

Applicable" Not applicable" 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"

4、 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) Three subsidiaries were incorporated into the scope of consolidation through new establishments for the current year, among which, Shanghai Chenxun Enterprise Management Co., Ltd. has a registered capital of RMB70 million, with an investment ratio of 100%; Shanghai Qizhihaowan Culture and Creativity Co., Ltd. has a registered capital of RMB100 million, with an investment ratio of 57%; Shanghai Colipu Information Technology Co., Ltd. has a registered capital of RMB5 million, with an investment ratio of 100%.

(2) The subsidiary Office Depot Network Technology Co., Ltd. was deregistered for the current year.

5、 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.		100.00	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 not under common control
Shanghai M&G Office Supplies Co., Ltd.	Shanghai	Shanghai	Retail, wholesale, etc.	100.00		Establishment
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

Shanghai Qizhihaowan Culture and Creativity Co., Ltd. (上海奇只好玩文化创意有限公司)	Shanghai	Shanghai	Creative service	57.00		Establishment
Shanghai Chenxun Enterprise Management Co., Ltd. (上海晨讯企业管理有限公司)	Shanghai	Shanghai	Enterprise management	100.00		Establishment
Shanghai Colipu Information Technology Co., Ltd. (上海科力普信息科技有限公司)	Shanghai	Shanghai	Software development		100.00	Establishment

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%	43,148,587.48		170,638,348.86

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.	237,271.61	6,474.92	243,746.53	184,145.14	2,721.93	186,867.07	163,996.71	3,579.48	167,576.19	122,907.02	3,511.47	126,418.49

Name of subsidiaries	Amount accounted for in the current period				Amount accounted for in the previous period			
	Revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Shanghai M&G Colipu Office Supplies Co., Ltd.	500,027.59	14,382.86	14,382.86	22,586.95	365,806.17	7,580.35	7,580.35	14,880.10

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	34,722,395.67	35,582,783.47
Total of the following items calculated according to the shareholding ratio		
--Net profits	-1,610,614.02	-576,595.97
--Other comprehensive income	750,226.22	-16,285.82
--Total comprehensive income	-860,387.80	-592,881.79

Other descriptions

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, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk). The above financial risks and the risk management policies adopted by the Company to reduce these risks are as follows:

The Board of Directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly stipulate specific risks, covering many aspects in the management of market risk, credit risk and liquidity risk. The Company regularly evaluates the market environment and changes in the Company's business activities to determine whether to update the risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee works closely with other business departments of the Company to identify, evaluate and avoid related risks. The Internal Audit Department of the Company conducts regular audits on risk management control and procedures, and reports the audit results to the Audit Committee of the Company.

The Company diversifies the risk of financial instruments through appropriate diversified investment and business portfolios, and reduces the risks relating to concentration in a single industry, specific region or specific counterparty through formulation of corresponding risk management policies.

(I) Credit risk

Credit risk refers to the risk of the Company's financial losses due to the failure of the counterparty to perform its contractual obligations.

the Company's credit risk mainly arises from monetary funds, notes receivable, accounts receivable, accounts receivable financing, other receivables, debt investments, other debt investments and financial guarantee contracts, etc., and debt instruments and derivative financial assets at fair value through current

profit or loss that are not included in the scope of impairment assessment. At the balance sheet date, the carrying value of the Company's financial assets represented its maximum credit risk exposure.

The Company's monetary funds are mainly bank deposits deposited in reputable state-owned banks and other large and medium-sized listed banks with high credit ratings, thus the Company believes that there are no significant credit risks and almost no major losses caused by bank defaults.

In addition, for notes receivable, accounts receivable, financing receivables and other receivables, the Company sets relevant policies to control credit risk exposure. The Company evaluates the customer's credit qualifications and sets the corresponding credit period based on the customer's financial status, possibility of obtaining guarantees from a third party, credit history and other factors such as current market conditions. The Company regularly monitors customer credit records. For customers with poor credit records, the Company uses written dunning and shortens or cancels the credit period, etc., to ensure that the Company's overall credit risk is within the controllable range.

(II) 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. Finance Department also continuously monitors whether the Company complies with the provisions of the loan agreement and obtains commitments from major financial institutions to provide sufficient reserve funds so as to meet short- and long-term funding needs.

