

Stock Code: 603899

Short Name: M&G Corporation

SHANGHAI M&G STATIONERY INC.

Annual Report 2021



Starting Afresh

2021 was a year full of challenges and opportunities for M&G and also was a year when M&G started afresh once again. Affected by COVID-19 resurgence, "Double Reduction", and weakening domestic expectations, the year 2021 was tough for all of us. Our colleagues and upstream and downstream partners demonstrated strong resilience and tackled the difficulties head on. The Company's "One main body and two wings" businesses maintained steady development and solid growth, core competitiveness of the Company continued to improve. In the past year, every person was remarkable and it was not easy for everyone. We pushed the boundaries of our self-perception and limits of performance. As we all know, life goes on and business needs to develop. We salute every remarkable M&G colleague!

In 2021, the Company recorded revenue of RMB17.6 billion, an increase of 34%, and a net profit attributable to the parent company of RMB1.52 billion, an increase of 21%. The year 2021 is the beginning of China's 14th Five-Year Plan, and also the first year of M&G's new five-year strategy. The Company applied new development philosophy to guide high-quality development and steadily executed Company's strategy. One important reason underlying the Company's solid and high-quality development is that we have a strong sense of mission and responsibility, and we have been insist on doing the tough but right things for more than 3 decades.

In 2022, the international situation is complicated and the COVID-19 pandemic still has a long way to go. Some investors are concerned that demographic trends and "Double Reduction" negatively impact the realization of the Company's new five-year strategy. We believe that if you desire something strong enough, you can always work out a way, there are always new demands in market, which need to be satisfied with innovative products and new capabilities. The key question is not whether you can or can not, but whether you want it or not. If you truly aspire to something, you can make the seemingly impossible come true. We see more opportunities in product categories, channel improvement, new business development, and international markets. We believe that difficulties and challenges are the touchstones of a good company, those with stronger management capability and better business models can excel. We also believe that in the face of difficulties, a strong internal

drive can better unleash our potentials. In addition to having a good "energy, will and spirit", we also keep pace with the times, strive for innovation and embrace change, keep an eye on macro trends, carbon neutrality, learn from outstanding industry leaders, take initiative to embrace new technologies such as artificial intelligence and metaverse, and continue to optimize our business eco-chain. This year, we also formulated our sustainable development strategy, with the mission of "Writing a Sustainable Business Future", with sustainable products, response to climate change, sustainable supply chain, and empowering employees and communities, as key pillars, in a bid to achieve high-quality and sustainable development.

M&G has made its journey for more than three decades. To realize our vision to become a "world-class M&G", we need passion and dreams, sharing and focus, mission and responsibility, to provide better products and services for China and the world. We would like to express our heartfelt thanks to our employees, to our customers and partners, and to our shareholders, for your support and trust. 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!

Board of Directors of Shanghai M&G Stationery Inc.

29 March 2022

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 CPAs (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 RMB6.00 (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 to the Company's 2021 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 "Section III Management Discussion and Analysis". 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.

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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.
	Original of the auditor's report with the seal of the accounting firm and the signature and seal of the certified public accountant.
	Originals of all company documents and announcements publicly disclosed on the designated information disclosure media by CSRC during the Reporting Period.

Section 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	Refers to	Annual Report 2021
Company, the Company, M&G Stationery, M&G Corporation	Refers to	SHANGHAI M&G STATIONERY INC.
M&G Group	Refers to	M&G Holdings (Group) Co., Ltd.
M&G Colipu	Refers to	Shanghai M&G Colipu Office Supplies Co., Ltd.
M&G Life (晨光生活馆)	Refers to	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
Colipu Information Technology	Refers to	Shanghai Colipu Information Technology Co., Ltd. (上海科力普信息科技有限公司)
M&G Technologies	Refers to	Shanghai M&G Information Technology Co., Ltd. (上海晨光信息科技有限公司)
Jiekui Investment	Refers to	Shanghai Jiekui Investment Management Firm (L.P.)
Keying Investment	Refers to	Shanghai Keying Investment Management Office (L.P.)
Jiumu Store (九木杂物社)	Refers to	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 Stationery (晨光办公)	Refers to	Shanghai M&G Office Stationery Co., Ltd.
Axus Stationery	Refers to	Axus Stationery (Shanghai) Company Ltd.
Beckmann	Refers to	Back to School Holding AS
KA	Refers to	Key Account, usually referring to large cross-regional retailers with large operating space and dense customer flow, including RT-MART, Walmart, Carrefour, and Hualian Supermarket.
Core traditional business	Refers to	The designing, developing, manufacturing and selling writing instruments, student stationery, office supplies and other products under M&G brands, and also the e-commerce business M&G Technologies
New business	Refers to	Large retail store business and direct office supplies business
Reporting period	Refers to	Year 2021, from 1 January 2021 to 31 December 2021
Yuan, ten thousand Yuan, hundred million Yuan	Refers to	RMB, RMB10,000, RMB100 million

Section 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	晨光股份
English name of the Company	SHANGHAI M&G STATIONERY INC.
Abbreviation of English name of the Company	M&G
Legal representative of the Company	Chen Huwen

II. Contact Information

	Board Secretary	Securities Affairs Representative
Name	Quan Qiang	Bai Kai
Office address	No.5, Lane 288, Qianfan Road, Xinqiao Town, Songjiang District, Shanghai	No.5, Lane 288, Qianfan Road, Xinqiao Town, 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
Historical change of the Company's registered address	No
Office address	No.5, Lane 288, Qianfan Road, Xinqiao Town, 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 Corporation	603899	M&G Stationery

VI. Other Relevant Information

Auditor of the Company (domestic)	Name	BDO China Shu Lun Pan CPAs (LLP)
	Office address	4F, No. 61, Nanjing East Road, Shanghai
	Name of the signing accountant	Chen Luying, Wang Aijia

VII. Major Accounting Data and Financial Indicators for the Past Three Years**(1) Major accounting data**

Major accounting data	Unit: Yuan Currency: RMB			
	2021	2020	Year-on-year change (%)	2019
Revenue	17,607,403,250.12	13,137,745,727.18	34.02	11,141,101,364.44
Net profit attributable to shareholders of the listed companies	1,517,866,131.16	1,255,426,655.27	20.90	1,060,083,625.03
Net profit attributable to shareholders of the listed companies, net of non-recurring gains and losses	1,349,538,372.72	1,102,712,281.50	22.38	1,005,187,834.38
Net cash flow generated from operating activities	1,561,196,420.77	1,271,697,892.28	22.76	1,081,941,383.68
	End of 2021	End of 2020	Year-on-year change (%)	End of 2019
Net assets attributable to shareholders of the listed companies	6,194,891,978.00	5,193,568,712.05	19.28	4,201,500,384.99
Total assets	11,424,387,930.33	9,709,908,436.32	17.66	7,565,115,311.74

(2) Key financial indicators

Key financial indicators	2021	2020	Year-on-year change (%)	2019
Basic earnings per share (Yuan/share)	1.6450	1.3558	21.33	1.1523
Diluted earnings per share (Yuan/share)	1.6425	1.3558	21.15	1.1523
Basic earnings per share, net of non-recurring gains and losses (Yuan/share)	1.4623	1.1908	22.80	1.0926
Weighted average ROE (%)	26.82	26.91	Decrease by 0.09 percentage points	28.17
Weighted average ROE, net of non-recurring gains and losses (%)	23.84	23.63	Increase by 0.21 percentage points	26.71

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

Applicable Not applicable

Revenue increased by 34% over the same period of last year, mainly due to the steady growth of core traditional businesses, and the rapid growth of new businesses, such as direct office supplies, M&G Colipu, and large retail store, Jiumu Store.

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 International 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 2021 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	3,812,032,207.40	3,874,205,885.94	4,465,378,769.43	5,455,786,387.35
Net profit attributable to shareholders of the listed companies	328,287,641.63	337,933,717.24	450,980,712.92	400,664,059.37
Net profit attributable to shareholders of the listed company after non-recurring profit or loss	294,898,619.82	317,991,294.61	379,204,649.17	357,443,809.12
Net cash flow generated from operating activities	164,242,625.68	195,854,913.73	624,933,296.07	576,165,585.29

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

Applicable Not applicable

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

Applicable Not applicable

	Unit: RMB Currency: RMB			
Items of Non-recurring Gains or Losses	Amounts in 2021	Notes (if applicable)	Amounts in 2020	Amounts in 2019
Gains or losses on disposal of non-current assets	6,098,090.22	Compensation for land expropriation by the Government	169,704.92	6,081,606.95
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	163,887,877.43	Mainly including government subsidies received during the Reporting Period and government subsidies transferred from deferred income	135,222,930.01	42,747,681.46
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	43,557,663.15	Revenue generated from purchase of wealth management products	37,743,018.95	29,184,868.54

Reversal of provision for impairment of receivables and contractual assets which are individually tested for impairment.	20,000,000.00	Mainly due to the provision reversal of bad debts on individual receivables of M&G Colipu	8,958,818.94	1,803,027.63
Other net non-operating income and expenses, other than the above items	-11,127,909.82	Mainly including the expenditure of charity donations and the loss generated by scrapping part of the old equipment	18,746,671.42	-5,743,388.02
Minus: Effect of income tax	33,537,580.85		29,169,213.11	14,413,308.64
Effect of minority equity (after tax)	20,550,381.69		18,957,557.36	4,764,697.27
Total	168,327,758.44		152,714,373.77	54,895,790.65

Non-recurring profit and loss items listed in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1: Non-Recurring Profits and Losses are defined as recurring profits and losses

Applicable Not applicable

XI. Items Measured at Fair Values

Applicable Not applicable

Items	Opening balance	Closing balance	Unit: Yuan Currency: RMB	
			Changes in the Period	Effect on profit for the Period
Held-for-trading financial assets	1,428,277,848.33	1,609,123,552.86	180,845,704.53	38,636,606.71
Receivables financing	61,412,976.46	22,824,707.62	-38,588,268.84	
Derivative financial assets				
Other debt investments (including other current assets)				
Other non-current financial assets				
Investments in other equity instruments	5,476,577.42	6,745,402.14	1,268,824.72	
Held-for-trading financial liabilities				
Derivative financial liabilities		147,570.52	147,570.52	
Total	1,495,167,402.21	1,638,841,233.14	143,673,830.93	38,636,606.71

XII. Others

Applicable Not applicable

Section III Management Discussion and Analysis

I. Discussion and Analysis of Operation

The year 2021 is the beginning of China's 14th Five-Year Plan, also the first year of M&G's new five-year strategy. The year was full of opportunities and challenges. In face of the challenges posed by repeated COVID-19 outbreaks, "Double Reduction" policy and competition, the Company implemented the new development philosophy, to build a new development pattern, and focused on consumers to improve the quality and efficiency of development. Core traditional business was steadily developing while new businesses was fast expanding. In 2021, revenue reached RMB17.6 billion, an increase of 34%, and a net profit attributable to shareholders of listed companies was RMB1.52 billion, an increase of 21%. Under the leadership of the Board of Directors, the management and all employees achieved annual targets, laying a solid foundation for the new five-year strategy, established the Company's sustainable development strategy, and striding forward towards the vision of "world-class M&G".

Operation of the Company in 2021 is reported as follows:

1. Core traditional core businesses continued product optimization

During the Reporting Period, we adjusted the structure to promote growth and reduced the quantity and improved the quality of product development. The Company developed products with the idea of best-selling products and controlled number of SKUs. Achieved good results in reducing quantity and improving quality. The number of new products dropped significantly, while the contribution of a single product increased significantly. The Company optimized the quality control process, enhanced the efficiency of supply chain, and improved new product development process. The growth performance of categories developed through IPD method was much better than average level. The Company adjusted the structure to promote growth by continuing to exert more efforts on high-end product development and optimize the product mix. We introduced a number of popular IPs, enriching our product category and further improving our product identity.

Mass market stationery segment. With "exploitation of potential, collaboration, product capability" as the key words, continued the strong product strategy and developed 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. 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.

Premium stationery segment. With the direction of "structural adjustment and high growth", we carried out product upgrading and best-selling products development, and M&G Youpin series saw a continuous upgrade. The contribution of individual products increased. The Company focused on the development of high-end products to satisfy high-end consumer demand and optimize the existing product offering of premium stationery segment. We focused on Tiers 2 and 3 distribution centers and key stationery retail shops, promoted structural adjustment of partners and terminals through better category positions, and improved the proportion of premium stationery segment in traditional stationery shops.

Arts and kids drawing segment. The Company optimized the product structure and new product development process, focused on the promotion of long life cycle products and essential products, continued to promote the building of arts and kids drawing area in key stationery shops in various channels, developed national art stores, exerted more efforts on the leading stores and incremental stores, and improved the marketing rate of arts and kids drawing at stationery shops. We accelerated the expansion of online product lines and opportunity categories and created online best-selling products, seeing significant increase in the online share. We also actively seek to expand professional art and educational products.

Office stationery segment. The Company strengthened the development and promotion of office products, focused on the development of innovative products solving pain points of end users, and created online product offering. The Company expanded M&G stores for office supplies and developed model stores for office supplies and developed large office stationery customers across the country.

2. Core traditional businesses continued omni-channel, and improved retail service capabilities

During the Reporting Period, core traditional businesses continued omni-channel, following changing trend of consumption demand and habits, continued to optimize retail operation, towards a channel structure where multi-level distribution as the main body, with more online, more direct to customer, omni-channel and multiple contact point. Further the change from a wholeseller toward a brand retail service provider.

Develop traditional channels with a focus on improving individual store quality. The Company improved single store quality with a focus on model stores; strengthened categories promotion and dedicated retail spaces for key products and increased on shelf ratio; promoted the upgrading of channel structure, and expanded leading stores and community business districts in the industry; empowered stationery shops and helped stationery shops improve retail capacities. As of the end of the Reporting Period, the Company had 36 Tier 1 distributor partners across China, and Tiers 2 and 3 distributor partners in about 1,200 cities, covering over 80,000 retail stationery shops using the store sign "M&G Stationery" across China.

Empowers stationery shops with digital tools. M&G Alliance APP covered more than 100,000 stationery shops, with a unified merchandize pool, built automated inventory replenishment mechanism. Based on users' behavioral and order data, continuously tested and iterated product offering, empowering channel partners to manage merchandize and improved order satisfaction rate. Therefore helped "the right match between right shops and right products", practiced our idea of partnership in business operation.

Actively explore direct model. Continued to promote direct supply business from the headquarters to partners of the Company. The office direct supply model has effectively developed, forming a building plan and combination strategy for the best-selling products of leading office stationery stores. Premium stationery segment continued to expand coverage of ideal domestic retail stationery shops (physical bookstores, variety retail shops, and stationery retail terminals), and explored other new models.

Increase online channels. Actively promoted online businesses, collaborated with the various segments to improve schedule and criterion for online product development; continued to optimize the structure of direct sales and explored ways to optimize the creation of best-selling products; developed new channel businesses, continued to promote Pinduoduo and Tiktok, Kuaishou and other new channel businesses; improved membership program management. M&G Tmall Flagship Store has more than one million members and growing well. During the Reporting Period, M&G Technologies revenue was RMB527,01 million, representing an increase of 11% from the previous year.

3. Continue to improve brand image

During the Reporting Period, the Company made progress in corporate brand, brand communication, and public relations, launched a number of season-themed events such as cherry blossom season, children season and exam season, communicated unique selling points of products, and improved media efficiency and input-output ratio. Focusing on the concept of "good Chinese stationery with warmth", we enhanced brand recognition of M&G in stationery shops and consumers. The company won the title of 2021 "China Annual No.1 Stationery Brand Award" and "China's 500 Most Valuable Brands".

4. Increase R&D investment, promote digitalization, and form new organizational capabilities

Promote design and R&D. During the Reporting Period, the Company actively performed forward-looking research and design, focused on core technology of products, accelerated the speed of technological progress and results transformation, improved quality based on the application performance indicators and actual usage scenarios that consumers can directly perceive. The Company has developed original products, such as the cutting technology of "arc surface" of pen tip, the development of quick-dry and smooth gel pen, and the industry's first food-grade kids art products (oil painting stick and color mud). Besides, the Company exerted efforts on quality improvement and control and applied machine vision intelligent detection technology. During the Reporting Period, the Company led and participated in the compilation of a number of national standards, industry standards and group standards, enhancing the Company's influence in the pen-making industry and the cultural and sports industry.

Improve production management. During the Reporting Period, the Company vigorously promoted lean management, implemented cost reduction and efficiency enhancement, continued to promote MBS (M&G Business System) management, and integrated the MBS process improvement principle-standard with the Company's business model to continuously improve management capabilities. For the best-selling products, we established a rapid response mechanism among product development, sales, and production, shortened production lead time and improved order fulfillment rate.

Coordinate supply chain. During the Reporting Period, the Company promoted the integrated product development model from series to parallel model. The Company applied digitalization technologies to improve the accuracy of order forecasting; continued to make innovation with consumers as the center; continued to expand high-quality supply chain resources at home and abroad to provide guarantee for the development of high-end products.

Logistics support. During the Reporting Period, the Company worked on building a logistics service that can support multiple business models. According to requirements of different business and diverse scenarios, to provide differentiated, refined and efficient logistics service support for each business segment, strengthened logistics service support capability.

Digitalization development. During the Reporting Period, following the blueprint for digital transformation, the Company focused on such key areas as membership operations and channel operations, strengthened data application and analysis capabilities as well as scalable system architecture capabilities, promoted the gradual integration of production, sales, and supply chain links, improved order response speed, and strengthened the management and internal control, standardization and risk management.

Construction of organization and talent. Organization and talents are important basis for realizing our strategy. During the Reporting Period, based on the Company's new five-year strategy, the Human Resources Center formulated targeted human resources plans based on business needs, continued to optimize organizational efficiency, incentive, talent management and corporate culture system. Focusing on the selection, use, training and retention of talents, we strived to build an efficient team that can support the realization of our five-year strategy plan. We exerted intensified efforts on the MT program, improved long- and short-term incentive plan, ensure that employees pay attention to the achievement of the Company's performance in the current year and realize the long-term synchronous development of core employees and the Company. M&G keeps in mind the social responsibility of national enterprises and encourages employees to actively participate in various public welfare programs of the Company. During the Reporting Period, M&G was awarded the best social responsibility award in HRflag Employer Branding Creativity Competition.

5. Large retail store business steadily developed

Jiumu Store has a clear positioning in the Company's new five-year strategy, which is to become the bridgehead for M&G brand and product upgrading, and also to become a national leading premium recreation and creativity retail brand. Through more exposure of M&G brand and products, more product development of M&G's premium stationery products, sharing retail capabilities, and providing timely consumer insights.

During the Reporting Period, Jiumu Store improved merchandize capacity and efficiency; established a dynamic analysis platform to improve merchandize operation; developed omni-channel marketing and promotion, better thematic seasonal marketing and rollout schedule, improved the accuracy of sales forecast, strengthened the accuracy of inventory replenishment and allocation, optimized in-store inventory. Jiumu Store improved operation quality of individual stores, through better store display, marketing & promotion, staff training; analyzed and followed up on the implementation of key retail indicators; continued to improve membership programs. It has more than one million registered members, which improved outreach to and interaction with consumers.

During the Reporting Period, facing the repeated outbreaks of the pandemic, M&G Life (including Jiumu Store) revenue was RMB1.05 billion, an increase of 60%, among which Jiumu Store revenue was RMB950 million, an increase of 70%. As of the end of the Reporting Period, the Company had 523 large retail stores in China, of which 60 are M&G Life stores, and 463 are Jiumu Stores (319 own stores and 144 franchise stores). During the Reporting Period, losses of the large retail stores reduced.

Unit: RMB 0'000

M&G Life (Jiumu Store)	2021	2020	2019	3-year average
Revenue	105,406.13	65,484.36	60,063.70	76,984.73
Net profit	-2,108.65	-5,022.93	-804.67	-2,645.42
Of which, Jiumu Store	2021	2020	2019	3-year average
Revenue	94,949.81	55,849.09	46,043.51	65,614.14
Net profit	-2,255.78	-4,207.86	-693.11	-2,385.58

6. Rapid growth of direct office supplies business

Direct office supplies business, M&G Colipu saw continuous development. After nearly a decade since its start, it has been built competitive capabilities needed as an industry-leader. Focusing on in-depth

exploration of existing customers and sales from new customers, Colipu expanded opportunities for new categories and new businesses such as MRO and marketing gifts, further enhancing brand influence in the direct office supplies market, and being selected as the 2020 Shanghai "specialized, refined, special and new" SME.

Customer development. As for central SOEs customers, we were shortlisted for projects of CHN Energy and China General Technology (Group) Holding Co. Ltd.; as for government customers, we were shortlisted for Jiangsu Provincial Government Procurement Online Mall; as for financial customers, we were shortlisted for the projects of Agricultural Bank and China Development Bank; as for MRO, we won the projects of PowerChina and China National Nuclear Corporation.

Warehouse distribution logistics. The East China Intelligent New Warehouse (Phase I) was put into use, starting a new generation of e-commerce intelligent warehousing system, and advanced automatic storage & retrieval system was adopted, becoming more intelligent warehousing logistics.

Technology platform construction. We upgraded and transformed the rule engine, realized process automation through RPA robots, and build a big data system and data center, improving Colipu's overall work efficiency, and enhanced rapid response to provide customers with high-quality services.

During the Reporting Period, M&G Colipu's revenue was RMB7.76 billion, an increase of 55%, net profit was RMB240 million, an increase of 68%.

Unit: RMB 0'000

M&G Colipu	2021	2020	2019	3-year average
Revenue	776,565.05	500,027.59	365,806.17	547,466.27
Net profit	24,198.53	14,382.86	7,580.35	15,387.25

7. Deepen long-term incentives and protect shareholders' rights and interests

During the Reporting Period, the Company continued to better align Company's core management team and the Company's long-term value creation. Completed the additional stock grant under the 2020 restricted stock incentive plan. The initial grant of the 2020 restricted stock incentive plan was exempted from restricted sales, strengthened alignment mechanism of the Company's senior management, key staff and shareholders. During the Reporting Period, the Company's share-based payment expenses for was RMB77.65 million. last year such expenses was RMB 82.19 million.

The Company safeguards shareholders' rights and interests and adopts a sustainable and stable dividend policy. Since the Company went public in 2015, including profit distribution plan for 2021, cumulative cash distribution has reached around RMB2.4 billion, sharing the Company's growth with all shareholders.

During the Reporting Period, due to confidence in the Company's future development prospects, the Company's controlling shareholders acted in concert, Keying Investment and Jiekui Investment launched a shareholding increase plan to increase their holdings by 3 million shares from December 2021 to March 2022, with a total amount of RMB176 million.

8. 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 COVID-19 pandemic situation in overseas markets varied greatly, and the Company actively communicated with foreign customers to control business risks; used better marketing modes and online channels for product promotion and sales to adapt to market changes; promoted overseas markets and capability improvement, promoted M&G's products and business models in Africa according to local conditions, sorted out product offerings suitable for the local market and carried out targeted product development. With the mission of "providing affordable stationery for local students", we explored channels suitable for local conditions, laying a foundation for steadily enhancing global competitiveness.

9. M&A progress

Working on Axis Stationery turnaround

Export business accounts for more than 70% of the sales revenue of Axis Stationery, and the overseas market has not fully recovered. During the Reporting Period, Axis Stationery focused on sales growth, cost reduction, and organizational downsizing and determined the positioning of "specialized, full-scene, and mid-range". We increased revenue and reduced expenditure while reducing costs and increasing efficiency, improved quality and reduced cost, and properly adjusted the capacity and resource allocation of production bases.

Acquire Beckmann, a Norwegian brand

During the Reporting Period, the Company acquired the Norwegian high-end schoolbag brand Beckmann, which specializes in functional spin protection backpacks, an industry leader and national brand in Norway. We look forward to ushering in a new chapter of development by combining M&G's channel and supply chain advantages. During the Reporting Period, revenue of Beckmann was RMB120 million, among which RMB21 million was incorporated since acquisition closing.

II. Industry Situation of the Company during the Reporting Period

1. Industry situation of the Company

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 2021, revenue of China's stationery and office supplies industry amounted to RMB147.1 billion, an increase of 11%. There were 1,082 enterprises above designated size in China's stationery and office supplies industry (source: China Stationery & Sporting Goods Association).

In 2021, 217 enterprises above designated size in writing instrument industry recorded the revenue of RMB15 billion from principal business, an increase of 1%. In 2021, writing instrument industry exports amounted to USD2.8 billion, an increase of 21% from previous year, and the imports amounted to USD900 million, an increase of 13% from previous year. China's writing instrument industry imports have grown at an average annual rate of 3% over the past decade. (Source: China Writing Instrument Association)

The demand for stationery and office supplies were affected due to the joint release of *Opinions on Further Reducing the Burden of Homework and Off-Campus Training in Compulsory Education* by the General Office of the Central Committee of the CPC and the General Office of the State Council in July 2021 ("Double Reduction") and the repeated outbreaks of the pandemic. At the same time, some new category opportunities arose, such as kids art and educational products ushering in new development space.

The market of the direct office supplies has been growing very fast in China. In 2020, the Ministry of Finance and the State Council further promoted centralized government procurement. At the same time, the standardization of centralized procurement by state-owned enterprises was further improved, and the concept of supply chain innovation and supplier credit investigation mechanism were introduced. According to relevant estimates, the market size of office supplies in China exceeds RMB2 trillion (source: www.chyxx.com).

2. Industry features

(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. Students and their parents will buy a lot of stationery in advance and stationery manufacturers promote their products.

There is less seasonality in the demand for student stationery. However, the demand for office stationery in the second half of the year might be slightly higher than that in the first half, as some companies bought stationery at the end of the year.

Under the COVID-19 pandemic, the delay in school return date may affect the seasonal peak.

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.

Leading enterprises focused on building omni-channel operation capabilities and realized refined management over the offline channels. With the popularity of the Internet, smart phones, and online transactions, people's consumption habits and consumption scenarios have changed. Consumers' access to information is becoming more fragmented, and new-generation marketing means are becoming more diversified, including online media platforms (such as Weibo, WeChat, Xiaohongshu, Tiktok) and IP topic creation, which further tests enterprises' ability to make quick response to industry trends. Compared with small- and medium-sized enterprises, leading enterprises boast stronger and richer whole network marketing and operation capabilities. They formulate refined marketing strategies by city to reach consumers and capture fragmented traffic to achieve traffic attraction and conversion for online and offline businesses. To improve the stores' initiative marketing and traffic operation capabilities, in addition to online traffic, offline channels are also required to realize refined management by empowering channels through organizational reform and information system. According to the National Bureau of Statistics, online retail sales across the country recorded RMB13 trillion in 2021, an increase of 14%. Outstanding companies in the consumer industry seized the development opportunities of online consumption and achieved continuous sales growth through online and offline integration.

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.

In recent years, in the context of the digital economy, thanks to favorable factors such as policy driving, the rapid advancement of centralized procurement by large- and medium-sized enterprises, and the competition among various digital procurement service providers, great progress has been made in the digitalization, e-commerce and centralization of public procurement in China, which have become the main form of public resource transactions from central to local governments. Facing the shock of economic situation at home and abroad, digital, e-commerce, and centralized procurement exhibits advantageous coordination and quick response ability.

According to the *China Public Procurement Development Report (2020)* compiled and released by China Federation of Logistics & Purchasing, the scale of public procurement transactions in China in 2019 exceeded RMB20 trillion, accounting for more than 20% of China's total GDP. In terms of the procurement scale of the government, State-owned Key Enterprises, and local state-owned enterprises, the annual procurement scale of government and enterprises in China is also quite large. According to relevant estimates, the market size of office supplies in China exceeds RMB2 trillion (data source: www.chyxx.com). In addition, the market size of employee benefits and other categories is also quite large.

With the further development and application of information technology. Traditional industries have gained growth momentum in the digital age. Industrial digitization is becoming the main pillar of the digital economy, and traditional industries are actively gaining new development momentum through digital empowerment. The investment in the manufacturing industry has shifted from the investment in equipment and assembly lines to the transformation of digital processes and digital transformation of products, in a bid to apply digital technology to reduce channel costs and management costs and become a digital-driven modern enterprise.

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. Technology-empowered smart pens and smart books are widely adopted in online education, providing a 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.

M&G Colipu is a leader in the field of B2B office supplies in China. After nearly ten years since its start, thanks to its electronic transaction system, intelligent warehousing logistics management system, high-quality supply chain management and customized service, M&G Colipu has become one of the industry leaders of digital enterprise procurement service provider. For many years, M&G Colipu has won many awards such as the Outstanding E-commerce Platform in China's Stationery and Office Supplies Industry, the Outstanding Supplier of Government Procurement, and the Most Influential E-commerce Platform in Financial Procurement.

III. The Company's Businesses during the Reporting Period

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 core traditional 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 large retail store business - Jiumu Store and M&G Life, and direct office supplies business - 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. The business of M&G Technologies is mainly divided into platform business such as Tmall, JD, and Pinduoduo, and live streaming business such as Tiktok and Kuaishou. M&G Technologies is also responsible for online full platform marketing and management of authorized online stores.

M&G large 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 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 core traditional 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 core traditional businesses, and they play an important role in promoting the Company's brands and products upgrade. M&G Colipu's direct office supplies 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 core traditional business.

3. Major driver for revenue growth

Driven by market force

With the changes in the way of life and consumption habit of consumers, the mix of "people, product, and place" in retail industry has been reconstructed, sales channels have become more diversified, and channel upgrades and channel competition have become increasingly fierce. The per capita income of residents has continued to grow, and consumption and products have been upgraded. As the domestic market demand for mid- to high-end stationery products keeps increasing, this provides opportunities for mid- to high-end stationery products. China's population 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.

Driven by innovation

Innovation as one of driving forces for continuous development with a focusing on consumers. The Company continued to promote technological innovation, product innovation, channel innovation and business model innovation. Through product innovation and business model innovation, the Company has formed a pattern of coordinated development, high-quality development and sustainable development of multi-business model.

Driven by the Company's competitive advantages

With professional teams, market insights, unique brand advantages, channel advantages, supply chain advantages, R&D and design advantages, the Company continued to promote technological innovation and product innovation, and maintained a strong forward driving force through high-end, omni-channel, digital empowerment, lean production and dynamic organization.

Driven by policy

The continuous investment of the state in education, the three-child policy and a favorable policy context for the development of the cultural industry encourage and promote the integrated development of the cultural industry and upstream and downstream industries, invigorate economic transformation and social development, and drive the steady development of the stationery industry. A series of national policies on the centralized procurement industry have been promulgated, rapid progress was made in

centralized procurement of large- and medium-sized enterprises, various digital procurement service providers competed with each other, the transparency of procurement information and the competitive mechanism of centralized procurement promoted the concentration of office supplies industry and promoted the vigorous development of direct office supplies industry.

Driven by industry integration

With continued development in the market, market concentration of stationery industry becomes greater, leaving more room for industry consolidation. Leading companies in the stationery industry with good brand recognition are in a strong position, and more market share are gained by leading companies. Through mergers and acquisitions of high-quality targets at home and abroad, the Company further enhanced its competitiveness and brand power in segmented categories.

IV. Analysis on Core Competitiveness during the Reporting Period

Applicable Not applicable

As one of the largest stationery manufacturers in the world, the Company has formed a unique competitive advantage in terms of brand, channel, supply chain, design, and R&D. During the Reporting Period, the Company withstood the test of COVID-19 pandemic, greatly improving the product strength, channel strength and brand strength and the Company's core competitiveness.

1. Corporate culture and team

M&G is a company with a strong sense of mission and social responsibility. With the mission of "make study and work more joyful and effective", it is committed to providing Chinese students with affordable good domestic stationery, and continues to devote itself to various social welfare undertakings, thereby promoting its continuous development. At the same time, the Company has cultivated a team that highly recognizes the Company's values, has passion and technology, is competitive in the industry, is united and enterprising, and keeps unremitting struggle.

2. 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 ten 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 title of 2021 "China Annual No.1 Stationery Brand Award" and "China's 500 Most Valuable Brands", winning international praise with excellent quality and brand reputation and showing the brand value of Chinese stationery to the world.

3. 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. During the Reporting Period, the Company continued to broaden and deepen the national network and perfected online and offline channels, forming an omni-channel, multi-level and multi-contact marketing network. 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, 523 direct large retail stores, and thousands of authorized stores in Taobao system, JD.com, Pinduoduo and other e-commerce channels.

4. Supply chain advantage

The Company benefits from experience of large-scale manufacturing accumulated throughout the past years, independent mold development capability, stable supply chain, sound quality control system and introduction of various information management systems. The Company has the capability of large-scale manufacturing with high quality control standard. The good and stable product quality has won general recognition and favorable comments from consumers. The Company promotes the application of intelligent manufacturing technology in the production and inspection links of the stationery industry, and applies machine vision technology in various key links to greatly improve the efficiency of production

and inspection, thus serving as a benchmark and demonstration role for transforming the extensive industrial mode into an intensive one.

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

5. 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. The Company has been awarded with such four major international industrial design awards as German iF Award, Red Dot Design Award, G-mark, and IDEA for its product design. The Company has a design studio in Israel, highlighting the world-class design capabilities of M&G Stationery. During the Reporting Period, through structural innovation and technological innovation, the Company has developed a variety of products such as quick-dry gel pens, super durable writing pencils, and food-grade art painting materials. The magnetic levitation gel pen, Magneter, won German iF Award again, the automatic compass won G-mark Award again, and TIKITAKA press marker won the Silver Award for Innovation in Culture and Education - Technological Innovation in 2021. At the end of the Reporting Period, the company has gotten 841 patents.

The Company has broken through the foreign technical barriers and got hold of the raw material formula and production technology with domestic independent intellectual property rights, greatly enhancing the percentage of home-made raw materials and finished products. The Company has been recognized as a national high-tech enterprise since 2010, and has built a number of national or provincial level technology platforms such as National Industrial Design Center, China Key Laboratory of Light Industry and Writing Instrument Engineering Technology, Shanghai Writing Instrument Engineering Technology Research Center. The testing laboratory of the Company had CNAS certification qualification and its testing capabilities have reached world-class level. During the Reporting Period, the Company won the "13th Five-Year Plan" China Light Industry Science and Technology Innovation Advanced Group Award. The "development and industrialization of water-based ballpoint pen with regulator" won the First Prize for Science and Technology Progress Award of China National Light Industry Council. The "material and key manufacturing technology and industrialization of gel ballpoint pens" won the second prize of Shanghai Science and Technology Award.

