
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Chenming Paper Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1812)

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE
TARGET COMPANIES**

A letter from the Board is set out on pages 5 to 19 of this circular.

The 2025 second EGM will be held on Wednesday, 31 December 2025 at 2:00 p.m. at the conference room of the research and development centre of the Company, No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People's Republic of China. This circular should be read together with the notice of the Company dated 15 December 2025 despatched to the Shareholders in relation to the EGM.

Whether or not you are able to attend the EGM in person, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The form of proxy shall be lodged with Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 24 hours before the time scheduled for holding the EGM (or any adjourned meetings thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment if you so desire. Completion and return of the forms of proxy will not affect Shareholders' rights to attend the EGM.

* *For identification purposes only*

23 December 2025

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“A Share(s)”	the domestic share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange and traded in RMB (stock code: 000488);
“Articles of Association”	the articles of association of the Company, i.e. the Articles of Association of Shandong Chenming Paper Holdings Limited;
“Board”	the board of Directors of the Company;
“B Share(s)”	the domestic listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of Shenzhen Stock Exchange and traded in Hong Kong dollars (stock code: 200488);
“Chairman”	the chairman of the Company;
“Chenming HK”	Chenming (HK) Limited, a limited company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Company”	Shandong Chenming Paper Holdings Limited*, a joint stock limited liability company incorporated in the PRC whose H Shares are listed on the Main Board of the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Target Interests and Target Loan by Chenming HK and Zhanjiang Chenming Paper to the Purchaser in accordance with the terms and conditions of the Equity and Loan Transfer Agreement;
“EGM”	the 2025 second extraordinary general meeting to be held by the Company on Wednesday, 31 December 2025 at 2:00 p.m. at the conference room of the research and development centre of the Company, No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, the People’s Republic of China;

DEFINITIONS

“Equity and Loan Transfer Agreement”	the equity and loan transfer agreement dated 15 December 2025 entered into among Zhanjiang Chenming Paper (as vendor of the Target Loan), Chenming HK (as vendor of the Target Interests) and the Purchaser (as purchaser) in relation to the Disposal;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars (stock code: 01812);
“Independent Valuer”	Kun Xin International Assets Appraisal Group Co., Ltd.* (坤信國際資產評估集團有限公司), and independent qualified asset valuer in the PRC;
“Latest Practicable Date”	16 December 2025, being the latest practicable date prior to publication of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, for the purposes of this circular, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Shouguang Shengjia Investment Co., Ltd.* (壽光市晟嘉投資有限公司), a limited liability company incorporated in the PRC and the purchaser under the Equity and Loan Transfer Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Share(s)”	A Share(s), B Share(s) and H Share(s);
“Shareholder(s)”	holder(s) of Share(s) of the Company;
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange;
“Shouguang Jintou”	Shouguang Jintou Industrial Investment Partnership (Limited Partnership)* (壽光市金投產業投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company 1”	Shandong Chenming Financial Leasing Co., Ltd.* (山東晨鳴融資租賃有限公司), a company incorporated in the PRC with limited liability;
“Target Company 2”	Qingdao Chenming Paper Products Sales Co., Ltd.* (青島晨鳴紙製品銷售有限公司) (previously known as Qingdao Chenming Nonghai Financial Leasing Co., Ltd* (青島晨鳴弄海融資租賃有限公司)), a company incorporated in the PRC with limited liability;
“Target Company 3”	Shanghai Chenming Financial Leasing Co., Ltd.* (上海晨鳴融資租賃有限公司), a company incorporated in the PRC with limited liability;
“Target Companies”	Target Company 1, Target Company 2 and Target Company 3;
“Target Group”	the Target Companies and their subsidiaries;
“Target Group Company(ies)”	member(s) of the Target Group;
“Target Interests”	Target Interest 1, Target Interest 2 and Target Interest 3;
“Target Interest 1”	100% equity interest in Target Company 1 held by Chenming HK;
“Target Interest 2”	25% equity interest in Target Company 2 held by Chenming HK;

DEFINITIONS

“Target Interest 3”	25% equity interest in Target Company 3 held by Chenming HK (the corresponding registered capital of which has not been paid up by Chenming HK);
“Target Loan”	the loan owed by Target Company 1 to Zhanjiang Chenming Paper with a carrying amount of RMB2,262,956,136.67 as at 30 September 2025;
“Valuation”	the valuation of each of the Target Companies provided by the Independent Valuer using the asset-based approach;
“Valuation Benchmark Date”	30 September 2025, being the benchmark date of the Valuation;
“Zhanjiang Chenming Paper”	Zhanjiang Chenming Paper Co., Ltd.* (湛江晨鳴紙品有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company; and
“%”	per cent.

LETTER FROM THE BOARD



山東晨鳴紙業集團股份有限公司
SHANDONG CHENMING PAPER HOLDINGS LIMITED*
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1812)

Executive Directors:

Mr. Jiang Yanshan
Mr. Li Weixian
Mr. Liu Peiji
Mr. Meng Feng
Ms. Zhu Yanli

Legal address:

No. 595 Shengcheng Road
Shouguang City
Shandong Province
PRC

Non-executive Directors:

Mr. Song Yuchen
Ms. Wang Ying

Independent non-executive Directors:

Mr. Zhang Zhiyuan
Mr. Luo Xinhua
Mr. Wan Gang
Mr. Kong Pengzhi

23 December 2025

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL IN RELATION TO
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE
TARGET COMPANIES**

INTRODUCTION

Reference is made to the announcement dated 15 December 2025 of the Company in relation to the Disposal.

* For identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among other things, further details of the Disposal and other information prescribed by the Listing Rules.

THE DISPOSAL

On 15 December 2025 (after trading hours), Zhanjiang Chenming Paper (as vendor of the Target Loan), Chenming HK (as vendor of the Target Interests) and the Purchaser (as purchaser) entered into the Equity and Loan Transfer Agreement, pursuant to which the Company and Chenming HK agreed to sell and the Purchaser agreed to acquire the Target Interests and the Target Loan for a total consideration of RMB3,336.353 million.

The principal terms of the Equity and Loan Transfer Agreement are summarised as follows:

Date	15 December 2025
Parties	Zhanjiang Chenming Paper (as vendor of the Target Loan); Chenming HK (as vendor of the Target Interests); and the Purchaser (as purchaser).

Subject Matter

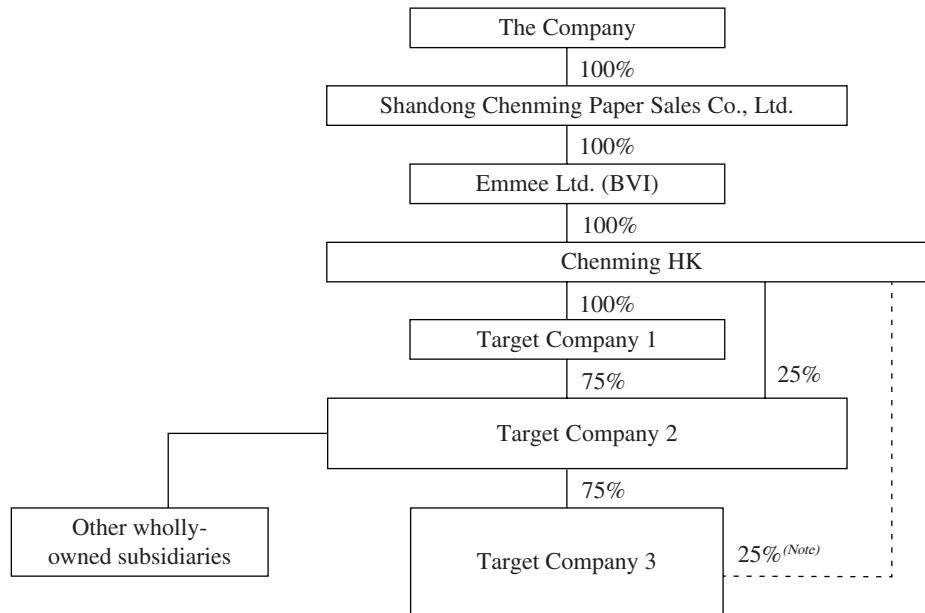
Pursuant to the Equity and Loan Transfer Agreement, (1) Chenming HK has agreed to sell, and the Purchaser has agreed to acquire, 100% equity interest in Target Company 1, 25% equity interest in Target Company 2 and 25% equity interest in Target Company 3; and (2) Zhanjiang Chenming Paper has agreed to sell, and the Purchaser has agreed to acquire, the loan payable by Target Company 1 to Zhanjiang Chenming Paper with a carrying amount of RMB2,262.96 million, being the funding provided by Zhanjiang Chenming Paper to Target Company 1 before the date of the Equity and Loan Transfer Agreement to support the daily operation and Target Company 1.

Group Chart

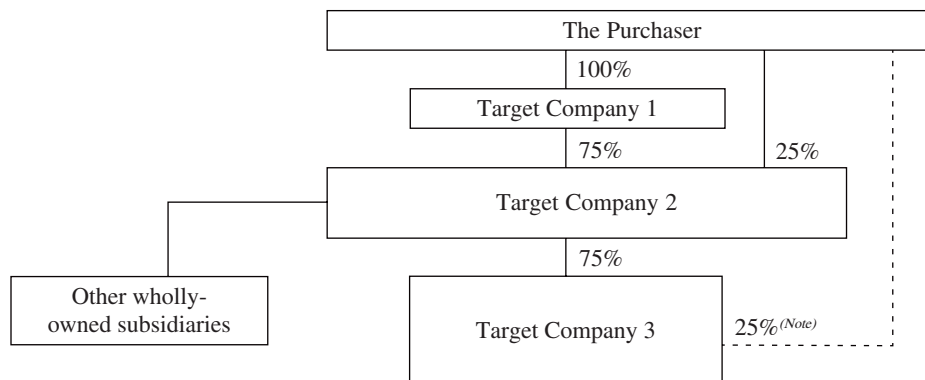
The following diagrams illustrate the simplified structure of the Target Group before and after Completion:

LETTER FROM THE BOARD

As at the Latest Practicable Date and before Completion:



After Completion:



Note: The corresponding registered capital of Target Company 3 has not been paid up by the then shareholder (i.e. Chenming HK).

LETTER FROM THE BOARD

Consideration and Payment Terms

The total consideration of the Disposal shall be RMB3,336.353 million, which comprises of (i) RMB785.1593 million for Target Interest 1; (ii) RMB288.2376 million for Target Interest 2; (iii) RMB0 for Target Interest 3; and (iv) RMB2,262.9561 million for the Target Loan. The Purchaser shall pay the consideration in cash in accordance with the following payment schedule:

Payee	Nature	Payment Date	Amount (RMB'0,000)
Chenming HK	Consideration for Target Interests	Date on which all of the conditions precedent have been fulfilled	33,000
		25 December 2026	20,000
		25 December 2027	20,000
		25 December 2028	25,000
		25 December 2029	9,339.69
			<u>107,339.69</u>
Zhanjiang Chenming Paper	Consideration for Target Loan	25 December 2029	15,660.31
		25 December 2030	30,000
		25 December 2031	30,000
		25 December 2032	30,000
		25 December 2033	40,000
		25 December 2034	40,000
		25 December 2035	<u>40,635.30</u>
			<u>226,295.61</u>
Total			333,635.30

The Purchaser is a wholly state-owned enterprise under the Shouguang Municipal Government (壽光市政府) which has provided a certain amount of funding and guarantee to the Company to support the Group's resumption of operations. With a sound credit background, the Purchaser is in a better position to provide predictable instalment payments to the Group which can reduce exposure to credit risk as compared to recovering the outstanding receivables from multiple individual customers of the finance lease business of the Target Group. In light of the Purchaser's request for a longer payment term, the current financial situation of the Group and the lack of other potential buyers in the market in the short term, to ensure the successful completion of the Disposal and the effective fulfilment of the obligations under the Equity and Loan Transfer Agreement, the payment term has been mutually agreed upon as the most effective solution for the parties. The arrangement may enhance the sustained performance capability of the Purchaser, ensure the feasibility of the payment plan, and facilitate the thorough and stable divestiture of the finance leasing business of the Company, further optimizing its asset structure, improving asset quality, and enabling the focus on its core responsibilities and primary operations in line with the overall development strategy of the Company. Therefore, the Directors consider that the payment terms are fair and reasonable and in the best interests of the Company and its shareholders.

LETTER FROM THE BOARD

Basis for Determining the Consideration

The consideration of the Disposal is determined on normal commercial terms after arm's length negotiations between Zhanjiang Chenming Paper, Chenming HK and the Purchaser and with reference to the following factors: (i) 100% of the appraised value of Target Company 1 as at the Valuation Benchmark Date of RMB785.1593 million based on the Valuation; (ii) 25% of the appraised value of Target Company 2 as at the Valuation Benchmark Date of RMB1,152.9504 million based on the Valuation, whereas the remaining 75% of the appraised value of Target Company 2 has been reflected in the appraised value of Target Company 1; (iii) 25% of the appraised value of Target Company 3 as at the Valuation Benchmark Date of RMB402.0298 million based on the Valuation, whereas the remaining 75% of the appraised value of Target Company 3 has been reflected in the appraised value of Target Company 2; (iv) Target Interest 3 will be transferred at nil consideration because the corresponding registered capital of Target Company 3 has not been paid up by the then shareholder (i.e. Chenming HK); and (v) the carrying amount of the Target Loan which is RMB2,262.9561 million.

The scope of the Valuation covers all the audited assets and liabilities reported by the Target Companies but excludes machinery and equipment of Target Company 1 with a net carrying amount of approximately RMB47.6275 million as such assets do not form part of the subject matter of the Disposal which will continue to be owned by the Company after the Disposal. There was no limitation on the scope of work performed by the Independent Valuer.

The appraised value of the entire equity interest of the Target Companies were arrived at by the Independent Valuer using the asset-based approach. The details of the valuation method adopted for the Target Companies in the Valuation are summarised as follows:

Reasons for adopting the asset-based approach

According to the Basic Rules for Asset Appraisal published by the Ministry of Finance of the PRC, there are three valuation methods to determine the asset value, namely market approach, income approach and asset-based approach (also known as cost approach), and their derivative approaches.

Asset appraisal professionals shall analyze the applicability of the three basic asset valuation approaches, namely market approach, income approach and asset-based approach (also known as cost approach), and select a valuation method according to the valuation purpose, the valuation target, the type of value and the information collected, etc.

The preconditions for the application of the market approach are:

- (1) The comparable reference objects of the valuation target have a public market and active trading; and
- (2) The necessary information of the transactions is available.

LETTER FROM THE BOARD

The preconditions for the application of the income approach are:

- (1) The future income of the valuation target can be reasonably expected and measured in currencies;
- (2) The risk associated with the expected income can be measured; and
- (3) The income period can be determined or reasonably expected.

The preconditions for the application of the asset-based approach are:

- (1) The valuation target can be used normally or is in use;
- (2) The valuation target can be obtained through replacement; and
- (3) The replacement cost of the valuation target and the relevant depreciation can be reasonably estimated.

The valuation method selected for the valuation of the Target Companies is asset-based approach. The reasons for selecting the valuation method are as follows:

The main business of the appraised entities is finance leasing business. It is difficult to find sufficient comparable corporate transactions that are the same as or similar to the valuation target in the capital market and the equity transaction market. Therefore, the market approach is not applicable.

The appraised entities are currently in a loss-making state, the future income period and amount cannot be predicted, and the risk associated with achieving expected income cannot be measured. Therefore, the income approach is not adopted.

Each item of the assets and liabilities of the appraised entities on and off the balance sheet as at the Valuation Benchmark Date can be identified and can be valued separately by appropriate methods. Therefore, the asset-based approach is adopted for the valuation.

LETTER FROM THE BOARD

Assumptions of the valuation

The Valuation was subject to the following key assumptions:

(I) Underlying Assumptions

1. Open market assumption: Open market assumption is an assumption about the market conditions into which the assets are proposed to enter and the impact on the assets under such market conditions. Open market refers to adequately developed and sound market conditions, and refers to a competitive market with voluntary buyers and sellers. In such market, buyers and sellers are equal and have opportunities and time to obtain sufficient market information. Transactions between buyers and sellers are conducted on voluntary, rational, non-mandatory or unrestricted conditions. Open market assumption is based on the fact that the assets can be publicly traded in the market.
2. Going concern assumption: The going concern assumption is a valuation assumption made by considering the assets of the enterprise as a whole as the valuation target. That is, the enterprise, as a business entity, continues to operate in accordance with its business objectives in the external environment where it operates. The operator of the enterprise is responsible and competent for assuming responsibilities; and the enterprise operates legally and is able to make appropriate profits to maintain its ability to continue as a going concern.
3. Assumption about the use of an asset for existing purpose: Assumption about the use of an asset for existing purpose is an assumption about the market conditions into which an asset is intended to enter and the use status of the asset under such market conditions. Firstly, it is assumed that the assets within the scope of valuation are in use. Secondly, it is assumed that the assets will continue to be used for the current purpose and usage without considering asset use conversion or optimal utilization conditions.
4. Transaction assumption: It is assumed that all assets to be appraised are in the process of transaction, and the appraisal is made by the valuers based on a simulated market according to the transaction conditions of the assets to be appraised.

(II) General Assumptions

1. It is assumed that after the Valuation Benchmark Date, there will be no significant changes in the current national laws, regulations, policies, and macroeconomic conditions, and the political, economic, and social environment of the region where the parties to the transaction are located will not undergo significant changes.

LETTER FROM THE BOARD

2. It is assumed that after the Valuation Benchmark Date, the management of the appraised entity will be responsible, stable, and capable of fulfilling their duties.
3. There are no material adverse effects on the appraised entity caused by other force majeure factors beyond the control of human and unforeseeable factors.
4. The basic and financial information provided by the principal and the appraised entity is true, accurate, and complete.

