



Hengyi Petrochemical Annual Report 2020

HENGYI PETROCHEMICAL
ANNUAL REPORT

This document is a translated version of the Chinese version 2020 Annual Report (“2020 年年度报告全文”), and the published annual report in the Chinese version shall prevail.

The complete published Chinese **2020** Annual Report may be obtained at <http://www.cninfo.com.cn>.

Chairman's Statement





Chairman's Statement

Looking back at 2020, it was an extremely extraordinary, unusual and difficult year for every country, region, company and individual. Confronted with the sudden outbreak of the once-in-a-century coronavirus pandemic, all Hengyi staff have made their concerted efforts and demonstrated their solidarity and resilience. They are not afraid of difficulties and never shrink from challenges. They seize the day and live it to the full. They keep forging ahead with entrepreneurial passion and strength, and achieve encouraging results in 2020.

Over the past year, we planned ahead and took all factors into consideration, we shouldered responsibility with persistence and dedication, we protected life and guaranteed production, we took actions to save time and maintain profitability. With all these efforts, we have enabled the Group to continue its rapid growth, and completed all the targets in Hengyi's strategy.

Over the past year, we made efforts in achieving further progress; we adhered to the overall strategy of engaging in refinery, polyester and polyamide industries; we promoted the construction of Hengyi (Brunei) PMB Petrochemical Project Phase II and major domestic projects; we put Haining Hengyi's IMMTA Differential Environmental Protection Functional Fiber project into production, which further highlighted the advantage of integrated operation of full industry chain.

Over the past year, we persevered with our goals regardless of adverse external factors; we enhanced the leading role of digital intelligence; we increased investment in scientific research; we put new Hengyi Research and Development Center formally into use; we achieved many major breakthroughs in scientific research relying on the R&D platform developed by Hengyi together with Zhejiang University, Donghua University, Nanjing Tech University, etc. Three manufacturing enterprises of Zhejiang Shuangtu New Materials, Hangzhou Yijing and Jiaxing Yipeng have been certified as National High-tech Enterprises.

Look back at 2020, we should say our achievements did not come easily. None of these achievements would have been possible without the hard work and contribution of all our staff, the tolerance and understanding of all their family members, and the care and support of leaders at all levels and friends from all sectors. Here, I would like to extend my sincere thanks and highest respect to all of you!

What's past is prologue. The new year brings new hope, and new journey experiences new dream. The year of

2021 marks the 100th founding anniversary of Communist Party of China. We have set out the grand vision for high-quality development in the next five years, and made “1-2-6” strategy implementation plan focused on the construction of 1 platform, 2 centers, and 6 bases, and set the target of becoming a world-class petrochemical group.

Even though tremendous success has been gained, we still have a long way to go since the worldwide pandemic has not been quelled yet, the international situation is still complex and the market competition is becoming more intense. Therefore, we shall remain resolve, assume responsibility, and forge ahead. Instead of aiming too high or underestimating our own capabilities, we shall lay a solid foundation for Hengyi!

Chairman: Qiu Yibo

Section I Important Notes, Contents and Interpretation

The board of directors, Supervisory Committee, Directors, Supervisors and Senior Management of the Company guarantee that the contents of the 2020 Annual Report (hereinafter referred to as "the Report") are true, accurate and complete, free from false records, misleading statements or major omissions, and bear individual and joint legal liabilities.

The financial report of the Report has been audited by Zhongxinghua Certified Public Accountants LLP and a standard unqualified audit report has been issued.

Qiu Yibo, head of the Company, Mao Ying, person in charge of the accounting work, and Wu Zhen, head of the accounting body (accountant in charge), declared that they would ensure the truthfulness, accuracy and completeness of the financial report in this Report.

This Report has been deliberated and approved at the 8th meeting of the 11th Board of Directors of the Company. All Directors have attended the Board meeting at which this Report was deliberated.

The profit distribution plan approved by the Board of Directors is as follows: Based on the base of 3,681,645,407, a cash dividend of RMB3 (including tax) will be distributed to all shareholders for every 10 shares, no bonus shares will be distributed, and no common reserve fund will be converted into share capital. If the total share capital of dividend-paying date of record changes due

to additional issuance, repurchase of shares and conversion of convertible bonds before the Company pays dividends to date of record, the Company plans to maintain the distribution ratio unchanged and adjust the corresponding total share capital. The profit distribution plan for 2020 shall be submitted to the 2020 General Meeting of Shareholders for deliberation and approval.

Forward-looking statements such as future plans, development strategies, industry discussions and prospects involved in this Report do not constitute the Company's substantive commitment to investors. Please pay attention to investment risks. This Report describes in detail the main risks currently faced by the Company and the countermeasures. Please refer to the relevant contents in Section IV.

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Definitions

Item	Refers to	Definitions
Hengyi Petrochemical, Company, the Company	Refers to	Hengyi Petrochemical Co., Ltd.
Shenzhen Stock Exchange, the exchange	Refers to	Shenzhen Stock Exchange
Hengyi Group	Refers to	Zhejiang Hengyi Group Co., Ltd.
Hengyi Limited	Refers to	Zhejiang Hengyi Petrochemicals Co., Ltd.
Hengyi Brunei	Refers to	Hengyi Industries Sdn Bhd
Zhejiang Yisheng	Refers to	Zhejiang Yisheng Petrochemical Co., Ltd.
Yisheng New Materials	Refers to	Zhejiang Yisheng New Materials Co., Ltd.
Yisheng Dahua	Refers to	Yisheng Dahua Petrochemical Co., Ltd.
Hainan YISHENG	Refers to	Hainan YISHENG Petrochemical Co., Ltd.
Hengyi polymer	Refers to	Zhejiang Hengyi Polymer Co., Ltd.
Hengyi Hi-tech	Refers to	Zhejiang Hengyi High-tech Materials Co., Ltd.
Haining New Materials	Refers to	Haining Hengyi New Materials Co., Ltd.
Haining Thermoelectric	Refers to	Haining Hengyi Thermoelectricity Co., Ltd.
Guangxi Hengyi New Materials	Refers to	Guangxi Hengyi New materials Co., Ltd
Taicang Yifeng	Refers to	Taicang Yifeng Chemical Fiber Co., Ltd.
Jiaxing Yipeng	Refers to	Jiaxing Yipeng Chemical Fiber Co., Ltd.
Shuangtu New Materials	Refers to	Zhejiang Shuangtu New Materials Co., Ltd.
Hangzhou Yichen	Refers to	Hangzhou Yichen Chemical Fiber Co., Ltd.
Shaoxing Hengming	Refers to	Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.
Suqian Yida	Refers to	Suqian Yida New Material Co., Ltd.
Ningbo Hengyi Trade	Refers to	Ningbo Hengyi Trading Co., Ltd.

Item	Refers to	Definitions
Hangzhou Yijing	Refers to	Hangzhou Yijing Chemical Fiber Co., Ltd.
Hengyi Caprolactam	Refers to	Zhejiang Baling Hengyi Caprolactam Co., Ltd
China Zheshang Bank	Refers to	China Zheshang Bank Co., Ltd.
Yisheng Investment	Refers to	Dalian Yisheng Investment Co., Ltd.
Hong Kong Tianyi	Refers to	Hongkong Tianyi International Holding Co., Ltd.
Hengyi Investment	Refers to	Hangzhou Hengyi Investment Co., Ltd.
Hengyi Polyamide	Refers to	Zhejiang Hengyi Polyamide Co., Ltd.
Dongzhan Shipping	Refers to	Dongzhan Shipping Co., Ltd.
Fulida Group	Refers to	Fulida Group Holding Co., Ltd.
Xinghui Chemical Fiber	Refers to	Xinghui Chemical Fiber Group Co., Ltd.
Brunei Refining and Petrochemical Project, PMB Petrochemical Project	Refers to	Petrochemical projects invested and built by the Company in Brunei
PX	Refers to	P-xylene, colorless transparent liquid, used in the production of plastics, polyester fibers and films
PTA	Refers to	Purified terephthalic acid, mainly used to produce PET, can also be made into engineering polyester plastics, and be used as the raw material of plasticizer and dye intermediate.
PIA	Refers to	Iso-phthalic acid, mainly used in the production of alkyd resin, unsaturated polyester resin and other polymers and plasticizers, as well as in the production of film finishers, coatings, polyester fiber dyeing modifiers and medicines.
MEG	Refers to	Ethylene glycol, mainly used to produce polyester fiber, antifreeze, unsaturated polyester resin, lubricant, plasticizer, nonionic surfactant and explosives, etc.

Item	Refers to	Definitions
PET, Polyester	Refers to	Polyethylene terephthalate, a fiber-forming polymer prepared by direct esterification and continuous polycondensation reaction of PTA and MEG as raw materials
POY	Refers to	Pre-oriented yarn or partially oriented yarn
FDY	Refers to	Fully drawn yarn, also known as polyester drawn yarn
DTY	Refers to	Draw textured yarn, also known as polyester textured yarn
CPL	Refers to	Caprolactam, mainly used to produce polyamide fiber, engineering plastics, plastic film, etc. It is widely used in industrial and civil fields
Differential yarn	Refers to	Varieties that are innovative in technology or performance or have certain characteristics and are different from conventional yarns
Yuan, RMB10,000	Refers to	RMB yuan and RMB 10,000
Reporting period/during reporting period/this reporting period	Refers to	From January 1, 2020 to December 31, 2020
End of reporting period/end of the current reporting period	Refers to	As of December 31, 2020

Section II Company Profile and Main Financial Indicators

I. Company Profile

Stock abbreviation	Hengyi Petrochemical	Stock code	000703
Abbreviation of the changed stock (if any)	N/A		
Stock exchange	Shenzhen Stock Exchange		
Chinese name	恒逸石化股份有限公司		
Chinese abbreviation	恒逸石化		
Foreign name (if any)	HENGYI PETROCHEMICAL CO., LTD.		
Foreign abbreviation	HYPC		
Legal Representative	Qiu Yibo		
Place of registration	No.G, 7/F, Haifu Building, No.16 West Beihai Avenue, Beihai City, Guangxi Zhuang Autonomous Region		
Postal code of the registered address	536000		
Office address	Building 3, Hengyi Nan'an Mingzhu, 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province		
Postal code of office address	311215		
Company website	http://www.hengyishihua.com		
E-mail	hysh@hengyi.com		

II. Contact Person and Contact Information

	Secretary of the board	Securities representative
Name	Zheng Xingang	Chen Shasha
Contact address	Board of Directors Office, 16/F, Building 3, Nan'an Mingzhu, No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province	Board of Directors Office, 16/F, Building 3, Nan'an Mingzhu, No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province
Tel	(0571) 83871991	(0571) 83871991

Fax:	(0571) 83871992	(0571) 83871992
E-mail	hysh@hengyi.com	hysh@hengyi.com

III. Information Disclosure and Place of Preparation

Name of the information disclosure media selected by the Company	China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily
The website address of the website designated by the CSRC for publishing the annual report	http://www.cninfo.com.cn/
Place where the Company's annual report is prepared	Office of Board of Directors of Hengyi Petrochemical Co., Ltd.

IV. Registration Changes

Organization Code	9145050019822966X4
Changes in the Company's main business since listing (if any)	No changes
Previous changes of controlling shareholders (if any)	No changes

V. Other Relevant Information

The accounting firm engaged by the Company

Name of accounting firm	Zhongxinghua Certified Public Accountants LLP
Office address of accounting firm	15/F, East Tower, No.1 Fuwai Street, Xicheng District, Beijing
Signature name of accountants	Liu Hongyue, Wang Guohai

Sponsor institutions engaged by the Company to perform continuous supervision duties during the reporting period

Name of sponsor institution	Office address of sponsor institution	Name of sponsor representative	Continuous supervision period
CITIC Securities CO., LTD	No.48 Liangmaqiao Road, Chaoyang District, Beijing	Mao Zongxuan, Xu Rui	January 2021 - December 2021

Financial consultants engaged by the Company to perform continuous supervision duties

during the reporting period

□ Applicable √ Not applicable

VI. Main Accounting Data and Financial Indicators**Does the Company need to retroactively adjust or restate the accounting data of previous years**

√ Yes □ No

Reason for retrospective adjustment or restatement

Combination of businesses under common control

	2020	2019		Increase/decrease of this year over the previous year	2018	
		Before adjustment	After adjustment		After adjustment	Before adjustment
Operating income (Yuan)	86,429,630,191.87	79,620,543,631.74	79,620,543,631.74	8.55%	88,065,815,535.96	88,065,815,535.96
Net profit attributable to shareholders of the listed company (Yuan)	3,071,998,839.75	3,201,348,425.33	3,190,185,517.79	-3.70%	1,872,494,729.34	1,872,494,729.34
Net profit after deducting non-recurring gains and losses attributable to shareholders of the listed company (Yuan)	2,479,101,027.63	2,725,438,479.51	2,725,438,479.51	-9.04%	1,536,880,249.17	1,536,880,249.17
Net cash flow from operating activities (Yuan)	5,013,772,777.95	-112,081,728.16	-91,125,777.91	5,602.04%	1,607,078,608.23	1,607,078,608.23
Basic earnings per share	1.08	1.13	1.13	-4.42%	0.76	0.76
Diluted earnings per share	1.07	1.13	1.13	-5.31%	0.76	0.76
Weighted average ROE	12.56%	14.73%	14.54%	-1.98%	12.29%	12.29%

	End of 2020	End of 2019		Increase/decrease at the end of this year over the end of the previous year	End of 2018	
		Before adjustment	After adjustment		After adjustment	Before adjustment
Total assets (Yuan)	92,260,268,155.54	85,230,757,616.78	85,763,292,709.24	7.58%	61,834,734,496.64	61,834,734,496.64
Net assets attributable to shareholders of the listed company (Yuan)	24,006,633,612.78	23,253,008,414.00	23,741,845,506.46	1.12%	18,363,073,231.64	18,363,073,231.64

Main reasons for the change:

Cash flow from operating activities increased significantly: During the reporting period, the net cash flow from operating activities increased significantly after the Brunei project was put into production in November 2019. The occupation of operating funds rose. When it was put into production near the end of the year, the operating cash outflow was affected by settlement and the corresponding operating cash inflow was not received, resulting in negative net operating cash flow in 2019. During this reporting period, with the Brunei Project maintaining high load and stable operation, the net operating cash flow of the Company substantially improved. For details, please refer to "Section IV Discussion and Analysis of Operation".

The Company's net profit before and after deducting non-recurring gains and losses in the last three fiscal years is negative, and the audit report of the last year shows that the Company's going concern ability is uncertain.

Yes No

The lower of net profit before and after deducting non-recurring gains and losses is negative

Yes No

VII. Differences between accounting data under the domestic and foreign accounting standards

1. Differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with the international accounting standard and the Chinese accounting standard

No differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with the international accounting standard and the Chinese accounting standard during the reporting period.

2. Differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with foreign accounting standard and the Chinese accounting standard

No differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with foreign accounting standard and the Chinese accounting standard during the reporting period.

VIII. Quarterly Main Financial Indicators

Currency Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	18,872,535,104.97	20,541,889,288.67	21,906,722,601.01	25,108,483,197.22
Net profit attributable to the shareholders of the company	811,550,417.16	1,090,756,257.98	1,154,405,533.02	15,286,631.59
Net profit after deducting non-recurring gains and losses attributable to shareholders of the listed company	729,510,068.79	1,026,027,096.40	994,305,397.12	-270,741,534.68
Net cash flow from operating activities	543,694,408.55	925,772,901.47	1,318,266,768.96	2,226,038,698.97

Whether the aforesaid financial indicators or their sum are significantly different from the

financial indicators related to the quarterly and semi-annual reports disclosed by the Company

Yes No

IX. Non-recurring Profit and Loss Items and Amounts

Currency Unit: RMB

Item	Amount in 2020	Amount in 2019	Amount in 2018	Notes
Profit or loss from the disposal of non-current assets (including the write-off of asset impairment provision)	-6,741,262.61	-1,811,565.51	2,249,652.18	
Tax refund or exemption approved ultra vires or without any formal approval	12,921,483.38	5,957,948.27	7,979,386.68	
Government grants recorded into current profit and loss (except for those are closely related to Company business and are enjoyed in a fixed or quantitative basis in accordance with unified national policies standard)	318,607,292.74	420,716,519.76	102,224,764.73	
Current net profit or loss from subsidiaries formed by business combination under common control, from period-beginning to acquisition date	19,376,584.76	36,175,922.94	161,261,977.54	
Profit or loss from contingencies irrelevant to normal business operations of the Company	0.00	-2,173,136.66	-118,450.84	
The gains or losses arising from the fair value changes of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities, as well as investment gain received from the disposal of held-for-trading financial	487,752,983.95	301,297,013.33	187,235,582.94	

assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, except for effective hedging transactions that are related to the Company's ordinary business				
Profit or loss from entrusted loans	41,586,615.56	29,136,336.48	36,538,791.66	
Income from entrusted operation	1,698,113.20	1,698,114.17	4,622,641.50	
Other non-operating income and expense in addition to the above	-6,299,334.89	-14,994,635.24	4,640,725.70	
Other profit or loss that complies with the definition of non-recurring profit and loss	2,595,730.83	-2,065,748.97	5,731,998.98	
Less: effect of income tax	215,685,156.22	139,947,035.37	137,414,288.03	
Influenced amount of the minority shareholders' equity (after-tax)	62,915,238.58	169,242,694.92	39,338,302.87	
Total	592,897,812.12	464,747,038.28	335,614,480.17	--

For the non-recurring gain or loss items determined by the Company in accordance with the definition provided in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-recurring Profits and Loss, and for the Company's classification, as recurring items, of the non-recurring gain or loss items enumerated in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-recurring Profits and Loss, the relevant reasons should be explained.

During the reporting period, there was no case of defining the listed non-recurring profit and loss items as recurring profit and loss items according to the definition of Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public-Non-Recurring Profits and Loss.

Section III Business Summary

I. Main businesses of the Company during the reporting period

The Company shall comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.18-Listed Companies Engaged in Chemical Industry Related Business.

i. Overview of the Company's main businesses during the reporting period

Hengyi Petrochemical (stock code: 000703) is committed to developing into one of the leading petrochemical industry groups in China and the first-class in the world. Continue to enhance the Company's comprehensive competitiveness through resource sharing and industrial coordination. Under the guidance of the development strategy of "crude oil, polyester and polyamide", the Company, relying on Brunei Refining and Petrochemical Project, has stepped up its efforts in internationalization, lined up the "last kilometer" of the whole industrial chain from oil refining to chemical fiber, realized a highly matched columnar balanced integrated industrial chain in the upstream, midstream and downstream, and formed a unique "petrochemical +" multi-level three-dimensional industrial layout with "polyester + polyamide" double-fiber driven petrochemical industrial chain as the core business, supply chain service business as the growth business, and differential fiber products and industrial intelligent technology application as the emerging business.

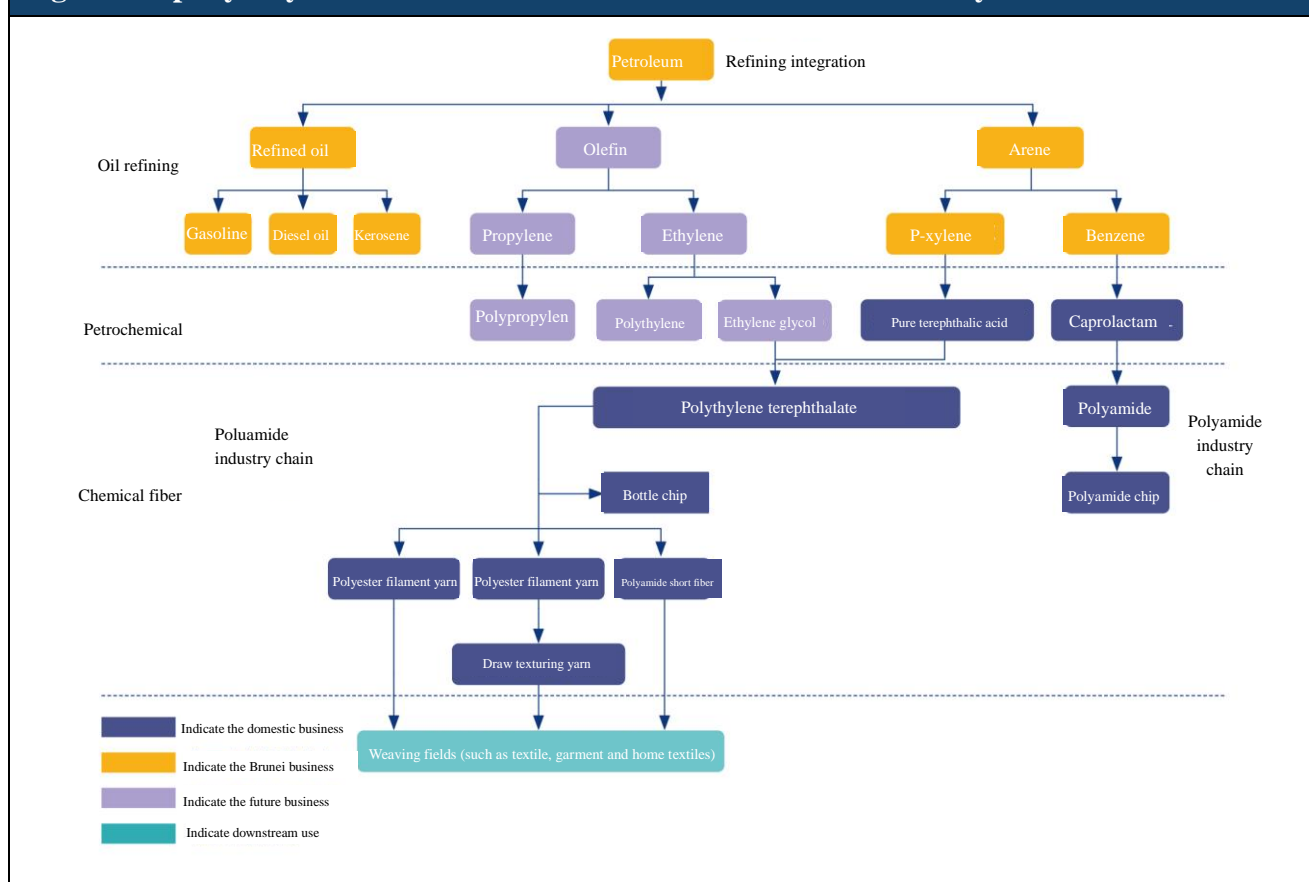
1. Petrochemical chemical fiber business

(1) One of the world's leading "refining & petrochemical-chemical fiber" industrial chain integration leaders

During the reporting period, the Company's unique industrial layout of "crude oil, polyester and polyamide" continued to improve. In the context of scientific pandemic prevention and smooth production and operation, the Company maintains high-load and stable operation throughout the year, and demonstrates its strengths in polyester industry expansion, quality improvement, PTA industry potential tapping and transformation, and refining and chemical industry full production. Besides, the Company uncovers its integrated, balanced and internationalized operation mode of industrial chain. The Company has developed into one of the world's leading enterprises integrating

the industrial chain of "crude oil-PX-PTA-polyester" and "crude oil-benzene-CPL-polyamide". Upholding the strategic development policy of "consolidating, highlighting and enhancing the competitiveness of its main business", the Company focuses on its main business, continuously increases investment in product research and development and industrial intelligent technology, and enhances its comprehensive competitive advantage, thereby ranking in the forefront of the industry for many years.

During the reporting period, the Company joined hands with strategic partners to realize complementary advantages, continuously extend the petrochemical industry chain, enrich product categories and further improve the product structure, effectively consolidate the core competitiveness of the main business, strengthen the profitability of products and improve the ability to resist market risks. The Company's main products include gasoline, diesel oil, kerosene and other refined oil, liquefied petroleum gas (LPG), etc. Petrochemical products such as p-xylene (PX), benzene, purified terephthalic acid (PTA) and caprolactam (CPL); polyester preoriented yarn (POY), polyester draft yarn (FDY), polyester elastic yarn (DTY), polyester staple fiber, polyester (PET) chips, polyester bottle chips and other chemical fiber products are widely used to meet the rigid requirements of the national economy and people's livelihood.

Fig. 2 Company Layout of Petrochemical and Chemical Fiber Industry Chain

Note: Polyamide chips are products operated by Hengyi Group, the controlling shareholder.

As of the disclosure date of this report, the Company's designed crude oil processing capacity is 8 million tons/year, and it has been disclosed that the Company plans to add 14 million tons/year of crude oil processing capacity; the PTA production capacity of participating holding companies is 13 million tons/year, and the new PTA production capacity under construction is planned to be 6 million tons/year; the capacity of PIA is 300,000 tons/year, and the capacity of CPL (caprolactam) is 400,000 tons/year; the polyester fiber production capacity is 7.5 million tons/year, and the new polyester fiber production capacity under construction is 750,000 tons/year; the production capacity of polyester bottle chips is 2 million tons/year, ranking forefront in the industry.

Table 1 Production Capacity of Main Products of the Company (10,000 Tons/Year)

Products	Capacity
Chemical products	265
Oil products	565
PTA	1,300

PIA	30
Polyester fiber products	750
Polyester bottle chip	200
Caprolactam	40

Note: 1) Polyester fiber products include POY, FDY, DTY, staple fiber and chip products.

2) This table is the actual production capacity table of the Company in the reporting period.

During the reporting period, the Company continued to attach importance to investment in research and development of new products, actively responded to the carbon peak and carbon neutrality strategy, and adhered to the guidance of "green manufacturing" and "circular economy". In the polyester sector, it continued to carry out product development and achievement transformation around the three major themes of green environmental protection, function and bio-base. Internally, the Company optimizes the sales system, actively grasps the market demand, and fully taps and reasonably guides customer demands through the organic linkage of research and development, production and sales; externally, the Company, through cooperation with colleges and universities, builds an "industry-university-research" school-enterprise ecology and effectively explores basic materials research support and cutting-edge key technologies.



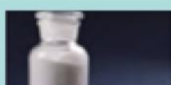









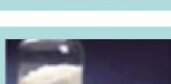

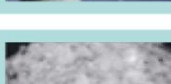

During the reporting period, the Company adopted a multi-path, multi-echelon and multi-scenario research and development system. Through technical research, the Company quickly opened up the regenerated fine denier fiber market and was well received by customers. Its antimony-free and environment-friendly "Eticont" series products are also recognized by more and more customers, and the sales volume continues to rise. The flame retardant fibers continue to maintain a strong market share in domestic flame retardant products. The market popularity of antibacterial and anti-virus products continues to rise, and antibacterial and anti-virus fibers will become a crucial profit growth point for differentiated products.

(2) Products covering the rigid needs of the national economy and people's livelihood

The Company's terminal products mainly include refined oil products such as gasoline, diesel oil and kerosene, as well as polyester products such as polyester filament, polyester staple fiber and bottle chips, of which refined oil products such as gasoline, diesel oil and kerosene provide energy supply for corresponding equipment; polyester filament includes POY, FDY, DTY and other

products, which are used in the production of fabrics and linings such as clothing, home textiles and decorations, and can also be used for industrial purposes such as webbing, zippers, tents, automobile interiors and ear threads of masks. Among them, FDY products of the Company can be used as medical and other materials to meet the increasing demand of downstream customers for raw materials for medical supplies; polyester staple fiber can be widely used in spinning, non-spinning and filling fields; bottle chips are widely used in food packaging and medical materials production, such as water bottles, oil bottles, carbonic acid, hot filling, fast-eating hot carbonic acid, high B value water bottles, high viscosity oil bottles and low viscosity water bottles.

Table 2 Main Product Features and Application Fields

Products	Application		
PX		One hydrocarbon, colorless clear liquid and extensive use, main raw material for producing the purified terephthalic acid (PTA) and also used for synthetic plastics, drug and pesticide.	
Refined oil		Mainly used as fuel of various fuel oil power plants and supply of heat. Used as fuel of automobiles, motorcycles, speedboats, helicopters, agricultures and forestry aircrafts, vehicles with diesel engines (including trains), vessels and diesel boilers.	
PTA		Mainly used for producing polyester products, widely used for all the aspects of national economies (such as clothing, decoration, electronics and architecture). 75% used for polyester fiber, 20% used for bottle polyester and 5% used for film polyester (mainly for civil use in the downstream).	
PIA		PIA is a white crystalline powder or needle-like crystal used to produce alkyd resins, unsaturated polyester resins and other high polymers and plasticizers. It is also used to make film film color-forming electrodes, coatings, and dyeing polyester fibers modifier and medicine.	
POY		Used for reprocessing and production of DTY and fiber products with special styles and widely used for clothing and industry.	
FDY		Directly used for weaving as well as production of clothing and upholstery fabric. Widely used for clothing and industry and also used as isolation material (including protection suit).	
DTY		Directly used for weaving and widely used for clothing and industry, garment materials and lining.	
CPL		Mainly used to produce polyamide fabric, engineering plastics and plastic film as well as widely used for industry and civilian field.	
Polyester staple fiber		Widely used for spinning, nonwoven and filling. The non-woven fabrics can be used as raw material of producing the mask as well as also used for downstream disinfecting wipes and disposable protective equipment.	
PET chip		Widely used for indirect spinning as well as producing textile raw materials (such as filament yarn and short fiber) and plastics.	
Polyester bottle chip		Mainly used for food packaging (including coke bottle, beverage bottle, water bottle and oil bottle).	

2. "Petrochemical +" business

(1) Supply chain service business is conducive to improving product operation capability and enhancing value-added services

With the continuous improvement of the integrated and balanced development of the Company's industrial chain, the Company has strengthened its supply chain service management capacity and innovated and promoted intelligent management and operation modes. Relying on refining and chemical fiber production base, the Company develops domestic and overseas regional markets and optimizes product layout; strengthens the construction of digital plants and actively explores flexible personalized customization of production through big data means; adopts a variety of tools to improve product operation capability, explores the complementary advantages of raw material procurement and product sales, and actively plays the strengths of industrial chain integration to create product price differences.

The Company actively carries out comprehensive distribution services for raw materials and products, with Hengyi Micro Mall and marketing supply chain system as the core online and logistics business as the support offline to realize effective integration online and offline. Continuously optimize the functional application of Hengyi Micro Mall, including price inquiry, quick order placing, market information, intelligent logistics management platform (HTTMS), financial services and other supporting services; improve the efficiency of the marketing closed-loop system, which sees an exploding transaction volume at present; innovate the unique omni-channel logistics control system and build a tripartite logistics transportation platform.

With the commissioning and operation of Brunei Refining and Petrochemical Project, the Company has actively conducted supporting shipping business, accelerated the implementation of integrated management of the supply chain services, formed an intelligent supply chain closed-loop system of plant-product-warehouse-logistics-customer, and led the upgrading of intelligent supply chain services in the industry.

(2) China Zheshang Bank's equity investment provides stable profits for the Company

Established in 2004, China Zheshang Bank is one of the 12 national joint-stock commercial banks approved by the China Banking and Insurance Regulatory Commission. It was listed on the Main Board of Hong Kong Stock Exchange on March 30, 2016 and Shanghai Stock Exchange on November 26, 2019, becoming an "A+H" listed bank. At present, it has developed into a high-quality commercial bank featuring solid foundation, excellent benefits, rapid growth and perfect risk control. With the completion of the "A+H" layout, China Zheshang Bank will accelerate its future growth. The Company will further optimize its strategic layout and continuously create

value for shareholders through the growth premium of China Zheshang Bank.

According to the 2020 annual report released by China Zheshang Bank, China Zheshang Bank achieved an operating income of RMB47.703 billion in 2020 and net profit attributable to shareholders of RMB12.309 billion. As of the end of December 2020, the total assets of China Zheshang Bank were RMB2,048.225 billion, an increase of 13.74% over the end of the previous year. The Bank is actively accelerating the transformation of digitalization, modernization and professional innovation, taking financial technology as the engine, and continuously enhancing its high-quality development and competitive strength.

(ii) Industry situation and company status

The petrochemical and chemical fiber industry in which the Company is located belongs to the basic industry of the national economy and people's livelihood. The fluctuation of the industry is mainly affected by factors such as upstream raw materials, product supply and downstream product market. With the continuous advancement of refining and petrochemical projects, the self-sufficiency rate of petrochemical products has gradually risen, and the global pricing power has increased. During the reporting period, the industrial concentration was further improved.

1. Refining and petrochemical

According to Platts, by the end of 2020, the refining and petrochemical production capacity in Southeast Asia is about 277 million tons/year. In terms of refinery capacity, the top five are Singapore (69 million tons/year), Thailand (61 million tons/year), Indonesia (59 million tons/year), Malaysia (48 million tons/year), Vietnam (17 million tons/year), and Brunei's refinery capacity currently ranks sixth (8 million tons/year). Brunei's refining capacity will reach 22 million tons/year after Phase II of Brunei's refining and petrochemical industry is put into operation, ranking fifth in Southeast Asia's refining capacity.

2. PTA

According to CCF, by the end of 2020, the global PTA production capacity is mainly concentrated in China, and the domestic production capacity is about 57.63 million tons. As one of the leading enterprises in the PTA industry, the Company has strategically laid out three PTA bases along the coastline from north to south, namely Dalian in Liaoning, Ningbo in Zhejiang and Yangpu in Hainan, with a total PTA production capacity of about 13 million tons/year, ranking first in the

world.

2.1 PIA

According to CCF, by the end of 2020, the national PIA production capacity is about 450,000 tons/year, and the Company's production capacity is 300,000 tons/year, accounting for about 66% of the national total.

3. Polyester

According to CCF, most of the production capacity of polyester is concentrated in the Asia-Pacific region, and China is the world's largest textile producer and exporter. By the end of 2020, China's total production capacity has exceeded 62 million tons/year, of which 42.75 million tons are polyester filament. In 2020, the concentration of production capacity has further increased, with CR6 (the top six companies in the industry) accounting for 66%, polyester staple fiber production capacity reaching 7.92 million tons, up 4.4% year on year, and polyester bottle chip production capacity reaching 11.96 million tons/year. The Company has continuously increased the proportion of differential fiber varieties and sped up the development of customized products to meet differential and personalized needs of the market, and its products have enjoyed a good reputation in the market for a long time. With a polyester production capacity of 7.5 million tons, the Company ranks first nationwide in terms of polymerization capacity, including 6.62 million tons of filament and 880,000 tons of staple fiber. The Company produces 2 million tons of bottle chips per year, ranking forefront in the country.