6. M&G Colipu's competitive advantages

As a B2B comprehensive e-commerce platform built by M&G Group, M&G Colipu is committed to providing customers with smart office and MRO (Maintenance, Repair and Operations) solutions and has become one of the industry leaders.

After nearly ten years of development, M&G Colipu has accumulated rich experience in key accounts and large project services, and has boasted the leading advantage as a professional office and MRO service provider in the industry. Through the customer service network covering 31 provinces and cities across China, it is now serving more than 60,000 customers in 5 categories including government, finance, State-owned Key Enterprises and state-owned enterprises, intermediate market, and MA (Fortune Global 500), providing customers with one-stop procurement service solutions. Nowadays, more and more customers take M&G Colipu as their preferred comprehensive e-commerce service platform.

M&G Colipu is committed to providing high-quality, low-price, and professional procurement services for customers. Relying on its own advantages in the global procurement supply chain platform, M&G Group's strong brand influence, strong financial strength, and rich product strength, M&G Colipu strictly selects authorized manufacturers and genuine licensed products, directly cooperates with manufacturers and brand owners, forms strategic alliances and conducts large-scale procurement, fully enjoying the market price advantage. At the same time, M&G Colipu not only owns nearly one million square meters of super-large commodity storage space, but also has a 5-level warehousing system network that effectively covers the whole country, responds to orders efficiently and quickly, and maximizes customer demand for delivery timeliness. It uses intelligent warehousing and distribution systems such as AGV (Automated Guided Vehicle), WMS (Warehousing Management System), TMS (Transportation

Management System), G7 (Vehicle Management System), and built 7 regional distribution centers across the country. Its logistics network covers 100% of the counties in Chinese mainland, providing timely and accurate service to customers.

Meanwhile, M&G Colipu is also a pioneer and industry leader in procurement digitalization, and has won the titles of National E-commerce Demonstration Enterprise and Shanghai E-commerce Demonstration Enterprise. M&G Colipu has invested a professional technical development team consisting of more than 200 people in digitalization for a long time. Through independent research and development of core digital transaction system and rapid and professional system integration development technology, by virtue of AI and big data analysis, it provides a variety of personalized system integration and value-added services for different customers to offer flexible ordering modes, thereby rendering one-stop office procurement service for different types of customers. The realization of process automation through RPA robots and the establishment of big data systems and a data middleground effectively guarantee M&G Colipu's ability to provide high-quality services and rapid response to major enterprises and public institutions.

M&G Colipu has a professional team of nearly 2,000 people with enterprising spirit, profession, years of industry experience and lofty ideals, end-to-end service teams from pre-sales to after-sales covering 31 provinces, municipalities and autonomous regions across China. Through the flattening of the supply chain, M&G Colipu continues to provide customers with one-stop service procurement solutions that reduce cost and enhance efficiency. Relying on M&G Group's strong brand influence, strong financial strength, and rich product strength, M&G Colipu adheres to the information-based construction of an integrated, transparent and efficient procurement system. With the application of software and hardware intelligent technology and strong system integration technical support, such procurement system meets the diversified, complex and digital procurement needs of customers, creates a new enterprise service ecological chain, and continues to create value for customers.

V. Financial Performance during the Reporting Period

In 2021, the Company revenue was RMB17,607,403,300, representing a year-on-year increase of 34.02%. The net profit attributable to shareholders of the listed company amounted to RMB1,517,866,100, representing a year-on-year increase of 20.90%, while net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss amounted to RMB1,349,538,400, representing a year-on-year increase of 22.38%. As at the end of 2021, the total asset of the Company amounted to RMB11,424,387,900, representing a year-on-year increase of 17.66%. The net asset attributable to shareholders of the listed company amounted to RMB6,194,892,000, representing a year-on-year increase of 19.28%. 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

Item	Unit: Yuan Currency: RMB		
	Amount in the current period	Amount in the same period last year	Change in the proportion (%)
Revenue	17,607,403,250.12	13,137,745,727.18	34.02
Operation cost	13,520,841,753.26	9,806,609,999.48	37.87
Selling expenses	1,397,645,460.82	1,103,184,023.51	26.69
Administrative expenses	745,024,738.28	602,627,135.41	23.63
Financial expenses	6,904,764.52	9,060,176.35	-23.79
R&D expenses	188,758,215.50	160,178,941.89	17.84
Net cash flow generated from operating activities	1,561,196,420.77	1,271,697,892.28	22.76
Net cash flow generated from investing activities	-662,837,857.46	-1,065,448,932.04	Not applicable
Net cash flow from financing activities	-729,259,846.78	-200,057,726.09	Not applicable
Taxes and surcharges	66,507,958.32	50,694,964.71	31.19
Other income	72,747,727.93	45,665,409.77	59.31
Investment income	6,293,164.04	3,851,154.70	63.41

Credit impairment losses	-7,013,714.54	-38,225,902.12	Not applicable
Asset impairment loss	-17,091,366.45	-40,287,483.83	Not applicable
Gains from asset disposal	6,098,090.22	169,704.92	3,493.35

Explanation on the reason for change in revenue: During the Reporting Period, sales continued to grow, with 17% growth in core traditional business and 56% growth in new business.

Explanation on the reason for change in operating cost: The increase in sales results in the increase in operating cost.

Explanation on the reason for change in net cash flow from investing activities: During the reporting period, the net outflow decreased compared with the same period last year, mainly due to the decrease in the net outflow of bank financial products compared with the same period last year.

Explanation on the reason for change in net cash flow from financing activities: The increase in net outflow during the Reporting Period compared with the same period last year is mainly due to: 1. minority shareholders paying cash in equity for the acquisition of M&G Life during the Reporting Period; 2. implementing new lease criteria and reclassifying the rent paid from operating activities to financing activities; 3. increase in cash dividend distribution from the same period last year.

Reason for the change in taxes and surcharges: The increase in sales results in the increase in taxes.

Explanation on the reason for change in other income: M&G Colipu received more government subsidies related to its operations compared with the same period last year.

Explanation on the reason for change in investment income: The income from wealth management products received during the Reporting Period increased compared with the same period last year.

Explanation on the reason for change in credit impairment losses: M&G Colipu accrued the bad debt provision for prepaid accounts in the same period last year.

Explanation on the reason for change in asset impairment losses: The provision for goodwill impairment loss was accrued in the same period last year.

Explanation on the reason for change in income from asset disposal: The income from disposal of some assets during the Reporting Period increased compared with the same period last year.

A detailed description of the major changes in the Company's business type, profit composition or profit source in the current period

Applicable Not applicable

2. Analysis of revenue and cost

Applicable Not applicable

During the Reporting Period, the Company's core traditional business increased by 17% as compared to the corresponding period of last year, and new business increased by 56% as compared to the corresponding period of last year.

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

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	9,164,013,924.44	6,154,383,727.87	32.84	18.31	19.15	Decrease by 0.47 percentage points
Retail industry	8,436,809,332.25	7,362,168,406.68	12.74	56.66	58.63	Decrease by 1.08 percentage points
Service industry	1,261,896.79	/	/	-46.71	/	/
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	2,819,668,310.67	1,675,601,917.98	40.57	23.65	24.18	Decrease by 0.25

instruments						percentage points
Student stationery	3,128,136,090.69	2,092,845,598.55	33.10	15.61	16.18	Decrease by 0.33 percentage points
Office stationery	3,338,458,451.38	2,406,762,021.35	27.91	18.32	18.88	Decrease by 0.34 percentage points
Other products	548,909,924.21	303,216,598.14	44.76	69.81	68.34	Increase by 0.48 percentage points
Direct office supplies	7,765,650,479.74	7,038,125,998.53	9.37	55.30	58.12	Decrease by 1.61 percentage points
Management fee for franchising	1,261,896.79	/	/	-46.71	/	/
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	17,183,757,602.59	13,183,280,401.69	23.28	34.56	38.65	Decrease by 2.26 percentage points
Other countries	418,327,550.89	333,271,732.86	20.33	15.26	11.91	Increase by 2.39 percentage points

Principal business by industry, product, region, and sales model

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 reason for the decrease during the Reporting Period was that the management fee for franchising in the same period last year consisted of traditional channels and Jiumu Store. The franchise stores of traditional channels stopped charging franchise management fees since 2017. The management fees that have been collected are recognized in the benefit year, and have been fully recognized by the end of 2020. During the Reporting Period, the management fee for franchising is only the part charged by Jiumu Store.
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. During the Reporting Period, the business of Jiumu Store developed rapidly.
8. Direct 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: RMB 0'000

Result of revenue by business				
Business	Revenue in 2021	Revenue in 2020	Change in amount	Change
Core traditional business	888,041.44	757,611.01	130,430.43	17%
Colipu Office Supplies business	776,565.05	500,027.59	276,537.46	55%
Large retail store business	105,406.13	65,484.36	39,921.77	61%
Transactions offset	-9,272.29	-9,348.39	76.10	Notapplicable
Total	1,760,740.33	1,313,774.57	446,965.76	34%

(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	2,725,504,078	2,722,066,365	598,473,624	17.09	17.67	0.58

Student stationery	Piece	5,740,014,834	5,738,966,028	665,367,649	7.17	7.55	0.16
Office stationery	Piece	1,901,462,010	1,893,466,329	163,035,860	17.26	17.96	5.16
Other products	Piece	17,478,919	16,031,840	7,540,044	70.78	67.82	23.75
Direct office supplies	Numbers	462,390,344	462,875,797	21,797,693	23.20	23.71	-2.18

Explanation on production and sales volume

The simultaneous increase in the production volume and sales volume of other products was mainly attributable to the growth of the business of Jiumu Store.

(3). Performance of major procurement contracts and major sales contracts

Applicable Not applicable

(4). 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	6,154,383,727.87	45.53	5,165,288,162.73	52.67	19.15	
Retail industry	Cost of principal business	7,362,168,406.68	54.47	4,641,066,357.09	47.33	58.63	
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	1,675,601,917.98	12.40	1,349,337,371.37	13.76	24.18	
Student stationery	Cost of principal business	2,092,845,598.55	15.48	1,801,327,917.08	18.37	16.18	
Office stationery	Cost of principal business	2,406,762,021.35	17.81	2,024,465,110.41	20.64	18.88	
Other products	Cost of principal business	303,216,598.14	2.24	180,119,757.57	1.84	68.34	
Direct office supplies	Cost of principal business	7,038,125,998.53	52.07	4,451,104,363.39	45.39	58.12	
Management fee for franchising	/	/	/	/	/	/	

Explanation on other situations of cost analysis

Cost increased simultaneously with sales. The growth in the costs of other products and direct office supplies business is mainly due to the rapid development of the businesses of Jiumu Store and M&G Colipu as well as the increase in sales volume.

(5). Change in the scope of consolidation due to change in the equity of major subsidiaries during the Reporting Period

Applicable Not applicable

(6). Major change in or adjustment to the Company's business, products or services during the Reporting Period

Applicable Not applicable

(7). Major customers and suppliers**A. Major customers of the Company**

Sales of the top 5 customers amounted to RMB3,428,820,000, accounting for 19.47% of the total annual sales. Of the sales of the top 5 customers, sales of related parties amounted to RMB0, accounting for 0% of the total annual sales.

Unit: RMB Yuan

Rank	Customer name	Amount	Related relationship
1	First	955,989,559.24	No
2	Second	951,207,384.99	No
3	Third	573,513,431.36	No
4	Fourth	485,163,509.56	No
5	Fifth	462,949,866.20	No
	Total	3,428,823,751.35	

During the Reporting Period, the sales attributable to a single customer exceeded 50% of the total sales, there are new customers among the top 5 customers, or a small number of customers were heavily depended on.

Applicable Not applicable

B. Major suppliers of the Company

Purchase amount of the top 5 suppliers amounted to RMB1,542,210,000, accounting for 11.57% 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	469,791,220.48	No
2	Second	374,546,120.03	No
3	Third	323,688,344.90	No
4	Fourth	254,466,232.55	No
5	Fifth	119,720,153.14	No
	Total	1,542,212,071.10	

During the Reporting Period, the procurement from a single supplier exceeded 50% of the total amount, and there were new suppliers among the top 5 suppliers or a small number of suppliers were heavily depended on.

Applicable Not applicable

Other descriptions

No

3. Expenses

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	1,397,645,460.82	1,103,184,023.51	26.69	
Administrative expenses	745,024,738.28	602,627,135.41	23.63	
R&D expenses	188,758,215.50	160,178,941.89	17.84	
Financial expenses	6,904,764.52	9,060,176.35	-23.79	

4. R&D investment**(1). Table of R&D investment**√ Applicable Not applicable

Unit: RMB Yuan

Expensed R&D investment in the current period	188,758,215.50
Capitalized R&D investment in the current period	0.00
Total R&D investment	188,758,215.50
Proportion of total R&D investment in revenue (%)	1.07
Percentage of capitalized R&D investment (%)	0.00

(2). Details of R&D personnel√ Applicable Not applicable

Number of the Company's R&D staff	450
Percentage of the number of R&D staff to the Company's total number of employees (%)	8.14
Educational background structure of R&D personnel	
Category	Number of people
Doctor's degree	1
Master's degree	36
Bachelor	251
College degree	91
High school and below	71
Age structure of R&D personnel	
Category	Number of people
< 30 years old (exclusive)	232
30 - 40 years old (including 30 years old, excluding 40 years old)	162
40 - 50 years old (including 40 years old, excluding 50 years old)	48
50 - 60 years old (including 50 years old, excluding 60 years old)	8
> 60 years old	0

(3). Explanation√ Applicable Not applicable

The total R&D investment of the parent company accounted for 3.42% of the parent company's revenue.

(4). Reasons for the major changes in the composition of R&D personnel and the impact on the future development of the Company Applicable Not applicable**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	1,561,196,420.77	1,271,697,892.28	22.76	
Net cash flow generated from investing activities	-662,837,857.46	-1,065,448,932.04	Not applicable	During the Reporting Period, the net outflow decreased compared with the same period last year, mainly due to the decrease in the net outflow of bank financial products compared with the same period last year.
Net cash flow from	-729,259,846.78	-200,057,726.09	Not applicable	The increase in net outflow during the Reporting

financing activities				Period compared with the same period last year is mainly due to: 1. minority shareholders paying cash in equity for the acquisition of M&G Life during the Reporting Period; 2. implementing new lease criteria and reclassifying the rent paid from operating activities to financing activities; 3. increase in cash dividend distribution from the same period last year.
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(2) Explanation on significant change of profit caused by non-core business

□ Applicable √ Not applicable

(3) Analysis of assets and liabilities

√ Applicable □ Not applicable

1. Assets and liabilities

Unit: RMB Yuan

Items	Amount as at the end of the current period	Percentage of total assets at the end of current period (%)	Amount as at the end of last period	Percentage of total assets at the end of last period (%)	Change in percentage for the current period over the last period (%)	Explanation
Bills receivable	39,712,146.72	0.35	/	/	Not applicable	During the Reporting Period, the commercial acceptance bills of M&G Colipu increased compared with the beginning of the year.
Receivables financing	22,824,707.62	0.20	61,412,976.46	0.63	-62.83	During the Reporting Period, the bank acceptance bills of M&G Colipu decreased compared with the beginning of the year.
Prepayment	90,826,293.94	0.80	131,596,384.76	1.36	-30.98	The advance payment by M&G Colipu decreased compared with the beginning of the year.
Other current assets	85,797,733.53	0.75	27,286,607.30	0.28	214.43	The Company's receivable return cost and VAT credit refund increased compared with the beginning of the year.
Right-of-use assets	357,540,113.34	3.13	/	/	Not applicable	During the Reporting Period, the new lease criteria were implemented to increase the lease-related right-of-use assets.
Intangible assets	434,848,138.70	3.81	320,746,328.60	3.30	35.57	The intangible asset of trademark right of Back to School Holding AS in Norway was acquired during the Reporting Period.
Goodwill	63,529,740.20	0.56	/	/	Not applicable	Consideration for the acquisition of Back to School Holding AS in Norway exceeded the assessed net assets during the Reporting Period.
Long-term	162,206,827.46	1.42	99,035,852.78	1.02	63.79	The decoration costs for

prepaid expenses						office buildings in Songjiang were increased.
Deferred income tax assets	153,856,300.50	1.35	99,939,414.58	1.03	53.95	The deferred income tax assets formed increased due to the implementation of new lease criteria to recognize the lease liabilities during the Reporting Period, the difference in the asset amortization between the parent and subsidiary companies of M&G Colipu, and the time difference in the recognition of estimated return income.
Other non-current assets	8,543,306.18	0.07	6,258,468.47	0.06	36.51	The prepayment for equipment increased during the Reporting Period.
Derivative financial liabilities	147,570.52	0.00	/	/	Not applicable	The derivative financial liabilities of Back to School Holding AS in Norway were acquired during the Reporting Period.
Bills payable	172,167.42	0.00	/	/	Not applicable	Commercial bill issued by M&G Colipu for procuring commodities during the Reporting Period.
Non-current liabilities due within one year	178,611,602.65	1.56	/	/	Not applicable	During the Reporting Period, the new lease criteria were implemented to increase the lease-related lease liabilities due within one year.
Other current liabilities	90,875,521.97	0.80	13,746,089.97	0.14	561.10	The possible return liabilities estimated by M&G Colipu increased.
Lease liabilities	172,924,166.21	1.51	/	/	Not applicable	During the Reporting Period, the new lease criteria were implemented to increase the lease-related lease liabilities for more than one year.
Estimated liabilities	35,311,258.55	0.31	12,211,357.80	0.13	189.17	The repurchase obligations of the minority shareholders of Back to School Holding AS in Norway were acquired during the Reporting Period.
Deferred income tax liabilities	92,665,937.38	0.81	36,781,069.25	0.38	151.94	The deferred income liabilities formed increased due to the premium acquisition of Back to School Holding AS in Norway, the implementation of the new lease criteria to

						recognize the right-of-use assets, and the time difference in the recognition of estimated return costs.
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Other descriptions

No

2. Overseas assets

Applicable Not applicable

(1) Asset size

Including: overseas assets of 270,595,910.87 (unit: Yuan, currency: RMB), accounting for 2.37% of the total assets.

(2) Explanation for the high proportion of overseas assets

Applicable Not applicable

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

Applicable Not applicable

(1) On 16 September 2021, Axus Stationery and China Merchants Bank Shanghai Branch entered into the Line Credit Agreement numbered 121XY2021031380 with the credit line of RMB180,000,000.00 for 36 months from 16 September 2021 to 15 September 2024. The specific types of line business include, but are not limited to, working capital loans, bank notes, and letters of credit.

On 16 September 2021, Axus Stationery and China Merchants Bank Shanghai Branch entered into the Maximum Mortgage Contract numbered 121XY2021031380, which is a sub-contract of the Line Credit Agreement. The maximum principal limit of the mortgage under this contract is RMB180,000,000.00, and the mortgage limit is valid from 16 September 2021 to 15 September 2024.

The mortgage term runs from the effective date of the mortgage contract to the expiration of the period of the creditor's rights claims under the *Credit Agreement*. The collaterals 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	27,468,676.83	19,592,776.69
No. 233, Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2013) No. 013396	32,156,238.78	14,464,816.47	17,691,422.31
No. 333, Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2015) No. 015718	60,230,210.97	18,199,423.55	42,030,787.42
Total		139,447,903.27	60,132,916.85	79,314,986.42

As of 31 December 2021, the outstanding loan of Axus Stationery was RMB156,500,000.00 and USD1,500,000.00.

(2) On 7 August 2017, the subsidiary, Back to School Holding AS, borrowed a long-term loan from a local bank in Norway with all the shares held by the Group's subsidiary, Beckmann AS, as pledge. As of 31 December 2021, the balance of the loan was NOK14 million and was presented in the non-current liabilities due within one year in the statements.

(3) As of the end of the Reporting Period, the Company had restricted monetary funds of RMB1,471,167,575.95, mainly including letter of credit deposit, performance bond, and fixed deposit over 3 months.

4. Other descriptions

Applicable Not applicable

(4) Analysis on industry operating information

√ Applicable Not applicable

For details, see "II. Description of the Company's industry conditions during Reporting Period" in "Section III Management Discussion and Analysis" of this report.

(5) Analysis of investment**Overall analysis of external equity investment**√ Applicable Not applicable

During the Reporting Period, the Company made foreign investments.

(1) In June 2021, the Company signed the *Equity Transfer Agreement* with Shanghai Tianwan International Logistics Co., Ltd. to transfer 40% of the equity of M&G Life held by it at the transfer price of RMB180 million. The equity change registration and equity delivery have been completed on 25 June 2021.

In July 2021, M&G Life and Shanghai Youherui Enterprise Management Consulting Partnership signed the *Equity Transfer Agreement* to transfer its 15% equity in Jiumu Store at the transfer price of RMB67.5 million. The equity change registration and equity delivery have been completed on 29 July 2021.

(2) In August 2021, the Company held a cloud signing ceremony with Back to School Holding AS, a Norwegian schoolbag brand. The Company invested RMB186 million to acquire 91.4% of Back to School Holding AS's equity, and the equity delivery has been completed on 1 September 2021. The acquisition of Back to School Holding AS is an important milestone in M&G's world-class vision and a new round of five-year strategy plan. In the future, the Company will provide more diversified purchasing options and professional quality assurance for global consumers.

1. Significant equity investment Applicable Not applicable**2. Significant non-equity investment** Applicable Not applicable**3. Financial assets measured at fair value** Applicable Not applicable**4. Progress of major asset restructuring and integration during the Reporting Period** 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. (上海晨光文具有限公司)	Wholesale and retail	Stationery and office supplies	1,000.00	3,710.41	-40.45	562.94
Shanghai M&G Colipu Office Supplies Co., Ltd.	Wholesale and retail	Office supplies	66,000.00	309,536.21	82,018.44	24,198.53
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	132,902.25	57,615.46	10,859.99
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	88,764.87	-2,827.83	-2,108.65

Shanghai M&G Jiamei Stationery Co., Ltd. (上海晨光佳美文具有限公司)	Manufacturing, wholesale and retail	Stationery and office supplies	3,000.00	4,357.70	3,952.32	110.01
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	18,042.15	3,069.15	-2,529.62
Shenzhen Erya Creative and Cultural Development Co., Ltd. (深圳尔雅文化创意发展有限公司)	Design and so forth	Design, office supplies and so forth	2,000.00	1,948.30	1,189.83	-26.36
Shanghai M&G Office Stationery Co., Ltd.	Wholesale and retail	Office supplies	5,000.00	49,808.34	23,724.15	10,672.06
Axus Stationery (Shanghai) Company Ltd.	Production, sale and so forth	Stationery and office supplies	8,100.00	66,266.56	9,561.57	-7,727.66
Shanghai Chenxun Enterprise Management Co., Ltd. (上海晨讯企业管理有限公司)	Service	Information Consultation	22,000.00	28,948.55	22,081.14	-827.92
Shanghai Qizhihaowan Culture and Creativity Co., Ltd. (上海奇只好玩文化创意有限公司)	Service	Creative service	10,000.00	4,944.44	4,494.75	-505.25

(8) Structured entities controlled by the Company

Applicable Not applicable

VI. 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.

Leading enterprises focused on building omni-channel operation capabilities and realized refined management over the offline channels. With the popularity of the Internet, smart phones, and online transactions, people's consumption habits and consumption scenarios have changed. Consumers' access to information is becoming more fragmented, and new-generation marketing means are becoming more diversified, including online media platforms (such as Weibo, WeChat, Xiaohongshu, Tiktok) and IP topic creation, which further tests enterprises' ability to make quick response to industry trends. Compared with small- and medium-sized enterprises, leading enterprises boast stronger and richer whole network marketing and operation capabilities. They formulate refined marketing strategies by city to reach consumers and capture fragmented traffic to achieve traffic attraction and conversion for online and offline businesses. To improve the stores' initiative marketing and traffic operation capabilities, in addition to

online traffic, offline channels are also required to realize refined management by empowering channels through organizational reform and information system. According to the National Bureau of Statistics, online retail sales across the country recorded RMB13 trillion in 2021, an increase of 14%. Outstanding companies in the consumer industry seized the development opportunities of online consumption and achieved continuous sales growth through online and offline integration.

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.

In recent years, in the context of the digital economy, thanks to favorable factors such as policy driving, the rapid advancement of centralized procurement by large- and medium-sized enterprises, and the competition among various digital procurement service providers, great progress has been made in the digitalization, e-commerce and centralization of public procurement in China, which have become the main form of public resource transactions from central to local governments. Facing the shock of economic situation at home and abroad, digital, e-commerce, and centralized procurement exhibits advantageous coordination and quick response ability.

According to the *China Public Procurement Development Report (2020)* compiled and released by China Federation of Logistics & Purchasing, the scale of public procurement transactions in China in 2019 exceeded RMB20 trillion, accounting for more than 20% of China's total GDP. In terms of the procurement scale of the government, State-owned Key Enterprises, and local state-owned enterprises, the annual procurement scale of government and enterprises in China is also quite large. According to relevant estimates, the market size of office supplies in China exceeds RMB2 trillion (data source: www.chyxx.com). In addition, the market size of employee benefits and other categories is also quite large.

With the further development and application of information technology, traditional industries have gained growth momentum in the digital age. Industrial digitization is becoming the main pillar of the digital economy, and traditional industries are actively gaining new development momentum through digital empowerment. The investment in the manufacturing industry has shifted from the investment in equipment and assembly lines to the transformation of digital processes and digital transformation of products, in a bid to apply digital technology to reduce channel costs and management costs and become a digital-driven modern enterprise.

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. Technology-empowered smart pens and smart books are widely adopted in online education, providing a better user experience.

(2) Development strategy of the Company

Applicable Not applicable

1. Development strategy of the Company

To consolidate competitive advantages of 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 expand new businesses of one-stop office supplies service and direct retail; to actively expand international market; and to promote digitalization, organization development and talents, and investment and mergers and acquisitions with synergy. With continued efforts in those four areas, the Company will realize the vision of becoming a "world-class M&G".

2. Sustainable development strategy

In order to realize the vision of "World-class M&G", M&G Stationery has developed a sustainable development strategy together with its business strategy. With its vision of "Writing a Sustainable Business Future", M&G Stationery aims to lead the sustainable development of the industry by focusing

on four pillars: sustainable products, response to climate change, sustainable supply chain and empowering employees and communities.



(3) Operation plan

√ Applicable □ Not applicable

In 2022, the Company plans revenue of RMB20,900,000,000, a year-on-year increase of 19%, mainly through the following:

Making good use of the advantages in channel, brand, design and R&D and supply chain, the Company is expected to maintain fast and stable growth in core traditional business, improve the quality of development, implement high-end strategy and enhance quality of online products.

Push the four segments comprehensively

① Mass market stationery segment

The Company will continue to focus on medium and long life cycle products, exert more efforts in the development of long-term products that are available with new functions, new technologies and at higher prices, distribute the price range reasonably, and focus on breaking through key categories. The Company continuously optimizes the new product development process to reduce the lead time of product development and sorts out high-quality sub new products. Coordination will be made with online channel to output integrated promotion program so as to enhance the sales of mass market segment products.

② Premium stationery segment

The Company will continue to optimize the existing product mix of premium stationery segment, achieve quality upgrade and category breakthroughs, increase the contribution of single products, create a series of best-selling products, increase the on-shelf rate of best-selling products at key stationery shops, and increase the proportion of premium stationery segment in traditional channels; develop tailored premium stationery products for Jiumu Store, direct supply channels nationwide, E-commerce and APPs to better meet demand of high-end consumers; focus on online leading stores and achieve breakthroughs in core best-selling products.

③ Office supplies segment

The Company will strengthen the development and promotion of office products, continue to promote the development of M&G office stores and the development of model office stores, and realize the rollout of core products; strengthen service empowerment through direct supply from the headquarters, focus on the exploitation of potential key accounts through the direct supply from partners, highlight the development of online product offerings, and drive the overall growth of the office segment.

④ Arts and kids drawing segment

The Company will improve the management mechanism of new and old products, sort out the category structure in grid, focus on the continuous promotion of best-selling products and long life cycle products, and expand the educational products; offer all categories of products in various online platforms

to continue to increase online share; put more efforts on key stores in key cities, build dedicated zones and promote the launch of key products.

Promote omni-channel offerings

The Company will focus on key stationery shops, improve single store quality, facilitate the optimization and upgrade of franchise stores and distribution centers, and upgrade channels. 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, increase the sales volume, and expand market share; promote direct supply of office products and premium stationery products both at headquarters and partners level to create incremental sales; continue to improve the order fulfillment rate and the number of active stationery shops of M&G Alliance APP.

M&G Technologies will join in hands with product segments to launch online products and build a standard process for online product development, and use multi-store + flagship store for refined operations to improve efficiency; accelerate the development of new channel business, quickly achieve market ranking, and build promotion matrix of celebrity, live broadcast and video, to promote new channel business; promote a more refined membership operations

Promote digital construction

In line with corporate strategy, the Company plans to build the 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 capabilities, further strengthen the construction of data middleground, enhance data governance, and better drive business improvement by virtue of data; sort out and 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.

Reasonably plan capacity layout

The Company will plan the national layout of logistics and capacity to lay a stronger foundation for future development; realize the transportation of products from the production base to the logistics base through the trunk line, quickly respond to market demand, and optimize the efficiency of the overall supply chain; consider setting up new logistics and production bases in South China and other regions in a bid to support existing business development, improve supply chain and logistics efficiency and achieve sustainable development.

Continue to develop retail large store business

The Company will continue to exert efforts on the optimization of membership operation and store operation standards, maintain the high-quality and rapid growth of offline channels and the higher growth of online business, and increase the repurchase rate and customer unit price. As M&G's bridgehead in upgrading its products and channels, Jiumu Store will work with the Company to increase the sales ratio of high-end products in this channel. M&G Life will sort out the product category structure, establish a management mechanism for regular products, increase the sales proportion of M&G, improve store operation capabilities, enhance the sales per employee, improve the quality of existing single store, and explore together with the premium stationery segment to explore new business model.

Continue to grow M&G Colipu

Business in direct office supplies continues to achieve booming development since M&G Colipu follows requirement on well-informed, open and transparent government procurement, and meets requirements that enterprises desire to increase procurement efficiency and reduce procurement cost for non-production office and administration supplies. Brand enterprise continues to enhance competitiveness through improving service quality, enriching product categories, seeking more customers and developing national supply chain system, so M&G Colipu is expected to maintain relatively rapid growth, and become one of the main competitors in the market of direct office supplies. M&G Colipu will focus on the execution of the awarded projects and the promotion and expansion of the newly awarded large-scale projects; put forth effort into expanding the development of marketing gifts and MRO supply chain; continue to strengthen the construction of digitalization and information systems, with the digital construction based on "four online": online organization, online communication, online business, and online management, so as to improve efficiency by providing information tools instead of manual labor;

attract high-end leadership talents, consolidate the management team, improve the leadership ability of the management, and strengthen the construction of talent team.

(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

At present, COVID-19 pandemic in China has been effectively controlled, but the impact of virus mutation and repeated epidemics on the macro-economy is uncertain, adding uncertainties to the Company's operation in 2022. 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. Risks from macro policy

In July 2021, the release of the *Opinions on Further Reducing the Burden of Homework and Off-Campus Training in Compulsory Education* ("Double Reduction" policy) has a great impact on the K12 education and training industry. In the stationery and office supplies industry, the release of the "Double Reduction" policy and the online teaching driven by the epidemic control policy may affect the demand for writing instruments and paper products. The Company will continue to pay attention to the impact of the "Double Reduction" policy and actively take countermeasures.

(5) Others

Applicable Not applicable

VII. 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

Section IV 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. Controlling shareholders and the listed companies: the Company and the controlling shareholders achieved "five independences" in finance, personnel, assets, business, and organization, and the Company's Board of Directors, Board of Supervisors and internal control institutions operated independently; the Company's related transaction procedures were legal and the price was fair, and the obligation of information disclosure was fulfilled; the controlling shareholders had a normative behavior, and did not directly or indirectly interfere with the Company's decision-making and business activities by manipulating the general shareholders' meetings.

3. 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. The Company's Board of Directors had four special committees, namely, the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. Each special committee carried out work in accordance with the relevant provisions of the implementation rules, gave full play to the professional role of each special committee, strengthened the democratic and scientific decision-making of the Board of Directors, and ensured the sound development of the Company.

4. 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 and senior management in performing their duties, and promoting the legal and standardized operations of the Company.

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 laws, administrative regulations and the requirements of the relevant regulations of the China Securities Regulatory

Commission on the governance of listed company; if there are significant differences, the reasons should be explained

Applicable Not applicable

II. Measures taken by the controlling shareholders and actual controllers of the Company to ensure the independence of the Company's assets, personnel, finance, organization, and business, as well as the solutions taken to address the impact on the Company's independence, work progress and follow-up work plans

Applicable Not applicable

The Company was completely separated from the controlling shareholders in assets, personnel, finance, organization and business, possessing independent and complete business and the ability to operate independently.

1. Asset independence

The Company had business premises that are independent from the controlling shareholders and had an independent and complete asset structure. The Company had complete control over all assets, and no asset or fund was occupied by controlling shareholders to damage the interests of the Company.

2. Personnel independence

The personnel and remuneration management of the Company were completely independent. The directors, supervisors and senior management of the Company were elected and appointed in strict accordance with the relevant provisions of the *Company Law* and the *Articles of Association*. The president, vice president, chief financial officer and secretary of the Board of Directors of the Company did not receive remuneration from the controlling shareholders and their affiliated enterprises and held any positions other than directors and supervisors.

3. Financial independence

The Company had an independent financial and accounting department, has established an independent accounting system and financial management system, and made financial decisions independently. The Company's chief financial officer and financial accounting personnel are all full-time staff and do not hold part-time jobs in the controlling shareholder or their affiliated enterprises. The Company opened a basic deposit account independently and paid taxes independently.

4. Organizational independence

The Company has established a sound organizational system, which operates independently and has no affiliation with the controlling shareholders or their functional departments.

5. Business independence

The Company's business is independent from the controlling shareholders and their affiliated enterprises. The Company has an independent and complete design, R&D, manufacturing and sales system, conducts business independently, and does not rely on shareholders or any other related parties.