(III) Special Assumptions

1. It is assumed that after the Valuation Benchmark Date, the appraised entity maintains its business scope and approaches with the current direction based on the existing management style and level.
2. It is assumed that the accounting policies used by the appraised entity after the Valuation Benchmark Date remain consistent in material aspects with those used at the time this report was prepared.
3. It is assumed that there are no significant changes to the interest rates, exchange rates, tax bases and rates, and policy-related fees relevant to the appraised entity after the Valuation Benchmark Date.
4. It is assumed that the appraised entity fully complies with all relevant laws and regulations.
5. It is assumed that the lease signed by the appraised entity is legal and valid; the signed lease is actually performed and will not be changed and terminated without cause.
6. The asset valuation professionals have not conducted any technical tests on the technical parameters and performance of the various equipment as at the Valuation Benchmark Date, and have made their judgments through on-site inspections on the assumption that the relevant technical information and operational records provided by the principal are true and valid.
7. The on-site inspection of the valuation target by the asset valuation professionals was confined to the appearance and conditions of use of the valuation target, and no tests were conducted on the internal quality of the structure and other parts of the target to ascertain whether there are any inherent defects in the valuation target. The valuation report is based on the assumption that the internal quality of the valuation target complies with the relevant national standards and is sufficient to maintain its normal use.

LETTER FROM THE BOARD

The Directors have reviewed the Valuation provided by the Independent Valuer. With respect to the assumptions adopted, the Directors are of the view that the assumptions used in the Valuation are common assumptions adopted in business valuations based on asset-based approach and are in line with market practice. The Directors have also taken various measures to ascertain the fairness, reasonableness and appropriateness of the Valuation, including but not limited to reviewing the financial statement of the Target Group to understand its financial performance and position.

Based on the foregoing, and taking into account that the valuation approach is a commonly adopted approach, and that the key assumptions used in the calculations of the appraised values are assumptions commonly adopted in other business valuation in the market, the Directors consider that the valuation approach and the assumptions used in the Valuation are fair and reasonable.

Valuation results

The appraised value of the entire equity interest of Target Company 1 as at the Valuation Benchmark Date, which also took into account 75% of the equity interest of Target Company 2 held by Target Company 1, was RMB785.1593 million. The table below sets out the summarised asset valuation result of Target Company 1.

Unit: RMB'0,000

Item	Carrying amount A	Appraised value B	Change C=B-A	Change (%) D=C/A×100
Current assets <i>(Note 1)</i>	256,547.82	258,994.10	2,446.28	0.95
Non-current assets	113,167.47	114,329.56	1,162.09	1.03
Of which: Long-term receivables	20,636.88	20,636.88	0.00	0.00
Long-term equity investments <i>(Note 2)</i>	85,614.53	86,471.28	856.75	1.00
Fixed assets <i>(Note 3)</i>	5,680.08	6,006.52	326.44	5.75
Intangible assets	47.23	26.13	-21.10	-44.67
Other non-current assets	1,188.75	1,188.75	0.00	0.00
Total assets	369,715.29	373,323.66	3,608.37	0.98
Current liabilities	294,807.73	294,807.73	0.00	0.00
Non-current liabilities	0.00	0.00		
Total liabilities	294,807.73	294,807.73	0.00	0.00
Total equity of shareholders	74,907.56	78,515.93	3,608.37	4.82

Notes:

1. There was an increase in the appraised value of other receivables as the ECLs calculated based on the operating conditions, asset-liability structure and debt-repayment capacity of the relevant debtors was lower than the amount of provision for impairment recognised on the books.
2. Target Company 1 has essentially ceased finance leasing operations since 2018 and has been focusing on debt collection instead. After considering the actual business operation of the investee company and the prevailing market conditions, the appraised amount was higher than the carrying amount.
3. Machinery and equipment with a net carrying amount of approximately RMB47.6275 million was excluded from the valuation of the fixed assets of Target Company 1 as such assets do not form part of the subject matter of the Disposal and will continue to be owned by the Company after the Disposal.

LETTER FROM THE BOARD

The appraised value of the entire equity interest of Target Company 2 as at the Valuation Benchmark Date, which also took into account 75% of the equity interest of Target Company 3 and the equity interests in other wholly-owned subsidiaries held by Target Company 2, was RMB1,152.9504 million. The table below sets out the summarised asset valuation result of Target Company 2.

Unit: RMB'0,000

Item	Carrying amount A	Appraised value B	Change C=B-A	Change (%) D=C/A×100
Current assets	57,433.26	57,433.26	–	–
Non-current assets	67,202.23	68,344.57	1,142.34	1.70
Of which: Long-term equity investments ^(Note 1)	63,335.74	64,757.82	1,422.08	2.25
Fixed assets	3,866.49	3,586.74	-279.75	-7.24
Total assets	124,635.49	125,777.83	1,142.34	0.92
Current liabilities	10,482.79	10,482.79	–	–
Non-current liabilities	–	–	–	–
Total liabilities	10,482.79	10,482.79	–	–
Total equity of shareholders	114,152.70	115,295.04	1,142.34	1.00

Notes:

- The investee companies have a negative appraised value and their losses have exceeded the registered capital contributed by Target Company 2. The appraised value of the relevant investee companies has been determined as nil, resulting in an increase in the appraised value of the long-term equity investments.

The appraised value of the entire equity interest of Target Company 3 as at the Valuation Benchmark Date was RMB-402.0298 million. The table below sets out the summarised asset valuation result of Target Company 3.

Unit: RMB'0,000

Item	Carrying amount A	Appraised value B	Change C=B-A	Change (%) D=C/A×100
Current assets	50,004.50	50,004.50	0.00	0.00
Non-current assets	45,516.94	47,167.80	1,650.86	3.63
Of which: Long-term equity investments ^(Note 1)	45,516.30	47,167.30	1,651.00	3.63
Fixed assets	0.11	0.10	-0.01	-10.14
Intangible assets	0.53	0.41	-0.12	-23.30
Total assets	95,521.44	97,172.30	1,650.86	1.73
Current liabilities	137,375.28	137,375.28	0.00	0.00
Non-current liabilities	0.00	0.00	–	–
Total liabilities	137,375.28	137,375.28	0.00	0.00
Total equity of shareholders	-41,853.84	-40,202.98	1,650.86	3.94

Notes:

- After considering the actual business operation of the investee company and the prevailing market conditions, the appraised amount was higher than the carrying amount.

LETTER FROM THE BOARD

Security

Within 15 business days after the completion of the equity transfer registration procedures in relation to the Target Interests, the Purchaser shall pledge 100% of the equity interests in the Target Companies to Zhanjiang Chenming Paper and Chenming HK to secure the full payment of the total consideration of the Disposal. The parties shall enter into a separate share pledge agreement and complete the necessary registration procedures for the share pledge with the relevant authority. The share pledge shall be released in one go after the total consideration of the Disposal has been fully paid by the Purchaser.

Equity Transfer and Registration

Zhanjiang Chenming Paper and Chenming HK shall cooperate with the Purchaser to procure the completion of the equity transfer registration procedures after the signing of the Equity and Loan Transfer Agreement. The Board expects that the equity transfer registration procedures will be completed by end of March 2026.

Conditions Precedent

Completion of the Disposal is conditional upon the following conditions precedent being fulfilled:

- (a) the Company having obtained the requisite approval from the relevant government department of Shouguang City; and
- (b) the Company having obtained the requisite Shareholders' approval in respect of the Disposal contemplated thereunder in accordance with the Listing Rules.

Each of the aforementioned conditions precedent cannot be waived.

As at the Latest Practicable Date, none of the aforementioned conditions precedent has been fulfilled.

INFORMATION OF THE TARGET GROUP

As at the Latest Practicable Date, (i) Target Company 1 was held as to 100% by Chenming HK; (ii) Target Company 2 was held as to 75% by Target Company 1 and 25% by Chenming HK; and (iii) Target Company 3 was held as to 75% by Target Company 2 and 25% by Chenming HK.

The Target Group is principally engaged in the business of finance leasing.

LETTER FROM THE BOARD

According to the audited consolidated financial statements of the Target Group, the financial information of the Target Group for each of the financial years ended 31 December 2023 and 2024, respectively, was as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2024
	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>
Profit/(Loss) before tax	(80.22)	(3,304.63)
Profit/(Loss) after tax	(67.24)	(3,814.98)

Notes:

1. The amount of loss before and after tax of the Target Group for the year ended 31 December 2023 differs from the amount as disclosed in the Company's announcement dated 15 December 2025 as the figure disclosed in the announcement was mistakenly stated due to inadvertent clerical errors.
2. The Target Group recorded an increase in loss before tax of approximately 40.19% and an increase in loss after tax of approximately 55.74% for the year ended 31 December 2024 as compared to the corresponding period in 2023, mainly due to (i) the sudden adverse change in macroeconomic and industry market conditions, (ii) major unforeseen increase in exposure of credit risks among customers of the Target Group, and (iii) difficulty in recovering the Target Group's receivables, which led to the Target Group recognizing substantial provision for impairment.

As at 30 September 2025, (i) the audited consolidated net assets of the Target Group was RMB1,082.0849 million; (ii) the audited net assets of Target Company 1 was approximately RMB796.70 million; (iii) the audited net assets of Target Company 2 was approximately RMB1,141.53 million; and (iv) the audited net liabilities of Target Company 3 was approximately RMB418.54 million.

Based on the Valuation, as at the Valuation Benchmark Date, the appraised value of the entire equity interest of (i) Target Company 1 was RMB785.1593 million; (ii) Target Company 2 was RMB1,152.9504 million; and (iii) Target Company 3 was RMB-402.0298 million.

INFORMATION OF THE GROUP, CHENMING HK AND ZHANJIANG CHENMING PAPER

The principal activities of the Group are production and sales of paper products.

Chenming HK is a wholly-owned subsidiary of the Company and is principally engaged in the trading of paper products.

Zhanjiang Chenming Paper is a wholly-owned subsidiary of the Company and is principally engaged in the manufacturing and trading of paper products.

LETTER FROM THE BOARD

INFORMATION OF THE PURCHASER

The Purchaser is a limited liability company incorporated in the PRC and is principally engaged in investment activities using own funds; sales of non-ferrous metal alloys; sales of building materials; sales of fertilizers; technical services, technical development, technical consulting, technical exchange, technology transfer and technology promotion; general cargo warehousing services (excluding hazardous chemicals and other items requiring licensing approval); vegetable cultivation; fresh vegetable wholesale; fresh vegetable retail; fruit cultivation; fresh fruit wholesale; fresh fruit retail; planning and design management; agricultural professional and auxiliary activities; agricultural horticultural services; scenic area management. (Except for items subject to approval by law, business activities may be conducted independently in accordance with the business license.) Licensed items: general contracting for housing construction and municipal infrastructure projects; operation of crop seeds; wholesale of pesticides; retail of pesticides. (Items subject to approval by law may only be conducted after obtaining approval from relevant authorities. Specific business items shall be subject to the approval documents or permits issued by relevant authorities). The ultimate beneficial owner of the Purchaser is the Finance Bureau of Shouguang City (壽光市財政局).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Disposal, the Company will cease to have any interest in the Target Group. The Target Group Companies will cease to be subsidiaries of the Company and the financial results of the Target Group will cease to be included in the consolidated financial statements of the Group.

Based on the consideration of the Disposal, the Company is expected to record an unaudited gain of approximately RMB38.9395 million, which is estimated based on the consideration of the Disposal of RMB3,336.3530 million less the net asset value of the Target Group of approximately RMB1,034.4574 million (after excluding the net carrying amount of machinery and equipment of approximately RMB47.6275 million) and the carrying amount of the Target Loan of RMB2,262.9561 million as at the Valuation Benchmark Date. The actual gain to be recorded by the Group in the consolidated financial statements of the Group for the year ended 31 December 2025 will be subject to audit.

The Disposal is estimated to result in an increase of approximately RMB10 million in the total assets of the Group and a decrease of approximately RMB30 million in the total liabilities of the Group which is estimated based on the total assets and total liabilities of the Target Group and the expected increase in receivables resulting from the Disposal.

LETTER FROM THE BOARD

The net proceeds from the Disposal are proposed to be used for the repayment of loan(s) of the Group in instalments in accordance with the payment schedule of the consideration of the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In order to focus on its core responsibilities and primary business, the Company intends to divest all assets in relation to its finance leasing operations by disposing the equity interests in and the loan to the Target Company. The Disposal aligns with the Company's overall development strategy and would improve its asset-liability structure, revitalize existing assets and allow the Company to focus resources on developing its main business. This would in turn enhance the Company's profitability and improve core competitiveness, therefore driving high-quality sustainable development. The Purchaser, a wholly state-owned enterprise established by the Finance Bureau of Shouguang City, has good credibility and high ability of obligation performance.

During 2024 and the first three quarters of 2025, the Target Group recorded a significant decrease in revenue and profit as a result of the economic downturn and the unexpected increase in exposure of credit risks among customers of the Target Group. The Target Group recognised impairment losses on the relevant accounts receivable in accordance with the applicable accounting standards which directly contributed to the significant decline in reported earnings of the Target Group. Further, the Target Group encountered obstacles in attempting to recover its account receivables through judicial proceedings given the time-consuming and complicated procedures and liquidation prices have been lower than expected. In light of the foregoing, the Target Group made substantial provisions for impairment for these risks, resulting in a decrease in the profitability of the Target Group. As a result, the Company believes that the Disposal could improve the profitability of the Company and is in the interest of the Company and its shareholders as a whole.

The Directors consider that the terms of the Equity and Loan Transfer Agreement are determined on normal commercial terms after arm's length negotiations between the parties, are fair and reasonable, and in the interest of the Company and its shareholders as a whole.

After completion of the Disposal, the daily business operation of the Group will remain substantially unchanged prior to and after completion. The Group will continue to focus on its principal business of production and sale of paper products. Currently, four out of the five production bases of the Group have resumed production. The Directors do not anticipate a substantial change in the business and operation scale of the Group after completion of the Disposal and the Disposal will not have a material impact on the Group's business and operations.

Based on the information currently available including but not limited to business model, business operation scale and working capital, the Directors believe that following completion of the Disposal, the Group's remaining operating business will meet the requirements of Rule 13.24 of the Listing Rules in respect of sufficiency of operations and assets.

APPROVAL OF THE BOARD

None of the Directors has any material interest in the Disposal and is required to abstain from voting on the Board resolutions in respect of the approval of the Disposal.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

EGM

The EGM will be held on Wednesday, 31 December 2025 at 2:00 p.m. at the conference room of the research and development centre of the Company, No. 2199 Nongsheng Road East, Shouguang City, Shandong Province, PRC.

The resolution put to vote at the EGM will be decided by way of poll as required by the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder or any of their respective associates has any material interest in the Disposal and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. For holder of H Shares, the proxy form should be returned to Computershare Hong Kong Investor Services Limited by hand, by post or by fax not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Board considers that the terms of the Disposal and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Board recommend the Shareholders to vote in favour of the relevant ordinary resolution approving the Disposal and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully
By order of the Board
Shandong Chenming Paper Holdings Limited
Jiang Yanshan
Chairman

WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group, including the internally generated funds, available banking facilities and the effect of the Disposal, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation from its auditor as required under Rule 14.66(12) of the Listing Rules.

INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2025, being the latest practicable date for ascertaining the indebtedness of the Group for the purpose of this indebtedness statement, the Group had the following indebtedness:

Borrowings

	<i>RMB'0,000</i>	<i>RMB'0,000</i>
Bank borrowings		2,872,921
Guaranteed and secured	1,455,568	
Guaranteed but unsecured	951,468	
Unguaranteed but secured	504,100	
Unguaranteed and unsecured	1,417,353	
Loan from related companies		79,554
Guaranteed and secured	75,979	
Guaranteed but unsecured	71,532	
Unguaranteed but secured	4,447	
Unguaranteed and unsecured	3,575	
		<u>2,876,496</u>

Note: There was included under “Loan from related companies” bank borrowings from a related bank in the amount of RMB759.79 million, which was guaranteed and secured. The said RMB759.79 million was also included under “Bank borrowings”.

Mortgages and charges

As at 31 October 2025, the Group’s secured borrowings were mainly secured by certain of the Group’s investment properties, equipment and equity interests in certain subsidiaries.

Lease liabilities

As at 31 October 2025, the Group, as lessees, had lease liabilities of approximately RMB36,460,994.21.

Contingent liabilities

As at 31 October 2025, the Group had material contingent liabilities of approximately RMB5,935,000.

Other liabilities

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at the close of business on 31 October 2025, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

In recent years, due to the concentrated release of newly-added papermaking capacity, coupled with the weakened support from end-user demand, the supply-demand imbalance in the market was amplified. Since the beginning of 2025, as the newly-added papermaking capacity in China has been continuously put into operation, there was a sustained increase in supply, leading to a continued structural supply-demand imbalance as reflected in the general pressure on the market prices for machine-made paper products such as cultural paper and white cardboard. According to the National Bureau of Statistics, the total profits of the papermaking industry have declined year-on-year.

Under the impact of the supply and demand imbalance in the industry, the Company saw a declining trend in the prices of its major products, which not only impacted its profitability but also resulted in losses. What's more, some financial institutions also reduced their loan scale, posing severe challenges to the Company at a time, such as tight working capital, shutdown of some production bases, and overdue debts. With the firm support and guidance of the Party committees and governments at all levels, the Company has fully leveraged the role of the Group's Party Committee as the "backbone" by mitigating debt risks via multiple channels and measures, strengthening communication with creditors, promoting debt repayment plans such as interest rate reductions, loan extensions and repayment plan adjustments, as well as securing RMB1 billion in capital and RMB2.31 billion in syndicated loans. It focused on cost reduction, efficiency improvement, and innovation reform, coordinated and improved key aspects such as equipment maintenance, technology upgrades, material supply, and product sales in a bid to resume production at our production bases. Currently, the Huanggang production base and the second plant at the Jiangxi base are in normal production, while the Shouguang and Jilin production bases have fully resumed production.