II. Significant Changes in Major Assets

1. Significant changes in major assets

Major assets	Description of significant changes
Equity assets	Mainly refer to the investment of newly-added equity-holding companies and the investment gains and losses recognized under the Equity Method
Fixed assets	Mainly refer to the consolidation of Yisheng PIA Project and Haining New Materials Project during the reporting period
Intangible assets	Mainly due to the increase in intangible assets of newly established companies during the reporting period

Construction in progress	Mainly due to the increase in new materials projects in Haining during the reporting period
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2. Main overseas assets

Specific contents of assets	Reason	Asset size	Location	Operation mode	Control measures to ensure asset safety	Income status	Proportion of overseas assets to the Company's net assets	Whether there is significant impairment risk
Holding subsidiaries	Overseas investment	5,606,296,100 US dollars	Hong Kong/Brunei/Singapore	Self-built	Strengthen the management control of parent company over overseas subsidiaries	Good	152.38%	No
Description of other information	None							

III. Analysis of Core Competitiveness

The Company is one of the leading enterprises in the petrochemical and chemical fiber industries with leading comprehensive strength in China. Its core competitiveness is mainly reflected in the following aspects:

1. The international industry strategy of "adhering to the real economy and highlighting the main business" to facilitate high-quality development of the Company

Upholding the strategic policy of "consolidating, highlighting and optimizing the competitiveness of main business", the Company has taken the lead in the fields of polyester melt direct spinning, PTA, caprolactam, etc. through alliance with other giants, and has greatly improved its technology and competitiveness in the above fields. The Company took the lead in arranging Brunei Refining and Petrochemical Project, responded to the "Belt and Road Initiative" policy, adapted to the requirements of high-quality development in the new era, seized the development opportunities of Southeast Asian markets, realized the international layout and operation of the

industry, completed the integration of vertical industrial chains, solved the bottleneck of raw materials, and complied with the trend of supply-side reform. In addition, the Company integrated the petrochemical chemical fiber industry through mergers and acquisitions, realized the grafting of advantages, expanded the terminal production capacity of the chemical fiber industry, and achieved the high-quality development of chemical fiber.

2. The strengths of the whole industrial chain featuring balanced integration of upstream and downstream strengthen profitability and anti-risk ability

The Company has developed into a leading enterprise in the integration of "PX-polyester" and "benzene-polyamide" industrial chains in the world, and has built a "columnar" balanced integrated industrial chain of "crude oil-aromatic hydrocarbon-PTA-polyester" and "crude oil-benzene-CPL-polyamide" through overseas construction of upstream refineries, domestic expansion of the middle and lower reaches, and implementation of differential development modes such as mergers and acquisitions. The Company currently has a refining and petrochemical design capacity of 8 million tons, PTA capacity of 13 million tons, polyester and caprolactam capacity of 7.5 million tons and 400,000 tons respectively. The upper, middle and lower reaches of the Company are self-sufficient in raw materials, realizing the balanced and coordinated development of the entire industrial chain from unique large refining and chemical to PX, PTA and polyester (PET) capacity matching. The Company carries out operation at home and abroad to enhance its ability to resist risks of operational fluctuations. Upon Phase II of the Brunei Refining and Petrochemical Project is completed and put into operation, an "ethylene-propylene-polypropylene" industrial chain will be added, which is conducive to improving the intensification, scale and integration level of the Brunei Refining and Petrochemical Project; enhancing the integration, globalization and balanced cooperative operation of the Company's industries, products and assets, as well as its sustainable profitability and anti-risk ability.

3. Efficient operation and quality assurance further strengthen the scale advantage of leading market share

The market share of PTA and polyester fiber products of the Company is at the forefront of the industry. As of the latest statistics, the Company's participating PTA production capacity accounts for 22.56% of the country's effective PTA production capacity, and its participating polyester production capacity accounts for nearly 12.10% of the country's effective polyester production

capacity (data source: <http://www.ccf.com>). The industry concentration is relatively high and the scale advantage is obvious. The Company continuously upgrades and optimizes its industrial model, consolidates and expands the advantages of production capacity in all links, promotes the quantitative change of its business scale and the qualitative change of its business structure, and enhances the investment and application of large-scale equipment and energy-saving and consumption-reducing technologies. Its scale advantage promotes the stability of production equipment operation and product quality, and the improvement of production efficiency, and greatly reduces unit investment cost and unit energy consumption. Also, the Company outperforms its peers in terms of the unit manufacturing cost of products. Meanwhile, through large-scale procurement, the Company possesses strong operation ability and obtains advantageous prices, thereby reducing procurement costs and providing a strong guarantee for the profitability of the final products.

4. Focus on the technological advantages of high-end scientific research and innovation and continue to explore new business growth points

The Company has long focused on the research and development and application of high-end products in the field of polyester chemical fiber. Relying on the school-enterprise platform, the Company has realized a "diverse, serialized, premium and unique" product structure. The Company fully carries out research and development of new products and technologies regarding the entire industrial chain, realizes full-process and flexible development of high-tech products (technologies) and transformation of scientific and technological achievements, and occupies a leading position in the domestic industry in terms of technical level.

Upholding the industrial structure of "crude oil, polyester and polyamide", the Company, in terms of materials, focuses on the green manufacturing of polyester and the recycling of polyester, breaks through the existing technology challenges, realizes quality recycling of polyester, and prepares high-performance polyester materials with bio-based as raw materials. As for chemical engineering, in order to expand the application range of PTA, the Company is currently developing various diols of monomers needed for differential production of polyester. Also, to reduce the production cost, the Company actively studies the development of three agents such as matting agent, catalyst and additive in the existing process.

5. The industrial Internet advantages of digital intelligence promote the highly coordinated operation of the whole industrial chain

The Company established the information strategy of "petrochemical + industrial internet", promoted the deep integration of new-generation information and communication technology and petrochemical manufacturing industry, and strengthened the digital, networked and intelligent development of the chemical fiber manufacturing industry. The Company, based on the basic policy of innovation-driven, quality and efficiency improvement, and green development, makes good use of the integration and application of information application, advanced manufacturing, automation and enterprise management technologies, builds an intelligent informationization of the whole chain integrating R&D and design, logistics procurement, production control, operation and management, professional services and marketing, realizes product traceability and whole process management and control, accelerates the digital transformation process through the integration of intelligent production, networked collaboration, customized services and digital decision-making, and promotes the transformation from "manufacturing" to "intelligent manufacturing" and from single business management to highly coordinated operation of the industrial chain.

In the field of information infrastructure, the Company employs cloud computing, virtualization, 5G, home base machines and other technologies to promote the construction of industrial networking, service clusters, information security, etc. to provide technical support and security for software applications.

In the field of manufacturing, the Company, relying on the information interconnection among intelligent manufacturing devices such as automatic winding, automatic packaging, intelligent external inspection, AGV trolley, robot and Automatic Storage and Retrieval System, adopts network communication, Internet of Things, mobility, micro-service, real-time database and other technologies to successfully develop a single ingot data flow system to realize efficient logistics operation and automatic quality control of products in workshop warehouses, and achieve process optimization, information sharing and efficiency improvement among production processes.

In terms of marketing services, the Company builds two software systems of micro mall and marketing supply chain, and adopts Internet marketing and customer social experience management to facilitate independent order placing, supply chain services, full process display of sales data, and data services for multi-dimensional portraits; realizes data sharing of various business systems, improves data interaction efficiency, eliminates information circulation barriers, and forms closed-loop processes of supply chain business such as sales, collection, distribution, delivery,

vehicle dispatch, shipment, invoicing, etc.

6. Young, professional and international team management strengths at home and abroad

The Company emphasizes professional team management and introduces senior management and technical personnel from home and abroad through various channels. While introducing external talents, the Company focuses on the cultivation of internal talents, and offers opportunities for young management talents, thereby providing a good career development channel for employees.

The company has formed an international, specialized and professional management and operation team, laying the foundation for the sustained and healthy development of the Company's industry. With the continuous expansion of the Company's scale, the Company has drawn lessons from advanced organizational management experience at home and abroad, established a perfect internal system, continuously implemented organizational structure optimization, continuously improved the efficiency of the Company's organizational management operation, and brought into play the advantages of scale synergy.

To promote the long-term sustainable development of the Company's talent team and share the Company's development achievements with employees, apart from providing employees with competitive salary and incentive mechanisms, the Company has implemented two restricted stock incentive plans and four employee stock ownership plans since 2015, fully mobilizing the enthusiasm of employees and effectively attracting high-tech talents. Through the establishment of a long-term development sharing mechanism, the Company effectively enhances the sense of belonging and cohesion of employees, and provides a talent base for its long-term development.

Section IV Discussion and Analysis of Business Situation

I. Overview

i. Discussion and analysis of industry situation

Hengyi Petrochemical is engaged in the petrochemical and chemical fiber industry. Its raw materials come from petroleum or corresponding chemicals cracked by petroleum. The demand for final products is closely related to the food, clothing, housing and transportation of ordinary people. Important factors affecting the industry include crude oil price fluctuation, downstream demand, capacity supply and matching of upstream and downstream industrial chains.

1. Refining and chemical business: Rely on the competitive advantage of China-Brunei location and conform to the recovery trend of global demands

(1) The recovery of the global economy and the crude oil prices are conducive to the double growth of downstream demand and profits

Generally speaking, when the oil price rises steadily or moderately, it is beneficial to the operation management and efficiency improvement of petrochemical enterprises. After the current oil price plummets, the low oil price would be advantageous to petrochemical enterprises. For one thing, the low oil price is conducive to expanding the price difference of downstream products, and stimulating the growth of terminal demand, thus promoting the improvement of profits; for another, low oil prices leave room for price rise. The rise in oil prices will bring about an increase in inventory value in the industrial chain and the improvement in downstream production load, thus stimulating demand growth.

The year 2020 saw great uncertainties in the global economy. Affected by the COVID-19 pandemic and OPEC's production reduction falling short of expectations, commodity prices have all fallen to the bottom. In particular, the international oil price has plummeted to the low level in recent years, and the panic decline of oil price has brought severe challenges to downstream chemical fiber enterprises. Also affected by the pandemic, the terminal demand shrank sharply, and at the same time, the cycle of expanding production capacity in the industry continued, resulting in obvious changes in the market supply and demand pattern.

Since the beginning of this year, with the gradual weakening of the impact of the pandemic and the recovery of crude oil demand brought about by global economic recovery, driven by the active production reduction of OPEC and oil-producing countries and the passive production reduction of non-OPEC oil-producing countries, there have been clear signs of improvement at both ends of supply and demand in the oil market. In the long run, oil will return to the normal supply, and international oil prices will continue to rise. At the macro policy level, countries ease monetary and fiscal policies. In particular, the Federal Reserve implements various loose monetary policies to stabilize the economy. Loose macro policies and the weakness of the US dollar index have played a significant supporting role in the oil market. At present, Brent crude oil prices are gradually returning to the normal range of USD50-70 per barrel. For the downstream, economic recovery is expected to further stimulate demand growth due to the long-term rigidity of the Company's products corresponding to downstream demand.

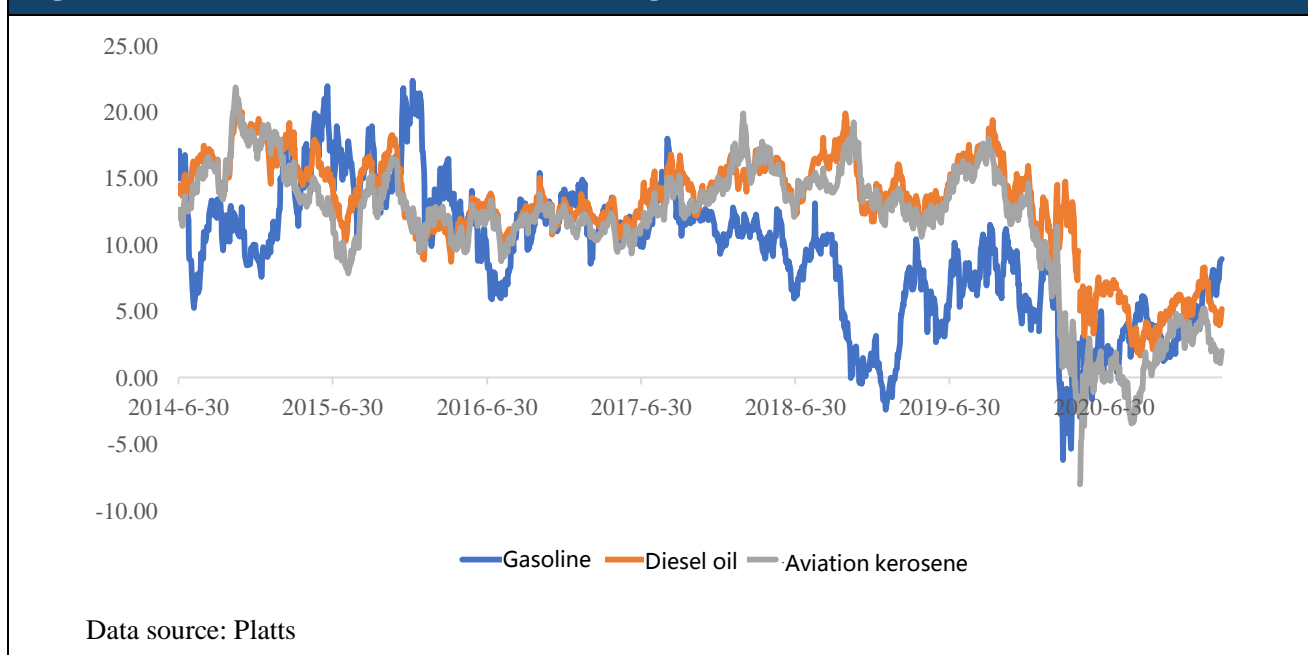
(2) Southeast Asia boasts a broad refining and chemical market prospect and Hengyi Brunei seizes the first-mover advantage

Compared with the surplus supply of domestic refined oil products, Southeast Asia's refined oil market has a large gap and broad prospects. According to Platts, from the supply level, Southeast Asia has an existing production capacity of about 277 million tons/year, with Singapore, Thailand, Indonesia and Malaysia at the forefront. Due to the 40-50 years of operation of some refinery plants, outdated technology, poor management, heavy burden of government subsidies and other reasons, the shut-down capacity in Asia is expected to reach 70.15 million tons in the past three years. Asia plans to add new capacity in China and India, while Southeast Asia only saw a small increase in production in Brunei, Indonesia and Malaysia. The demand for refined oil has great growth potential.

Moreover, Southeast Asia is relatively close to Australia, and Australia needs to import refined oil. According to the data of the Australian Renewable Energy Agency, the import volume of gasoline, diesel and coal was about 8.4 million tons/year in 2019 and 6.9 million tons/year in 2020. In addition, affected by the global pandemic, the overall demand is affected to some extent, but the overall trend of imported refined oil products in Southeast Asia remains good. According to Platts, in terms of gasoline products, Southeast Asia imported about 58.33 million tons/year in 2019 and about 48.5 million tons/year in 2020. The main importing countries are Indonesia, Malaysia,

Singapore, Philippines, Myanmar and other places, while the main exporting countries are Singapore and Thailand. In terms of aviation kerosene, all countries are relatively self-sufficient in the aviation industry and are dominated by trade circulation. Malaysia is the main importer in Southeast Asia, and several other countries with smaller refineries, such as the Philippines and Sri Lanka, imported about 4.7 million tons/year in 2019 and 4 million tons/year in 2020. In terms of diesel oil, there is a big gap in Southeast Asia, with imports of about 42 million tons/year in 2019 and 38 million tons/year in 2020. The main importing countries are Vietnam, Bangladesh, the Philippines, Sri Lanka, Myanmar, Indonesia and Malaysia. In addition, with the implementation of the new IMO standard in 2020, the demand for low-sulfur fuel oil has risen. Singapore is a major shipping base with an import volume of 5.5 million tons/year. Some marine diesel oil (MGO) needs to replace marine fuel oil, and the import volume of diesel oil in Southeast Asia will increase.

Fig. 3 Price Difference of Refined Oil Cracking in Southeast Asia in Recent Seven Years



As the profit vane of refineries in Southeast Asia, from the perspective of the price difference of refined oil cracking in recent seven years, the price difference of refined oil cracking was at the lowest level in history during the pandemic in 2020. Since 2021, with the recovery of the pandemic and the recovery of downstream demands, the price difference of various refined oil products is in the upward channel of recovery.

In 2021, entering the post-pandemic era, the supply capacity of the whole refinery in Southeast Asia is declining instead of increasing. It is expected that the market will continue to maintain the

import trend of refined oil every year, and with the gradual recovery of the pandemic, the import quantity of refined oil will continue to maintain the rebound trend. Meanwhile, with the gradual repair of cracking spread, new market-oriented refineries may see a rebound in profitability.

The Brunei Refining and Petrochemical Project of the Company is located in the hinterland of Southeast Asia's refined oil demand market, with obvious geographical advantages, as well as raw material procurement advantages, refined oil sales advantages, production cost advantages and tax advantages, and huge market space for product sales.

2. PTA business: The supply of raw materials is loose, and the industrial concentration continues to increase

In the chemical fiber industry chain "naphtha-PX-PTA-POY/FDY/DTY", with the different release of production capacity and the different concentration of the industry chain, it will show different characteristics in different years. With the substantial increase of domestic PX production capacity in the global share, the corresponding supply of new PX production capacity is loose. In recent years, the import substitution of domestic PX has continued to accelerate, and the dependence on domestic PX imports has dropped sharply in 2020. On this basis, ACP negotiations all failed in 2020, which led to the obvious transfer of PX industry profits to the middle and lower reaches in the pricing game between PX and PTA plants. In this process, the cost competitive advantage brought by the scale advantage of domestic large-capacity PX will gradually squeeze the small and medium-sized production capacity in China, Japan and South Korea, and the proportion of PX production capacity will continue to increase.

The trend of PX production capacity has further affected the production capacity structure of the PTA industry and promoted the concentration of the PTA industry to be further higher. As of December 2020, the top five production capacity in the world accounted for 65.2%, and the production capacity continued to concentrate on the leading enterprises. The leading enterprises expanded at low cost and continued to give full play to their scale advantages. Leading enterprises not only occupy an absolute advantage in production capacity, but also have obvious advantages in production technology, industrial chain supporting and management level.

3. Chemical fiber business: The terminal demand keeps healthy growth, and leading enterprises will benefit from reshaping the pattern of the chemical fiber industry chain

(1) Online sales continue to rise steadily, and the consumption structure is iteratively

upgraded

Judging from downstream demand, polyester fiber is mainly used in clothing, home textiles and emerging industrial application fields, which are closely related to residents' consumption wishes. With the stabilization of pandemic prevention and control in China, the increase of per capita disposable income and the improvement of consumption level, the strategy of expanding domestic demand and various policies to promote consumption have achieved remarkable efforts.

At present, with the application of online live broadcast and big data in the field of terminal consumption, especially in third- and fourth-tier cities, counties and townships, the consumption capacity has risen rapidly. Affected by the pandemic, offline contact consumption is hindered, and online live broadcast consumption has sprung up everywhere, which strongly supports terminal consumption and drives the high growth of terminal demand. Online consumption goes against the trend, effectively promotes consumption replenishment, releases market potential, and creates new ideas for economic recovery and development. According to the data of the National Bureau of Statistics, the national online retail sales in 2020 was RMB11,760.1 billion, an increase of 10.9% over the previous year. Among them, the online retail sales of physical goods reached RMB9,759 billion, an increase of 14.8%, accounting for 24.9% of the total retail sales of consumer goods, an increase of 4.2 percentage points over the previous year. Online consumption achieved rapid growth. Online consumption goes against the trend, which also means that China has entered an important stage of accelerating the upgrading of consumption structure, accelerating the iteration of consumption patterns, and obviously enhancing the role of consumption in stimulating the economy.

(2) The export of foreign trade is growing against the trend, and the demand of the textile and clothing industry is strong

In the context of COVID-19 in 2020, China's textile industry has steadily promoted the resumption of work and production, benefiting from the recovery of orders at home and abroad, and the production and supply capacity and the industrial chain operation have returned to normal. In November 2020, the RCEP agreement was signed, which will significantly benefit the textile and clothing industry and further accelerate the transfer of production capacity to Southeast Asia.

According to the statistics of the General Administration of Customs, P. R. China, in 2020, the cumulative export of China's textile and garment boosted the overall export of national goods trade

by one percentage point, and the cumulative export of China's textile and garment was USD291.22 billion, an increase of 9.5% over the same period of 2019, which boosted the overall export of national goods trade by one percentage point. Among them, textiles have risen for nine consecutive months since April 2020, while clothing has reversed since August 2020 and increased for five consecutive months.

(3) Residents' consumption has been transformed and upgraded, and the demand for products in the polyester industry chain has remained rigid

In recent years, the income level and consumption expenditure of Chinese residents have increased steadily. With the increase of income level, major consumer groups have higher requirements for textile and clothing, clothing quality and consumption capacity. After the upgrading of the demand system, the soaring consumption level has greatly increased the demand for polyester differential products. According to the National Bureau of Statistics, the gross national income in 2020 was RMB100,915.1 billion, an increase of 1.9% over the previous year. This would promote the increase of terminal consumption expenditure such as the textile and clothing industry and apparel industry. In addition, there is still a certain gap in per capita fiber sales between China and developed countries, and there is still much room for the growth of chemical fiber or polyester. According to the data of the 20th China Hangzhou Chemical Fiber Forum, in 2020, the per capita fiber consumption in China was 16-17 kg, while that in the United States was 36-37 kg and that in the European Union was 25 kg. Polyester is of a growth rate of 5-10%, which is expected to grow for a long time in the future.

(4) The integrated layout of the chemical fiber industry chain is formed to enhance the competitiveness of downstream chemical fibers

In recent years, private refineries, including the Company, have been put into operation one after another. With the release of PX production capacity of private refining and chemical projects, the industry in which the Company is located has changed from single product competition in the past to a new competition pattern of industrial chain integration. Leading listed companies have gradually expanded relying on the advantages of vertical integration and firmly grasped the new share of future market demand.

During the same period, the growth rate of PTA and MEG production capacity continued to accelerate, and PTA and MEG also entered a loose supply pattern. Since 2017, the growth rate of

polyester fiber production capacity has steadily declined (data source: CCF Annual Report). With the gradual recovery of the global economy, the recovery of terminal demand and the loose supply of the upstream raw material industry chain combined with the decline in the growth rate of polyester production capacity will guide the profit of the industry chain to shift to chemical fiber.

(5) The market concentration of polyester industry increases, and the competition pattern is more reasonable

After a decade of integration of polyester filament industry, from 2011 to the end of 2020, the industry concentration CR6 share rose from 32% to about 66% (data source: CCF Annual Report). According to the announced investment plan, the main new production capacity in the industry in the future will come from CR6. Small and medium-sized polyester plants lack the ability of technological innovation and will gradually withdraw from the competition in the industry. The market concentration of the polyester industry will be further improved.

In the future, with the continuous improvement of leading enterprises' own competitiveness, backward production capacity in the downward industry will be accelerated, the entry threshold for the industrial chain in which the company is located will be further increased, the concentration of industries in the upper, middle and lower reaches will continue to rise, the competition order in the industry will continue to improve, and the development environment will become more benign. As one of the leading enterprises, the Company has accelerated the expansion and income increase of downstream chemical fiber business in various ways, taking the lead in enjoying the profit increase brought about by the good prosperity of the industry. It is believed that with the smooth commissioning of the Company's refining and petrochemical projects, the vertical integration layout of the industrial chain has achieved initial results and the overall competitiveness will rise to a new level.

(6) The Company will increase the input of informationization and automation, and usher in a further improvement in quality and efficiency in the polyester industry

In recent years, leading companies in the industry have been deeply engaged in improving equipment and technological processes and developing better production processes. Actively respond to the call of the national green high-tech development, and promote innovative projects with the overall efficiency of the industry through capital investment and talent investment, such as the thorough replacement of wooden pallets by catalytic cycle pallets. At the same time, in recent

years, leading companies in the industry have carried out drastic reforms in digitalization, accelerated the construction from intelligent manufacturing units and intelligent production lines to intelligent workshops and intelligent plants, guided new formats such as personalized customization, collaborative manufacturing and remote operation and maintenance, and promoted the digital transformation of polyester industry.

(ii) The progress of the business plan disclosed in the previous period in the reporting period

In 2020, faced with the sudden global public health challenge of COVID-19, the economic risk challenge at home and abroad, and the complex environment, the Company forged ahead with its employees, facilitated the smooth operation of the Brunei Refining and Petrochemical Project, a key project of "Belt and Road Initiative", continued to maintain high-load production, and improved its competitive advantage. The leading competitive advantage of the PTA business sector has been further improved, the potential has been continuously tapped and transformed, and the profitability of products has maintained the leading level in the industry. The main business of chemical fiber took high-quality development as the main line, continued to expand production and improve quality, further improved the differential level of product, and greatly increased profitability year-on-year; implemented lean production, upgraded quality and brand, and optimized management innovation, with the management quality reaching a new level.

1. Maintain a good trend of sustained high growth and actively fulfill cash dividend returns

During the reporting period, the Company realized an operating profit of RMB4.526 billion, down about 5.19% from the same period of last year, and realized net profit attributable to its parent company of RMB3.072 billion, down 3.7% from the same period of last year. At the end of the reporting period, the total assets of the Company were RMB92.26 billion, an increase of 7.58% over the beginning of the year; the owner's equity attributable to shareholders of listed companies was RMB24.007 billion, an increase of 1.12% over the beginning of the year; net assets per share attributable to shareholders of listed companies were RMB6.52; the asset-liability ratio was 67.17%, which was at a reasonably low level compared with the same industry.

During the reporting period, the Company implemented the 2019 dividend payment plan, with a total cash dividend of RMB1.137 billion, accounting for 35.51% of the Company's net profit attributable to the parent company in 2019. Moreover, the board of directors of the Company

reviewed and approved the dividend plan for 2020, and distributed a cash dividend of RMB3.00 (including tax) for every 10 shares, with a total cash dividend of RMB1.104 billion, accounting for 35.95% of the net profit attributable to the parent company in 2020.

2. The coordination of production, supply and marketing has been enhanced, and production and sales have increased steadily

During the reporting period, the production and sales of the Company's products were booming and the production and sales volume increased steadily. Among them, the production and sales volume of refined oil products (Hengyi Brunei, the controlling subsidiary) reached 5.9224 million tons and 5.8381 million tons respectively; the production and sales volume of chemical products were 2,265,800 tons and 2,191,700 tons respectively; the production and sales volume of PTA products (Zhejiang Yisheng, the controlling subsidiary) reached 4,850,200 tons and 4,843,200 tons respectively; the production and sales volume of polyester products of the controlling subsidiary were 6.527 million tons and 6.056 million tons respectively.

Table 3 Output and Sales Volume of the Company's Main Products in 2020

Major products	Output (10,000 tons)	Sales volume	Sales in 2019	Year-on-year increase
Refining products	592.24	583.81	54.93	962.83%
Chemical products	226.58	219.17	12.88	1,601.63%
PTA	485.02	484.32	503.64	-3.84%
Polyester products	650.27	605.60	559.29	8.28%

3. The strategic layout of the international industry has achieved initial results, and the Hengyi Brunei Refining and Petrochemical Project makes new performance contributions

During the reporting period, affected by the global spread of the COVID-19 pandemic, various regions successively adopted strict closure and isolation measures. The demand for terminal consumption continued to be sluggish, the global crude oil price plummeted, Crack Spreads of oil products freely fell and the downstream petrochemical industry was under production, the inventory was high, the price was upside down, and the global refineries as a whole fell into huge losses. The world saw the continuous appreciation of RMB. Hengyi Brunei was facing an all-around "extreme

pressure test" in its first year of operation.

In this context, during the reporting period, the Company's Brunei Refining and Petrochemical Project actively coordinated and organized various anti-pandemic work, maintaining high-load stable operation and stable production management throughout the year.

(1) Give full play to the advantages of flexible management strategies and processes to cope with oil price fluctuations

In light of the trend change of the difference between light and heavy oil prices, the Company quickly adjusted its crude oil procurement strategy to overcome many difficulties such as long international trade cycle, difficult price judgment, high uncertainty of resource guarantee, etc. The plant quickly adjusted its production and processing mode, which greatly reduced the crude oil procurement cost. Meanwhile, the changes in the raw oil market were continuously tracked, the production blending formula was calculated and optimized through the whole process simulation, and raw materials with high cost performance were purchased, so as to meet the production demand and effectively reduce the purchase cost of raw materials.

Although the Crack Spreads of gasoline, aviation fuel and diesel oil reached the historical freezing point in 2020, Brunei plant has produced a large number of marketable non-standard products based on accurate market judgment, which can make positive contributions to performance in the future.

(2) Take multiple measures to cope with the impact of the pandemic and ensure smooth and optimized operation

During the pandemic, in order to solve the shortage of front-line employees, the Company actively organized charter flights to promote the resumption of work and production. Besides, the Company intensified its local recruitment, and engaged 675 local employees, achieving a localization rate of 40% at the initial stage of Phase I operation. Apart from promoting the joint training program with Chinese colleges and universities, the Company, together with local colleges and universities, determined eight specialties for school running. At present, the project has been fully started, which will lay a solid foundation for the stable supplement of local professionals.

During the reporting period, the Company actively promoted the linkage between production and marketing, and always put the "target of reaching a "safe, stable and optimum operation at full capacity for long on-stream running" in the first place. The monitoring model of equipment and

utilities system has been established, continuous technical research has been carried out, a large number of technical transformation and measures projects have been implemented, and various professional and technical management has been continuously consolidated to ensure the stable operation of the whole plant under high load.

To sum up, Hengyi Brunei's refined oil, chemical products and other products have been sold smoothly, and good results have been achieved in the international layout and operation of the industry against the trend. During the reporting period, the Company produced a total of 8,188,200 tons of products, including 2,265,800 tons of chemical products and 5,922,400 tons of refined oil products. The sales revenue of refined oil products and chemical products were RMB14.459 billion and RMB4.286 billion respectively (the data are for external sales), which further promoted the global popularity of "Hengyi" brand, and the integration of vertical industrial chain helped the Company to continuously improve its competitive advantage.

With the full-scale resumption of work and production in China, the year 2021 will usher in the all-around recovery in the post-pandemic era. The Company's Brunei Refining and Petrochemical Project boasts great strengths in international operation:

(1) With the global recovery, oil prices continue to rebound rapidly, downstream demand recovers, and economic benefits have been greatly improved. Meanwhile, the central banks of major developed economies continue to loosen their currencies, maintaining zero or negative interest rate policies, China's economy continues to recover, the RMB exchange rate tends to stabilize, and the operating environment for the Brunei Refining and Petrochemical Project improves significantly.

(2) China and Brunei are highly supportive of the project and the project enjoys long-term tax incentives and other incentive policies

- ✓ Brunei sees a stable political situation, and the project meets Brunei's 2035 Vision and promotes the economic growth of the Belt and Road Initiative countries;
- ✓ It is not restricted by trade barriers and belongs to the ASEAN Free Trade Area; the import and export of products are duty-free;
- ✓ The overall tax burden is obviously reduced. Brunei does not levy personal income tax, business tax, payroll tax, production tax and export tax. The project has a local pioneer enterprise certificate and an export enterprise certificate, and can enjoy a long-term enterprise income tax relief;

✓ The project is in line with the "Belt and Road Initiative" strategy, and the syndicated loans are of national strategic support.

(3) The plant is stable, operates at high load, and the industrial chain is integrated and stable.

✓ The project is closer to the crude oil supply place and Singapore's crude oil trade market, boasting convenient crude oil procurement and lower logistics cost;

✓ The refined oil produced by the project is sold to Southeast Asia, which has strong demand;

Brunei Refining and Petrochemical Project has a short sales radius and low logistics cost;

✓ All chemical products are digested downstream of the own industrial chain to realize the integrated operation of the industrial chain.

(4) The cost advantage is significant, and the cost of energy transportation is reduced.

✓ The project is fully equipped with coal-fired power generation and self-produced steam, and the cost advantage of utilities is evident;

✓ The main production plants, such as Hydrocracking, Reforming and PX units, adopt the latest advanced technology, which has the technical characteristics of low operating cost, high product conversion rate, etc., thus reducing the production cost of PX;

✓ The low-temperature heat reuse technology is adopted, and the waste heat is used for seawater desalination, which reduces the operation cost of seawater desalination and the comprehensive energy consumption index of PX production;

✓ Residual oil is treated with the latest flexi-coking process, which can be continuously produced and reduce labor cost; by-product fuel gas reduces fuel cost; compared with the traditional process, closed production of the plant is more environmentally friendly and harmless treatment of residual oil is realized;

✓ The liquid phase diesel hydrogenation technology can meet the new international diesel standard in 2020, and at the same time reduce the unit investment and operation energy consumption.

✓ Brunei has a mild climate all year round and no natural disasters. As a rich oil-producing country, Brunei has abundant oil and gas resources, which can provide some crude oil and reduce the logistics cost of crude oil.

On the basis of the successful production of Brunei Phase I Project and adhering to the strategic thinking of consolidating and enhancing the core competitiveness of its main business, the

Company reviewed and approved the investment in the construction of Hengyi Brunei Refining & Petrochemical Project Phase II in September 2020. The planning of Hengyi Brunei Refining and Petrochemical Phase II Project mainly includes four parts: "Refining, Aromatics, Ethylene and Polyester". The four related industrial chains will be highly integrated, including 14 million tons/year refining, 2 million tons/year para-xylene, 2.5 million tons/year PTA downstream, 1 million tons/year PET, 1.65 million tons/year ethylene and downstream deep processing, as well as supporting storage and transportation, utilities and corresponding auxiliary facilities.