Engagement of controlling shareholders, actual controllers and other organizations under their control in the same or similar business as the Company, as well as the impact of horizontal competition or major changes in horizontal competition on the Company, measures taken, progress of the resolution and the follow-up resolution

Applicable Not applicable

III. 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	Resolution of meeting
2020 annual general shareholders' meeting	20 April 2021	www.sse.com.cn	21 April 2021	Considered and approved 9 proposals, including the 2020 Work Report of the Board of Directors, the 2020 Work Report of the Board of Supervisors, the 2020 Financial Settlement Report, the 2020 Profit Distribution Plan, the 2020 Annual Report and Summary, and the Proposal on the Expected Daily Related Transactions in 2021, the 2021 Annual Financial Budget Report, the Proposal on the Remuneration Criteria of the Company's Directors in 2021, and the Proposal on the Appointment of the

				Company's 2021 Financial Report Audit Organization and Internal Control Audit Organization.
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Holders of the preferred shares with restored voting power request for convening extraordinary general shareholders' meetings

Applicable Not applicable

Particulars on general shareholders' meetings

Applicable Not applicable

IV. Information on Directors, Supervisors and Senior Management

(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	52	2014-6-12	2023-5-07	17,100,000	13,609,300	-3,490,700	Personal capital needs	180.00	No
Chen Huxiong	Vice Chairman and President	Male	52	2014-6-12	2023-5-07	17,100,000	13,609,300	-3,490,700	Personal capital needs	180.00	No
Chen Xueling	Director and Vice President	Female	55	2014-6-12	2023-5-07	10,800,000	8,100,000	-2,700,000	Personal capital needs	100.00	No
Fu Chang	Director and Vice President	Male	52	2018-3-23	2023-5-07	109,200	108,016	-1,184	Equity incentive (Note 1)	99.09	No
Zhang Jingzhong	Independent director	Male	59	2017-5-11	2023-5-07	0	0	0		15.00	No
Chen Jingfeng	Independent director	Male	54	2017-5-11	2023-5-07	0	0	0		15.00	No
Cheng Bo	Independent director	Male	47	2016-4-19	2022-4-19	0	0	0		15.00	No
Zhu Yiping	Chairman of the Board of Supervisors	Female	63	2014-6-12	2023-5-07	0	0	0		0	Yes
Han Lianhua	Supervisor	Female	44	2014-6-12	2023-5-07	0	0	0		0	Yes
Zhang Chaohua	Employee Supervisor	Female	43	2020-5-08	2023-5-07	0	0	0		25.43	No
Zhou Yonggan	Vice President	Male	47	2020-5-08	2023-5-07	102,400	102,928	528	Equity incentive (Note 2)	75.41	No
Quan Qiang	Board Secretary	Male	49	2017-3-31	2023-5-07	71,700	69,549	-2,151	Equity incentive (Note 3)	98.63	No
Total	/	/	/	/	/	45,283,300	35,599,093	-9,684,207	/	803.56	/

Note 1: During the Reporting Period, the 1,184 restricted shares of Fu Chang that had been granted but had not been lifted from the restriction were repurchased and cancelled due to the failure of personal performance assessment.

Note 2: During the Reporting Period, 3,600 restricted shares were granted to Zhou Yonggan. The 3,072 restricted shares of Zhou Yonggan that had been granted but had not been lifted from the restriction were repurchased and cancelled due to the failure of personal performance assessment.

Note 3: During the Reporting Period, the 2,151 restricted shares of Liu Quanqiang that had been granted but had not been lifted from the restriction were repurchased and cancelled due to the failure of personal performance assessment.

Name	Main working experience
Chen Huwen	Tsinghua University - Carlson School of Management, University of Minnesota - Doctor's degree Has been involved in the stationery and office manufacturing industry since 1997, PE equity investment since 2007, and stock and bond financial investment since 2015 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 the chairman of the Company and the chairman of M&G Colipu. Has won honors such as the Model Worker in China Light Industry and the "Top Ten Brand Leaders" in Shanghai in 2013.
Chen Huxiong	Executive MBA, Cheung Kong Graduate School of Business. 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. Won the "Nominated Award of Outstanding Entrepreneur of Shanghai in 2019-2020".
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; served as a member of the Party Committee of the National Lawyer Industry since October 2017.
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 Nanjing Audit 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 130 academic papers in various authoritative accounting journals and 5 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	Senior manager of BNP Paribas Peregrine Brokerage, executive director of RBS China and chief representative of Beijing office, chief financial officer, BOD secretary and director of Guangxi Fenglin Wood Industry Group, general manager of Capital Market Department of China Wanda. Now works as the secretary of the BOD and acting as the chief financial officer of the Company.

Particulars on other information

Applicable Not applicable

(2) 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	2007-5-10	
Chen Huwen	Keying Investment	General partner	2011-2-18	
Chen Huxiong	M&G Group	Chairman	2007-5-10	
Chen Huxiong	Jiekui Investment	General partner	2011-2-18	
Chen Xueling	M&G Group	Director	2007-5-10	
Zhu Yiping	M&G Group	Person in charge of internal control	2020-1-01	
Han Lianhua	M&G Group	Chief Financial Officer	2020-1-01	
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	Shanghai Chenguang Venture Capital Center (L.P.)	General partner	12 May 2011	
Chen Huwen	Shanghai Chenguang Sanmei Property Investment Co., Ltd.	General Manager	26 May 2008	
Chen Huxiong	Shanghai Chenguang Venture Capital Center (L.P.)	Limited Partner	12 May 2011	
Chen Huxiong	Shanghai Chenguang Sanmei Property Investment Co., Ltd.	Chairman	26 May 2008	
Chen Xueling	Shanghai Chenguang Venture Capital Center (L.P.)	Limited Partner	12 May 2011	
Chen Xueling	Shanghai Chenguang Sanmei Property Investment Co., Ltd.	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	Gansu Huangtai Wine-Marketing Industry Co., Ltd.	Independent director	October 2020	
Zhang Jingzhong	Sundy Service Group Co., Ltd.	Independent non-executive director	January 2021	
Chen Jingfeng	Zhongyun Capital	Chairman	October 2017	
Cheng Bo	Nanjing Audit University	Full-time Teacher	July 2021	
Cheng Bo	Hangzhou Silan Microelectronics Co., Ltd.	Independent director	June 2019	
Cheng Bo	Shanghai Xinpeng Industry Co., Ltd.	Independent director	June 2020	
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.			

(3) 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 <i>Articles of Association</i> , 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 management 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	RMB8,035,600
Total remuneration actually received by all directors, supervisors and senior management at the end of the Reporting Period	RMB8,035,600

(4) Changes in directors, supervisors and senior management of the Company

Applicable Not applicable

(5) Particulars on punishments by securities regulatory authorities in the past three years

Applicable Not applicable

(6) Others

Applicable Not applicable

V. Meetings of the Board of Directors held during the Reporting Period

Session number	Convening date	Resolution of meeting
The 5th meeting of the 5th session of Board of Directors	26 March 2021	<ol style="list-style-type: none"> 1. Considered and approved the <i>2020 Work Report of the Board of Directors</i> 2. Considered and approved the <i>2020 Work Report of the President</i> 3. Considered and approved the <i>2020 Financial Settlement Report</i> 4. Considered and approved the <i>2020 Profit Distribution Plan</i> 5. Considered and approved the <i>Proposal on Changes in Accounting Policies</i> 6. Considered and approved the <i>2020 Auditor's Report</i> 7. Considered and approved the <i>2020 Annual Report and Summary</i> 8. Considered and approved the <i>2020 Work Report of Independent Directors</i> 9. Considered and approved the <i>2020 Performance Report of the Audit Committee under the Board of Directors</i> 10. Considered and approved the <i>2020 Internal Control Evaluation Report</i> 11. Considered and approved the <i>2020 Social Responsibility Report</i> 12. Considered and approved the <i>Proposal on Determining the Annual Audit Remuneration in 2020</i> 13. Considered and approved the <i>Proposal on the Expected Daily Related Transactions in 2021</i> 14. Considered and approved the <i>2021 Annual Financial Budget Report</i> 15. Considered and approved the <i>Proposal on the Remuneration Criteria of the Company's Directors in 2021</i> 16. Considered and approved the <i>Proposal on the Remuneration Criteria of the Company's Senior Management in 2021</i> 17. Considered and approved the <i>Proposal on the Appointment of the Company' 2021 Financial Report Audit Organization and Internal Control Audit Organization</i> 18. Considered and approved the <i>Proposal on Using Some Owned Funds for Investment and Financial Management</i> 19. Considered and approved the <i>Proposal on Repurchase and Cancellation of Some Restricted Shares</i> 20. Considered and approved the <i>Proposal to Hold the Company's 2020 Annual Shareholders' Meeting</i>
The 6th meeting of the 5th session of Board of Directors	28 April 2021	<ol style="list-style-type: none"> 1. Considered and approved the main body and full text of the <i>Report for the First Quarter of 2021</i> 2. Considered and approved the <i>Proposal on Adjusting the Repurchase Price of Restricted Shares</i>
7th meeting of the 5th session of Board of Directors	29 April 2021	Considered and approved the <i>Proposal on Granting Reserved Restricted Shares to Incentive Objects under the 2020 Restricted Share Incentive Plan</i>
The 8th meeting of the 5th session of Board of Directors	28 May 2021	Considered and approved the <i>Proposal on Establishment of Conditions for Lifting Restricted Sales in Phase 1 of Initial Grant in 2020 Restricted Share Incentive Plan</i>
The 9th meeting of the 5th session of Board of Directors	26 August 2021	Considered and approved the <i>2021 Semi-annual Report and Summary</i>

The 10th meeting of the 5th session of Board of Directors	28 October 2021	Considered and approved the <i>Report for the Third Quarter of 2021</i>
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VI. 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	4	0	0	No	1
Chen Huxiong	No	6	6	4	0	0	No	0
Chen Xueling	No	6	6	4	0	0	No	1
Fu Chang	No	6	6	4	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	5	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	2
by communication	4
on site and by communication	1

(2) Directors' objections to the Company's related matters

Applicable Not applicable

(3) Others

Applicable Not applicable

VII. Special Committees under the Board of Directors

Applicable Not applicable

(1). Members of special committees under the Board of Directors

Type	Name of member
Audit Committee	Cheng Bo, Chen Huwen, Zhang Jingzhong
Nomination Committee	Chen Jingfeng, Chen Huxiong, Zhang Jingzhong
Remuneration and Appraisal Committee	Zhang Jingzhong, Chen Huxiong, Cheng Bo
Strategy Committee	Chen Huwen, Chen Jingfeng, Cheng Bo

(2). During the Reporting Period, the Audit Committee held 5 meetings

Convening date	Contents of meetings	Important comments and recommendations	Other performance of duties
19 March 2021	First meeting of the Audit Committee in 2021	1. Considered and approved the <i>Work Summary of the Audit Department in 2020</i> 2. Considered and approved the <i>Work Plan of the Audit Department in 2021</i>	Debriefed and reviewed the work summary for this year and the next year's work plan of the Company's Internal Audit Department, and guided the operation of the Internal Audit Department.

26 March 2021	Second meeting of the Audit Committee in 2021	<p>1. Considered and approved the <i>2020 Performance Report of the Audit Committee under the Board of Directors</i></p> <p>2. Considered and approved the <i>Proposal on Changes in Accounting Policies</i></p> <p>3. Considered and approved the <i>2020 Auditor's Report</i></p> <p>4. Considered and approved the <i>2020 Internal Control Evaluation Report</i></p> <p>5. Considered and approved the <i>Proposal on Determining the Annual Audit Remuneration in 2020</i></p> <p>6. Considered and approved the <i>Proposal on the Expected Daily Related Transactions in 2021</i></p> <p>7. Considered and approved the <i>Proposal on the Appointment of the Company' 2021 Financial Report Audit Organization and Internal Control Audit Organization</i></p>	During the preparation of the annual report, the Audit Committee under the Board of Directors communicated with BDO China Shu Lun Pan CPAs (LLP), which was responsible for the Company's annual audit, on the composition of the annual audit working group, audit plan, risk judgment and audit priorities, and continued to pay attention to the preparation of the Company's annual financial report. Debriefed and reviewed the work summary for this year and the next year's work plan of the Company's Internal Audit Department, and guided the operation of the Internal Audit Department.
27 April 2021	Third meeting of the Audit Committee in 2021	Considered and approved the full text and main body of the <i>Report for the First Quarter of 2021</i>	No
26 August 2021	Fourth meeting of the Audit Committee in 2021	Considered and approved the <i>2021 Semi-annual Report and Summary</i>	No
27 October 2021	Fifth meeting of the Audit Committee in 2021	Considered and approved the full text and main body of the <i>Report for the Third Quarter of 2021</i>	No

(3). During the Reporting Period, the Remuneration and Appraisal Committee held 3 meetings

Convening date	Contents of meetings	Important comments and recommendations	Other performance of duties
26 March 2021	First meeting of the Remuneration and Appraisal Committee in 2021	<p>1. Considered and approved the <i>Proposal on the Remuneration Criteria of the Company's Directors in 2021</i></p> <p>2. Considered and approved the <i>Proposal on the Remuneration Criteria of the Company's Senior Management in 2021</i></p> <p>3. Considered and approved the <i>Proposal on Repurchase and Cancellation of Some Restricted Shares</i></p>	No
27 April 2021	Second meeting of the Remuneration and Appraisal Committee in 2021	Considered and approved the <i>Proposal on Granting Reserved Restricted Shares to Incentive Objects under the 2020 Restricted Share Incentive Plan</i>	No
23 May 2021	Third meeting of the Remuneration and Appraisal Committee in 2021	Considered and approved the <i>Proposal on Establishment of Conditions for Lifting Restricted Sales in Phase 1 of Initial Grant in 2020 Restricted Share Incentive Plan</i>	No

(4). During the Reporting Period, the Strategy Committee held 1 meeting

Convening date	Contents of meetings	Important comments and recommendations	Other performance of duties
26 March 2021	First meeting of the Strategy Committee in 2021	Considered and approved the <i>Proposal on the Company's 2021 Business Plan</i>	No

(5). Details of the matter in question

Applicable Not applicable

VIII. Particulars on Risks in the Company Identified by the Board of Supervisors

Applicable Not applicable

The Board of Supervisors has no objection to the supervision matters during the Reporting Period.

IX. Employee of Parent Company and the Principal Subsidiaries of the Company at the End of the Reporting Period**(1) Employees**

Number of employees in the parent company	2,407
Number of employees in major subsidiaries	3,120
Number of employees	5,527
Number of retirees of whom the parent company and major subsidiaries are responsible for the expenses	
Professional structure	
Category	Number
Production personnel	1,770
Sales personnel	1,238
Technical personnel	450
Finance personnel	198
Administration personnel	295
Management personnel	1,072
Others	504
Total	5,527
Education background	
Category	Number (person)
University (including college) and above	3,210
High school, technical secondary school	1,094
Others	1,223
Total	5,527

(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	20,967,240 hours
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Total remuneration paid for labor outsourcing	RMB740,459,091
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X. Profit Distribution or Capital Accumulation Plan

(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 5th meeting of the 5th session of the Board of Directors and 2020 annual shareholders' 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 million;

(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) Special description of the cash dividend policy

Applicable Not applicable

Does it meet the requirements of the Company's <i>Articles of Association</i> or the resolutions adopted at the Annual General Meeting of Shareholders:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are the dividend criteria and ratio definite and clear:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are the relevant decision-making procedures and mechanisms complete	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Do the independent directors perform their duties and play their due role	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Do the minority shareholders have the opportunity to fully express their opinions and requests, and whether their legitimate rights and interests get fully protection	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

(3) If the Company records profit distributable to 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

XI. 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

Item	Query index
On 26 March 2021, the Company held the 5th meeting of the 5th session of Board of Directors and the 4th meeting of the 5th session of Board of Supervisors, and considered and approved the <i>Proposal on Repurchase and Cancellation of Some Restricted Shares</i> .	<i>Announcement on Resolutions of the 5th Meeting of the 5th Session of Board of Directors</i> numbered 2021-005 <i>Announcement on Resolutions of the 4th Meeting of the 5th Session of Board of Supervisors</i> numbered 2021-006 <i>Announcement on Repurchase and Cancellation of Some Restricted Shares</i> numbered 2021-012 <i>Announcement on Notifying Creditors of Repurchase and Cancellation of Some Restricted Shares</i> numbered 2021-013
On 28 April 2021, the Company held the 6th meeting of the 5th session of Board of Directors and the 5th meeting of the 5th session of Board of Supervisors, and considered and approved the <i>Proposal on Adjusting the Repurchase Price of Restricted Shares</i> .	<i>Announcement on Resolutions of the 6th Meeting of the 5th Session of Board of Directors</i> numbered 2021-019 <i>Announcement on Resolutions of the 5th Meeting of the 5th Session of Board of Supervisors</i> numbered 2021-020 <i>Announcement on Adjusting the Repurchase Price of Restricted Shares</i> numbered 2021-021
On 29 April 2021, the Company held the 7th meeting of the 5th session of Board of Directors and the 6th meeting of the 5th session of Board of Supervisors, and considered and approved the <i>Proposal on Granting Reserved Restricted Shares to Incentive Objects under the 2020 Restricted Share Incentive Plan</i> .	<i>Announcement on Resolutions of the 6th Meeting of the 5th Session of Board of Supervisors</i> numbered 2021-022 <i>Announcement on Granting Reserved Restricted Shares to Incentive Objects under the 2020 Restricted Share Incentive Plan</i> numbered 2021-023
On 27 May 2021, the Company completed the cancellation of some restricted stocks that have been granted but have not yet been lifted with China Securities Depository and Clearing Corporation Limited Shanghai Branch.	<i>Announcement on the Implementation of Repurchase and Cancellation of Restricted Share for Equity Incentive</i> numbered 2021-025
On 28 May 2021, the Company held the 8th meeting of the 5th session of the Board of Directors and the 7th meeting of the 5th session of the Board of Supervisors, and considered and approved the <i>Proposal on Establishment of Conditions for Lifting Restricted Sales in Phase 1 of Initial Grant in 2020 Restricted Share Incentive Plan</i> .	<i>Announcement on Resolutions of the 7th Meeting of the 5th Session of Board of Supervisors</i> numbered 2021-026 <i>Announcement on the Unlocking and Listing of Phase 1 of the Initial Grant of 2020 Restricted Share Incentive Plan</i> numbered 2021-027
On 3 June 2021, the Company completed the registration of reserved restricted shares with China Securities Depository and Clearing Corporation Limited Shanghai Branch.	<i>Announcement on the Results of the Reserved Grant of 2020 Restricted Share Incentive Plan</i> numbered 2021-028

(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**(3) 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 shares at the beginning of the year	Number of new restricted shares during the Reporting Period	Granted price of the restricted shares (Yuan)	Locked shares	Unlocked shares	Number of the restricted shares at the end of the period	Market price at the end of the Reporting Period (Yuan)
Zhou Yonggan	Senior management	102,400	3,600	45.03	27,648	75,280	75,280	64.51
Total	/	102,400	3,600	/	27,648	75,280	75,280	/

Note: During the Reporting Period, the 3,072 restricted shares of Zhou Yonggan that had been granted but had not been lifted from the restriction were repurchased and cancelled due to the failure of personal performance assessment.

(4) Establishment and implementation of appraisal mechanism and the incentive mechanism for senior management during the Reporting Period Applicable Not applicable

The Company has established a relatively perfect performance evaluation and incentive system. Based on the principle that the income of senior management is linked to the business performance of the enterprise, the Company followed an open, fair and impartial process to appoint senior management, and continuously and timely improved the assessment mechanism. The Company has established a compensation system in line with the development needs of the Company and the actual situation of the industry to ensure the enthusiasm of senior management.

The Company implemented the *2020 Restricted Share Incentive Plan* to provide long-term incentives for senior management and core technicians, and formulated corresponding assessment methods to carry out scientific, standardized and institutionalized assessment management for senior management and core technicians included in restricted share incentive plan. The Company has guaranteed the stability of the core team and key employees and mobilizing their enthusiasm by virtue of a reasonable, sound, flexible and effective remuneration and welfare system, and a long-term benefit mechanism based on the supporting equity incentive plan.

XII. Construction and implementation of internal control system during the Reporting Period Applicable Not applicable

During the Reporting Period, the Company has established a strict internal control management system in strict accordance with the requirements of the China Securities Regulatory Commission, the Shanghai Stock Exchange, the *Company Law*, the *Articles of Association* and other laws and regulations. The Company has set up an Audit Committee under the Board of Directors to review the internal control of the Company, supervise the effective implementation of internal control and self-evaluation of internal

control, and guide and coordinate internal audit and other related matters. The Company has set up an Audit Department to independently carry out audit under the guidance of the Audit Committee under the Board of Directors. The Audit Department is accountable to the Audit Committee. The Audit Department evaluates the efficiency and effect of the design and implementation of internal control through the design and implementation of internal control audits, business management audits, special audits and economic responsibility audits, supervises and inspects the effectiveness of the Company's internal control design and operation, and promotes the Company's continuous improvement and enhancement of the quality of internal control. The Audit Department reports the internal control defects found in the audit to the Board of Supervisors, the Audit Committee or the management according to the seriousness of the problems, and urges the relevant departments to take active measures to rectify them. According to the identification of major defects in the Company's internal control, in 2021, the Company had no significant defects and important defects in the internal control of financial reporting and non-financial reporting. The Company has continuously improved the internal control system. Therefore, the internal control operation mechanism is effective, which has achieved the expected internal control objectives and protected the interests of the Company and all shareholders.

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

Applicable Not applicable

XIII. Management and Control over the Subsidiaries during the Reporting Period

Applicable Not applicable

During the Reporting Period, the Company has implemented the *Management System for Holding Subsidiaries*, stipulating the control measures and the responsibilities and authority of the parent company and the subsidiaries in the subsidiary's articles of association, personnel appointment and removal, financial management, operation decision, information management, inspection and assessment, so as to ensure that the various businesses of the subsidiaries meet the requirements of the Company's overall development strategy, ensure that the financial position of the subsidiaries is effectively monitored by the Company, prevent significant operating risks of the subsidiaries, and protect the security and integrity of assets.

Company Name	Integration plan	Integration progress	Problems encountered in integration	Measures taken	Resolution progress	Follow-up resolution plan
Back to School Holding AS	Integration of organization, management system, operation mode and business	The integration of organizational structure, management system, operation mode and business has been completed.	No significant problems occurred yet	Marketing management	Completed	Subsequently, according to the Company's business, complete the relevant integration in a timely manner, to ensure the normal operation and management control of subsidiaries

XIV. Particulars on the Auditor's Report on Internal Control

Applicable Not applicable

The Company engaged BDO China Shu Lun Pan CPAs (LLP) to audit the implementation of internal control in its 2021 financial statements and the Audit Report on Internal Control was issued. For the full text of the report, see 2021 Audit Report on Internal Control disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 29 March 2022.

Whether to disclose the audit report on internal control: yes

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

XV. Self-inspection and Rectification of Problems in the Special Action on Governance of Listed Companies

Not applicable

XVI. Others

Applicable Not applicable

Section V Environmental and Social Responsibility

I. Environmental Information

(1) Explanation on environmental protection of the companies and their major subsidiaries falling into the category of key pollutant discharging organizations 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. In routine management, the Company strengthens the monitoring and handling of "three wastes" and ensures that they are discharged as per the requirements to reduce the impact on the environment.

1. Administrative penalties for environmental issues

Applicable Not applicable

2. Disclosing other environmental information with reference to key pollutant discharging units

Applicable Not applicable

3. Reason for not disclosing other environmental information

Applicable Not applicable

(3) Information that is conducive to ecological protection, pollution prevention and control, and fulfillment of environmental responsibility

Applicable Not applicable

During the Reporting Period, M&G Public Welfare Foundation cooperated with the Red Cross Society of Gansu Province and the Qingsuo Public Welfare Development Center to establish a Haloxylon ammodendron forest in Minqin County, the source of the four major deserts in China, which has been expanded to 900 mu (600,000 m²), and joined hands with M&G Colipu in environmental protection projects. M&G employees also voluntarily went to inspect the conditions of the Haloxylon ammodendron forest. While controlling the desert, it can also increase the subsidized living income for the local villagers, and establish a public welfare model of ecological poverty alleviation and rural revitalization.

(4) Measures taken to reduce carbon emissions during the Reporting Period and their effects

Applicable Not applicable

The Company attached great importance to the efficient management of energy and the improvement of energy use efficiency. Each department took corresponding measures according to their respective functions to gradually reduce energy consumption and carbon emissions during production and operation. In terms of clean energy use, photovoltaic power generation projects have been constructed in Guangming Park and Qingcun Park, which have been fully connected to the grid and put into use for energy supply, reducing carbon emissions by more than 4,300 ton per year.

For more details, see *2021 Environment, Society and Governance Report* disclosed by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 29 March 2022.

II. Overview of Social Responsibility

√ Applicable Not applicable

For more details, see *2021 Environment, Society and Governance Report* disclosed by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 29 March 2022.

III. Consolidation and Expansion of the Achievements of Poverty Alleviation and Rural Revitalization

√ Applicable Not applicable

M&G Charity Foundation continued to focus on rural education, rural revitalization, and poverty alleviation, boosted various projects in an orderly manner, unleashed the Company's advantages, coordinated the social development, promoted the concern of the public and stakeholders on rural education, and advanced such programs as creative classroom and gold seed, in a bid to reach a consensus with more consumers on this social issue through public welfare activities and enrich the brand connotation and influence of the Company.

For more details, see *2021 Environment, Society and Governance Report* disclosed by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 29 March 2022.

Section VI Major Events

I. 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	Undertaking party	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	Keying Investment Jiekui Investment	<p>Undertaking for restriction on sale of shares and voluntary lockup undertaking by Keying Investment and Jiekui Investment, shareholders holding more than 5% of the equity</p> <p>(1) The proportion of shares unlocked every year shall not exceed 25% of the total shares held by the Company;</p> <p>(2) 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>	Permanent	No	Yes		
Undertakings related to initial public offering	Others	M&G Group	<p>Shareholding and intention to reduce shareholding of the controlling shareholder—M&G Group</p> <p>(1) M&G Group advocates that shares of the Company should be held in the long term to ensure that M&G Group shares operation achievements of the Company on a continuous basis. Therefore, M&G Group has the intention to hold shares of the Company for a long term.</p> <p>(2) After the lockup period of the Company's shares held by M&G Group expires, it is possible that M&G Group might reduce shareholding of the Company appropriately for the development requirement of M&G Group. In this situation, M&G Group is expected to reduce its shareholdings by no more than 5% of the total shares of the Company held by M&G Group within the first year after the lockup period expires with the price of the shareholding reduction not lower than the offering price of the Company's initial public offering. The shareholding reduction shall not exceed 10% of the total shares of the Company held by M&G Group within the second year after the lockup period expires with the price of the shareholding reduction not lower than the offering price of the Company's initial public offering 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 in the Company before the reduction 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</p>	Permanent	No	Yes		

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

			<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>					
Undertakings related to initial public offering	Address competition between counterparts	Chen Huwen, Chen Huxiong, and Chen Xueling	<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: 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; 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; 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>	Permanent	No	Yes		
Undertakings related to initial public offering	Others	M&G Stationery	<p>Undertaking on the binding measures in case of the failure to fulfill the undertaking by M&G Stationery</p> <p>(1) The 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 the Company fails to perform various obligations and responsibilities set out in the undertaking issues, the Company undertakes to take the following measures for restrictions:</p>	Permanent	No	Yes		

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

			form until I have fully eliminated the adverse effect due to failure on related undertaking issues.					
Undertakings related to initial public offering	Others	Keying Investment and Jiekui Investment	<p>Undertaking on the binding measures in case of the failure to fulfill the undertaking by Keying Investment and Jiekui Investment, shareholders holding more than 5% of the equity</p> <p>(1) The joint venture will strictly perform various obligations and responsibilities set out in all public undertaking issues (hereinafter referred to as "Undertaking Issues") in the initial public offering and listing of M&G Stationery.</p> <p>(2) If the joint venture fails to perform various obligations and responsibilities set out in the aforesaid undertaking issues, the joint venture undertakes to take the following measures for restrictions:</p> <p>① Compensate public investors for direct losses suffered by relying on relevant undertakings to implement transactions through self-owned capital with the amount of compensation being determined according to negotiation between the joint venture and investors, or the method or amount determined by the securities regulatory authorities and the judicial authority;</p> <p>② The lockup period of M&G Stationery's shares held by the joint venture will be automatically extended to the date when the joint venture fully eliminates the adverse effect due to failure on related undertaking issues.</p>	Permanent	No	Yes		
Undertaking related to equity incentive	Others	M&G Stationery	The Company undertakes not to provide loans and any other financial assistance in respect of restricted shares in accordance with the Incentive Plan for the incentive object, including the provision of guarantees for its loans.	Not applicable	No	Yes		
Other undertaking	Others	Keying Investment and Jiekui Investment	During the implementation period of the increase in holdings and the statutory period, the shares held by the Company will not be reduced.	Not applicable	Yes	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

II. Non-operating Misappropriation of Funds of the Company by any Controlling Shareholders and Their Related Parties during the Reporting Period

Applicable Not applicable

III. Illegal Guarantee

Applicable Not applicable

IV. Explanation of the Company's Board of Directors on the "Auditor's Report with Modified Audit Opinions" Issued by the CPA

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. 21 - Leases* (revised in 2018)

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 21 - Leases* (hereinafter referred to as "New Lease Standards") in 2018. The Company implements the new lease standards from 1 January 2021. In accordance with the revised standards, the Company has chosen not to reassess whether a contract executed prior to the first implementation date is a lease contract or contains a lease at the first implementation date.

(1) The Company as the lessee

According to the cumulative effects of first implementation of the New Lease Standards, the Company chose to adjust the current retained earnings at the beginning of the period for first implementation of the New Lease Standards as well as the amount of other related items in the financial statements, without adjustment to the information for the comparable period.

For operating leases prior to the first implementation date, the Company measured the lease liability at the date of initial implementation based on the present value of the remaining lease payments discounted at the Company's incremental borrowing rate on the date of initial implementation and chose one of the following two methods to measure the right-of-use assets by each lease:

-Assuming that the carrying amount under the New Lease Standards prevails from the commencement date of the lease term, the Company's incremental borrowing rate as of the first implementation date is deemed as the discount rate.

-A necessary adjustment is made to an amount equal to the lease liability according to prepaid rents.

By each lease, a company may choose to measure the right-of-use assets with either of the above two methods.

For operating leases prior to the first implementation date, the Company conducted one or more of the following simplified treatments by each lease option, while applying the above method:

① Leases that are completed within 12 months after the first implementation date are deemed as short-term leases;

② The same discount rate is used for leases with similar characteristics when measuring the lease liability;

③ The measurement of right-to-use assets does not include initial direct costs;

④ Where a renewal option or terminal option exists, the lease term is determined based on the actual exercise of the option prior to the first implementation date and other recent circumstances;

⑤ As an alternative for impairment test on right-of-use assets, the Company assessed whether the contract containing the lease is an onerous contract prior to the first implementation date at estimated liabilities, and adjusted the right-of-use asset by the amount of the provision for losses recorded in the balance sheet prior to the first implementation date.

⑥ Lease changes before the first implementation are not retroactively adjusted and are accounted for in accordance with final arrangements for lease changes and New Lease Standards.

In measuring the lease liability, the Company discounted the lease payments at the lessee's incremental borrowing rate (weighted mean: 4.75%) as of 1 January 2021.

Outstanding minimum lease payments for significant operating leases disclosed in the consolidated financial statements as of 31 December 2020	
Discounted present value at the Company's incremental borrowing rate as of 1 January 2021	307,325,185.80
Lease liabilities under the New Lease Standards as of 1 January 2021	176,620,358.65

Non-current liabilities due within one year under the New Lease Standards as of 1 January 2021	130,704,827.15
Difference between the above discounted present value and the lease liability	

(2) The Company as the lessor

For subleases classified as operating leases prior to the first implementation date and still in existence after the first implementation date, the Company reassessed these leases based on the remaining contractual term and conditions of the original lease and sublease on the first implementation date and classifies them in accordance with the provisions of the new lease standards. If reclassified as a finance lease, the Company will treat it as a new financial lease.

Except for subleases, the Company is not required to adjust leases as the lessor in accordance with the New Lease Standards. The Company accounted for leases in accordance with the New Lease Standards from the first implementation date.

(3) The major impact of the Company's implementation of the New Lease Standards on the financial statements is as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Affected item in statement	Effect on balance on 1 January 2021	
			Consolidation	Parent company
(1) Adjustments made by the Company as a lessee to the existing operating leases before the date of initial implementation	The 5th meeting of the 5th session of Board of Directors	Right-of-use assets	327,386,662.94	7,470,972.21
		Lease liabilities	176,620,358.65	1,264,270.31
		Non-current liabilities due within one year	130,704,827.15	3,648,655.35
		Prepayments	-20,061,477.14	-2,558,046.55

2. Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 14*

The Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises No. 14* (CK [2021] No. 1, hereinafter referred to as "Interpretation No. 14") on 2 February 2021, which comes into force as of the date of promulgation. The relevant businesses increased from 1 January 2021 to the implementation date were adjusted as required by Interpretation No. 14.

① Public-Private Partnership (PPP) project contract

Interpretation No. 14 is applicable to PPP project contracts that meet both the "dual characteristics" and "dual control" described in such Interpretation. Retrospective adjustments should be made to relevant PPP project contracts that were implemented before 31 December 2020 and have not been completed by the implementation date. In the event that retrospective adjustment is not feasible, such Interpretation shall be applied from the beginning of the initial stage at which the retrospective adjustment is feasible. The retained earnings at the beginning of the current year and other relevant items in the financial statements on the effective date of the adjustment of cumulative impact other than those in the comparable periods shall be adjusted. The Company's implementation of this Provision has no impact.

② Reform of benchmark interest rate

Interpretation No. 14 provides a simplified accounting treatment for cases where the benchmark rate reform results in a change in the basis for determining cash flows related to financial instrument contracts and lease contracts.

According to the provisions of such Interpretation, the business pertaining to the benchmark interest rate reform before 31 December 2020 should be adjusted retrospectively, except where retrospective adjustment is not feasible, and there is no need to adjust the data in the comparative financial statements of the previous period. On the implementation date of such Interpretation, the difference between the original carrying amount and the new carrying amount of financial assets and financial liabilities, shall be included in the beginning retained earnings or other comprehensive income of the Reporting Period in which such Interpretation is implemented. The implementation of this provision has not had a material impact on the financial position and operating results of the Company.