Financial liabilities of the Company are presented as unrealized contractual cash flows on the maturity date as follows:

Item	Closing balance					Total
	Immediate repayment	Within 1 year	1-2 years	2-5 years	Above 5 years	
Short-term borrowings	176,000.00	180,000,000.00				180,176,000.00
Total	176,000.00	180,000,000.00				180,176,000.00
Item	Balance at the end of the year					Total
	Immediate repayment	Within 1 year	1-2 years	2-5 years	Above 5 years	
Short-term borrowings	214,235.05	182,979,528.81				183,193,763.86
Total	214,235.05	182,979,528.81				183,193,763.86

(III) 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, interest rate risk and other price risks.

1. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market rates.

2. Exchange rate risk

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 continuously monitors the scale of foreign-currency transactions and foreign-currency assets and liabilities to minimize foreign exchange risks. 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			Balance at the end of the year		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Cash and equivalents	82,557,145.55	2,607,950.11	85,165,095.66	118,934,500.87	3,553,801.91	122,488,302.78
Accounts receivable	31,500,641.44	186,699.84	31,687,341.28	3,162,321.09	20,981,217.43	24,143,538.52
Other receivables		427,463.91	427,463.91		497,820.40	497,820.40
Total foreign currency financial assets	114,057,786.99	3,222,113.86	117,279,900.85	122,096,821.96	25,032,839.74	147,129,661.70
Short-term borrowings				427,099.11		427,099.11
Accounts payable	3,968,191.47	1,778,217.76	5,746,409.23	2,620,359.64	73,402,088.01	76,022,447.65
Other payables		282,014.95	282,014.95		1,091,367.20	1,091,367.20
Total foreign currency financial liabilities	3,968,191.47	2,060,232.71	6,028,424.18	3,047,458.75	74,493,455.21	77,540,913.96

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			
	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	1,428,277,848.33			1,428,277,848.33
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			5,476,577.42	5,476,577.42
(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				
(VI) Receivables financing			61,412,976.46	61,412,976.46
Total assets continuously measured at fair value	1,428,277,848.33		66,889,553.88	1,495,167,402.21
(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				

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"

Unit: 0'000

Currency: RMB

Name of the parent company	Registered address	Nature of the business	Registered capital	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	RMB300 million	57.79	57.79

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 IX. 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 particulars on subsidiaries of the Company, see Note IX. 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 descriptions

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
PELEG DESIGN Ltd	Others
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 descriptions

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"

Unit: Yuan Currency: RMB

Related party	Related-party transaction content	Amount accounted for in the current period	Amount accounted for in the previous period
PELEG DESIGN Ltd	Purchase of goods	702,355.15	

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	439,535,408.86	387,821,087.67

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
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.)	4,620,952.38	3,622,857.14
M&G Holdings (Group) Co., Ltd.	Self-owned office buildings and parking spaces	18,693,105.31	20,368,751.26
M&G Holdings (Group) Co., Ltd.	Utilities	5,164,795.80	5,283,878.50

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
Prepayment	M&G Holdings (Group) Co., Ltd.	5,301,834.70		3,419,063.44	
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	87,891.05	9,576.58
Accounts payable	PELEG DESIGN Ltd	660,345.39	
Other payables	Sales entities controlled by Guo Weilong	1,485,000.00	1,310,000.00
Other payables	M&G Holdings (Group) Co., Ltd.	1,144,105.84	6,234,878.32
Accounts received in advance	Sales entities controlled by Guo Weilong		38,198,477.81
Contract liabilities	Sales entities controlled by Guo Weilong	21,037,129.41	

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"

Unit: Share Currency: RMB

Total amount of equity instruments granted by the Company in the current period	7,427,600
Total amount of equity instruments vested by the Company in the current period	0
Total amount of equity instruments of the Company expired in the current period	138,600
Scope of the vesting price of the outstanding stock options of the Company at the end of the period and the remaining period of the contract	Restricted stocks are granted at a price of RMB23.7/share and are valid for 3 years from the date of grant; the remaining validity period is 2.67 years
Scope of the vesting price of other outstanding equity instruments of the Company at the end of the period and the remaining period of the contract	

Other descriptions

No

2. Particulars on equity-settled share-based payment

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Determination method of the fair value of equity instruments at the date of grant	The closing price of the stocks on the date of grant was RMB58.70/share
Determination basis for the number of vesting equity instruments	At each balance sheet date during the waiting period, the Company will make the best estimate based on the latest obtained follow-up information such as changes in the number of vesting employees, and revise the expected number of vesting equity instruments
Reasons for the significant difference between the current estimate and the previous estimate	No
Cumulative amount of equity-settled share-based payments included in the capital reserve	79,130,855.20
Total amount of expenses recognized by equity-settled share-based payments in the current period	82,199,024.88

Other descriptions

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, for the first grant, the Company intended to grant a total of 9,180,600 restricted stocks to 343 incentive objects at a price of RMB24.1/share.