Looking ahead, the paper industry, as a fundamental industry of the national economy and a sector that guarantees people's livelihoods, will see its supply-side structure being reshaped under the guidance of the deepening "dual carbon" strategic goals and the "anti-involution" policy aimed at curbing disorderly low-price competition. In the meantime, owing to the increasingly improved domestic circulation system and the gradual recovery of the domestic demand market, the industry may witness a steadily improve in its prosperity. As a leading enterprise in the industry, the Company has established production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places. Our machine-made paper products cover 7 series and more than 200 varieties, including cultural paper, coated paper, white cardboard, copy paper, industrial paper, specialty paper and household paper. We have built a diversified and differentiated product structure, positioning us one of the enterprises with the most diverse product range in the domestic paper industry, and an enterprise with core competitiveness for our advantages in integrated pulp and paper production, industrial layout, scale, product and technology equipment. With the recovery of the prosperity of the industry, the Company's overall operating performance is expected to gradually restore. With the support of governments at all levels and financial institutions, the next move of the Company is to dispose of non-core assets, focus on its core business, adhere to the principles of "safety first, efficiency first, and profitability first", deepen market analysis, optimize product structure, concentrate resources on developing advantageous product categories, and solidly promote cost reduction and efficiency improvement. Through measures such as strengthening budget management and revitalizing existing assets, the Company will improve the efficiency of capital utilization, accelerate capital recovery, and ensure its sustained and stable operation.

UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited financial information of the Target Group which comprises the unaudited consolidated balance sheet as at 31 December 2022, 2023 and 2024 and the nine months ended 30 September 2025, the unaudited consolidated income statements, the unaudited consolidated statements of cash flows and changes in owners' equity for each of the years ended 31 December 2022, 2023 and 2024 and the nine months ended 30 September 2025, and certain explanatory notes (collectively, the **"Unaudited Financial Information of the Target Group"**).

The Unaudited Financial Information of the Target Group has been prepared and presented in accordance with the basis of preparation set out in note I(1) to the Unaudited Financial Information of the Target Group on pages 24 to 43 of this circular and Rule 14.68(2)(a)(i)(A) of the Listing Rules and has been prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal.

Grant Thornton (Special General Partnership), the auditor of the Company, was engaged to review the Unaudited Financial Information of the Target Group set out on pages 24 to 43 of this circular in accordance with Chinese Institute of Certified Public Accountants Review Standards No. 2101 – Review of Financial Statements.

A review is substantially less in scope than an audit and consequently does not enable the auditor to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review of the Unaudited Financial Information of the Target Group, nothing has come to the auditor's attention that causes them to believe the Unaudited Financial Information of the Target Group is not prepared, in all material respects, in accordance with the basis of preparation and presentation as set out in note I(1) to the Unaudited Financial Information of the Target Group.

APPENDIX II

UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	As at 30 September 2025	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022	Notes
CURRENT ASSETS:					
Monetary funds	1,260,494.12	2,465,784.51	3,008,783.43	1,429,682.46	III(1)
Bills receivable	–	–	362,000.00	–	
Accounts receivable	21,600,000.00	259,825,153.26	–	81,724.50	III(2)
Prepayments	152,459.62	122,185.55	2,718,329.59	17,814,156.77	
Other receivables	606,161,872.55	838,581,498.47	1,790,137,757.63	1,923,784,178.43	III(3)
Inventories	–	–	–	1,138,178,959.32	
Assets Held for Sale	–	–	317,453,210.96	260,000,000.00	
Non-current assets due within one year	1,431,841,593.75	2,814,756,128.55	3,871,974,869.08	3,641,878,174.93	III(4)
Other current assets	23,500,526.73	273,652,276.01	682,796,796.90	652,966,001.69	
Total current assets	2,084,516,946.77	4,189,403,026.35	6,668,451,747.59	7,636,132,878.10	
NON-CURRENT ASSETS:					
Long-term receivables	206,368,759.00	267,124,817.40	140,195,444.45	320,503,674.79	III(5)
Long-term equity investments	928,904,039.63	874,468,544.41	1,152,415,884.39	1,159,999,342.18	III(6)
Investment property	–	759,770,312.32	844,637,954.28	885,552,157.39	
Fixed assets	143,094,772.14	1,594,506,528.49	1,311,563,985.74	45,701,674.62	III(7)
Intangible assets	477,613.12	72,419,694.59	53,825,535.93	908,519.84	
Long-term prepaid expenses	–	183,001.76	96,528.96	12,528.34	
Deferred income tax assets	–	–	438,522,333.11	434,769,370.35	
Other non-current assets	11,887,516.57	11,887,516.57	26,557,867.43	29,508,301.72	
Total non-current assets	1,290,732,700.46	3,580,360,415.54	3,967,815,534.29	2,876,955,569.23	
Total assets	3,375,249,647.23	7,769,763,441.89	10,636,267,281.88	10,513,088,447.33	
CURRENT LIABILITIES:					
Accounts payable	236,062.90	40,492,759.50	13,289,659.23	10,556,051.80	
Receipts in advance	5,150,850.00	33,456,740.20	2,908,192.80	1,809,068.25	
Contract liabilities	–	–	–	4,720.31	
Employee benefits payable	1,467,744.02	614,685.39	–	13,926,315.06	
Taxes payable	3,274,500.37	4,586,055.05	1,522,401.46	10,987,078.38	
Other payables	2,283,035,581.57	3,650,848,995.96	2,717,508,664.80	2,782,935,917.27	III(8)
Including: Interest payable	–	1,128,938.20	–	–	
Non-current liabilities due within one year	–	6,000,000.00	6,000,000.00	–	
Total current liabilities	2,293,164,738.86	3,735,999,236.10	2,741,228,918.29	2,820,219,151.07	

APPENDIX II
**UNAUDITED FINANCIAL INFORMATION
OF THE TARGET GROUP**

Item	As at 30 September 2025	As at 31 December 2024	As at 31 December 2023	As at 31 December 2022	Notes
NON-CURRENT LIABILITIES:					
Long-term payables	–	–	–	6,000,000.00	
Deferred income tax liabilities	–	–	–	3,405,251.53	
Total non-current liabilities	–	–	–	9,405,251.53	
Total liabilities	2,293,164,738.86	3,735,999,236.10	2,741,228,918.29	2,829,624,402.60	
SHAREHOLDERS' EQUITY:					
Paid-in capital (or share capital)	5,872,000,000.00	5,872,000,000.00	5,872,000,000.00	5,872,000,000.00	III(9)
Surplus reserves	341,707,087.22	341,707,087.22	341,707,087.22	341,707,087.22	
Retained earnings	-5,088,648,916.53	-2,634,217,918.74	289,498,245.44	345,095,852.50	III(10)
Total equity attributable to owners of the parent company	1,125,058,170.69	3,579,489,168.48	6,503,205,332.66	6,558,802,939.72	
Minority interest	-42,973,262.32	454,275,037.31	1,391,833,030.93	1,124,661,105.01	
Total shareholders' (or owners') equity	1,082,084,908.37	4,033,764,205.79	7,895,038,363.59	7,683,464,044.73	
Total liabilities and shareholders' (or owners') equity	3,375,249,647.23	7,769,763,441.89	10,636,267,281.88	10,513,088,447.33	

CONSOLIDATED INCOME STATEMENT

Unit: RMB

		For the period				
		1 January-				
		30 September	For the year ended 31 December			
Item		2025	2024	2023	2022	Notes
I.	Total revenue	19,739,501.90	212,111,548.37	168,722,018.99	241,433,634.89	
	Including: Revenue	19,739,501.90	212,111,548.37	168,722,018.99	241,433,634.89	III(11)
II.	Total operating costs	183,186,217.60	242,953,206.16	151,488,094.36	181,178,272.92	
	Less: Operating costs	93,460,596.29	162,426,811.13	134,804,711.56	152,821,089.94	III(11)
	Taxes and surcharges	5,754,388.23	6,551,173.59	5,709,630.47	5,851,500.06	
	Selling and Distribution Expenses	–	–	145,808.06	2,027,775.30	
	Administrative Expenses	80,698,471.85	64,489,555.22	7,674,315.14	17,534,305.74	
	Finance expenses	3,272,761.23	9,485,666.22	3,153,629.13	2,943,601.88	
	Including: Interest expenses	3,261,300.82	8,419,592.81	7,731,329.12	3,233,067.63	
	Interest income	1,729.71	74,345.59	4,593,299.00	309,504.27	
	Add: Other income	1,009.49	10,019.98	5,327,264.42	17,299,201.68	
	Investment income (“-” denotes loss)	-702,281,701.10	-252,359,991.81	64,407,364.05	10,633,140.94	III(12)
	Credit impairment loss (“-” denotes loss)	-1,884,515,703.46	-2,924,039,817.56	-181,513,280.59	12,818,152.18	III(13)
	Loss on impairment of assets (“-” denotes loss)	-200,000,000.00	-97,489,833.27	–	–	III(14)
	Gain on disposal of assets (“-” denotes loss)	-1,400,764.07	86,597.83	13,254,931.09	-195,669.74	
III.	Operating profit (“-” denotes loss)	-2,951,643,874.84	-3,304,634,682.62	-81,289,796.40	100,810,187.03	
	Add: Non-operating income	109,314.11	187,376.76	1,089,253.30	186,143.33	
	Less: Non-operating expenses	8,974.66	–	17,161.02	–	
IV.	Total profit (“-” denotes total loss)	-2,951,543,535.39	-3,304,447,305.86	-80,217,704.12	100,996,330.36	
	Less: Income tax expenses	135,762.03	510,529,074.15	-12,979,901.92	34,031,494.14	
V.	Net profit (“-” denotes net loss)	-2,951,679,297.42	-3,814,976,380.01	-67,237,802.20	66,964,836.22	
	(i) Classification according to the continuity of operation:					
	1. Net profit from continuing operations (“-” denotes net loss)	-2,951,679,297.42	-3,814,976,380.01	-67,237,802.20	66,964,836.22	
	2. Net profit from discontinued operations (“-” denotes net loss)	–	–	–	–	
	(ii) Classification according to ownership:					
	1. Net profit attributable to shareholders of the Company (“-” denotes net loss)	-2,454,430,997.79	-2,876,536,816.02	-72,266,091.80	66,007,050.69	
	2. Profit or loss of minority interest (“-” denotes net loss)	-497,248,299.63	-938,439,563.99	5,028,289.60	957,785.53	

APPENDIX II**UNAUDITED FINANCIAL INFORMATION
OF THE TARGET GROUP**

Item	For the period	For the year ended 31 December			Notes
	1 January- 30 September 2025	2024	2023	2022	
VI. Net other comprehensive income after tax					
Net other comprehensive income after tax attributable to shareholders of the Company					
(i) Other comprehensive income that cannot be reclassified to profit and loss	–	–	–	–	
(ii) Other comprehensive income that will be reclassified to profit and loss	–	–	–	–	
Other comprehensive income, net of tax attributable to minority interest	–	–	–	–	
VII. Total comprehensive income	-2,951,679,297.42	-3,814,976,380.01	-67,237,802.20	66,964,836.22	
(i) Total comprehensive income attributable to shareholders of the Company	-2,454,430,997.79	-2,876,536,816.02	-72,266,091.80	66,007,050.69	
(ii) Total comprehensive income attributable to minority interest	-497,248,299.63	-938,439,563.99	5,028,289.60	957,785.53	
VIII. Earnings per share:					
(i) Basic earnings per share	-0.5027	-0.6497	-0.0123	0.0112	
(ii) Diluted earnings per share	-0.5027	-0.6497	-0.0123	0.0112	

CONSOLIDATED STATEMENTS OF CASH FLOWS

Unit: RMB

Item	For the period 1 January- 30 September 2025	For the year ended 31 December			Notes
		2024	2023	2022	
I. Cash flows from operating activities:					
Cash received from sales of goods and rendering of services	45,846,856.37	219,158,834.58	57,538,587.08	160,666,539.30	
Tax rebates received	–	–	–	14,286,786.01	
Cash received relating to other operating activities	372,827,832.45	601,821,479.56	1,054,652,476.43	1,776,499,772.59	III(15)
Subtotal of cash inflows from operating activities	418,674,688.82	820,980,314.14	1,112,191,063.51	1,951,453,097.90	
Cash paid for goods and services	–	1,561,695.18	2,748,934.69	1,191,428.48	
Cash paid to and for employees	2,407,635.17	4,186,213.71	6,293,086.12	5,596,726.14	
Payments of taxes and surcharges	2,464,889.66	12,938,660.06	18,082,636.93	33,375,470.45	
Cash paid relating to other operating activities	411,979,391.74	534,407,438.05	331,461,455.38	66,374,096.10	III(16)
Subtotal of cash outflows from operating activities	416,851,916.57	553,094,007.00	358,586,113.12	106,537,721.17	
Net cash flows from operating activities	1,822,772.25	267,886,307.14	753,604,950.39	1,844,915,376.73	
II. Cash flows from investing activities:					
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,759,465.72	–	28,375,500.73	4,233,023.99	
Net cash received from disposal of subsidiaries and other business units	–	–	98.92	–	
Cash received relating to other investing activities	–	–	–	1,538,583.33	
Subtotal of cash inflows from investing activities	1,759,465.72	–	28,375,599.65	5,771,607.32	
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	4,102,670.11	94,985.00	6,545,984.62	617,437.87	
Cash paid for investment	–	–	–	136,000,000.00	
Net cash paid for acquisition of subsidiaries and other business units	–	–	595,000,000.00	367,997,918.78	
Cash paid relating to other investing activities	670,553.21	–	–	421,700,000.00	
Subtotal of cash outflows from investing activities	4,773,223.32	94,985.00	601,545,984.62	926,315,356.65	
Net cash flows from investing activities	-3,013,757.60	-94,985.00	-573,170,384.97	-920,543,749.33	
III. Cash flows from financing activities:					
Cash received relating to other financing activities	6,100,000.00	764,848,565.90	556,209,800.00	2,732,055,846.97	
Subtotal of cash inflows from financing activities	6,100,000.00	764,848,565.90	556,209,800.00	2,732,055,846.97	
Cash paid for dividend and profit distribution or interest payment	14,305.04	109,541,868.35	104,870,482.45	117,897,594.93	
Cash paid relating to other financing activities	6,100,000.00	923,653,435.94	630,194,782.00	3,558,853,676.00	
Subtotal of cash outflows from financing activities	6,114,305.04	1,033,195,304.29	735,065,264.45	3,676,751,270.93	
Net cash flows from financing activities	-14,305.04	-268,346,738.39	-178,855,464.45	-944,695,423.96	

Item	For the period	For the year ended 31 December			Notes
	1 January- 30 September 2025	2024	2023	2022	
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-	-	-	-	
V. Net increase in cash and cash equivalents	-1,205,290.39	-555,416.25	1,579,100.97	-20,323,796.56	
Add: Balance of cash and cash equivalents as at the beginning of the period	2,465,784.51	3,021,200.76	1,429,682.46	21,753,479.02	
VI. Balance of cash and cash equivalents as at the end of the period	1,260,494.12	2,465,784.51	3,008,783.43	1,429,682.46	

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

For the nine months ended 30 September 2025

Unit: RMB

Item	Amount for this period				
	Equity attributable to owners of the Company				Total owners' equity
	Paid-in Capital (or Share capital)	Surplus reserves	Retained profit	Minority interest	
I. Balance as at the end of the prior year	5,872,000,000.00	341,707,087.22	-2,634,217,918.74	454,275,037.31	4,033,764,205.79
II. Balance as at the beginning of the year	5,872,000,000.00	341,707,087.22	-2,634,217,918.74	454,275,037.31	4,033,764,205.79
III. Changes in the period ("-" denotes decrease)	–	–	-2,454,430,997.79	-497,248,299.63	-2,951,679,297.42
(i) Total comprehensive income	–	–	-2,454,430,997.79	-497,248,299.63	-2,951,679,297.42
IV. Balance as at the end of the year	5,872,000,000.00	341,707,087.22	-5,088,648,916.53	-42,973,262.32	1,082,084,908.37

For the year ended 31 December 2024

Unit: RMB

Item	Amount of this year				
	Equity attributable to owners of the Company				Total owners' equity
	Paid-in Capital (or Share capital)	Surplus reserves	Retained profit	Minority interest	
I. Balance as at the end of the prior year	5,872,000,000.00	341,707,087.22	242,318,897.28	1,392,714,601.30	7,848,740,585.80
II. Balance as at the beginning of the year	5,872,000,000.00	341,707,087.22	242,318,897.28	1,392,714,601.30	7,848,740,585.80
III. Changes in the period ("-" denotes decrease)	–	–	-2,876,536,816.02	-938,439,563.99	-3,814,976,380.01
(i) Total comprehensive income	–	–	-2,876,536,816.02	-938,439,563.99	-3,814,976,380.01
IV. Balance as at the end of the year	5,872,000,000.00	341,707,087.22	-2,634,217,918.74	454,275,037.31	4,033,764,205.79

For the year ended 31 December 2023

Unit: RMB

Item	Amount of this year				
	Equity attributable to owners of the Company			Minority interest	Total owners' equity
	Paid-in capital (Share capital)	Surplus reserves	Retained profit		
I. Balance as at the end of the prior year	5,872,000,000.00	341,707,087.22	279,088,801.81	1,123,703,319.48	7,616,499,208.51
II. Balance as at the beginning of the year	5,872,000,000.00	341,707,087.22	279,088,801.81	1,123,703,319.48	7,616,499,208.51
III. Changes in the period	–	–	66,007,050.69	957,785.53	66,964,836.22
(i) Total comprehensive income	–	–	66,007,050.69	957,785.53	66,964,836.22
IV. Balance as at the end of the year	5,872,000,000.00	341,707,087.22	345,095,852.50	1,124,661,105.01	7,683,464,044.73

For the year ended 31 December 2022

Unit: RMB

Item	Amount of this year				
	Equity attributable to owners of the Company			Minority interest	Total owners' equity
	Paid-in capital (Share capital)	Surplus reserves	Retained profit		
I. Balance as at the end of the prior year	5,872,000,000.00	341,707,087.22	279,088,801.81	1,123,703,319.48	7,616,499,208.51
II. Balance as at the beginning of the year	5,872,000,000.00	341,707,087.22	279,088,801.81	1,123,703,319.48	7,616,499,208.51
III. Changes in the period	–	–	66,007,050.69	957,785.53	66,964,836.22
(i) Total comprehensive income	–	–	66,007,050.69	957,785.53	66,964,836.22
IV. Balance as at the end of the year	5,872,000,000.00	341,707,087.22	345,095,852.50	1,124,661,105.01	7,683,464,044.73

NOTES TO UNAUDITED FINANCIAL INFORMATION

I. Basis of Preparation of the Financial Statements**1. Basis of preparation**

The financial statement of the Target Group are prepared on a going concern basis and based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises (“ASBE”), and other related rules promulgated by the Ministry of Finance, the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports” (revised in 2023) of the CSRC, as well as the significant accounting policies and accounting estimate described below.