In 2021, the Company will continue to focus on petrochemical industry and fully promote the construction of Brunei Refining & Petrochemical Project Phase II. Brunei PMB Refining and Petrochemical Project is a key link for the Company to realize the internationalization of upstream industries. While facilitating the smooth operation of Phase I of the Project, the Company has simultaneously promoted the planning and feasibility study report of Phase II of Brunei Refining and Petrochemical Project, and finalized the main process framework and capacity composition of Phase II of Brunei Refining and Petrochemical Project. The completion of Brunei Project Phase II will help the Company further reduce the production cost of its products, ensure the stability of raw material supply, strengthen the upstream production capacity base and development leading edge, further enhance the business structure and integrated cooperative operation, optimize the product structure, enhance the overall profitability, build the core circle of the Belt and Road Initiative facing the development of ASEAN, and gradually building the Company into a petrochemical enterprise with leading comprehensive strength in the world.

4. PTA has significantly improved quality and efficiency, maintaining the leading profitability in the industry

As one of the leading enterprises in the PTA industry, during the reporting period, the Company enhanced the production technology management of its PTA business and optimized its operation capability. Zhejiang Yisheng, controlled by the Company, realized production and sales of 4.8502 million tons and 4.8432 million tons respectively. Zhejiang Yisheng (including Ningbo Hengyi Trade) achieved a total net profit of RMB1.776 billion. The participating Dalian Yisheng and Hainan Yisheng realized net profits of RMB1.092 billion and RMB983 million respectively. Continue to maintain the leading level in the industry.

At present, the 6 million tons PTA project of Yisheng New Materials invested and constructed

by the Company in cooperation with Rongsheng Petrochemical is progressing as scheduled. The 3 million tons of Line 1# is planned to be completed and put into production in the second quarter of 2021, and Line 2# is expected to be completed and put into production by the end of 2021. At that time, the Company's PTA production capacity will reach a higher level.

5. Continue to enrich high-end differential products, and continue to improve the profitability of chemical fiber business

During the reporting period, the scale of the Company's chemical fiber business continued to grow, the forward-looking technology research and development layout was smoothly industrialized, and most of the newly increased productive capacity gave priority to advanced manufacturing plants with high added value, high quality and differential production. Haining New Materials' 1 million tons of production capacity has been put into production in 2020 and the first quarter of 2021 consecutively. Jiaxing Yipeng Chemical Fiber Co., Ltd.'s "500,000 tons of differential functional fiber upgrading and transformation project" will be completed and officially put into production in June 2020. In 2020, the production and marketing of the Company's polyester products (including filament, staple fiber, and chips) continued to maintain a booming trend, achieving production and sales of 6.5027 and 6.0560 million tons, respectively, with a year-on-year increase of 15.56% and 8.28%.

Despite the impact of the epidemic and the decline in the industry's prosperity, the Company's strategy of balanced and integrated upstream and downstream development and high-end differential products have demonstrated a good competitive advantage in responding to periodic fluctuations of industry.

Table 4 As of the disclosure day of this report, the progress of the Company's main projects

No.	Item	Investment/acquisition amount (RMB 10,000)	Product type	Capacity (Ten thousand tons)	Project Progress
1	Haining New Material's annual production of 1 million tons of differential environmental protection functional fiber construction project	636,000	POY, FDY, chips	100	Put into production on February 18, 2021
2	Differential functional fiber	227,220	FDY	50	Put into

	upgrading project of Jiaxing Yipeng Chemical Fiber Co., Ltd.				production on June 04, 2020
3	New Type Functional Fiber Project with an Annual Output of 566,000 Tons of Fujian Yijin Chemical Fiber Co., Ltd.	335,000	FDY, staple fiber	56.6	Some devices have been put into production on April 9, 2021
4	Annual Production of 500,000 Tons of Multifunctional New Materials Project of Hainan Yisheng Petrochemical Co., Ltd.	83,600	PET flakes	50	Put into production in the third quarter of 2020
5	Haining New Material's annual production capacity of 500,000 tons of new functional fiber technological transformation project	256,500	FDY	50	Under construction

6. New markets are opened up continuously through technological R&D and innovation, supply chain capabilities are solidified through digital intelligence transformation, organizational structure optimization continues to glow with new energy.

The Company devotes itself to improving the capability of independent innovation. The proportion of high-end products is increased continuously by creating industry-leading technologies and high-end products during reporting period; the development of customized products is accelerated to meet the requirement of market differentiation and individualization, and the products have earned good reputation in the market for a long time. The quality of the Company's Eticont products has been further improved, which are widely used in infant clothing, facial masks and other fields, and the added value of the products is much higher than that of conventional products. The flame-retardant segmented products are also gradually enriched, and the final test of regenerated flame-retardant polyester has been successfully completed, which has been accepted by more and more customers. At the same time, the anti-bacterial and anti-viral fiber is also rapidly industrialized, and its excellent anti-bacterial and anti-viral properties have been unanimously recognized by customers.

During the reporting period, the Company fully implemented intelligent business management,

strengthened supply chain management, improved customer service capabilities, promoted innovative operating models, strengthened personnel training, optimized organizational structure, made the level of management and operating efficiency step into new phase. During the reporting period, by the aid of big data, the Company promoted intelligent full-process management with automation, digitization, and cloud computing as the core intelligent manufacturing; improved supply chain integration projects, including the development of micro-mall, closed-loop marketing, TMS and warehousing system upgrades, etc.; improved the level of functional application of Hengyi Micro Mall, including price query, quick order placement, market information, intelligent logistics management platform (HTTMS), financial services and other supporting services to optimize the closed-loop marketing system, which effectively improves the operating efficiency of Company, innovates a unique omni-channel logistics management and control system, and builds a tripartite logistics transportation platform to provide enterprises with efficient, collaborative, and real-time logistics transportation services.

During the reporting period, the Company focused on shaping a culture of co-creation, sharing and win-win strivers, and vigorously promoted the reform of management institutions. Focusing on the business objectives of the enterprise, the Company promoted the reform of the headquarters functions, in a forward-looking manner by establishing a human resource management mechanism that supports the culture of co-creation and sharing of a win-win strivers, and promoted the establishment of a streamlined and efficient functional headquarters; focusing on promoting the reform of the marketing system, further strengthened the operational capabilities of the marketing system by reforming the production and sales coordination model, leading the industry to continuously explore marketing models and marketing team management innovation; vigorously promoted the integration and optimization of the engineering management system, and effectively played the main role of the factory while exploring and improving the coordination functions of the headquarters. At the same time, the Company exerted itself in introducing high-quality talents, upgraded the organizational structure platform, innovated talent training models, promoted the development and growth of key talents, and adhered to the three-dimensional and multi-source incentive mechanism of "value co-creation and benefit sharing" to stimulate the vitality of the team.

The Company shall comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.18-Listed Companies Engaged in Chemical

Industry Related Business.**Procurement mode of main raw materials**

Currency Unit: RMB/ton

Main raw materials	Procurement model	Proportion of purchase amount in total purchases	Whether the settlement method has changed significantly	Average price in the first half of the year	Average price in the second half of the year
Crude oil	Purchasing inquiry	28.93%	No	1,786.37	2,740.99
Naphtha	Purchasing inquiry	2.13%	No	3,166.20	3,088.44
Mixed xylene	Purchasing inquiry	1.12%	No	3,059.63	3,197.03
PX	Purchasing inquiry	22.11%	No	4,216.60	3,843.81
MEG	Purchasing inquiry	12.88%	No	3,418.31	3,250.89

Reasons for major changes in raw material prices from the previous reporting period**The purchase price of energy accounts for more than 30% of the total production cost**
 Applicable Not applicable
Production technology of main products

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
Gasoline	Mass production	Multiplayer	Introduction and innovation	Advanced equipment technology, large production capacity, low raw material and transportation costs, and high environmental protection level
Diesel oil	Mass production	Multiplayer	Introduction and innovation	Advanced equipment technology, large production capacity, low raw material and transportation costs, and high environmental protection level
Kerosene	Mass production	Multiplayer	Introduction and innovation	Advanced equipment technology, large production capacity, low raw material and transportation costs, and high environmental protection level

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
Paraxylene	Mass production	Multiplayer	Introduction and innovation	Advanced equipment technology, large production capacity, low raw material and transportation costs, high product purity and long operation cycle of the unit
Benzene	Mass production	Multiplayer	Introduction and innovation	Advanced equipment technology, large production capacity, low raw material and transportation costs, high product purity and long operation cycle of the unit
Purified terephthalic acid	Mass production	Multiplayer	Introduction and innovation	Large production capacity, low investment, low energy consumption, convenient transportation, and high level of environmental protection
Polyester	Mass production	Multiplayer	Introduction and innovation	Short process, large production capacity, low consumption of raw materials and utilities, etc.
Polyester	Mass production	Multiplayer	Introduction and innovation	The low-temperature easy-to-dye cationic polyester is prepared by adding the third and fourth monomers to the polymerization reaction system, using a special equipment structure, through esterification, pre-condensation, and final polycondensation, which reduces the cost of downstream dyeing and reduces environmental pollution. The melting point is increased using accessory ingredient such as composite stabilizers, to improve the thermal stability of the fused mass, increase the whiteness, and improve the hue and heat resistance

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
Polyester	Mass production	Multiplayer	Introduction and innovation	No matting agent is added during the polymerization process to produce super bright polyester products to meet the needs of different customers with low production costs
Polyester	Mass production	Multiplayer	Introduction and innovation	A full dull polyester product is produced by adding a matting agent during the polymerization process, which solves the problem of reduced filter cycle caused by the increase of matting agent and reduces energy consumption
Polyester	Wide range of applications	Multiplayer	Introduction and innovation	The catalyst is uniformly dispersed in the material by optimizing the design of the reactor structure, adding a titanium-based catalyst to replace the antimony catalysis, and produce an environmentally friendly antimony-free polyester product with a high level of environmental protection.
Polyester	Mass production	Multiplayer	Introduction and innovation	The preparation process of master batch was improved, and the types and proportions of Ag-carrying antibacterial agent, PBT powder mixing, and dispersant were studied, and the optimal ratio of the three was determined. The antibacterial master batch was prepared by melt blending and extrusion, with outstanding functions
Polyester	Wide range of applications	Multiplayer	Introduction and innovation	Maximum output, highest conversion rate and lowest energy consumption

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
Polyester	Wide range of applications	Multiplayer	Introduction and innovation	By tapping the potential of equipment, the goal of increasing production and efficiency is achieved without increasing investment
Polyester	Wide range of applications	Multiplayer	Introduction and innovation	To increase Energy efficiency is increased, to continually introduce energy-saving technologies are introduced continually, and to reduce production costs
Polyester	Wide range of applications	Multiplayer	Introduction and innovation	The filter cycle is extended, and the waste of labor is reduced, and the packaging cost saved, which brings considerable economic benefits to the Company
Polyester	Wide range of applications	Multiplayer	Introduction and innovation	The fluidity of the polyester melt is improved through the modification during the polymerization reaction, for the effect of the polycondensation reaction, the intrinsic viscosity of the product is higher than that of the conventional polyester under the condition of the original polymerization residence time, and the melt processing performance is improved. This technology has obtained a utility model patent with patent number of ZL 201120209233.4
Spinning	Mass production	Multiplayer	Introduction and innovation	The Spinning is characterized by short process, the large production capacity, the high degree of differentiation, the stable product quality, and the low consumption of utilities.
Spinning	Mass	Multiplayer	Introduction	The POY→DTY process route of melt direct

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
	production		and innovation	spinning is adopted, and the melt is sprayed from the self-designed "one"-shaped spinneret orifice, and then cooled, oiled, and packaged into a flat profiled POY yarn. POY is then made into flat DTY polyester filament through a texturing process. The polyester filament has a lower bulk density, lighter weight, and a soft texture feeling.
Spinning	Mass production	Multiplayer	Introduction and innovation	Using the POY→DTY process route of melt direct spinning, the melt is sprayed from the self-designed "cross"-shaped spinneret orifice, then cooled, oiled, and packaged into a cross-shaped POY yarn. POY is made into cross DTY polyester filament through the texturing process. The polyester filament has a low bulk density, light weight, good air permeability, and a soft hand feeling.
Spinning	Mass production	Multiplayer	Introduction and innovation	Using the melt direct spinning PDY process route, the melt is sprayed from the self-designed "feng" or "mi"-shaped spinneret orifice, and then cooled, oiled, and packaged to be spun into a Feng-like or mi-like shaped FDY yarn. The polyester filament has low bulk density, light weight, special luster and soft hand feeling.
Spinning	Mass production	Multiplayer	Introduction and innovation	The functional hollow polyester fiber is produced by adding functional self-heating masterbatch as the "core" part of the warm and comfortable composite fiber, which has a dual-effect warmth

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
				retention effect. This product has obtained an invention patent, with patent number of ZL201410481816.0
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	Using advanced equipment and process technology, short process, high degree of automation, low manufacturing cost
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	Through reasonable evaluation and extension of the spinning blade cycle to improve product quality stability and reduce consumption and cost.
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	By installing on-line adding equipment, dynamic and static mixing equipment, oil spray nozzles, winding machines, etc. on the melt direct spinning line, the existing equipment is upgraded and transformed to produce the differential and high-end products in the polyester melt direct spinning line. The method solves the contradiction between the large-capacity polyester device and the production of small batches of functionally differential fibers with multiple varieties. The Company mainly produces functional modified fibers such as colored, flame retardant, antibacterial and full dull.
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	By applying the Company's own technology to produce flame-retardant polyester, and usage of single-component spinning or composite spinning technology, the single-component or

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
				two-component sheath-core composite flame-retardant and drip-resistant POY-DTY polyester filaments can be produced.
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	The Company researches, develops, produces independently polyester polyamide, SPH, sea island, Melange and other composite yarns to meet high-end market demand.
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	During the spinning production process, the non-contact heating method is adopted to reduce the friction and heating during the processing of the thread, avoid the generation of broken filament. The low temperature stretching deformation-high temperature setting is used, coupled with appropriate air interlacing jet, and reasonably controlling air interlacing pressure bundling performance and other production processes, producing ideal full-drawn FDY products similar to flat-drawing machine products. This technology has obtained an invention patent with patent number of ZL200810059725.2
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	Through the use of programmable controller PLC, the composite yarn is stretched in multiple stages, and the sequence of the stretch ratio of each segment can be changed at will within the range, making the composite yarn have different structural compactness, resulting in a difference in color

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
				absorption and dyeing rate, and appearing a variety of colors after dyeing. It has significant economic and social benefits. This technology has obtained an invention patent with patent number of ZL200710070581.6
Spinning	Wide range of applications	Multiplayer	Introduction and innovation	The graphene masterbatch and polyester chips are blended for spinning, and a 4C-type aperture spinneret is used to prepare hollow graphene polyester fiber pre-oriented yarn, and the fluffy crimp of the polyester fiber is further improved in the subsequent texturing process. This enables polyester fiber to not only exert the functionality of graphene, but also has the characteristics of warmth and light weight, and expands the application prospects of graphene in the field of empowered textiles.
Texturing	Mass production	Multiplayer	Introduction and innovation	Through false-twist texturing temperature control, the linen-like cloth style is achieved, so that it not only has the style of hemp natural fiber, but also has the stiffness of linen-like fiber.
Texturing	Mass production	Multiplayer	Introduction and innovation	By intermittently closing the airflow through the air interlacing jet a variety of polyester POY yarns of different colors are compounded by false-twist texturing to obtain a polyester fancy composite yarn alternating with fluffy non-net low-elasticity section and an air interlacing mixed fiber section.

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
				Colored polyester POY is adopted to directly texture and compound to prepare colored composite yarns, eliminating the need for complicated downstream dyeing processes, reducing product costs, simplifying processes, and reducing environmental pollution
Texturing	Mass production	Multiplayer	Introduction and innovation	Reasonable solenoid valve switching logic is designed by adopting dual solenoid valve switching logic design, through parallel or tandem type dual solenoid valve. The two valves are used to jointly control the intermittent switch realizing the air interlacing jet airflow, realizing the intelligent design of polyester fiber fancy complex yarn, reducing the frequency of use of a single solenoid valve, preventing the single solenoid valve from overheating and damage, and effectively improving the efficiency of texturing
Texturing	Mass production	Multiplayer	Introduction and innovation	The Company's technology for producing monofilament with a fineness of 0.5-1.0dpf is relatively mature, which provides technical support and experience accumulation for the research and development of finer products. The Company's independent research and development is realized by supporting the fore and post spinning. At present, the Company has mature production technology for super-fine products of less than

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
				0.5dpf, with stable quality and production conditions, which are mainly used for high-end fabrics and decorative fabrics.
Texturing	Mass production	Multiplayer	Introduction and innovation	Fore spinning introduces the third monomer into the reaction system to prepare low-temperature and easy-to-dye cationic POY, supporting post-spinning and texturing to prepare DTY products, reducing the cost of downstream dyeing and reducing environmental pollution.
Texturing	Mass production	Multiplayer	Introduction and innovation	This technology is independently researched and developed by the Company. It prepares bamboo joint products through special process conditions such as stretching temperature and stretch ratio. It has the characteristics of ramie cotton fabric and is widely used in summer ramie cotton fabric which is needed widely in the market.
Texturing	Mass production	Multiplayer	Introduction and innovation	The composite yarn is made of two or more fibers. The processed products have the characteristics of a variety of fibers, such as cotton material hand feeling, soft and airy, and different dyeing patterns, including FDY-DTY composite yarn, high and low adhesive composite yarn, Melange and so on. This product is widely used in the weaving of high-end fabrics with the greater market demand.
Texturing	Mass production	Multiplayer	Introduction and	The special-shaped section of the spinning spinneret is used to produce polyester fibers of

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
			innovation	different cross-sections, which improves the capillary effect of the fiber in the fabric, so that the sweat is quickly migrated to the surface of the fabric and diverges through the effects of wicking, diffusion, and transmission, so as to achieve fast moisture transfer and fast drying and improve the moisture permeability of polyester fabric
Texturing	Mass production	Multiplayer	Introduction and innovation	The torque of the two wires after the merger cancels each other, and a torque-free product is produced by producing S+Z products on a double-strand model. This technology has the advantages of flat surface, easy weaving, plentiful hand feeling, uniform dyeing, etc., especially for the Buzin cloth so it is very suitable for some high-end decorative cloths.
Texturing	Wide range of applications	Multiplayer	Introduction and innovation	Using the preparation technology of wool-like fiber, the POY yarn is stretched and false twisted on the DTY machine, and then compounded with the DTY of the PTT component. The PTT fiber floats on the surface of the yarn and exerts its excellent wearability. The high-shrinkage modified PET fiber is placed in the inner layer of the yarn to exert its rigidity and bring a stronger sense of straightness. This product has obtained an invention patent with patent number of ZL201010174972. 4
Texturing	Wide range	Multiplayer	Introduction	False twist texturing technology is used to produce

Major products	The stage of production technology	Situation of core technical personnel	Patented technology	Product development advantage
	of applications		and innovation	polyester fiber filaments that have good hollowness and clear profile with high requirements for shape retention and hollowness.
Texturing	Wide range of applications	Multiplayer	Introduction and innovation	This technology is independently researched and developed by the Company. It is used to process DTY in black, red, gray, yellow and other colors. The color is uniform, no dyeing is required after weaving, and is not easy to fade in daily use, which is mostly used for weaving special-purpose fabrics.
Multifunctional polyester bottle flakes	Domestic advanced	Multiplayer	Introduction and innovation	The current international advanced high-temperature crystallization and solid-phase polycondensation process is adopted for the core technology of this product with short process flow and low energy consumption, and the comprehensive energy consumption per unit product has reached the domestic advanced level

Production capacity of main products

Please refer to one of the Company's business summary in Section III, the main business part of the Company during the reporting period.

Product categories in major chemical parks

Major chemical parks	Product Category
PMB Industrial Park	Petrochemical Industry Chain Products
Linjiang High-tech Industrial Park	Petrochemical Industry Chain Products
Haining Economic Development Zone (Jianshan New District)	Petrochemical Industry Chain Products
Suqian High-tech Industrial Development Zone	Petrochemical Industry Chain Products

Major chemical parks	Product Category
Jiaxing Xiuzhou High-tech Industrial Development Zone	Petrochemical Industry Chain Products
Shaxi Town Industrial Park	Petrochemical Industry Chain Products
Ningbo Petrochemical Economic and Technological Development Zone	Petrochemical Industry Chain Products
Dalian Economic and Technological Development Zone	Petrochemical Industry Chain Products
Yangpu Economic Development Zone	Petrochemical Industry Chain Products

EIA approvals that are being applied for or newly obtained during the reporting period

No.	Approved unit	Item	Approval number	Date of approval	Approving unit
1	Haining New Materials	Technology transformation project of Haining Hengyi New Material Co., Ltd. with annual production of 500,000 tons of new functional fiber	JHHJ (2020) No. 61	April 10, 2020	Jiaxing Municipal Ecology and Environment Bureau
2	Hengyi caprolactam	Technical transformation project of traditional coal-based hydrogen preparation standard upgrading and by-product synthetic ammonia combined plant	HHQHPP [2021] No. 5	February 10, 2020	Hangzhou Municipal Ecology and Environment Bureau
3	Guangxi New Materials	The project of annual production of 1.2 million tons of caprolactam-polyamide industry integration and supporting projects	QGHGZ [2020] No. 24	December 25, 2020	Qinzhou Municipal Ecological Environment Bureau

During the reporting period, abnormally shutdown occurred to listed companies.

Applicable Not applicable

Relevant approvals, permits, qualifications and validity period

Mainly include: Safe production license, pollutant discharging permit, cargo transportation permit. Engaged in petroleum processing and petroleum trading industries.

No.	Approved unit	Name of qualification/license	Approval department	Issuing time	Valid period
1	Haining New Materials	Pollutant discharging permit	Jiaxing Municipal Ecology and Environment Bureau	July 28, 2020	July 27, 2023
2	Haining Thermoelectric	Pollutant discharging permit	Jiaxing Municipal Ecology and Environment Bureau	July 23, 2020	July 22, 2025
3	Jiaxing Yipeng	Pollutant discharging permit	Jiaxing Municipal Ecology and Environment Bureau	December 2, 2020	December 1, 2022
4	Jiaxing Yipeng	Port Business permit Certification of the People's Republic of China	Jiaxing Ports and Shipping Administration Bureau of Zhejiang Province	March 13, 2020	March 11, 2023
5	Jiaxing Yipeng	Registration Certificate for using harbor frontage of inland port of Jiaxing	Jiaxing Ports and Shipping Administration Bureau of Zhejiang Province	August 8, 2017	March 11, 2054
6	Taicang Yifeng	Pollutant discharging permit	Suzhou Municipal Ecological Environment Bureau	December 31, 2019	December 30, 2022
7	Fujian Yijin	Pollutant discharging permit	Quanzhou Municipal Ecological Environment Bureau	April 8, 2021	April 7, 2026
8	Hengyi Limited	Pollutant discharging permit	Hangzhou Municipal Ecology and Environment Bureau	August 28, 2020	August 27, 2023
9	Hengyi polymer	Pollutant discharging permit	Environmental Protection Bureau of Xiaoshan District	November 6, 2018	November 5, 2021
10	Hangzhou Yixi	Pollutant discharging permit	Environmental Protection Bureau of Xiaoshan District	November 5, 2018	November 4, 2021
11	Hangzhou Yixi	Pollutant discharging permit	Hangzhou Municipal Ecology and Environment Bureau	February 2, 2021	February 1, 2024
12	Hengyi Hi-tech	Pollutant discharging permit	Environmental Protection Bureau of Dajiangdong Industrial Cluster Area	November 26, 2018	November 25, 2021
13	Shuangtu New Materials	Pollutant discharging permit	Environmental Protection Bureau of Dajiangdong Industrial Cluster Area	November 27, 2018	November 26, 2021
14	Hengyi caprolactam	Pollutant discharging permit	Qiantang New District Bureau of Hangzhou Municipal Ecology and Environment Bureau	May 9, 2020	June 22, 2025
15	Hengyi caprolactam	Registration certificate for hazardous Chemicals	Zhejiang Provincial Hazardous Chemicals Registration Center, Chemical Registration Center of the Division of Emergency Management	December 20, 2019	December 19, 2022

No.	Approved unit	Name of qualification/license	Approval department	Issuing time	Valid period
16	Hengyi caprolactam	Safety production license	Zhejiang Provincial Department of Emergency Management	December 16, 2020	December 5, 2022
17	Hengyi Hi-tech	Safety production standardization certificate	Hangzhou Emergency Management Bureau	December 13, 2019	January 1, 2023
18	Hangzhou Yijing	Safety production standardization certificate	Hangzhou Emergency Management Bureau	December 13, 2019	January 1, 2023
19	Hengyi caprolactam	Safety production standardization certificate	Zhejiang Provincial Department of Emergency Management	June 1, 2020	June 1, 2023
20	Hengyi Limited	Safety production standardization certificate	Hangzhou Emergency Management Bureau	July 15, 2020	August 1, 2023
21	Shuangtu New Materials	Safety production standardization certificate	Hangzhou Emergency Management Bureau	September 9, 2020	October 1, 2023
22	Hengyi polymer	Safety production standardization certificate	Hangzhou Emergency Management Bureau	March 16, 2020	April 1, 2023
23	Taicang Yifeng	Safety production standardization certificate	Administration of Work Safety Supervision of Taicang	December 28, 2018	December 1, 2021

Engaged in petroleum processing and petroleum trading industries

Yes No

Engaged in the fertilizer industry

Yes No

Engaged in the pesticide industry

Yes No

Engaged in chlor-alkali and soda ash industry

Yes No

Engaged in chemical fiber industry

Yes No

Engaged in plastics and rubber industry

Yes No

II. Main business analysis

1 Overview

Refer to "I. Overview" related content in "Discussion and Analysis of Business Conditions".

2. Income and cost

(1) Composition of operating income

Currency Unit: RMB

	2020		2019		Year-on-year increase and decrease
	Amount	Proportion of operating income	Amount	Proportion of operating income	
Total operating income	86,429,630,191.87	100%	79,620,543,631.74	100%	8.55%
Sector					
Petrochemical industry	23,788,931,297.46	27.52%	14,023,110,039.95	17.62%	69.64%
Chemical fiber industry	24,934,786,768.51	28.85%	37,440,083,098.09	47.02%	-33.40%
Supply Chain Service	37,705,912,125.90	43.63%	28,157,350,493.70	35.36%	33.91%
Sub-product					
Refining products	14,458,642,505.91	16.73%	2,207,888,637.18	2.77%	554.86%
Chemical products	4,286,129,273.42	4.96%	336,001,420.95	0.42%	1175.63%
PTA	4,759,627,567.43	5.51%	11,479,219,981.82	14.42%	-58.54%
PIA	284,531,950.70	0.32%	/	/	/
Polyester fiber	21,978,130,175.76	25.43%	32,689,228,369.81	41.06%	-32.77%

Wafering	2,956,656,592.75	3.42%	4,750,854,728.28	5.97%	-37.77%
Supply Chain Service	37,705,912,125.90	43.63%	28,157,350,493.70	35.36%	33.91%
Region					
Domestic	63,753,435,093.36	73.76%	65,683,827,085.40	82.50%	-2.94%
Overseas	22,676,195,098.51	26.24%	13,936,716,546.34	17.50%	62.71%

(2) The industry, product or region that accounts for more than 10% of the Company's operating income or operating profit

The Company shall comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.18-Listed Companies Engaged in Chemical Industry Related Business.

Currency Unit: RMB

	Operating income	Operating cost	Gross margin	Operating income increased or decreased compared with the same period last year	Operating costs increased or decreased compared to the same period last year	Gross margin increased or decreased compared with the same period last year
Sector						
Petrochemical industry	23,788,931,297.46	21,710,310,664.79	8.74%	69.64%	76.75%	-3.67%
Chemical fiber industry	24,934,786,768.51	21,826,970,006.07	12.46%	-33.40%	-35.89%	3.40%
Supply Chain Service	37,705,912,125.90	36,912,550,026.08	2.10%	33.91%	33.42%	0.36%
Sub-product						

Refining products	14,458,642,505.91	13,892,553,804.77	3.92%	554.86%	806.84%	-26.70%
Chemical products	4,286,129,273.42	3,371,435,627.07	21.34%	1,175.63%	1,150.20%	1.60%
PTA	4,759,627,567.43	4,235,879,177.83	11.00%	-58.54%	-59.59%	2.31%
PIA	284,531,950.70	210,442,055.12	26.04%	/	/	/
Polyester fiber	21,978,130,175.76	19,226,194,309.13	12.52%	-32.77%	-35.21%	3.30%
Wafering	2,956,656,592.75	2,600,775,696.94	12.04%	-37.77%	-40.49%	4.03%
Supply Chain Service	37,705,912,125.90	36,912,550,026.08	2.10%	33.91%	33.42%	0.36%
Region						
Domestic	63,753,435,093.36	59,379,636,366.49	6.86%	-2.94%	-2.71%	-0.22%
Overseas	22,676,195,098.51	21,070,194,330.45	7.08%	62.71%	62.56%	0.09%

When the statistical scope of the Company's main business data is adjusted during the reporting period, the Company's main business data adjusted according to the scope at the end of the reporting period in the recent year

Applicable Not applicable

Operating income or net profit generated by overseas business accounts for more than 10% of the Company's audited operating income or net profit in the recent fiscal year

Name of overseas business	The specific situation of the development	The impact of taxation policies on overseas business during the reporting period	The Company's response
Brunei Refining and Petrochemical Project	High load and stable operation	The overall tax burden during the reporting period was relatively small, and Brunei did not levy personal income tax, business tax, payroll taxes, production tax and export tax. The project has a local pioneer enterprise certificate and an export	The project is highly support by China and Brunei and enjoys long-term tax incentives and other incentive policies

		enterprise certificate, and can enjoy a longer-term corporate income tax relief	
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(3) Whether the Company's physical sales income is greater than the labor income

Category	Item	Unit	2020	2019	Year-on-year increase and decrease
Refining products	Sales volume	Ten thousand tons	583.81	54.93	962.83%
	Production	Ten thousand tons	592.24	60.71	875.52%
	Inventory	Ten thousand tons	14.21	5.78	145.85%
Chemical products	Sales volume	Ten thousand tons	219.17	12.88	1,601.63%
	Production	Ten thousand tons	226.58	16.66	1,260.02%
	Inventory	Ten thousand tons	11.19	3.78	195.77%
PTA	Sales volume	Ten thousand tons	484.32	503.64	-3.84%
	Production	Ten thousand tons	485.02	503.38	-3.65%
	Inventory	Ten thousand tons	2.31	1.61	43.48%
PIA	Sales volume	Ten thousand tons	5.51	/	/
	Production	Ten thousand tons	8.67	/	/
	Inventory	Ten thousand tons	3.16	/	/
Polyester products	Sales volume	Ten thousand tons	605.6	559.29	8.28%
	Production	Ten thousand tons	650.27	562.71	15.56%
	Inventory	Ten thousand tons	62.56	17.89	249.64%

Explanation of the reason why relevant data has changed more than 30% year-on-year

1) During the reporting period, the Brunei Refining and Petrochemical project of the Company operated stably under high load, so the production, sales and inventory of its refined oil products and chemical products increased significantly compared with the same period last year.

2) During the reporting period, its main reason was that some of the new production capacity of subsidiaries such as Haining New Materials and Jiaying Yipeng were put into production, and the impact caused by the stockpiling before the Spring Festival as a reasonable inventory change.

(4) The implementation of major sales contracts signed by the Company as of the reporting period

□ Applicable ✓ Not applicable

(5) Composition of operating costs**Industry and product classification****Industry Classification of Hengyi Brunei**

Currency Unit: RMB

Category	Item	2020		2019		Year-on-year increase and decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
Refining products	Raw materials	12,585,308,784.97	90.59%	1,267,816,583.44	82.76%	892.68%
	Energy	272,669,717.70	1.96%	35,530,302.02	2.32%	667.43%
	Depreciation and others	1,034,575,302.10	7.45%	228,628,253.65	14.92%	352.51%
	Total	13,892,553,804.77	100.00%	1,531,975,139.11	100.00%	806.84%
Chemical products	Raw materials	3,043,593,007.52	90.28%	240,231,973.62	89.08%	1,166.94%
	Energy	165,221,931.47	4.90%	17,443,129.52	6.47%	847.20%
	Depreciation and others	162,620,688.08	4.82%	11,997,575.82	4.45%	1,255.45%
	Total	3,371,435,627.07	100.00%	269,672,678.96	100.00%	1,150.20%

Domestic Industrial Product Classification

Currency Unit: RMB

Product category	Item	2020		2019		Year-on-year increase and decrease
		Amount	Proportion of operating cost	Amount	Proportion of operating cost	
PIA products	Raw materials	142,735,702.53	67.83%	/	/	/
	Energy	27,026,909.89	12.84%	/	/	/
	Depreciation	40,679,442.69	19.33%	/	/	/

	and others					
	Total	210,442,055.12	100.00%	/	/	/
PTA product	Raw materials	3,750,955,081.22	88.55%	9,654,704,824.15	92.11%	-61.15%
	Energy	138,178,717.94	3.26%	223,431,486.12	2.13%	-38.16%
	Depreciation and others	346,745,378.67	8.19%	603,035,291.29	5.75%	-42.50%
	Total	4,235,879,177.83	100.00%	10,481,171,601.56	100.00%	-59.59%
Polyester products	Raw materials	17,480,962,763.20	80.09%	29,308,065,693.20	86.09%	-40.35%
	Energy	1,410,863,173.13	6.46%	1,612,773,710.02	4.74%	-12.52%
	Depreciation and others	2,935,144,069.73	13.45%	3,124,518,941.50	9.18%	-6.06%
	Total	21,826,970,006.07	100.00%	34,045,358,344.72	100.00%	-35.89%

Description

(6) Whether there was any change in the scope of consolidation during the reporting period

In 2020, there were 44 subsidiaries included in the company's consolidation scope. For details, please refer to Note VIII "Interests in Other Equities". The Company's scope of consolidation this year increased by 11 households and decreased by 1 household compared with the previous year. Please refer to Note VII "Changes in Consolidated Scope" for details.