On 8 May 2020, the Company held the 2019 Annual General Meeting of Shareholders, which considered and approved the *Proposal on the Company's 2020 Restricted Stock Incentive Plan (Draft) and Its Summary*, the *Proposal on the Management Measures for the Implementation of the Company's 2020 Restricted Stock Incentive Plan*, and the *Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Deal with Matters Related to Restricted Stock Incentives*.

On 8 May 2020, the Company held the 1st meeting of the fifth Board of Directors and the 1st meeting of the fifth Board of Supervisors, which considered and approved the *Proposal on Adjusting the 2020 Restricted Stock Incentive Plan* and the *Proposal on Granting Restricted Stocks to Incentive Objects in 2020*. Pursuant to the proposals, the Company intended to grant 7,441,200 restricted stocks to 335 incentive objects at a price of RMB23.7/share.

According to the *Proposal on Adjusting the 2020 Restricted Stock Incentive Plan* considered and approved at the 1st meeting of the fifth Board of Directors and the 1st meeting of the fifth Board of

Supervisors held by the Company on 8 May 2020, the first grant price of restricted stocks was adjusted from RMB24.1/share to RMB23.7/share, the first grant number of incentive objects from 343 to 335, and the first grant number of restricted stocks from 7,583,000 to 7,441,200, while the total number of restricted stocks to be granted according to this equity incentive plan was adjusted from 9,180,600 to 9,038,700.

After the date of grant of the restricted stock incentive plan was determined, 6 incentive objects resigned and abandoned the equity incentive plan. As of 31 December 2020, the number of incentive objects actually granted by the stock incentive plan was 329, and the number of restricted stocks actually granted was 7,289,000 shares.

The incentive plan evaluates the Company's operating performance annually, and takes the achievement of the performance evaluation target as one of the conditions for releasing the sales restrictions for the incentive objects in the current year. The performance evaluation objectives of the incentive plan are shown in the following table:

Date of releasing the sales restrictions	Performance evaluation objective
The first period of releasing the sales restrictions	Based on 2019, the growth rate of operating income in 2020 will not be less than 15%, and the growth rate of net profit in 2020 will not be less than 10%;
The second period of releasing the sales restrictions	Based on 2019, the growth rate of operating income in 2021 will not be less than 45%, and the growth rate of net profit in 2021 will not be less than 34%;
The third period of releasing the sales restrictions	Based on 2019, the growth rate of operating income in 2022 will not be less than 75%, and the growth rate of net profit in 2022 will not be less than 66%.

Note: the above-mentioned "net profit" refers to the audited net profit attributable to shareholders of the parent company.

During the period of releasing the sales restrictions, the Company handles the matter related to releasing the sales restrictions for the incentive objects that meet the conditions for releasing the sales restrictions. If the Company's current performance level fails to meet the performance evaluation target conditions during each period of releasing the sales restrictions, the restricted stocks of all the incentive objects that meet conditions for release during the corresponding year, cannot be released from sales restrictions, but shall be repurchased and cancelled by the Company at the grant price.

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

On 24 September 2020, Axus Stationery and Industrial Bank Co., Ltd. Shanghai Zhangyang Branch entered into the Line Credit Contract numbered Zhang Yang SXAS2020 with the credit line of RMB250,000,000.00 for 12 months from 24 September 2020 to 23 September 2021. The specific types of line business include, but are not limited to, working capital loans, bank notes, and letters of credit.

On 24 September 2020, Axus Stationery and Industrial Bank Co., Ltd. Shanghai Zhangyang Branch entered into the Maximum Mortgage Contract numbered Zhang Yang DYAS2020. This contract is a sub-contract of the Line Credit Contract. The maximum principal limit of the mortgage under this contract is RMB200,000,000.00, and the mortgage limit is valid from 24 September 2020 to 23 September 2021.

The mortgage term runs 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	24,976,111.47	22,085,342.05
No. 233 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2013) No. 013396	32,156,238.78	12,856,455.39	19,299,783.39
No. 333 Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2015) No. 015718	60,230,210.97	15,309,106.79	44,921,104.18
Total		139,447,903.27	53,141,673.65	86,306,229.62

Under the framework of the above-mentioned Line Credit Contract and Maximum Mortgage Contract, on 24 September 2020, Axus Stationery and Industrial Bank Co., Ltd. Shanghai Zhangyang Branch signed the Working Capital Loans Contract numbered Zhang Yang LDAS2020, with the contractual loan amount of RMB180,000,000.00, the loan period of 12 months from 25 September 2020 to 24 September 2021, and the loan interest rate of one-year term LPR.