The Target Group’s accounting is based on the accrual basis. Except for certain assets and liabilities, the financial statements are prepared under the historical cost convention. In the event that impairment of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

II. Significant Accounting Policies**1. *Accounting period***

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

2. *Operating cycle*

The Target Group defines a 12-month period as its operating cycle, which serves as the criterion for classifying the liquidity of assets and liabilities.

3. *Functional currency*

The Target Group uses RMB as functional currency.

4. *Standards for recognising cash and cash equivalents*

Cash determined by the Target Group when preparing the cash flow statement refers to the Target Group’s cash on hand and deposits readily available for payment purpose.

The cash equivalents determined by the Target Group when preparing the cash flow statement refer to the short term and highly liquid investments held by the Target Group which are readily convertible into known amount of cash and which are subject to insignificant risk of value change.

5. Accounts receivable

For amount receivable that does not contain a significant financing component, the Target Group makes provision for impairment at an amount equal to lifetime ECLs.

For amount receivable that contains a significant financing component, the Target Group always makes provision for impairment at an amount equal to ECLs during the lifetime.

Except for the accounts receivable which are individually assessed for credit risk, they are classified into different portfolios based on their credit risk characteristics:

Item	Basis for determination of portfolio
Receivables due from related parties	This portfolio represents receivables due from related parties with lower risk.
Receivables due from dealer customers	The credit risk characteristics of the portfolio are the aging of amount receivable.

For accounts receivable classified as portfolios, the Target Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to prepare a comparison table of days past due accounts receivable and lifetime ECL rate for the calculation of the ECL.

6. Other receivables

The Target Group measures impairment losses based on the amount equivalent to the ECL over the next 12 months or the entire lifetime, depending on whether there has been a significant increase in credit risk of other receivables since initial recognition. Except for other receivables assessed individually for credit risk, the Target Group classifies them into different portfolios based on their credit risk characteristics:

Item	Basis for determining the portfolios
Dividend receivable	The portfolio consists of dividend receivable.
Interest receivable	The portfolio consists of interest receivable from financial institutions.
Amount due from related parties	The portfolio consists of amount due from related parties with lower credit risk.
Other receivables	The portfolio consists of various deposits, advances, warranty, etc., receivable in the ordinary course of business.

For other receivables classified as a portfolio, the Target Group refers to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, to calculate the ECLs based on default risk exposure and the ECL rate over the next 12 months or the entire lifetime.

Other receivables mainly consist of the consideration for the assignment of receivables from the finance lease business of the Target Group that remains outstanding and unpaid.

7. Revenue

(1) General principles

The Target Group recognises revenue when the customer obtains control over the relevant goods, provided that the following conditions are simultaneously satisfied in the contract with the customer: the contract has been approved by all parties, and they are committed to fulfilling their respective obligations; the contract clearly specifies the rights and obligations of each party regarding the goods transferred or services provided; the contract includes clear payment terms related to the goods transferred; the contract has commercial substance, meaning its fulfillment will alter the risk, timing, or amount of the Target Group's future cash flows; and it is probable that the consideration to which the Target Group is entitled in exchange for transferring goods to the customer will be collected.

On the inception date of the contract, the Target Group identifies each individual performance obligation in the contract, and allocates the transaction price to each individual performance obligation based on the relative percentage of respective stand-alone selling price of goods guaranteed by each individual performance obligation. The Target Group considers the variable consideration, significant financing component in the contract, non-cash consideration, consideration payable to customers and other factors when determining the transaction price.

For each individual performance obligation in the contract, the Target Group will recognise the transaction price allocated to the individual performance obligation according to the performance progress as revenue in the relevant performance period if one of the following conditions is met: When the customer simultaneously receives and consumes the benefits provided by the Target Group when the Target Group performs its obligations under the contract; when the customer is able to control the goods in progress in the course of performance by the Target Group under the contract; and when the goods produced by the Target Group under the contract are irreplaceable and the Target Group has the right to payment for performance completed to date during the whole contract term. The progress of contract performance is determined by the input method or the output method according to the nature of the goods transferred. When the progress of performance cannot be reasonably determined, if the costs incurred by the Target Group are expected to be compensated, the revenue shall be recognised at the amount of costs incurred until the progress of performance can be reasonably determined.

If one of the above conditions is not met, the Target Group recognises the transaction price allocated to the individual performance obligation as revenue at the point of time at which the customer obtains control of relevant goods. To determine whether a customer has obtained control of goods, the Target Group considers the following indications: The Target Group has the current right to receive payment for the goods, which is when the customer has the current payment obligations for the goods; the Target Group has transferred the legal title of the goods to the customer, which is when the customer possesses the legal title of the goods; the Target Group has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods; the Target Group has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods; the customer has accepted the goods; and other information indicates that the customer has obtained control of the goods.

(2) Disclose the accounting policies adopted for revenue recognition and measurement by business type

The main business types of the Target Group include: finance lease income.

The specific method for the recognition of finance lease revenue recognition of the Target Group: the revenue is recognition by installments according to the actual rate of interest according to the repayment and interest schedule.

III. Notes to Key Items of the Consolidated financial statement

1. Monetary funds

Unit: RMB				
Items	Balance at 30 September 2025	Balance at 31 December 2024	Balance at 31 December 2023	Balance as at 31 December 2022
Cash on hand	94.12	94.12	95.12	595.12
Bank deposit	1,260,400.00	1,998,580.16	3,008,688.31	1,429,087.34
Funds in other currencies	–	467,110.23	–	–
Total	1,260,494.12	2,465,784.51	3,008,783.43	1,429,682.46
Of which: gross amount deposited overseas	–	–	–	–
The gross amount of funds with restrictions on use due to mortgage, pledge or locked up	464.03	467,110.23	1,160,000.89	–

APPENDIX II**UNAUDITED FINANCIAL INFORMATION
OF THE TARGET GROUP****2. Accounts receivable**

Unit: RMB

Aging	Balance at 30 September 2025	Balance at 31 December 2024	Balance at 31 December 2023	Balance as at 31 December 2022
1 year (including 1 year)	–	7,627,397.26	–	82,550.00
1 to 2 years	7,627,397.26	102,361,269.42	–	–
2 to 3 years	102,361,269.42	307,890,566.62	–	–
3 to 4 years	307,890,566.62	717,436,666.64	–	–
4 to 5 years	717,327,402.25	–	–	–
5+ years	1,809,866.31	1,809,866.31	–	–
Subtotal	1,137,016,501.86	1,137,125,766.25	–	–
Less: provision for bad debts	1,115,416,501.86	877,300,612.99	–	825.50
Total	21,600,000.00	259,825,153.26	–	81,724.50

3. Other receivables

Unit: RMB

Items	Balance at 30 September 2025	Balance at 31 December 2024	Balance at 31 December 2023	Balance as at 31 December 2022
Interest receivables	–	–	283.98	301.48
Dividends receivable	–	–	–	–
Other receivables	606,161,872.55	838,581,498.47	1,790,137,473.65	1,923,783,876.95
Total	606,161,872.55	838,581,498.47	1,790,137,757.63	1,923,784,178.43

4. Non-current assets due within one year

Unit: RMB

Items	Balance at 30 September 2025	Balance at 31 December 2024	Balance at 31 December 2023	Balance as at 31 December 2022
Long-term receivables due due within one year	1,431,841,593.75	2,814,756,128.55	3,871,974,869.08	3,641,878,174.93
Total	1,431,841,593.75	2,814,756,128.55	3,871,974,869.08	3,641,878,174.93

UNAUDITED FINANCIAL INFORMATION OF THE TARGET GROUP

Unit: RMB

	Balance at 30 September 2025			Balance at 31 December 2024			Balance at 31 December 2023			Balance as at 31 December 2022		
Items	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Finance lease payments	4,955,231,139.53	3,195,155,591.95	1,760,075,547.58	5,754,851,880.57	2,012,383,295.24	3,742,468,585.33	5,139,880,136.50	1,060,455,423.61	4,079,424,712.89	5,281,594,448.83	1,047,756,976.74	4,233,837,472.09
Including: Unrealized financing income	121,865,194.83	-	121,865,194.83	121,865,194.83	-	121,865,194.83	67,254,399.36	-	67,254,399.36	271,455,622.37	-	271,455,622.37
Less: non-current assets due within one year	4,616,135,672.07	3,184,294,078.32	1,431,841,593.75	5,351,802,667.43	1,998,324,094.33	3,353,478,573.10	4,929,620,181.58	1,057,645,312.50	3,871,974,869.08	4,686,397,740.82	1,044,519,565.89	3,641,878,174.93
Total	217,230,272.63	10,861,513.63	206,368,759.00	281,184,018.31	14,059,200.91	267,124,817.40	143,005,555.56	2,810,111.11	140,195,444.45	323,741,085.64	3,237,410.85	320,503,674.79

6. Long-term equity investments

Unit: RMB

Investee	Balance as at 30 September 2025 (carrying amount)	Balance as at 31 December 2024 (carrying amount)	Balance as at 31 December 2023 (carrying amount)	Balance as at 31 December 2023 (carrying amount)
I. Associates				
Shouguang Jintou Industrial Investment Partnership (Limited Partnership)	928,904,039.63	874,468,544.41	1,152,415,884.39	1,159,999,342.18
Total	928,904,039.63	874,468,544.41	1,152,415,884.39	1,159,999,342.18

7. Fixed assets

Unit: RMB

Item	Balance as at 30 September 2025	Balance as at 31 December 2024	Balance as at 31 December 2023	Balance as at 31 December 2022
Fixed assets	143,094,772.14	1,594,506,528.49	1,311,563,985.74	45,701,674.62
Disposal of fixed assets	–	–	–	–
Total	143,094,772.14	1,594,506,528.49	1,311,563,985.74	45,701,674.62

8. Other payables

Unit: RMB

Item	Balance as at 30 September 2025	Balance as at 31 December 2024	Balance as at 31 December 2023	Balance as at 31 December 2022
Interest payable	–	1,128,938.20	–	–
Dividend payable	–	–	–	–
Other payables	2,283,035,581.57	3,649,720,057.76	2,717,508,664.80	2,782,935,917.27
Total	2,283,035,581.57	3,650,848,995.96	2,717,508,664.80	2,782,935,917.27

Other payables mainly consist of amounts owed by the Target Group to its then actual controller, the Company, arising from ordinary business transactions and capital arrangements.

APPENDIX II**UNAUDITED FINANCIAL INFORMATION
OF THE TARGET GROUP****9. Paid-in capital**

Unit: RMB

Item	Balance as at 30 September 2025	Balance as at 31 December 2024	Balance as at 31 December 2023	Balance as at 31 December 2022
Chenming (HK) Limited	5,872,000,000.00	5,872,000,000.00	5,872,000,000.00	5,872,000,000.00
Total	5,872,000,000.00	5,872,000,000.00	5,872,000,000.00	5,872,000,000.00

10. Retained profit

Unit: RMB

Item	January- September 2025	2024	2023	2022
Retained profit as at the end of the prior period before adjustment	-2,634,217,918.74	242,318,897.28	345,095,852.50	279,088,801.81
Adjustment to opening balance of retained earnings (increase +, decrease -)	–	–	16668484.74	–
Opening balance of retained profit after adjustment	-2,634,217,918.74	242,318,897.28	361,764,337.24	279,088,801.81
Add: Net profit for the period attributable to shareholders of the parent company	-2,454,430,997.79	-2,876,536,816.02	-67,237,802.20	66,007,050.69
Less: Appropriation of statutory surplus reserve	–	–	–	–
Appropriation of discretionary surplus reserve	–	–	–	–
Appropriation of general risk provisions	–	–	–	–
Dividends payable on ordinary shares	–	–	–	–
Dividends on ordinary shares transferred to share capital	–	–	–	–
Other comprehensive income carried forward to retained earnings	–	–	–	–
Minority interests	–	–	5028289.6	–
Retained profit as at the end of the period	-5,088,648,916.53	-2,634,217,918.74	289,498,245.44	345,095,852.50

11. Revenue and operating costs

Unit: RMB

Item	January-September 2025		2024		2023		2022	
	Revenue	Costs	Revenue	Costs	Revenue	Costs	Revenue	Costs
Principal activities	19,656,933.11	93,460,596.29	212,001,456.65	162,132,091.59	168,600,156.44	134,804,711.56	238,509,106.60	152,821,089.94
Other activities	82,568.79	–	110,091.72	294,719.54	121,862.55	–	2,924,528.29	–
Total	19,739,501.90	93,460,596.29	212,111,548.37	162,426,811.13	168,722,018.99	134,804,711.56	241,433,634.89	152,821,089.94

12. Investment income

Unit: RMB

Item	January-September 2025	2024	2023	2022
Income from long-term equity investments calculated under equity method	-542,446,900.18	-277,947,339.98	-7,583,457.79	-657.82
Investment gain on derecognition of financial assets	-76,537,300.92	–	-145,995.36	-5,116,522.19
Interest income from holding debt investments	–	–	41,867,944.25	–
Gain on debt restructuring	-83,297,500.00	25,587,348.17	30,268,872.95	15,750,320.95
Total	-702,281,701.10	-252,359,991.81	64,407,364.05	10,633,140.94

13. Credit impairment loss

Unit: RMB

Item	January-September 2025	2024	2023	2022
Bad debt loss	-1,884,515,703.46	-2,924,039,817.56	-181,513,280.59	12,818,152.18
Total	-1,884,515,703.46	-2,924,039,817.56	-181,513,280.59	12,818,152.18

14. *Loss on impairment of assets*

Unit: RMB

Item	January- September 2025	2024	2023	2022
Impairment losses on fixed assets	-200,000,000.00	-53,536,394.42	–	–
Impairment losses on investment properties	–	-43,953,438.85	–	–
Total	-200,000,000.00	-97,489,833.27	–	–

The Company has conducted impairment tests on assets exhibiting impairment indicators and made corresponding provisions in accordance with the ASBE and the principle of prudence. Details are as follows:

I. Asset Impairment Losses Recognized in 2024**1. *Impairment loss on fixed assets***

Shanghai Xinzhuang office property: Located in Minhang District, Shanghai, with a net book value of RMB1,172.1806 million. Based on an assessment of the current real estate market conditions, an impairment provision of RMB22.0075 million was recognized.

Equipment: Original carrying value of RMB260.00 million. After assessment, its recoverable value was determined to be RMB228.47 million, resulting in an impairment provision of RMB31.53 million.

2. *Impairment loss on investment properties*

Guangzhou Grandview Plaza office building: Located in Yuexiu District, Guangzhou, with a carrying net value: RMB68.8754 million and an appraised value: RMB49.7739 million, resulting in an impairment provision of RMB19.1015 million.

Shenzhen Excellence Times Square office building: Located in Bao'an District, Shenzhen, with a carrying net value of RMB155.511 million and an appraised value of RMB130.66 million, resulting in an impairment provision of RMB24.851 million.

II. Asset Impairment Losses Accrued in January-September 2025**1. Impairment loss on fixed assets**

Equipment: Net value at the beginning of the period was RMB228.4711 million. Due to the Company's plan to dispose of it (originally intended for transfer to other production subsidiaries for technical upgrades and new production lines) and in light of the current market environment, its recoverable amount has further decreased. Based on the principle of prudence, an additional impairment provision of RMB150.00 million was made during the current period.

Kunming property: The net carrying value is RMB73.2492 million. Given the significant downturn in the local real estate market, the recoverable amount is expected to decrease significantly. Based on the principle of prudence, an impairment provision of RMB50.00 million was recognized.

The accrual of impairment provisions for the above assets fully reflects the decline in the expected economic benefits of the relevant assets as of the balance sheet date, enabling the financial statements to fairly present the Target Group's financial position and operating results.

15. Cash relating to operating activities

Unit: RMB

Item	January- September 2025	2024	2023	2022
Open credit	23,461,761.39	431,702,304.66	1,046,257,700.09	1,714,883,994.83
Government grants	841.91	10,387.58	5,327,264.24	17,284,580.21
Deposits collected from clients	–	–	–	7,273,378.20
Refund of overpaid income tax from previous years	–	–	–	36,841,398.88
Finance expenses – Interest income	1,729.71	74,345.59	26,639.65	76,357.95
Others	349,363,499.44	170,034,441.73	3,040,872.27	140,062.52
Total	372,827,832.45	601,821,479.56	1,054,652,476.43	1,776,499,772.59

16. Cash paid relating to other operating activities

Unit: RMB

Item	January- September 2025	2024	2023	2022
Financial institutions charge	13,336.22	11,727.02	16,132.03	19,736.89
Business hospitality expenses	500,430.97	1,303,637.82	1,573,499.87	1,926,842.88
Intermediary service expenses	1,157,902.81	3,981,690.20	4,163,275.08	5,531,900.74
Open credit	383,822,665.63	521,387,450.42	312,525,494.81	56,914,646.23
Others	26,485,056.11	7,722,932.59	13,183,053.59	1,980,969.36
Total	411,979,391.74	534,407,438.05	331,461,455.38	66,374,096.10

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated statement of financial position as at 30 June 2025, unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 of the Group excluding the Target Group (as defined in this circular) (hereinafter referred as the **“Remaining Group”**) (the **“Unaudited Pro Forma Financial Information”**) which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed on 30 June 2025 for the unaudited pro forma consolidated statement of financial position, and on 1 January 2024 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments and a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Remaining Group would have been if the Disposal has been completed on 30 June 2025 or at any future date, or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2024 or for any future period would have been if the Disposal had been completed on 1 January 2024.

The Unaudited Pro Forma Financial Information is based on the Group’s balance sheet as at 30 June 2025, the Group’s income statement and cash flow statement for the year ended 31 December 2024 (extracted from the financial statements of the Group for the six months ended 30 June 2025 and the year ended 31 December 2024 as set out in the published interim report of the Company for the six months ended 30 June 2025 and the published annual report of the Company for the year ended 31 December 2024), after making the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information. The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2025, published annual report of the Group for the year ended 31 December 2024 and other financial information included elsewhere in this circular.