(7) Major changes or adjustments to the Company's business, products or services during the reporting period

Applicable Not applicable

(8) Circumstances of main sales customers and main suppliers

The Company's main sales customers

Total sales amount of the top five customers (yuan)	14,306,689,029.58
The total sales amount of the top five customers accounted for the proportion of the total annual sales	16.55%
Percentage of sales from related parties in total annual sales among the top five	0.00%

customer sales	
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Profile of the Company's top 5 customers

No.	Client name:	Sales volume (yuan)	Percentage in total annual sales
1	Customer 1	5,151,787,163.76	5.96%
2	Customer 2	3,170,783,127.55	3.67%
3	Customer 3	2,380,895,042.87	2.75%
4	Customer 4	1,869,697,397.32	2.16%
5	Customer 5	1,733,526,298.08	2.01%
Total	--	14,306,689,029.58	16.55%

Other information of major customers

Applicable Not applicable

Company's main suppliers

Total purchase amount of the top five suppliers (yuan)	25,011,317,723.26
Proportion of the total purchase amount of the top five suppliers to the total annual purchase	31.09%
Proportion of the purchase amount of related parties in the purchase amount of the top five suppliers to the total annual purchase amount	7.76%

Information of the Company's top 5 suppliers

No.	Name of supplier	Purchase amount (yuan)	Percentage of total annual purchases
1	Supplier 1	9,936,751,965.54	12.35%
2	Supplier 2	4,230,613,310.70	5.26%
3	Supplier 3	4,021,190,684.43	5.00%
4	Supplier 4	3,800,132,841.33	4.72%
5	Supplier 5	3,022,628,921.27	3.76%
Total	--	25,011,317,723.26	31.09%

Other information of major suppliers

Applicable Not applicable

3. Expenses

Currency Unit: RMB

	2020	2019	Year-on-year increase and decrease	Description of major changes
Selling expense	218,109,801.14	455,835,985.78	-52.15%	The description is mainly on the adjustment of sales expenses related to the performance of the contract to the presentation of operating costs under the new revenue criteria
Administration costs	970,153,607.89	583,493,439.21	66.27%	The description is mainly on the transportation fees, lease fees and storage fees related to the products under the new criteria in management expenses. In addition, after the Brunei Refining and Petrochemical project was put into operation, the depreciation of fixed assets and the salary of management personnel for related management purposes increased significantly.
Financial expenses	2,004,150,317. 61	1,011,335,714.9 3	98.17%	The description is mainly on that after the Brunei project is put into production, the interest expenditure that meets the capitalization has decreased; meanwhile, with the expansion of the business scale, the corresponding financing scale has expanded and the interest expenditure has increased.
Research and development expenditure	351,969,307.93	492,740,271.96	-28.57%	

4. R&D investment

During the reporting period, the Company actively explored new ideas for new materials, new technology R&D and industrialization, and achieved certain results in new product R&D and industrialization, R&D platform construction, talent team building, and external cooperation, mainly focusing on Polyester and polyamide green production technology, chemical manufacturing technology dedicated to industry chain, functional fiber materials, next-generation bio-based polyester materials, etc. The current related research and development projects are progressing smoothly. During the reporting period, the Company's R&D base in Haining was officially put into use. The new R&D base integrates small-scale and pilot-scale functions, becoming an important hardware guarantee for the implementation of the Company's R&D strategy. Meanwhile, the Company is actively developing relation with excellent universities in the chemical and materials fields and vigorously recruit talents in the industry.

A total of 164 patents were applied for in 2020, including 113 invention patents and 51 utility models. A total of 28 authorized patents were obtained this year, including 8 invention patents and 20 utility models. More than 150 scientific and technological development projects will be implemented in 2020 (including 2 national key research and development projects, 1 major international cooperation project in Zhejiang Province, and 1 key high-tech product development project in Zhejiang Province). The Company's antimony-free environmentally friendly polyester "Eticont" project with independent intellectual property rights won the first prize of the 2020 Zhejiang Chemical Industry Science and Technology Progress Award.

The Company's R&D investment

	2020	2019	Variable ratio
Number of R&D personnel (person)	597	445	34.16%
Proportion of number of R&D personnel	3.29%	2.69%	0.60%
R&D investment amount (yuan)	359,600,062.80	496,257,572.40	-27.54%
R&D investment proportion in operating income	0.42%	0.62%	-0.20%
Capitalized amount of R&D investment (yuan)	7,630,754.87	3,517,300.44	116.95%
Proportion of capitalized R&D investment in R&D investment	2.12%	0.71%	1.41%

Reasons for the significant change in the proportion of total R&D investment in operating

income in the previous year

□ Applicable√ Not applicable

Reasons and explanation of its rationality for the substantial changes in the capitalization rate of R&D investment

The description is mainly on the increase in R&D personnel and capitalizable R&D expenses of the subsidiary Zhejiang Henglan Technology Co., Ltd. during the reporting period.

5. Cash flow

Currency Unit: RMB

Item	2020	2019	Year-on-year increase and decrease
Sub-total of cash inflows from operating activities	97,642,317,743.64	87,825,272,597.30	11.18%
Sub-total of cash outflows from operating activities	92,628,544,965.69	87,916,398,375.21	5.36%
Net cash flow from operating activities	5,013,772,777.95	-91,125,777.91	5,602.04%
Sub-total of cash inflows from investing activities	1,994,495,592.71	5,101,346,935.31	-60.90%
Sub-total of cash outflows from investing activities	9,946,968,313.72	18,111,448,942.04	-45.08%
Net cash flow from investing activities	-7,952,472,721.01	-13,010,102,006.73	38.87%
Sub-total of cash inflows from financing activities	40,896,350,951.42	41,026,194,049.12	-0.32%
Sub-total of cash outflows from financing activities	34,988,971,122.60	30,045,808,537.64	16.45%
Net cash flow from financing activities	5,907,379,828.82	10,980,385,511.48	-46.20%
Net increase in cash and cash equivalents	2,713,245,267.65	-2,063,056,660.78	231.52%

Explanation of the main influencing factors of significant year-on-year changes in relevant data

During the reporting period, the net cash flow from operating activities increased significantly, mainly because the Brunei Refining and Petrochemical project was put into operation at the end of 2019, the operating funds used increased, and the operating cash outflow at the end of the period

did not match the corresponding operating cash inflow, resulting in that annual net operating cash flow is negative in 2019. During the reporting period, as Brunei's refining and petrochemical project maintained a high-load and stable operation, the Company's net operating cash flow increased significantly.

The decrease in net cash flow from investment activities was mainly due to the relatively large payment of investment funds for projects such as Brunei Refining and Petrochemical in the previous year. The corresponding cash outflows of the projects during the reporting period decreased.

The decrease in net cash flow from financing activities was mainly due to the decrease in the Company's cash outflow from investment activities in 2020 compared to 2019, so the net cash generated from financing activities during the same period decreased.

Explanation of the reason for the significant difference between the Company's net cash flow generated from operating activities during the reporting period and the current year's net profit

Applicable Not applicable

III. Analysis of non-main business

Currency Unit: RMB

	Amount	Percentage of total profit	Explanation of reasons	Whether it is sustainable
Investment income	1,691,621,709.35	37.43%	The description is mainly on the accrual of the investment income of the main business joint stock company and the hedging investment income during the reporting period	Yes
Profit or loss due to fair value change in current period	156,423,385.37	3.46%	The description is mainly on the changes in the fair value of foreign exchange and commodity hedging at the end of the reporting period	No
Asset impairment	-18,111,009.54	-0.40%	The description is mainly on the Company's provision for inventory depreciation	No
Non-operating income	14,227,568.48	0.31%	The description is mainly on the business income that has nothing to do with daily business activities during the reporting period	No
Non-operating expense	20,943,094.87	0.46%	The description is mainly on that donation expenditures and other expenditures that have nothing to do with daily business activities during the reporting period	No

IV. Analysis of assets and liabilities**1. Major changes in asset composition**

The Company implemented the new revenue criteria or the new lease criteria for the first time since 2020 and adjust and implement the relevant items of the financial statement at the beginning of the year

√ Applicable

Currency Unit: RMB

	End of 2020		Beginning of 2020		Increase or decrease in proportion	Description of major changes
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Monetary capital	10,078,983,803.86	10.92%	7,439,884,788.19	8.67%	2.25%	
Accounts receivable	3,879,744,130.04	4.21%	5,890,241,538.78	6.87%	-2.66%	
Inventories	9,650,858,867.17	10.46%	9,153,238,548.05	10.67%	-0.21%	
Long-term equity investments	10,062,484,360.52	10.91%	9,260,247,813.26	10.80%	0.11%	
Fixed assets	41,579,728,480.95	45.07%	38,775,633,926.67	45.21%	-0.14%	
Construction in progress	7,801,532,982.72	8.46%	3,690,131,551.30	4.30%	4.16%	
Short-term loans	26,482,672,125.98	28.70%	23,323,906,006.56	27.20%	1.50%	
Long-term loans	16,609,903,029.23	18.00%	12,733,302,561.13	14.85%	3.15%	

2. Assets and liabilities measured at fair value

Currency Unit: RMB

Item	Beginning balance	Ending balance
Financial assets		
1. Transactional financial assets (excluding derivative financial assets)	149,692,516.20	251,904,308.53
2. Derivative financial assets	409,150,395.76	737,015,777.82
3. Other equity instruments investment	600,000.00	5,600,000.00

Subtotal of financial assets	559,442,911.96	994,520,086.35
Financial liabilities	1,399,903.27	145,909,776.80

Other changes

During the reporting period, whether the Company's main asset measurement attributes have changed significantly

Yes No

3. Restricted asset rights as of the end of the reporting period

Item	Book value at the end of the year	Reason for restriction
Monetary capital	2,892,657,855.69	Security deposit
Notes receivable and receivables financing	381,803,585.87	Acceptance bills pledged
Long-term equity investments	5,189,280,189.32	Mortgage loan
Fixed assets	21,933,701,563.05	Sale and leaseback, financing leases, mortgage loans
Intangible assets	638,649,800.63	Mortgage loans, financing lease guarantees
Construction in progress	4,292,913,047.10	Mortgage loans, financing lease guarantees
Total	35,329,006,041.66	--

V. Investment status**1. General condition**

Investment amount during the reporting period (yuan)	Investment in the same period last year (yuan)	Amount of variation
3,743,354,861.36	3,565,393,011.36	4.99%

2. Major equity investments obtained during the reporting period

Currency Unit: RMB 10,000

Name of investee	Main business	Investment mode	Amount Invested	Shareholding Ratio	Capital source	Partner	Investment period	Product type	Progress as of the balance sheet date	Estimated income	Profit and loss of current investment	Whether involved in a lawsuit	Disclosure date (if any)	Disclosure index (if any)
Yisheng New Material	Petroleum products, chemical products, production and sales, etc.	Capital increase	5,000	50%	Self-owned funds	Ningbo Zhongjin Petrochemical Co., Ltd.	Expendable	Petroleum products, chemical products	Completed	/	2,576.89	No	July 17, 2019	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206451916&announcementTime=2019-07-17
Dongzhan Shipping	Water transport	Acquisition	13,246.19	30%	Self-owned funds	Wanxiang Group Company, Zhejiang Rongtong Logistics Co., Ltd., Chen Shenghong	Expendable	Water transport	Completed	/	870.90	No	January 17, 2020	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gsz0000703&stockCode=000703&announcementId=1207257962&announcementTime=2020-01-17
Total	--	--	18,246.19	--	--	--	--	--	--	/	3,447.79	--	--	--

3. Significant non-equity investment in progress during the reporting period

Currency Unit: RMB

Item	Investment mode	Whether it is a fixed asset investment	The industry involved with investment project	Amount invested in this reporting period	Cumulative actual investment amount as of the end of the reporting period	Capital source	Project progress	Disclosure date (if any)	Disclosure index (if any)
Brunei PX Project Promote	Self-built	Yes	Chemical raw materials	1,945,445,827.09	1,945,445,827.09	Self-financing	100%	/	/
Brunei Refining and Petrochemical Project Phase II	Self-built	Yes	Chemical raw materials	321,943,808.62	402,295,413.64	Self-financing	0.38%	September 16, 2020	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208444483&announcementTime=2020-09-16
New type functional fiber project with an annual output of 566,000 tons of Fujian Yijin Chemical Fiber Co., Ltd.	Self-built	Yes	Polyester	863,277,779.84	924,046,018.56	Self-raised and borrowing	91%	August 29, 2020	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208325104&announcementTime=2020-08-29
Haining New Material's annual production capacity of 500,000 tons of new functional fiber technological transformation project	Self-built	Yes	Polyester	4,844,273,114.87	6,612,617,682.85	Self-raised and borrowing	72%	August 29, 2020	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208325105&announcementTime=2020-08-29
Differential functional fiber	Self-b	Yes	Polyester	966,302,305.42	2,564,522,334.88	Self-raised and	100%	/	/

Item	Investment mode	Whether it is a fixed asset investment	The industry involved with investment project	Amount invested in this reporting period	Cumulative actual investment amount as of the end of the reporting period	Capital source	Project progress	Disclosure date (if any)	Disclosure index (if any)
upgrading project of Jiaxing Yipeng Chemical Fiber Co., Ltd.	uilt					borrowing			
Total	--	--	--	8,941,242,835.84	12,448,927,277.02	--	--	--	--

4. Financial asset investment

(1) Securities investment

There was no securities investment in the Company during the reporting period.

(2) Situation of hedging business

Currency Unit: RMB 10,000

Types of hedging investments	Initial investment amount of hedging investment	Starting date	Expiration date	Investment amount at the end of the period	The proportion of the investment amount at the end of the period to the Company's net assets at the end of the reporting period	Actual profit and loss amount during the reporting period
Foreign exchange hedging	64,885	1/2/2020	4/23/2021	107,916	4.50%	-213
Commodity hedging	58,161	1/2/2020	9/30/2021	90,491	3.77%	48,988
Total	123,047	--	--	198,407	8.26%	48,775
Sources of funds for hedging investments	Company's own funds					
Litigation involved (if applicable)	None					
Disclosure date of the board of directors' announcement for approval of hedging investment (if any)	January 17, 2020					
Disclosure date of the announcement of the shareholders meeting for hedging investment approval (if any)	February 8, 2020					
Risk analysis and control measures for hedging positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal	1. Market risk: When the market changes drastically, the Company may not be able to fully lock the price of raw materials or products, causing losses. 2. Liquidity risk: Operational command for Commodity hedging transactions is issued within the authority specified in the Company's "Commodity Derivatives Transaction Management System". If the market fluctuates too much, it may result in forced liquidation due to insufficient time to replenish the margin. 3. Operational risk: Due to the strong professionalism and complexity of futures and forward transactions,					

risk, etc.)	<p>there may be accidental losses due to defects in the information system or internal control. 4. Credit risk: When the price has a significant fluctuation that is unfavorable to the counterparty, the counterparty may violate the relevant provisions of the contract and cancel the contract, causing the Company to lose. 5. Legal risk: Due to changes in the relevant legal system or the counterparty's violation of the relevant legal system, the contract may not be executed normally, which cause the loss to the Company. Risk control measures adopted by the Company: The Company's board of directors has reviewed and approved the "Foreign Exchange Derivatives Transaction Management System" and "Commodity Derivatives Transaction Management System", which stipulate that the Company engages in hedging investment business, with the hedging as the main purpose and the speculation and arbitrage trading is prohibited. The Company's business operation principles, approval authority, internal review process, responsible department and responsible person, information isolation measures, internal risk reporting system and risk handling procedures, etc. are stated in the system, which meets the relevant requirements of the regulatory authorities and meets the needs of actual operations. The specified risk control measures are practical and effective.</p>
For the changes in market prices or product fair values during the reporting period for invested hedging, the analysis of the fair value of hedging should disclose the specific methods used and related assumptions and parameter settings	<p>The market price or the fair value of the product changes during the reporting period. The analysis of the fair value of hedging should disclose the specific methods used and the setting of related assumptions and parameters. During the reporting period, the Company's hedging investment affected the current profit and loss amount: RMB 487.75 million. The Company's hedging investment is priced at fair value, and forward foreign exchange is basically determined at the price provided or obtained by banks, Reuters systems and other pricing service agencies. The Company conducts fair value measurement and confirmation every month; the transaction price of futures is fair price.</p>
An explanation of whether the Company's hedging accounting policies and specific accounting principles have changed significantly during the reporting period compared with the previous reporting period	<p>No. According to relevant regulations and guidelines of the Ministry of Finance, "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 24-Hedging", "Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets", "Enterprise Accounting Standard No. 37-Financial Instruments Presentation", the Company carries out corresponding accounting treatments for the hedging investment business carried out, and reflect the relevant items of the balance sheet and the income statement.</p>
Independent directors' special opinions on the Company's hedging investment and risk control	<p>The Company's hedging investment business for the purpose of hedging is closely related to the Company's daily operating needs and complies with relevant laws and regulations. The Company has established the "Foreign Exchange Derivatives Transaction Management System" and "Commodity Derivatives Transaction Management System" strengthens risk management and control, which is conducive to improving the Company's ability to resist market risks, and there is no situation</p>

	that harms the interests of the Company and all shareholders.
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5. Use of raised funds

(1) Overall use of raised funds

Currency Unit: RMB 10,000

Year of Raising	Recruitment method	Total funds raised	The total amount of funds raised has been used during the reporting period	The accumulative total amount of funds raised has been used	The total amount of funds raised for change of purpose during reporting period	Cumulative total amount of funds raised for change of purpose	Proportion of the total amount of funds raised for the cumulative change of purpose	The total amount of funds raised has not been used	The purpose and destination of the raised funds not yet used	Amount of funds raised after being idle for more than two years
2016	Non-public issuing of shares in 2015	376,562.33	0	377,633.81	0	0	0.00%	0	/	0
2019	Issue shares to purchase assets and raise matching funds	291,091.12	4,849.09	288,705.07	156,300	156,300	53.69%	4,415.54	As of December 31, 2020, RMB 44,155,400 is temporarily stored in the Company's special account for raised funds, the raised funds are ready to be used for intelligent upgrading and transformation and differential fiber energy-saving and consumption-reducing	0

									upgrading projects.	
2020	Public issuance of convertible corporate bonds in 2020	198,737.74	198,737.74	198,737.74	0	0	0.00%	239.77	As of December 31, 2020, the Company has raised funds in the special account balance of RMB 2,397,700.	0
2020	Corporate bond	99,550.00	99,550.00	99,550.00	0	0	0	0	/	0
Total		965,941.19	303,136.83	964,626.62	156,300.00	156,300.00	16.18%	4,655.31		0
Description of the overall use of raised funds										
<p>Approved by the China Securities Regulatory Commission Securities Regulatory Commission [2016] No. 1320 document, and approved by the Shenzhen Stock Exchange, the Company non-publicly issued 316,666,666 RMB ordinary shares (A shares) to eligible investors, approved by Ruihua Certified Public Accountants (The special general partnership) verified that a total of RMB 3,799,999,992.00 was raised. After deducting the underwriting sponsorship fee and related issuance expenses, the Company's net fund raised this time was RMB 3,765,623,325.33. As of December 31, 2019, the Company has used the raised funds of RMB 3,776,338,100, of which: RMB 333,207,300 was used in 2016, RMB 3,208,492,800 was used in 2017, and 234,637,900 yuan was used in 2018. The funds raised in this period are all used in the Brunei PMB petrochemical project.</p> <p>Approved by the China National Securities Supervision and Management Committee [2018] No. 1937 document, and approved by the Shenzhen Stock Exchange, the Company non-publicly issued 213,768,115 RMB ordinary shares (A shares) to eligible investors, approved by Ruihua public accounting firm (special general partnership) that a total of RMB 2,949,999,987.00 was raised. After deducting brokerage underwriting expenses and related issuance expenses, the actual net amount of raised funds was RMB 2,910,911,218.99. As of December 31, 2020, the Company has used the raised funds of RMB 2838.5598 million.</p> <p>Approved by the China Securities Regulatory Commission Securities Regulatory Commission [2020] No. 522 and approved by the Shenzhen Stock Exchange, the Company publicly issued 20 million convertible corporate bonds to eligible investors, each with a face value of 100 yuan and a total bonds issued is RMB 2 billion, and the price of transferring share is 11.50 yuan per share, which will be listed on the Shenzhen Stock Exchange on November 16, 2020. The total amount of funds raised from the public issuance of convertible corporate bonds reaches RMB 2 billion. After deducting the underwriting and sponsorship fees of RMB 11 million</p>										

that have been paid, the remaining amount of RMB 1,989 million will be used for the annual production of 1 million tons of intelligent environmental protection functional fiber construction project" conducted by Haining Hengyi New Materials Co., Ltd.

Approved by Securities Regulatory License issued by China Securities Regulatory Commission [2018] No. 2141, and approved by the Shenzhen Stock Exchange, the Company publicly issues corporate bonds of no more than RMB 3 billion to qualified investors. "20 Hengyi 01" was issued on March 11, 2020. After deducting the underwriting fee, RMB 995.50 million was raised to repay the Company's interest-bearing debts and supplement liquidity.

(2) Projects committed to raising funds

Currency Unit: RMB 10,000

Committed investment projects and project targeted by over-raised funds	Whether the project has been changed (including some changes)	Total committed investment of raised funds	Adjusted total investment (1)	Amount invested in this reporting period	Cumulative investment amount as of the end of the period (2)	Investment progress as of the end of the period (3) = (2)/(1)	Date when the project reaches its intended usable status	Benefits realized during the reporting period	Whether to achieve the expected benefits	Whether the project feasibility has changed significantly
Committed investment projects										
Brunei PMB Petrochemical Project	No	376,562.33	376,562.33	0	377,633.81	100.28%	November 2019	\$6,919.50	No	No
Upgrading and transformation project of differential functional fiber with an annual output of 500,000 tons	No	No more than 93,500	93,500	0	93,647.49	100.16%	August 2020	2,919.83	No	No
Intelligent upgrading project	No	No more than 28,170	28,170	3,725.86	25,541.41	90.67%	N/A	N/A	N/A	No
Differential fiber energy saving and consumption reduction upgrading and transformation project	No	No more than 8,500	8,500	0	8,399.34	98.82%	May 2019	N/A	N/A	No
Environmental protection functional	Yes	No more than 141,500	416.05	0	416.05	100.00%	N/A	N/A	N/A	No

fiber upgrading project with an annual output of 250,000 tons										
Intelligent upgrading project	Yes	No more than 20,500	5,283.95	153.64	3,406.99	64.48%	N/A	N/A	N/A	No
Intelligent environmental protection functional fiber construction project with an annual output of 1 million tons	No	No more than 200,000	200,000	198,737.74	198,737.74	99.37%	Part of the planned availability in 2020	7,124.19	N/A	No
Subtotal of committed investment projects	--	No more than 868,732.33	712,432.33	202,617.24	707,782.83	--	--	--	--	--
Project targeted by over-raised funds		0	0	0	0			/		
Total		No more than 868,732.33	712,432.33	202,617.24	707,782.83			/		
Circumstances and reasons for not reaching the planned schedule or expected benefits (by specific projects)	None									
Description	N/A									

of major changes in the feasibility of the project	
The amount, purpose and use progress of over-raised funds	N/A
Changes in the implementation location of fund-raising investment projects	N/A
Adjustments to the implementation of fund-raising investment projects	N/A
	Applicable
Preliminary investment and replacement of raised funds investment projects	<p>According to the Proposal on the Company's Public Issuance of Convertible Corporate Bonds approved by the Company's 29th meeting of the 10th Board of Directors on April 25, 2019 and the resolution of 2018 Annual General Meeting of Shareholders on May 9, 2019, it is agreed that before the funds raised from the issuance of convertible corporate bonds are fully funded, if the Company has used self-raised funds to invest in the construction of the above-mentioned projects, it shall be replaced in accordance with the procedures prescribed by relevant laws and regulations after the funds raised are fully funded. As of October 23, 2020, the Company invested RMB 4,606,157,244.19 of self-raised funds in advance into the above-mentioned raised funds investment project, deducting RMB 756,000,000.00 from the non-public issuance of RMB common stocks raised by the Company to specific targets on January 30, 2019, as the supporting funds for the construction of intelligent environmentally-friendly functional fibers with an annual output of 1 million tons, the remaining amount is RMB 3,850,157,244.19. The Company decided to replace the self-raised funds of RMB 1,987,377,358.49 with the raised funds for the investment projects invested in advance. As of December 31, 2020, the Company has replaced the self-raised funds of RMB 1,987,377,358.49.</p>

Temporarily supplement liquidity with idle raised funds	N/A
The amount and reason of the fund-raising balance in the implementation of the project	N/A
Use and destination of unused raised funds	As of December 31, 2020, the raised funds of RMB 44,155,400 temporarily stored in the Company's special fund-raising account are ready to be used for intelligent upgrading and transformation projects, differential fiber energy-saving and consumption-reducing upgrading and transformation projects, and the temporary storage of RMB 2,397,700 is used for intelligent environmental protection functional fiber construction projects.
Problems or other circumstances in the use and disclosure of raised funds	N/A

(3) Changes in the projects with raised funds

The project after change	Corresponding original commitment	The total amount of funds to be invested in the project after the change (1)	Actual investment amount during the reporting period	Actual cumulative investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its intended usable status	Benefits realized during the reporting period	Whether to achieve the expected benefits	Whether the feasibility of the project after the change has changed significantly
Intelligent environmental protection	upgrading and transformation projects with an annual output of	75,600	969.59	76,593.79	101.31%	Part of the planned	7,124.19	N/A	No

functional fiber construction project with an annual output of 1 million tons	250,000 tons of environmentally friendly functional fiber, intelligent upgrading and transformation projects (Taicang Yifeng)					availab ility in 2020			
Acquired 100% equity of Hangzhou Yijing Chemical Fiber Co., Ltd.	upgrading and transformation projects with an annual output of 250,000 tons of environmentally friendly functional fiber, intelligent upgrading and transformation projects (Taicang Yifeng)	80,700	0	80,700	100.00%	N/A	7,023 .19	N/A	No
Total	--	156,300	969.59	157,293.79	--	--	14,14 7.38	--	--
Explanation of reasons for change, decision-making procedures and information disclosure (by specific items)	In order to improve the efficiency of the use of raised funds, the Company held the 29th meeting of the tenth board of directors on April 25, 2019. The "Proposal on Changing the Use of Part of the Raised Funds and Related Transactions" was reviewed and adopted, and the use of raised funds for the environmentally friendly functional fiber upgrading project (Phase II) with annual production of 250,000 tons and intelligent upgrading project (Taicang Yifeng) was cancelled, the remaining funds raised from these two projects will be invested in new projects.								
The situation and reasons for not reaching the planned progress or expected benefits (by specific projects)	N/A								
Explanation of major changes in the feasibility of the project after the change	N/A								

VI. Major assets and equity sales

1. Sales of major assets

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

2. The sale of major equity

□ Applicable √ Not applicable

7. Analysis of major holding and shareholding companies

Major subsidiaries and shareholding companies that have an impact on the Company's net profit by more than 10%

Currency Unit: RMB 10,000

Company Name	Type of subsidiary	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Hengyi Brunei	Subsidiary	Refining and petrochemical	1 billion US dollars	3,635,668.24	734,242.95	2,321,258.54	47,853.39	47,747.33
Zhejiang Yisheng	Subsidiary	PTA	514,447,100 US dollars	1,565,487.2	871,522.55	2,352,467.7	152,596.71	109,630.01
Ningbo Hengyi Trade	Subsidiary	PTA	2,000	284,035.83	92,440.2	1,431,043.73	74,217.78	67,946.74
Yisheng Investment	Joint stock company	PTA	201,800	1,682,012.42	771,515.6	2,536,416.86	122,694.19	109,206.53
Hainan Yisheng	Joint stock company	PTA	358,000	1,021,744.86	397,725.04	1,808,764.93	115,573.2	98,267.26
Hengyi Polymer	Subsidiary	Polyester chips, POY, etc.	28,074	252,542.03	104,801.11	349,464.95	11,797.92	10,768.95
Hengyi Hi-tech	Subsidiary	Polyester chips, POY, etc.	275,725	1,117,219.86	495,420	988,395.09	33,737.05	32,287.47
Taicang Yifeng	Subsidiary	POY	77,100	229,654.21	109,060.52	245,351.87	14,353.29	10,920.28
Shuangtu New Material	Subsidiary	POY, FDY, chips	60,000	423,595.34	201,498.38	599,804.4	30,056.05	29,155.51
Hangzhou Yijing	Subsidiary	FDY, POY, DTY, chips	100,000	298,796.88	108,196.54	337,406.72	8,482.07	7,023.19

Jiaxing Yipeng	Subsidiary	FDY	300,000	438,160.42	276,041.42	354,682.88	17,770.01	14,950.54
Hengyi Limited	Subsidiary	DTY	300,000	3,523,380.86	775,873.77	3,719,091.6	101,169.04	101,404.67
Hengyi caprolactam	Subsidiary	CPL	120,000	584,030.14	228,962.04	537,192.95	32,633.96	21,365.03
Hong Kong Tianyi	Subsidiary	Investment and trade	150,950 US dollars	3,658,052.13	1,226,682.38	2,473,752.13	16,607.18	16,074.76
China Zheshang Bank	Joint stock company	Finance	2,126,870	204,822,500	13,254,300	4,770,300	1,447,100	1,255,900

Acquisition and disposal of subsidiaries during the reporting period

Company Name	Methods of acquiring and disposing of subsidiaries during the reporting period
Guangxi Hengyi New Material Co., Ltd.	Acquisition
Guangxi Hengyi Shunqi Trading Co., Ltd.	Establishment
Jiaxing Hengyu Trading Co., Ltd.	Establishment
Hainan Hengjing Trading Co., Ltd.	Establishment
Haining Lantai New Material Co., Ltd.	Establishment
Hangzhou Yitong New Material Co., Ltd.	Establishment
Haining Yixin Logistics Co., Ltd.	Establishment
Hangzhou Jingxin Supply Chain Management Co., Ltd.	Establishment
Guangxi Hengyi Environmental Technology Co., Ltd.	Establishment
Zhejiang Hengyi Hanlin Real Estate Co., Ltd.	Establishment
Ningbo Hengyi Logistics Co., Ltd.	Disposal

Description of the main holding and shareholding companies

(1) Hengyi Limited

The Company directly holds 99.72% of the shares of Zhejiang Hengyi Petrochemical Co., Ltd. (actually enjoys 100% equity), and Hengyi's registered capital is RMB 3 billion. The Company's business scope is the production, processing and sales of chemical fibers, chemical raw materials

(excluding dangerous goods); operating import and export business.

(2) Zhejiang Yisheng

The Company holds 70% of Zhejiang Yisheng Petrochemical Co., Ltd. shares through Zhejiang Hengyi Petrochemical Co., Ltd. Zhejiang Yisheng has a registered capital of US\$514,447,100. The Company's business scope: Production of purified terephthalic acid (PTA) and sales of self-produced products. The Company currently has three large-scale PTA production lines with actual PTA production capacity of 5 million tons per year and PIA production capacity of 30 million tons.

(3) Ningbo Hengyi Trading

The Company holds a total of 70% of Ningbo Hengyi Trading Co., Ltd. shares through Zhejiang Hengyi Petrochemical Co., Ltd.. Ningbo Hengyi Trading has a registered capital of RMB 20 million. The Company's business scope: Wholesale of hazardous chemicals (instruments trade) (Please refer to YLAJ (2018) 0084 "Dangerous Chemicals Business Permit" for details of the business scope) (within the validity period of the permit). Wholesale and retail of chemical raw materials and products; self-operate and act as agent for the import and export business of various goods and technologies (except for goods and technologies that are restricted by the state or prohibited for import and export).

(4) Yisheng Investment

The Company holds a total of 30% of Dalian Yisheng Investment Co., Ltd. shares through Zhejiang Hengyi Petrochemical Co., Ltd. Yisheng Investment has a registered capital of RMB 2.018 billion. The Company's business scope: Project investment, domestic general trade, import and export of goods, import and export of technology, intermediary agency of trade.

(5) Hainan Yisheng

The Company holds 50% of Hainan Yisheng's shares through Zhejiang Hengyi Petrochemical Co., Ltd. Hainan Yisheng has a registered capital of RMB 3.58 billion. The Company's business scope covers the production, processing, wholesale and retail of purified terephthalic acid, polyester chips, polyester bottle flakes, polyester staple fiber, POY yarn, FDY yarn, crude cobalt manganese oxide, chemical fiber raw material; operation of p-xylene (PX), acetic acid, ethylene glycol;

self-operate and act as agent for import and export of various commodities and technologies. Terminal facility operations, loading and unloading general cargo services in the jetty area, jetty tugboat operations, ship service business operations, providing ships with fresh water, ship pollutants (oily sewage, residual oil, tank washing water, domestic sewage and garbage) reception and containment Oil boom supply service.

(6) Hengyi Polymer

The Company holds 53.43% of the shares of Zhejiang Hengyi Polymer Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. (actually holds 60% of the shares). The registered capital of Hengyi Polymer reaches RMB 280.74 million. The Company's business scope covers the production, processing and sales of polyester chips, POY yarn, chemical fiber raw materials, textile fabrics, and clothing. Since May 2001, the Company took the lead in investing in domestically-made melt direct spinning production lines in China.

(7) Hengyi High-tech

The Company holds 90.67% of the equity of Zhejiang Hengyi High-tech Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. The business scope of Hengyi High-tech: Production, processing and sales of polyester chips, POY yarn, FDY yarn, chemical fiber raw materials; operating the export business of the Company's self-produced products and technologies and the import business of self-use products and technologies (the items prohibited or restricted by national laws and regulations excluded); all other legal projects that do not need to be submitted for approval.

(8) Hengyi Caprolactam

The Company holds 50% equity of Zhejiang Baling Hengyi Caprolactam Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Baling Hengyi caprolactam has a registered capital of RMB 1.2 billion, and its business scope: Preparation for the production of caprolactam, cyclohexane, cyclohexanone, cyclohexanol, ammonium sulfate, soda ash, sulfuric acid, hydrogen peroxide solution and other downstream products produced by benzene hydrogenation, chemical raw materials project.