3. Implementation of the *Circular on Adjusting the Scope of Application of the Provisions on the Accounting Treatment of COVID-19-related Rent Concessions*

On 19 June 2020, the Ministry of Finance issued the *Provisions on the Accounting Treatment of COVID-19-related Rent Concessions* (CK (2020) No. 10), allowing companies to resort to a simplified method for accounting treatment for rental reductions, deferred rent payment and other rental concessions related to COVID-19 pandemic that meet the stipulations of the Provisions.

On 26 May 2021, the Ministry of Finance issued the *Circular on Adjusting the Scope of Application of the Provisions on the Accounting Treatment of COVID-19-related Rent Concessions* (CK [2021] No. 9), which was implemented on 26 May 2021. According to such Circular, the scope of application of "using simplified method for rental reductions related to COVID-19 pandemic" is changed from "concession is only applicable to lease payments payable before 30 June 2021" to "concession is only applicable to lease payments payable before 30 June 2022", with other applicable conditions unchanged.

The Company has adopted simplified accounting methods for all lease contracts that meet the requirements before the adjustment of scope of application, and also adopted the simplified method for accounting treatment of all similar lease contracts that meet the requirements after the adjustment of the scope of application. Retrospective adjustments have been made to the relevant lease contracts which have been subjected to accounting treatment by lease change before the issuance of the Circular, but the comparative financial statements of the previous period have not been adjusted; the relevant rental concessions that occurred between 1 January 2021 and the effective date of the Circular and were not subjected to accounting treatment as required by such provisions shall be adjusted according to the Circular.

4. Implementation of presentation of the centralized management of funds set forth in *Interpretation No. 15 of the Accounting Standards for Business Enterprises*

On 30 December 2021, the Ministry of Finance issued the *Interpretation No. 15 of Accounting Standards for Business Enterprises* (CK [2021] No. 35, hereinafter referred to as "Interpretation No. 15"). The "presentation of centralized management of funds" was implemented as of the date of publication and the financial statements in comparable periods were adjusted accordingly.

Interpretation No. 15 clearly stipulates how the balance involved in the centralized and unified management of the funds of the parent company and members through internal settlement centers and financial companies, should be presented and disclosed in the balance sheet. The implementation of this provision has not had a material impact on the financial position and operating results of the Company.

(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 CPAs (LLP)
Remuneration of domestic accounting firm	160
Term of office of domestic accounting firm	12

	Name	Remuneration
Internal control audit accounting firm	BDO China Shu Lun Pan CPAs (LLP)	70

Explanation on appointment and dismissal of the accounting firm

Applicable Not applicable

During the Reporting Period, the BDO China Shu Lun Pan CPAs (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

(3) Situation and causes for termination of listing

Applicable Not applicable

VIII. Matters Related to Bankruptcy and Reorganization

Applicable Not applicable

IX. 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

X. Suspected Violation of Laws and Regulations, Punishment and Rectification to the Listed Company, Its Directors, Supervisors, Senior Management, Controlling Shareholders, and Actual Controllers

Applicable Not applicable

XI. 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.

XII. 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 5th meeting of the 5th session of Board of Directors and 2020 annual general meeting of the Company considered and approved the *Proposal on the Expected Daily Related Transactions in 2021*, and issued the *Announcement on the Implementation of Expected Daily Related Transactions in 2021* (number: 2021-009) on 30 March 2021.

In 2021, the estimated income from selling goods to the sales entities controlled by Guo Weilong amounted to RMB520,000,000.00. It was estimated that fees for leasing the houses of M&G Group (including office buildings, workshops, parking space, warehouses and dormitories) amounted to RMB4,620,952.38; fees for leasing the office buildings and parking space of M&G Group amounted to

RMB3,861,563.33; utilities amounted to RMB6,000,000.00. It was estimated that the expenses incurred by M&G Colipu, Colipu Information Technology, M&G Technologies, and Jiumu Store in leasing M&G Group's office building and parking space amounted to RMB11,775,442.14, RMB3,125,755.71, RMB1,675,847.14, and RMB493,795.59, respectively and the expenses incurred by M&G Life in leasing M&G Group's parking space amounted to RMB20,571.43.

In 2021, the actual income from selling goods to the sales entities controlled by Guo Weilong amounted to RMB421,648,593.59. The actual fees for leasing the houses of M&G Group (including office buildings, workshops, parking space, warehouses and dormitories) amounted to RMB4,620,952.60; fees for leasing the office buildings and parking space of M&G Group amounted to RMB3,055,612.47; utilities amounted to RMB5,819,952.08. The actual expenses incurred by M&G Colipu, Colipu Information Technology, M&G Technologies, and Jiumu Store in leasing M&G Group's office building and parking space amounted to RMB11,206,556.28, RMB2,969,468.08, RMB1,252,961.62, and RMB729,409.82, respectively and the actual expenses incurred by M&G Life in leasing M&G Group's parking space amounted to RMB8,682.02.

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) Financial business between the Company and the affiliated financial companies, the Company's holding financial company and the related party

Applicable Not applicable

(6) Others

Applicable Not applicable

XIII. 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	160,000	160,000	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	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	2021/9/22	Self-owned capital			3.57%		788.66	Recovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	40,000	2019/7/4	2021/2/26	Self-owned capital			3.41%		1,732.16	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	30,000	2020/8/5	2021/9/22	Self-owned capital			3.30%		1,108.29	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	40,000	2020/12/31	2021/4/6	Self-owned capital			2.82%		300.16	Recovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	20,000	2020/12/31	2021/3/31	Self-owned capital			3.50%		172.60	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	34,000	2021/4/7	2021/9/22	Self-owned capital			3.30%		503.69	Recovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	30,000	2021/4/7	2021/10/9	Self-owned capital			2.88%		438.45	Recovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	40,000	2021/4/7	2021/7/6	Self-owned capital			3.50%		345.21	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	25,000	2021/9/30		Self-owned capital						Unrecovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	50,000	2021/9/30	2021/12/29	Self-owned capital			3.60%		443.84	Recovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	10,000	2021/10/8		Self-owned capital						Unrecovered	Yes	Yes	
Agricultural Bank of China Limited Shanghai Guangming Sub-branch	Non-principal guaranteed with floating returns	45,000	2021/10/13		Self-owned capital						Unrecovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	10,000	2021/10/13		Self-owned capital						Unrecovered	Yes	Yes	
SPD Bank Co., Ltd. Fengxian Sub-branch	Non-principal guaranteed with floating returns	50,000	2021/12/30		Self-owned capital						Unrecovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	12,000	2019/6/20	2021/5/8	Self-owned capital			3.07%		365.16	Recovered	Yes	Yes	

Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	2,000	2019/7/31	2021/3/15	Self-owned capital			2.89%		94.04	Recovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	1,000	2019/8/30	2021/3/15	Self-owned capital			2.87%		44.30	Recovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	1,000	2019/9/29	2021/3/25	Self-owned capital			2.86%		42.58	Recovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	3,550	2020/6/3	2021/5/8	Self-owned capital			2.75%		90.70	Recovered	Yes	Yes	
Bank of Shanghai Co., Ltd. Puxi Sub-branch	Non-principal guaranteed with floating returns	2,000	2020/6/22	2021/5/20	Self-owned capital			2.73%		49.72	Recovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	3,000	2020/7/8	2021/4/19	Self-owned capital			2.76%		64.59	Recovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	3,000	2021/4/28	2021/5/13	Self-owned capital			3.28%		4.04	Recovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	7,000	2021/9/14		Self-owned capital						Unrecovered	Yes	Yes	
Industrial and Commercial Bank of China Limited Shanghai Gumei Road Sub-branch	Non-principal guaranteed with floating returns	3,000	2021/10/9		Self-owned capital						Unrecovered	Yes	Yes	
China Merchants Bank Co., Ltd. Shanghai Branch Wujiaochang Sub-branch	Non-principal guaranteed with floating returns	5,000	2021/10/9		Self-owned capital						Unrecovered	Yes	Yes	
China Merchants Bank Co., Ltd. Shanghai Branch Wujiaochang Sub-branch	Non-principal guaranteed with floating returns	5,000	2021/10/13		Self-owned capital						Unrecovered	Yes	Yes	

Others

Applicable Not applicable

(3) Provision for the impairment of entrusted wealth management

Applicable Not applicable

2. Entrusted loans**(1) Overall condition of entrusted loans**

Applicable Not applicable

Others

Applicable Not applicable

(2) Individual entrusted loans

Applicable Not applicable

Others

Applicable Not applicable

(3) Provision for the impairment of entrusted loans

Applicable Not applicable

3. Others

Applicable Not applicable

(4) Other material contracts

Applicable Not applicable

**XIV. Explanation of Other Major Events that Have a Material Impact on Investors' Value
Judgments and Investment Decisions**

Applicable Not applicable

Section VII Changes in Shares and Shareholders

I. Changes in Share Capital

(1) Statement of changes in shares

1. Statement of changes in shares

Unit: share

	Before the change		Increase/decrease of the change (+, -)					After the change	
	Quantity	Percentage (%)	Issue of new shares	Bonus shares	Capital reserve-converted shares	Others	Subtotal	Quantity	Percentage (%)
I. Restricted shares	7,427,600	0.80	689,400			-2,381,790	-1,692,390	5,735,210	0.62
1. State-owned shares									
2. Shares held by state-owned legal person									
3. Other domestic shares	7,427,600	0.80	689,400			-2,381,790	-1,692,390	5,735,210	0.62
Including: Shares held by domestic non-state-owned legal person									
Shares held by domestic natural person	7,427,600	0.80	689,400			-2,381,790	-1,692,390	5,735,210	0.62
4. Overseas shares									
Including: Shares held by foreign legal person									
Shares held by overseas natural person									
II. Non-restricted circulating shares	920,000,000	99.20				2,010,380	2,010,380	922,010,380	99.38
1. Ordinary RMB shares	920,000,000	99.20				2,010,380	2,010,380	922,010,380	99.38
2. Domestically listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	927,427,600	100.00	689,400			-371,410	317,990	927,745,590	100.00

2. Explanation of changes in shares

√ Applicable □ Not applicable

According to the Company's 2020 Restricted Stock Incentive Plan and the authorization of the 2019 Annual General Meeting of Shareholders and upon consideration and approval at the 5th meeting of the 5th session of Board of Directors and the 4th meeting of the 5th session of Board of Supervisors, the

Company completed the cancellation of part of the restricted shares under such Incentive Plan with China Securities Depository and Clearing Corporation Limited Shanghai Branch on 27 May 2021, repurchasing and canceling 371,410 restricted shares of 111 incentive objects.

After the completion of the repurchase and cancellation, the total shares of the Company decreased from 927,427,600 shares to 927,056,190 shares.

Upon consideration and approval at the 8th meeting of the 5th session of the Board of Directors and the 7th meeting of the 5th session of the Board of Supervisors, the conditions for lifting the selling restrictions for the initial grant as required by the Company's 2020 *Restricted Stock Incentive Plan* have been established, and the 2,010,380 restricted shares held by 324 incentive objects have been unlocked and outstanding on 3 June 2021 and have been converted from restricted shares to unrestricted negotiable shares.

Upon consideration and approval at the 7th meeting of the 5th session of Board of Directors and the 6th meeting of the 5th session of Board of Supervisors, the Company completed the registration of restricted stock granted under this Incentive Plan with China Securities Depository and Clearing Corporation Limited Shanghai Branch on 3 June 2021, granting 689,400 restricted shares to 119 incentive objects. After the registration of this grant, the Company's total shares increased from 927,056,190 shares to 927,745,590 shares.

3. Impact of changes in 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

(1) Basic earnings per share

Basic earnings per share are based on the combined net profit attributable to the ordinary shareholders of the parent company divided by the weighted mean of the Company's outstanding ordinary shares:

Item	Amount in the current period	Amount in the last period
Combined net profit attributable to ordinary shareholders of the parent company	1,515,343,226.16	1,247,295,968.55
Weighted mean of the Company's outstanding ordinary shares	921,172,721.67	920,000,000.00
Basic earnings per share	1.6450	1.3558
Including: Basic earnings per share from continuing as a going concern	1.6450	1.3558
Basic earnings per share from not continuing as a going concern		

(2) Diluted earnings per share

Diluted earnings per share are based on the combined net profit (diluted) attributable to the ordinary shareholders of the parent company divided by the weighted mean (diluted) of the Company's outstanding ordinary shares:

Item	Amount in the current period	Amount in the last period
Combined net profit (diluted) attributable to ordinary shareholders of the parent company	1,517,866,131.16	1,255,426,655.27
Weighted mean of the Company's outstanding ordinary shares (diluted)	921,172,721.67	925,997,158.63

Diluted earnings per share	1.6425	1.3558
Including: Diluted earnings per share from continuing as a going concern	1.6425	1.3558
Diluted earnings per share from not continuing as a going concern		

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 removed during the year	Increase in number of restricted shares during the year	Number of restricted shares at the end of the year	Reason for selling restrictions	Date of lifting of selling restrictions
Incentive objects of restricted shares in 2020	7,427,600	2,381,790	689,400	5,735,210	Equity incentive selling restrictions	3 June 2021
Total	7,427,600	2,381,790	689,400	5,735,210	/	/

Note: "Number of shares lifted from sales restrictions this year" in the above table includes 2,010,380 shares lifted from sales restrictions and 371,410 shares repurchased and cancelled. The cancellation date is 27 May 2021.

II. Issuance and Listing of Securities

(1) Issuance of securities as at the Reporting Period

Applicable Not applicable

Unit: Share Currency: RMB

Type of stock and its derivative securities	Issuing date	Issue price (or interest rate)	Number of the issued shares	Listing date	Number of shares approved for listing	Transaction end date
Ordinary shares						
Restricted shares	3 June 2021	RMB45.03/share	689,400		689,400	

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

According to the Company's 2020 Restricted Stock Incentive Plan, 689,400 reserved restricted shares were issued during the Reporting Period.

(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

According to 2020 Restricted Stock Incentive Plan, 689,400 shares were reserved and granted to 119 incentive objects, and the Company's shares increased by 689,400 shares, all of which were restricted shares. Thereafter, the Company's total shares were 927,745,590 shares.

As of 31 December 2021, the total assets of the Company were RMB11,424,387,900, an increase of 17.66% over RMB9,709,908,400 at the end of last year; the liabilities were RMB4,901,235,300, an increase of 14.81% over RMB4,268,921,600 at the end of last year; the asset-liability ratio dropped to 42.90% from 43.96% at the end of last year.

(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	31,902
Total number of shareholders of ordinary shares at the end of last month prior to the disclosure date of this annual report	35,247
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, marked, or frozen		Nature of shareholder
					Status of share	Quantity	
M&G Holdings (Group) Co., Ltd.	0	536,000,000	57.77	0	No	0	Domestic nonstate-owned legal person
Hong Kong Securities Clearing Company Limited	14,647,807	47,609,233	5.13	0	No	0	Others
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)	6,499,945	27,999,893	3.02	0	No	0	Others
Shanghai Keying Investment Management Office (L.P.)	-3,677,442	13,872,558	1.50	0	No	0	Others
Shanghai Jiekui Investment Management Firm (L.P.)	-3,611,100	13,713,900	1.48	0	No	0	Others
Chen Huxiong	-3,490,700	13,609,300	1.47	0	No	0	Domestic natural person

Chen Huwen	-3,490,700	13,609,300	1.47	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)	3,299,876	11,999,876	1.29	0	No	0	Others
Aberdeen Standard Investments (Asia) Limited - Aberdeen Standard - China A Share Fund	1,402,912	9,685,935	1.04	0	No	0	Others
Chen Xueling	-2,700,000	8,100,000	0.87	0	No	0	Domestic natural person
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	Quantity				
M&G Holdings (Group) Co., Ltd.	536,000,000	Ordinary RMB Shares	536,000,000				
Hong Kong Securities Clearing Company Limited	47,609,233	Ordinary RMB Shares	47,609,233				
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)	27,999,893	Ordinary RMB Shares	27,999,893				
Shanghai Keying Investment Management Office (L.P.)	13,872,558	Ordinary RMB Shares	13,872,558				
Shanghai Jiekui Investment Management Firm (L.P.)	13,713,900	Ordinary RMB Shares	13,713,900				
Chen Huxiong	13,609,300	Ordinary RMB Shares	13,609,300				
Chen Huwen	13,609,300	Ordinary RMB Shares	13,609,300				
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)	11,999,876	Ordinary RMB Shares	11,999,876				
Aberdeen Standard Investments (Asia) Limited - Aberdeen Standard - China A Share Fund	9,685,935	Ordinary RMB Shares	9,685,935				
Chen Xueling	8,100,000	Ordinary RMB Shares	8,100,000				
Special repurchase account of the top ten shareholders	Not applicable						
Explanation on the above-mentioned shareholders' entrusting voting rights, accepting voting rights entrusted and waiver of voting rights	Not applicable						
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 <i>Measures for the Administration of the Takeover of Listed Companies</i> among the aforesaid shareholders.						
Explanation on the preference shareholders with voting rights restored and their shareholdings	Not applicable						

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

√ Applicable □ Not applicable

Unit: share

No.	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 restriction		Selling restrictions
			Available-for-listing-and-trading time	Number of new available-for-listing-and-trading shares	
1	Incentive objects of restricted shares in 2020	5,735,210			Equity incentive selling restrictions

Explanation on the related relationship or parties acting in concert among the above shareholders	Not applicable
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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	2007-5-10
Main operation businesses	Industrial investment, infrastructure investment, consultation for investment information (except 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

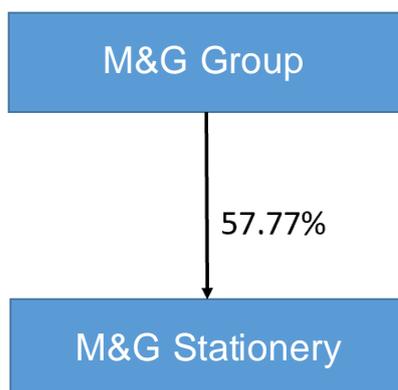
Applicable Not applicable

4 Explanation of the change 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

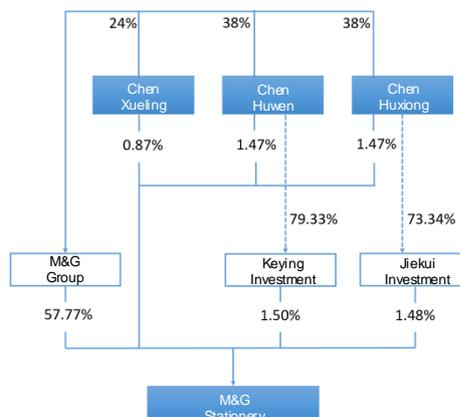
Applicable Not applicable

4 Explanation of the change of the Company's control 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. The Total Shares Pledged by the Controlling Shareholder or the First Majority Shareholder and the Person Acting in Concert Account for More Than 80% of the Company's Shares Held by Them

Applicable Not applicable

VI. Other Legal Person Shareholders with More Than 10% Shareholdings

Applicable Not applicable

VII. Explanation on Limitation on Reduction of Shareholding

Applicable Not applicable

VIII. Implementation of Share Repurchase during the Reporting Period

Applicable Not applicable

Section VIII Preferred Shares

Applicable Not applicable

Section IX Bonds

I. Enterprise Bonds, Corporate Bonds and Non-financial Enterprise Debt Financing Instruments

Applicable Not applicable

II. Convertible Corporate Bonds

Applicable Not applicable

Section X Financial Report

I. Auditor's Report

√ Applicable □ Not applicable

Xin Kuai Shi Bao Zi [2022] No. ZA10458

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 2021, 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 2021, 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 2021 and of its consolidated and parent company's operating results and cash flows for the year of 2021.

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
(I) Recognition of the revenue	
<p>Please refer to notes to financial statements for accounting policies set out in "III Significant Accounting Policies and Accounting Estimates" (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 2021, M&G Stationery's revenue from principal business in sales recognition amounted to RMB17,602,085,200.</p> <p>M&G Stationery recognized revenue based on the expected amount of consideration that it is entitled to receive when the customer</p>	<ol style="list-style-type: none"> 1. We understood and evaluated design of the key internal control designed by management and we tested the effectiveness of implementing key controls; 2. We inspected customer contracts, on a sample basis, to identify terms and conditions 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; 3. We selected samples for revenue transactions recorded during the current year, with invoices, sales contracts, goods delivery notes or transport documents to assess whether the related revenue was recognized in accordance with M&G Stationery's revenue recognition accounting policies;

<p>obtains control of the relevant products. 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>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>
(II) Anticipated credit loss of accounts receivable	
<p>Please refer to notes to financial statements for accounting policies set out in "III Significant Accounting Policies and Accounting Estimates" (IX) and "V Notes to Consolidated Financial Statements" (IV). As at 31 December 2021, balance of accounts receivable amounted to RMB1,761,134,300, and provision made for credit impairment loss of accounts receivable amounted to RMB40,265,900. 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 2021 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)**

**Chinese Certified Public Accountant: Chen Luying
(Project Partner)**

Chinese Certified Public Accountant: Wang Aijia

Shanghai • China

25 March 2022

II. Financial Statements

Consolidated Balance Sheet

31 December 2021

Prepared by: Shanghai M&G Stationery Inc.

Unit: RMB Currency: RMB

Item	Notes	31 December 2021	31 December 2020
Current assets:			
Cash and equivalents	VII. 1	3,010,652,190.64	2,562,158,926.11
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	VII. 2	1,609,123,552.86	1,428,277,848.33
Derivative financial assets			
Bills receivable	VII. 4	39,712,146.72	
Accounts receivable	VII. 5	1,720,868,415.43	1,561,211,468.90
Receivables financing	VII. 6	22,824,707.62	61,412,976.46
Prepayment	VII. 7	90,826,293.94	131,596,384.76
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	VII. 8	163,987,201.97	141,753,102.00
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	VII. 9	1,546,653,299.30	1,322,812,846.83
Contract assets			
Held for sale assets			
Non-current assets due within one year	VII. 12	3,312,295.00	4,637,213.00
Other current assets	VII. 13	85,797,733.53	27,286,607.30
Total current assets		8,293,757,837.01	7,241,147,373.69
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	VII. 17	36,512,701.80	34,722,395.67
Investments in other equity instruments	VII. 18	6,745,402.14	5,476,577.42
Other non-current financial assets			
Investment real estate			
Fixed assets	VII. 21	1,840,104,394.34	1,847,635,724.45
Construction in progress	VII. 22	66,743,168.66	54,946,300.66
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VII. 25	357,540,113.34	
Intangible assets	VII. 26	434,848,138.70	320,746,328.60
Development expenses			
Goodwill	VII. 28	63,529,740.20	
Long-term prepaid expenses	VII. 29	162,206,827.46	99,035,852.78
Deferred income tax assets	VII. 30	153,856,300.50	99,939,414.58
Other non-current assets	VII. 31	8,543,306.18	6,258,468.47
Total non-current assets		3,130,630,093.32	2,468,761,062.63
Total assets		11,424,387,930.33	9,709,908,436.32
Current liabilities:			
Short-term borrowings	VII. 32	179,925,570.29	180,176,000.00
Borrowings from central bank			

Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities	VII. 34	147,570.52	
Bills payable	VII. 35	172,167.42	
Accounts payable	VII. 36	2,809,593,441.42	2,602,020,507.99
Accounts received in advance			
Contract liabilities	VII. 38	146,585,240.81	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	191,303,383.26	152,625,106.89
Taxes payable	VII. 40	353,228,927.57	477,240,219.10
Other payables	VII. 41	593,242,385.96	625,468,675.97
Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsured accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 43	178,611,602.65	
Other current liabilities	VII. 44	90,875,521.97	13,746,089.97
Total current liabilities		4,543,685,811.87	4,165,376,635.27
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	VII. 47	172,924,166.21	
Long-term payable	VII. 48	8,420,000.00	8,420,000.00
Long-term employee benefits payable			
Estimated liabilities	VII. 50	35,311,258.55	12,211,357.80
Deferred income	VII. 51	48,089,564.76	46,132,513.40
Deferred income tax liabilities	VII. 30	92,665,937.38	36,781,069.25
Other non-current liabilities			
Total non-current liabilities		357,410,926.90	103,544,940.45
Total liabilities		4,901,096,738.77	4,268,921,575.72
Owner's equity (or shareholders' equity):			
Share capital	VII. 53	927,745,590.00	927,427,600.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 55	454,186,790.79	533,384,131.66
Less: Treasury shares	VII. 56	148,106,474.00	176,034,120.00
Other comprehensive income	VII. 57	264,042.14	2,141,402.48
Special reserve			
Surplus reserve	VII. 59	464,201,654.91	464,042,659.91
General risk provision			
Undistributed profit	VII. 60	4,496,600,374.16	3,442,607,038.00
Total equity attributable to the owners of the parent company		6,194,891,978.00	5,193,568,712.05
Minority equity		328,399,213.56	247,418,148.55
Total owners' equity (or shareholders' equity)		6,523,291,191.56	5,440,986,860.60
Total liabilities and owner's equity (or shareholders' equity)		11,424,387,930.33	9,709,908,436.32

The chairman of the Company: Chen Huwen CFO of the Company: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Parent Company's Balance Sheet

31 December 2021

Prepared by: SHANGHAI M&G STATIONERY INC.

Unit: RMB Currency: RMB

Item	Notes	31 December 2021	31 December 2020
Current assets:			
Cash and equivalents		1,745,979,385.16	1,887,003,379.89
Held-for-trading financial assets		1,408,461,028.23	1,272,219,811.46
Derivative financial assets			
Bills receivable			
Accounts receivable	XVII. 1	127,794,215.77	177,648,799.65
Receivables financing			
Prepayment		30,780,762.76	36,987,935.22
Other receivables	XVII. 2	600,504,253.91	399,678,347.22
Including: Interest receivable			35,000.00
Dividend receivable			
Inventories		442,836,008.14	332,755,309.92
Contract assets			
Held for sale assets			
Non-current assets due within one year		3,312,295.00	4,637,213.00
Other current assets		154,197,220.48	150,000,000.00
Total current assets		4,513,865,169.45	4,260,930,796.36
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	XVII. 3	1,538,161,599.01	1,098,535,037.00
Investments in other equity instruments		6,745,402.14	5,476,577.42
Other non-current financial assets			
Investment real estate			
Fixed assets		1,495,059,787.67	1,471,196,714.32
Construction in progress		61,619,438.17	50,603,926.95
Productive biological assets			
Oil and gas assets			
Right-of-use assets		7,418,455.85	
Intangible assets		171,561,670.92	177,722,510.27
Development expenses			
Goodwill			
Long-term prepaid expenses		67,556,926.66	5,417,965.45
Deferred income tax assets		26,498,132.15	29,239,636.35
Other non-current assets		7,295,018.30	5,829,768.47
Total non-current assets		3,381,916,430.87	2,844,022,136.23
Total assets		7,895,781,600.32	7,104,952,932.59
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable		252,733,729.26	320,744,916.72
Accounts received in advance			
Contract liabilities		71,836,265.91	76,291,447.04
Employee benefits payable		112,456,576.65	84,898,291.78
Taxes payable		113,254,643.17	263,690,993.11
Other payables		1,177,159,560.69	1,089,678,737.94
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		5,950,751.45	
Other current liabilities		9,338,714.57	9,917,888.11
Total current liabilities		1,742,730,241.70	1,845,222,274.70

Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		496,319.19	
Long-term payable		260,420,000.00	260,420,000.00
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		26,576,868.80	23,417,137.82
Deferred income tax liabilities		2,853,732.94	3,614,458.33
Other non-current liabilities			
Total non-current liabilities		290,346,920.93	287,451,596.15
Total liabilities		2,033,077,162.63	2,132,673,870.85
Owner's equity (or shareholders' equity):			
Share capital		927,745,590.00	927,427,600.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		638,242,426.13	538,163,670.62
Less: Treasury shares		148,106,474.00	176,034,120.00
Other comprehensive income		3,825,730.75	2,329,031.21
Special reserve			
Surplus reserve		463,872,795.00	463,713,800.00
Undistributed profit		3,977,124,369.81	3,216,679,079.91
Total owners' equity (or shareholders' equity)		5,862,704,437.69	4,972,279,061.74
Total liabilities and owner's equity (or shareholders' equity)		7,895,781,600.32	7,104,952,932.59

The chairman of the Company: Chen Huwen CFO of the Company: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Consolidated Income Statement

January - December 2021

Unit: RMB Currency: RMB

Item	Notes	2021	2020
I. Total revenue		17,607,403,250.12	13,137,745,727.18
Including: Revenue	VII. 61	17,607,403,250.12	13,137,745,727.18
Interest income			
Premium received			
Handling fee and commission income			
II. Total operating costs		15,925,682,890.70	11,732,355,241.35
Including: Operating cost	VII. 61	13,520,841,753.26	9,806,609,999.48
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	66,507,958.32	50,694,964.71
Selling expenses	VII. 63	1,397,645,460.82	1,103,184,023.51
Administrative expenses	VII. 64	745,024,738.28	602,627,135.41
R&D expenses	VII. 65	188,758,215.50	160,178,941.89
Financial expenses	VII. 66	6,904,764.52	9,060,176.35
Including: Interest expenses		22,849,307.31	6,948,206.51
Interest income		31,800,258.52	13,415,173.15
Add: Other gains	VII. 67	72,747,727.93	45,665,409.77
Income from investment ("-" refers to loss)	VII. 68	6,293,164.04	3,851,154.70
Including: Investment income from associates and joint ventures		1,372,107.60	-1,610,614.02
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	38,636,606.71	32,281,250.23
Losses on credit impairment ("-" refers to loss)	VII. 71	-7,013,714.54	-38,225,902.12
Losses on assets impairment ("-" refers to loss)	VII. 72	-17,091,366.45	-40,287,483.83
Gains from asset disposal ("-" refers to loss)	VII. 73	6,098,090.22	169,704.92
III. Operating profits ("-" refers to loss)		1,781,390,867.33	1,408,844,619.50
Add: Non-operating profits	VII. 74	98,159,047.88	128,775,498.09
Less: Non-operating expenses	VII. 75	18,146,808.20	20,471,306.43
IV. Total profits ("-" refers to total loss)		1,861,403,107.01	1,517,148,811.16
Less: Income tax expenses	VII. 76	327,807,441.64	278,775,085.16
V. Net profits ("-" refers to net loss)		1,533,595,665.37	1,238,373,726.00
(I) Classified by operation continuity			
1. Net profits from continuing activities ("-" refers to net loss)		1,533,595,665.37	1,238,373,726.00
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)		1,517,866,131.16	1,255,426,655.27
2. Profit or loss attributable to minority shareholders ("-" refers to net loss)		15,729,534.21	-17,052,929.27

VI. Net amount of other comprehensive income after tax		-2,290,233.39	1,284,183.22
(I) Net amount of other comprehensive income after tax attributable to owners of the parent company		-1,877,360.34	1,615,042.93
1. Other comprehensive income not to be reclassified into profit or loss		1,496,321.29	2,024,062.42
(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		417,820.28	738,151.54
(3) Change in fair value of investments in other equity instruments		1,078,501.01	1,285,910.88
(4) Change in fair value of enterprise's own credit risk			
2. Other comprehensive income to be reclassified into profit or loss		-3,373,681.63	-409,019.49
(1) Other comprehensive income that may be reclassified to profit or loss under equity method		378.25	12,074.68
(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		108,696.70	
(6) Exchange differences from translation of financial statements		-3,482,756.58	-421,094.17
(7) Others			
(II) Net amount of other comprehensive income after tax attributable to minority shareholders		-412,873.05	-330,859.71
VII. Total comprehensive income		1,531,305,431.98	1,239,657,909.22
(I) Total comprehensive income attributable to owners of the parent company		1,515,988,770.82	1,257,041,698.20
(II) Total comprehensive income attributable to minority shareholders		15,316,661.16	-17,383,788.98
VIII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)		1.6450	1.3558
(II) Diluted earnings per share (Yuan/share)		1.6425	1.3558

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.