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

As at 30 June 2025

Unit: RMB

Item	Audited	Pro forma adjustments			Unaudited pro
	consolidated				forma consolidated
	statement of				statement of
	financial position				financial position
	of the Group as				of the Remaining
	at 30 June 2025				Group as
	(Note 1(a))	(Note 2a)	(Note 2b)	(Note 2c)	at 30 June 2025
CURRENT ASSETS:					
Monetary funds	953,661,496.60	(12,287,243.99)	0.00	517,327.55	941,891,580.16
Financial assets held for trading	36,692,409.73	0.00	0.00	0.00	36,692,409.73
Bills receivable	765,000,567.09	0.00	0.00	0.00	765,000,567.09
Accounts receivable	930,731,502.52	(50,000.00)	0.00	(262,709,997.21)	667,971,505.31
Accounts receivable financing	92,166,113.62	0.00	0.00	0.00	92,166,113.62
Prepayments	514,712,024.36	(71,955.42)	0.00	(231,613,734.15)	283,026,334.79
Other receivables	826,493,097.36	(1,235,245,983.48)	0.00	636,219,725.91	227,466,839.79
Inventories	2,522,316,388.43	(310,957.42)	0.00	310,957.42	2,522,316,388.43
Non-current assets due within one year	2,393,909,142.54	(2,276,156,483.78)	0.00	(112,831,137.99)	4,921,520.77
Other current assets	337,591,186.03	(145,832,656.88)	0.00	15,997,339.86	207,755,869.01
Total current assets	9,373,273,928.28	(3,669,955,280.97)	0.00	45,890,481.39	5,749,209,128.70
NON-CURRENT ASSETS:					
Long-term receivables	385,116,643.83	(226,596,578.89)	3,336,353,000.00	0.00	3,494,873,064.94
Long-term equity investments	3,621,265,404.11	(709,590,185.77)	0.00	(734,058,812.86)	2,177,616,405.48
Other non-current financial assets	344,266,989.06	0.00	0.00	0.00	344,266,989.06
Investment property	5,502,917,303.30	(739,313,210.76)	0.00	739,313,210.76	5,502,917,303.30
Fixed assets	30,486,711,545.01	(1,571,746,390.69)	0.00	1,429,780,265.01	30,344,745,419.33
Construction in progress	610,870,896.53	0.00	0.00	0.00	610,870,896.53
Bearer biological assets	9,383,299.52	0.00	0.00	0.00	9,383,299.52
Right-of-use assets	256,595,832.65	0.00	0.00	(99,375,000.00)	157,220,832.65
Intangible assets	1,626,560,950.12	(71,354,258.21)	0.00	70,838,768.20	1,626,045,460.11
Long-term prepaid expenses	262,077,437.53	(161,143.64)	0.00	161,143.64	262,077,437.53
Deferred income tax assets	1,786,515,436.57	0.00	0.00	0.00	1,786,515,436.57
Other non-current assets	433,320,325.23	(11,887,516.57)	0.00	0.00	421,432,808.66
Total non-current assets	45,325,602,063.46	(3,330,649,284.53)	3,336,353,000.00	1,406,659,574.75	46,737,965,353.68
Total assets	54,698,875,991.74	(7,000,604,565.50)	3,336,353,000.00	1,452,550,056.14	52,487,174,482.38
CURRENT LIABILITIES:					
Short-term borrowings	23,326,218,453.95	0.00	0.00	0.00	23,326,218,453.95
Bills payable	107,370,000.00	0.00	0.00	0.00	107,370,000.00

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Item	Audited consolidated statement of financial position of the Group as at 30 June 2025 <i>(Note 1(a))</i>	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 30 June 2025
		<i>(Note 2a)</i>	<i>(Note 2b)</i>	<i>(Note 2c)</i>	
Accounts payable	8,426,902,071.31	(41,128,640.37)	0.00	41,128,640.37	8,426,902,071.31
Receipts in advance	48,105,994.72	(30,414,069.66)	0.00	25,272,697.06	42,964,622.12
Contract liabilities	189,324,752.36	0.00	0.00	0.00	189,324,752.36
Employee benefits payable	314,062,480.34	(1,228,176.37)	0.00	0.00	312,834,303.97
Taxes payable	168,781,787.11	(6,711,215.03)	0.00	3,831,080.50	165,901,652.58
Other payables	3,560,628,293.65	(2,651,968,361.79)	0.00	380,454,029.80	1,289,113,961.66
Including: Interest payable	248,725,295.32	(1,565,337.78)	0.00	1,565,337.78	248,725,295.32
Dividend payable	97,493,880.88	0.00	0.00	0.00	97,493,880.88
Non-current liabilities due within one year	2,534,511,114.58	0.00	0.00	0.00	2,534,511,114.58
Other current liabilities	844,340,067.04	0.00	0.00	0.00	844,340,067.04
Total current liabilities	39,520,245,015.06	(2,731,450,463.22)	0.00	450,686,447.73	37,239,480,999.57
NON-CURRENT LIABILITIES:					
Long-term borrowings	3,701,926,679.84	0.00	0.00	0.00	3,701,926,679.84
Lease liabilities	36,460,994.21	0.00	0.00	0.00	36,460,994.21
Long-term payables	2,544,988,247.10	0.00	0.00	0.00	2,544,988,247.10
Provisions	5,935,000.00	0.00	0.00	0.00	5,935,000.00
Deferred income	1,189,563,716.54	0.00	0.00	0.00	1,189,563,716.54
Deferred income tax liabilities	4,702,287.70	0.00	0.00	0.00	4,702,287.70
Total non-current liabilities	7,483,576,925.39	0.00	0.00	0.00	7,483,576,925.39
Total liabilities	47,003,821,940.45	(2,731,450,463.22)	0.00	450,686,447.73	44,723,057,924.96
SHAREHOLDERS' EQUITY:					
Share capital	2,934,556,200.00	(5,872,000,000.00)	0.00	5,872,000,000.00	2,934,556,200.00
Capital reserves	5,241,279,229.79	(16,668,484.74)	0.00	16,668,484.74	5,241,279,229.79
Other comprehensive income	(929,728,593.54)	0.00	0.00	0.00	(929,728,593.54)
Special reserves	29,831,855.86	0.00	0.00	0.00	29,831,855.86
Surplus reserves	1,212,009,109.97	(341,707,087.22)	0.00	341,707,087.22	1,212,009,109.97
General risk provisions	80,950,584.11	0.00	0.00	0.00	80,950,584.11
Retained profit	(3,250,135,169.86)	2,757,153,862.58	0.00	(2,425,738,718.84)	(2,918,720,026.12)
Total equity attributable to shareholders of the Company	5,318,763,216.33	(3,473,221,709.38)	0.00	3,804,636,853.12	5,650,178,360.07
Minority interest	2,376,290,834.96	(795,932,392.90)	0.00	533,579,755.29	2,113,938,197.35
Total shareholders' (or owners') equity	7,695,054,051.29	(4,269,154,102.28)	0.00	4,338,216,608.41	7,764,116,557.42
Total liabilities and shareholders' (or owners') equity	54,698,875,991.74	(7,000,604,565.50)	0.00	4,788,903,056.14	52,487,174,482.38

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP****Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Remaining Group****For the year ended 31 December 2024**

				Unit: RMB
Item	Audited consolidated statement of profit or loss of the Group for the year ended 31 December 2024 <i>(Note 1(b))</i>	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the year ended 31 December 2024
		<i>(Note 3a)</i>	<i>(Note 3b)</i>	
I. Operating revenue	22,729,474,852.76	(212,111,548.37)	19,430,192.61	22,536,793,497.00
Less: Operating costs	22,144,828,668.43	(162,426,811.13)	37,325,364.95	22,019,727,222.25
Taxes and surcharges	225,961,280.46	(6,551,173.59)	3,732,181.52	223,142,288.39
Sales and distribution expenses	241,171,109.12	0.00	0.00	241,171,109.12
General and administrative expenses	751,168,974.00	(64,489,555.22)	35,437,316.34	722,116,735.12
Research and development expense	1,080,331,754.42	0.00	0.00	1,080,331,754.42
Finance expenses	1,967,982,467.34	(9,485,666.22)	9,484,451.65	1,967,981,252.77
Including: Interest expenses	1,869,661,335.22	(8,419,592.81)	8,419,592.81	1,869,661,335.22
Interest income	182,479,117.53	(74,345.59)	66,841.20	182,471,613.14
Add: Other income	295,803,414.30	(10,019.98)	482.64	295,793,876.96
Investment (expense)/income	(766,913,269.23)	252,359,991.81	312,502,722.93	(202,050,554.49)
Gain/(loss) on change in fair value	(192,216,967.50)	0.00	0.00	(192,216,967.50)
Credit impairment loss	(3,198,089,208.46)	2,924,039,817.56	(22,299,620.53)	(296,349,011.43)
Loss on impairment of assets	(332,755,406.25)	97,489,833.27	(22,007,482.42)	(257,273,055.40)
Gain on disposal of assets	55,406,263.64	(86,597.83)	0.00	55,319,665.81
II. Operating (loss) profit	(7,820,734,574.51)	3,304,634,682.62	201,646,980.77	(4,314,452,911.12)
Add: Non-operating income	5,147,637.71	(187,376.76)	187,376.76	5,147,637.71
Less: Non-operating expenses	37,604,177.94	0.00	0.00	37,604,177.94
III. Total (loss) profit	(7,853,191,114.74)	3,304,447,305.86	201,834,357.53	(4,346,909,451.35)
Less: Income tax expenses	(60,171,697.45)	(510,529,074.15)	373,903.64	(570,326,867.96)

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

Item	Audited consolidated statement of profit or loss of the Group for the year ended 31 December 2024 <i>(Note 1(b))</i>	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss of the Remaining Group for the year ended 31 December 2024
		<i>(Note 3a)</i>	<i>(Note 3b)</i>	
IV. Net (loss) profit	(7,793,019,417.29)	3,814,976,380.01	201,460,453.89	(3,776,582,583.39)
(i) Classification according to the continuity of operation:				
Including: Net (loss) profit from continuing operations	(7,793,019,417.29)	3,814,976,380.01	201,460,453.89	(3,776,582,583.39)
Net profit from discontinued operations	0.00	0.00	0.00	0.00
(ii) Classification according to ownership:				
Including: Net (loss) profit attributable to shareholders of the Company	(7,410,784,491.65)	2,876,536,816.02	1,140,242,124.91	(3,394,005,550.72)
Profit or (loss) of minority interest	(382,234,925.64)	938,439,563.99	(938,781,671.02)	(382,577,032.67)
V. Net other comprehensive (expense)/income after tax	(48,827,181.07)	0.00	0.00	(48,827,181.07)
Net other comprehensive (expense)/income after tax attributable to shareholders of the Company	(48,827,181.07)	0.00	0.00	(48,827,181.07)
(i) Other comprehensive income that cannot be reclassified to profit and loss	0.00	0.00	0.00	0.00
(ii) Other comprehensive income that will be reclassified to profit and loss	(48,827,181.07)	0.00	0.00	(48,827,181.07)
1. Exchange differences arising from translation of financial statements denominated in foreign currencies	(55,197,653.90)	0.00	0.00	(55,197,653.90)
2. Other comprehensive income that may be reclassified to profit and loss under the equity method	6,370,472.83	0.00	0.00	6,370,472.83
Other comprehensive income, net of tax attributable to minority interest	0.00	0.00	0.00	0.00
VI. Total comprehensive (expense)/income	(7,841,846,598.36)	3,814,976,380.01	201,460,453.89	(3,825,409,764.46)
Total comprehensive (expense)/income attributable to shareholders of the Company	(7,459,611,672.72)	2,876,536,816.02	1,140,242,124.91	(3,442,832,731.79)
Total comprehensive (expense)/income attributable to minority interest	(382,234,925.64)	938,439,563.99	(938,781,671.02)	(382,577,032.67)

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Unaudited Pro Forma Consolidated Statement of Cash Flow of the Remaining Group

For the year ended 31 December 2024

				Unit: RMB
Item	Audited consolidated statement of cash flow of the Group for the year ended 31 December 2024 (Note 1(b))	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flow of the Remaining Group for the year ended 31 December 2024
		(Note 4a)	(Note 4b)	
I. Cash flows from operating activities:				
Cash received from sales of goods and rendering of services	23,237,707,950.05	(219,158,834.58)	51,566,468.00	23,070,115,583.47
Tax rebates received	11,658,499.79	0.00	0.00	11,658,499.79
Cash received relating to other operating activities	524,854,825.25	(601,821,479.56)	360,871,331.90	283,904,677.59
Subtotal of cash inflows from operating activities	23,774,221,275.09	(820,980,314.14)	412,437,799.90	23,365,678,760.85
Cash paid for goods and services	18,151,509,011.53	(1,561,695.18)	1,561,695.18	18,151,509,011.53
Cash paid to and for employees	1,144,326,678.52	(4,186,213.71)	25,225.64	1,140,165,690.45
Payments of taxes and surcharges	429,650,083.60	(12,938,660.06)	3,717,760.35	420,429,183.89
Cash paid relating to other operating activities	1,425,543,836.84	(534,407,438.05)	218,099,783.38	1,109,236,182.17
Subtotal of cash outflows from operating activities	21,151,029,610.49	(553,094,007.00)	223,404,464.55	20,821,340,068.04
Net cash flows from operating activities	2,623,191,664.60	(267,886,307.14)	189,033,335.35	2,544,338,692.81
II. Cash flows from investing activities:				
Cash received from investments	7,305,395.37	0.00	0.00	7,305,395.37
Cash received from investment income	3,574,134.20	0.00	0.00	3,574,134.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20,427,346.14	0.00	0.00	20,427,346.14
Net cash received from disposal of subsidiaries and other business units	503,938,946.58	0.00	0.00	503,938,946.58
Subtotal of cash inflows from investing activities	535,245,822.29	0.00	0.00	535,245,822.29
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	69,444,183.34	(94,985.00)	0.00	69,349,198.34
Subtotal of cash outflows from investing activities	69,444,183.34	(94,985.00)	0.00	69,349,198.34
Net cash flows from investing activities	465,801,638.95	94,985.00	0.00	465,896,623.95

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Item	Audited consolidated statement of cash flow of the Group for the year ended 31 December 2024 <i>(Note 1(b))</i>	Pro forma adjustments		Unaudited pro forma consolidated statement of cash flow of the Remaining Group for the year ended 31 December 2024
		<i>(Note 4a)</i>	<i>(Note 4b)</i>	
III. Cash flows from financing activities:				
Cash received from borrowings	27,224,432,497.83	0.00	0.00	27,224,432,497.83
Cash received relating to other financing activities	6,838,493,318.93	(764,848,565.90)	11,886,584.12	6,085,531,337.15
Subtotal of cash inflows from financing activities	34,062,925,816.76	(764,848,565.90)	11,886,584.12	33,309,963,834.98
Cash repayments of amounts borrowed	33,203,238,743.18	0.00	0.00	33,203,238,743.18
Cash paid for dividend and profit distribution or interest payment	1,921,902,301.87	(109,541,868.35)	7,833,161.19	1,820,193,594.71
Cash paid relating to other financing activities	2,662,705,748.14	(923,653,435.94)	192,452,226.58	1,931,504,538.78
Subtotal of cash outflows from financing activities	37,787,846,793.19	(1,033,195,304.29)	200,285,387.77	36,954,936,876.67
Net cash flows from financing activities	-3,724,920,976.43	268,346,738.39	(188,398,803.65)	(3,644,973,041.69)
IV. Effect of foreign exchange rate changes on cash and cash equivalents	23,637,176.58	0.00	0.00	23,637,176.58
V. Net increase in cash and cash equivalents	-612,290,496.30	555,416.25	634,531.70	(611,100,548.35)
Add: Balance of cash and cash equivalents as at the beginning of the period	764,233,742.61	(3,021,200.76)	953,504.41	762,166,046.26
VI. Balance of cash and cash equivalents as at the end of the period	151,943,246.31	(2,465,784.51)	1,588,036.11	151,065,497.91

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

1. (a) The amounts are extracted without adjustment from the audited consolidated statement of financial position of the Group as at 30 June 2025 as set out in the published interim report of the Group for the six months ended 30 June 2025.
- (b) The amounts are extracted without adjustment from the audited consolidated statement of profit or loss and consolidated statement of cash flow of the Group for the year ended 31 December 2024 as set out in the published annual report of the Group for the year ended 31 December 2024.
2. (a) The adjustment represents the exclusion of assets and liabilities attributable to the Target Group as at 30 June 2025 as if the Disposal had been completed on 30 June 2025 for the financial position of the Remaining Group.

The adjustments reflect the pro forma loss on the Disposal, as if the Disposal was completed on 30 June 2025, and is calculated as follows:

	<i>RMB</i>
Consideration of the Target Shares	1,073,396,900.00
Less: Total equity attributable to owners of the parent company as at 30 June 2025	3,473,221,709.38
Estimated loss on the Disposal <i>(Note)</i>	-2,399,824,809.38

Note: As at 30 June 2025, the estimated loss on the Disposal is approximately RMB2,399.82 million which differs from the estimated unaudited gain of approximately RMB38.9395 million as set out in the letter from the Board in this circular, mainly due to: (i) the difference in the calculation reference date and operational periods; and (ii) the Target Group recognised impairment losses in the third quarter of 2025.

Assumptions:

- (i) Potential taxes or transaction costs of the Disposal have not been taken into consideration.
 - (ii) It is assumed that the Purchaser has not yet paid the consideration and does not account for the time value of money arising from installment payments.
 - (iii) No deferred income tax has been recognised for potential losses arising from the Disposal.
 - (iv) The actual gain or loss on the Disposal may differ from the pro forma amounts above. This is because the carrying value of the Target Group's equity interest as at the actual completion date of the Disposal will differ from its carrying value as at 30 June 2025. Additionally, the actual transaction costs incurred and the related tax implications of the Disposal will differ from the estimated amount used in preparing the Unaudited Pro Forma Financial Information, causing this amount to vary accordingly.
- (b) The aggregate consideration for the Disposal is RMB3.336 billion, which comprises of RMB1.073 billion for the Target Interests and RMB2.263 billion for the Target Loan.