(9) Hong Kong Tianyi

The Company holds 100% equity of Hong Kong Tianyi International Holdings Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Hong Kong Tianyi has a registered capital of US\$1,509.5 million, and its business scope involves investment and trade.

(10) Hengyi Brunei

The Company holds 70% equity of Hengyi Industries Sdn Bhd. through Hong Kong Tianyi International Holdings Co., Ltd. Hengyi Brunei has a registered capital of US\$1 billion, and its business scope: petroleum refining. After the Company is established, it will have a crude oil processing design capacity of 8 million tons per year.

(11) Zheshang Bank

The Company, through its subsidiary Zhejiang Hengyi Petrochemical Co., Ltd. and its indirect subsidiary Zhejiang Hengyi High-tech Material Co., Ltd., holds a total of 748,069,283 shares in Zheshang Bank, accounting for 3.52% of the total share capital of Zheshang Bank. Business scope: Operating financial business (see the approval of the China Banking and Insurance Regulatory Commission for details). The Company was duly established in 2004 and is one of the 12 national joint-stock commercial banks approved by the China Banking and Insurance Regulatory Commission. Zheshang Bank was listed on the main board of the Hong Kong Stock Exchange on March 30, 2016, stock symbol: 02016.HK; and it was listed on Shanghai Stock Exchange on November 26, 2019, stock symbol: 601916.SH.

(12) Jiaxing Yipeng

The Company holds 100% equity of Jiaxing Yipeng Chemical Fiber Co., Ltd. Jiaxing Yipeng has a registered capital of 3 billion yuan and is mainly engaged in the production and sales of civil polyester filaments and fiber-grade polyester chips. Its products are mainly FDY and fiber-grade polyester chips.

(13) Taicang Yifeng

The Company holds 100% equity of Taicang Yifeng Chemical Fiber Co., Ltd. With a registered capital of RMB 771 million, Taicang Yifeng is mainly engaged in the production and sales of civil polyester filaments and fiber-grade polyester chips. The products are mainly POY and fiber-grade polyester chips.

(14) Shuangtu New Material

The Company holds 100% equity of Zhejiang Shuangtu New Material Co., Ltd. With a registered capital of 60 million yuan, Shuangtu New Material is mainly engaged in the production and sales of civil polyester filaments and fiber-grade polyester chips. The products are mainly FDY, POY and fiber-grade polyester chips.

(15) Hangzhou Yijing

The Company holds 100% equity of Hangzhou Yijing Chemical Fiber Co., Ltd. With a registered capital of RMB 1 billion, Hangzhou Yitong is mainly engaged in the production, processing and sales of polyester chips, polyester filaments, chemical fiber raw materials, etc. The main products are FDY, POY and DTY.

VIII The situation of the structured entities controlled by the Company

Applicable Not applicable

IX. Prospects for the Company's future development**1) Development strategy of Company**

The Company proactively adapts to economic changes, reshapes entrepreneurial passion, and strictly observes the two bottom lines of legal compliance and safe production. Be firm in development concept, adhere to the unchanged direction of industry strategy. The Company continues to insist on consolidating, highlighting and optimizing the core competitiveness of the main business, promote intelligent manufacturing, implement lean production, increase scientific research and innovation, improve product quality, enhances operational efficiency, expand and strengthen the petrochemical fiber industry chain, and improve the industrial chain driven by dual wheels of "polyester + polyamide", deepens the multi-level and three-dimensional industrial layout of "Petrochemical +". In 2021, the Company will rely on its strategic development plan to further consolidate and enhance the main competitiveness of petrochemicals, realize resource sharing, industrial coordination, and comprehensively enhance comprehensive competitiveness, and strive to build the Company into one of the world's first-class petrochemical industry groups.

2) **Industry Outlook**

See section IV I. Overview (I) Discussion and analysis of business conditions

3) **The Company's operational pattern outlook for 2021**

1. Based on the Company's strategic development plan, steadily promote the construction of Brunei Project Phase II

Based on the successful completion of the established goals and tasks of the Hengyi Petrochemical Plan in 2020, the Company proposes to position itself as a world-class petrochemical-chemical fiber integrated service provider based on the high-quality development requirements of the new era and the new pattern of industrial development, and systematically create the strategic development plan with upstream and downstream synergy, domestic and foreign linkages and comprehensive competitiveness of matching software and hardware.

2. Create a digital benchmark for the polyester industry and realize the high-quality development of the "polyester + polyamide" industry

The polyester industry is in a critical period of supply-side structural reform and transformation and upgrading, and the profit of the industrial chain continues to restructure. With the full commissioning of the Brunei Refining and Petrochemical project and the planning and construction of the Project Phase II, the Company's unique "one drop of oil, two pieces of yarn" industrial layout has been gradually improved, which has laid sound foundation for further enriching the Company's product categories and improving its product structure to create differential competitiveness. According to the Company's strategic development plan, the Company will focus on the construction of a "5+2+1" production base, continue to expand the scale of upstream and downstream industries, and further highlight the industry positioning with downstream polyester as the development core based on the integration of the industrial chain and the drive of polyester and polyamide. With the further deepening of the combination of big data applications and industrial production, the role of high-end technology in promoting the future development of the industry has become more prominent. The Company will continue to uphold the transformation concept of "manufacturing" to "intelligent manufacturing", always focus on

enhancing industrial competitiveness, resolutely implement strategic planning, and actively implement the development and upgrading of the polyester industry.

3. Enhance industrial synergy and improve the integrated management of the supply chain

In 2021, the Company will continue to adhere to the cost-quality leadership strategy, strengthen management, and improve product quality through lean production. Clarify the market positioning and product structure, plan the market promotion cycle and customer introduction and expansion strategies, and increase the number of quality-oriented customers. Strengthen the linkage between production and sales, improve product quality, and play a leading role in the market.

The Company will take the strengthening of the intelligent supply chain system as the starting point, take customer demand as the starting point, and take customer satisfaction as the goal, build an intelligent system from production line-product-warehouse-logistics-customer, and adopt system judgment instead of human judgment for order processing, to optimally configure customer needs, provide customers with the most suitable products and most desirable services, establish a customer demand-oriented supply chain integration system, and finally achieve closed-loop management of production, supply, marketing and logistics.

At the same time, the Company will continue to promote the synergy between the upper, middle and lower reaches of the industrial chain, multiple manufacturing bases, production, sales and research, and domestic and foreign platforms, so that the synergy is no longer limited to the mining of economies of scale, and more attention is paid to integrating potential scope economic benefits and developing better product mix, integrating R&D capabilities, optimizing the supply chain, and exquisite management processes continue to explore synergies. The Company will establish and improve the coordination mechanism and evaluation and incentive mechanism, and make full use of new technologies and platform strategies to create "lean production" and realize the Company's unified deployment and coordinated integration of the resources of its subsidiaries.

4. Focus on improving the intensity of scientific research and innovation and promote breakthroughs in industrialization

In 2021, the Company will focus on the industrial layout, continue to increase investment in

product, technology and management innovation, fully support scientific and technological innovation-driven development, strengthen R&D and innovation's continuous contribution to the Company's production, operation, and development, and strive to make more achievements in key technologies and equipment innovation and the research and development of high-value-added differential products, to build a world-class research and development base for key common technologies and high-end chemical products in the integration of refining and chemical industry.

To ensure the high-quality development of R&D and innovation work, the Company will promote the construction of two major sub-platforms with supporting special mechanisms—production, marketing and research integrated platform & school-enterprise cooperation platform. The Company will give full play to the functional positioning and advantages of linkage with universities and scientific research institutes, participate in basic research through various forms and channels, carry out scientific and technological collaboration at the front end, promote application implementation at the back end, and create a flexible mechanism with strong R&D motivation, high conversion efficiency, smooth management and operation, continuously generates new results, promotes the transformation of results, and actively acts on back-end innovation to build a multi-agent collaborative innovation ecosystem of technological innovation, application demonstration, talent training, model innovation and business integration.

5. Deepen the reform of the organizational system and shape a culture of co-creation and sharing of strugglers

In 2021, the Company will continue to unswervingly promote organizational reforms, build and improve continuously a young, professional, and international elite team, deepen continuously sector management, and explore the establishment of a sectorized operation mechanism with elasticity through a scientific division of labor system and performance management system, give full play to the initiative of the operating entities. The Company will continue to deepen the reforms of engineering management, scientific research framework, production sector and audit management to build an innovative, active, collaborative and efficient operating system.

In order to improve the incentive and innovation mechanism, the Company's fourth phase of employee stock ownership plan was reviewed and approved by the Company's board of directors on

April 1, 2021. The Company plans to implement a total employee stock ownership plan of no more than RMB 1.4 billion. The employee stock ownership plan is orientated at company directors, supervisors, senior managers, regular employees of the Company and its subsidiaries, etc. with the total number of personnel of not exceeding 4,011.

4) Risks and countermeasures

1. Macroeconomic risks

The Company is engaged in the production and sales of petrochemical and polyester fiber products. The petrochemical and polyester chemical fiber industry is closely related to the world economy and domestic economic development. Its product prices and sales are affected by factors such as macroeconomic fluctuations and changes in supply and demand. With the acceleration of economic globalization and integration, national macro-control and cyclical fluctuations in the world economy will have an impact on the development of the industry. If the global economic growth slows down or a recession occurs, it will directly affect the Company's business, operating performance and financial status.

2. Safety and environmental protection production risks

With the increasing awareness of environmental protection and stricter environmental protection requirements of the government, the Company strictly implements and carries out the "Safety Production Law of the People's Republic of China", "Environmental Protection Law of the People's Republic of China" and other related laws and regulations, has been committed to assume safe and environmentally production and fulfill social responsibility. Since the operation of the main production body, there has been no significant safety and environmental protection production events. With the expansion of the Company's production scale and the extension of the industry chain, how to prevent the occurrence of safety and environmental accidents is the focus of the Company's management work.

In order to reduce the industry safety and environmental protection production risks, the Company takes the strengthening of the organization and system construction as the starting point, further implements the safety and environmental protection production responsibility system.

According to the arrangements of national 1, 2, and 3 safety standardization, the Company actively carries out safety standardization compliance acceptance, focusing on building a safety standard management system. The Company shall implement the dual preventive work mechanism of hierarchical management and control of safety risks and the detection and management of hidden dangers, strengthen safety training, increase safety investment, implement the strategy of promoting safety and security through science and technology, promptly remove hidden safety and environmental hazards, and eliminate all possibilities of major accidents.

3. The risk of large fluctuations in crude oil prices

The Company is a leading refining and chemical fiber enterprise in China. The cost composition of the industrial chain in which more than 80% is determined by upstream raw materials, and the fluctuation of crude oil prices will affect the price fluctuations of various products in the industrial chain, which intensifies the uncertainty of raw material costs and operating costs, as well as the accompanying increase in sales risks and fluctuations in corporate benefits. In 2021, the Company will continue to optimize its inventory strategy to reduce the adverse impact of product price fluctuations in the industrial chain caused by crude oil price fluctuations on business operations.

X. Reception of research, communication, interviews and other activities

1. Registration form for reception of research, communication, interviews and other activities during the reporting period

Reception time	Reception location	Reception method	Reception object type	Reception object	The main content of the discussion and the information provided	Index of the basic situation of the survey
January 6, 2020	Company	Field research	Institution	Staff of 50 institutions including Everbright	On the premise of avoiding selective disclosure, public information such as industry status, company business	Please refer to the Hengyi Petrochemical's Investor Relations

				Securities and Shenwan Hongyuan Group CO., LTD	development and future development plans are communicated and exchanged. No paper materials are provided.	Activity Record Form on irm.cninfo.com.cn on January 6, 2020
January 13, 2020	Company	Field research	Institution	Staff of 3 institutions including HSBC Qianhai and HSBC Asia Pacific	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on January 13, 2020
February 4, 2020	Company	Telephone communication	Institution	3W Fund Staff of 42 institutions including Sinolink Securities and 3W Fund	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on February 04, 2020
February 19, 2020	Company	Telephone communication	mechanism Institution	Staff of 11 institutions including China Securities Cooperation	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn

				and Zizhu Investment	communicated and exchanged. No paper materials are provided.	on February 19, 2020
February 19, 2020	Company	Telephone communication	Institution	Staff of 8 institutions including Merchants Securities, E Fund, Yinhua etc.	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on February 19, 2020
April 28, 2020	Company	Telephone communication	Institution	Staff of 18 institutions including CITIC Securities, CITIC Capital and Yingda Insurance	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on April 28, 2020
April 28, 2020	Company	Telephone communication	Institution	Staff of 30 institutions including TF Securities and Ping An Asset Management Co., Ltd.	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on April 28, 2020

May 6, 2020	Com pany	Telep hone com muni catio n	Institut ion	20 institutions including CICC, CITIC Capital and Merchant Fund	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on April 28, 2020
May 13, 2020	Com pany	Telep hone com muni catio n	Institut ion	29 institutions including Shenwan Hongyuan, Wanjia Fund, Xingquan Fund	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on May 13, 2020
July 9, 2020	Com pany	Telep hone com muni catio n	Institut ion	16 institutions including Wanjia Fund, Huatai-pine bridge Fund, New Hope	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on July 09, 2020
July 15,	Com pany	Telep hone	mecha nism	4 institutions	On the premise of avoiding selective disclosure, public	Please refer to the Hengyi

2020		communication		including Founder Securities and China Universal	information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on July 15, 2020
September 1, 2020	Company	Telephone communication	Institution	62 institutions including CICC, JPMorgan Chase, ICBC Credit Suisse, etc.	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on September 01, 2020
October 26, 2020	Company	Field research	Institution	31 institutions including East Securities Asset Management, Gemboom Investment Mgmt, Kuo Hwa Life Insurance, etc.	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on October 26, 2020

November 10, 2020	Company	Field research	Institution	14 institutions including Kaiyuan Securities, ABC-CA, and Kaifeng Investment	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on November 10, 2020
November 26, 2020	Company	Field research	Institution	9 institutions including Guangdong Development Fund, GF Self-operated, Yangtze River Asset Management, etc.	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on November 26, 2020
December 10, 2020	Company	Field research	Institution	1 institution including Essence Securities	On the premise of avoiding selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Please refer to the Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on December 10, 2020
December	Company	Telep	Institution	29	On the premise of avoiding	Please refer to the

ber 23, 2020	pany	hone com muni catio n	ion	institutions including China Post Fund, Bank of Communica tions Schroder, Ivy League	selective disclosure, public information such as industry status, company business development and future development plans are communicated and exchanged. No paper materials are provided.	Hengyi Petrochemical's Investor Relations Activity Record Form on irm.cninfo.com.cn on December 23, 2020
Number of receptions					18	
Number of reception institutions					377	
Number of individuals received					0	
Number of other objects received					0	
Whether to divulge, disclose or reveal undisclosed material information					No	

Section V Important Matters

I. The Company's common stock profit distribution and capitalization of capital reserves

During the reporting period, the common stock profit distribution policy, especially the formulation, implementation or adjustment of the cash dividend policy

According to the China Securities Regulatory Commission's "Notice on Further Implementing Issues Related to Cash Dividends of Listed Companies" (ZJF [2012] No. 37), Guangxi Securities Regulatory Bureau "Notice on Strengthening the Awareness of Returning Shareholders and Improving Dividend Mechanism" (GZJF [2012] 23) and "Guidelines for the Supervision of Listed Companies No. 3-Cash Dividends of Listed Companies" Securities Regulatory Commission Announcement [201309] No. 43 and other documents, combined with the actual situation of the Company, specific provisions has been made for the profit distribution decision-making procedures and profit distribution policy in the "Articles of Association". In addition, it has formulated the "Shareholder Dividend Return Plan for the Next Three Years (2019-2021)" to better guarantee the reasonable return of all shareholders, further refine the provisions of the profit distribution policy in "Articles of Association", and increase the transparency and operability in dividend distribution decision, establish a continuous, stable and scientific return plan and mechanism for investors to ensure the continuity and stability of the profit distribution policy. During the reporting period, the Company shall strictly implement the above profit distribution policy.

According to the 2019 profit distribution plan approved by the Company's 2019 shareholders meeting held on May 19, 2020: Based on the Company's existing total share capital of 2,841,725,474 shares, a cash dividend of RMB 4.00 (including tax) will be distributed to all shareholders for every 10 shares. No bonus shares will be given, and 3 shares will be added for every 10 shares. The Company published the "Announcement on the Implementation of Hengyi Petrochemical Co., Ltd.'s Annual Equity Distribution in 2019", and the implementation was completed on May 28, 2020.

Special description of cash dividend policy	
Whether it meets the requirements of the Company's Articles of Association or the resolutions of the	Yes

general meeting of shareholders :	
Whether the dividend standard and proportion are clear and definite:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether independent directors have performed their due diligence and played their due role:	Yes
Whether small and medium shareholders have sufficient opportunities to express their opinions and demands, and whether their legitimate rights and interests are fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	N/A

The Company's common stock dividend distribution plan (preliminary programe) and the capital reserve conversion plan (preliminary programe) for the past 3 years (including this reporting period)

1. The Company's 2018 profit distribution plan: Based on the Company's total share capital of 2,841,725,474 shares as of April 17, 2019, a cash dividend of RMB 3 (tax included) for every 10 shares, no bonus shares, and no capital reserve is converted as share capital.

2. The Company's 2019 profit distribution plan: Based on the Company's total share capital of 2,841,725,474 shares as of December 31, 2019, a cash dividend of RMB 4 (tax included) for every 10 shares, no bonus shares, and capitalization of capital reserves is conducted. 3 shares are transferred to all shareholders for every 10 shares.

3. The Company's 2020 profit distribution plan: Based on the Company's total share capital of 3,681,645,407 shares as of December 31, 2020, a cash dividend of RMB 3 (tax included) for every 10 shares, no bonus shares, and no capital reserve is converted as share capital.

The Company's cash dividends of common shares in the past three years (including this reporting period)

Currency Unit: RMB

Dividend year	Cash dividend amount (tax included)	Net profit attributable to common shareholders of listed companies in	The ratio of the amount of cash dividends to the net profit attributable to common shareholders of the listed company in the	Total cash dividends (including other methods)	The ratio of total cash dividends (including other methods) to the net profit attributable to common shareholders of

		the annual consolidated statement of dividends	consolidated statement		listed companies in the consolidated statement
2020	1,104,493,622.10	3,071,998,839.75	35.95%	0.00	0.00%
2019	1,136,690,189.60	3,190,185,517.79	35.63%	0.00	0.00%
2018	852,517,642.20	1,872,494,729.34	45.53%	0.00	0.00%

The Company was profitable during the reporting period and the parent company's profit available for distribution to ordinary shareholders was positive, but no distribution plan for cash dividend for ordinary shares was proposed

Applicable Not applicable

II. Profit distribution and capitalization of capital reserve during the reporting period

Number of bonus shares for every 10 shares (shares)	0
Distributing dividends per 10 shares (yuan) (tax included)	3
The equity base of the distribution plan (shares)	3,681,645,407
Cash dividend amount (yuan) (tax included)	1,104,493,622.10
Cash dividend amount in other ways (such as share repurchase) (yuan)	0.00
Total cash dividends (including other methods) (yuan)	1,104,493,622.10
Distributable profit (yuan)	1,127,876,313.43
The ratio of total cash dividends (including other methods) to total profit distribution	100%
This cash dividend situation	
If the Company's development stage is in the growth period and has major capital expenditure arrangements, when the profit distribution is carried out, the proportion of cash dividends in this profit distribution should be at least 20%	
Detailed explanation of the profit distribution or capital reserve transfer plan	
Based on attaching importance to reasonable investment returns to investors and taking into account the Company's sustainable development principles, the Company intends to distribute 0	

bonus shares (including tax) to all shareholders for every 10 shares on the basis of company's existing total share capital of 3,681,645,407 shares. The cash dividend of RMB 3.00 (tax included) shall be distributed for every 10 shares, and the total distributed profit is RMB 1,104,493,622.10. No bonus shares and no public reserve fund is converted as share capital. If the additional issuance, repurchase, or conversion of convertible bonds into share capital occurs to the Company before the dividend distribution equity registration date, resulting in a change in the total equity on the dividend distribution equity registration date, the Company will adjust the corresponding total equity. The remaining undistributed profits will be carried forward for distribution in subsequent years (this plan still needs to be approved by the Company's 2020 annual shareholders meeting).

III. Fulfillment of commitments

1. Commitments that the Company's actual controllers, shareholders, related parties, acquirers, and the Company and other relevant parties have fulfilled during the reporting period and that have not been fulfilled as of the end of the reporting period

Commitment reason	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
Commitments made in the acquisition report or equity change report	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on independent operation	It ensures the independence of Hengyi Group and its actual controller's affiliates and the Company in terms of personnel, assets, finance, organization and business in the commitment.	April 29, 2010	long term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.
		Commitment on horizontal competition	Promise not to compete with the Company in the same industry.			
		Commitment on connected transaction	Commit to regulate related transactions with the Company.			
		Commitment on the use of funds	Promise not to occupy company funds.			
	Hengyi Group and other parties	Other commitments	It is promised that the equity adjustment of Zhejiang Yisheng and Yisheng Investment will not increase the actual or potential tax burden of Hengyi Petrochemical or related subsidiaries. On the premise of the completion of this major asset reorganization, if Hengyi Petrochemical or its subsidiaries are required to pay taxes or be demanded by tax authorities for the above-mentioned equity adjustment due to the adjustment of national tax policy or other reasons, the reorganization party promised to compensate the Company for any losses incurred by it	April 29, 2010	long term effective	The undertaking remains valid and is still in the process of fulfillment. Up to now, Hengyi Group has not violated this

Commitment reason	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
			in cash and full amount timely.			undertaking.
Commitment made during asset reorganization	Fulida Group; Xinghui Chemical Fiber; Hengyi Group	Other commitments	Hengyi Group, Fulida Group, and Xinghui Chemical Fiber do not place any form of encumbrances and rights on the new shares acquired by this reorganization that are still within the lock-up period.	December 28, 2018	December 28, 2021	The commitment remains valid and is still in the process of fulfillment.
	Fulida Group; Xinghui Chemical Fiber	Share restriction commitment	(1) All new shares will be locked up from the registration date of the newly added shares. After 12 months since the registration date of the newly added shares and the number of shares to be compensated in the first year of the profit compensation period agreed in the "Profit Forecast Compensation Agreement" is determined (subject to the later date of fulfillment), the remaining part of 33.33% of the new shares after deducting the number of shares to be compensated for fulfilling the profit compensation obligation according to the "Profit Forecast Compensation Agreement" can be lifted from the sales restriction;(2) After 24 months since the expiration of the new share registration date and after the number of shares to be compensated in the second year of the profit compensation period agreed under the "Profit Forecast Compensation Agreement" is determined (subject to the later date of satisfaction),the remaining part of the newly added share 33.33% after deducting the number of shares to be compensated for fulfilling the profit compensation obligation according to the "Profit Forecast Compensation Agreement" can be lifted from the sales restriction;(3)	December 28, 2018	December 28, 2021	The commitment remains valid and is still in the process of fulfillment.

Commitment reason	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
			After 36 months since the expiration of the new share registration date and the number of shares to be compensated in the third year of the profit compensation period agreed under the "Profit Forecast Compensation Agreement" (including the number of shares to be compensated after the impairment test) is determined, the remaining part of the new shares after deducting the number of shares that should be compensated for the performance of the profit compensation obligation (including the profit compensation obligation based on the impairment test) according to the "Profit Forecast Compensation Agreement" can be lifted from the sales restriction.			
	Hengyi Group	Share restriction commitment	Within 36 months since the date of listing of the newly-added shares and before the completion of the compensation obligations stipulated in the "Profit Forecast Compensation Agreement" signed between the Company and the listed company for the purchase of assets by the issuance of shares (whichever evening shall prevail), no shares of the listed company acquired through this asset purchase transaction can be transferred.	December 28, 2018	December 28, 2021	The commitment remains valid and is still in the process of fulfillment.
Other commitments made to the Company's small	Hainan Hengshengyuan International Tourism Development Co.,	Commitment on horizontal competition	It promises that it will not compete in the same industry with the production and sales of polyester fiber products, which is one of the main businesses of listed companies. Supplementary commitment: Shanghai Hengyi Polyester Fiber Co., Ltd. will permanently shut down its existing production facilities, no longer participate in or add any areas that may compete with the Company's industry in the same industry since the 100% equity transfer transaction of Shanghai Hengyi Polyester Fiber Co., Ltd. is approved at the Company's 2016 fourth extraordinary	March 21, 2016	long term effective	Up to now, Hainan Hengshengyuan International Tourism Development Co., Ltd. has not violated this

Commitment reason	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
and medium shareholders	Ltd.		general meeting of shareholders, Meanwhile, Shanghai Hengyi Polyester Fiber Co., Ltd. split and disposes of its existing assets to completely solve this potential horizontal competition problem.			commitment.
Whether the promise is fulfilled on time				Yes		
If the commitment is not fulfilled within the time limit, the specific reasons for the unfulfilled commitment and the next work plan shall be explained in detail				N/A		

2. There is a profit forecast for the Company's assets or projects, and it is still in the profit forecast period at the reporting period, the Company provides an explanation of the reason for the assets or projects reaching the original profit forecast

Name of asset or project whose profit is forecast	Start time for forecast	Finish time for forecast	Current forecast performance (RMB ten thousand)	Actual performance for the period (RMB ten thousand)	Reasons for not meeting the forecast (if applicable)	Original forecast disclosure date	Original forecast disclosure index
Jiaxing Yipeng, Taicang Yifeng	2018	2020	26,000	20,840.37	Product demand has fallen and spreads have narrowed due to the epidemic	November 28, 2018	"Report on Issuing Shares to Purchase Assets and Raising Supporting Funds and Related Party Transactions"
Shuangtu New Material	2018	2020	24,000	26,595.66	N/A	November 28, 2018	"Report on Issuing Shares to Purchase Assets and Raising Supporting Funds and Related Party Transactions"

Commitments made by the Company's shareholders and counterparties in the reporting year's operating performance

Zhejiang Hengyi Group Co., Ltd. promised that Jiaxing Yipeng Chemical Fiber Co., Ltd. and Taicang Yifeng Chemical Fiber Co., Ltd. will realize a net profit of no less than RMB 260 million in 2020.

Fulida Group Holding Co., Ltd. and Xinghui Chemical Fiber Group Co., Ltd. promised that Zhejiang Shuangtu New Material Co., Ltd. will realize a net profit of no less than RMB 240 million

in 2020.

The completion of performance commitments and its impact on the impairment test of goodwill

Continental CPA (special general partnership) hired by the Company audited the 2020 financial statements of Jiaxing Yipeng and Taicang Yifeng, and issued a standard unqualified audit report. After auditing, Jiaxing Yipeng and Taicang Yifeng realized net profit of RMB 208,403,700 attributable to owners of the parent company after deducting non-recurring gains and losses in 2020. Compared with the counterparty's performance commitment of RMB 260 million, the cumulative completion rate was 80.16%. Jiaxing Yipeng and Taicang Yifeng have not fulfilled their performance commitments for 2020.

Continental CPA (special general partnership) hired by the Company audited the 2020 financial statements of Shuangtu New Material and issued a standard unqualified audit report. After auditing, Shuangtu New Material realized net profit of RMB 265,956,600 attributable to owners of the parent company after deducting non-recurring gains and losses in 2020. Compared with the counterparty's performance commitment of 240 million yuan, the cumulative completion rate was 110.82%. Shuangtu New Material's 2020 performance commitment has been fulfilled. Shuangtu New Material has completed its performance commitment and there is no risk of impairment of goodwill.

IV. The non-operating capital occupation of the listed company by the controlling shareholder and its related parties

During the reporting period of the Company, there was no non-operating capital occupation of the listed company by the controlling shareholder and its related parties.

V. Explanations of the board of directors, the board of supervisors, and independent directors (if any) on the “non-standard audit report” of the accounting firm during the reporting period

Applicable Not applicable

VI. Compared with the financial report of the previous year, the explanation of the changes in accounting policies, accounting estimates and accounting methods

(1) Changes in accounting policies

The Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 14-Revenue (2017 Revision)" (CK [2017] No. 22) (hereinafter referred to as the "New Revenue Criteria") on July 5, 2017. As approved by the 37th meeting of the tenth board of directors of the Company on March 5, 2020, the Company will begin to implement the aforementioned new revenue criteria on January 1, 2020.

The new revenue criteria establishes a new revenue recognition model for regulating revenue generated from contracts with customers. In order to implement the new revenue criteria, the Company reassessed the recognition and measurement, accounting and presentation of main contract revenue.

After the implementation of the new revenue criteria, the Company will change the contractual consideration received from customers in advance for the transfer of goods from the item of "accounts received in advance" to the items of "contractual liabilities" and "other current liabilities"; the Company will change the transportation cost incurred by the transfer of goods from the "sales expense" item to the "operating cost" item.

Impact on the financial statements on January 1, 2020:

Report item	December 31, 2019 (before change)		January 1, 2020 (after change)	
	Consolidated Statement	The Company	Consolidated Statement	The Company
Deposit received	596,087,260.62			
Contract liabilities			527,511,147.25	
Other current liabilities			68,576,113.37	

(2) Changes in accounting estimates

The Company has no changes in accounting estimates during the reporting period.

VII. Explanation of the situation of retrospective restatement in the correction of major accounting errors during the reporting period

During the reporting period, the Company had no major accounting error corrections requiring retrospective restatement.

VIII. Compared with the financial report of the previous year, the explanation of the changes in the scope of the consolidated statement

In 2020, there were 44 subsidiaries included in the company's consolidation scope. For details, please refer to Note VIII "Interests in Other Equities". The scope of consolidation of the Company this year increased by 11 households and decreased by one household compared with the previous year. Please refer to Note VII "Changes in Consolidation Scope" for details.

IX. Appointment and dismissal of accounting firms

Currently employed accounting firm

Name of domestic accounting firm	Zhongxinghua Certified Public Accountants LLP
Remuneration of domestic accounting firms (ten thousand yuan)	320
Consecutive years of audit services of domestic accounting firms	2
Name of CPA in domestic accounting firms	Liu Hongyue, Wang Guohai
Consecutive years of CPA audit services of domestic accounting firms	2
Name of overseas accounting firms (if any)	None
Remuneration of overseas accounting firms (RMB ten thousand) (if any)	0
Consecutive years of audit services of overseas accounting firms (if any)	None
The name of the certified public accountant of the overseas accounting firms (if any)	None
Consecutive years of CPA audit services of overseas accounting firms (if any)	None

Whether to reappoint an accounting firm in the current period

Yes No

Employment of internal control auditing accounting firms, financial consultants or sponsors

During the reporting period, the Company hired Continental CPA (special general partnership) as the internal control audit agency, with an internal control audit fee of RMB 600,000, and RMB 550,000 was paid to them during the reporting period.

During the reporting period, due to the public issuance of convertible corporate bonds, the Company hired CITIC Securities Co., Ltd. as the sponsor and lead underwriter, and paid RMB 11 million during the reporting period.

X. Delisting after the disclosure of the annual report

Applicable Not applicable

XI. Matters related to bankruptcy and reorganization

During the reporting period, the Company did not have any bankruptcy and reorganization related matters.

XII. Major litigation and arbitration matters

The Company had no major litigation or arbitration matters during the reporting period.

XIII. Penalties and rectifications

There were no penalties and rectifications during the reporting period of the Company.

XIV. The integrity of the Company and its controlling shareholders and actual controllers

During the reporting period, the Company, its controlling shareholder, and actual controller did not fail to implement the court's effective judgments, and no large amounts of debts were not paid when they were due.