The chairman of the Company: Chen Huwen CFO of the Company: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Income Statement of the Parent Company

January - December 2021

Unit: RMB Currency: RMB

Item	Notes	2021	2020
I. Revenue	XVII. 4	4,775,891,830.59	4,195,911,462.19
Less: Operating cost	XVII. 4	2,568,184,822.14	2,164,311,904.18
Taxes and surcharges		18,798,817.87	18,164,236.07
Selling expenses		251,254,499.88	205,919,659.54
Administrative expenses		522,541,509.33	425,917,972.99
R&D expenses		163,122,840.94	135,381,593.07
Financial expenses		-32,451,619.70	-7,024,536.16
Including: Interest expenses		2,525,853.91	1,517,396.53
Interest income		38,922,886.92	18,306,911.40
Add: Other gains		10,189,418.97	10,610,663.43
Income from investment ("-" refers to loss)	XVII. 5	5,439,519.84	3,153,311.04
Including: Investment income from associates and joint ventures		1,372,107.60	-1,610,614.02
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)		36,977,984.23	28,634,739.23
Losses on credit impairment ("-" refers to loss)		2,127,911.75	-3,408,970.51
Losses on assets impairment ("-" refers to loss)		-968,847.45	872,454.58
Gains from asset disposal ("-" refers to loss)		3,907,817.69	25,621.30
II. Operating profits ("-" refers to loss)		1,342,114,765.16	1,293,128,451.57
Add: Non-operating profits		92,512,492.98	90,245,541.69
Less: Non-operating expenses		5,626,551.17	5,632,154.87
III. Total profits ("-" refers to total loss)		1,429,000,706.97	1,377,741,838.39
Less: Income tax expenses		204,682,622.07	205,164,355.15
IV. Net profits ("-" refers to net loss)		1,224,318,084.90	1,172,577,483.24
(I) Net profits from continuing activities ("-" refers to net loss)		1,224,318,084.90	1,172,577,483.24
(II) Net profits from discontinuing activities ("-" refers to net loss)			
V. Net amount of other comprehensive income after tax		1,496,699.54	2,036,137.10
(I) Other comprehensive income not to be reclassified into profit or loss		1,496,321.29	2,024,062.42
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		417,820.28	738,151.54
3. Change in fair value of investments in other equity instruments		1,078,501.01	1,285,910.88
4. Change in fair value of enterprise's own credit risk			
(II) Other comprehensive income to be reclassified into profit or loss		378.25	12,074.68
1. Other comprehensive income that may be reclassified to profit or loss under equity method		378.25	12,074.68
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		1,225,814,784.44	1,174,613,620.34
VII. Earnings per share:			
(I) Basic earnings per share (Yuan/share)			
(II) Diluted earnings per share (Yuan/share)			

The chairman of the Company: Chen Huwen CFO of the Company: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Consolidated Cash Flow Statement
January - December 2021

Unit: Yuan Currency: RMB

Item	Notes	2021	2020
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		18,775,664,300.30	14,375,933,624.40
Net increase in customer and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from banks and other financial institutions			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investments			
Cash received from interest, fees and commissions			
Net increase in borrowings			
Net increase in repurchase business capital			
Net cash received from securities trading agency services			
Tax rebates		10,369,246.97	11,398,390.80
Other cash received from operating activities	VII. 78	1,329,822,604.24	744,295,214.21
Sub-total of cash inflows from operating activities		20,115,856,151.51	15,131,627,229.41
Cash paid for goods and services		13,782,147,395.98	10,196,223,261.78
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		964,853,485.39	820,264,591.39
Taxes and fees paid		1,061,608,286.98	663,182,452.66
Cash paid for other operating activities	VII. 78	2,746,050,562.39	2,180,259,031.30
Sub-total of cash outflows from operating activities		18,554,659,730.74	13,859,929,337.13
Net cash flow generated from operating activities		1,561,196,420.77	1,271,697,892.28
II. Cash flow from investing activities:			
Cash received from disposal of investments		2,970,000,000.00	2,291,000,000.00
Cash received from returns on investments		62,458,333.69	21,189,324.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		11,181,134.17	16,631.67
Net cash received from disposal of subsidiaries and other operating entities			

Other cash received relating to investing activities	VII. 78	1,324,918.00	1,987,377.00
Sub-total of cash inflows from investing activities		3,044,964,385.86	2,314,193,333.06
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		381,903,887.13	323,935,562.77
Cash paid for investment		3,170,000,000.00	3,042,050,000.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other operating entities		155,898,356.19	13,656,702.33
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		3,707,802,243.32	3,379,642,265.10
Net cash flow generated from investing activities		-662,837,857.46	-1,065,448,932.04
III. Cash flow generated from financing activities:			
Proceeds received from financing activities		52,543,682.00	176,034,120.00
Including: Proceeds received by subsidiaries from minority shareholders' investment		21,500,000.00	
Cash received from borrowings		211,087,200.00	180,000,000.00
Other cash received from financing-related activities	VII. 78	67,500,000.00	
Sub-total of cash inflows from financing activities		331,130,882.00	356,034,120.00
Cash repayments of borrowings		224,956,154.64	180,000,000.00
Dividends paid, profit distributed or interest paid		478,576,740.11	374,506,316.09
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities	VII. 78	356,857,834.03	1,585,530.00
Sub-total of cash outflows from financing activities		1,060,390,728.78	556,091,846.09
Net cash flow from financing activities		-729,259,846.78	-200,057,726.09
IV. Effects of exchange rate fluctuations on cash and cash equivalents		-6,960,237.09	-6,291,534.79
V. Net increase in cash and cash equivalents		162,138,479.44	-100,300.64
Add: Cash and cash equivalents at the beginning of the period		1,377,346,135.25	1,377,446,435.89
VI. Cash and cash equivalents at the end of the period		1,539,484,614.69	1,377,346,135.25

The chairman of the Company: Chen Huwen CFO of the Company: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Cash Flow Statement of the Company
January - December 2021

Unit: RMB Currency: RMB

Item	Notes	2021	2020
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services		5,385,576,848.34	4,597,258,430.48
Tax rebates		3,189,697.74	
Other cash received from operating activities		1,403,304,335.52	1,051,218,859.99
Sub-total of cash inflows from operating activities		6,792,070,881.60	5,648,477,290.47
Cash paid for goods and services		2,779,458,377.10	2,109,943,577.01
Cash paid to and on behalf of employees		477,407,103.64	403,578,239.43
Taxes and fees paid		586,015,675.64	398,632,878.68
Cash paid for other operating activities		1,592,162,349.00	1,641,002,312.95
Sub-total of cash outflows from operating activities		5,435,043,505.38	4,553,157,008.07
Net cash flow generated from operating activities		1,357,027,376.22	1,095,320,282.40
II. Cash flow from investing activities:			
Cash received from disposal of investments		2,790,000,000.00	2,150,000,000.00
Cash received from returns on investments		54,804,179.70	20,645,914.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,508,833.33	604,365.44
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received relating to investing activities		1,324,918.00	1,987,377.00
Sub-total of cash inflows from investing activities		2,854,637,931.03	2,173,237,656.64
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		306,645,976.60	254,982,539.91
Cash paid for investment		3,368,500,000.00	2,900,000,000.00
Net cash paid for acquiring subsidiaries and other operating entities			13,656,702.33
Other cash paid relating to investing activities			
Sub-total of cash outflows from investing activities		3,675,145,976.60	3,168,639,242.24
Net cash flow generated from investing activities		-820,508,045.57	-995,401,585.60
III. Cash flow generated from financing activities:			
Proceeds received from financing activities		31,043,682.00	176,034,120.00
Cash received from borrowings			
Other cash received from financing-related activities			
Sub-total of cash inflows from financing activities		31,043,682.00	176,034,120.00
Cash repayments of borrowings			
Dividends paid, profit distributed or interest paid		465,698,100.00	369517396.53

Other cash paid for financing-related activities		19,004,886.14	1,585,530.00
Sub-total of cash outflows from financing activities		484,702,986.14	371,102,926.53
Net cash flow from financing activities		-453,659,304.14	-195,068,806.53
IV. Effects of exchange rate fluctuations on cash and cash equivalents		-4,202,451.81	-5,972,061.74
V. Net increase in cash and cash equivalents		78,657,574.70	-101,122,171.47
Add: Cash and cash equivalents at the beginning of the period		705,217,858.93	806,340,030.40
VI. Cash and cash equivalents at the end of the period		783,875,433.63	705,217,858.93

The chairman of the Company: Chen Huwen CFO of the Company: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Consolidated Statements of Changes in Owners' Equity
January - December 2021

Unit: RMB

Currency: RMB

Item	2021													Minority equity	Total equity attributable to owners
	Equity attributable to owners of the parent company											Subtotal			
	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	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
Add: Changes in accounting policies															
Correction for previous errors															
Business combination under common control															
Others															
II. Balance at the beginning of the year	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
III. Increase and decrease for the period ("-" for decrease)	317,990.00				-79,197,340.87	-27,927,646.00	-1,877,360.34		158,995.00		1,053,993,336.16		1,001,323,265.95	80,981,065.01	1,082,304,330.96
(I) Total comprehensive income							-1,877,360.34				1,517,866,131.16		1,515,988,770.82	15,316,661.16	1,531,305,431.98
(II) Owner's contribution and capital reduction	317,990.00				-43,886,082.32	-27,927,646.00							-15,640,446.32	65,573,846.26	49,933,399.94
1. Ordinary shares contributed by the owners	317,990.00				22,075,530.00	-27,927,646.00							50,321,166.00	33,078,168.15	83,399,334.15
2. Capital contributions by other equity instrument holders															
3. Amount of share-based payments credited to owners' equity					68,319,695.36								68,319,695.36		68,319,695.36
4. Others					-134,281,307.68								-134,281,307.68	32,495,678.11	-101,785,629.57
(III) Profit distribution									158,995.00		-463,872,795.00		-463,713,800.00		-463,713,800.00
1. Withdrawal of surplus reserve									158,995.00		-158,995.00				
2. Withdrawal of general risk provision															

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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 payments credited to owners' equity					71,971,792.64								71,971,792.64		71,971,792.64
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															

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(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

The chairman of the Company: Chen Huwen CFO of the Company: Quan Qiang Person in charge of Accounting Department: Zhai Yu

Parent Company's Statement of Changes in Owners' Equity
January - December 2021

Unit: RMB Currency: RMB

Item	2021										
	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	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
Add: Changes in accounting policies											
Correction for previous errors											
Others											
II. Balance at the beginning of the year	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
III. Increase and decrease for the period ("-" for decrease)	317,990.00				100,078,755.51	-27,927,646.00	1,496,699.54		158,995.00	760,445,289.90	890,425,375.95
(I) Total comprehensive income							1,496,699.54			1,224,318,084.90	1,225,814,784.44
(II) Owner's contribution and capital reduction	317,990.00				100,078,755.51	-27,927,646.00					128,324,391.51
1. Ordinary shares contributed by the owners	317,990.00				22,075,530.00	-27,927,646.00					50,321,166.00
2. Capital contributions by other equity instrument holders											
3. Amount of share-based payments credited to owners' equity					68,319,695.36						68,319,695.36
4. Others					9,683,530.15						9,683,530.15
(III) Profit distribution									158,995.00	-463,872,795.00	-463,713,800.00
1. Withdrawal of surplus reserve									158,995.00	-158,995.00	
2. Distribution to owners (or shareholders)										-463,713,800.00	-463,713,800.00
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	927,745,590.00				638,242,426.13	148,106,474.00	3,825,730.75		463,872,795.00	3,977,124,369.81	5,862,704,437.69

Item	2020									
	Paid-up capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	Undistributed profit	Total equity attributable to owners

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		Preference shares	Perpetual bonds	Others			Other comprehensive income			
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
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

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

As of 31 December 2021, the Company issued a total of 927,455,590 shares accumulatively, including 5,735,210 restricted shares, and its registered capital amounted to RMB927,455,590. 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 25 March 2022.

2. Scope of consolidated financial statements

Applicable Not applicable

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

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 2021, 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 business combination 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 business combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognize such difference as goodwill; where the cost of business combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be included in the current profit or loss. The identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the business combination that meet the recognition conditions are measured at their fair values at the date of purchase.

The direct expenses incurred in business combination shall be included the current profit or loss; transaction costs associated with the issue of equity or debt securities for the business combination 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 treatment of joint operations

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

(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, 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) Valuation of inventory COGS

Inventory COGS is valued using the weighted average method.

(3) Basis for determining 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

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

Details of determination and accounting treatment of the anticipated credit loss of contract assets are set out in Note "10. (6) Impairment test method and accounting treatment for impairment of financial assets".

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). Recognition conditions

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.

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 valuation and depreciation of fixed assets under finance lease

√ Applicable Not applicable

Assets acquired under finance leases: At the commencement of the lease term, assets acquired under finance 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.

For the finance leases subject to simplified accounting of COVID-19-related rent concessions, the Company continues to recognize the unrecognized financing expenses as the current financing expenses at the same discount rate as before the concessions, and continues to accrue the depreciation of assets under finance lease using the same method as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as contingent rent. When a concession agreement is reached to release the original obligation to pay the rent, the Company will include the reduced and exempted rent in the current profit and loss and adjust the long-term payables accordingly, or discount the reduced and exempted rent at the discount rate before the concessions, include it in the current profit and loss, and adjust the unrecognized financing expenses. In case of any deferred rent payment, the Company will offset the long-term payables recognized in the previous period when the rent is actually paid.

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 analyzed 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	Certificate of land use rights
Image identification rights	12 months to 64 months	License contract
Software	3 to 10 years	Expected years of benefit
Patent right	10	Patent right certificate
Others	19 months to 120 months	Expected years of benefit

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

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

Applicable Not applicable

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

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

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

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

② Specific criteria for capitalization at development phase

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, right-of-use assets, 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	Expected years of benefit

32. Contract liabilities

(1). Recognition of contract liabilities

Applicable Not applicable

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 benefits

(1). Accounting treatment of short-term benefits

Applicable Not applicable

During the accounting period when employees provide service, the Company will recognize the short-term benefits 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 benefits 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). Accounting treatment of 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.

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 treatment of 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 canceled 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

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.

(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

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 refer 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 government subsidies related to assets 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 object of subsidies in government documents, then the Company will classify the government subsidies as assets-related or income-related depending on the specific purpose that the subsidies are used for.

(2) Timing of recognition

Government subsidies are recognized when the Company can meet the conditions attached and can receive them.

(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 they are related to the daily activities of the Company, they shall be included in other income; otherwise, they 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 they are related to the daily activities of the Company, they shall be included in other income; otherwise, they 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 of operating leases

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.

For the operating leases subject to simplified accounting of COVID-19-related rent concessions, the Company continues to include the original contract rent in the relevant asset costs or expenses using the same method as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as contingent rent and include it in the current profit and loss during the period of rent reduction and exemption. In case of any deferred rent payment, the Company will recognize the rent payable as payable in the original payment period, and offset the payable recognized in the previous period when the rent is actually paid.

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.

For the operating leases subject to simplified accounting of COVID-19-related rent concessions, the Company continues to recognize the original contract rent as rental income with the same method as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as contingent rent and offset the rental income during the period of rent reduction and exemption. In case of any deferred rent collection, the Company will recognize the rent that should be collected as receivable during the original collection period, and offset the receivable recognized in the previous period when the rent is actually received.

(2). Accounting treatment of finance leases

Applicable Not applicable

① Assets acquired under finance leases: At the commencement of the lease term, assets acquired under finance 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.

For the finance leases subject to simplified accounting of COVID-19-related rent concessions, the Company continues to recognize the unrecognized financing expenses as the current financing expenses at the same discount rate as before the concessions, and continues to accrue the depreciation of assets under finance lease using the same method as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as contingent rent. When a concession agreement is reached to release the original obligation to pay the rent, the Company will include the reduced and exempted rent in the current profit and loss and adjust the long-term payables accordingly, or discount the reduced and exempted rent at the discount rate before the concessions, include it in the current profit and loss, and adjust the unrecognized financing expenses. In case of any deferred rent payment, the Company will offset the long-term payables recognized in the previous period when the rent is actually paid.

② Assets leased out under finance leases: On the lease beginning date, the Company recognizes the difference between the sum of finance 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 finance lease receivables and the amount of income recognized in the lease term will be reduced.

For the finance leases subject to simplified accounting of COVID-19-related rent concessions, the Company continues to recognize unrealized financing income as rental income at the same interest rate implicit in lease as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as contingent rent. When a concession agreement is reached to give up the original right to collect the rent, the Company will offset the originally recognized rental income, include the portion insufficient for offset in the investment income, and adjust the long-term receivables accordingly, or discount the reduced and exempted rent at the discount rate before the concessions, include it in the current profit and loss, and adjust the unrealized financing income. In case of any deferred rent collection, the Company will offset the long-term payable recognized in the previous period when the rent is actually received.

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

√ Applicable Not applicable

Accounting policies from 1 January 2021

A lease is a contract whereby the lessor conveys to the lessee the right to use an asset in exchange for consideration. On the commencement date of the contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if one party to the contract gives the right to control the use of an identified asset or identified assets for a period of time in exchange for consideration.

If the contract contains multiple separate leases simultaneously, the Company will split the contract and conduct separate accounting treatment for each separate lease. If the contract contains lease components and non-lease components simultaneously, the lessee and the lessor will split the lease components and the non-lease components.

For rent concessions, including rent reduction and exemption, and deferred rent payment, directly caused by COVID-19 and reached on existing lease contracts, if the following conditions are satisfied simultaneously, the Company adopts the simplified accounting for all leases. If not all of the leases are subject to the simplified accounting, the Company shall disclose the nature of the lease contract subject to the simplified accounting. However, the simplified accounting choice shall be consistently applied to

similar lease contracts that meet the conditions before and after the adjustment of the scope of application of the *Provisions on the Accounting Treatment of COVID-19-related Rent Concessions*, namely the Company will not assess whether a lease change has occurred and will not reassess the lease classification:

- The lease consideration after the concessions is reduced or basically unchanged from that before the concessions, and the lease consideration can be undiscounted or discounted at the discount rate before the concessions;
- The concessions are only for lease payments payable before 30 June 2022, an increase in lease payments payable after 30 June 2022 does not affect the satisfaction of this condition, and a decrease in lease payments payable after 30 June 2022 does not satisfy this condition; and
- It is determined that there are no significant changes in other terms and conditions of the lease after comprehensive consideration of qualitative and quantitative factors.

① The Company as the lessee

A. Right-of-use assets

At the commencement date of the lease term, the Company recognizes right-of-use assets for leases other than short-term leases and low-value asset leases. Right-of-use assets are initially measured at cost. The cost comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease term, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company subsequently adopts the straight-line method to depreciate the right-of-use 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; otherwise, depreciation will be prepared during the lease term or the remaining useful life of the leased asset whichever is shorter.

The Company determines whether the right-of-use asset has been impaired in accordance with the principles described in Note "V (30) Impairment of long-term assets", and performs accounting treatment for the identified impairment losses.

B. Lease liabilities

At the commencement date of the lease term, the Company recognizes lease liabilities for leases other than short-term leases and low-value asset leases. Lease liabilities are initially measured at the present value of the lease payments that are not paid. Lease payments comprise:

- fixed payments (including substantial fixed payments), less any lease incentives received;
 - variable lease payments that depend on an index or a rate;
 - amounts expected to be payable by the lessee under residual value guarantees provided by the Company;
 - the exercise price of a purchase option if the Company is reasonably certain to exercise that option;
- and

- Payments for exercising an option to terminate the lease if the lease term reflects the lessee exercising an option to terminate the lease.

The Company uses the interest rate implicit in lease as the discount rate, but if the interest rate implicit in lease cannot be reasonably determined, the Company's incremental borrowing rate is used as the discount rate.

The Company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate, and includes it in the current profit and loss or the related asset costs.

Variable lease payments excluded in the measurement of lease liabilities are included in the current profit and loss or the related asset costs when they are actually incurred.

After the commencement date of the lease term, the Company re-measures the lease liabilities and adjusts the corresponding right-of-use assets under the following circumstances. If the carrying amount of the right-of-use assets is reduced to zero, but the lease liabilities still need to be further reduced, the difference is included in the current profit and loss:

- when there is a change in the assessment result of an option to purchase, renew or terminate the lease, or the actual exercise of the aforementioned options is inconsistent with the original assessment result, the Company remeasures the lease liabilities at the present value calculated according to the changed lease payments and the revised discount rate; and

- When there is a change in the substantial fixed payments, a change in the amounts expected to be payable under a residual value guarantee, or a change in an index or a rate used to determine the lease payments, the Company remeasures the lease liabilities at the present value calculated according to the changed lease payments and the unchanged discount rate. However, the present value is calculated according to the revised discount rate if the change in lease payments is caused by a change in floating interest rates.

C. Short-term leases and low-value asset leases

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and low-value asset leases, and includes relevant lease payments in the current profit and loss or related asset costs over the lease term on straight-line basis. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and does not contain a purchase option. A low-value asset lease is a lease with a lower value when a single leased asset is a brand-new asset. If the Company subleases or expects to sublease a leased asset, the original lease is not a low-value asset lease.

D. Lease modifications

The Company accounts for a lease modification as a separate lease if the following conditions are satisfied simultaneously:

- the lease modification increases the lease scope by adding the right to use one or more lease assets;

and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not treated as a separate lease, at the effective date of the lease modification, the Company re-allocates the consideration of the contract after the change, re-determines

the lease term, and remeasures the lease liability at the present value calculated according to the changed lease payments and the revised discount rate.

When a lease modification decreases the lease scope or shortens the lease term, the Company reduces the carrying value of the right-of-use asset and includes the relevant gain or loss resulting from partial or full termination of the lease in the current profit and loss. When other lease modifications result in re-measurement of the lease liability, the Company adjusts the carrying value of the right-of-use asset accordingly.

E. COVID-19-related rent concessions

For the leases subject to simplified accounting of COVID-19-related rent concessions, the Company does not assess whether there is a lease modification, but continues to calculate the interest expense of the lease liability at the same discount rate as before the concessions and include it in the current profit and loss, and also continues to depreciate the right-of-use asset using the same method as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as variable lease payment. When a concession agreement is reached to release the original obligation to pay the rent, the Company will offset the relevant asset costs or expenses at the undiscounted amount or the amount discounted at the discount rate before the concessions, and adjust the lease liabilities accordingly. In case of any deferred rent payment, the Company will offset the lease liability recognized in the previous period when the rent is actually paid.

For short-term leases and low-value asset leases, the Company continues to include the original contract rent in the relevant asset costs or expenses using the same method as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as variable lease payment, and offset the relevant asset costs or expenses during the period of rent reduction and exemption. In case of any deferred rent payment, the Company will recognize the rent payable as payable in the original payment period, and offset the payable recognized in the previous period when the rent is actually paid.

② The Company as the lessor

At the commencement date of the lease term, the Company classifies lease into finance lease and operating lease. Finance lease refers to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset, regardless of whether the ownership is ultimately transferred. Operating lease refers to a lease other than a finance lease. When the Company acts as a sublease lessor, it classifies the sublease based on the right-of-use asset arising from the original lease.

A. Accounting treatment of operating leases

Lease receipts from operating leases are recognized as rental income over the lease term on straight-line basis. The Company capitalizes the initial direct expenses incurred in relation to operating leases, and amortizes and includes them in the current profit and loss on the same basis as the rental income is recognized during the lease term. Variable lease payments excluded in lease receipts are included in the current profit and loss when they are actually incurred. In case of any operating lease modification, the Company will account for it as a new lease from the effective date of the modification, and regard the lease advance or lease receivable related to the lease before the modification as the receipt from the new lease.

B. Accounting treatment of finance leases

At the commencement of the lease, the Company recognizes a finance lease receivable for a finance lease, and derecognizes finance lease assets. At the initial measurement of the finance lease receivable, the Company regards the net investment in the lease as the entry value of the finance lease receivable. Net investment in the lease is the sum of the following items discounted at the interest rate implicit in lease: any unguaranteed residual value; and any lease receipt which is received at the commencement of the lease.

The Company calculates and recognizes the interest income over the lease term at the fixed periodic interest rate. Derecognition and impairment of finance lease receivables are subject to the accounting treatment in accordance with Note "V (10) Financial Instruments".

Variable lease payments excluded in net investment in the lease are included in measurement the current profit and loss when they are actually incurred.

The Company accounts for a finance lease modification as a separate lease if the following conditions are satisfied simultaneously:

- the modification increases the lease scope by adding the right to use one or more lease assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a finance lease modification is not treated as a separate lease, the Company accounts for the modified lease as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the commencement date, the Company accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying value of the lease asset as the net investment in the lease immediately before the effective date of the lease modification.
- if the lease would have been classified as an finance lease had the modification been in effect at the commencement date, the Company accounts for the lease modification according to the policies for modification or renegotiation of contracts in Note "V (10) Financial Instruments".

C. COVID-19-related rent concessions

For the operating leases subject to simplified accounting of COVID-19-related rent concessions, the Company continues to recognize the original contract rent as rental income with the same method as before the concessions. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as the variable lease payment and offset the rental income during the period of rent reduction and exemption. In case of any deferred rent collection, the Company will recognize the rent that should be collected as receivable during the original collection period, and offset the receivable recognized in the previous period when the rent is actually received.

- For the finance leases subject to simplified accounting of COVID-19-related rent concessions, the Company continues to calculate the interest at the same discount rate as before the concessions and recognize it as rental income. In case of any rent reduction and exemption, the Company will regard the reduced and exempted rent as variable lease payment. When a concession agreement is reached to give up the original right to collect the rent, the Company will offset the originally recognized rental income at the undiscounted amount or the amount discounted at the discount rate before the concessions, include the portion insufficient for offset in the investment income, and adjust the finance lease receivable accordingly.

In case of any deferred rent collection, the Company will offset the finance lease receivable recognized in the previous period when the rent is actually received.

③ Sale and leaseback transactions

The Company assesses and determines whether the transfer of the asset in the sale and leaseback transactions is a sale according to Note "V (38) Income".

A. The Company as the lessee

When the transfer of the asset in the sale and leaseback transactions is a sale, the Company as the lessor measures the right-of-use asset arising from the sale and leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained through leaseback, and recognizes the relevant gain or loss at the amount that relates to the rights transferred to the lessor. When the transfer of the asset in the sale and leaseback transactions is not a sale, the Company as the lessor continues to recognize the transferred assets and also recognizes a financial liability equal to the transfer income. Details of accounting treatment of financial liabilities are set out in Note "V (10) Financial Instruments".

B. The Company as a lessor

When the transfer of the asset in the sale and leaseback transactions is a sale, the Company as the lessor accounts for the purchase of the asset, and accounts for the lease of the asset in accordance with the aforementioned policy of "② The Company as the lessor"; When the transfer of the asset in the sale and leaseback transactions is not a sale, the Company as the lessor does not recognize the transferred asset, but recognizes a financial asset equal to the transfer income. Details of accounting treatment of financial assets are set out in Note "V (10) Financial Instruments".

Accounting policies before 1 January 2021

Lease is classified into finance lease and operating lease. Finance lease refers to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. Operating lease refers to a lease other than a finance lease.

For rent concessions, including rent reduction and exemption, and deferred rent payment, directly caused by COVID-19 and reached on existing lease contracts, if the following conditions are satisfied simultaneously, the Company adopts the simplified accounting for all leases, without assessing whether a lease change has occurred and reassessing the lease classification:

- The lease consideration after the concessions is reduced or basically unchanged from that before the concessions, and the lease consideration can be undiscounted or discounted at the discount rate before the concessions;
- The concessions are only for lease payments payable before 30 June 2021, an increase in lease payments payable after 30 June 2021 does not affect the satisfaction of this condition, and a decrease in lease payments payable after 30 June 2021 does not satisfy this condition; and
- It is determined that there are no significant changes in other terms and conditions of the lease after comprehensive consideration of qualitative and quantitative factors.

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 <i>Notice of the Ministry of Finance on Revising and Issuing the Accounting Standards for Business Enterprises No. 21 - Leases (Cai Kuai [2018] No.35)</i>	The 5th meeting of the 5th session of Board of Directors	See other descriptions 1

Other descriptions

1. Implementation of the *Accounting Standards for Business Enterprises No. 21 - Leases* (revised in 2018)

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 21 - Leases* (hereinafter referred to as "New Lease Standards") in 2018. The Company implements the new lease standards from 1 January 2021. In accordance with the revised standards, the Company has chosen not to reassess whether a contract executed prior to the first implementation date is a lease contract or contains a lease at the first implementation date.

(1) The Company as the lessee

According to the cumulative effects of first implementation of the New Lease Standards, the Company chose to adjust the current retained earnings at the beginning of the period for first implementation of the New Lease Standards as well as the amount of other related items in the financial statements, without adjustment to the information for the comparable period.

For operating leases prior to the first implementation date, the Company measured the lease liability at the date of initial implementation based on the present value of the remaining lease payments discounted at the Company's incremental borrowing rate on the date of initial implementation and chose one of the following two methods to measure the right-of-use assets by each lease:

-Assuming that the carrying amount under the New Lease Standards prevails from the commencement date of the lease term, the Company's incremental borrowing rate as of the first implementation date is deemed as the discount rate.

-A necessary adjustment is made to an amount equal to the lease liability according to prepaid rents.

By each lease, a company may choose to measure the right-of-use assets with either of the above two methods.

For operating leases prior to the first implementation date, the Company conducted one or more of the following simplified treatments by each lease option, while applying the above method:

① Leases that are completed within 12 months after the first implementation date are deemed as short-term leases;

② The same discount rate is used for leases with similar characteristics when measuring the lease liability;

③ The measurement of right-to-use assets does not include initial direct costs;

④ Where a renewal option or terminal option exists, the lease term is determined based on the actual exercise of the option prior to the first implementation date and other recent circumstances;

⑤ As an alternative for impairment test on right-of-use assets, the Company assessed whether the contract containing the lease is an onerous contract prior to the first implementation date at estimated liabilities, and adjusted the right-of-use asset by the amount of the provision for losses recorded in the balance sheet prior to the first implementation date.

⑥ Lease changes before the first implementation are not retroactively adjusted and are accounted for in accordance with final arrangements for lease changes and New Lease Standards.

When measuring a lease liability, the Company discounts the lease payment using the lessee's incremental borrowing rate at 1 January 2021.

Outstanding minimum lease payments for significant operating leases disclosed in the consolidated financial statements as of 31 December 2020	
Discounted present value at the Company's incremental borrowing rate as of 1 January 2021	307,325,185.80
Lease liabilities under the New Lease Standards as of 1 January 2021	176,620,358.65
Non-current liabilities due within one year under the New Lease Standards as of 1 January 2021	130,704,827.15
Difference between the above discounted present value and the lease liability	

(2) The Company as the lessor

For subleases classified as operating leases prior to the first implementation date and still in existence after the first implementation date, the Company reassessed these leases based on the remaining contractual term and conditions of the original lease and sublease on the first implementation date and classifies them in accordance with the provisions of the new lease standards. If reclassified as a finance lease, the Company will treat it as a new financial lease.

Except for subleases, the Company is not required to adjust leases as the lessor in accordance with the New Lease Standards. The Company accounted for leases in accordance with the New Lease Standards from the first implementation date.

(3) The major impact of the Company's implementation of the New Lease Standards on the financial statements is as follows:

Contents and reasons of changes in accounting policies	Review and approval procedure	Affected item in statement	Effect on balance on 1 January 2021	
			Consolidation	Parent company
(1) Adjustments made by the Company as a lessee to the existing operating leases before the date of initial implementation	The 5th meeting of the 5th session of Board of Directors	Right-of-use assets	327,386,662.94	7,470,972.21
		Lease liabilities	176,620,358.65	1,264,270.31
		Non-current liabilities due within one year	130,704,827.15	3,648,655.35
		Prepayments	-20,061,477.14	-2,558,046.55

2. Implementation of the *Interpretation of Accounting Standards for Business Enterprises No. 14*

The Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises No. 14* (CK [2021] No. 1, hereinafter referred to as "Interpretation No. 14") on 2 February 2021, which comes into force as of the date of promulgation. The relevant businesses increased from 1 January 2021 to the implementation date were adjusted as required by Interpretation No. 14.

① Public-Private Partnership (PPP) project contract

Interpretation No. 14 is applicable to PPP project contracts that meet both the "dual characteristics" and "dual control" described in such Interpretation. Retrospective adjustments should be made to relevant PPP project contracts that were implemented before 31 December 2020 and have not been completed by the implementation date. In the event that retrospective adjustment is not feasible, such Interpretation shall be applied from the beginning of the initial stage at which the retrospective adjustment is feasible. The retained earnings at the beginning of the current year and other relevant items in the financial statements on the effective date of the adjustment of cumulative impact other than those in the comparable periods shall be adjusted. The Company's implementation of this Provision has no impact.

② Reform of benchmark interest rate

Interpretation No. 14 provides a simplified accounting treatment for cases where the benchmark rate reform results in a change in the basis for determining cash flows related to financial instrument contracts and lease contracts.

According to the provisions of such Interpretation, the business pertaining to the benchmark interest rate reform before 31 December 2020 should be adjusted retrospectively, except where retrospective adjustment is not feasible, and there is no need to adjust the data in the comparative financial statements of the previous period. On the implementation date of such Interpretation, the difference between the original carrying amount and the new carrying amount of financial assets and financial liabilities, shall be included in the beginning retained earnings or other comprehensive income of the Reporting Period in which such Interpretation is implemented. The implementation of this provision has not had a material impact on the financial position and operating results of the Company.

3. Implementation of the *Circular on Adjusting the Scope of Application of the Provisions on the Accounting Treatment of COVID-19-related Rent Concessions*

On 19 June 2020, the Ministry of Finance issued the *Provisions on the Accounting Treatment of COVID-19-related Rent Concessions* (CK (2020) No. 10), allowing companies to resort to a simplified method for accounting treatment for rental reductions, deferred rent payment and other rental concessions related to COVID-19 pandemic that meet the stipulations of the Provisions.

On 26 May 2021, the Ministry of Finance issued the *Circular on Adjusting the Scope of Application of the Provisions on the Accounting Treatment of COVID-19-related Rent Concessions* (CK [2021] No. 9), which was implemented on 26 May 2021. According to such Circular, the scope of application of "using simplified method for rental reductions related to COVID-19 pandemic" is changed from "concession is only applicable to lease payments payable before 30 June 2021" to "concession is only applicable to lease payments payable before 30 June 2022", with other applicable conditions unchanged.

The Company has adopted simplified accounting methods for all lease contracts that meet the requirements before the adjustment of scope of application, and also adopted the simplified method for accounting treatment of all similar lease contracts that meet the requirements after the adjustment of the scope of application. Retrospective adjustments have been made to the relevant lease contracts which have been subjected to accounting treatment by lease change before the issuance of the Circular, but the

comparative financial statements of the previous period have not been adjusted; the relevant rental concessions that occurred between 1 January 2021 and the effective date of the Circular and were not subjected to accounting treatment as required by such provisions shall be adjusted according to the Circular.

4. Implementation of presentation of the centralized management of funds set forth in *Interpretation No. 15 of the Accounting Standards for Business Enterprises*

On 30 December 2021, the Ministry of Finance issued the *Interpretation No. 15 of Accounting Standards for Business Enterprises* (CK [2021] No. 35, hereinafter referred to as "Interpretation No. 15"). The "presentation of centralized management of funds" was implemented as of the date of publication and the financial statements in comparable periods were adjusted accordingly.

Interpretation No. 15 clearly stipulates how the balance involved in the centralized and unified management of the funds of the parent company and members through internal settlement centers and financial companies, should be presented and disclosed in the balance sheet. The implementation of this provision has not had a material impact on the financial position and operating results of the Company.