- (c) As at the Valuation Benchmark Date (i.e. 30 September 2025), the Group transferred its factoring business assets and investments in associates and joint ventures to the Target Group. At the same time, certain land, properties and intra-group receivables held by the Target Group are transferred to the Remaining Group.

According to ASBE, when preparing the statement of financial position, subsidiaries and businesses acquired during the reporting period through a business merger under common control shall be reflected by adjusting the opening balance. Corresponding adjustments shall be made to treat the consolidated reporting entity as having existed from the date the ultimate controller assumed control. Where subsidiaries or businesses are disposed of during the reporting period, the opening balance of the consolidated statement of financial position shall not be adjusted. Therefore, as at 30 June 2025, the Target Group's consolidated statement of financial position continues to include certain land, buildings and intra-group balances which had been transferred to the Remaining Group, and requires adjustments to the Remaining Group's unaudited pro forma consolidated statement of financial position.

In addition, as at the Valuation Benchmark Date, certain machinery and equipment owned by the Target Group were excluded from the subject matter of the Disposal. The original book value of the said machinery and equipment was RMB260 million, with a net book value of RMB228 million.

3. (a) The adjustment represents the exclusion of financial performance of the Target Group for the year ended 31 December 2024 as set out in Appendix II to this circular as if the Disposal had been completed on 1 January 2024 for the financial performance of the Remaining Group.

The adjustments reflect the pro forma loss on the Disposal, as if the Disposal was completed on 1 January 2024, and is calculated as follows:

	<i>RMB</i>
Consideration of the Target Shares	1,073,396,900.00
Less: Total equity attributable to owners of the parent company as at 1 January 2024	6,503,205,332.66
Estimated loss on the Disposal <i>(Note)</i>	-5,429,808,432.66

Note: As at 1 January 2024, the estimated loss on the Disposal is approximately RMB5,429.81 million which differs from the estimated unaudited gain of approximately RMB38.9395 million as set out in the letter from the Board in this circular, mainly due to: (i) the difference in the calculation reference date and operational periods; and (ii) the Target Group recognised impairment losses in 2024 and in the third quarter of 2025.

Assumptions:

- (i) Potential taxes or transaction costs of the Disposal have not been taken into consideration.
- (ii) It is assumed that the Purchaser has not yet paid the consideration and does not account for the time value of money arising from installment payments.
- (iii) No deferred income tax has been recognised for potential losses arising from the Disposal.
- (iv) The actual gain or loss on the Disposal may differ from the pro forma amounts above. This is because the carrying value of the Target Group's equity interest as at the actual completion date of the Disposal will differ from its carrying value as at 1 April 2024. Additionally, the actual transaction costs incurred and the related tax implications of the Disposal will differ from the estimated amount used in preparing the Unaudited Pro Forma Financial Information, causing this amount to vary accordingly.

4. (a) The adjustment represents the exclusion of cash flows of the Target Company for the year ended 31 December 2023 as set out in Appendix II to this circular as if the Disposal had been completed on 1 January 2023 for the cash flows of the Remaining Group.
- (b) As at the Valuation Benchmark Date (i.e. 30 September 2025), the Group transferred its factoring business assets and investments in associates and joint ventures to the Target Group. At the same time, certain land, properties and intra-group receivables held by the Target Group are transferred to the Remaining Group.

According to ASBE, cash flows arising from subsidiaries and businesses acquired during the reporting period through a business merger under common control shall be included in the consolidated statement of cash flows. Adjustments shall be made to treat the consolidated reporting entity as having existed from the date the ultimate controller assumed control. The consolidated statement of cash flows shall include the cash flows of subsidiaries and businesses disposed during the reporting period for the period from the beginning date of the reporting period to the disposal date. Therefore, the Target Group's consolidated statement of cash flows for the year ended 31 December 2024 continues to include cash flows arising from certain land, buildings and intra-group balances which had been transferred to the Remaining Group, and requires adjustments to the Remaining Group's unaudited pro forma consolidated statement of profit or loss.

5. It is anticipated that the aforementioned adjustments will not have a continuing impact on the unaudited pro forma consolidated income statement and consolidated cash flow statement of the Remaining Group.

Set out below is the text of a report received from Grant Thornton (Special General Partnership), in respect of the unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shandong Chenming Paper Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shandong Chenming Paper Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) excluding the Target Group (as defined in the Circular) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2025, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages 45 to 55 of the circular issued by the Company dated 23 December 2025 in connection with the proposed disposal of 100% of equity interest in the Target Companies (as defined in the Circular) (the “**Circular**”). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages 45 to 55 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the disposal of 100% equity interest in the Target Companies, subsidiaries of the Group (the “**Disposal**”) on the Group’s financial position as at 30 June 2025 and the Group’s financial performance and cash flows for the year ended 31 December 2024 as if the Disposal had taken place at 30 June 2025 and 1 January 2024, respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the directors of the Company from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2025 as appropriate, on which a review conclusion or an auditor’s report have not been published, and audited consolidated financial statements for the year ended 31 December 2024, on which an audit report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirement as set out in the Code of Ethics for Professional Accountants issued by the Chinese Institute of Certified Public Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We maintain a comprehensive system of quality management in accordance with the “Quality Control Standard No. 5101 for Accounting Firms – Engagement Quality Management” issued by the Ministry of Finance of the People’s Republic of China.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with “Chinese Certified Public Accountants’ Assurance Standards No. 3101 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information”. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2025 and 1 January 2024 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Grant Thornton (Special General Partnership)
Chinese Certified Public Accountants

23 December 2025

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

It is expected that the Disposal will not give rise to any material adverse impact to the business and operations of the Group. The Group will continue to carry out its existing principal business of production and sale of paper products following the completion of the Disposal and there will be no change to the existing principal business of the Group as a result of the Disposal. The Disposal will be conducive to the improvement of the asset structure of the Group after Disposal.

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 as derived from the annual reports of the Company for each of the financial years ended 31 December 2022, 2023 and 2024 and the interim report of the Company for the six months ended 30 June 2024 respectively.

For the year ended 31 December 2022 (“FY 2022”)***1. Liquidity and Financial Resources***

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company’s operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Company obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash of the Company was generated from capital and bank and other borrowings. As at 31 December 2022, the Company’s unused bank loan credit was RMB42,790.5456 million.

2. Capital Structure*Capital Management*

The objective of the Company’s capital risk management is to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust its financing methods, adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Company monitors capital structure on the basis of the gearing ratio.

Interest Rates

The Company's interest rate risk mainly arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitoring.

The Company continuously monitors the interest rate position of the Company. The Company did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Company's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

As at 31 December 2022, if the interest rates of borrowings at floating interest rates increase or decrease by 25 basis points with all other factors remain unchanged, the Company's net profit and shareholders' equity will increase or decrease by RMB105,720,100, respectively.

3. Business Prospects

The paper making industry is closely related to national economic security, and the consumption level of paper and paper board is an important indicator to measure the economy and civilisation of a country. Since the reform and opening up, with the sustained and rapid development of the national economy, China's papermaking industry has gradually begun to transform from extensive growth to intensive growth. Driven by the tightening of environmental protection policies and other factors, the papermaking industry's production capacity and market concentration have been continuously improved, and the industry pattern becomes excellent, but there is still much scope for improvement. In FY 2022, due to factors such as a sharp increase in upstream production costs and the sluggish demand in the downstream market, the overall profitability of the papermaking industry declined, and the number of loss-making papermaking enterprises above designated size increased. Repeated market tests accelerated the clearing up of low-end enterprises, and likely promoted the industry structure improvement.

During FY 2022, the “waste ban” continued to be implemented, and the transformation of the raw material structure of the papermaking industry accelerated. The “plastic limit” achievements continued to be consolidated, which promoted the development of high-end and light-weighted products in the product structure. The “double carbon” policy was fully implemented, and the green development concept had driven the industry to improve its environmental protection level. The decrease in the supply of overseas paper products brought new “overseas expansion” opportunities for Chinese companies, and the leading papermaking companies accelerated their overseas layout. The weak domestic market demand promoted resources optimisation and reorganisation, and the industry pattern had been continuously optimised. International pulp prices remained high, and domestic leading companies accelerated the whole industrial chain layout, while domestic paper prices gradually bottomed out, and large companies had announced price rises, marking an imminent recovery of industry prosperity.

In the long run, according to the national “double circulation” strategy and the goal of China’s GDP per capita heading for the level of a medium-level developed country by 2035, China’s paper market demand in the future will still grow greatly, indicating potential market demand. With the improvement of people’s pursuit of quality of life, high-end, environmentally friendly, lightweight and customised products will be more popular, and it is imperative to optimise and upgrade the product structure. As both product functions and supporting services are important, upgrading product services will become an important channel to increase products’ added value. Large-scale pulp and paper companies have accelerated industry integration through M&A and joint venture activity, which further improves industry concentration. The industry has continuously improved the resource utilisation rate, and transformed towards the use of clean, renewable, high energy density and low emission resources. It is inevitable for large companies to enhance their comprehensive competitiveness through the whole industrial chain development.

4. Significant Investment Held

Particulars of significant investments held by the Group as at 31 December 2022 are set out as follows:

Name of company	Principal activity	Percentage of equity interest held	Carrying amount as at 31 December 2022	Percentage to the Group's audited total assets as at 31 December 2022
			<i>RMB'000</i>	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Production and sale of duplex press paper, electrostatic paper, and white cardboard	82.67%	5,137,500.00	6.09%
Shouguang Meilun Paper Co., Ltd	Production and sale of coated paper, culture paper, household paper and chemical pulp	62.4864%	4,449,441.98	5.28%
Huanggang Chenming Pulp & Paper Co., Ltd.	Production and sale of chemical pulp	100%	235,000.00	0.28%

Save for the aforementioned, the Group did not hold any significant investments during FY 2022.

Particulars of significant investment held:

1. During FY 2022, benefiting from their cost advantages brought about by the pulp-paper integration, as well as the substantial increase in the export volume of their major products, Zhanjiang Chenming and Shouguang Meilun enjoyed a relatively strong profitability.
2. During FY 2022, due to the high price of wood pulp, Huanggang Chenming's profit from wood pulp sales increased.

5. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Particulars of material acquisition and disposal of subsidiaries, associated companies and joint ventures made by the Group during FY 2022 are set out as follows:

Name of company	Methods to acquire and dispose during FY 2022	Impact on overall production and operation and results
Jiangxi Chenming Tea Co., Ltd.	Newly established	Net profit decreased by RMB1.98 million.
Shouguang Meichen Energy Technology Co., Ltd.	Newly established	Net profit decreased by RMB100,000.
Shanxi Fuyin Industrial Trading Co., Ltd.	Acquisition	No effect.
Chongmin Culture Development (Shanghai) Co., Ltd.	Acquisition	No effect.
Qingdao Chenming Pulp & Paper Electronic Commodity Spot Trading Co., Ltd.	Deregistered	Net profit increased by RMB6,800.

Save for the aforementioned, the Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures during FY 2022.

6. Segmental Information

The Company's reporting segments include: (1) machine paper segment, which is responsible for production and sales of machine paper; (2) financial services segment, which provides financial services; (3) hotels and property rentals segment, which is responsible for hotel services and property rental; and (4) other segments, which is responsible for the above segments otherwise.

The Company is a large modern conglomerate principally engaged in pulp production and paper making, and the machine-made paper business is the major source of revenue and profit of the Company. As at 31 December 2022, the Company has production bases in Shandong, Guangdong, Jiangxi, Hubei, Jilin and other places, with annual pulp and paper production capacity of more than 11 million tonnes. It is the first domestic paper making enterprise that achieves a balance between pulp production and paper making capacity. During FY 2022, continuously taking "revitalising the Chinese papermaking industry" as its mission, the Company had been committed itself to implementing a pulp and paper integration strategy. It deepened the development of pulp production and papermaking, its major operation, and realised revenue of RMB32,004 million and net profit of RMB317 million.

7. *Employees and Remuneration Policies*

The total number of employees of the Group as at 31 December 2022 was 10,855.

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. Subject to the relevant laws and regulations, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance, etc. with reference to the remuneration level in the labour market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing allowance and paid leaves, etc.

8. *Pledge of Assets*

As at 31 December 2022, housing, building structure and equipment with the carrying amount of RMB10,063,641,052.69 (31 December 2021: carrying amount of RMB12,866,125,795.19), investment properties with the carrying amount of RMB4,895,514,630.65 (31 December 2021: carrying amount of RMB5,033,765,366.00) and intangible assets with the carrying amount of RMB1,033,897,418.27 (31 December 2021: carrying amount of RMB1,210,395,050.42) were pledged as collateral for long-term borrowings of RMB3,118,508,092.17 (31 December 2021: RMB3,921,048,883.74) and short-term borrowings of RMB65,000,000.00 (31 December 2021: RMB70,000,000.00).

9. *Future Plans for Material Investments*

Future capital requirements of the Company will mainly focus on: the continuous investment in existing production facilities due to technology upgrade or production expansion; and capital requirement for business expansion and daily operation. The phase II whole industry chain project of Huanggang Chenming, the softwood bleached chemical pulp project with annual production capacity of 300,000 tonnes and the special paper project with annual production capacity of 180,000 tonnes of Zhanjiang Chenming planned and constructed by the Company will be partly funded by self-owned funds of the Company, as well as government guide funds, policy support funds and syndicated loans.

While focusing on the development of its main business of pulp and paper making and improving its operating performance, the Company will expand its financing channels and optimise financing structure through well planned long and short-term bond issue, introduction of third-party strategic investors, refinancing and other means, thus providing stable financial support for the operation and development of the Company.

10. Gearing Ratio

As at 31 December 2022, the Company's gearing ratio (including minority interest) was 60.88%, representing a decrease of 0.67 percentage point from 61.55% for 2021.

The ratio was calculated as: total borrowings/total assets (whereas total borrowings represent borrowings due within one year, borrowings due after one year, short-term commercial paper and medium and long-term notes and others).

11. Currency Risk

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Company (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, South Korean Won, Euro, Hong Kong dollar and British pound).

The Group continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks it faces, and for this reason the Group may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

12. Contingent Liabilities

As at 31 December 2022, the Company had no contingent items such as outstanding litigation and external guarantees that should be disclosed.

For the year ended 31 December 2023 ("FY 2023")**1. Liquidity and Financial Resources**

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Company obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash of the Company was generated from capital and bank and other borrowings. As at 31 December 2023, the Company's unused bank loan credit was RMB44,131.5478 million (31 December 2022: RMB42,790.5450 million). The closing balance of financial assets of the Company due within one year amounted to RMB24,568.6892 million, while the closing balance of financial liabilities due within one year amounted to RMB48,230.6088 million. The financial assets due within one year was less than that of financial liabilities. To manage liquidity risk, in 2024, the Company will focus on its major operations, actively divest or dispose non-major operations, and put greater efforts in recovery of financial lease payment. In addition to controlling its capital expenditures, the Company will also strengthen internal control and further lower its costs. The Company will enhance market operations, boost sales volume and enhance corporate efficiency.

2. Capital Structure

Capital Management

The objective of the Company's capital risk management is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust its financing methods, adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Company monitors capital structure on the basis of the gearing ratio.

Interest Rates

The Company's interest rate risk mainly arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitoring.

The Company continuously monitors the interest rate position of the Company. The Company did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Company's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

As at 31 December 2023, if the interest rates of borrowings at floating interest rates increase or decrease by 25 basis points with all other factors remain unchanged, the Company's net profit and shareholders' equity will increase or decrease by RMB3,733,100, respectively.

3. *Business Prospects*

As an important basic raw material industry, the paper industry plays an important role in various fields of the national economy. After nearly 30 years of accelerated progress, China's paper industry has made remarkable results and achieved landmark development, but is also facing new challenges in its new journey.

During FY 2023, the overall profitability of the paper industry improved but its momentum was slightly weaker due to the sluggish downstream demand, raw material price fluctuation, increased supply and other factors. According to the data of the Ministry of Industry and Information Technology, from January to December 2023, revenue of papermaking and paper product enterprises above designated size was RMB1,392.6 billion, down 2.4% year on year; their operating costs were RMB1,222.8 billion, down 3.1% year on year; and their total profit was RMB50.84 billion, up 4.4% year on year.

On the supply side, the domestic and overseas supply growth had a great effect on paper price fluctuation. Domestically, new paper production capacity in China had been drastically high in the past two years. Overseas, the import volume of machine-made paper and paperboard increased year on year as a result of the "zero tariff" policy. The domestic and overseas factors boosted the machine-made paper supply. According to the data of the National Bureau of Statistics, the national output of machine-made paper and paperboard was 144,055,300 tonnes from January to December, 2023, which exceeded the 140 million tonnes mark for the first time and reached a record high.

During FY 2023, the prices of cultural paper and white cardboard prices were mixed. In terms of price, the white cardboard price rebounded slightly in October and November, and showed an overall fluctuating downward trend. The cultural paper price had a "V"-shaped trend that fluctuated downward in the first half of the year and floated upward in the second half.

In terms of cost, the paper raw material prices and energy prices had fluctuated downward since 2023. However, due to a higher price base and the cost transmission delay, the paper enterprise production cost was still at a high level in 2023. Coupled with the weak product demand, enterprises faced a greater pressure to realise profit.

In the short term, the paper product prices still face some upside resistance under the sufficient supply. However, the fierce competition will prompt leading enterprises to exploit the scale and cost advantages, and will facilitate the liquidation of small and medium-sized enterprises to improve the industry operational efficiency, thus further enhancing the industry concentration. In the long run, China's paper industry concentration is still at a low level. The data shows that the CR10 in China's paper industry remained at about 45% in 2022, compared with about 90% for the CR10 in the United States, which means much room for improvement.