XV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

1. Progress of the Company's second phase of employee stock ownership plan

No.	Date	Title of Announcement	Contents
1	July 4, 2020	"Announcement on the completion of the second phase of the Company's employee stock ownership plan and the completion of the stock sale and expiration" (Announcement No.: 2020-074)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208001890&announcementTime=2020-07-04

2. Progress of the Company's second phase of restricted stock incentive plan

No.	Date	Title of Announcement	Contents
1	June 13, 2020	"Announcement on the Achievements of Unlocking Conditions in the Third Unlocking Period of the Second Phase Restricted Stock Incentive Plan" (Announcement No.: 2020-070)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1207938780&announcementTime=2020-06-19
2	June 13, 2020	"Indicative Announcement on the Lifting of Restricted Stocks in the Third Unlocking Period of the Second Phase Restricted Stock Incentive Plan" (Announcement No.: 2020-068)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1207922974&announcementTime=2020-06-13

XVI. Major related transactions

1、 Related transactions related to daily operations

Related party	Related party relations	Type of connected transaction	Contents of connected transactions	Pricing principle for related-party transaction	Related transaction price	Amount of related transaction (ten thousand yuan)	Proportions in the similar transactions (%)	Approved trading limit (RMB 10,000)	Whether it exceeds the approved quota	Settlement method of related transaction	Available market prices for similar transactions
Yisheng Dahua	Associated enterprises	Goods procurement	PTA	Market price	Market price	321,334.12	13.22	425,000	No	Bills/cash	Market price
	Associated enterprises	Selling goods	PIA	Market price	Market price	2,339.91	8.62	1,700	Yes	Bills/cash	Market price
Hainan Yi Sheng	Associated enterprises	Goods procurement	PTA	Market price	Market price	36,453.03	1.50	60,000	No	Bills/cash	Market price
	Associated enterprises	Selling goods	PX	Market price	Market price	163,511.48	80.22	290,000	No	Bills/cash	Market price
	Associated enterprises	Selling goods	PIA	Market price	Market price	5,430.91	20.00	5,000	Yes	Bills/cash	Market price
	Associated enterprises	Providing labor services	Cargo freight	Market price	Market price	1,542.06	4.05	6,600	No	Bills/cash	Market price
Hengyi caprolactam	Joint ventures	Goods procurement	Steam	Market price	Market price	8,870.08	100.00	9,000	No	Bills/cash	Market price
	Joint ventures	Goods procurement	Electric power	Market price	Market price	31,157.77	100.00	35,000	No	Bills/cash	Market price
	Joint ventures	Selling goods	Energy products	Market price	Market price	53,271.91	98.39	61,000	No	Bills/cash	Market price

	Joint ventures	Selling goods	Benzene	Market price	Market price	16,314.66	81.66	13,000	Yes	Bills/cash	Market price
	Joint ventures	Providing labor services	Cargo freight	Market price	Market price	1,211.16	3.18	2,000	No	Bills/cash	Market price
	Joint ventures	Providing labor services	Engineering management	Market price	Market price	1,991.34	5.22	2,600	No	Bills/cash	Market price
Hengyi Polyamide	A holding subsidiary of the ultimate parent company	Selling goods	PTA	Market price	Market price	129.53	0.01	300	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Providing labor services	Cargo freight	Market price	Market price	678.28	1.78	900	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Providing labor services	Engineering management	Market price	Market price	79.62	0.21	100	No	Bills/cash	Market price
Shaoxing Hengming	A holding subsidiary of the ultimate parent company	Goods procurement	Polyester products	Market price	Market price	298,676.25	99.73	480,000	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Goods procurement	Packing materials	Market price	Market price	3,416.28	3.74	9,700	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Selling goods	Polyester products	Market price	Market price	100.01	0.00	5,100	No	Bills/cash	Market price
	A holding subsidiary of	Selling goods	Auxiliary	Market	Market	1,455.77	73.42	2,000	No	Bills/cash	Market

	the ultimate parent company		materials	price	price						price
	A holding subsidiary of the ultimate parent company	Selling goods	Energy products	Market price	Market price	4,209.56	7.77	5,300	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Providing labor services	Cargo freight	Market price	Market price	2,440.24	6.40	6,000	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Providing labor services	Engineering management	Market price	Market price	1,293.27	3.39	600	Yes	Bills/cash	Market price
Hangzhou Yichen	A holding subsidiary of the ultimate parent company	Goods procurement	Polyamide chips	Market price	Market price	797.39	0.27	25,000	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Selling goods	PTA	Market price	Market price	257.26	0.01	350	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Providing labor services	Cargo freight	Market price	Market price	2,357.93	6.19	3,500	No	Bills/cash	Market price
	A holding subsidiary of the ultimate parent company	Providing labor services	Engineering management	Market price	Market price	178.3	0.47	200	No	Bills/cash	Market price
Total				--	--	959,498.12	--	1,449,950	--	--	--
Disclosure date				January 17, 2020							
Disclosure Index				www.cninfo.com.cn; Announcement on the Estimated Amount of Daily Related Party Transactions in							

	2020 (Announcement No.: 2020-005)
Details of returns of large sales	None
The actual performance during the reporting period (if any) is estimated by category for the total amount of daily related transactions that will occur in the current period	The above-mentioned related transactions are conducive to utilization of the superior resources of the Company and important related parties, ensuring the stable supply of important raw materials and the stable and continuous supply of electricity and other auxiliary materials, broadening the Company's downstream product sales channels, and realizing the Company's attempts to operate upstream products. It is conducive to consolidating and enhancing the advantages of industrial chain integration.
Reasons for the large difference between the transaction price and the market reference price (if applicable)	The related transactions between the Company and the above-mentioned related parties are closely related to the Company's daily operations. Related party transactions are based on market prices or prices determined by regulatory authorities, and follow the principles of fairness, justice, and openness, and will not harm the interests of the Company and small and medium shareholders. The main business will not form a significant dependence on related parties due to the above-mentioned related transactions, nor affect the Company's independence, and will have a positive impact on the Company's current and future financial status and operating results.

2. Related party transactions arising from the acquisition or sale of assets or equity

During the reporting period, there were no related transactions involving the acquisition or sale of assets or equity.

3. Related-party transactions for joint foreign investment

Co-investor	Related party relations	The name of the invested company	The main business of the invested company	Registered capital of the invested company (ten thousand yuan)	Total assets of the invested company (ten thousand yuan)	Net assets of the invested company (ten thousand yuan)	Net profit of the invested company (ten thousand yuan)
Yisheng Investment	The vice chairman of the Company, Mr. Fang Xianshui, also serves as the chairman of Hainan Yisheng	Hainan Yisheng	Production and sales of chemical products such as purified terephthalic acid and polyester bottle flakes	358,000	1,021,744.86	397,725.04	98,267.26
Ningbo Zhongjin Petrochemical Co., Ltd.	The vice chairman of the Company, Mr. Fang Xianshui, also serves as the director of Yisheng New Material	Yisheng New Material	Chemical raw materials and chemical products manufacturing industry	200,000	622,519.61	185,267.46	5,153.77

The progress of major projects under construction of the invested company (if any)	None
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4. Related credit and debt transactions

During the reporting period, the Company did not have associated credit and debt transactions.

5. Other major related transactions

During the reporting period, the Company acquired 30% equity of Dongzhan Shipping Co., Ltd. held by the Company's controlling shareholder Hengyi Group in cash. The project has been reviewed by the Company's board of directors, board of supervisors and shareholders meeting, and the transaction has now been completed.

During the reporting period, the Company acquired 100% equity of Guangxi Hengyi New Material held by the Company's controlling shareholder Hengyi Group in cash. The project has been reviewed by the Company's board of directors, board of supervisors and shareholders meeting, and the transaction has now been completed.

Related inquiries of major related party transaction interim report disclosure website

Name of temporary announcement	Temporary announcement disclosure date	Name of Temporary announcement disclosure website
"Announcement on the Company's Cash Purchase of 30% Equity of Dongzhan Shipping Co., Ltd. and Related Transactions"	January 17, 2020	Http://www.cninfo.com.cn/
"Announcement on the Company's Cash Purchase of 100% Equity of Guangxi Hengyi New Material and Related Transactions"	July 10, 2020	Http://www.cninfo.com.cn/

XVII. Major contracts and their performance

1. Custody, contracting and leasing matters

(1) Custody situation

There was no custody in the Company during the reporting period.

(2) Contracting situation

There was no contracting situation during the reporting period of the Company.

(3) Lease situation

During the reporting period, there was no leasing situation.

2. Major guarantee

(1) Guarantee

Currency Unit: RMB 10,000

The Company and its subsidiaries' external guarantees (excluding guarantees to subsidiaries)								
Name of guaranteed object	Disclosure date of guarantee quota related announcement	Guarantee limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Yisheng New Material	April 28, 2020	30,000	April 28, 2020	30,000	General guarantee	From 2020-4-14 to 2025-10-15	No	Yes
Total amount of external guarantee approved during the reporting period (A1)		30,000		The total amount of external guarantees actually occurred during the reporting period (A2)		30,000		
The total amount of external guarantees approved at the end of the reporting period (A3)		30,000		Total balance of actual external guarantees at the end of the reporting period (A4)		30,000		
The Company's guarantees for subsidiaries								
Name of guaranteed object	Disclosure date of guarantee quota related announcement	Guarantee limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hengyi Limited	January 22, 2018	10,000	January 04, 2019	10,000	General guarantee	From 2019-1-4 to 2020-1-3	Yes	Yes
	January 23, 2019	34,400	March 11, 2019	34,400	General guarantee	From 2019-3-11 to 2020-7-24	Yes	Yes
	January 16, 2020	9,228.14	May 27, 2020	9,228.14	General	From 2020-5-27 to	Yes	Yes

					guarantee	2020-12-21		
	January 23, 2019	5,000	January 08, 2020	5,000	General guarantee	From 2020-1-8 to 2021-1-7	No	Yes
	January 16, 2020	63,477.99	April 16, 2020	63,477.99	General guarantee	From 2020-4-16 to 2021-12-4	No	Yes
	January 16, 2020	133,325	February 26, 2020	133,325	General guarantee	From 2020-02-26 to 2021-11-20	No	Yes
	January 16, 2020	21,111.45	May 31, 2020	21,111.45	General guarantee	From 2020-5-31 to 2023-5-31	No	Yes
	January 16, 2020	13,830.84	July 24, 2020	13,830.84	General guarantee	From 2020-7-24 to 2023-7-24	No	Yes
Hengyi Hi-tech	January 22, 2018	5,000	January 16, 2019	5,000	General guarantee	From 2019-1-16 to 2020-1-14	Yes	Yes
	January 23, 2019	70,626.76	March 11, 2019	70,626.76	General guarantee	From 2019-3-11 to 2020-12-12	Yes	Yes
	January 23, 2019	10,000.00	January 07, 2020	10,000.00	General guarantee	From 2020-1-7 to 2021-1-6	Yes	Yes
	January 23, 2019	5,000	January 08, 2020	5,000	General guarantee	From 2020-1-8 to 2021-1-7	No	Yes
	January 16, 2020	52,957.38	April 09, 2020	52,957.38	General guarantee	From 2020-4-9 to 2023-5-25	No	Yes
	January 16, 2020	130,979.95	March 20, 2020	130,979.95	General guarantee	From 2020-3-20 to 2021-12-2	No	Yes
	January 23, 2019	8,616.67	December 06, 2019	8,616.67	General guarantee	From 2019-12-6 to 2021-10-10	No	Yes
Hengyi Polymer	January 23, 2019	6,400	January 14, 2020	3,840	General guarantee	From 2020-1-4 to 2021-1-10	No	Yes
	January 16, 2020	31,900	June 24, 2020	19,140	General	From 2020-6-24 to	No	Yes

					guarantee	2021-12-4		
	January 16, 2020	51,548.5	June 12, 2020	30,929.1	General guarantee	From 2020-6-12 to 2021-6-12	No	Yes
	January 22, 2018	7,200	January 07, 2019	4,320	General guarantee	From 2019-1-7 to 2020-1-9	Yes	Yes
	January 23, 2019	21,700	August 23, 2019	13,020	General guarantee	2019-8-23 to 2020-12-6	Yes	Yes
	January 23, 2019	5,000	January 08, 2020	3,000	General guarantee	2020-1-8 to 2021-1-7	Yes	Yes
Zhejiang Yisheng	January 23, 2019	29,000	March 01, 2019	20,300	General guarantee	2019-3-1 to 2020-7-5	Yes	Yes
	January 16, 2020	29,325.37	February 03, 2020	20,527.76	General guarantee	2020-2-3 to 2021-4-9	Yes	Yes
	January 16, 2020	48,027.36	April 09, 2020	33,619.15	General guarantee	2020-4-9 to 2022-5-3	No	Yes
Ningbo Hengyi Industry	January 23, 2019	12,700	November 25, 2019	12,700	General guarantee	2019-11-25 to 2020-5-22	Yes	Yes
	January 16, 2020	12,700	May 26, 2020	12,700	General guarantee	2020-5-26 to 2020-11-20	Yes	Yes
	January 16, 2020	12,500	November 24, 2020	12,500	General guarantee	2020-11-24 to 2021-5-21	No	Yes
Taicang Yifeng	January 23, 2019	2,000	July 24, 2019	2,000	General guarantee	2019-7-24 to 2020-1-10	Yes	Yes
	January 16, 2020	2,000	February 21, 2020	2,000	General guarantee	2020-2-21 to 2021-1-21	No	Yes
	January 16, 2020	5,000	August 13, 2020	5,000	General guarantee	2020-8-13 to 2021-2-10	No	Yes
Suqian Yida	January 16, 2020	12,000	June 17, 2020	12,000	General	2020-6-17 to 2021-9-2	No	Yes

					guarantee			
	January 16, 2020	10,000.1	November 23, 2020	10,000.1	General guarantee	2020-11-23 to 2021-11-19	No	Yes
	January 23, 2019	18,900	April 16, 2019	18,900	General guarantee	2019-4-16 to 2024-4-10	Yes	Yes
	January 16, 2020	5,000	January 17, 2020	5,000	General guarantee	2020-1-17 to 2020-9-3	Yes	Yes
Jiaxing Yipeng	January 23, 2019	10,000	December 11, 2019	10,000	General guarantee	2019-12-11 to 2020-10-18	Yes	Yes
	January 16, 2020	1,000	August 26, 2020	1,000	General guarantee	2020-8-26 to 2021-5-19	No	Yes
	January 16, 2020	14,996	September 08, 2020	14,996	General guarantee	2020-9-8 to 2021-5-18	No	Yes
Shuangtu New Material	January 16, 2020	21,600	March 10, 2020	21,600	General guarantee	2020-3-10 to 2021-5-14	No	Yes
	January 16, 2020	49,740	January 20, 2020	49,740	General guarantee	2020-1-20 to 2021-12-29	No	Yes
	January 23, 2019	13,320	May 10, 2019	13,320	General guarantee	2019/5/10 to 2022/8/10	No	Yes
Hangzhou Yijing	January 16, 2020	20,000	March 20, 2020	20,000	General guarantee	2020-3-20 to 2021-3-20	No	Yes
	January 16, 2020	30,000	July 22, 2020	30,000	General guarantee	2020-10-20 to 2021-3-4	No	Yes
Hong Kong Tianyi	January 16, 2020	16,274.15	October 09, 2020	16,274.15	General guarantee	2020-10-9 to 2021-3-31	No	Yes
	January 16, 2020	38,434.65	March 13, 2020	38,434.65	General guarantee	2020-3-13 to 2020-12-28	Yes	Yes
Haining	January 16, 2020	50,000	April 24, 2020	50,000	General	2020-4-24 to 2029-12-10	No	Yes

Thermoelectri c					guarantee			
Haining New Material	January 16, 2020	13,200	November 12, 2020	13,200	General guarantee	2020-11-12 to 2021-11-12	No	Yes
	January 16, 2020	6,800	November 12, 2020	6,800	General guarantee	2020-11-12 to 2021-5-12	No	Yes
Fujian Yijin	January 16, 2020	48,117.14	May 26, 2020	31,276.14	General guarantee	2020-5-26 to 2028-5-21	No	Yes
	January 16, 2020	2,999.5	June 29, 2020	1,949.68	General guarantee	2020-6-29 to 2021-6-24	No	Yes
	January 23, 2019	6,800	October 18, 2019	4,420	General guarantee	2019-10-18 to 2022-12-20	No	Yes
The total amount of guarantees approved for subsidiaries during the reporting period (B1)	2,141,400			The total actual amount of guarantees for subsidiaries during the reporting period (B2)	910,437.47			
The total amount of guarantees for subsidiaries approved at the end of the reporting period (B3)	2,141,400			The total balance of actual guarantees for subsidiaries at the end of the reporting period (B4)	837,903.59			
Subsidiary guarantees for subsidiaries								
Name of guaranteed object	Disclosure date of guarantee quota related announcement	Guarantee limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hengyi Hi-tech	January 23, 2019	12,539.4	December 17, 2019	8,777.58	General guarantee	2019-11-20 to 2020-12-12	Yes	Yes
	January 23, 2019	2,327.74	January 07, 2020	1,629.42	General guarantee	2020-1-7 to 2020-4-2	Yes	Yes
	January 16, 2020	3,883.84	February 03, 2020	2,718.69	General	2020-2-3 to 2020-6-2	Yes	Yes

					guarantee			
	January 23, 2019	5,000	December 31, 2019	5,000	General guarantee	2019-12-31 to 2021-1-30	Yes	Yes
	January 16, 2020	5,000	March 30, 2020	5,000	General guarantee	2020-3-30 to 2021-3-25	Yes	Yes
	January 16, 2020	9,000	November 19, 2020	6,300	General guarantee	2020-11-19 to 2021-12-11	No	Yes
	January 16, 2020	10,000	September 21, 2020	7,000	General guarantee	2020-9-21 to 2021-06-21	No	Yes
	January 16, 2020	5,500	July 20, 2020	5,500	General guarantee	2020-7-20 to 2021-11-26	No	Yes
	January 23, 2019	10,000	December 31, 2019	10,000	General guarantee	2019-12-31 to 2021-1-30	No	Yes
	January 16, 2020	27,300	July 17, 2020	27,300	General guarantee	2020-07-17 to 2021-06-04	No	Yes
Hengyi Limited	January 23, 2019	7,354.1	October 31, 2019	5,147.87	General guarantee	2019-10-31 to 2020-12-21	Yes	Yes
	January 16, 2020	15,000	March 27, 2020	10,500	General guarantee	2020-3-27 to 2020-8-26	Yes	Yes
	January 23, 2019	9,600	November 14, 2019	6,720	General guarantee	2019-11-14 to 2021-11-13	No	Yes
	January 16, 2020	19,700.33	August 28, 2020	13,790.23	General guarantee	2020-8-28 to 2021-4-24	No	Yes
	January 16, 2020	13,000.93	July 22, 2020	9,100.65	General guarantee	2020-7-22 to 2021-01-18	No	Yes
Zhejiang Yisheng	January 23, 2019	33,000	March 04, 2019	33,000	General guarantee	2019-3-4 to 2020-3-31	Yes	Yes
	January 23, 2019	10,000	January 15, 2020	10,000	General	2020-1-15 to 2021-1-14	Yes	Yes

					guarantee			
	January 23, 2019	39,000	April 29, 2019	39,000	General guarantee	2019-4-29 to 2020-8-1	Yes	Yes
	January 16, 2020	8,468.67	May 20, 2020	8,468.67	General guarantee	2020-5-20 to 2020-12-16	Yes	Yes
	January 16, 2020	39,054.38	March 05, 2020	39,054.38	General guarantee	2020-3-5 to 2021-9-24	No	Yes
Haining New Material	January 23, 2019	6,892.68	September 15, 2019	6,892.68	General guarantee	2019-9-15 to 2020-12-23	Yes	Yes
	January 16, 2020	2,182.71	March 29, 2020	2,182.71	General guarantee	2020-3-29 to 2020-11-11	Yes	Yes
	January 23, 2019	61,116.75	September 15, 2019	61,116.75	General guarantee	2019-9-15 to 2029-12-23	No	Yes
	January 16, 2020	41,460.67	March 29, 2020	41,460.67	General guarantee	2020-3-29 to 2030-5-11	No	Yes
Hong Kong Tianyi	January 23, 2019	3,601.91	December 17, 2019	3,601.91	General guarantee	2019-12-17 to 2020-5-18	Yes	Yes
	January 23, 2019	2,427.92	January 2, 2020	2,427.92	General guarantee	2020-1-2 to 2020-4-2	Yes	Yes
	January 16, 2020	27,788.06	March 17, 2020	27,788.06	General guarantee	2020-3-17 to 2020-8-18	Yes	Yes
	January 16, 2020	16,959.51	September 11, 2020	16,959.51	General guarantee	2020-9-11 to 2021-6-28	No	Yes
Hengyi Brunei	January 16, 2020	80,778.72	November 06, 2020	80,778.72	General guarantee	2020-11-6 to 2021-3-26	No	Yes
	January 23, 2019	26,787.29	December 10, 2019	26,787.29	General guarantee	2019-12-10 to 2020-3-9	Yes	Yes
	January 16, 2020	188,725.38	January 29, 2020	188,725.38	General	2020-1-29 to 2020-12-17	Yes	Yes

					guarantee			
Hengyi polymer	January 16, 2020	10,587.24	August 26, 2020	6,352.34	General guarantee	2020-8-26 to 2021-3-12	No	Yes
	January 16, 2020	800	December 22, 2020	480	General guarantee	2020-12-22 to 2021-06-22	No	Yes
	January 23, 2019	21,500	July 24, 2019	12,900	General guarantee	2019-7-24 to 2020-4-28	Yes	Yes
	January 16, 2020	21,428.84	January 20, 2020	12,857.3	General guarantee	2020-1-20 to 2021-1-19	Yes	Yes
Shuangtu New Material	January 16, 2020	7,980	July 21, 2020	7,980	General guarantee	2020-7-21 to 2021-1-21	No	Yes
The total amount of guarantees approved for subsidiaries during the reporting period (C1)		1,545,950		The total actual amount of guarantees for subsidiaries during the reporting period (C2)		534,354.66		
The total amount of guarantees for subsidiaries approved at the end of the reporting period (C3)		1,545,950		The total balance of actual guarantees for subsidiaries at the end of the reporting period (C4)		339,893.26		
The total amount of company guarantees (that is, the total of the first three items)								
The total amount of approved guarantees during the reporting period (A1+B1+C1)		3,717,350		The total amount of guarantees actually occurred during the reporting period (A2+B2+C2)		1,474,792.13		
The total amount of approved guarantees at the end of the reporting period (A3+B3+C3)		3,717,350		The total actual guarantee balance at the end of the reporting period (A4+B4+C4)		1,207,796.85		
The percentage of total amount of actual guarantees in company's net assets (i.e. A4+B4+C4)				50.31%				
Of which:								
The balance of guarantees provided for shareholders, actual controllers and				30,000				

their related parties (D)	
The balance of debt guarantee provided directly or indirectly for the guaranteed object whose asset-liability ratio exceeds 70% (E)	0
The amount of the total guarantee exceeding 50% of the net assets (F)	0
The total amount of the above three guarantees (D+E+F)	30,000
For unexpired guarantees, the statement of the situation where guarantee liability has occurred or may bear joint liability for repayment during the reporting period (if any)	None
Instructions for providing external guarantees in violation of prescribed procedures (if any)	None

Description of the specific circumstances of the use of composite guarantees

Note: The Company and its subsidiaries provide the Company's holding subsidiary Hengyi Brunei with a guarantee line of US\$1.75 billion or equivalent overseas RMB for the syndicated loan. Please refer to the Company's disclosure "Announcement on Providing Guarantees to Holding Subsidiary Hengyi Industries Sdn Bhd" (Announcement No.: 2017-136) on the www.cninfo.com.cn on November 18, 2017 for details..

(2) Violation of external guarantees

During the reporting period, the Company had no violations of external guarantees.

3. Entrust others to manage cash assets**(1) Entrusted financing management**

The Company did not have entrusted financing during the reporting period.

(2) Entrusted loans**Overview of entrusted loans during the reporting period**

Currency Unit: RMB 10,000

Total amount of entrusted loans	Sources of funds for entrusted loans	Unexpired balance	Amount not recovered after the due date
160,000	Self-owned funds	100,000	0

The specific situation of a high-risk entrusted loans with a large single amount or low security, poor liquidity, and non-guaranteed capital

Currency Unit: RMB 10,000

Loan object	Loan object type	Loan interest rate	loan amount	Capital source	Starting date	Expiration date	Expected benefit (if any)	Actual profit and loss amount during the reporting period	Actual recovery of profits and losses during the reporting period	The amount of provision for impairment (if any)	Whether it goes through legal procedures	Whether there is any entrusted loan plan in the future	Summary of matters and related query index (if any)
Hainan Yisheng	Joint stock company	4.785%	52,000	Self-owned funds	November 13, 2019	December 04, 2020	1,649.17	1,649.17	1,649.17	0	Yes	Yes	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208608529&announcementTime=2020-10-26
Yisheng New Material	Joint venture corporation	4.785%	8,000	Self-owned funds	December 23, 2019	December 22, 2020	357.12	357.12	357.12	0	Yes	Yes	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206933537&announcementTime=2019-09-19
Yisheng New Material	Joint venture corporation	4.785%	100,000	Self-owned funds	March 16, 2020	December 22, 2021	2,152.37	2,152.37	2,016.45	0	Yes	Yes	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208608528&announcementTime=2020-10-26
Total			160,000	--	--	--	4,158.66	4,158.66	--	--	--	--	--

The principal of the entrusted loans is expected to be unable to be recovered or there are other situations that may cause impairment

Applicable Not applicable

4. Major contracts for daily operations

Applicable Not applicable

5. Other major contracts

There were no other major contracts during the reporting period.

XVIII. Social Responsibility

1. Fulfillment of social responsibilities

See the Social Responsibility Report for details.

The Company shall comply with the disclosure requirements of Shenzhen Stock Exchange Industry Information Disclosure Guidelines No.18-Listed Companies Engaged in Chemical Industry Related Business.

2. Fulfilling social responsibilities for targeted poverty alleviation

(1) Targeted poverty alleviation planning

Under the guidance of documents such as the "Notice of the State Council on Printing and Distributing the Thirteenth Five-Year Plan for Poverty Alleviation" and the "Opinions of the China Securities Regulatory Commission on Giving Full Play to the Capital Market to Serve the National Poverty Alleviation Strategy", the Company actively responded to the relevant requirements for poverty alleviation work called by the Zhejiang Provincial Party Committee and the Provincial Government; implement coordinated arrangements and targeted poverty alleviation on poverty alleviation cooperation carried out by Ningbo Municipal Party Committee and Municipal Government between the east and the west, actively fulfilled the social responsibilities of listed companies, and participated in the national targeted poverty alleviation work.

(2) Summary of annual targeted poverty alleviation

1) In 2020, according to the arrangement of the Ningbo Municipal Party Committee and Municipal Government to carry out poverty alleviation cooperation between the east and the west, the Company was determined to be the targeted poverty alleviation partner of Jilin Wangqing Beier

Technology Co., Ltd. And signed the "Deep Processing Project of Yanbian Prefecture Agricultural Specialty Products " with Wangqing County People's Government. The main task is to build a constant temperature warehouse of 2,500 square meters, purchase refrigeration and product testing equipment and other supporting facilities for packing 2,500 tons of edible fungi per year. The construction period is from July 2019 to July 2020.

2) In order to implement the decision and deployment of the Party Central Committee and the State Council on winning the fight against poverty, further give full play to the role of listed companies in serving the country's fight against poverty, and actively fulfill the social responsibilities of listed companies, the Company donated RMB 3 million to Hongde Hope School in Hongsipu District, Wuzhong City, Ningxia for education-related matters through Wuzhong City Red Cross Society in response to the call of the party and the government.

(3) Effectiveness of targeted poverty alleviation

Index	Measurement unit	Quantity/Development
I Overall situation	——	——
Of which: 1. Funding	RMB 10,000	800
II. Sub-item investment	——	——
8. Social poverty alleviation	——	——
Of which: 8.1 Amount invested in poverty alleviation cooperation between the east and the west	RMB 10,000	300
8.2 Amount of investment in fixed-point poverty alleviation work	RMB 10,000	500

(4) Follow-up targeted poverty alleviation plan

The Company will continue to participate in poverty alleviation activities, actively interact with local governments for public welfare, give full play to the Company's important role as a local enterprise, feedback the society in time, and build a harmonious development atmosphere.

On April 19, 2021, the Company held the fourth meeting of the eleventh board of directors for deliberation and approval. It plans to continue to donate RMB 21 million to Hongde Hope School in

Hongsipu District, Wuzhong City, Ningxia through the Wuzhong Red Cross for education related matters. The specific donation arrangements are implemented in batches according to the progress of the project.

3.Situation related to environmental protection

Whether the listed company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

During the reporting period, the Company strictly implements and carries out "Environmental Protection Law of the People's Republic of China", "Air Pollution Prevention Law of the People's Republic of China", "Water Pollution Prevention Law of the People's Republic of China" and "Environmental Prevention and Control Law of Solid Waste Pollution of the People's Republic of China" and other relevant laws and regulations. The Company continues to attach great importance to environmental protection work, actively responds to the national "Three-Year Action Plan for Winning the Blue Sky Defense War", and deepens continuously environmental management, controls the "three wastes" according to high standards and strict requirements, and takes the path of sustainable development. In particular, the important subsidiaries of key pollutant emission units announced by the environmental protection department continues to increase capital investment and actively carries out environmental protection facilities renovation and upgrading to ensure that emissions meet the standards. The specific conditions are as follows:

Name of Company or subsidiary	Names of main pollutants and characteristic pollutants	Discharge method	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
Zhejiang Yisheng	COD	Discharge after treatment	1	Sewage station	44.85mg/L	100 mg/L	277.81 tons	1,214.36 tons	Reach the standard
	Ammoniacal nitrogen	Discharge after treatment	1	Sewage station	0.51 mg/L	8 mg/L	2.65 tons	17.35 tons	Reach the standard

	SO ₂	Discharge after treatment	2	Boiler island	7.99mg/m ³	35 mg/m ³	57.24 tons	197.45 tons	Reach the standard
	NO _x	Discharge after treatment	2	Boiler island	18.46mg/m ³	50 mg/m ³	122.15 tons	859.17 tons	Reach the standard
	Smoke dust	Discharge after treatment	2	Boiler island	1.51mg/m ³	5 mg/m ³	10 tons	426.11 tons	Reach the standard
Hainan Yisheng	SO ₂	Discharge after treatment	2	Boiler/Heat Medium Furnace	69.18/74.02mg/m ³	GB13223, GB13271	266.10 tons	600 tons	Reach the standard
	NO _x	Discharge after treatment	2	Boiler/Heat Medium Furnace	44.09/279.20mg/m ³	GB13223, GB13271	509.50 tons	850 tons	Reach the standard
	Smoke dust	Discharge after treatment	2	Boiler/Heat Medium Furnace	9.5/9.82mg/m ³	GB13223, GB13271	35.40 tons	214.5 tons	Reach the standard
	COD	Discharge after treatment	1	Sewage station	34.18mg/l	GB31572	150.93 tons	224.59 tons	Reach the standard
	Ammoniacal nitrogen	Discharge after treatment	1	Sewage station	0.12mg/l	GB31572	0.53 tons	17.35 tons	Reach the standard
Hengyi caprolactam	Smoke dust	Discharge after treatment	1	Power station	0.55mg/m ³	DB3301/T0250-2018	4.37 tons	49.04 tons	Reach the standard
	SO ₂	Discharge	1	Power station	3.6mg/m ³	DB3301/T0250-2018	29.25 tons	368.87	Reach the

		after treatment						tons	standard
	NOx	Discharge after treatment	1	Power station	42.3mg/m ³	DB3301/T0250-2018	340.6 tons	482.08 tons	Reach the standard
	Mercury and its compounds	Discharge after treatment	1	Power station	0.000004mg/m ³	DB3301/T0250-2018	/	/	Reach the standard
	Ringelmann Blackness	Discharge after treatment	1	Power station	<1 level	DB3301/T0250-2018	/	/	Reach the standard
	PH	Discharge after treatment	1	Sewage treatment station	7.93	GB31571-2015	/	/	Reach the standard
	COD	Discharge after treatment	1	Sewage treatment station	115.45mg/L	GB31571-2015	104.89 tons	127.51 tons	Reach the standard
	Ammoniacal nitrogen	Discharge after treatment	1	Sewage treatment station	0.42mg/L	GB31571-2015	5.24 tons	6.376 tons	Reach the standard
	Total phosphorus	Discharge after treatment	1	Sewage treatment station	1.53mg/L	DB33-887-2013	/	/	Reach the standard
Hengyi Hi-tech	Smoke dust	Discharge after treatment	3	Thermal coal station	3.76/2.38/1.04mg/m ³	DB3301/T0250-2018	2.06 tons	18.55 tons	Reach the standard
	SO ₂	Discharge after	3	Heat medium station	13.22/35.01/16.13mg/m ³	DB3301/T0250-2018	18.5 tons	60.4 tons	Reach the standard

		treatment							
	NOx	Discharge after treatment	3	Thermal coal station	95.19/68.38/77.20mg/m ³	DB3301/T0250-2018	91.92 tons	181.21 tons	Reach the standard
	COD	Discharge after treatment	1	Sewage treatment station	13.68mg/L	GB31572-2015	0.699 tons	3.68 tons	Reach the standard
	Ammoniacal nitrogen	Discharge after treatment	1	Sewage treatment station	2.27mg/L	GB31572-2015	0.11 tons	0.15 tons	Reach the standard
Hengyi polymer	Smoke dust	Discharge after treatment	3	Heat medium station	8.67/1.44/9.25mg/m ³	DB3301/T0250-2018	3.69 tons	/	Reach the standard
	SO ₂	Discharge after treatment	3	Heat medium station	16.40/22.64/9.72mg/m ³	DB3301/T0250-2018	8.38 tons	29.22 tons	Reach the standard
	NOx	Discharge after treatment	3	Heat medium station	124.06/111.56/105.92mg/m ³	DB3301/T0250-2018	56.24 tons	87.67 tons	Reach the standard
	COD	Discharge after treatment	1	Sewage station	28.63mg/L	GB31572-2015	1.75 tons	34.5 tons	Reach the standard
Hangzhou Yijing	Smoke dust	Discharge after treatment	1	Heat medium station	1.16mg/m ³	DB3301/T0250-2018	1.09 tons	/	Reach the standard
	SO ₂	Discharge after treatment	1	Heat medium station	13.75mg/m ³	DB3301/T0250-2018	10.03 tons	33.8 tons	Reach the standard

	NOx	Discharge after treatment	1	Heat medium station	68.81mg/m ³	DB3301/T0250-2018	61.91 tons	101.3 tons	Reach the standard
	PH	Discharge after treatment	1	Sewage treatment station	7.96	GB31572-2015	/	/	Reach the standard
	COD	Discharge after treatment	1	Sewage treatment station	40.83mg/L	GB31572-2015	0.45 tons	44 tons	Reach the standard
	Ammoniacal nitrogen	Discharge after treatment	1	Sewage treatment station	8.28mg/L	GB31572-2015	0.064 tons	3.08 tons	Reach the standard
Shuangtu New Material	Smoke dust	Discharge after treatment	2	Heat medium station	3.78/2.42mg/m ³	DB3301/T0250-2018	5.528 tons	32.22 tons	Reach the standard
	SO ₂	Discharge after treatment	2	Heat medium station	9.99/17.2mg/m ³	DB3301/T0250-2018	24.241 tons	111 tons	Reach the standard
	NOx	Discharge after treatment	2	Heat medium station	87.1/77.81mg/m ³	DB3301/T0250-2018	147.023 tons	168 tons	Reach the standard

Construction and operation of pollution prevention facilities

The prevention and control measures for waste gas, waste water, solid waste and noise were designed, constructed and put into use at the same time as the main equipment in strict accordance with the requirements of environmental impact assessment, which are in good condition at present. According to other rectification requirements put forward by the environmental protection department, some new pollution prevention and control facilities have been added to further improve the environmental protection and treatment level of the installation.

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

The Company's construction projects have successively passed environmental impact assessments and other environmental protection administrative permits, or related work is in progress.

Emergency plan for environmental emergencies

1. "Emergency Plan for Emergent Environmental Incidents of Zhejiang Baling Hengyi Caprolactam Co., Ltd. " was filed by the local environmental protection department in July 2019.

2. The "Emergency Plan for Emergent Environmental Incidents of Zhejiang Hengyi High-tech Material Co., Ltd. " was revised, reviewed and filed by the local environmental protection department in March 2019.