(2). Changes in significant accounting estimates

Applicable Not applicable

(3). Particulars on adjustment to relevant items of the financial statements for the year of the first implementation due to the first implementation of new lease standards from 2021

Applicable Not applicable

Consolidated Balance Sheet

Unit: RMB Currency: RMB

Item	31 December 2020	1 January 2021	Adjustment amount
Current assets:			
Cash and equivalents	2,562,158,926.11	2,562,158,926.11	
Transaction settlement funds			
Lending funds			
Held-for-trading financial assets	1,428,277,848.33	1,428,277,848.33	
Derivative financial assets			
Bills receivable			
Accounts receivable	1,561,211,468.90	1,561,211,468.90	
Receivables financing	61,412,976.46	61,412,976.46	
Prepayment	131,596,384.76	111,534,907.62	-20,061,477.14
Premium receivable			
Reinsurance premium receivable			
Reserves for reinsurance contract receivable			
Other receivables	141,753,102.00	141,753,102.00	
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories	1,322,812,846.83	1,322,812,846.83	
Contract assets			
Held for sale assets			
Non-current assets due within one year	4,637,213.00	4,637,213.00	
Other current assets	27,286,607.30	27,286,607.30	
Total current assets	7,241,147,373.69	7,221,085,896.55	-20,061,477.14
Non-current assets:			

Loans and advances to customers			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	34,722,395.67	34,722,395.67	
Investments in other equity instruments	5,476,577.42	5,476,577.42	
Other non-current financial assets			
Investment real estate			
Fixed assets	1,847,635,724.45	1,847,635,724.45	
Construction in progress	54,946,300.66	54,946,300.66	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		327,386,662.94	327,386,662.94
Intangible assets	320,746,328.60	320,746,328.60	
Development expenses			
Goodwill			
Long-term prepaid expenses	99,035,852.78	99,035,852.78	
Deferred income tax assets	99,939,414.58	99,939,414.58	
Other non-current assets	6,258,468.47	6,258,468.47	
Total non-current assets	2,468,761,062.63	2,796,147,725.57	327,386,662.94
Total assets	9,709,908,436.32	10,017,233,622.12	307,325,185.80
Current liabilities:			
Short-term borrowings	180,176,000.00	180,176,000.00	
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	2,602,020,507.99	2,602,020,507.99	
Accounts received in advance			
Contract liabilities	114,100,035.35	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	152,625,106.89	152,625,106.89	
Taxes payable	477,240,219.10	477,240,219.10	
Other payables	625,468,675.97	625,468,675.97	
Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsured accounts payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		130,704,827.15	130,704,827.15
Other current liabilities	13,746,089.97	13,746,089.97	
Total current liabilities	4,165,376,635.27	4,296,081,462.42	130,704,827.15
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		176,620,358.65	176,620,358.65
Long-term payable	8,420,000.00	8,420,000.00	
Long-term employee benefits payable			
Estimated liabilities	12,211,357.80	12,211,357.80	
Deferred income	46,132,513.40	46,132,513.40	
Deferred income tax liabilities	36,781,069.25	36,781,069.25	
Other non-current liabilities			

Total non-current liabilities	103,544,940.45	280,165,299.10	176,620,358.65
Total liabilities	4,268,921,575.72	4,576,246,761.52	307,325,185.80
Owner's equity (or shareholders' equity):			
Share capital	927,427,600.00	927,427,600.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	533,384,131.66	533,384,131.66	
Less: Treasury shares	176,034,120.00	176,034,120.00	
Other comprehensive income	2,141,402.48	2,141,402.48	
Special reserve			
Surplus reserve	464,042,659.91	464,042,659.91	
General risk provision			
Undistributed profit	3,442,607,038.00	3,442,607,038.00	
Total equity attributable to the owners of the parent company	5,193,568,712.05	5,193,568,712.05	
Minority equity	247,418,148.55	247,418,148.55	
Total owners' equity (or shareholders' equity)	5,440,986,860.60	5,440,986,860.60	
Total liabilities and owner's equity (or shareholders' equity)	9,709,908,436.32	10,017,233,622.12	307,325,185.80

Description on adjustment to relevant items:

Applicable Not applicable

Parent Company's Balance Sheet

Unit: RMB Currency: RMB

Item	31 December 2020	1 January 2021	Adjustment amount
Current assets:			
Cash and equivalents	1,887,003,379.89	1,887,003,379.89	
Held-for-trading financial assets	1,272,219,811.46	1,272,219,811.46	
Derivative financial assets			
Bills receivable			
Accounts receivable	177,648,799.65	177,648,799.65	
Receivables financing			
Prepayment	36,987,935.22	34,429,888.67	-2,558,046.55
Other receivables	399,678,347.22	399,678,347.22	
Including: Interest receivable			
Dividend receivable			
Inventories	332,755,309.92	332,755,309.92	
Contract assets			
Held for sale assets			
Non-current assets due within one year	4,637,213.00	4,637,213.00	
Other current assets	150,000,000.00	150,000,000.00	
Total current assets	4,260,930,796.36	4,258,372,749.81	-2,558,046.55
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	1,098,535,037.00	1,098,535,037.00	
Investments in other equity instruments	5,476,577.42	5,476,577.42	
Other non-current financial assets			
Investment real estate			
Fixed assets	1,471,196,714.32	1,471,196,714.32	
Construction in progress	50,603,926.95	50,603,926.95	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		7,470,972.21	7,470,972.21
Intangible assets	177,722,510.27	177,722,510.27	

Development expenses			
Goodwill			
Long-term prepaid expenses	5,417,965.45	5,417,965.45	
Deferred income tax assets	29,239,636.35	29,239,636.35	
Other non-current assets	5,829,768.47	5,829,768.47	
Total non-current assets	2,844,022,136.23	2,851,493,108.44	7,470,972.21
Total assets	7,104,952,932.59	7,109,865,858.25	4,912,925.66
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Accounts payable	320,744,916.72	320,744,916.72	
Accounts received in advance			
Contract liabilities	76,291,447.04	76,291,447.04	
Employee benefits payable	84,898,291.78	84,898,291.78	
Taxes payable	263,690,993.11	263,690,993.11	
Other payables	1,089,678,737.94	1,089,678,737.94	
Including: Interest payable			
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		3,648,655.35	3,648,655.35
Other current liabilities	9,917,888.11	9,917,888.11	
Total current liabilities	1,845,222,274.70	1,848,870,930.05	3,648,655.35
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		1,264,270.31	1,264,270.31
Long-term payable	260,420,000.00	260,420,000.00	
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	23,417,137.82	23,417,137.82	
Deferred income tax liabilities	3,614,458.33	3,614,458.33	
Other non-current liabilities			
Total non-current liabilities	287,451,596.15	288,715,866.46	1,264,270.31
Total liabilities	2,132,673,870.85	2,137,586,796.51	4,912,925.66
Owner's equity (or shareholders' equity):			
Share capital	927,427,600.00	927,427,600.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	538,163,670.62	538,163,670.62	
Less: Treasury shares	176,034,120.00	176,034,120.00	
Other comprehensive income	2,329,031.21	2,329,031.21	
Special reserve			
Surplus reserve	463,713,800.00	463,713,800.00	
Undistributed profit	3,216,679,079.91	3,216,679,079.91	
Total owners' equity (or shareholders' equity)	4,972,279,061.74	4,972,279,061.74	
Total liabilities and owner's equity (or shareholders' equity)	7,104,952,932.59	7,109,865,858.25	4,912,925.66

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 lease standards from 2021

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.

Repurchase of the Company's shares

The Company manages the repurchased shares as treasury shares before cancellation or transfer, and transfers all the expenses for the repurchase to the costs of treasury shares. The consideration and transaction costs paid for the repurchase reduce the owner's equity, and no gain or loss is recognized when the Company's shares are repurchased, transferred or cancelled.

(1) Where the Company's shares are acquired for reasons such as reduction of registered capital or reward to employees, they will be treated as treasury shares based on the amount actually paid for the repurchase and also be registered for future reference. If the repurchased shares are cancelled, the difference between the total nominal value of the shares calculated based on the nominal value and number of the cancelled shares and the amount actually paid for the repurchase will be offset against the capital reserve, and if the capital reserve is insufficient to offset, the remaining difference will be offset against the retained earnings. If the repurchased shares are awarded to employees of the Company as equity-settled share-based payment, when receiving the price from the exercise by the employees of the option to purchase the Company's shares, the Company resells and delivers the cost of employees' treasury shares and the accumulated amount of capital reserves (other capital reserves) during the waiting period, and adjusts the capital reserve (share premium) based on the difference between them.

(2) For the shares repurchased in accordance with the equity incentive plan, the Company will repurchase and cancel the restricted stocks that fail to meet the unlocking conditions. For the stocks required to be repurchased due to failure to unlocking conditions for restricted stocks, the Company debits them to "Other payables - Repurchase obligations of restricted stocks" and other subjects and credits them to "Bank deposits" and other subjects. At the same time, the Company debits the amount of share capital corresponding to the number of cancelled restricted stocks in the subject of "Share capital", credits the carrying value of the treasury stocks corresponding to the number of cancelled restricted stocks in the subject of "Treasury shares", and debits the difference of them to the subject of "Capital Reserve - Share premium".

Segment reporting

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	13%, 10%, 9%, 6%, 5%

	which is allowed to be deductible in the current period is the payable VAT	
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%, 22%, 31%, 17%, 16.5%

Particulars on disclosure of taxpayers with different enterprise income tax rates

√ Applicable □ Not applicable

Name of taxpayer	Income tax rate (%)
Shanghai M&G Stationery Inc.	15
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
Shanghai M&G Jiamei Stationery Co., Ltd. (上海晨光佳美文具有限公司)	20
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 Stationery 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)	20
Shanghai Colipu Information Technology Co., Ltd. (上海科力普信息科技有限公司)	25
Axus Stationery (Shanghai) Company Ltd.	15
Jiangsu Marco Pen Co., Ltd. (江苏马可笔业有限公司)	25
Changchun Macro Stationery Co., Ltd. (长春马可文教用品有限公司)	25
Yili Senlai Wood Co., Ltd. (伊犁森徠木业有限公司)	25
Axus Stationery (Hong Kong) Company Ltd.	16.5
International stationery company	20
Shanghai Meixin Stationery Co., Ltd. (上海美新文具有限公司)	25
SHANGHAI M&G STATIONERY (SINGAPORE) PTE.LTD.	17
Back to School Holding AS	22
Beckmann AS	22
Beckmann Norway GmbH	31

2. Tax preference

√ Applicable □ Not applicable

On 28 October 2019, the Company obtained the *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 24 September, 2021, the subsidiary Axus Stationery (Shanghai) Company Ltd. ("Axus Stationery") obtained the *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.

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 Taxation Administration on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13), starting from 1 January 2019 to 31 December 2021, for the part of small low-profit enterprises' annual taxable income not exceeding RMB1,000,000, the enterprise income tax at 20% shall apply based on 25% of the taxable income; for the part of small low-profit enterprises' annual taxable income between RMB1 million and RMB3 million, the enterprise income tax at 20% shall apply based on 50% of the taxable income.

According to the *Enterprise Income Tax Law of the People's Republic of China* and the *Announcement of the Ministry of Finance and the State Taxation Administration on the Implementation*

of *Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households* ([2021] No. 12), for the part of small low-profit enterprises' annual taxable income not exceeding RMB1,000,000, the enterprise income tax shall be further half-reduced on the basis of the preferential policy stipulated in Article 2 of the *Notice of the Ministry of Finance and the State Taxation Administration on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises* (Cai Shui [2019] No. 13). The enterprise income tax at 20% shall apply. This Announcement shall be executed from 1 January 2021 to 31 December 2022. The subsidiaries including Luoyang M&G Stationery Sales Co., Ltd. (洛阳晨光文具销售有限公司), Lianyungang Colipu Office Supplies Co., Ltd. (连云港市科力普办公用品有限公司), Shanghai Chenxun Enterprise Management Co., Ltd. (上海晨讯企业管理有限公司) and Shanghai M&G Jiamei Stationery Co., Ltd. (上海晨光佳美文具有限公司) meet the tax declaration requirements for micro and small enterprises, and declare the enterprise income tax at the tax rate of 20%.

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. (Hereinafter referred to as "Colipu Information Technology") 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.

According to the *Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry* (Cai Shui [2012] No.27), the subsidiary Shanghai Colipu Information Technology Co., Ltd. as an eligible software company shall be exempted from enterprise income tax for the first 2 years as of the first profit-making year and shall pay enterprise income tax at reduced half of the statutory tax rate of 25% for the third to the fifth years until the expiry of the preferential period.

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	404,622.49	1,134,204.63
Cash at bank	2,987,373,347.19	2,551,360,452.36
Other cash and equivalents	22,874,220.96	9,664,269.12
Total	3,010,652,190.64	2,562,158,926.11
Including: Total cash deposited outside China	28,133,966.57	3,490,810.78

Other descriptions

Details of the cash and equivalents that are restricted for use due to mortgage, pledge or freeze, that are restricted for withdrawal due to centralized management of funds, and that are deposited overseas and restricted for repatriation were as follows:

Item	Closing balance	Balance at the end of the year
Letter of credit ("L/C") deposit	5,103,951.53	2,137,865.56
Performance bond	8,647,682.18	2,674,925.30
Time deposits over three months	1,457,000,000.00	1,180,000,000.00
Others	415,942.24	
Total	1,471,167,575.95	1,184,812,790.86

2. Held-for-trading financial assets

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	1,609,123,552.86	1,428,277,848.33
Including:		
Debt instrument investment		
Equity instrument investment		
Derivative financial assets		
Others	1,609,123,552.86	1,428,277,848.33
Financial asset designated as at fair value through profit or loss		
Including:		
Debt instrument investment		
Others		
Total	1,609,123,552.86	1,428,277,848.33

Other descriptions:

Applicable Not applicable

Other bank wealth management products purchased for the Company.

3. Derivative financial assets

Applicable Not applicable

4. Bills receivable

(1). Notes receivable presented by category

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	30,467,161.11	
Commercial acceptance bills	9,963,379.64	
Less: Bad debt provisions of notes receivable	-718,394.03	
Total	39,712,146.72	

(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

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		8,673,121.72
Commercial acceptance bills		5,410,568.51
Total		14,083,690.23

(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

Disclosure to be made in accordance with the disclosure way of other receivables in case of bad debt provisions accrued according to the general model of expected credit losses:

 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	1,724,642,750.64
1 to 2 years	31,054,414.49

2 to 3 years	3,556,445.00
Above 3 years	1,880,681.95
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	1,761,134,292.08

(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	8,457,530.82	0.48	8,457,530.82	100.00		8,442,002.81	0.53	8,442,002.81	100.00	
Including:										
Bad debt provisions accrued according to the combination	1,752,676,761.26	99.52	31,808,345.83	1.81	1,720,868,415.43	1,589,593,697.43	99.47	28,382,228.53	1.79	1,561,211,468.90
Including:										
Combination 1: Account age analysis combination	1,752,676,761.26	99.52	31,808,345.83	1.81	1,720,868,415.43	1,589,593,697.43	99.47	28,382,228.53	1.79	1,561,211,468.90
Total	1,761,134,292.08	/	40,265,876.65	/	1,720,868,415.43	1,598,035,700.24	/	36,824,231.34	/	1,561,211,468.90

Bad debt provisions accrued separately:

√ Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Closing balance			
	Carrying balance	Bad debt provisions	Accruing percentage (%)	Accruing reason
Shenzhen Diboyuan Industrial Co., Ltd. (深圳市地博源实业有限公司)	2,378,521.60	2,378,521.60	100.00	Not expected to be recovered
OneSmart International Education Group Limited	2,164,805.00	2,164,805.00	100.00	Not expected to be recovered
Shanghai Jing Xue Rui Information Technology Co., Ltd.	705,639.93	705,639.93	100.00	Not expected to be recovered
Rongchuang Real Estate Group Co., Ltd.	339,469.90	339,469.90	100.00	Not expected to be recovered
KAISA HOLDINGS LIMITED	246,800.00	246,800.00	100.00	Not expected to be recovered
Zhengzhou Houqing Culture Communication Co., Ltd.	103,405.87	103,405.87	100.00	Not expected to be recovered
Other customers	2,518,888.52	2,518,888.52	100.00	Not expected to be recovered
Total	8,457,530.82	8,457,530.82	100.00	/

Description on bad debt provisions accrued separately:

 Applicable Not applicable

Bad debt provisions accrued according to the combination:

 Applicable Not applicable

Disclosure to be made in accordance with the disclosure way of other receivables in case of bad debt provisions accrued according to the general model of expected credit losses:

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	8,442,002.81	1,085,770.12		1,070,242.11		8,457,530.82
Combination 1: Account age analysis combination	28,382,228.53	3,426,117.30				31,808,345.83
Total	36,824,231.34	4,511,887.42		1,070,242.11		40,265,876.65

Other descriptions:

The bad debt provisions accrued this year include the impact of RMB-24,055.59 of the foreign currency statement exchange rate translation difference and the bad debt provisions of RMB208,861.71 incorporated at the time of acquisition not under common control, so the actually accrued bad debt provisions are RMB4,327,081.30.

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

Unit: Yuan Currency: RMB

Item	Written-off amount
Accounts receivable actually written-off	1,070,242.11

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

Unit: Yuan Currency: RMB

Company name	Closing balance	Percentage (%) in the total balance at the end of the period of accounts receivable	Balance of bad debt provisions at the end of the period
First	272,548,567.20	15.48	1,550,149.43
Second	219,870,817.81	12.48	1,569,808.91
Third	84,272,909.19	4.79	785,114.66
Fourth	72,722,870.13	4.13	572,983.93

Fifth	43,387,776.09	2.46	216,938.88
Total	692,802,940.42	39.34	4,694,995.81

Other descriptions

No

(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	22,824,707.62	61,412,976.46
Factoring of accounts receivable		
Accounts receivable		
Total	22,824,707.62	61,412,976.46

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Balance at the end 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	61,412,976.46	282,003,344.85	320,591,613.69		22,824,707.62	
Total	61,412,976.46	282,003,344.85	320,591,613.69		22,824,707.62	

Disclosure to be made in accordance with the disclosure way of other receivables in case of bad debt provisions accrued according to the general model of expected credit losses:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

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	88,311,966.56	97.23	150,881,413.40	99.53
1 to 2 years	2,134,130.82	2.35	443,712.70	0.29
2 to 3 years	370,376.56	0.41	271,258.66	0.18
Above 3 years	9,820.00	0.01		
Less: Bad debt provisions			-20,000,000.00	
Total	90,826,293.94	100.00	131,596,384.76	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

Company name	Closing balance	Percentage (%) in the total balance at the end of the period of advance payment
First	7,174,735.64	7.90
Second	2,202,152.19	2.42
Third	1,817,600.00	2.00
Fourth	1,548,482.32	1.70
Fifth	1,406,426.62	1.55
Total	14,149,396.77	15.57

Other descriptions

No

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	163,987,201.97	141,753,102.00
Total	163,987,201.97	141,753,102.00

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	143,565,228.56
1 to 2 years	39,824,525.23
2 to 3 years	16,434,310.48
Above 3 years	23,005,299.25
3 to 4 years	
4 to 5 years	
Above 5 years	
Less: Bad debt provisions	-58,842,161.55
Total	163,987,201.97

(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	7,301,627.23	7,619,165.29
Amount paid for materials	43,118,667.97	33,583,639.24
Consolidated balance of related-parties current accounts - provisional input tax	45,097,081.97	36,427,271.95
Margin and deposit	101,987,147.00	82,608,805.20
Others	25,324,839.35	18,606,946.07
Total	222,829,363.52	178,845,827.75

(3). Particulars on accruing of bad debt provisions√ Applicable Not applicable

Unit: Yuan Currency: RMB

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2021	37,092,725.75			37,092,725.75
Balance as at 1 January 2021 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	8,968,239.20		13,000,000.00	21,968,239.20
Reserved in the current period				
Resold in the current period				
Written-off in the current period	208,620.00			208,620.00
Other changes	10,183.40			10,183.40
Balance as at 31 December 2021	45,842,161.55		13,000,000.00	58,842,161.55

Particulars on significant changes in the carrying balance of other receivables with changes in the loss provisions occurring 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 2021	178,845,827.75			178,845,827.75
Balance as at 1 January 2021 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	1,085,261,052.12		13,000,000.00	1,098,261,052.12
Derecognition of the current period	1,054,277,516.35			1,054,277,516.35
Balance as at 31 December 2021	209,829,363.52		13,000,000.00	222,829,363.52

Amount of bad debt provisions accrued for the current period and the basis for assessing whether the credit risk of financial instruments has 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		13,000,000.00				13,000,000.00
Combination 1: Account age analysis combination	37,092,725.75	8,958,055.80		208,620.00		45,842,161.55
Total	37,092,725.75	21,958,055.80		208,620.00		58,842,161.55

Other descriptions:

The bad debt provisions accrued this year include the adjustment of RMB-25,724.12 to foreign exchange gains and losses in foreign-currency statements and the bad debt provisions of RMB15,540.72 incorporated at the time of acquisition not under common control, so the actually accrued bad debt provisions are RMB21,968,239.20.

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	208,620.00

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 related parties - provisional input tax	45,097,081.97	Within 1 year	20.24	
Second	Others	13,000,000.00	1-2 years	5.83	13,000,000.00
Third	Margin and deposit	5500000.00	RMB4 million within one year, RMB1.5 million for 1-2 years	2.47	650000.00
Fourth	Others	5,057,976.56	Within 1 year	2.27	252,898.83
Fifth	Others	2,000,491.76	Within 1 year	0.90	100,024.59
Total	/	70,655,550.29	/	31.71	14,002,923.42

(7). Receivables involving government subsidies√ Applicable Not applicable

Unit: Yuan Currency: RMB

Company name	Name of government subsidy-related items	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	5,057,976.56	Within 1 year	Refund upon payment of VAT on software enterprises
Total		5,057,976.56		

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	185,915,415.87	488,371.55	185,427,044.32	171,682,717.53	503,028.26	171,179,689.27
Work-in-process	42,444,915.33	213,729.51	42,231,185.82	67,576,697.07	90,168.22	67,486,528.85
Finished products	1,328,007,263.14	64,967,133.27	1,263,040,129.87	1,065,016,694.84	45,926,598.58	1,019,090,096.26
Revolving materials	13,074,916.91	317,390.33	12,757,526.58	16,274,211.14	1,514,799.76	14,759,411.38
Expendable biological assets	12,380,801.73		12,380,801.73	14,814,590.65		14,814,590.65
Contract performance cost						
Materials in transit	2,263,735.49	7,997.87	2,255,737.62	4,146,657.42	39,054.79	4,107,602.63
Consigned processing materials	9,560,511.34		9,560,511.34	13,713,637.94		13,713,637.94
Shipped goods	19,000,362.02		19,000,362.02	17,661,289.85		17,661,289.85
Total	1,612,647,921.83	65,994,622.53	1,546,653,299.30	1,370,886,496.44	48,073,649.61	1,322,812,846.83

(2). Devaluation provisions of inventories and impairment provisions 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	503,028.26	-14,656.71				488,371.55
Work-in-process	90,168.22	123,561.29				213,729.51
Finished products	45,926,598.58	18,179,871.30	1,566,462.78	663,113.79	42,685.60	64,967,133.27
Revolving materials	1,514,799.76	-1,197,409.43				317,390.33
Expendable biological assets						
Contract performance cost						
Materials in transit	39,054.79			31,056.92		7,997.87
Consigned processing materials						
Total	48,073,649.61	17,091,366.45	1,566,462.78	694,170.71	42,685.60	65,994,622.53

Other descriptions:

Increase amount of the current period - others were caused by the business combination not under common control, while decrease amount of the current period - others were caused by the translation difference of foreign-currency statements.

(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

Disclosure to be made in accordance with the disclosure way of other receivables in case of bad debt provisions accrued according to the general model of expected credit losses:

 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	3,312,295.00	4,637,213.00
Total	3,312,295.00	4,637,213.00

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

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	54,709,110.46	10,541,165.83
VAT input tax to be deducted	5,154,242.22	8,685,801.62
Pre-paid enterprise income tax	6,598,599.26	549,155.49
Others	12,691.98	
Pre-paid value added tax	19,323,089.61	7,510,484.36
Total	85,797,733.53	27,286,607.30

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

(2). Particulars on accruing of bad debt provisions

Applicable Not applicable

Amount of bad debt provisions accrued for the current period and the basis for assessing whether the credit risk of financial instruments has increased significantly

Applicable Not applicable

(3). Long-term 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-term 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		
I. Joint venture										
Subtotal										
II. Associate										
Ningbo Zhongchen Equity Investment Partnership (Limited Partnership)	29,693,097.54			1,634,406.40	418,198.53					31,745,702.47
Shanghai Pen-making Technology Services Co., Ltd.	5,029,298.13			-262,298.80						4,766,999.33
Subtotal	34,722,395.67			1,372,107.60	418,198.53					36,512,701.80
Total	34,722,395.67			1,372,107.60	418,198.53					36,512,701.80

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.	6,745,402.14	5,476,577.42
Total	6,745,402.14	5,476,577.42

(2). Particulars on non-trading equity instrument investments 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.		3,145,402.14			The Company held the investment for non-trading purposes	
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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	1,840,104,394.34	1,847,635,724.45
Disposal of fixed assets		
Total	1,840,104,394.34	1,847,635,724.45

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	1,714,483,793.25	773,301,296.04	57,554,746.98	323,093,772.94	2,868,433,609.21
2. Increase amount of the current period	5,454,469.93	127,265,122.56	10,495,391.78	71,083,380.68	214,298,364.95
(1) Acquisition	601,124.39	2,442,596.04	8,582,658.82	7,872,949.49	19,499,328.74
(2) Transfer-in from construction in progress	3,669,724.80	121,967,662.67	1,436,220.49	62,250,395.95	189,324,003.91
(3) Increase for business combination	1,183,620.74	2,854,863.85	476,512.47	960,035.24	5,475,032.30
3. Decrease amount of the current period	315,467.65	27,335,972.83	4,737,911.48	27,742,158.37	60,131,510.33

(1) Disposal or scraping		26,346,729.17	4,716,311.32	27,597,443.78	58,660,484.27
(2) Translation difference of foreign-currency statements	315,467.65	989,243.66	21,600.16	144,714.59	1,471,026.06
4. Balance at the end of the period	1,719,622,795.53	873,230,445.77	63,312,227.28	366,434,995.25	3,022,600,463.83
II. Accumulated depreciation					
1. Balance at the beginning of the period	309,918,625.82	404,668,124.50	46,671,047.39	259,305,938.35	1,020,563,736.06
2. Increase amount of the current period	88,705,982.93	75,322,784.30	4,859,361.11	43,703,427.39	212,591,555.73
(1) Accruing	87,764,950.90	74,292,517.76	4,382,848.64	42,955,198.62	209,395,515.92
(2) Increase for business combination	941,032.03	1,030,266.54	476,512.47	748,228.77	3,196,039.81
3. Decrease amount of the current period	78,047.66	20,277,441.13	4,477,151.75	26,060,730.46	50,893,371.00
(1) Disposal or scraping		19,521,522.10	4,458,866.17	25,962,157.74	49,942,546.01
(2) Translation difference of foreign-currency statements	78,047.66	755,919.03	18,285.58	98,572.72	950,824.99
4. Balance at the end of the period	398,546,561.09	459,713,467.67	47,053,256.75	276,948,635.28	1,182,261,920.79
III. Impairment provisions					
1. Balance at the beginning of the period		234,148.70			234,148.70
2. Increase amount of the current period					
(1) Accruing					
(2) Increase for business combination					
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	1,321,076,234.44	413,282,829.40	16,258,970.53	89,486,359.97	1,840,104,394.34
2. Carrying value at the beginning 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). Particulars on temporary idle fixed assets

Applicable Not applicable

(3). Particulars on fixed assets leased in under finance leases

Applicable Not applicable

(4). Fixed assets leased out under operating leases

Applicable Not applicable

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

Applicable Not applicable

Other descriptions:

Applicable Not applicable

Disposal of fixed assets

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	66,743,168.66	54,946,300.66
Engineering materials		
Total	66,743,168.66	54,946,300.66

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
Fixed assets not yet installed and put into use	38,399,450.39		38,399,450.39	23,771,536.87		23,771,536.87
Others	28,343,718.27		28,343,718.27	31,174,763.79		31,174,763.79
Total	66,743,168.66		66,743,168.66	54,946,300.66		54,946,300.66

(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
Fixed assets not yet installed and put into use		23,771,536.87	132,578,134.28	117,718,027.07	232,193.69	38,399,450.39						Self-owned capital
Others		31,174,763.79	129,476,402.11	71,605,976.84	60,701,470.79	28,343,718.27						Self-owned capital
Total		54,946,300.66	262,054,536.39	189,324,003.91	60,933,664.48	66,743,168.66	/	/			/	/

Other descriptions:

Other decreases were mainly caused by the transfer of the renovation project of the office building of Rafael Cloud Gallery from the construction in progress into the long-term deferred expenses this year.

(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

Unit: Yuan Currency: RMB

Item	Property and buildings	Transportation vehicles	Total
I. Original carrying value			
1. Balance at the beginning of the period	327,386,662.94		327,386,662.94
2. Increase amount of the current period	219,326,092.81	1,515,510.36	220,841,603.17
(1) New leases	194,417,049.77		194,417,049.77
(2) Increase for business combination	17,868,814.10	1,562,651.03	19,431,465.13
(3) Revaluation adjustment	7,579,279.47		7,579,279.47
(4) Translation difference of foreign-currency statements	-539,050.53	-47,140.67	-586,191.20
3. Decrease amount of the current period	7,725,998.46		7,725,998.46
(1) Transfer out to fixed assets			
(2) Disposal	7,725,998.46		7,725,998.46
4. Balance at the end of the period	538,986,757.29	1,515,510.36	540,502,267.65
II. Accumulated depreciation			
1. Balance at the beginning of the period			
2. Increase amount of the current period	184,342,982.85	899,358.68	185,242,341.53
(1) Accrual	175,459,658.67	134,244.98	175,593,903.65
(2) Increase for business combination	9,159,644.20	788,912.92	9,948,557.12
(3) Translation difference of foreign-currency statements	-276,320.02	-23,799.22	-300,119.24
3. Decrease amount of the current period	2,280,187.22		2,280,187.22
(1) Disposal	2,280,187.22		2,280,187.22
(2) Transfer out to fixed assets			
4. Balance at the end of the period	182,062,795.63	899,358.68	182,962,154.31
III. Impairment provisions			
1. Balance at the beginning of the period			
2. Increase amount of the current period			
(1) Accrual			
(2) Increase for business combination			
3. Decrease amount of the current period			
(1) Disposal			
(2) Transfer out to fixed assets			
4. Balance at the end of the period			
IV. Carrying value			
1. Carrying value at the end of the period	356,923,961.66	616,151.68	357,540,113.34
2. Carrying value at the beginning of the period	327,386,662.94		327,386,662.94

Other descriptions:

No

26. Intangible assets

(1). Particulars on intangible assets

Applicable Not applicable

Unit: Yuan Currency: RMB

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Item	Land use rights	Patent right	Unpatented technology	Image identification rights	Trademark use rights	Software	Others	Total
I. Original carrying value								
1. Balance at the beginning 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. Increase amount of the current period		1,745,520.70			102,215,584.37	6,668,633.60	33,567,059.53	144,196,798.20
(1) Acquisition		1,745,520.70			34,095.91	3,472,469.42		5,252,086.03
(2) Internal R&D								
(3) Transfer-in from construction in progress						1,077,742.55		1,077,742.55
(4) Increase for business combination					102,181,488.46	2,118,421.63	33,567,059.53	137,866,969.62
3. Decrease amount of the current period	2,870,522.26				2,630,588.81	5,211,427.95		10,712,539.02
(1) Disposal	2,424,213.17					5,147,521.29		7,571,734.46
(2) Invalid and derecognized portion								
(3) Translation difference of foreign-currency statements	446,309.09				2,630,588.81	63,906.66		3,140,804.56
4. Balance at the end of the period	336,049,415.35	14,920,667.76		93,989.00	99,584,995.56	37,646,599.87	35,657,775.67	523,953,443.21
II. Accumulative amortization								
1. Balance at the beginning 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
2. Increase amount of the current period	7,273,080.92	884,670.16			7,636,173.77	5,446,581.71	2,589,994.12	23,830,500.68
(1) Accruing	7,273,080.92	884,670.16		-	786,748.54	4,520,797.86	2,589,994.12	16,055,291.60
(2) Increase for business combination				-	7,062,479.85	954,580.77		8,017,060.62
(3) Translation difference of foreign-currency statements				-	-213,054.62	-28,796.92		-241,851.54
3. Decrease amount of the current period	580,542.42					3,867,509.17		4,448,051.59
(1) Disposal	580,542.42					3,867,509.17		4,448,051.59
4. Balance at the end of the period	49,761,222.09	5,017,296.07		93,989.00	7,636,173.77	22,486,011.76	4,110,611.83	89,105,304.52
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	286,288,193.27	9,903,371.69			91,948,821.79	15,160,588.11	31,547,163.84	434,848,138.70
2. Carrying value at the beginning of the period	295,851,254.02	9,042,521.15				15,282,455.00	570,098.43	320,746,328.60

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
Beckmann Holding AS		63,529,740.20				63,529,740.20
Total	30,306,538.42	63,529,740.20				93,836,278.62

(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	30,306,538.42					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	603,635.03	860,500.19	No
Axus Stationery (Shanghai) Company Ltd.	30,175,537.19	23,709,350.65	53,884,887.84	360,477,156.53	414,362,044.37	No

Beckmann Holding AS	63,529,740.20	5,977,634.20	69,507,374.40	116,203,844.26	185,711,218.66	No
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(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 of impairment losses of goodwill

Applicable Not applicable

Unit: RMB 0'000

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)		
Beckmann Holding AS	2022-2025	1.5%	Calculated according to predicted income, costs, expenses, etc.	10% after tax	26,043.55	

(5). Effect of goodwill impairment test

Applicable Not applicable

For the current year, the Company hired KPMG Asset Appraisal (Shanghai) Co., Ltd. to issue the *Asset Appraisal Report on the Recoverable Amount of Goodwill Asset Groups of Back to School Holding AS (Beckmann) 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 KPMG Ping Bao Zi [2022] No.005 on 25 March 2022. According to the appraisal results, as of 31 December 2021, the carrying value of the asset group or the combination of asset groups including goodwill of Beckmann acquired by the Company was RMB185,711,200, and the recoverable amount was RMB260,435,500; after the test, there was no impairment risk in the goodwill formed by the Company's acquisition of Beckmann.