4. Significant Investment Held

Particulars of significant investments held by the Group as at 31 December 2023 are set out as follows:

Name of company	Principal activity	Percentage of equity interest held	Carrying amount as at 31 December 2023	Percentage to the Group's audited total assets as at 31 December 2023
			RMB'000	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Production and sale of duplex press paper, electrostatic paper and white cardboard etc.	80.28%	5,206,250.00	6.55%
Shouguang Meilun Paper Co., Ltd	Production and sale of coated paper, culture paper, household paper and chemical pulp	64.87%	4,649,441.98	5.85%
Huanggang Chenming Pulp & Paper Co., Ltd.	Production and sale of chemical pulp	100%	235,000.00	0.30%

Save for the aforementioned, the Group did not hold any significant investments during FY 2023.

Particulars of significant investment held:

- During FY 2023, the price of white paper board declined significantly due to an increase in supply and insufficient demand, and profit margins of Zhanjiang Chenming were squeezed.
- The demand for cultural paper and coated paper, the major products of Shouguang Meilun, was rigid, and they are less affected by the macroeconomic environment during FY 2023.
- The price of chemical pulp, the major product of Huanggang Chenming, declined due to an increase in supply, and Huanggang Chenming's profitability decreased year on year.

The Company enjoys the advantages of pulp and paper integration, large scale, comprehensive products, reasonable industrial layout, and advanced technical equipment. With the gradual rise in the selling prices of machine-made paper and the continuous optimisation of the cost side, the Company's profitability will be effectively restored.

5. *Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures*

Particulars of material acquisition and disposal of subsidiaries, associated companies and joint ventures made by the Group during FY 2023 are set out as follows:

Name of company	Methods to acquire and dispose during FY 2023	Impact on overall production and operation and results
Shouguang Kunhe Trading Co., Ltd.	Newly established	Net profit decreased by RMB56,100.
Jiangxi Chenming Port Co., Ltd.	Acquisition	Net profit decreased by RMB1,234,500.
Beijing Chenming Financial Leasing Co., Ltd.	Deregistered	Net profit decreased by RMB3,900.
Wuhan Chenming Qianneng Electric Power Co., Ltd.	Loss of control due to partial equity transfer	Net profit increased by RMB359 million.

Save for the aforementioned, the Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures during FY 2023.

6. *Segmental Information*

The Company's reporting segments include: (1) machine paper segment, which is responsible for production and sales of machine paper; (2) financial services segment, which provides financial services; (3) hotels and property rentals segment, which is responsible for hotel services and property rental; and (4) other segments, which is responsible for the above segments otherwise.

The Company is a large modern conglomerate principally engaged in pulp production and paper making and committed itself to implementing a pulp and paper integration strategy. At present, the Company has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places, with annual pulp and paper production capacity of 11 million tonnes, including pulp production capacity of 4.3 million tonnes. It is the first domestic paper making enterprise that achieves a balance between pulp production and paper making capacity in general. During FY2023, the Company realised revenue of RMB26,609 million. The machine-made paper business is the major source of revenue of the Company. There was no significant change in the principal activity and the business model of the Company.

7. *Employees and Remuneration Policies*

The total number of employees of the Group as at 31 December 2023 was 10,604.

The remuneration of the employees of the Company includes their salaries, performance bonuses and other fringe benefits. Subject to the relevant laws and regulations, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance, etc. with reference to the remuneration level in the labour market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing allowance and paid leaves, etc.

8. *Pledge of Assets*

As at 31 December 2023, housing, building structure and equipment with the carrying amount of RMB6,303,095,864.20 (31 December 2022: carrying amount of RMB10,063,641,052.69), investment properties with the carrying amount of RMB5,004,776,921.76 (31 December 2022: carrying amount of RMB4,895,514,630.65) and intangible assets with the carrying amount of RMB665,784,045.39 (31 December 2022: carrying amount of RMB1,033,897,418.27) were pledged as collateral for long-term borrowings of RMB4,262,800,469.08 (31 December 2022: RMB3,118,508,092.17) and short-term borrowings of RMB85,000,000.00 (31 December 2022: RMB65,000,000.00).

9. *Future Plans for Material Investments*

Future capital requirements of the Company will mainly focus on: the continuous investment in existing production facilities due to technology upgrade or production expansion; and capital requirement for business expansion and daily operation. The phase II whole industry chain project of Huanggang Chenming, the softwood bleached chemical pulp project with annual production capacity of 300,000 tonnes and the special paper project with annual production capacity of 180,000 tonnes of Zhanjiang Chenming planned and constructed by the Company will be partly funded by self-owned funds of the Company, as well as government guide funds, policy support funds and syndicated loans.

While focusing on the development of its main business of pulp and paper making, improving its operating performance and increasing its operating cash flow, the Company will expand its financing channels and optimise financing structure through well planned long and short-term bank loans, introduction of third-party strategic investors, refinancing and other means, thus providing stable financial support for the operation and development of the Company.

10. Gearing Ratio

As at 31 December 2023, the Company's gearing ratio (including minority interest) was 61.70%, representing an increase of 0.82% from 60.88% for 2022.

The ratio was calculated as: total borrowings/total assets (whereas total borrowings represent borrowings due within one year, borrowings due after one year, short-term commercial paper and medium and long-term notes and others).

11. Currency Risk

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Company (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Japanese yen, South Korean Won, Euro, Hong Kong dollar and British pound).

The Company continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks it faces, and for this reason the Company may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

12. Contingent Liabilities

(1) Contingent liabilities arising from pending litigation and arbitration and their financial impacts

As at 31 December 2023, the Company had no contingent items such as outstanding litigation and external guarantees that should be disclosed.

(2) Contingent liabilities arising from debt guarantees given in favour of other entities and their financial effects

As at 31 December 2023, the Company has no contingent liabilities arising from debt guarantees provided to other entities.

(3) Other contingent liabilities (excluding contingent liabilities that are highly unlikely to result in an outflow of economic benefits to the enterprise)

As at 31 December 2023, the Company has no other contingencies that should be disclosed.

For the year ended 31 December 2024 (“FY 2024”)

1. *Liquidity and Financial Resources*

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company’s operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Company obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash of the Company was generated from capital and bank and other borrowings. As at 31 December 2024, the Company’s unused bank loan credit was RMB11,176.9188 million (has been completely frozen and cannot be used) (31 December 2023: RMB44,131.5478 million). The closing balance of financial assets of the Company due within one year amounted to RMB17,548.7745 million, while the closing balance of financial liabilities due within one year amounted to RMB43,191.8401 million. The financial assets due within one year was less than that of financial liabilities.

2. *Capital Structure*

Capital Management

The objective of the Company’s capital risk management is to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust its financing methods, adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or disposes assets to reduce its liabilities.

The Company monitors capital structure on the basis of the gearing ratio.

Interest Rates

The Company’s interest rate risk mainly arises from long-term interest-bearing liabilities including long-term borrowing and bonds payable. Financial liabilities issued at floating rate expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rate expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions and to maintain an appropriate combination of financial instruments at fixed rate and floating rate through regular reviews and monitoring.

The Company continuously monitors the interest rate position of the Company. The Company did not enter into any interest rate hedging arrangements. But the management is responsible to monitor the risks of interest rate and consider to hedge significant interest risk if necessary. Increase in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate interest-bearing borrowings, and therefore could have a material adverse effect on the Company's financial result. The management will make adjustments with reference to the latest market conditions. These adjustments may include enter into interest swap agreement to mitigate its exposure to the interest rate risk.

As at 31 December 2024, if the interest rates of borrowings at floating interest rates increase or decrease by 25 basis points with all other factors remain unchanged, the Company's net profit and shareholders' equity will increase or decrease by RMB3,568,500, respectively.

3. *Business Prospects*

As a basic raw material industry closely related to economic and social development, the paper industry experienced a complex and volatile development process against the backdrop of fluctuating raw material prices, increased supply of paper products, slow growth in sales, and short-term supply and demand tensions in 2024.

On the raw material side, the raw materials for the paper industry primarily include wood pulp, among others. In 2024, the prices of softwood pulp and hardwood pulp were affected by both unexpected international supply disruptions and the release of new domestic production capacity, showing a mixed trend of upward and downward movements.

For softwood pulp, due to labour strikes and maintenance at pulp mills in major international suppliers of softwood pulp such as Finland, Chile and Canada in the first half of the year, its supply tightened, which pushed up its price. However, with the release of new domestic pulp production capacities, supply pressure increased and overseas demand weakened, and thus the price fell again. As of 31 December 2024, the average market price of softwood pulp in Shandong was RMB6,400 per tonne, representing an increase of 9.4% from the beginning of the year.

For hardwood pulp, its price trend was different from that of softwood pulp, which demonstrated an overall decline. As of 31 December 2024, the average market price of hardwood pulp in Shandong was RMB4,610 per tonne, representing a decrease of 8.53% from the beginning of the year.

On the supply side, the paper industry saw a continuous increase in the supply of paper products driven by new production capacity in 2024. From January to December 2024, the national production of machine-made paper and paper board reached 158.469 million tonnes, representing a year-on-year increase of 8.6%. According to statistics, as of the end of October 2024, the number of papermaking enterprises nationwide reached 7,999, representing an increase of 331 from the end of 2023. As an important component of the paper industry, the paper and paperboard manufacturing sector saw cumulative year-on-year growth of 20.6% in its fixed asset investment, demonstrating strong momentum of investment growth.

On the demand side, despite the continuous increase in supply in the paper industry, the growth in sales of paper products remained slow due to the global economic slowdown and sluggish domestic consumer demand. Product prices struggled to rise, with overall price levels lower than the same period in the previous year.

For the price of culture paper, the price of culture paper experienced a fluctuation process of rising first and then falling in 2024. At the beginning of the year, the price of culture paper rose due to market demand and adjustments in supply-side production capacity. However, as end-user demand weakened and the orders for finished paper decreased, the prices of bulk paper continued to decline, leading to a drop in the price of culture paper. In particular, starting from May, both the price and profit fell to historically low levels. Although the price of culture paper recovered in late November due to short-term supply contractions and the concentrated delivery of tender orders, the current prices of duplex press paper and coated paper remain at relatively low levels.

For the price of white cardboard, the white cardboard sector also faced significant challenges in 2024. Affected by the substantial release of new supply in the previous period and the relatively slow recovery of end-user demand, the price of white cardboard remained in a downward trend, with a profitability level near the lowest point in history. Although the state subsidy for new home appliances had been gradually extended to small kitchen appliances in certain regions, which provided some boost to industry demand, the overall sector still faced considerable competitive pressure.

The paper industry needs to pay close attention to policy changes and the recovery of market demand, strengthen technological innovation and digital transformation, and enhance its core competitiveness and market adaptability in order to achieve sustainable development.

4. Significant Investment Held

Particulars of significant investments held by the Group as at 31 December 2024 are set out as follows:

Name of company	Principal activity	Percentage of equity interest held	Carrying amount as at 31 December 2024	Percentage to the Group's audited total assets as at 31 December 2024
			<i>RMB'000</i>	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Production and sale of duplex press paper, electrostatic paper and white cardboard etc.	80.28%	5,275,000.00	8.31%
Shouguang Meilun Paper Co., Ltd	Production and sale of coated paper, culture paper, household paper and chemical pulp	68.28%	4,949,441.98	7.79%
Huanggang Chenming Pulp & Paper Co., Ltd.	Production and sale of chemical pulp	100%	235,000.00	0.37%

Save for the aforementioned, the Group did not hold any significant investments during FY 2024.

Particulars of significant investment held:

1. During FY 2024, Zhanjiang Chenming and Meilun Paper's production bases were temporarily shut down for maintenance, which adversely affected the Company's operation scale. At the same time, the selling prices of Zhanjiang Chenming's white cardboard and Meilun Paper's electrostatic paper fell significantly, resulting in a decrease in profitability year on year.
2. During FY 2024, the production and sales of chemical pulp, the main product of Huanggang Chenming, increased significantly, while the gross profit of the product increased, resulting in an increase in profitability year on year.

The Company is accelerating its maintenance and technological transformation progress, focusing on its main business, accelerating the adjustment and optimisation of its internal management, promoting corporate reform and innovation, and pushing forward the resumption of production in accordance with the market circumstances.

5. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Particulars of material acquisition and disposal of subsidiaries, associated companies and joint ventures made by the Group during FY 2024 are set out as follows:

Name of company	Methods to acquire and dispose during FY 2024	Impact on overall production and operation and results
Shandong Chenming Industrial Trading Co., Ltd.	Establishment	Net profit decreased by RMB938,200.
Hubei Chenming Technology Industrial Co., Ltd.	Establishment	Net profit decreased by RMB1,004,900.
Guangzhou Chenming Commercial Factoring Co., Ltd.	Deregistration	Net profit decreased by RMB5,300.
Chenming International Co., Ltd.	Deregistration	Net profit decreased by RMB14,000,000.
Kunshan Tuonan Plastic Products Co., Ltd.	Disposal	Net profit increased by RMB32,000,000.

Save for the aforementioned, the Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures during FY 2024.

6. Segmental Information

The Company's reporting segments include: (1) machine paper segment, which is responsible for production and sales of machine paper; (2) financial services segment, which provides financial services; (3) hotels and property rentals segment, which is responsible for hotel services and property rental; and (4) other segments, which is responsible for the above segments otherwise.

The Company is a large modern conglomerate principally engaged in pulp production and paper making and committed itself to implementing a pulp and paper integration strategy. The Company has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places for the production of machine-made paper products covering more than 200 types in seven series, including culture paper, coated paper, white cardboard, copy paper, industrial paper, special paper, and household paper. It is the enterprise with the largest variety of products and the most complete products in the domestic paper industry. It is also the first domestic paper making enterprise that achieves a balance between pulp production and paper making capacity in general. During FY 2024, the machine-made paper business was the major source of revenue and profit of the Company, with no significant changes in the principal activity.

In recent years, the contradiction between supply and demand in the short term has been prominent due to the concentration of newly-added production capacity in the paper industry. As a result, the prices of the Company's major products continued to decline during FY 2024 with a year-on-year decrease in gross profit. In addition, some of the Company's production bases had successively been in shutdown and maintenance in the fourth quarter, leading to unsatisfactory capacity utilisation and a year-on-year decline in production and sales volumes. The Company made impairment provisions for certain assets, and also increased the provision ratio for bad debts related to underperforming financial leasing customers out of prudence, which collectively contributed to a decline in profitability. In FY 2024, the net profit attributable to shareholders of the Company recorded a loss of RMB7,411 million.

7. *Employees and Remuneration Policies*

The total number of employees of the Group as at 31 December 2023 was 9,594.

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. Subject to the relevant laws and regulations, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance, etc. with reference to the remuneration level in the labour market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing allowance and paid leaves, etc.

8. *Pledge of Assets*

As at 31 December 2024, housing, building structure and equipment with the book value of RMB20,001,586,415.43 (31 December 2023: book value of RMB6,303,095,864.20), investment properties with the book value of RMB5,433,525,500.09 (31 December 2023: book value of RMB5,004,776,921.76) and intangible assets with the book value of RMB1,312,981,381.52 (31 December 2023: book value of RMB665,784,045.39) were pledged as collateral for long-term borrowings of RMB3,669,467,809.18 (31 December 2023: RMB4,262,800,469.08), short-term borrowings of RMB1,375,200,404.98 (31 December 2023: RMB85,000,000.00) and long-term payables of RMB3,600,767,587.75 (31 December 2023: RMB4,345,793,513.95).

9. *Future Plans for Material Investments*

Future capital requirements of the Company will mainly focus on: the continuous investment in existing production facilities due to technology upgrade or production expansion; and capital requirement for business expansion and daily operation. The special paper project with annual production capacity of 180,000 tonnes of Zhanjiang Chenming planned and constructed by the Company will be partly funded by self-owned funds of the Company, as well as government guide funds, policy support funds and syndicated loans.

While focusing on the development of its principal activities of pulp production and paper making, improving its business performance and increasing its operating cash flow, the Company will expand its financing channels and optimise financing structure through well planned long and short-term bank loans, introduction of third-party strategic investors, equipment financing and other means, thus providing stable financial support for the operation and development of the Company.

10. Gearing Ratio

As at 31 December 2024, the Company's gearing ratio (including minority interest) was 59.83%, representing a decrease of 1.87 percentage points from 61.70% for 2023.

The ratio was calculated as: total borrowings/total assets (whereas total borrowings represent borrowings due within one year, borrowings due after one year, short-term commercial paper and medium and long-term notes and others).

11. Currency Risk

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Company (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Euro, Hong Kong dollar and Japanese yen).

The Group continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks it faces, and for this reason the Group may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

12. Contingent Liabilities

As at 31 December 2024, the Company has a total amount of contingent items, such as outstanding litigation and external guarantees, of RMB2,492,123,050.00 that should be disclosed.

For the six months ended 30 June 2025 ("HY 2025")

1. Liquidity and Financial Resources

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management of the Company monitors the usage of bank borrowings and ensures compliance with the borrowing agreements. In the meantime, the Company obtain commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding needs.

Operating cash of the Company was generated from capital and bank and other borrowings. As at 30 June 2025, the Company's unused bank loan credit was RMB0.00 million (31 December 2024: RMB11,176.9188 million, which has been completely frozen and cannot be used). The closing balance of financial assets of the Company due within one year amounted to RMB12,188.7747 million, while the closing balance of financial liabilities due within one year amounted to RMB38,621.2220 million. The financial assets due within one year was less than that of financial liabilities.

2. *Capital Structure*

There was no significant seasonal trend for capital requirements of the Group.

The Group's sources of capital primarily came from cash inflow generated from operating activities, and borrowings from financial institutions.

As at 30 June 2025, the total bank borrowings of the Group were RMB29,103 million (as at the end of the prior year: the total bank borrowings of the Group was RMB32,752 million). As at 30 June 2025, the Group had monetary funds of RMB954 million (as at the end of the prior year: RMB5,910 million) in total (For the breakdown of monetary funds, please refer to VIII. VII. 1. Note on Monetary Funds in this report).

Due to the shutdown and maintenance of certain production bases, the Group's liquidity and solvency were constrained. As of the date of this report, a syndicated loan of RMB2.31 billion specifically for resuming production has been approved. The Company will successively resume production of its production bases based on its cash flow and market conditions.