As of 31 December 2020, the outstanding loan of Axus Stationery was RMB180,000,000.00.

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"

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	463,713,800
Profits or dividends reviewed and approved to be declared for distribution	

According to the *Profit Distribution Plan for 2020* reviewed and approved by the 5th meeting of the fifth session of Board of Directors of the Company on 26 March 2021, 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 RMB5 every 10 shares (tax inclusive) to all shareholders. The remaining distributable profits in 2020 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"

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
Revenue from foreign transactions	4,989,638,214.67	8,241,591,422.03	93,483,909.52	13,137,745,727.18
Revenue from inter-segment transactions	10,637,701.39	82,846,208.13		93,483,909.52
Income from investments in associates and joint ventures		-1,610,614.02		-1,610,614.02
Credit impairment losses	-22,065,328.47	-16,160,573.65		-38,225,902.12
Asset impairment losses	-137,304.43	-40,150,179.40		-40,287,483.83
Depreciation and amortization charges	9,763,350.25	246,791,720.77		256,555,071.02
Total profits (total losses)	184,529,940.14	1,332,315,470.25	-303,400.77	1,517,148,811.16
Income tax expenses	40,701,315.22	237,997,919.75	-75,850.19	278,775,085.16
Net profits (net losses)	143,828,624.92	1,094,317,550.50	-227,550.58	1,238,373,726.00
Total assets	2,437,465,217.49	7,343,718,965.00	71,275,746.17	9,709,908,436.32
Total liabilities	1,868,670,721.29	2,471,299,050.02	71,048,195.59	4,268,921,575.72

(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 descriptions

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	181,133,866.23
1 to 2 years	
2 to 3 years	

Above 3 years	
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-3,485,066.58
Total	177,648,799.65

(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	181,133,866.23	100.00	3,485,066.58	1.92	177,648,799.65	83,763,307.23	100.00	814,082.58	0.97	82,949,224.65
Including:										
Combination I: Account age	69,701,331.66	38.48	3,485,066.58	5.00	66,216,265.08	16,281,651.67	19.44	814,082.58	5.00	15,467,569.09
Combination III: Related parties in the scope of the consolidated financial statements	111,432,534.57	61.52			111,432,534.57	67,481,655.56	80.56			67,481,655.56
Total	181,133,866.23	/	3,485,066.58	/	177,648,799.65	83,763,307.23	/	814,082.58	/	82,949,224.65

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	814,082.58	2,670,984.00				3,485,066.58
Total	814,082.58	2,670,984.00				3,485,066.58

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
First	80,989,689.63	44.71	
Second	10,313,022.70	5.69	
Third	10,203,557.98	5.63	510,177.90
Fourth	8,663,866.66	4.78	
Fifth	5,050,958.23	2.79	252,547.91
Total	115,221,095.20	63.61	762,725.81

(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	35,000.00	192,500.00
Dividend receivable		
Other receivables	399,643,347.22	284,844,294.54
Total	399,678,347.22	285,036,794.54

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	35,000.00	192,500.00
Bond investment		
Total	35,000.00	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	133,916,433.34
1 to 2 years	97,052,395.97
2 to 3 years	51,706,365.65
Above 3 years	121,566,041.96
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-4,597,889.70
Total	399,643,347.22

(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	1,680,200.77	2,564,837.10
Consolidated balance of related-parties current accounts	391,720,050.07	277,015,264.79
Amount paid for materials	174,142.29	100,145.85
Consolidated balance of related-parties current accounts - provisional input tax	1,937,167.34	1,500,098.94
Margin and deposit	5,383,734.67	4,865,737.79
Others	3,345,941.78	2,658,113.26

Total	404,241,236.92	288,704,197.73
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(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 2020	3,859,903.19			3,859,903.19
Balance as at 1 January 2020 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	737,986.51			737,986.51
Reserved in the current period				
Resold in the current period				
Written-off in the current period				
Other changes				
Balance as at 31 December 2020	4,597,889.70			4,597,889.70

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 2020	288,704,197.73			288,704,197.73
Balance as at 1 January 2020 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	278,377,461.18		278,377,461.18
Derecognition of the current period	162,840,421.99		162,840,421.99
Other changes			
Balance as at 31 December 2020	404,241,236.92		404,241,236.92