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	97,168,999.11	110,534,370.70	59,115,340.02	398,773.20	148,189,256.59
Others	1,866,853.67	14,227,274.45	2,075,603.87	953.38	14,017,570.87
Total	99,035,852.78	124,761,645.15	61,190,943.89	399,726.58	162,206,827.46

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	85,392,119.05	20,785,685.43	62,830,410.42	15,736,764.19
Unrealized profits from internal transactions	145,744,676.94	24,173,424.79	128,331,275.32	19,493,583.59
Deductible losses			15,475,765.74	3,868,941.44
Cash flow hedging	147,570.52	32,465.51		
Deferred income	46,648,325.34	9,004,394.46	43,408,616.60	8,510,440.37
Depreciation or amortization difference	161,342,324.44	40,345,663.12	88,272,113.20	22,068,028.30
Time difference in revenue recognition	58,634,241.79	14,658,560.45	1,591,710.76	397,927.68
New lease standards	82,821,125.87	19,804,926.97		
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	39,095,966.44	6,354,110.72	101,643,345.93	16,511,152.05
Equity incentive	114,806,434.60	18,697,069.05	82,199,024.88	13,352,576.96
Total	734,632,785.00	153,856,300.50	523,752,262.85	99,939,414.58

(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	207,741,970.29	38,990,035.12	175,784,995.89	31,652,101.70
Changes in fair value of other debt investments				
Changes in fair value of other equity instrument investments	3,145,402.14	471,810.32	1,876,577.42	281,486.61
Depreciation or amortization difference	76,696,943.59	16,873,327.59		
Time difference in cost recognition	52,613,962.26	13,223,117.61		
Changes in right-of-use assets	90,676,436.99	21,672,861.34		
Changes in fair value of trading financial assets	9,123,552.86	1,434,785.40	28,277,848.33	4,847,480.94
Total	439,998,268.13	92,665,937.38	205,939,421.64	36,781,069.25

(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	359,740,315.61	62,196,722.99
Deductible losses	424,942,206.24	351,596,864.50
Total	784,682,521.85	413,793,587.49

(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
2026	119,865,224.32		
2025	136,486,913.76	118,026,277.48	
2024	55,928,624.13	61,116,333.17	
2023	96,680,220.71	110,708,628.54	
2022	15,981,223.32	35,828,658.63	
2021		25,916,966.68	
Total	424,942,206.24	351,596,864.50	/

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.	8,543,306.18		8,543,306.18	6,258,468.47		6,258,468.47
Total	8,543,306.18		8,543,306.18	6,258,468.47		6,258,468.47

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	166,063,550.00	180,000,000.00
Mortgaged borrowings		
Guaranteed borrowings		
Credit borrowings	10,676,127.66	
Borrowing interest expenses	3,185,892.63	176,000.00
Total	179,925,570.29	180,176,000.00

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

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Foreign exchange derivatives - Cash flow hedging	147,570.52	
Total	147,570.52	

Other descriptions:

No

35. Bills payable**(1). Presentation of notes payable**√ Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Closing balance	Opening balance
Commercial acceptance bills		
Bank acceptance bills	172,167.42	
Total	172,167.42	

At the end of the period, the total amount of expired but unpaid bills payable was RMB0.

36. Accounts payable

(1). Presentation of accounts payable

Applicable Not applicable

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Within 1 year	2,780,630,084.87	2,552,911,388.83
1 to 2 years	27,551,065.81	46,850,996.73
2 to 3 years	1,215,988.70	1,389,918.08
Above 3 years	196,302.04	868,204.35
Total	2,809,593,441.42	2,602,020,507.99

(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

Item	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Loans	118,419,358.01	107,856,804.87
Membership points	14,057,291.44	2,701,304.36
Vouchers	14,108,591.36	3,541,926.12
Total	146,585,240.81	114,100,035.35

(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	145,779,153.22	909,800,804.26	872,883,888.11	182,696,069.37
II. Post-employment benefits - Defined contribution plans	6,248,465.67	94,056,554.96	91,865,706.74	8,439,313.89
III. Termination benefits	597,488.00	3,194,307.07	3,623,795.07	168,000.00
IV. Other benefits due within one year				
Total	152,625,106.89	1,007,051,666.29	968,373,389.92	191,303,383.26

(2). Presentation of short-term benefits

√ Applicable □ Not applicable

Unit: RMB Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
I. Salary, bonus, allowance and subsidy	137,387,024.38	789,636,241.79	754,079,338.19	172,943,927.98
II. Employee benefits	32,733.33	26,520,750.27	26,553,483.60	
III. Social insurance	3,740,523.10	60,327,424.07	59,641,487.13	4,426,460.04
Including: Medical insurance	3,618,360.04	57,728,721.67	57,087,339.18	4,259,742.53
Work-related injury insurance	112,453.87	2,115,772.34	2,061,880.60	166,345.61
Maternity insurance	9,709.19	482,930.06	492,267.35	371.90
IV. Housing provident fund	2,762,792.89	28,298,583.39	27,921,933.39	3,139,442.89
V. Labor union and employee education funds	1,853,920.06	342,864.78	1,648,367.98	548,416.86
VI. Short-term compensated absences		3,602,981.96	2,446,795.85	1,156,186.11
VII. Short-term profit sharing plan				
VIII. Other short-term benefits	2,159.46	1,071,958.01	592,481.98	481,635.49
Total	145,779,153.22	909,800,804.26	872,883,888.11	182,696,069.37

(3). Presentation of defined contribution plans

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance
1. Basic pension	6,114,341.66	91,166,091.60	89,040,778.59	8,239,654.67
2. Unemployment insurance	134,124.01	2,890,463.36	2,824,928.15	199,659.22

3. Enterprise annuity payment				
Total	6,248,465.67	94,056,554.96	91,865,706.74	8,439,313.89

Other descriptions:

Applicable Not applicable

40. Taxes payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value added tax ("VAT")	167,980,268.23	223,026,940.44
Consumption tax		
Business tax		
Enterprise income tax	140,981,979.46	217,311,562.20
Personnel income tax	12,603,584.91	9,161,957.00
Urban maintenance and construction tax	9,921,562.52	7,416,779.26
Property tax	1,098,726.57	290,044.29
Education surcharge	8,657,921.31	10,972,177.74
Land use tax	1,531,862.63	1,539,806.37
Stamp duty	10,420,464.12	7,505,424.40
Others	32,557.82	15,527.40
Total	353,228,927.57	477,240,219.10

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	593,242,385.96	625,468,675.97
Total	593,242,385.96	625,468,675.97

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	175,505,357.38	161,138,624.45
Repurchase obligations of restricted stocks	146,656,903.00	176,034,120.00
Product license fee	1,199,000.00	1,860,000.00
Estimated fees	206,667,320.59	189,127,390.60
Engineering and decoration fund	21,964,400.63	75,577,971.07
Others	41,249,404.36	21,730,569.85
Total	593,242,385.96	625,468,675.97

(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

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	10,128,047.46	
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	168,483,555.19	130,704,827.15
Total	178,611,602.65	130,704,827.15

Other descriptions:

For details of the classification of long-term borrowings due within one year, see 1. Important commitments under Note XIV. Commitments and Contingencies.

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	61,407,275.43	
Output tax to be written off	14,095,441.07	13,746,089.97
Receivables that cannot be derecognized	15,372,805.47	
Total	90,875,521.97	13,746,089.97

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 on the basis for classification of other financial instruments as financial liabilities:

Applicable Not applicable

Other descriptions:

Applicable Not applicable

47. Lease liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Long-term lease liabilities	341,407,721.40	307,325,185.80
Less: Lease liabilities due within one year	-168,483,555.19	-130,704,827.15
Total	172,924,166.21	176,620,358.65

Other descriptions:

No

48. Long-term payables

Presented by item

Applicable Not applicable

Unit: Yuan Currency: RMB

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

Other descriptions:

Applicable Not applicable

Long-term payable

(1). Long-term payables presented by amount nature

Applicable Not applicable

Special payables

(1). Special payables presented by amount nature

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase of the current period	Decrease of the current period	Closing balance	Cause of formation
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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	8,420,000.00			8,420,000.00	
Total	8,420,000.00			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		
Others			
Repurchase obligations		35,311,258.55	
Total	12,211,357.80	35,311,258.55	/

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

The Company acquired a 91.4% stake in Back to School Holding AS on 1 September 2021. Pursuant to the Shareholder Agreement signed by and between the Company and the Minority Shareholders, after the date of approval of the 2023 financial report by Back to School Holding AS or 31 March 2024, whichever is earlier (the "Exercise Date"), the Company shall have the option to purchase the shares held by the minority shareholders, and the minority shareholders shall have the option to sell the shares held by them to the Company or Back to School Holding AS.

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	46,132,513.40	8,650,000.00	6,692,948.64	48,089,564.76	
Total	46,132,513.40	8,650,000.00	6,692,948.64	48,089,564.76	/

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	Related to assets/income
2015 Informatization Development Project - Data Sharing-based VOS Enterprise Management Cloud Collaboration Platform	1,400,581.20			259,709.40		1,140,871.80	Pertinent to assets
2015 Key Technical Transformation Project - Technical Transformation of M&G Stationery Automated Assembly Production Technology Application	3,137,154.33			561,878.28		2,575,276.05	Pertinent to assets
2016 Industrial Transformation and Upgrading Development Project - Machine Vision-based Detection Technology Development and Its Application in Pen Industry - EIT2016	1,707,483.68			296,953.68		1,410,530.00	Pertinent to assets
2016 Cultural and Creative Project - M&G Youpin - High Value-Added Creative Product Development Project	138,421.73			29,437.44		108,984.29	Pertinent to assets
2014 Service Industry Guiding Fund - M&G Life Project based on Intelligent Network Management and Control	1,465,747.85			328,891.68		1,136,856.17	Pertinent to assets
2014 Special Fund to Encourage the Purchase of International Advanced R&D Instruments and Equipment - R&D of Key Materials and Preparation Technologies in the Pen-making Industry - Project of Introducing MIKRON Multistar LX-24 Station Combination Machine Tools	435,000.00			174,000.00		261,000.00	Pertinent to assets
2015 Cultural and Creative Project - Inbound Marketing - Internet + Product Development Model Innovation Project	472,408.64			107,310.24		365,098.40	Pertinent to assets
Science & Technology Projects of the 12th Five-Year Plan	477,316.57			244,646.88		232,669.69	Pertinent to assets
Improvement of Capability of Shanghai Engineering Technology Research Center - EC2017	1,000,000.00			590,711.49		409,288.51	Pertinent to assets
2010-2011 Shanghai Characteristic Industry Small and Medium-Sized Enterprise Development Fund Project - R&D Technology Transformation of New Material Series for "Writing Creativity" Writing Instruments	25,676.29			25,676.29			Pertinent to assets
2012 Comprehensive Pilot of Modern Service Industry - Network Platform Expansion and Upgrade Project	8,736,231.51			672,017.88		8,064,213.63	Pertinent to assets
2014 Absorption and Innovation Project - R&D and Industrialization Project of New Needle Spring Pen Tips	439,330.47			90,443.52		348,886.95	Pertinent to assets
Subsidies for injection molding machine intelligent equipment	570,000.00			72,488.12		497,511.88	Pertinent to assets
2013 Special Fund for Key Technological Renovation	1,611,785.55			586,104.12		1,025,681.43	Pertinent to assets
Cultural and Creative Project	700,000.00			700,000.00			Pertinent to assets
Academician Expert Workstation	100,000.00					100,000.00	Pertinent to assets
Special Funds for Shanghai Writing Instrument Engineering Technology Research Center	1,000,000.00					1,000,000.00	Pertinent to assets
Development of New Environmentally Friendly Materials and Intelligent Manufacturing Technology for Writing Instruments/TLP2021		400,000.00				400,000.00	Pertinent to assets
Special Funds for Shanghai Manufacturing Brand Project		7,500,000.00				7,500,000.00	Pertinent to assets
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of "Green Design - Innovative R&D" by Marco Colorful Painting Pen C1085	1,188,615.97			174,080.64		1,014,535.33	Pertinent to assets
Special Fund Plan for Key Technological Renovation Projects in Qingpu District in 2012	280,333.26			116,000.04		164,333.22	Pertinent to assets
Construction Project of "Marco-Color-Source" Creative Experience Center	312,370.91			50,000.04		262,370.87	Pertinent to assets

Special Funds for Central Foreign Economic and Trade Development	662,576.66			662,576.66			Pertinent to assets
Subsidies for Boiler Retrofit	280,000.00			280,000.00			Pertinent to assets
Special Funds for Development of SMEs in Shanghai in 2016	76,470.66			49,274.85		27,195.81	Pertinent to assets
Subsidies for Internet Projects	905,008.12			156,197.15		748,810.97	Pertinent to assets
Special Funds for Development of Modern Service Industry	750,000.00	750,000.00		464,550.24		1,035,449.76	Pertinent to assets
Special Development Funds for Enterprises	18,260,000.00					18,260,000.00	Pertinent to assets
Total	46,132,513.40	8,650,000.00		6,692,948.64		48,089,564.76	

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	Subtotal	
Total shares	927,427,600.00	689,400.00			-371,410.00	317,990.00	927,745,590.00

Other descriptions:

(1) At the 7th meeting of the 5th session of the Board of Directors and the 6th meeting of the 5th session of the Board of Supervisors held by the Company on 29 April 2021, the *Proposal on Granting Reserved Restricted Stocks to Incentive Objects of the 2020 Restricted Stock Incentive Plan* was considered and approved. According to the Proposal, 6,894,000,000 shares were granted to 119 incentive objects, and the grant price per share was RMB45.03; the capital increase actually received from the incentive objects was RMB31,043,682.00, of which the share capital increased by RMB689,400 and the capital reserve increased by RMB30,354,282.00;

(2) At the 5th meeting of the 5th session of Board of Directors and the 4th meeting of the 5th session of Board of Supervisors held on 26 March 2021, the *Proposal on Repurchase and Cancellation of Some Restricted Shares* was considered and approved. The number of shares repurchased and cancelled was 371,410 shares, and the repurchase price was RMB23.70.

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)	440,954,284.53	162,724,646.30	259,469,119.80	344,209,811.03
Other capital reserve	92,429,847.13	68,666,969.63	51,119,837.00	109,976,979.76
Total	533,384,131.66	231,391,615.93	310,588,956.80	454,186,790.79

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

1. Increase or decrease in capital premium for the current year:

(1) As stated in Note VII (53), the capital reserve was increased by RMB30,354,282.00 due to the issuance of restricted stocks;

(2) As stated in Note VII (53), the capital reserve was decreased by RMB8,278,752.00 due to the repurchase of shares;

(3) Due to the release of the restrictions on some restricted stocks, the equity incentive expenses for such stocks were adjusted from other capital reserves to the capital premium, resulting in an increase of RMB51,119,837.00;

(4) The capital reserve increased by RMB6,583,260.99 due to the subsidiary's recognition of the equity incentive expenses for the waiting period for the Company's implementation of the restricted stock incentive plan in accordance with the relevant resolutions;

(5) The capital reserve decreased by RMB215,879,109.27 due to the further acquisition of minority shareholders' equity of M&G Life Enterprise Management Co., Ltd. as a subsidiary;

(6) As stated in Note VII (50), due to the Company's obligation to repurchase equities in the process of acquiring Back to School Holding AS, the capital reserve of RMB35,311,258.55 was written off when the liabilities were recognized;

(7) The capital reserve increased by RMB73,704,828.72 due to the sale of part of the equity of Jiumu M&G Store Enterprise Management Co., Ltd. by the Company's subsidiaries;

(8) The corresponding proportion of capital reserve increased by RMB962,437.59 due to changes in other capital reserves of the Company's subsidiaries.

2. Increase or decrease in other capital reserves for the current year:

(1) The capital reserve increased by RMB68,319,695.36 due to the Company's recognition of the equity incentive expenses for the waiting period for the Company's implementation of the restricted stock incentive plan in accordance with the relevant resolutions;

(2) Due to the release of the restrictions on some restricted stocks, the equity incentive expenses for such stocks were adjusted from other capital reserves to the capital premium, resulting in a decrease of RMB51,119,837.00;

(3) The capital reserve increased by RMB347,274.27 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 in accordance with the relevant resolutions of the Company.

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
Repurchase of restricted stocks	176,034,120.00	31,043,682.00	58,971,328.00	148,106,474.00
Total	176,034,120.00	31,043,682.00	58,971,328.00	148,106,474.00

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

(1) As stated in Note VII (53), the repurchase obligations increased by RMB31,043,682.00 due to the issuance of restricted stocks;

(2) The repurchase obligations decreased by RMB58,971,328.00 due to the release of the restrictions on and the repurchase of some restricted stocks issued by the Company.

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	2,333,242.35	1,686,645.00			190,323.71	1,496,321.29		3,829,563.64
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	417,820.28				417,820.28		1,155,971.82
Changes in fair value of other equity instrument investments	1,595,090.81	1,268,824.72			190,323.71	1,078,501.01		2,673,591.82
Change in fair value of enterprise's own credit risk								
II. Other comprehensive income to be reclassified into profit or loss	-191,839.87	-3,786,554.68				-3,373,681.63	-412,873.05	-3,565,521.50
Including: Other comprehensive income that may be reclassified to profit or loss under equity method	-4,211.14	378.25				378.25		-3,832.89
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		118,924.18				108,696.70	10,227.48	108,696.70
Exchange differences from translation of financial statements	-187,628.73	-3,905,857.11				-3,482,756.58	-423,100.53	-3,670,385.31
Total other comprehensive income	2,141,402.48	-2,099,909.68			190,323.71	-1,877,360.34	-412,873.05	264,042.14

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	464,042,659.91	158,995.00		464,201,654.91
Arbitrary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	464,042,659.91	158,995.00		464,201,654.91

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	3,442,607,038.00	2,568,365,861.32
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
Post-adjustment amount of undistributed profits at the beginning of the period	3,442,607,038.00	2,578,962,643.05
Add: Net profit attributable to shareholders of the parent company in the current period	1,517,866,131.16	1,255,426,655.27
Less: Statutory surplus reserve accrued	158,995.00	23,782,260.32
Arbitrary surplus reserve accrued		
Withdrawal of general risk provision		
Dividends on common shares payable	463,713,800.00	368,000,000.00
Dividends on common shares converted to stock capital		

Undistributed profit at the end of the period	4,496,600,374.16	3,442,607,038.00
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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 RMB0.

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). Particulars on 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	17,602,085,153.48	13,516,552,134.55	13,133,546,117.73	9,806,354,519.82
Other operations	5,318,096.64	4,289,618.71	4,199,609.45	255,479.66
Total	17,607,403,250.12	13,520,841,753.26	13,137,745,727.18	9,806,609,999.48

(2). Particulars on revenue from contracts√ Applicable Not applicable

Unit: Yuan Currency: RMB

Classification of contracts	Total
Types of goods	
1. Sales of goods	17,596,925,530.39
2. Management fee for franchising	1,261,896.79
3. Hardware and software	416,068.33
4. Material income	605,898.50
5. Others	8,193,856.11
Classification by operation territory	
1. China	17,189,075,699.23
2. Other countries	418,327,550.89
Total	17,607,403,250.12

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	17,607,403,250.12	13,137,129,583.33
Rental income		616,143.85
Total	17,607,403,250.12	13,137,745,727.18

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	20,504,490.77	15,541,751.43
Education surcharge	25,283,863.66	25,015,709.73
Resource tax		
Property tax	2,997,316.08	1,535,728.76
Land use tax	1,285,952.84	1,045,803.55
Vehicle usage tax		
Stamp duty	16,217,678.50	7,261,952.70
Others	218,656.47	294,018.54
Total	66,507,958.32	50,694,964.71

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	376,564,976.37	308,941,016.61
Channel construction fee	110,493,640.33	84,054,269.88
Brand promotion fee	75,686,376.61	68,021,855.27
Transportation and handling charge	19,246,491.43	18,558,875.62
Business promotion fee	113,832,914.47	87,880,339.63
Others	701,821,061.61	535,727,666.50
Total	1,397,645,460.82	1,103,184,023.51

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	324,702,182.60	254,969,061.73
Depreciation and amortization	107,172,048.15	64,967,664.15
Office expense	19,493,369.38	21,420,634.26
Share-based payments	77,655,911.24	82,199,024.88
Others	216,001,226.91	179,070,750.39
Total	745,024,738.28	602,627,135.41

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	80,430,192.57	66,828,400.15
Inventory consumption	65,953,582.78	54,757,593.65
Others	42,374,440.15	38,592,948.09
Total	188,758,215.50	160,178,941.89

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	22,849,307.31	6,948,206.51
Less: Interest income	-31,800,258.52	-13,415,173.15
Exchange gains and losses	9,478,383.76	12,089,237.27

Others	6,377,331.97	3,437,905.72
Total	6,904,764.52	9,060,176.35

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	72,246,185.12	44,472,282.85
Handling charge on withholding personnel income tax	501,542.81	1,193,126.92
Total	72,747,727.93	45,665,409.77

Other descriptions:

Government subsidies included in other income

Subsidy projects	Amount in the current period	Amount in the last period	Related to assets/income
2015 Informatization Development Project - Data Sharing-based VOS Enterprise Management Cloud Collaboration Platform	259,709.40	194,331.20	Pertinent to assets
2015 Key Technical Transformation Project - Technical Transformation of M&G Stationery Automated Assembly Production Technology Application	561,878.28	561,878.28	Pertinent to assets
2016 Industrial Transformation and Upgrading Development Project - Machine Vision-based Detection Technology Development and Its Application in Pen Industry - EIT2016	296,953.68	271,637.22	Pertinent to assets
2016 Cultural and Creative Project - M&G Youpin - High Value-Added Creative Product Development Project	29,437.44	29,437.44	Pertinent to assets
2014 Service Industry Guiding Fund - M&G Life Project based on Intelligent Network Management and Control	328,891.68	328,891.68	Pertinent to assets
2014 Special Fund to Encourage the Purchase of International Advanced R&D Instruments and Equipment - R&D of Key Materials and Preparation Technologies in the Pen-making Industry - Project of Introducing MIKRON Multistar LX-24 Station Combination Machine Tools	174,000.00	174,000.00	Pertinent to assets
2015 Cultural and Creative Project - Inbound Marketing - Internet + Product Development Model Innovation Project	107,310.24	107,310.24	Pertinent to assets

Science & Technology Projects of the 12th Five-Year Plan	244,646.88	244,646.88	Pertinent to assets
Improvement of Capability of Shanghai Engineering Technology Research Center - EC2017	590,711.49		Pertinent to assets
2010-2011 Shanghai Characteristic Industry Small and Medium-Sized Enterprise Development Fund Project - R&D Technology Transformation of New Material Series for "Writing Creativity" Writing Instruments	25,676.29	105,943.09	Pertinent to assets
2012 Comprehensive Pilot of Modern Service Industry - Network Platform Expansion and Upgrade Project	672,017.88	672,017.88	Pertinent to assets
2014 Absorption and Innovation Project - R&D and Industrialization Project of New Needle Spring Pen Tips	90,443.52	90,443.52	Pertinent to assets
Subsidies for injection molding machine intelligent equipment	72,488.12		Pertinent to assets
2013 Special Fund for Key Technological Renovation	586,104.12	586,104.12	Pertinent to assets
Cultural and Creative Project	700,000.00		Pertinent to assets
Zhangjiang Special Development Fund in 2017 - Achievement Transformation of "Green Design - Innovative R&D" by Marco Colorful Painting Pen C1085	174,080.64	174,080.64	Pertinent to assets
Special Fund Plan for Key Technological Renovation Projects in Qingpu District in 2012	116,000.04	116,000.04	Pertinent to assets
Construction Project of "Marco-Color-Source" Creative Experience Center	50,000.04	50,000.04	Pertinent to assets
Special Funds for Central Foreign Economic and Trade Development	662,576.66	73,619.64	Pertinent to assets
Subsidies for Boiler Retrofit	280,000.00	70,000.00	Pertinent to assets
Special Funds for Development of SMEs in Shanghai in 2016	49,274.85	78,831.89	Pertinent to assets
Subsidies for Internet Projects	156,197.15	1,684,991.88	Pertinent to assets
Special Funds for Development of Modern Service Industry	464,550.24		Pertinent to assets
Special Funds for Technological Transformation and Structural Adjustment of Enterprises	888,000.00		Related to income
Financial support funds	400,000.00		Related to income
Subsidies	492,000.00		Related to income
Bonus awards	813,191.80		Related to income
Disability benefit awards	1,249.00	70,229.10	Related to income
Taxes paid through the bank	37,591.52		Related to income
Refund upon payment of VAT	10,152,281.04	7,039,516.55	Related to income
Rebate of import logistics tariff	606,279.05		Related to income
Government support funds	6,397,400.00		Related to income
Training fee subsidies	1,729,192.00	3,305,599.20	Related to income

Other subsidies	406,846.25		Related to income
Special funds for development of enterprises	41,141,500.00	18,400,000.00	Related to income
Unemployment insurance subsidies	600.00		Related to income
Post stability subsidies	319,605.82	2,971,018.41	Related to income
Inclusion subsidies for enterprises above designated size in total retail sales of social consumer goods	2,000.00		Related to income
Notice of the General Office of the Zhengzhou Municipal People's Government on Further Strengthening the Inclusion of Industrial Enterprises Above Designated Size, Wholesale and Retail Catering Enterprises Above Designated Size, Qualified Construction Enterprises, and Service Enterprises Above Designated Size (Zheng Zhanjiang Ban Wen [2015] No. 43)	80,000.00		Related to income
Subsidies for patents	5,500.00	417,000.00	Related to income
Special Subsidy of Qingcun Town for the Project Recognized by Trade-natured Headquarters in 2020	720,000.00		Related to income
Special Subsidy of Fengxian District for the Project Established by Trade-natured Headquarters in 2020	280,000.00		Related to income
Grants and Incentives of Fengxian District for the Fengxian District Standardization Project in 2021	112,000.00		Related to income
Grants and Incentives for the Shanghai Standardization Project in 2021	70,000.00		Related to income
Government Grants for the Cultural and Creative Project	300,000.00		Related to income
Supporting Funds from the Propaganda Department of the CPC Shanghai Fengxian District Committee	300,000.00		Related to income
Grants from Fengxian District for Overseas Trademark Registrations in 2021	10,000.00		Related to income
Grants and Incentives of Qingcun Town for the Fengxian District Standardization Project in 2021	288,000.00		Related to income
Special Certificate Safety Skills Training Subsidies		3,180.00	Related to income
"Four-helping and Four-Sending" Sales Incentives		20,000.00	Related to income
Incentives for Inclusion of Technology SMEs		40,800.00	Related 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	Related to income

Subsidies for Passing the Assessment by Shanghai Municipal Enterprise Technology Center		100,000.00	Related to income
Subsidies from Shanghai Municipal Commission of Economic and Information Technology		25,440.00	Related to income
Subsidies from Shanghai Municipal Commission of Commerce for Lawyer Fees in the Anti-dumping Case in Brazil		53,008.00	Related to income
Shanghai Qingpu District Enterprise Supporting Funds		255,800.00	Related to income
2019 District Comprehensive Supporting Fund for Hangzhou Qiantang Smart City Industrial Construction Center		450,000.00	Related to income
Anti-epidemic Special Rent Subsidies and Special Salary Supporting Funds		83,651.00	Related to income
2019 Central Import Discount Interest Funds (Direct Payment by Shanghai Municipal Finance Bureau)		210,146.00	Related to income
Subsidies for the R&D and Innovation of the First Batch of "Three Hundreds" Enterprises (Payment by Shanghai Municipal Fengxian District Finance Bureau)		439,500.00	Related to income
Special Funds for Scientific and Technological Innovation and Development		90,000.00	Related to income
Epidemic-related Subsidies for Buildings		100,000.00	Related to income
Talent Development Funds		315,200.00	Related to income
Talent Subsidies from Shanghai Municipal Human Resources and Social Security Bureau		252,400.00	Related to income
Subsidies for Coal-fired Boilers		170,000.00	Related to income
Government Subsidies		3,452,666.13	Related to income
Unemployment Insurance from Yiwu Municipal Employment Management Service Bureau		163,362.78	Related to income
The Second Batch of Incentives for Epidemic Prevention Effects in 2020 from Industry and Information Technology Bureau of Longgang District, Shenzhen		20,000.00	Related to income
Subsidies for Work-based Trainings		39,600.00	Related to income
Total	72,246,185.12	44,472,282.85	

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
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Long-term equity investment income accounted for under the equity method	1,372,107.60	-1,610,614.02
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	4,921,056.44	5,461,768.72
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains from debt restructuring		
Total	6,293,164.04	3,851,154.70

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	38,636,606.71	32,281,250.23
Including: Income from changes in fair value of derivative financial instruments		
Held-for-trading financial liabilities		
Investment real estate measured at fair value		
Total	38,636,606.71	32,281,250.23

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	718,394.03	
Bad debt losses of accounts receivable	4,327,081.30	5,656,026.24
Bad debt losses of other receivables	21,968,239.20	12,569,875.88
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	20,000,000.00
Total	7,013,714.54	38,225,902.12

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	17,091,366.45	10,111,946.64
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
XII. Others		
Total	17,091,366.45	40,287,483.83

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	2,818,017.84	169,704.92

Gains or losses from disposal of right-of-use assets	415,634.64	
Gains or losses from disposal of intangible assets	2,864,437.74	
Total	6,098,090.22	169,704.92

Other descriptions:

No

74. Non-operating profits

Particulars on 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 exchange of non-currency assets			
Government subsidies	91,140,149.50	89,557,520.24	91,140,149.50
Inventory profit		36,601.59	
Brand maintenance		34,156,820.50	
Liquidated damages and fine income	1,603,515.51	1,790,210.19	1,603,515.51
Others	5,415,382.87	3,234,345.57	5,415,382.87
Total	98,159,047.88	128,775,498.09	98,159,047.88

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	Related to assets/income
Financial support	91,140,149.50	89,557,520.24	Related to income
Total	91,140,149.50	89,557,520.24	

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 exchange of non-currency assets			
Offering of donations	6,116,822.44	8,044,041.60	6,116,822.44
Inventory losses	22,163.89	180,639.72	22,163.89
Loss from damage and retirement of non-current assets	5,328,149.21	2,596,461.69	5,328,149.21
Fine late payment	1,224,491.83	1,042,177.33	1,224,491.83
Compensation expenses	1,773,653.01	3,191,899.75	1,773,653.01
Others	3,681,527.82	5,416,086.34	3,681,527.82
Total	18,146,808.20	20,471,306.43	18,146,808.20

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	363,970,383.16	326,704,216.12
Deferred income tax expenses	-36,162,941.52	-47,929,130.96
Total	327,807,441.64	278,775,085.16

(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	1,861,403,107.01
Income tax expenses calculated at statutory/applicable rates	279,210,466.05
Effect of applying different tax rates to subsidiaries	49,376,628.98
Effect of adjusting income taxes of the previous periods	-4,842,197.84
Effect of non-taxable income	-15,376,429.94
Effect of non-deductible costs, expenses and losses	5,073,121.58
Effect of deductible losses of deferred income tax assets not recognized in the previous period	-17,787,596.08
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	32,153,448.89
Income tax expenses	327,807,441.64

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	1,132,038,976.18	581,182,581.81
Special allowances and subsidies	165,844,928.79	148,419,247.78
Interest income	31,800,258.52	13,415,173.15
Non-operating profits	138,440.75	1,278,211.47
Total	1,329,822,604.24	744,295,214.21

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	1,647,285,487.11	1,207,529,783.72
Sales expenses	843,998,839.58	641,492,275.98
Administration expenses	192,464,818.60	226,914,119.41
Financial expenses	6,683,537.49	3,754,024.37
Non-operating expenses	12,818,658.99	14,108,869.53
R&D expenses	42,799,220.62	86,459,958.29
Total	2,746,050,562.39	2,180,259,031.30

Descriptions on cash paid for other operating activities:

No

(3). Other cash received relating to investing activities

Applicable Not applicable

Unit: RMB Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Compensation for the acquisition of the original controlling shareholders of Axus Stationery	1,324,918.00	1,987,377.00
Total	1,324,918.00	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

Unit: Yuan Currency: RMB

Item	Amount accounted for in the current period	Amount accounted for in the previous period
Sale of minority stake in subsidiary	67,500,000.00	
Total	67,500,000.00	

Description on other cash received relating to financing activities:

No

(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	8,694,108.00	1,585,530.00
Lease payments related to the new lease standards	168,163,726.03	
Acquisition of minority stake in subsidiary	180,000,000.00	
Total	356,857,834.03	1,585,530.00

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	1,533,595,665.37	1,238,373,726.00
Add: Impairment provisions of assets	17,091,366.45	40,287,483.83
Credit impairment losses	7,013,714.54	38,225,902.12
Depreciation of fixed assets, oil and gas assets, and productive biological assets	209,395,515.92	179,248,165.03
Amortization of right-of-use assets	175,593,903.65	
Amortization of intangible assets	16,055,291.60	13,116,340.82
Amortization of long-term prepaid expenses	61,190,943.89	64,190,565.17
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" refers to gains)	-6,098,090.22	-169,704.92
Losses from retirement of fixed assets ("-" refers to gains)	5,251,464.15	2,596,461.69
Losses from changes in fair value ("-" refers to gains)	-38,636,606.71	-32,281,250.23

Financial expenses ("- refers to income)	40,967,714.66	13,239,741.30
Investment losses ("- refers to gains)	-6,293,164.04	-3,851,154.70
Decrease in deferred income tax assets ("- refers to increase)	-53,307,857.66	-48,643,095.04
Increase in deferred income tax liabilities ("- refers to decrease)	27,525,823.89	204,324.70
Decrease in inventories ("- refers to increase)	-263,905,945.00	55,821,469.29
Decrease in operating receivables ("- refers to increase)	-252,274,754.20	-638,589,375.17
Increase in operating payables ("- refers to decrease)	88,031,434.48	349,928,292.39
Others		
Net cash flow generated from operating activities	1,561,196,420.77	1,271,697,892.28
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. Particulars on net changes in cash and cash equivalents:		
Closing balance of cash	1,539,484,614.69	1,377,346,135.25
Less: Opening balance of cash	1,377,346,135.25	1,377,446,435.89
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	162,138,479.44	-100,300.64

(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	1,539,484,614.69	1,377,346,135.25
Including: Cash on hand	404,622.49	1,134,204.63
Bank deposits readily available for payment	1,530,373,347.19	1,371,360,452.36
Other cash and equivalents readily available for payment at any time	8,706,645.01	4,851,478.26
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	1,539,484,614.69	1,377,346,135.25
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	1,471,167,575.95	Letter of credit deposit and fixed deposit with restricted use and over three months, etc.
Fixed assets	79,314,986.42	Loan mortgage
Total	1,550,482,562.37	/

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	-	-	97,409,027.62
Including: USD	10,166,602.64	6.3757	64,819,208.45
EURO	1,226,972.33	7.2197	8,858,372.13
JPY	1,121.00	0.0554	62.12
HKD	12,405.85	0.8176	10,143.02
GBP	375.00	8.6064	3,227.40
VND	5,337,607,268.78	0.0003	1,470,340.00
NOK	30,439,465.66	0.7234	22,020,882.35
DKK	233,541.50	0.9711	226,792.15
Accounts receivable	-	-	124,704,379.99
Including: USD	17,910,742.33	6.3757	114,193,519.87
EURO	78,208.69	7.2197	564,643.28
NOK	13,748,655.53	0.7234	9,946,216.84
Long-term borrowings	-	-	-