3. *Business Prospects*

The paper industry is an important basic industry of the national economy and an industry that guarantees people's livelihood. It has the characteristics of a technology-capital-resource intensive industry. Its product applications penetrate all aspects of social and economic activities. They are deeply integrated into the defence and military industry (special functional materials), cultural communication (publishing and printing), industrial and agricultural production (supporting materials), modern logistics (packaging products) and other key areas of the national economy and are closely related to residents' daily consumption. The paper industry as a typical cyclical industry is closely tied to the overall state of the economy. The paper industry as a typical cyclical industry is closely tied to the overall state of the economy. The consumption level of paper and paperboard has become one of the important indicators to measure a country's level of modernisation and civilised development, and is widely recognised by the international community as a "social and economic barometer".

In recent years, the contradiction between supply and demand has been prominent due to the concentration of new production capacity in the paper industry coming into production, and the weakened support from end-user demand. In the first half of 2025, new production capacity in the paper industry in China gradually came into production, leading to a continuous increase in supply. The structural imbalance between supply and demand persisted, resulting in a significant decline in market prices for machine-made paper products such as culture paper and white cardboard. Meanwhile, although the prices of raw materials such as wood chips and pulp decreased, the decline in operating costs lagged behind the drop in revenue, making it difficult to effectively pass on cost pressures, further squeezing profit margins, leading to growth falling short of expectations. According to the data released by the National Bureau of Statistics, from the perspective of price performance, the producer prices for industrial products (PPI): manufacture of paper and paper products continued its downward trend in June 2025, with a cumulative year-on-year decline of 3.2%. From the perspective of raw material costs, the purchasing price index for manufactured goods: timber and paper pulp stood at 96.9 from January to June 2025, representing a year-on-year decrease of 3.1%, which was smaller than the decline in the producer prices, indicating weakened cost-side support for paper products and further pressure on market prices. From January to June 2025, among industrial enterprises above the designated size nationwide, revenue of the manufacture of paper and paper products amounted to RMB681.21 billion, representing a year-on-year decline of 2.3%, the operating costs amounted to RMB601.73 billion, representing a year-on-year decline of 2.1%, and the total profit amounted to RMB17.57 billion, representing a year-on-year decline of 21.4%. The decline in revenue was greater than the decline in operating costs, and the total profit declined significantly year on year.

In the medium to long term, the outlook for the paper industry is expected to improve, due to the dual forces of the deepening implementation of the “dual carbon” strategic goals and the policy aiming at curbing “rat race competition”, coupled with the ongoing improvement of the domestic economic circulation system and the gradual recovery of the domestic market. The new national standard, which has been implemented since May 2025 has strengthened energy consumption restrictions for various types of paper, which significantly raises energy consumption limits for existing production capacity, and includes auxiliary and ancillary production systems within the scope of statistics. The implementation of this standard substantially increases environmental compliance costs for outdated production capacity, and accelerate the phasing out of high energy consuming and inefficient equipment. It is worth noting that, on 25 June 2025, the Shanghai Futures Exchange issued a public consultation announcement regarding the futures contracts, options contracts and business rules for offset paper, and, on 1 July, the sixth meeting of the Central Commission for Financial and Economic Affairs explicitly called for “governing enterprises’ disorderly low-price competition in accordance with laws and regulations, guiding enterprises to improve product quality, and promoting the orderly exit of outdated production capacity”, which will gradually improve the industry self-discipline mechanism and further optimise the market environment. Under the combined effect of policy guidance and the market mechanism, the paper industry will see accelerated elimination of outdated production capacity, undergo profound supply-side restructuring, sustain capacity structure optimisation and achieve further market concentration.

Meanwhile, with the continued implementation of national policies aiming at expanding domestic demand, expectations for improvements in the demand side of the paper industry have strengthened, and overall operating performance is expected to gradually improve.

4. *Significant Investment Held*

Particulars of significant investments held by the Group as at 30 June 2025 are set out as follows:

Name of company	Principal activity	Percentage of equity interest held	Carrying amount as at 30 June 2025	Percentage to the Group's audited total assets as at 30 June 2025
			<i>RMB'000</i>	
Zhanjiang Chenming Pulp & Paper Co., Ltd.	Production and sale of duplex press paper, electrostatic paper and white cardboard etc.	80.28%	5,275,000.00	9.64%
Shouguang Meilun Paper Co., Ltd	Production and sale of coated paper, culture paper, household paper and chemical pulp	86.78%	4,949,441.98	9.05%

Save for the aforementioned, the Group did not hold any significant investments during HY 2025.

Particulars of significant investment held:

- As at 30 June 2025, one cultural paper production line and one mechanical pulp production line at the Shouguang production base have resumed operations. Other production lines at both the Zhanjiang and Shouguang production bases remain suspended for maintenance, resulting in a year-on-year decline in production and sales volumes which has impacted revenue and profit levels. Due to the suspension for maintenance, the Company has made impairment and bad debt provisions for certain assets and accounts receivable, leading to a reduction in profitability.

5. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Particulars of material acquisition and disposal of subsidiaries, associated companies and joint ventures made by the Group during HY 2025 are set out as follows:

Name of company	Methods to acquire and dispose during HY 2025	Impact on overall production and operation and results
Chenming International Trade Import and Export Co., Limited	Newly established	Nil
Shouguang Wei Yuan Logistics Company Limited	Transfer	Net profit increased by RMB166,400.
Weifang Chenchuang Equity Investment Fund Partnership (Limited Partnership)	Merger and acquisition	Net profit increased by RMB600.

Save for the aforementioned, the Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures during HY 2025.

6. Segmental Information

The Company's reporting segments include: (1) machine paper segment, which is responsible for production and sales of machine paper; (2) financial services segment, which provides financial services; (3) hotels and property rentals segment, which is responsible for hotel services and property rental; and (4) other segments, which is responsible for the above segments otherwise.

The Company is a large modern conglomerate principally engaged in pulp production and paper making and committed itself to implementing a pulp and paper integration strategy. The Company has production bases in Shandong, Guangdong, Hubei, Jiangxi, Jilin and other places, and is the first domestic paper making enterprise that achieves a balance between pulp production and paper making capacity. Its machine-made paper products cover more than 200 types in seven series, including culture paper, coated paper, white cardboard, copy paper, industrial paper, special paper, and household paper. It is the enterprise with the largest variety of products and the most complete products in the domestic paper industry. During HY 2025, the machine-made paper business was the major source of revenue and profit of the Company.

During HY 2025, the Company's certain production lines at Zhanjiang, Jilin and Shouguang production bases were still in shutdown and maintenance, resulting in a year-on-year decline in production and sales volumes, which in turn led to a decrease in revenue and profit. Due to the impact of the shutdown and maintenance, the Company made provisions for impairment and bad debts on certain assets and receivables, which resulted in lower profitability. From January to June 2025, the revenue of the Company amounted to RMB2,107 million, and net loss attributable to shareholders of the Company amounted to RMB3,858 million. During HY 2025, the Company proactively took measures to improve its ability to continue as a going concern. By fully leveraging the shutdown period for equipment maintenance and upgrading, equipment integrity and operational efficiency were enhanced. For the production lines that had resumed operation and production, the Company adopted whole process control over the procurement of raw materials, cost savings, quality improvement and many other respects. The Company made huge efforts in cash flow and expense management to gradually restore its profitability. At the same time, the Company actively strengthened communication with financial institutions and implemented relevant work on maturity extension and interest rate reduction to further alleviate the operational burden on the Company. With the strong support of government authorities and financial institutions at all levels, the Company will remain committed to securing working capital through multiple channels, and continue to advance the resumption of operation and production at each production base in line with the capital position and market conditions, thus achieving sustainable and stable operation of the Company.

7. *Employees and Remuneration Policies*

As at 30 June 2025, the Group had 9,095 employees. The total staff remuneration for the first half of 2025 amounted to RMB432.1004 million (The Group had 9,594 employees in 2024. The total staff remuneration for 2024 amounted to RMB1,144.3267 million).

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. Subject to the relevant laws and regulations, the Company adopts different standards of remuneration for different employees, which are determined based on their position, skill variety, performance, etc. with reference to the remuneration level in the labour market, the average level of salary in the society and the corporate reference line set by the government. The Company provides various benefits to the employees, including social insurance, housing allowance and paid leaves, etc.

8. Pledge of Assets

As at 30 June 2025, housing, building structure and equipment with the carrying amount of RMB19,712,891,634.14 (31 December 2024: carrying amount of RMB20,001,586,415.43), investment properties with the carrying amount of RMB5,195,027,744.73 (31 December 2024: carrying amount of RMB5,433,525,500.09) and intangible assets with the carrying amount of RMB1,328,582,983.12 (31 December 2024: carrying amount of RMB1,312,981,381.52) were pledged as collateral for long-term borrowings of RMB2,970,922,783.69 (31 December 2024: RMB3,669,467,809.18), short-term borrowings of RMB2,134,928,749.43 (31 December 2024: RMB1,375,200,404.98) and long-term payables of RMB3,434,953,627.32 (31 December 2024: RMB3,600,767,587.75).

9. Future Plans for Material Investments

There will be no major investment project of the Company during the second half of 2025.

10. Gearing Ratio

As at 30 June 2025, the Group's current ratio was 23.72%. The quick ratio was 17.34%. The gearing ratio (i.e. total liabilities divided by total assets) was 85.93%.

11. Currency Risk

The principal business of the Company is situated within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognised by the Company (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar, Euro, Hong Kong dollar and Japanese yen).

The Company continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimise the foreign exchange risks it faces, and for this reason the Company may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts.

12. Contingent Liabilities

As at 30 June 2025, the Company has a total amount of contingent items, such as outstanding litigation and external guarantees, of RMB3,099,898,992.08 that should be disclosed.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interests and short positions held by each of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) or which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

Name of director	Nature of interest	Number and class of securities ^(Note 1)	Approximate percentage of interest in the Company ^(Note 2)
Li Weixian	Beneficial interest	362,100 A Shares (L)	0.01%

Notes:

- (1) The letter “L” denotes the Directors’ long positions in the shares of the Company or the relevant associated corporation.
- (2) Based on 2,941,456,200 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or the Model Code or which were required to be entered in the register required to be kept under section 352 of the SFO.

b) Directors' position in the substantial shareholders of the Company

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the shares and underlying share of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any member of the Group which is not terminable within one year without payment of compensation (other than statutory compensation).

4. MATERIAL LITIGATION

As disclosed in the 2025 Interim Report of the Company, the Group was involved in the following litigation or arbitration of material importance:

General information on the litigation (arbitration)	Amount involved	Whether provisions are made	Progress on the litigation (arbitration)	Trial results and impact on the litigation (arbitration)	Enforcement of judgment on the litigation (arbitration)
Statutory demand and winding-up petition	HK\$389,112,432.44	No	On 15 May 2025, an application was made by Arjowiggins HKK2 Limited ("HKK2") to the court by way of a summon (the "Petitioner's Summons") for an order that the stay of the winding-up petition be lifted and to restore the hearing of the winding-up petition. On 13 June 2025, the Company and HKK2 jointly applied to dismiss the Petitioner's Summons by way of consent summons.	On 20 June 2025, the Company received the order made by the Court of First Instance dismissing the Petitioner's Summons and the winding-up petition.	The judgment was enforced.

General information on the litigation (arbitration)	Amount involved (RMB0'000)	Whether provisions are made	Progress on the litigation (arbitration)	Trial results and impact on the litigation (arbitration)	Enforcement of judgment on the litigation (arbitration)
Summary of matters subject to litigation (arbitration) in which Chenming Leasing is the plaintiff	46,432.83	No	The amount involved in ongoing cases was RMB62.9575 million; the amount involved in resolved cases was RMB401.3708 million.	For resolved litigations, the court ordered relevant defendant and guarantor to settle outstanding loans to the Company, in line with the request of the Company and would not have any significant impact on the operations and financial position of the Company.	The judgment is being enforced.
Summary of matters subject to litigation (arbitration) in which the Company and other subsidiaries of the Company are the plaintiffs	43,406.09	No	The amount involved in ongoing cases was RMB139.3753 million; the amount involved in resolved cases was RMB294.6856 million.	The cases had no significant impact on the operations and financial position of the Company.	The judgment is being enforced.
Summary of matters subject to litigation (arbitration) in which the Company and other subsidiaries of the Company are the defendants	777,818.36	Provision of RMB5.935 million	The amount involved in ongoing cases was RMB4,979.8001 million; the amount involved in resolved cases was RMB2,798.3835 million.	The cases were properly resolved through communication and negotiation, an active defence, and reaching settlements with creditors.	The judgment is being enforced.

Save as disclosed above, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any material litigation or arbitration of material importance and there was no material litigation or claim of material importance known to the Directors to be pending or threatened by or against any members of the Group.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors nor their respective associates had any interests in the businesses, which competes or may compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

6. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) so far as the Directors are aware, none of the Directors or Supervisors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group during the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) The equity and debt transfer agreement dated 22 March 2024 and the termination agreement dated 14 March 2025 entered into among Shandong Yujing Grand Hotel Co., Ltd.* (山東御景大酒店有限公司) (“**Yujing Hotel**”), Shouguang Chenming Guangyuan Real Property Company Limited* (壽光晨鳴廣源地產有限公司) (“**Guangyuan Real Property**”) and the Company in relation to the disposal of the target equity interest (accounting for 90.05% of the total equity interest in Yujing Hotel) and the target debts to Guangyuan Real Property for a total consideration of RMB356.5 million. For details, please refer to the announcements of the Company dated 22 March 2024, 2 May 2024 and 14 March 2025.
- (b) The fund units transfer agreement dated 25 April 2025 entered into among Hubei Changjiang (Huanggang) Industrial Investment Fund Partnership (Limited Partnership)* (湖北長江(黃岡)產業投資基金合夥企業(有限合夥)) (“**Changjiang Industrial Investment Fund**”), Huanggang Chenming Paper Technology Co., Ltd.* (黃岡晨鳴紙業科技有限公司) (“**Huanggang Technology**”) and Huanggang Chenming Pulp & Paper Co., Ltd.* (黃岡晨鳴漿紙有限公司) (“**Huanggang Chenming**”) in relation to the acquisition by Huanggang Technology for the target unit (accounting for 39.98% of the total equity interest in Hubei Changjiang Chenming Huanggang Equity Investment Fund Partnership (Limited Partnership)* (湖北長江晨鳴黃岡股權投資基金合夥企業(有限合夥))) from Changjiang Industrial Investment Fund at a consideration of RMB439,157,698.63. For details, please refer to the announcement of the Company dated 25 April 2025.

- (c) The mortgage agreement dated 28 October 2025 entered into among Shandong Chenming Financial Leasing Co., Ltd.* (山東晨鳴融資租賃有限公司) (“**Chenming Leasing**”) and China Construction Bank Shouguang Branch, Bank of Communications Weifang Branch, Industrial Bank Weifang Branch, Agricultural Bank of China Shouguang Branch, China Bohai Bank Jinan Branch, Bank of China Shouguang Branch, ICBC Shouguang Branch and SPD Bank Weifang Branch (together, the “**Mortgagees**”), pursuant to which Chenming Leasing agreed to provide mortgage guarantee for Weifang Xingchen Trading Co., Ltd.* (濰坊市興晨經貿有限公司) (“**Weifang Xingchen**”) with a part of land and properties held by it and located in Shouguang City with a maximum guarantee amount of RMB23.345 million. For details, please refer to the announcement of the Company dated 28 October 2025.
- (d) The mortgage agreement dated 28 October 2025 entered into among Shouguang Kunhe Trading Co., Ltd.* (壽光坤和貿易有限公司) (“**Shouguang Kunhe**”) and the Mortgagees, pursuant to which Shouguang Kunhe agreed to provide mortgage guarantee for Weifang Xingchen with a part of land and properties held by it and located in Shouguang City with a maximum guarantee amount of RMB206.3541 million. For details, please refer to the announcement of the Company dated 28 October 2025.
- (e) The mortgage agreement dated 28 October 2025 entered into among Jilin Chenming Paper Co., Ltd.* (吉林晨鳴紙業有限責任公司) (“**Jilin Chenming**”) and Bank of Jilin Jiying Branch, pursuant to which Jilin Chenming agreed to provide mortgage guarantee for Jilin Xingchen Paper Co., Ltd.* (吉林興晨紙品有限公司) (“**Jilin Xingchen**”) with the land and properties held by it and located in Jilin City. The loan amount under the relevant loan contract was RMB216.75 million. For details, please refer to the announcement of the Company dated 28 October 2025.
- (f) The guarantee agreement dated 28 October 2025 entered into among the Company and Bank of Jilin Jiying Branch, pursuant to which the Company agreed to provide a joint and several liability guarantee for Jilin Xingchen. The loan amount under the relevant loan contract was RMB216.75 million. For details, please refer to the announcement of the Company dated 28 October 2025.
- (g) The Equity and Loan Transfer Agreement.

8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts which have given their opinion and/or advice as contained in this circular:

Name	Qualification
Grant Thornton (Special General Partnership)	Certified Public Accountants

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, direct or indirect, in any members of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up); and
- (c) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and its letter in the form and context in which they respectively appear. The letter and recommendation from each of the above experts is given as of the date of this circular for incorporation herein.

9. GENERAL

The registered office of the Company is situated at No. 595 Shengcheng Road, Shouguang City, Shandong Province. The principal place of business of the Company in Hong Kong is situated at Room 2201, 22nd Floor, World Wide House, Central, Hong Kong.

The company secretary of the Company is Mr. Chu Hon Leung, a solicitor of the High Court of Hong Kong.

The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The English text of this circular shall prevail over the Chinese text in case of any inconsistency, except for the English names/translations of the companies established in the PRC, relevant authorities in the PRC and other Chinese terms used in this circular which are only translations of their official Chinese names.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chenmingpaper.com>) from the date of this circular up to 14 days thereafter:

- (a) the Equity and Loan Transfer Agreement; and
- (b) the independent reporting accountants' assurance report from Grant Thornton (Special General Partnership) on the compilation of Unaudited Pro Forma Financial Information of the Remaining Group, the text of which is set out in Appendix III to this circular.