3. The " Emergency Plan for Sudden Environmental Incidents of Zhejiang Hengyi Polymer Co., Ltd." was revised, reviewed and filed by the local environmental protection department in September 2018.

4. The "Emergency Plan for Sudden Environmental Incidents of Hangzhou Yijing Chemical Fiber Co., Ltd." was revised, reviewed and filed by the local environmental protection department in March 2019.

5. The " Emergency Plan for Emergent Environmental Incidents of Zhejiang Shuangtu New Material Co., Ltd." was revised, reviewed and filed by the local environmental protection department in October 2019.

6. "Emergency Plan for Emergent Environmental Incidents of Hainan Yisheng Petrochemical

Co., Ltd. " was revised, reviewed and filed by the local environmental protection department in December 2020.

7. The "Emergency Plan for Environmental Emergency of Zhejiang Yisheng Petrochemical Co., Ltd." was revised, reviewed and filed by the local environmental protection department in September 2020.

Environmental self-monitoring program

The Company and its subsidiaries strictly abide by national and local government environmental protection laws, regulations and related regulations, and establish environmental self-monitoring programs to ensure that all pollutants are discharged and reasonably disposed of in strict accordance with the requirements of laws and regulations. The self-monitoring plan has been disclosed in the pollution source monitoring data management system. The Company carries out pollution source monitoring to ensure that all pollutants are discharged in strict accordance with the requirements of laws and regulations. At the same time, it entrusts qualified third-party monitoring units to carry out regular monitoring.

Other environmental information that should be disclosed

The environmental information that should be disclosed has been disclosed as required.

Other environmental protection related information

The Company and its subsidiaries attach great importance to environmental protection, and make major decisions regarding the Company's environmental protection on a regular or irregular basis. The Company has established a health, safety and environment (HSE) management committee to implement comprehensive supervision and management of the Company's HSE work; each subsidiary has a full-time environmental protection department responsible for daily comprehensive management, supervision and inspection. The Company has established a strict monitoring system and entrusted the environmental management and monitoring department to monitor the water, gas, sound, and slag of the whole plant to grasp the pollution dynamics.

XIX. Explanation of other important matters

During the reporting period, the Company has disclosed the major issues on the www.cninfo.com. in accordance with the "Securities Law" and the "Administrative Measures for

Information Disclosure of Listed Companies", the details are as follows:

No.	Announcement date	Title of Announcement
1	August 29, 2020	Announcement on the plan to repurchase shares through centralized bidding transactions (Announcement No.: 2020-090)
2	September 16, 2020	Announcement on the Appointment of Senior Management and Securities Affairs Representatives of the Company (Announcement No.: 2020-098)
3	November 20, 2020	Announcement on the first repurchase of company shares (Announcement No.: 2020-134)

XX. Major matters of the Company's subsidiaries

No.	Announcement date	Title of Announcement	Contents
1	February 24, 2020	Announcement on the production progress of the 1 million tons of differential environmentally friendly functional fiber project (Announcement No.: 2020-021)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1207318307&announcementTime=2020-02-24
2	June 4, 2020	Announcement on the commissioning of the upgrade and transformation project of differential functional fibers with an annual output of 500,000 tons (Announcement No.: 2020-063)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1207894198&announcementTime=2020-06-04
3	August 29, 2020	Announcement on the subsidiary's investment in the construction of a new functional fiber project with an annual output of 566,000 tons (Announcement No.: 2020-083)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208325104&announcementTime=2020-08-29
4	August 29, 2020	Announcement on the subsidiary's investment in the construction of a new functional fiber technology transformation project with an annual output of 500,000 tons (Announcement No.:	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208325105&announcementTime=2020-08-29

		2020-084)	
5	September 16, 2020	Announcement on the subsidiary's investment in the construction of the Phase II of the Brunei Refining and Petrochemical Project (Announcement No.: 2020-099)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=120844483&announcementTime=2020-09-16
6	October 13, 2020	Announcement on the production progress of the 1 million tons of differential environmentally friendly functional fiber project (Announcement No.: 2020-105)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208538169&announcementTime=2020-10-13
7	November 17, 2020	Announcement on the production progress of the 1 million tons of differential environmentally friendly functional fiber project (Announcement No.: 2020-132)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208750316&announcementTime=2020-11-17

Section VI Changes in Shares and Shareholders

I. Share changes

1. Changes in shares

Unit: Share

	Before this change		Increase/decrease in current period (+, -)					After this change	
	Quantity	Proportion (%)	New issue of shares	Share repurchase	Conversion of provident fund to shares	Others	Subtotal	Quantity	Proportion (%)
I. Shares with restrictions on sales	560,933,868	19.74	0	0	89,151,447	-281,792,038	-192,640,591	368,293,277	10.00
3. Other domestic capital shares	560,933,868	19.74	0	0	89,151,447	-281,792,038	-192,640,591	368,293,277	10.00
Including: domestic corporate shares	534,610,368	18.81	0	0	81,229,197	-276,444,088	-195,214,891	339,395,477	9.22
Domestic natural person shares	26,323,500	0.93	0	0	7,922,250	-5,347,950	2,574,300	28,897,800	0.78
II. Shares without restrictions on sales	2,280,791,606	80.26	0	0	763,366,196	269,194,329	1,032,560,524	3,313,352,130	90.00
1. RMB ordinary shares	2,280,791,606	80.26	0	0	763,366,196	269,194,329	1,032,560,524	3,313,352,130	90.00
III. The sum of shares	2,841,725,474	100.00	0	0	852,517,643	-12,597,709	839,919,933	3,681,645,407	100.00

Reasons for changes in shares

(1) In January 2020, the Company issued shares to purchase assets and raise matching funds and related transactions to issue shares to purchase the new shares were released from the restricted sale and listed for circulation. The number of new shares issued in this non-public offering is 50,078,264 shares.

(2) In February 2020, the Company issued shares to purchase assets and raise matching funds and the non-public issuance of new shares in connected transactions was lifted from the restricted sale. The number of new shares in the non-public issuance was 213,768,115 shares.

(3) In May 2020, the Company implemented the 2019 equity distribution business, and the Company's total share capital increased from 2,841,725,474 shares to 3,694,243,116 shares.

(4) In June 2020, the Company implemented the repurchase and cancellation business due to performance commitments to compensate shares, and the Company's total share capital was changed from 3,694,243,116 shares to 3,681,645,407 shares.

(5) In June 2020, the restricted stocks in the third unlocking period of the Company's second restricted stock incentive plan were lifted from the restricted stock market.

Approval of changes in shares

(1) The Company received the "Approval on Approving Hengyi Petrochemical Co., Ltd. to issue shares to Zhejiang Hengyi Group Co., Ltd. to Purchase Assets and Raise Supporting Funds" issued by China Securities Regulatory Commission on November 27, 2018(licensed by the China Securities Regulatory Commission) [2018] No. 1937)

(2) The Company's 2019 Board of Directors held on April 26, 2020 and the 2019 Annual General Meeting of Shareholders held on May 19, 2020 reviewed and approved the "Proposal on the Company's 2019 Profit Distribution" and agreed that based on the Company's total share capital of 2,841,725,474 shares, a cash dividend of RMB 4.00 (including tax) will be distributed to all shareholders for every 10 shares, and 0 bonus shares will be distributed for every 10 shares.

(3) The Company's 2019 Board of Directors held on April 26, 2020 and the 2019 Annual General Meeting of Shareholders held on May 19, 2020 reviewed and approved the "Proposal on Issuance of Shares to Purchase Assets and Related-Party Transaction Projects for the Implementation of 2019 Performance Commitments and Performance Compensation", the Company's total share capital will be reduced by 12,597,709 shares to 3,681,645,407 shares after

the compensation shares are repurchased and cancelled.

(4) The 39th meeting of the tenth board of directors of the Company held on June 12, 2020 deliberated and approved the "Proposal on the Achievement of the Unlocking Conditions of the Third Unlocking Period of the Second Restricted Stock Incentive Plan" and agreed to that 15,260,700 restricted stocks of the 49 incentive objects' in the third unlocking period of the second restricted stock incentive plan were unlocked according to regulations.

Transfer of share changes

(1) On January 3, 2020, the Company issued shares to purchase assets and raised matching funds and related transactions to issue shares to purchase assets and new shares of 50,078,264 shares were lifted from sales restrictions.

(2) On February 28, 2020, the Company issued shares to purchase assets and raised matching funds and the non-public issuance of new shares of 213,768,115 in connected transactions was lifted from the restriction on sales.

(3) On June 24, 2020, the 15,260,700 restricted shares of restricted stocks in the third unlocking period of the Company's second restricted stock incentive plan were lifted from the restriction on sales.

Implementation progress of share repurchase

As of December 31, 2020, the Company has repurchased 27,485,246 shares through a centralized bidding transaction through a special securities repurchase account, accounting for 0.75% of the Company's total share capital. The highest transaction price for the purchase of shares is RMB 13.97 per share, and the lowest transaction price is RMB 11.71 per share, and the total amount paid is RMB 349,918,604.47 (excluding commissions, transfer fees and other transaction costs).

Progress in the implementation of the centralized bidding method to reduce the shareholding repurchase

Applicable Not applicable

The impact of share changes on financial indicators such as basic earnings per share and diluted earnings per share, net assets per share attributable to the Company's common shareholders, etc. in the recent year and the recent period

The share capital at the beginning of the reporting period was 2,841,725,474.00 shares. According

to the "Accounting Standards for Business Enterprises-Earnings Per Share", the most recent share capital was recalculated based on the adjusted number of shares. The basic earnings per share for the period was 1.08, and the diluted earnings per share after the change was 1.07.

Other content that the Company deems necessary or required by the securities regulatory agency to disclose

Applicable Not applicable

2. Changes in restricted shares

Unit: Share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares lifted in this period	Number of increased restricted shares in the current period	Number of restricted shares at the end of the period	Reasons for restricted sale	Release date of restriction
Zhejiang Hengyi Group Co., Ltd.	170,592,433	0	51,177,730	221,770,163	Issuance of shares to purchase assets and new shares in connected transactions	December 28, 2021
Fulida Group Holding Co., Ltd.	75,124,910	25,039,132	15,025,734	65,111,512		January 3, 2020
Xinghui Chemical Fiber Group Co., Ltd.	75,124,910	25,039,132	15,025,734	65,111,512		
Tianjin Xinxiang Enterprise Management Partnership (Limited Partnership)	21,739,130	21,739,130	0	0	Issuing shares to purchase assets and raising supporting funds and non-public offering of shares in connected transactions	February 28, 2020
Sino Safe Assets Management-Industrial and Commercial Bank-Sino Safe Assets Management Stability Zengli No. 8 Collective Asset Management Product	21,380,434	21,380,434	0	0		
Beixin Ruifeng Fund-Hangzhou Triya Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Shaoxia No. 2 Single Asset Management Plan	3,623,188	3,623,188	0	0		
Sino Safe Assets Management-Industrial and Commercial Bank-Sino Safe Assets Management Stability Zengli No. 9	21,380,434	21,380,434	0	0		

Collective Asset Management Product						
Beixin Ruifeng Fund-Hangzhou Qingyu Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Bairui No. 78 Single Asset Management Plan	7,246,376	7,246,376	0	0		
Beixin Ruifeng Fund-Huaxin Trust · Zhixuan No. 51 Accumulative Fund Trust Plan-Beixin Ruifeng Fund Huaxin Zhixuan No. 51 Single Asset Management Plan	21,739,130	21,739,130	0	0		
Beixin Ruifeng Fund-Hangzhou Shangju Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Guangjie No. 1 Single Asset Management Plan	9,275,362	9,275,362	0	0		
Beixin Ruifeng Fund-CITIC Wealth Management's Huiying Series Smart Choice Tiantian Express Wealth Management Product-Beixin Ruifeng Fund CITIC No. 1 Single Asset Management Plan	40,355,077	40,355,077	0	0		
Beixin Ruifeng Fund-Hangzhou Yuting Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Shaoxia No. 3 Single Asset Management Plan	2,173,913	2,173,913	0	0		
Beixin Ruifeng Asset Management-Bohai Bank 2018 Botai No. 2 Open RMB Non-guaranteed Floating Income Wealth Management Product-Beixin Ruifeng Asset Bohai No. 1 Single Asset Management Plan	21,376,811	21,376,811	0	0		
Xinyuan Asset Management-"Chuangying" Portfolio Investment Wealth Management Product 170720-Xinyuan Assets Xinmeihua No. 358 Single Asset Management Plan	43,478,260	43,478,260	0	0		
Total	534,610,368	263,846,379	81,229,198	351,993,187	—	—

Continued

Name of shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares lifted in this period	Number of increased restricted shares in the current period	Number of restricted shares at the end of the period	Reasons for restricted sale	Release date of restriction
Ni Defeng	1,176,000	1,528,800	352,800	0	Locked after the grant of restricted stock equity incentive plan	The first grant date is June 12, 2017, and the unlocking will be performed in three phases at a ratio of 40%, 30%, and 30% within 36 months.
Wu Zhong	42,000	54,600	12,600	0		
Zheng Xingang	672,000	873,600	201,600	0		
Wang Songlin	1,113,000	1,446,900	333,900	0		
Chen Liancai	840,000	1,092,000	252,000	0		
Zhao Donghua	126,000	163,800	37,800	0		
Other 43 incentive objects of restricted stock incentive plan	7,770,000	10,101,000	2,331,000	0		
Total	11,739,000	15,260,700	3,521,700	0	—	—

II. Securities issuance and listing**1. Securities issuance (excluding preferred shares) during the reporting period**

Unit: Share, Yuan/sheet, Ten Thousands Sheet, 100 Million Yuan, Currency: RMB

The name of the stock and its derivative securities	Date of issue	Issue price (or interest rate)	issue number	Listing date	Number of approved listing transactions	Transaction termination date	Disclosure Index	Disclosure date
Convertible corporate bonds, separately traded convertible corporate bonds, corporate bonds								
20 Hengyi 01	March 11, 2020	5.89%	10	March 23, 2020	10	March 13, 2023	www.cninfo.com.cn: Public Issuance of Corporate Bonds to Qualified Investors in 2020 (Phase 1) (Pandemic Prevention and Control Bonds) Announcement	March 13, 2020
Hengyi Convertible Bond	October 16, 2020	Issuance at par value	2,000	November 16, 2020	2,000	October 15, 2026	Juchao Information Network: Listing Announcement	November 12, 2020

Explanation of securities issuance (excluding preferred shares) during the reporting period

Corporate bonds:

(1) During the reporting period, the Company issued "20 Hengyi 01" corporate bonds, raising a total of RMB 1 billion, and the value date is March 13, 2020. For details of the Company's bond

issuance, please refer to "Section X Corporate Bonds Related Information" of this report.

(2) During the reporting period, the Company issued "Hengyi Convertible Bonds" convertible corporate bonds, raising a total of RMB 2 billion, and the value date is October 16, 2020. For details about the Company's issuance of convertible corporate bonds, please refer to "Section VIII Related Information about Convertible Corporate Bonds" of this report.

2. Description of changes in the total number of company shares and shareholder structure, and changes in the Company's assets and liabilities structure

The Company implemented the repurchase and cancellation of 2019 profit distribution and performance commitments during the reporting period. The total number of shares has changed from 2,841,725,474 shares at the beginning of the period to 3,681,645,407 shares as of the disclosure date of this report.

3. Existing internal employee shares

Applicable Not applicable

III. Shareholders and actual controllers

1. Number of shareholders and shareholding of the Company

Unit: Share

Total number of ordinary shareholders at the end of the reporting period		33,917		Total number of shareholders as of March 31, 2021		44,831		
Shareholding of shareholders holding more than 5% or the top 10 shareholders								
Name of shareholders	Nature of shareholders	Shareholding Ratio	Number of shares held at the end of the reporting period	Changes of increase and decrease in the reporting period	Number of shares with restricted sale conditions	Number of shares with unrestricted sale conditions	Pledge or freeze situation	
							Share status	Quantity
Zhejiang Hengyi Group Co., Ltd.	Domestic non-state legal person	40.86%	1,504,313,458	337,458,714	209,172,454	1,295,141,004	Pledged	1,129,851,061
Hangzhou Hengyi Investment Co., Ltd.	Domestic non-state legal person	6.96%	256,338,027	59,154,929	0	256,338,027		
Guangdong Fuye Shengde Asset Management Co., Ltd.-Fuye Shengde No. 1 Private Securities Investment Fund	Others	4.30%	158,382,926	158,382,926	0	158,382,926		

Huaneng Guicheng Trust Co., Ltd.-Huaneng Trust Jinyi Xincheng Accumulative Fund Trust	Others	3.61%	132,801,538	132,801,538	0	132,801,538		
Xinghui Chemical Fiber Group Co., Ltd.	Domestic non-state legal person	2.65%	97,662,383	22,537,473	65,111,511	32,550,872		
Hong Kong Securities Clearing Company Limited	Foreign legal person	1.85%	68,121,317	68,121,317	0	68,121,317		
Chang'an International Trust Co., Ltd.-Chang'an Trust-Hengyi Petrochemical Phase III Employee Stock Ownership Trust Plan	Others	1.74%	64,236,044	-24,752,451	0	64,236,044		
Kingold Group Co., Ltd.	Domestic non-state legal person	1.52%	55,787,988	55,787,988	0	55,787,988		
Fulida Group Holding Co., Ltd.	Domestic non-state legal person	1.04%	38,421,512	-36,703,398	38,421,512	0	Frozen	34,093,512
Wang Li	Domestic natural person	0.83%	30,395,693	30,395,693	0	30,395,693		
Strategic investors or general legal persons become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)			None					
Description of the above-mentioned shareholders' connected relationship or concerted action			Among the top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is a holding subsidiary of Hengyi Group. As of the disclosure date of this report, the Company's controlling shareholder Hengyi Group and its concerted parties pledged 1,129,851,061					

	shares of the Company, accounting for 64.17% of its shares, of which 872,634,523 shares (accounting for 49.56% of its shares) are the credit enhancement guarantee provided by company's controlling shareholders for Hengyi Brunei for a project loan of US\$1.75 billion or equivalent overseas RMB, the above pledge does not involve the obligation of stock covering position, and there is no liquidation risk.
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Continued

Shareholdings of the top 10 shareholders with unrestricted sales conditions		
Name of shareholders	Number of unrestricted shares held at the end of the reporting period	Types of shares
Zhejiang Hengyi Group Co., Ltd.	1,295,141,004	RMB ordinary shares
Hangzhou Hengyi Investment Co., Ltd.	256,338,027	RMB ordinary shares
Guangdong Fuye Shengde Asset Management Co., Ltd.-Fuye Shengde No. 1 Private Securities Investment Fund	158,382,926	RMB ordinary shares
Huaneng Guicheng Trust Co., Ltd.-Huaneng Trust Jinyi Xincheng Accumulative Fund Trust	132,801,538	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	68,121,317	RMB ordinary shares
Chang'an International Trust Co., Ltd.-Chang'an Trust-Hengyi Petrochemical Phase III Employee Stock Ownership Trust Plan	64,236,044	RMB ordinary shares
Kingold Group Co., Ltd.	55,787,988	RMB ordinary shares
Xinghui Chemical Fiber Group Co., Ltd.	32,550,872	RMB ordinary shares
Wang Li	30,395,693	RMB ordinary shares
China Life Asset Management-Bank of China-China Life Assets-Phoenix Series Special Products (Phase 5)	30,191,379	RMB ordinary shares

<p>Explanation of the related relationship or concerted action among the top 10 shareholders of unlimited tradable shares, and between the top 10 shareholders of unlimited tradable shares and the top 10 shareholders</p>	<p>Among the top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is a holding subsidiary of Hengyi Group.</p>
<p>Explanation on the participation of the top 10 ordinary shareholders in margin trading and securities lending business (if any) (see Note 4)</p>	<ol style="list-style-type: none"> 1. The Company's shareholder Zhejiang Hengyi Group Co., Ltd. holds 1,465,851,272 shares through ordinary securities accounts, and also holds 38,462,186 shares through customer credit transaction guarantee securities accounts of CITIC Securities Co., Ltd., a total of 1,504,313,458 shares. 2. The Company's shareholder Hangzhou Hengyi Investment Co., Ltd. holds 76,338,027 shares through ordinary securities accounts, and also holds 180,000,000 shares through customer credit transaction guarantee securities accounts of Soochow Securities Co., Ltd., a total of 256,338,027 shares. 3. The Company's shareholder Guangdong Fuye Shengde Asset Management Co., Ltd.-Fuye Shengde Shengde No. 1 Private Securities Investment Fund holds 0 shares through an ordinary securities account, and also holds 158,382,926 shares through a customer credit transaction guarantee securities account of Huatai Securities, holding a total of 158,382,926 shares. 4. The Company's shareholder Kingold Group Co., Ltd. holds 0 shares through ordinary securities accounts, and also holds 55,787,988 shares through customer credit transaction guarantee securities accounts of China Merchants Securities Co., Ltd., holding a total of 55,787,988 shares. 5. The Company's shareholder Wang Li holds 0 shares through an ordinary securities account, and also holds 30,395,693 shares through the customer credit transaction guarantee securities account of Zheshang Securities Co., Ltd., holding a total of 30,395,693 shares.

Whether the Company's top 10 common stock shareholders and top 10 common stock shareholders with unrestricted sales conditions conducted agreed repurchase transactions during the reporting period

The Company's top 10 common stock shareholders and the top 10 common stock shareholders with unrestricted sales conditions did not engage in an agreed repurchase transaction during the reporting period.

2. The Company's controlling shareholder

Nature of controlling shareholder: Natural person holding

Type of controlling shareholder: Legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Organization Code	Main business
Hengyi Group	Qiu Jianlin	October 18, 1994	91330109143586141L	Industrial investment, production and sales of textile materials and products, etc.
The controlling shareholder's equity of other domestic and overseas listed companies that hold or participate in shares during the reporting period	As of the disclosure date of this report, Hengyi Group currently holds 494,655,630 shares of Zheshang Bank Co., Ltd. (stock code: 601916. SH, 02016.HK), Accounting for 2.33% of its total share capital			

Change of controlling shareholder during the reporting period

The controlling shareholder of the Company remained unchanged during the reporting period.

3. The actual controller of the Company and those acting in concert

Nature of actual controller: domestic natural person

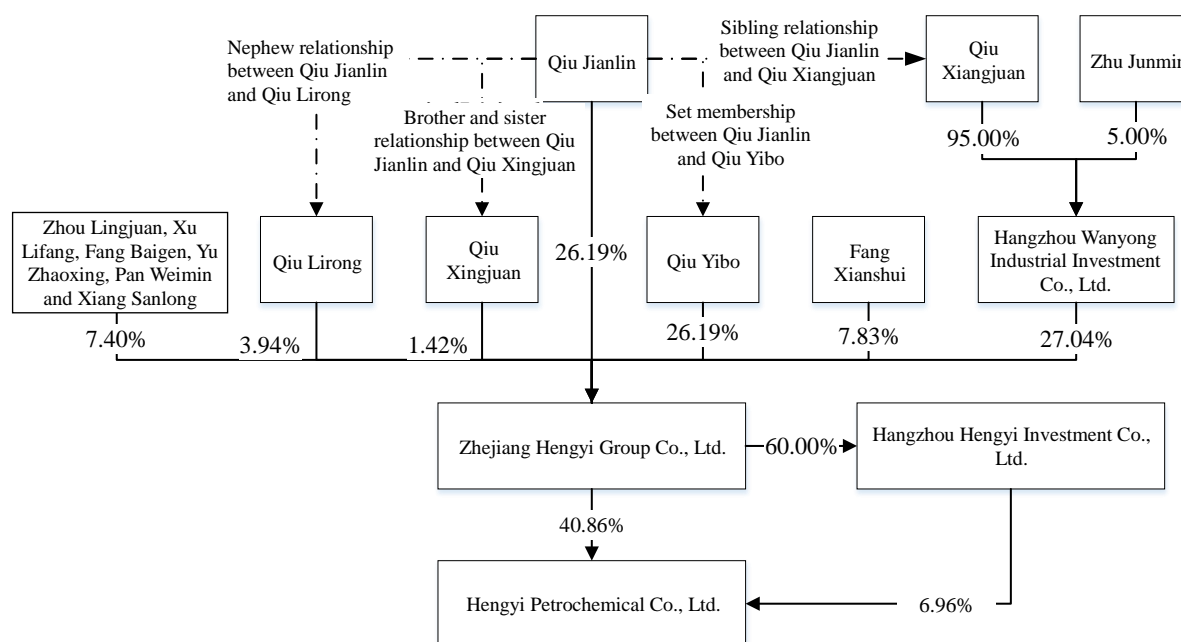
Type of actual controller: natural person

Actual controller	Relationship with actual controller	Nationality	Whether to obtain the right of abode in other countries or regions
Qiu Jianlin	Personally	China	No
Main occupations and positions	Since 1994, Mr. Qiu Jianlin has been the chairman of Zhejiang Hengyi Group Co., Ltd. In addition, Qiu Jianlin also served as the vice chairman of China Chemical Fiber Industry Association and other social appointments.		
Status of domestic and overseas listed companies that have held holdings in the past 10 years	As of the disclosure date of this report, Mr. Qiu Jianlin is the actual controller of Hengyi Group. Hengyi Group directly holds 40.86% of the Company's shares, holds 6.96% of the Company's shares through Hengyi Investment, the holding subsidiary of Hengyi Group (Hengyi Group holds 60% of Hengyi Investment shares), therefore, Mr. Qiu Jianlin is the actual controller of the Company		

Change of actual controller during the reporting period

There was no change in the actual controller of the Company during the reporting period.

Block diagram of the property rights and control relationship between the Company and the actual controller



Note: As of the disclosure date of this report, Qiu Jianlin held 26.19% of the equity of Hengyi Group and actually controlled 84.77% of the equity of Hengyi Group through concerted action arrangements with family members (on February 8, 2018, Qiu Jianlin signed an Agreement for Concerted Action with Hangzhou Wanyong Industrial Investment Co., Ltd., Qiu Xiangjuan, Qiu Yibo, Qiu Lirong, and Qiu Xingjuan. The agreement continues to be effective. According to the agreement, Wanyong Industrial controlled by Qiu Xiangjuan, Qiu Yibo, Qiu Lirong and Qiu Xingjuan are the concerted actors of Qiu Jianlin, and the four shareholders hold 27.04%, 26.19%, 3.94% and 1.42% of the equity of Hengyi Group respectively). Hengyi Group directly holds 40.86% of Hengyi Petrochemical and holds 6.96% of Hengyi Petrochemical through its subsidiary Hengyi Investment, which controls 47.82% of Hengyi Petrochemical's shares. Qiu Jianlin is still the actual controller of the listed company.

The actual controller controls the Company through trust or other asset management methods

Applicable Not applicable

4. Other corporate shareholders holding more than 10% of the shares

Applicable Not applicable

5. Controlling shareholders, actual controllers, restructuring parties and other commitment subjects share restrictions on reductions

Applicable Not applicable

Section VII Preference Shares Relevant Situation

During the reporting period, there were no preferred shares in the Company.

Section VIII Relevant Situation of Convertible Corporate Bonds

I. Previous adjustments to the conversion price

On April 25, 2019, the Company held the 29th meeting of the tenth board of directors, at which the "Proposal on the Company's Public Issuance of Convertible Corporate Bonds" was reviewed and approved. The validity period is 12 months from the date of approval by the shareholders meeting. On May 9, 2019, the Company held the 2018 Annual General Meeting of Shareholders, and the aforementioned resolution was passed by resolution. On April 26, 2020, the Company convened the 38th meeting of the tenth board of directors. The "Proposal on Extending the Validity Period of the Resolutions of the General Meeting of Shareholders of Public Offering of Convertible Corporate Bonds" was considered and approved. The validity period of the resolutions of the general meeting of shareholders shall be extended by 12 months from the date of expiry of the previous validity period (i.e., May 8, 2021). On May 19, 2020, the Company held the 2019 Annual General Meeting of Shareholders, and the aforementioned resolution was passed by resolution.

On March 31, 2020, the Company received the "Approval of the Public Issuance of Convertible Corporate Bonds by Hengyi Petrochemical Co., Ltd." (ZJXK [2020] No. 522) issued by the China Securities Regulatory Commission. As approved by the China Securities Regulatory Commission, the issued convertible bonds are referred to as "Hengyi Convertible Bonds" for short and the bond code is "127022". The Company publicly issued 20 million convertible corporate bonds on October 22, 2020, each with a face value of RMB 100, a total issuance of RMB 2 billion, and a conversion price of rmb 11.50 per share, and on November 16, 2020, listed on the Shenzhen Stock Exchange.

As of the disclosure date of this report, the Company's convertible bond conversion price has not yet been adjusted.

II. Cumulative share conversion

Applicable Not applicable

III. The top ten holders of convertible bonds

Unit: Share

No.	Name of convertible bond holders	Nature of convertible bond holders	Number of convertible bonds held at the end of the reporting period (sheets)	Amount of convertible bonds held at the end of the reporting period (RMB)	Percentage of convertible bonds held at the end of the reporting period
1	Industrial and Commercial Bank of China Limited-China Universal Convertible Bond Securities Investment Fund	Others	609,478	60,947,800.00	3.05%
2	Ping An Selected Value-Added No. 1 Hybrid Pension Product-Industrial and Commercial Bank of China Co., Ltd.	Others	587,407	58,740,700.00	2.94%
3	Ping An Bank Co., Ltd.-Changxin Convertible Bond Securities Investment Fund	Others	465,161	46,516,100.00	2.33%
4	Basic Pension Insurance Fund 307 Portfolio	Others	357,896	35,789,600.00	1.79%
5	China National Petroleum Corporation Enterprise Annuity Plan-Industrial and Commercial Bank of China Co., Ltd.	Others	356,570	35,657,000.00	1.78%
6	Taikang Asset Credit Increasing Fixed Income Pension Products-Bank of China Co., Ltd.	Others	344,071	34,407,100.00	1.72%
7	Industrial and Commercial Bank of China Co., Ltd.-E Fund Security Return Bond Securities Investment Fund	Others	322,955	32,295,500.00	1.61%
8	Shenwan Hongyuan Securities Co., Ltd.	State-owned legal person	317,679	31,767,900.00	1.59%
9	Taikang Asset Management Co., Ltd.-Kaitai-stable value-added investment products	Others	288,668	28,866,800.00	1.44%

10	Taikang Asset Management-China Construction Bank-Taikang Asset Management Co., Ltd. enjoys the configuration of asset management products	Others	283,443	28,344,300.00	1.42%

IV. Significant changes in the guarantor's profitability, asset status, and credit status

Applicable Not applicable

V. At the end of the reporting period, the Company's liabilities, changes in credit standing, and cash arrangements for debt repayment in future years

1. Relevant accounting data and financial indicators

Item	Reporting period	Accumulated amount in prior year	Rate of change over the same period
Current ratio (%)	70.68	71.42	-0.74%
Debt-to-asset ratio (%)	67.17	65.54	1.63%
Quick ratio (%)	47.14	47.51	-0.37%
Time interest earned ratio(times)	3.11	3.75	-17.07%
Loan repayment rate (%)	100.00	100.00	0%
Interest repayment rate (%)	100.00	100.00	0%

2. Credit rating of convertible bonds

The convertible corporate bonds have been rated by Shanghai New Century Credit Rating Investment Services Co., Ltd. and the "Credit Rating Report on Public Issuance of Convertible Corporate Bonds by Hengyi Petrochemical Co., Ltd." was issued on September 4, 2020. According to the rating report, the main credit rating of Hengyi Petrochemical is AA+, and the credit rating of this convertible corporate bond is AA+. During the duration of this convertible bond, Shanghai New Century Credit Rating Investment Service Co., Ltd. will conduct a regular follow-up rating once a year.

3. Cash arrangements for debt repayment in future years

The Company's operating conditions are stable, with abundant cash flow, steady growth in asset scale and profitability, asset-liability ratio at a reasonable level, and credit status in good level.

The Company will maintain stable and sufficient funds for future payment of convertible corporate bond interest and bond repayment.