Including: USD			
EURO			
HKD			
Accounts payable	-	-	75,117,398.28
Including: USD	9,723,521.44	6.3757	61,994,255.65
EURO	8,296.92	7.2197	59,901.27
VND	6,718,066,848.50	0.0003	1,850,612.44
NOK	15,499,216.95	0.7234	11,212,628.92
Other receivables	-	-	559,693.13
Including: VND	1,665,497,696.12	0.0003	458,791.32
NOK	139,476.57	0.7234	100,901.81
Other payables	-	-	1,240,765.69
Including: USD	117,726.57	6.3757	750,589.29
VND	1,374,579,940.00	0.0003	378,652.79
HKD	16,480.00	0.8176	13,474.05
NOK	135,533.90	0.7234	98,049.56
Long-term borrowings - Non-current liabilities due within one year	-	-	10,128,047.46
Including: USD			
NOK	14,000,000.00	0.7234	10,128,047.46

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
2015 Informatization Development Project - Data Sharing-based VOS Enterprise Management Cloud Collaboration Platform	1,920,000.00	Deferred income	259,709.40
2015 Key Technical Transformation Project - Technical Transformation of M&G Stationery Automated Assembly Production Technology Application	4,880,000.00	Deferred income	561,878.28
2016 Industrial Transformation and Upgrading Development Project - Machine Vision-based Detection Technology Development and Its Application in Pen Industry -	2,100,000.00	Deferred income	296,953.68

EIT2016			
2016 Cultural and Creative Project - M&G Youpin - High Value-Added Creative Product Development Project	378,588.24	Deferred income	29,437.44
2014 Service Industry Guiding Fund - M&G Life Project based on Intelligent Network Management and Control	3,450,000.00	Deferred income	328,891.68
2014 Special Fund to Encourage the Purchase of International Advanced R&D Instruments and Equipment - R&D of Key Materials and Preparation Technologies in the Pen-making Industry - Project of Introducing MIKRON Multistar LX-24 Station Combination Machine Tools	1,740,000.00	Deferred income	174,000.00
2015 Cultural and Creative Project - Inbound Marketing - Internet + Product Development Model Innovation Project	1,000,000.00	Deferred income	107,310.24
Science & Technology Projects of the 12th Five-Year Plan	2,446,471.05	Deferred income	244,646.88
Improvement of Capability of Shanghai Engineering Technology Research Center - EC2017	1,000,000.00	Deferred income	590,711.49
2010-2011 Shanghai Characteristic Industry Small and Medium-Sized Enterprise Development Fund Project - R&D Technology Transformation of New Material Series for "Writing Creativity" Writing Instruments	786,219.51	Deferred income	25,676.29
2012 Comprehensive Pilot of Modern Service Industry - Network Platform Expansion and Upgrade Project	13,131,632.13	Deferred income	672,017.88
2014 Absorption and Innovation Project - R&D and Industrialization Project of New Needle Spring Pen Tips	789,748.58	Deferred income	90,443.52
Subsidies for injection molding machine intelligent equipment	570,000.00	Deferred income	72,488.12
2013 Special Fund for Key Technological Renovation	5,328,614.61	Deferred income	586,104.12
Cultural and Creative Project	700,000.00	Deferred income	700,000.00
Academician Expert Workstation	100,000.00	Deferred income	
Special Funds for Shanghai Writing Instrument Engineering Technology Research Center	1,000,000.00	Deferred income	
Development of New Environmentally Friendly Materials and Intelligent Manufacturing Technology for Writing Instruments/TLP2021	400,000.00	Deferred income	

Special Funds for Shanghai Manufacturing Brand Project	7,500,000.00	Deferred income	
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
Construction Project of "Marco-Color-Source" Creative Experience Center	2,500,000.00	Deferred income	50,000.04
Special Funds for Central Foreign Economic and Trade Development	1,000,000.00	Deferred income	662,576.66
Subsidies for Boiler Retrofit	350,000.00	Deferred income	280,000.00
Special Funds for Development of SMEs in Shanghai in 2016	465,108.77	Deferred income	49,274.85
Subsidies for Internet Projects	2,590,000.00	Deferred income	156,197.15
Special Funds for Development of Modern Service Industry	750,000.00	Deferred income	464,550.24
Special Development Funds for Enterprises	18,260,000.00	Deferred income	
Financial support	91,140,149.50	Non-operating profits	91,140,149.50
Special Funds for Technological Transformation and Structural Adjustment of Enterprises	888,000.00	Other income	888,000.00
Financial support funds	400,000.00	Other income	400,000.00
Subsidies	492,000.00	Other income	492,000.00
Bonus awards	813,191.80	Other income	813,191.80
Disability benefit awards	1,249.00	Other income	1,249.00
Taxes paid through the bank	37,591.52	Other income	37,591.52
Refund upon payment of VAT	10,152,281.04	Other income	10,152,281.04
Rebate of import logistics tariff	606,279.05	Other income	606,279.05
Government support funds	6,397,400.00	Other income	6,397,400.00
Training fee subsidies	1,729,192.00	Other income	1,729,192.00
Other subsidies	406,846.25	Other income	406,846.25
Special funds for development of enterprises	41,141,500.00	Other income	41,141,500.00
Unemployment insurance subsidies	600.00	Other income	600.00
Post stability subsidies	319,605.82	Other income	319,605.82
Inclusion subsidies for enterprises above designated size in total retail sales of social consumer goods	2,000.00	Other income	2,000.00
Notice of the General Office of the Zhengzhou Municipal People's Government on Further Strengthening the Inclusion of Industrial Enterprises Above Designated Size, Wholesale and Retail Catering Enterprises Above Designated Size, Qualified Construction Enterprises, and Service Enterprises Above Designated Size (Zheng Longing Ban Wen [2015] No. 43)	80,000.00	Other income	80,000.00

Patent subsidies	5,500.00	Other income	5,500.00
Special Subsidy of Qingcun Town for the Project Recognized by Trade-natured Headquarters in 2020	720,000.00	Other income	720,000.00
Special Subsidy of Fengxian District for the Project Established by Trade-natured Headquarters in 2020	280,000.00	Other income	280,000.00
Grants and Incentives of Fengxian District for the Fengxian District Standardization Project in 2021	112,000.00	Other income	112,000.00
Grants and Incentives for the Shanghai Standardization Project in 2021	70,000.00	Other income	70,000.00
Government Grants for the Cultural and Creative Project	300,000.00	Other income	300,000.00
Supporting Funds from the Propaganda Department of the CPC Shanghai Fengxian District Committee	300,000.00	Other income	300,000.00
Grants from Fengxian District for Overseas Trademark Registrations in 2021	10,000.00	Other income	10,000.00
Grants and Incentives of Qingcun Town for the Fengxian District Standardization Project in 2021	288,000.00	Other income	288,000.00

(2). Particulars on return of government subsidies

Applicable Not applicable

Other descriptions:

No

85. Others

Applicable Not applicable

VIII. Change in Consolidation Scope**1. Business combination not under common control**

Applicable Not applicable

(1). Business combination not under common control occurring during the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of acquiree	Equity acquisition time	Equity acquisition cost	Equity acquisition percentage (%)	Equity acquisition type	Date of acquisition	Basis for determining the acquisition date	Income of acquiree from the acquisition date to the end of the period	Net profit of acquiree from the acquisition date to the end of the period
Back to School Holding AS	1 September 2021	186,581,434.21	91.40	Acquisition	1 September 2021	Equity delivery date	21,046,674.22	-6,454,094.30

Other descriptions:

No

(2). Business combination cost and goodwill

Applicable Not applicable

Unit: Yuan Currency: RMB

Combination cost	Back to School Holding AS
--Cash	186,581,434.21
--Fair value of non-cash assets	
--Fair value of the debts issued or assumed	
--Fair value of the equity securities issued	
--Fair value of contingent consideration	
--Acquisition-date fair value of the equity held before the acquisition date	
--Others	
Total combination cost	186,581,434.21
Less: Fair value share of the identifiable net assets acquired	123,051,694.01
Goodwill/Amount of the combination cost below fair value share of the identifiable net assets acquired	63,529,740.20

Description on determination method for fair value of combination cost, contingent consideration and its change:

No

Main reason for the formation of large-amount goodwill:

No

Other descriptions:

No

(3). Identifiable assets and liabilities of acquiree on the acquisition date

Applicable Not applicable

Unit: Yuan Currency: RMB

	Back to School Holding AS	
	Fair value on the acquisition date	Carrying value on the acquisition date
Assets:	207,019,970.34	175,394,363.85
Cash and equivalents	31,328,427.08	31,328,427.08
Receivables	20,849,317.55	20,849,317.55
Inventories	8,759,368.47	8,759,368.47
Fixed assets	2,278,992.49	1,748,683.95
Intangible assets	129,849,909.00	81,301,910.39
Goodwill		17,452,700.66
Other assets	13,953,955.75	13,953,955.75
Liabilities:	72,390,108.18	61,592,880.61
Borrowings	12,702,401.17	12,702,401.17
Payables	4,644,332.81	4,644,332.81
Deferred income tax liabilities	28,421,728.40	17,624,500.83
Other liabilities	26,621,645.80	26,621,645.80
Net assets	134,629,862.16	113,801,483.24
Less: Minority equity	11,578,168.15	9,786,927.56
Net assets acquired	123,051,694.01	104,014,555.68

Determination method for fair value of identifiable assets and liabilities:

No

Contingent liabilities of acquiree assumed in the business combination:

No

Other descriptions:

No

(4). Gains or losses arising from the re-measurement of the equity held before the acquisition date at fair value

Whether there is a transaction where a business combination is achieved stepwise through multiple transactions and the control is obtained within the Reporting Period

Applicable Not applicable

(5). Descriptions on the situation that it is unable to reasonably determine the combination consideration or the fair value of identifiable assets and liabilities of the acquiree at the combination date or the end of the combination period

Applicable Not applicable

(6). Other descriptions

Applicable Not applicable

2. Business combination under common control

Applicable Not applicable

3. Reverse acquisition

Applicable Not applicable

4. Disposal of subsidiaries

Whether there is a loss of control upon a single disposal of investment to subsidiaries

Applicable Not applicable

Other descriptions:

Applicable Not applicable

5. Changes in scope of consolidated financial statements for other reasons

Descriptions on changes in the scope of consolidated financial statements for other reasons (e.g., establishing subsidiaries, clearing subsidiaries, etc.) and their related circumstances:

Applicable Not applicable

(1) Three subsidiaries were established for the current year: Shanghai Meixin Stationery Co., Ltd., SHANGHAI M&G STATIONERY (SINGAPORE) PTE.LTD., and M&G Jiumu Enterprise Management (Beijing) Co., Ltd.

(2) One subsidiary was deregistered for the current year: M&G Life Enterprise Management (Shanghai) Co., Ltd. (晨光生活馆企业管理(上海)有限公司)

6. Others

Applicable Not applicable

IX. Equity in Other Entities

1. Equity in subsidiaries

(1). Composition of the corporate group

√ Applicable □ Not applicable

Subsidiary name Name	Main place of business	Registered address	Nature of the business	Shareholding ratio (%)		Acquisition way
				Direct	Indirect	
Shanghai M&G Colipu Office Supplies Co., Ltd.	Shanghai	Shanghai	Retail, wholesale, etc.	70.00		Establishment
Shanghai M&G Stationery & Gift Co., Ltd. (上海晨光文具礼品有限公司)	Shanghai	Shanghai	Production, sale and so forth	100.00		Establishment
Shanghai M&G Stationery Sales Co., Ltd. (上海晨光文具销售有限公司)	Shanghai	Shanghai	Retail, wholesale, etc.		100.00	Establishment
Guangzhou M&G Stationery&Gifts Sales Co., Ltd. (广州晨光文具礼品销售有限公司)	Guangzhou	Guangzhou	Retail, wholesale, etc.		100.00	Establishment
Yiwu Chenxing Stationery Co., Ltd. (义乌市晨兴文具用品有限公司)	Yiwu	Yiwu	Retail, wholesale, etc.		100.00	Establishment
M&G Life Enterprise Management Co., Ltd. (晨光生活馆企业管理有限公司)	Shanghai	Shanghai	Retail, wholesale, etc.	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.		85.00	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 Stationery 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
Shanghai Meixin Stationery Co., Ltd. (上海美新文具有限公司)	Shanghai	Shanghai	Wholesale and retail	100.00		Establishment
SHANGHAI M&G STATIONERY (SINGAPORE) PTE.LTD.	Singapore	Singapore	Enterprise management	100.00		Establishment
M&G Jiumu Enterprise Management (Beijing) Co., Ltd. (晨光九木企业管理(北京)有限公司)	Beijing	Beijing	Wholesale and retail		100.00	Establishment
Back to School Holding AS	Norway	Norway	Holding company	91.40		Acquired by business combination not

						under common control
Beckmann AS	Norway	Norway	Production, sale and so forth		100.00	Acquired by business combination not under common control
Beckmann Norway GmbH	Germany	Germany	Retail, wholesale, etc.		100.00	Acquired by business combination not under common control

Descriptions on the situation that the shareholding ratio in the subsidiary is different from the share of the voting rights:

No

Basis for holding half or less of the voting rights of the investee but still controlling the investee and holding more than half of the voting rights but not controlling the investee:

No

Basis for controlling important structured entities included in the scope of consolidated financial statements:

No

Basis for determining whether the Company is an agent or a principal:

No

Other descriptions:

No

(2). Important non-wholly owned subsidiaries

Applicable Not applicable

Name of subsidiaries	Minority shareholding ratio	Profits and losses attributable to minority shareholders in the current period	Unit: RMB Currency: RMB	
			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.	296,293.71	13,242.50	309,536.21	222,998.54	4,519.22	227,517.76	237,271.61	6,474.92	243,746.53	184,145.14	2,721.93	186,867.07
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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.	776,565.05	24,198.53	24,198.53	3,762.50	500,027.59	14,382.86	14,382.86	22,586.95

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	36,512,701.80	34,722,395.67
Total of the following items calculated according to the shareholding ratio		
--Net profits	1,372,107.60	-1,610,614.02
--Other comprehensive income	418,198.53	750,226.22
--Total comprehensive income	1,790,306.13	-860,387.80

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 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	23,425,570.29	156,500,000.00				179,925,570.29
Non-current liabilities due within one year		10,128,047.46				10,128,047.46
Total	23,425,570.29	166,628,047.46				190,053,617.75

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	176,000.00	180,000,000.00				180,176,000.00
Total	176,000.00	180,000,000.00				180,176,000.00

(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.

Interest-bearing financial instruments with fixed and floating rates expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the percentages of fixed interest rate instruments and floating interest rate instruments according to the market environment, and maintains an appropriate combination of fixed interest rate instruments and floating interest rate

instruments through regular review and monitoring. When necessary, the Company adopts interest rate swap instruments to hedge the interest rate risk.

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	64,819,208.45	32,589,819.17	97,409,027.62	82,557,145.55	2,607,950.11	85,165,095.66
Accounts receivable	114,193,519.87	10,510,860.12	124,704,379.99	31,500,641.44	186,699.84	31,687,341.28
Other receivables		559,693.13	559,693.13		427,463.91	427,463.91
Total foreign currency financial assets	179,012,728.32	43,660,372.42	222,673,100.74	114,057,786.99	3,222,113.86	117,279,900.85
Short-term borrowings	9,583,416.04		9,583,416.04			
Non-current liabilities due within one year		10,128,047.46	10,128,047.46			
Accounts payable	61,994,255.65	13,123,142.63	75,117,398.28	3,968,191.47	1,778,217.76	5,746,409.23
Other payables	750,589.29	490,176.40	1,240,765.69		282,014.95	282,014.95
Total	72,328,260.98	23,741,366.49	96,069,627.47	3,968,191.47	2,060,232.71	6,028,424.18

XI. Disclosure of Fair Value

1. Closing fair value of assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB 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) 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	1,609,123,552.86			1,609,123,552.86
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			6,745,402.14	6,745,402.14
(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			22,824,707.62	22,824,707.62
Total assets continuously measured at fair value	1,609,123,552.86		29,570,109.76	1,638,693,662.62
(VI) Trading financial liabilities				
1. Financial liabilities at fair value through profit or loss				
Including: Trading bonds issued				
Derivative financial liabilities			147,570.52	147,570.52
Others				
2. Financial liabilities designated as at fair value through profit or loss				
Total liabilities continuously measured at fair value			147,570.52	147,570.52
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				
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2. Basis for determining market prices of items continuously and not continuously measured at the first-level fair value

Applicable Not applicable

The input value of the first level is the unadjusted quotation of the same asset or liability that can be obtained on the measurement date in the active market.

3. Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the second-level fair value

Applicable Not applicable

The input value of the second level is the directly or indirectly observable input value of related assets or liabilities except the input value of the first level.

4. Qualitative and quantitative information on valuation techniques and important parameters adopted by items continuously and not continuously measured at the third-level fair value

Applicable Not applicable

The input value of the third level is the unobservable input value of the related asset or liability.

5. Information on adjustment between the beginning carrying value and the closing carrying value of items continuously measured at the third-level fair value and sensitivity analysis on unobservable parameters

Applicable Not applicable

6. For items continuously measured at fair value, in case of any conversion between various levels during the period, reasons for the conversion and policies to determine the conversion time should be provided

Applicable Not applicable

7. Changes in valuation techniques and reasons for changes during the period

Applicable Not applicable

8. Particulars on fair value of financial assets and liabilities which are not measured at fair value

Applicable Not applicable

9. Others

Applicable Not applicable

XII. Related Parties and Related-Party Transactions

1. Particulars on the parent company of the Company

Applicable Not applicable

Name of the parent company	Registered address	Nature of the business	Registered capital	Unit: 0'000 Currency: RMB	
				The parent company's shareholding ratio in the Company (%)	The parent company's voting right ratio in the Company (%)
M&G Holdings (Group) Co., Ltd.	Shanghai	Industrial Investment	RMB300 million	57.77	57.77

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 important joint ventures and associates 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
Shanghai M&G Charity Foundation	Others
Shanghai KACO Industrial Co., Ltd.	Others
Guo Weilong	Others
Nanjing Zhaochen Stationery Sales Co., Ltd.	Others
Nanjing Chenri Stationery Sales Co., Ltd.	Others
Nanjing Youchen Stationery Sales Co., Ltd.	Others
Huaian Youpin Chenguang Trading Co., Ltd. (淮安优品晨光贸易有限公司)	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	2,363,756.97	702,355.15
Shanghai KACO Industrial Co., Ltd.	Purchase of goods	177,706.19	

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	421,648,593.59	439,535,408.86
PELEG DESIGN Ltd	Sale of goods	360,972.26	
Shanghai M&G Charity Foundation	Sale of goods	119,375.53	

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	4,620,952.60	4,620,952.38

	buildings, workshops, parking spaces, warehouses, dormitory buildings, etc.)		
M&G Holdings (Group) Co., Ltd.	Self-owned office buildings and parking spaces	19,222,690.29	18,693,105.31
M&G Holdings (Group) Co., Ltd.	Utilities	5,819,952.08	5,164,795.80

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: RMB 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	

(2). Payables

Applicable Not applicable

Unit: RMB 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	7,772.17	87,891.05

Accounts payable	Shanghai KACO Industrial Co., Ltd.	17,175.23	
Accounts payable	PELEG DESIGN Ltd		660,345.39
Other payables	Sales entities controlled by Guo Weilong	585,000.00	1,485,000.00
Other payables	M&G Holdings (Group) Co., Ltd.	480,028.03	1,144,105.84
Contract liabilities	Sales entities controlled by Guo Weilong	19,432,606.22	21,037,129.41
Non-current liabilities due within one year	M&G Holdings (Group) Co., Ltd.	13,243,573.62	

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		689,400
Total amount of equity instruments vested by the Company in the current period		2,010,380
Total amount of equity instruments of the Company expired in the current period		371,410
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	2020 Restricted Stock Incentive Plan: 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 1.33 years. 2021 Restricted Stock Incentive Plan: Restricted stocks are granted at a price of RMB45.03/share and are valid for 2 years from the date of grant; the remaining validity period is 1.33 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 of the fair value of equity instruments at the date of grant	2020 Restricted Stock Incentive Plan: The closing price of the stocks on the date of grant is RMB52.70/share 2021 Restricted Stock Incentive Plan: The closing price of the stocks on the date of grant was RMB91.75/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	159,854,936.12
Total amount of expenses recognized by equity-settled share-based payments in the current period	77,655,911.24

Other descriptions

(1) Description on 2020 Restricted Stock Incentive Plan:

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 5th session of Board of Directors and the 1st meeting of the 5th session of 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 RMB23.70/share.

According to the *Proposal on Adjusting the 2020 Restricted Stock Incentive Plan* considered and approved at the 1st meeting of the 5th session of Board of Directors and the 1st meeting of the 5th session of 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 revenue 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 revenue 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 revenue 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.

For the current year, the Company repurchased and cancelled a total of 371,410 restricted stocks; the number of restricted stocks that can be released by the Company from sales restrictions was 2,010,380.

(2) Description on 2021 Restricted Stock Incentive Plan:

At the 7th meeting of the 5th session of the Board of Directors and the 6th meeting of the 5th session of the Board of Supervisors held by the Company on 29 April 2021, the *Proposal on Granting Reserved Restricted Stocks to Incentive Objects of the 2020 Restricted Stock Incentive Plan* was considered and approved. It was determined that 29 April 2021 was the date of grant of the incentive plan, the number of incentive objects granted was 120, the number of restricted stocks granted was 705,500, and the grant price was RMB45.03 per share. The independent directors of the Company expressed their independent opinions on such determination. After the date of grant of the restricted stock incentive plan was determined, one incentive object voluntarily abandoned the stocks incentive plan due to personal reasons. The number of incentive objects actually granted by the stock incentive plan was 119, the number of restricted stocks actually granted was 689,400 shares, and the actual receivables for subscription of restricted shares amounted to RMB31,043,682.00.

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 revenue in 2021 will not be less than 45%, and the growth rate of net profit in 2021 will not be less than 34%;
The second period of releasing the sales restrictions	Based on 2019, the growth rate of revenue 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

(1) On 16 September 2021, the subsidiary Axus Stationery (Shanghai) Company Ltd. ("Axus Stationery") and China Merchants Bank Co., Ltd. Shanghai Branch ("CMB Shanghai Branch") entered into the *Credit Agreement* numbered 121XY2021031380 with the credit line of RMB180,000,000.00 for 36 months from 16 September 2021 to 15 September 2024. The specific types of line business include, but are not limited to, working capital loans, bank notes, and letters of credit.

On 16 September 2021, Axus Stationery and CMB Shanghai Branch entered into the *Maximum Mortgage Contract* numbered 121XY2021031380, which is a sub-contract of the *Credit Agreement*. The maximum principal limit of the mortgage under this contract is RMB180,000,000.00, and the mortgage limit is valid from 16 September 2021 to 15 September 2024.

The mortgage term runs from the effective date of the mortgage contract to the expiration of the period of the creditor's rights claims under the *Credit Agreement*. The collaterals 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	27,468,676.83	19,592,776.69
No. 233, Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2013) No. 013396	32,156,238.78	14,464,816.47	17,691,422.31
No. 333, Xuezi South Road, Xianghuaqiao Street, Qingpu District	HFDQ Zi (2015) No. 015718	60,230,210.97	18,199,423.55	42,030,787.42
Total		139,447,903.27	60,132,916.85	79,314,986.42

As of 31 December 2021, the outstanding loan of Axus Stationery was RMB156,500,000.00 and USD1,500,000.00.

(2) On 7 August 2017, the subsidiary, Back to School Holding AS, borrowed a long-term loan from a local bank in Norway with all the shares held by the Group's subsidiary, Beckmann AS, as pledge. As of 31 December 2021, the balance of the loan was NOK14 million and was presented in the non-current liabilities due within one year in the statements.

(3) As of the end of the Reporting Period, the Company had restricted monetary funds of RMB1,471,167,575.95, mainly including letter of credit deposit, performance bond, and fixed deposit over 3 months.

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	556,647,354
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Profits or dividends reviewed and approved to be declared for distribution	
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According to the *Profit Distribution Plan for 2021* reviewed and approved at the 12th meeting of the 5th session of Board of Directors held by the Company on 25 March 2022, based on the total stock capital registered on the registration date for the implementation of the equity distribution, the Company intends to distribute the dividend in cash at RMB6 every 10 shares (tax inclusive) to all shareholders. The remaining distributable profits in 2021 will be carried forward to the following year.

3. Sales return

Applicable Not applicable

4. Particulars 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: direct office supplies business and core traditional 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

Item	Unit: Yuan			Currency: RMB
	Direct office supplies business	Core traditional business	Inter-segment elimination	Total
Revenue from foreign transactions	7,749,228,480.18	9,858,174,769.94		17,607,403,250.12
Revenue from inter-segment transactions	16,421,999.56	76,300,858.12	92,722,857.68	
Income from investments in associates and joint ventures		1,372,107.60		1,372,107.60
Credit impairment losses	2,649,450.85	-9,663,165.39		-7,013,714.54
Asset impairment loss	-982,839.16	-16,108,527.29		-17,091,366.45
Depreciation and amortization charges	35,886,532.84	426,349,122.22		462,235,655.06
Total profits (total losses)	296,666,617.92	1,565,145,973.86	409,484.77	1,861,403,107.01
Income tax expenses	54,681,349.46	273,023,720.99	-102,371.19	327,807,441.64
Net profits (net losses)	241,985,268.46	1,291,917,510.49	307,113.58	1,533,595,665.37
Total assets	3,095,362,065.39	8,350,067,519.96	21,041,655.02	11,424,387,930.33
Total liabilities	2,275,177,642.17	2,646,653,638.04	20,734,541.44	4,901,096,738.77

(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	129,551,588.15
1 to 2 years	2,709,211.72
2 to 3 years	
Above 3 years	
3 to 4 years	
4 to 5 years	
Above 5 years	
Total	132,260,799.87

(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	132,260,799.87	100.00	4,466,584.10	3.38	127,794,215.77	181,133,866.23	100.00	3,485,066.58	1.92	177,648,799.65
Including:										
Combination I: Account age analysis combination	75,785,623.81	57.30	4,466,584.10	5.89	71,319,039.71	69,701,331.66	38.48	3,485,066.58	5.00	66,216,265.08
Combination III: Related parties in the scope of the consolidated financial statements	56,475,176.06	42.70			56,475,176.06	111,432,534.57	61.52			111,432,534.57
Total	132,260,799.87	/	4,466,584.10	/	127,794,215.77	181,133,866.23	/	3,485,066.58	/	177,648,799.65

Bad debt provisions accrued separately:

 Applicable Not applicable

Bad debt provisions accrued according to the combination:

 Applicable Not applicable

Disclosure to be made in accordance with the disclosure way of other receivables in case of bad debt provisions accrued according to the general model of expected credit losses:

 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 I: Account age analysis combination	3,485,066.58	981,517.52				4,466,584.10
Total	3,485,066.58	981,517.52				4,466,584.10

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

Unit: Yuan Currency: RMB

Company name	Closing balance	Percentage (%) in the total balance at the end of the period of accounts receivable	Balance of bad debt provisions at the end of the period
First	42,063,973.89	31.8	
Second	12,663,274.18	9.57	633,163.71
Third	6,835,241.86	5.17	341,762.09
Fourth	6,364,489.64	4.81	318,224.48
Fifth	5,465,480.41	4.13	273,274.02
Total	73,392,459.98	55.48	1,566,424.30

Other descriptions

No

(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
Dividend receivable		
Other receivables	600,504,253.91	399,643,347.22
Total	600,504,253.91	399,678,347.22

Other descriptions:

Applicable Not applicable

Interest receivable

(1). Classification of interest receivable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
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Time deposits		
Entrusted loans		35,000.00
Bond investment		
Total		35,000.00

(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		216,245,192.96
1 to 2 years		121,411,432.11
2 to 3 years		92,280,776.87
Above 3 years		172,055,312.40
3 to 4 years		
4 to 5 years		
Above 5 years		
Less: Bad debt provisions		-1,488,460.43
Total		600,504,253.91

(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	1,883,898.16	1,680,200.77
Consolidated balance of related-parties current accounts	590,726,479.67	391,720,050.07

Amount paid for materials	843,752.96	174,142.29
Consolidated balance of related-parties current accounts - provisional input tax	1,766,952.16	1,937,167.34
Margin and deposit	1,855,862.39	5,383,734.67
Others	4,915,769.00	3,345,941.78
Total	601,992,714.34	404,241,236.92

(3). Particulars on accruing of bad debt provisions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Bad debt provisions	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance as at 1 January 2021	4,597,889.70			4,597,889.70
Balance as at 1 January 2021 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	-3,109,429.27			-3,109,429.27
Reserved in the current period				
Resold in the current period				
Written-off in the current period				
Other changes				
Balance as at 31 December 2021	1,488,460.43			1,488,460.43

Particulars on significant changes in the carrying balance of other receivables with changes in the loss provisions occurring 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 2021	404,241,236.92			404,241,236.92

Balance as at 1 January 2021 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	403,158,817.53			403,158,817.53
Derecognition of the current period	205,407,340.11			205,407,340.11
Other changes				
Balance as at 31 December 2021	601,992,714.34			601,992,714.34

Amount of bad debt provisions accrued for the current period and the basis for assessing whether the credit risk of financial instruments has 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 analysis combination	4,597,889.70	-3,109,429.27				1,488,460.43
Total	4,597,889.70	-3,109,429.27				1,488,460.43

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	236,033,960.10	Within 1 year: RMB48,658,500 Above 1 year: RMB187,375,500	39.21	

Second	Consolidated balance of related-parties current accounts	119,222,002.29	Within 1 year: RMB2,048,500 Above 1 year: RMB117,373,500	19.80	
Third	Consolidated balance of related-parties current accounts	107,458,390.94	Within 1 year: RMB50,459,600 Above 1 year: RMB56,998,800	17.85	
Fourth	Consolidated balance of related-parties current accounts	40,000,000.00	Within 1 year	6.64	
Fifth	Consolidated balance of related-parties current accounts	22,000,000.00	Within 1 year	3.65	
Total	/	524,714,353.33	/	87.15	

(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	1,501,648,897.21		1,501,648,897.21	1,063,812,641.33		1,063,812,641.33
Investments to associates and joint ventures	36,512,701.80		36,512,701.80	34,722,395.67		34,722,395.67
Total	1,538,161,599.01		1,538,161,599.01	1,098,535,037.00		1,098,535,037.00

(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.	500,227,232.24	9,336,255.88		509,563,488.12		
Shanghai M&G Zhenmei Stationery Co., Ltd. (上海晨光珍美文具有限公司)	13,288,599.09			13,288,599.09		
Shanghai M&G Stationery & Gift Co., Ltd. (上海晨光文具礼品有限公司)	199,419,400.00			199,419,400.00		

M&G Life Enterprise Management Co., Ltd. (晨光生活馆企业管理有限公司)	60,000,000.00	180,000,000.00		240,000,000.00		
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		
Shanghai Qizhihaowan Culture and Creativity Co., Ltd. (上海奇只好玩文化创意有限公司)		28,500,000.00		28,500,000.00		
Shanghai Chenxun Enterprise Management Co., Ltd. (上海晨讯企业管理有限公司)		220,000,000.00		220,000,000.00		
Total	1,063,812,641.33	437,836,255.88		1,501,648,897.21		

(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	Others		
I. Joint venture											
Subtotal											
II. Associate											
Ningbo Zhongchen Equity Investment Partnership (Limited Partnership)	29,693,097.54			1,634,406.40	418,198.53						31,745,702.47
Shanghai Pen-making Technology Services Co., Ltd.	5,029,298.13			-262,298.80							4,766,999.33
Subtotal	34,722,395.67			1,372,107.60	418,198.53						36,512,701.80
Total	34,722,395.67			1,372,107.60	418,198.53						36,512,701.80

Other descriptions:

No

4. Revenue and operating costs**(1). Particulars on 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	4,692,104,398.60	2,568,183,955.45	4,130,671,233.32	2,164,311,904.18
Other operations	83,787,431.99	866.69	65,240,228.87	
Total	4,775,891,830.59	2,568,184,822.14	4,195,911,462.19	2,164,311,904.18

(2). Particulars on revenue from contracts

√ Applicable □ Not applicable

		Unit: Yuan	Currency: RMB
Classification of contracts		Total	
Types of goods			
1. Sales of goods			4,692,104,398.60
2. Others			74,881,124.89
Classification by operation territory			
1. China			4,612,272,861.13
2. Other countries			154,712,662.36
Total			4,766,985,523.49

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	4,766,985,523.49	4,190,349,929.22
Rental income	8,906,307.10	5,561,532.97
Total	4,775,891,830.59	4,195,911,462.19

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	1,372,107.60		-1,610,614.02
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	4,067,412.24	4,763,925.06
Investment income from disposal of other equity instrument investments		
Investment income from disposal of debt investment		
Investment income from disposal of other debt investments		
Gains from debt restructuring		
Total	5,439,519.84	3,153,311.04

Other descriptions:

No

6. Others

Applicable Not applicable

XVIII. Supplementary Information

1. Table on details of non-recurring gains and losses of the current period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount	the situation
Gains or losses on disposal of non-current assets	6,098,090.22	Compensation for land expropriation by the Government
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)	163,887,877.43	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	43,557,663.15	Revenue generated from purchase of wealth management products
Reversal of provision for impairment of receivables and contractual assets which are individually tested for impairment.	20,000,000.00	Mainly due to the provision reversal of bad debts on individual receivables of M&G Colipu
Other net non-operating income and expenses, other than the above items	-11,127,909.82	Mainly including the expenditure of charity donations and the loss generated by scrapping part of the old equipment

Minus: Effect of income tax	33,537,580.85	
Effect of minority equity	20,550,381.69	
Total	168,327,758.44	

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	26.82	1.6450	1.6425
Net profit attributable to ordinary shareholders of the company after deducting non-recurring gains and losses	23.84	1.4623	1.4603

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

Chairman: Chen Huwen

Date of report and submission approved by the Board of Directors: 25 March 2022

Revision information

Applicable Not applicable