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	3,859,903.19	737,986.51				4,597,889.70
Total	3,859,903.19	737,986.51				4,597,889.70

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
First	Consolidated balance of related-parties current accounts	187,488,553.15	Within 1 year: RMB77,068,400 1-2 years: RMB70,274,700 2-3 years: RMB40,145,500	46.38	
Second	Consolidated balance of related-parties current accounts	117,173,454.80	Within 1 year: RMB1,843,400 1-2 years: RMB3,264,100 Above 3 years: RMB112,066,000	28.99	

Third	Consolidated balance of related-parties current accounts	56,998,819.58	Within 1 year: RMB33,477,500 1-2 years: RMB23,521,300	14.10	
Fourth	Consolidated balance of related-parties current accounts	21,750,000.00	2-3 years: RMB13,750,000 Above 3 years: RMB8,000,000	5.38	
Fifth	Margin and deposit	3,821,857.88	Above 3 years	0.95	3,821,857.88
Total	/	387,232,685.41	/	95.80	3,821,857.88

(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	1,063,812,641.33		1,063,812,641.33	1,053,585,409.09		1,053,585,409.09
Investments to associates and joint ventures	34,722,395.67		34,722,395.67	35,582,783.47		35,582,783.47
Total	1,098,535,037.00		1,098,535,037.00	1,089,168,192.56		1,089,168,192.56

(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.	490,000,000.00	10,227,232.24		500,227,232.24		
Shanghai M&G Zhenmei Stationery Co., Ltd. (上海晨)	13,288,599.09			13,288,599.09		

光珍美文具有限公司)						
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., Ltd. (上海晨光佳美文具有限公司)	30,000,000.00				30,000,000.00	
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	1,053,585,409.09	10,227,232.24			1,063,812,641.33	

(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 comprehensive income	Other equity changes	Declaration on distribution of cash dividends or profits	Accruing of impairment provisions		
I. Joint venture										
Sub-total										
II. Associate										
Ningbo Zhongchen Equity Investment Partnership (Limited Partnership)	29,846,234.19			-903,362.87	750,226.22					29,693,097.54
Shanghai Pen-making Technology Services Co., Ltd.	5,736,549.28			707,251.15						5,029,298.13
Sub-total	35,582,783.47			1,610,614.02	750,226.22					34,722,395.67
Total	35,582,783.47			1,610,614.02	750,226.22					34,722,395.67

Other descriptions:

No

4. Revenue and operating costs**(1). Revenue 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	4,130,671,233.32	2,164,311,904.18	3,888,768,953.18	2,183,782,074.37
Other operations	65,240,228.87		45,222,989.96	
Total	4,195,911,462.19	2,164,311,904.18	3,933,991,943.14	2,183,782,074.37

(2). Particulars on revenue from contracts

"√ Applicable" "□ Not applicable"

Unit: Yuan Currency: RMB

Classification of contracts	Total
Types of goods	
1. Sales of goods	4,130,671,233.32
2. Others	59,678,695.90
Classification by operation territory	
1. China	4,066,533,445.41
2. Other countries	123,816,483.81
Total	4,195,911,462.19

Description on revenue from contracts:

"□ Applicable" "√ Not applicable"

(3). Description on performance obligations

"□ Applicable" "√ Not applicable"

(4). Description on allocation to remaining performance obligations

"□ Applicable" "√ Not applicable"

Other descriptions:

Details on revenue:

Item	Amount in the current period	Amount in the last period
Description on revenue from customer contracts	4,190,349,929.22	3,929,363,561.24
Rental income	5,561,532.97	4,628,381.90
Total	4,195,911,462.19	3,933,991,943.14

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	-1,610,614.02	-576,595.97
Investment income from disposal of long-term equity investment		
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	4,763,925.06	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		
Total	3,153,311.04	21,470,373.55

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	169,704.92	Mainly due to the Company's renewal of some old equipment
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)	135,222,930.01	Mainly including government subsidies received during the Reporting Period and government subsidies 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 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	37,743,018.95	Revenue generated from purchase of wealth management products
Reversal of provision for impairment of receivables and contractual assets which are individually tested for impairment	8,958,818.94	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	18,746,671.42	Mainly including the non-operating income transferred from the proceeds from the merger

		and acquisition of Office Depot, and the expenditure of charity donations.
Effect of income tax	-29,169,213.11	
Effect of minority equity	-18,957,557.36	
Total	152,714,373.77	

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 ROE (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	26.91	1.3558	1.3558
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	23.63	1.1908	1.1908

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: 26 March 2021

Revision information

Applicable" Not applicable"