Section IX Directors, Supervisors, Senior Management and Employees

I.Changes in the shareholding of directors, supervisors and senior executives

Name	Job title	Incumbency	Gender	Age	Start date of tenure	Expiry date of tenure	Number of shares held at the beginning of the period (shares)	Number of additional shares held in the current period (shares)	The number of holding shares reduced in the current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)
Qiu Yibo	Chairman, President	Incumbent	Male	34	May 15, 2015	September 13, 2023	1,050,000	0	0	315,000	1,365,000
Fang Xianshui	Vice Chairman	Incumbent	Male	57	May 16, 2011	September 13, 2023	3,675,000	0	0	1,102,500	4,777,500
Ni Defeng	Director	Incumbent	Male	43	August 25, 2017	September 13, 2023	4,655,000	0	0	1,396,500	6,051,500
Wu Zhong	Director	Incumbent	Male	32	September 14, 2020	September 13, 2023	84,000	0	0	25,200	109,200
Wang	Executive Vice	Incumbent	Male	51	May 16,	September	4,445,000	0	0	1,333,500	5,778,500

Songlin	President				2011	13, 2023					
Chen Liancai	Vice president	Incumbent	Male	54	August 25, 2017	September 13, 2023	2,800,000	0	0	840,000	3,640,000
Zhao Donghua	Vice president	Incumbent	Male	36	September 15, 2020	September 13, 2023	252,000	0	0	75,600	327,600
Zheng Xingang	Secretary of the board	Incumbent	Male	42	August 28, 2017	September 13, 2023	2,240,000	0	0	672,000	2,912,000
Li Yugang	Chairman of the board of supervisors	Incumbent	Male	44	September 15, 2020	September 13, 2023	168,000	0	0	50,400	218,400
Jin Danwen	Supervisor	Incumbent	Female	35	September 14, 2020	September 13, 2023	84,000	0	0	25,200	109,200
Ni Jinmei	Supervisor	Incumbent	Female	45	August 28, 2020	September 13, 2023	210,000	0	0	63,000	273,000
Lou Xiang	Director, President	Leave office	Male	42	August 25, 2017	September 14, 2020	4,410,000	0	0	1,323,000	5,733,000
Total	--	--	--	--	--	--	24,073,000	0	0	7,221,900	31,294,900

II. Changes in the Company's directors, supervisors and senior management

Name	Position held	Type	Date	Reason
Li Yugang	Supervisor	Engage	September 14, 2020	Election at expiration of board of supervisors
Jin Danwen	Supervisor	Engage	September 14, 2020	Election at expiration of board of supervisors
Ni Jinmei	Supervisor	Engage	September 14, 2020	Election at expiration of board of supervisors
Mao Ying	Director	Engage	September 14, 2020	General election of the board of directors
Wu Zhong	Director	Engage	September 14, 2020	General election of the board of directors
Lou Xiang	Director	Leave the post at the end of the term	September 14, 2020	General election of the board of directors
Wang Tieming	Supervisor	Leave the post of supervisor at the end of the term	September 14, 2020	Election at expiration of board of supervisors
Gong Yanhong	Supervisor	Leave the post of supervisor at the end of the term	September 14, 2020	Election at expiration of board of supervisors
Li Yue	Supervisor	Leave the post at the end of the term	September 14, 2020	Election at expiration of board of supervisors
Lou Jianchang	Director	Engage	September 14, 2020	General election of the board of directors
Wang Songlin	Director	Leave the post of director at the end of the term	September 14, 2020	General election of the board of directors
Chen Liancai	Director	Leave the post of director at the end of the term	September 14, 2020	General election of the board of directors

III. Incumbency situation

The professional background, main work experience and current main responsibilities in the Company of the Company's current directors, supervisors, and senior management personnel

1. Director

Qiu Yibo, male, born in December 1987, Chinese nationality, bachelor degree, once worked as the manager of the investment management department of Sinopec Chemical Sales Co., Ltd. East China Branch and Hengyi Petrochemical Co., Ltd. He is currently the chairman of Hengyi Petrochemical Co., Ltd., as well as executive director of Ningbo Jinhou Industrial Investment Co., Ltd., executive director of Hangzhou Yibo Investment Management Co., Ltd., director of Zhejiang Xianfeng Data Technology Co., Ltd., and executive director of Suqian Yida New Material Co., Ltd., executive director of Zhejiang Yizhi Information Technology Co., Ltd., director of Fujian Yijin Chemical Fiber Co., Ltd., director of Zhejiang Hengyi Group Co., Ltd., and director of Shanghai Dongzhan Shipping Co., Ltd.

Fang Xianshui, male, born in March 1964, Chinese nationality, bachelor degree, senior economist, with more than 30 years of production management experience in the chemical fiber industry. He used to be the general manager of Hangzhou Hengyi Industrial Corporation, the general manager of Hangzhou Hengyi Chemical Fiber Co., Ltd., and the general manager of Zhejiang Hengyi Group Co., Ltd. He is currently the vice chairman of Hengyi Petrochemical Co., Ltd., the director of Zhejiang Hengyi Group Co., Ltd., the executive director and president of Zhejiang Hengyi Petrochemical Co., Ltd., the chairman of Zhejiang Hengyi Polymer Co., Ltd., the chairman of Zhejiang Yisheng Petrochemical Co., Ltd., executive Director of Zhejiang Hengyi High-tech Material Co., Ltd., director of Zhejiang Baling Hengyi Caprolactam Co., Ltd., director of Hong Kong Tianyi International Holdings Co., Ltd., director of Good Park International Holding Limited., director of Yisheng Dahua Petrochemical Co., Ltd., executive director of Hainan Yisheng Trading Co., Ltd., executive director of Zhejiang Yixin Chemical Fiber Co., Ltd., executive director and president of Ningbo Hengyi Engineering Management Co., Ltd., chairman of Hainan Yisheng Petrochemical Co., Ltd., executive director of Ningbo Hengyi Industrial Co., Ltd., executive director and president of Zhejiang Hengyi Petrochemical Sales Co., Ltd. chairman of Ningbo

Hengyi Trading Co., Ltd., director of Hong Kong Yisheng Co., Ltd., executive Director of Shanghai Hengyi Polyester Fiber Co., Ltd., chairman of Zhejiang Hengyi International Trade Co., Ltd., and director of Fujian Yijin Chemical Fiber Co., Ltd., director of Zhejiang Yisheng New Material Co., Ltd., director of Zhejiang Hengyi Polyamide Co., Ltd., executive director of Zhejiang Hengkai Energy Co., Ltd., and executive director of Zhejiang Shuangtu New Material Co., Ltd.

Ni Defeng, male, born in January 1978, Chinese nationality, doctoral degree, has nearly 20 years of experience in finance and investment. He used to be the auditor of Zhejiang Tianjian Certified Public Accountant, the manager of the financial department, the manager of the investment development department, the assistant to the president of Zhejiang Hengyi Group Co., Ltd., and the investment director of Hengyi Petrochemical Co., Ltd. He is currently a director of Hengyi Petrochemical Co., Ltd., a director of Zhejiang Xianfeng Data Technology Co., Ltd., a director and president of Zhejiang Hengyi Group Co., Ltd., a director of Hangzhou Hengyi Investment Co., Ltd., a director of Zhejiang Hengyi Polyamide Co., Ltd., director of Lanping County Qingdian Bay Zinc Industry Co., Ltd., director of Hainan Hengshengyuan International Tourism Development Co., Ltd., Executive Director and President of Hangzhou Jinglin Asset Management Co., Ltd., and Director of Dalian Yishengyuan Real Estate Co., Ltd.

Lou Jianchang, male, born in November 1962, Chinese nationality, Master of Engineering, China University of Petroleum (Beijing), MBA from the University of Houston, professor-level senior engineer. He once served as Deputy Chief Dispatcher of the General Control Office of Sinopec Beijing Yanshan Co., Deputy Plant Manager and Plant Manager of the Refinery Plant of Sinopec Beijing Yanshan Co.; Deputy General Manager of Sinopec Beijing Yanshan Co.; Deputy Director of Sinopec Material and Equipment Department and deputy general manager of Sinopec International Business. He is currently a director and vice president of Hengyi Petrochemical Co., Ltd., and a director of Fujian Yijin Chemical Fiber Co., Ltd.

Mao Ying, female, born in February 1981, Chinese nationality, bachelor degree, senior economist. She served as the assistant to the president of Hengyi Petrochemical Co., Ltd. and the chief financial officer of Hengyi Brunei. She is currently the vice president and chief financial officer of Hengyi Petrochemical Co., Ltd.

Wu Zhong, male, born in July 1989, Chinese nationality, Zhejiang Gongshang University, Bachelor of Laws. He once served as the deputy general manager of Zhejiang Hengyi Petrochemical Sales Co., Ltd., and currently serves as the general manager of Ningbo Hengyi Industrial Co., Ltd., currently serves as the director and vice president of Hengyi Petrochemical Co., Ltd., and also serves as the director of Fujian Yijin Chemical Fiber Co., Ltd. and executive director and president of Hainan Hengjing Trading Co., Ltd.

Chen Sanlian, male, born in November 1964, Chinese nationality, bachelor in law, lawyer. He once served as a cadre of the Lawyers Management Office of Department of Justice of Zhejiang Province, deputy editor of "Lawyers and Legal System" magazine, lawyer of Zhejiang Lianhe Law Firm, secretary of Zhejiang Lawyers Association, current full-time vice president of Zhejiang Lawyers Association, Independent director of Hengyi Petrochemical Co., Ltd., he also serves as independent director of Jiakaicheng Group Co., Ltd., Zhejiang Tony Electronics Co., Ltd., and Zheshang Zhongtuo Co., Ltd. He is also a member of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, a special inspector of the Zhejiang Provincial Committee of Political and Legal Affairs, an expert member of the Zhejiang Provincial Judges and Prosecutors Selection Committee, an arbitrator of the China International Economic and Trade Arbitration Commission, and a visiting professor of Law School of Zhejiang University of Technology.

Yang Liuyong, male, born in March 1964, Chinese nationality, doctoral degree, professor title, is currently a professor of Finance at Zhejiang University and deputy dean of the Institute of Finance at Zhejiang University. He joined the Communist Party of China in 1984 and entered the employment in 1987. He studied in the major of agricultural economics at Zhejiang University from 1980 to 1984. He studied agricultural economics at Zhejiang University (master's degree) from 1984 to 1987, and he has been a teacher in the Department of Finance of Zhejiang University from 1987 to present (including: from 1996 to 2001 majoring in agricultural economics and management of Zhejiang University [Ph.D. student]).

Yang Bozhang, male, born in July 1957, Chinese nationality, college degree, professor-level senior accountant, and vice president of Zhejiang Provincial Association of Chief Accountants. He

used to be the manager of the financial department of Transfar Group Co., Ltd., and is currently an independent director of Hengyi Petrochemical Co., Ltd., and also the director, chief accountant and vice president of Transfar Group Co., Ltd.

2. Supervisors

Li Yugang, male, born in November 1977, Chinese nationality, master's degree, economist, internationally registered internal auditor, with more than ten years of auditing experience, formerly the deputy director of the audit department and the first deputy director of the Legal Department of the board of directors of Shagang Group, currently serves as director of audit and legal affairs department of Hengyi Petrochemical Co., Ltd.

Jin Danwen, female, born in April 1986, Chinese nationality, Master of Accounting from Hanzhou Electronic Science and Technology University, China Certified Public Accountant, Intermediate Accountant. She served as finance director of Hengyi Industries Sdn Bhd. She is currently the general manager of the capital management department of Hengyi Petrochemical Co., Ltd. and the treasury secretary of Hengyi Industries Sdn Bhd.

Ni Jinmei, female, born on March 21, 1976, Chinese nationality, economist. She used to be the general manager of the Comprehensive Department of Zhejiang Hengyi Polymer Co., Ltd., and the general manager of the comprehensive management center of Zhejiang Hengyi Petrochemical Co., Ltd., and now she is the general manager of Hangzhou Yijing Chemical Fiber Co., Ltd.

3. Senior executive

Wang Songlin, male, born in April 1970, Chinese nationality, master degree, has more than 20 years of experience in the petrochemical fiber industry. He used to be the deputy director of CTPIC, the office director of CNCFC, the general manager of China Chemical Fiber Economic Information Network, and the general manager of Beijing Cotton Zhanwang Information Consulting Co., Ltd. He is currently the executive vice president of Hengyi Petrochemical Co., Ltd., the director of Zhejiang Baling Hengyi Caprolactam Co., Ltd., the chairman of Haining Hengyi New Material Co., Ltd., the executive director and president of Haining Hengyi Thermal Power Co., Ltd., the executive director and president of Zhejiang Henglan Technology Co., Ltd, and director of Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.

Chen Liancai, male, born in June 1967, Chinese nationality, bachelor degree, senior engineer, with more than 20 years of experience in the petrochemical industry. He used to be the deputy general manager of Sinopec Zhenhai Refining & Chemical Branch, the deputy general manager of Guodian Sinopec Ningxia Energy Chemical Co., Ltd., and the general manager of Sinopec Great Wall Energy Chemical (Ningxia) Co., Ltd. He is currently the Chief Executive Officer (CEO) of Hengyi Brunei and the Vice President of Hengyi Petrochemical Co., Ltd.

Zhao Donghua, male, born in February 1985, Chinese nationality, Master of Laws of Zhejiang University, Intermediate Economist. He used to serve as the representative of securities affairs, the deputy manager of the legal affairs department, and the assistant general manager of the marketing center of Hengyi Petrochemical Co., Ltd. He is currently the general manager of Zhejiang Hengyi Petrochemical Sales Co., Ltd. and the vice president of Hengyi Petrochemical Co., Ltd.

Zheng Xingang, male, born in December 1979, Chinese nationality, bachelor degree from Huazhong University of Science and Technology, master degree from Wuhan University, EMBA degree from Fudan University, master degree, senior economist. He has more than 10 years of investment and financing work experience. He once served as deputy manager of the capital operation department, deputy manager of the investment development department, and director of the office of the board of directors of Hengyi Petrochemical Co., Ltd. He is currently the secretary of the board of directors and assistant to the president of Hengyi Petrochemical Co., Ltd.

Serving in shareholder units

Name of incumbent	Name of shareholder units	Positions held in shareholder units	Start date of tenure	Whether to receive remuneration allowance in shareholder units
Qiu Yibo	Zhejiang Hengyi Group Co., Ltd.	Director	September 26, 2017	No
Fang Xianshui	Zhejiang Hengyi Group Co., Ltd.	Director	October 18, 1994	No
Ni Defeng	Zhejiang Hengyi Group Co., Ltd.	Director and President	September 26, 2017	Yes
Ni Defeng	Hangzhou Hengyi Investment Co., Ltd.	Director	December 28, 2016	No
Description of the position in the shareholder unit			None	

Serving in other units

Name of incumbent	Name of other units	Positions held in other units	Start date of tenure	Whether to receive remuneration allowance in other units
Qiu Yibo	Ningbo Jinhou Industry Investment Co., Ltd.	Executive director	May 03, 2016	No
Qiu Yibo	Hangzhou Yibo Investment Management Co., Ltd.	Executive director	March 17, 2016	No
Qiu Yibo	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	June 07, 2016	No
Qiu Yibo	Fujian Yijin Chemical Fiber Co., Ltd.	Chairman of the board	January 26, 2018	No
Qiu Yibo	Dongzhan Shipping Co., Ltd.	Director	November 30, 2017	No
Qiu Yibo	Zhejiang Hengyi Hanlin Real Estate Co., Ltd.	Executive Director and President	August 20, 2020	No
Qiu Yibo	Zhejiang Hengyi Jinlun Co., Ltd.	Vice chairman	January 14, 2021	No
Qiu Yibo	Suqian Yida New Material Co., Ltd.	Executive director	January 19, 2018	No
Fang Xianshui	Zhejiang Yixin Chemical Fiber Co., Ltd.	Executive director	July 26, 2017	No
Fang Xianshui	Hainan Yisheng Trading Co., Ltd.	Executive director	August 14, 2014	No
Fang Xianshui	Zhejiang Hengkai Energy Co., Ltd.	Executive director	December 18, 2017	No
Fang Xianshui	Ningbo Hengyi Industrial Co., Ltd.	Executive director	June 07, 2011	No
Fang Xianshui	Ningbo Hengyi Trading Co., Ltd.	Chairman of the board	May 8, 2015	No
Fang Xianshui	Ningbo Hengyi Engineering Management Co., Ltd.	Executive director and President	November 27, 2014	No
Fang Xianshui	Zhejiang Hengyi Petrochemicals Co., Ltd.	Executive director and President	July 26, 2004	No
Fang Xianshui	Zhejiang Hengyi Polymer Co., Ltd.	Chairman of the board	May 18, 2015	No
Fang	Zhejiang Hengyi High-tech	Executive director	October 15,	No

Name of incumbent	Name of other units	Positions held in other units	Start date of tenure	Whether to receive remuneration allowance in other units
Xianshui	Material Co., Ltd.	and President	2007	
Fang Xianshui	Zhejiang Yisheng Petrochemical Co., Ltd.	Chairman of the board	May 8, 2015	No
Fang Xianshui	Zhejiang Hengyi Petrochemicals Sales Co., Ltd.	Executive director and President	July 24, 2017	No
Fang Xianshui	Hainan Yi Sheng Petrochemical Co., Ltd.	Chairman of the board	June 23, 2014	No
Fang Xianshui	Shanghai Hengyi Polyester Fiber Co., Ltd.	Executive director	May 14, 2015	No
Fang Xianshui	Zhejiang Hengyi International Trade Co., Ltd.	Chairman of the board	December 06, 2017	No
Fang Xianshui	Fujian Yijin Chemical Fiber Co., Ltd.	Director	January 26, 2018	No
Fang Xianshui	Yisheng Dahua Petrochemical Co., Ltd.	Director	April 29, 2006	No
Fang Xianshui	Zhejiang Hengyi Jinlun Co., Ltd.	Director	August 12, 2013	No
Fang Xianshui	Dalian Yisheng Investment Co., Ltd.	Director	December 18, 2009	No
Fang Xianshui	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	December 25, 2014	No
Fang Xianshui	Zhejiang Yisheng New Material Co., Ltd.	Director	November 27, 2017	No
Fang Xianshui	Haining Hengyi New Material Co., Ltd.	Director	November 13, 2019	No
Fang Xianshui	Hongkong Tianyi International Holding Company Limited	Director	September 17, 2009	No
Fang Xianshui	Jiabai International Investment Co., Ltd.	Director	September 17, 2009	No
Fang Xianshui	Hong Kong Yisheng Co., Ltd.	Director	June 27, 2014	No
Ni Defeng	Hangzhou Jinyi Industrial Co., Ltd.	Chairman and President	February 28, 2020	No

Name of incumbent	Name of other units	Positions held in other units	Start date of tenure	Whether to receive remuneration allowance in other units
Ni Defeng	Hangzhou Jinglin Asset Management Co., Ltd.	Executive director and President	March 12, 2018	No
Ni Defeng	Zhejiang Hengyi Jinlun Co., Ltd.	Director	January 27, 2015	No
Ni Defeng	Lanping County Qingdian Bay Zinc Industry Co., Ltd.	Director	January 16, 2006	No
Ni Defeng	Hainan Hengshengyuan International Tourism Development Co., Ltd.	Director	February 26, 2018	No
Ni Defeng	Dalian Yishengyuan Real Estate Co., Ltd.	Director	March 29, 2018	No
Ni Defeng	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	June 07, 2016	No
Ni Defeng	Dongzhan Shipping Co., Ltd.	Chairman of the board of supervisors	November 30, 2017	No
Lou Jianchang	Fujian Yijin Chemical Fiber Co., Ltd.	Director	October 22, 2020	No
Wu Zhong	Hainan Hengjing Trading Co., Ltd.	Executive director and President	August 21, 2020	No
Wu Zhong	Fujian Yijin Chemical Fiber Co., Ltd.	Director	October 22, 2020	No
Jin Danwen	Hainan Hengjing Trading Co., Ltd.	Supervisor	August 21, 2020	No
Jin Danwen	Hangzhou Jinyi Industrial Co., Ltd.	Director	February 28, 2020	No
Jin Danwen	Zhejiang Hengyi High-tech Material Co., Ltd.	Director	February 28, 2020	No
Jin Danwen	Zhejiang Hengyi Engineering Management Co., Ltd.	Supervisor	January 29, 2018	No
Jin Danwen	Zhejiang Hengyi Hanlin Real Estate Co., Ltd.	Supervisor	August 20, 2020	No
Jin Danwen	Haining Hengyi New Material Co.,	Supervisor	October 27,	No

Name of incumbent	Name of other units	Positions held in other units	Start date of tenure	Whether to receive remuneration allowance in other units
	Ltd.		2020	
Wang Songlin	Zhejiang Henglan Technology Co., Ltd.	Executive director and President	August 04, 2020	No
Wang Songlin	Haining Hengyi Thermoelectricity Co., Ltd.	Executive director and President	October 09, 2018	No
Wang Songlin	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	June 04, 2018	No
Wang Songlin	Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	Director	August 24, 2020	No
Wang Songlin	Haining Hengyi New Material Co., Ltd.	Chairman of the board	October 27, 2020	No
Description of employment in other units			None	

The penalties of the current directors, supervisors and senior executives of the Company during the reporting period by the securities' regulatory institutions in the past three years

Applicable Not applicable

IV. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures, basis for determination, and actual payment of remuneration of directors, supervisors, and senior executives

The Company passed the "Salary and Performance Appraisal Management System for Senior Management Staff" (reviewed and approved at the third meeting of the 8th Board of Directors) to conduct performance appraisal and pay remuneration to the Company's directors, supervisors and senior management. The annual remuneration of directors, supervisors and senior managers who receive remuneration from the Company in 2020 (including total remuneration of basic salary, bonuses, allowances, subsidies, employee benefits and various insurance premiums, public reserve funds and other forms of pre-tax payment from the Company) is released in accordance with the Company's relevant regulations, and based on the Company's operating conditions and the duties and work performance evaluation of relevant personnel by board of directors. During the reporting

period, the remunerations of the Company's directors, supervisors and senior management have been paid on a monthly basis.

Upon agreement reached at the first meeting of the Company's eleventh board of directors on September 15, 2020 and the Company's fifth extraordinary general meeting of shareholders on October 12, 2020, the allowance standard of the independent director was adjusted to 150,000 yuan per person per year (including Tax), allowances are paid on an average monthly basis.

Remuneration of directors, supervisors and senior executives during the reporting period of the Company

Currency Unit: RMB 10,000

Name	Job title	Gender	Age	Incumbency	Total pre-tax remuneration received from the Company	Whether to get remuneration from related parties of the Company
Qiu Yibo	Chairman, President	Male	34	Incumbent	143.1	No
Fang Xianshui	Vice chairman	Male	57	Incumbent	143.1	No
Ni Defeng	Director	Male	43	Incumbent	0	Yes
Lou Jianchang	Director, Vice president	Male	59	Incumbent	138.1	No
Mao Ying	Director, Vice president, Chief financial officer	Female	40	Incumbent	101.6	No
Wu Zhong	Director, Vice president	Male	32	Incumbent	58.92	No
Chen Sanlian	Independent director	Male	56	Incumbent	11.25	No
Yang Baizhang	Independent director	Male	64	Incumbent	11.25	No
Yang Liuyong	Independent director	Male	57	Incumbent	11.25	No
Wang Songlin	Executive vice president	Male	51	Incumbent	131.29	No
Chen Liancai	Vice president	Male	54	Incumbent	118.08	No
Zhao Donghua	Vice president	Male	36	Incumbent	99.1	No
Zheng Xingang	Secretary of the board	Male	42	Incumbent	71.99	No
Lou Xiang	Director, President	Male	42	Leave office	112.49	No
Li Yugang	Supervisor	Male	44	Incumbent	13.15	No
Jin Danwen	Supervisor	Female	35	Incumbent	10.61	No
Ni Jinmei	Supervisor	Female	46	Incumbent	16.36	No
Wang Tieming	Supervisor	Male	58	Leave office	56.51	No
Gong Yanhong	Supervisor	Female	51	Leave office	0	Yes

Name	Job title	Gender	Age	Incumbency	Total pre-tax remuneration received from the Company	Whether to get remuneration from related parties of the Company
Li Yue	Supervisor	Female	37	Leave office	18.63	No
Total	--	--	--	--	1,266.78	--

Equity incentives granted of the directors and senior executives of the Company during the reporting period

Applicable Not applicable

V. Employees of Company

1. Number of employees, professional composition and education level

Number of employees in the parent company (person)	10
Number of employees in service in major subsidiaries (person)	18,144
Total number of employees in service (person)	18,154
Total number of employees receiving salaries in the current period (person)	18,130
Number of retired employees whose expense is born by the parent company and major subsidiaries (person)	128
Professional composition	
Professional composition category	Number of professional composition (person)
Production staff	15,595
Sales people	271
Technical staff	1,558
Financial officer	126
Administrative personnel	604
Total	18,154
Degree of education	
Education level category	Quantity (person)
Master degree and above	274
Bachelor degree	1,729
College degree and below	16,151
Total	18,154

2. Salary policy

The Company implements a labor contract system, sign labor contracts with every employee in accordance with the "Labor Law", "Labor Contract Law" and relevant labor laws and regulations. The Company strictly implements the national employment system, labor protection system, and social security system, pays social insurance for employees in accordance with national regulations, sets up corresponding safety protection measures, and creates a good and safe production environment for employees. Through innovative management mechanisms, the Company guides the functional system to continuously improve quality and efficiency, and to create a streamlined and efficient functional team of headquarters. The Company develops an effective salary incentive system for the Company's financial personnel, administrative personnel, technical personnel, production personnel and sales personnel, and gives corresponding performance rewards based on the performance evaluation of the Company, department and individual.

3. Training plan

The Company established Hengyi Enterprise University according to the needs of production and operation and talent training, aiming to build a competitive enterprise university and support Hengyi's global development. It serves as the power center and load bearing platform for Hengyi's organizational development, talent training, technology accumulation, and corporate transformation. The "Blue" series of talent projects are implemented in Hengyi University, to establish talent echelons at different levels; meanwhile, it attaches importance to continuous improvement, job skill assessment, and on-the-job education promotion to enhance professional skills and effectiveness. The Company develops training plans for different types of employees, organizes internal and outbound trainings according to the plan, pays special attention to job skills training, and provides certification for special positions and hazardous chemical operators to ensure safe production and normal operation. The Company also trains technical and business backbones through targeted training to improve their business capabilities.

4. The situation of labor outsourcing

Total number of working hours of labor outsourced (hours)	768,681
Total remuneration paid for labor outsourced (RMB)	16,401,431.00

Section X Corporate Governance

I. Basic Situation on Corporate Governance

During the reporting period, in strict accordance with the requirements of the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange and other regulatory documents of China Securities Regulatory Commission (CSRC), and in combination with its actual situation, the Company continuously improved and enhanced the standard operation of corporate governance, established and perfected a sound system of internal management and control, and regulated its operation. The company's internal control system is improving, and the standardization of governance continues to enhance.

1. Shareholders and General Shareholders Meetings

During the reporting period, the Company held seven General Shareholders Meetings in total. The convening, holding and voting procedures of the meetings strictly complied with the provisions and requirements of the Rules for the General Shareholders Meetings of Listed Companies, its articles of association and Rules of Procedure of General Shareholders Meetings. The company treated all shareholders fairly, and provided network voting in accordance with relevant regulations, which increased convenience for minority shareholders to participate in the General Shareholders Meetings and ensured that minority shareholders could fully exercise their rights. All General Shareholders Meetings of the Company during the reporting period were convened and held by the Board of Directors, and witnessed by lawyers on the spot, so as to ensure the legitimacy of the convening, holding and voting procedures, and protect the legitimate rights and interests of the Company and its shareholders.

2. Controlling Shareholders and the Company

The company is completely independent from its controlling shareholders and their subsidiaries in such aspects as business, personnel, assets, institution and financial affairs. The company has independent and complete business and independent operation capacity. The Board of

Directors, Supervisory Committee and other internal offices of the Company operate independently. Its controlling shareholders can strictly regulate their behaviors, and have not directly or indirectly interfered with the Company's decision-making or business activities beyond the General Shareholders Meetings.

3. Directors and the Board of Directors

The company elects its directors in strict accordance with the election procedures prescribed by the Company Law and its articles of association, and the number and composition of its Board of Directors is in compliance with laws and regulations. All directors of the Company can attend the board meetings and the General Shareholders Meetings with chariness and responsibility, take priority over the interests of the Company and all shareholders, faithfully perform their duties, actively participate in relevant training and learn relevant laws and regulations, and promote the standard operation and scientific decision-making of the Board of Directors. The independent directors of the Company can carry out their duties independently in accordance with relevant rules and regulations, and do not subject themselves to the influence of the Company's actual controllers or other entities or persons who are interested parties of the Company.

During the reporting period, the procedure of the board meetings of the Company complied with relevant rules, the meeting minutes were complete and accurate, and the information disclosure related to the meetings was timely, accurate and sufficient. The company's Board of Directors established four special committees, i.e., the remuneration, appraisal and nomination committee, the risk control committee, the audit committee, and the strategy and investment committee, which played an important role in promoting the standard operation and sound development of the Company.

4. Supervisors and the Supervisory Committee

The board of supervisors of the Company consists of three supervisors, one of whom is the employees' representative. The number and personnel of the board of supervisors meet the requirements of laws and regulations and the articles of association. All supervisors of the Company can, in accordance with the Rules of Procedure of the Supervisory Committee and other relevant regulations, earnestly perform their duties, attend the shareholders' meetings, attend the on-site board meetings as nonvoting delegates, convene supervisor meetings in accordance with the

prescribed procedures, supervise with due diligence the Company's finance and the legitimacy and compliance of directors and senior executives' performance of duties, and protect the legitimate rights and interests of the Company and its shareholders.

5. Interested Parties

The company can fully respect and safeguard the legitimate rights and interests of relevant interested parties, achieve a win-win result for customers, suppliers, employees, shareholders and other interested parties, and jointly promote the sustainable and steady development of the Company with the interested parties.

6. Information Disclosure and Transparency

In strict accordance with relevant laws and regulations as well as the requirements of the Information Disclosure Administration System and the Investor Relations Administration System, the Company earnestly performs its obligation of information disclosure by truthfully, accurately, completely and timely disclosing the operation and management information of the Company and matters that have significant impact on the Company, coordinates the relationship between the Company and investors, receives investors and answers their inquiries. The company designates such newspapers and websites as Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily and CINIFO (<http://www.cninfo.com.cn>), which are designated by CSRC as information media, for its information disclosure.

Whether the actual status of corporate governance significantly deviates from the regulatory documents issued by the China Securities Regulatory Commission regarding the governance of listed companies.

There is no significant difference between the actual situation of corporate governance and the regulatory documents on the governance of listed companies issued by China Securities Regulatory Commission.

II. The company's independence from the controlling shareholders in business, personnel, assets, organization, finance, etc.

The company operates in strict accordance with the Company Law and its articles of association, keeps perfecting its sound corporate governance structure, and is completely separated

from its controlling shareholders in such aspects as business, personnel, assets, institution and financial affairs, with independent and complete business and independent operation capacity.

III. Horizontal Competition

Applicable Not Applicable

IV. Relevant Situation of the Annual General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders Held within the Reporting Period

1. The shareholders' meetings for this reporting period

Conference Session	Conference Type	Percentage of Investors Involved	Date of meeting	Date of disclosure	Disclosure index
First Interim Shareholders' General Meeting in 2020	Extraordinary General Meeting	41.39%	February 7, 2020	February 8, 2020	Announcement on Resolution of the First Extraordinary General Meeting of 2020 (Announcement No.: 2020-020) on CNINF (www.cninfo.com.cn)
Second Interim Shareholders' General Meeting in 2020	Extraordinary General Meeting	48.68%	March 23, 2020	March 24, 2020	Announcement on Resolution of the Second Extraordinary General Meeting of 2020 (Announcement No.: 2020-033) on CNINF (www.cninfo.com.cn)
2019 Annual General Meeting	Annual General Meeting	49.01%	May 19, 2020	May 20, 2020	Announcement on Resolution of the 2019 Annual General Meeting (Announcement No.: 2020-059) on CNINF (www.cninfo.com.cn)
Third Interim Shareholders' General Meeting in 2020	Extraordinary General Meeting	42.53%	June 29, 2020	June 30, 2020	Announcement on Resolution of the Third Extraordinary General Meeting of 2020 (Announcement No.: 2020-073) on CNINF (www.cninfo.com.cn)
Fourth Interim Shareholders' General Meeting in 2020	Extraordinary General Meeting	51.80%	September 14, 2020	September 15, 2020	Announcement on Resolution of the Fourth Extraordinary General Meeting of 2020 (Announcement No.: 2020-096) on CNINF (www.cninfo.com.cn)

Fifth Interim Shareholders' General Meeting in 2020	Extraordinary General Meeting	46.09%	October 12, 2020	October 13, 2020	Announcement on Resolution of the Fifth Extraordinary General Meeting of 2020 (Announcement No.: 2020-106) on CNINF (www.cninfo.com.cn)
Sixth Interim Shareholders' General Meeting in 2020	Extraordinary General Meeting	43.15%	November 10, 2020	November 11, 2020	Announcement on Resolution of the Sixth Extraordinary General Meeting of 2020 (Announcement No.: 2020-130) on CNINF (www.cninfo.com.cn)

2. Convening of the Extraordinary General Meetings upon request of the preferred shareholders whose voting rights are restored

Applicable Not Applicable

V. The performance of the duties of independent directors during the reporting period

1. Attendance of independent directors in the boarding meetings and General Shareholders Meetings

Attendance of independent directors at the Board Meetings and the General Shareholders Meetings							
Name of Independent Director	Number of board meetings to attend during the reporting period	Number of on-site attendance of board meetings	Number of attendance of board meetings by means of telecommunications	Number of attendance of board meetings by trustees	Number of absence at board meetings	Whether absent from board meetings in person for two consecutive times	Number of attendance of General Shareholders Meetings
Chen Sanlian	10	3	7	0	0	No	1
Yang Baizhang	10	3	7	0	0	No	1
Yang Liuyong	10	3	7	0	0	No	1

Notes on failure to attend the board meetings in person for two consecutive times

Not Applicable

2. Objections of independent directors to related issues of the Company

Whether independent directors raise an objection to relevant matters of the Company

During the reporting period, independent directors did not raise objections to the Company's related matters.

3. Other information on independent directors' performance of duties

Whether independent directors' suggestions to the Company are accepted

Yes No

Note on the acceptance or rejection of independent director's proposals on company issues

During the reporting period, in strict accordance with the relevant laws and regulations such as the Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Main Board, the Rules Governing the Listing of Shares on Shenzhen Stock Exchange, and the Guiding Opinions on Establishing the Independent Director System in Listed Companies, as well as the Company's articles of association, the independent directors of the Company attended the board meetings and the General Shareholders Meetings, earnestly performed their duties, and put forward constructive opinions or suggestions on the development policy of the Company. Based on various specifications and requirements put forward by independent directors at the board meetings, the Company summarized and sorted out meeting minutes, sent them irregularly to all directors, supervisors, senior executives and persons in charge of relevant matters, and tracked the progress of the matters in time, so as to effectively release, track and get feedback on the opinions of independent directors. At the board meetings, the Company's relevant persons in charge reported to independent directors on the operation, financial conditions, etc. of the Company during the corresponding period, and other members of the Board of Directors as well as management members received the inquiries from independent directors. The independent directors offered advice and suggestions on the improvement of the Company's operation and management, and reviewed and issued opinions of independent directors on such major issues as related party transaction, stock ownership incentive, employee stock ownership plan, corporate bonds, and assets purchase & fund raising by issuance of shares, which effectively ensured the fairness and objectivity of the Board of Directors' decisions and protected the overall interests of the Company and the legitimate rights and interests of minority shareholders. The independent directors actively

participated in the Company's management meetings, gave risk warning for problems in operation and management of the Company in a timely manner, and provided professional training for senior executives of the Company with their expertise, playing a positive role in the standard operation and sound development of the Company.

VI. Performance of Duties of the Special Committees under the Board of Directors during the Reporting Period

The Board of Directors of the Company established the strategy and investment committee, the audit committee, the risk control committee, and the remuneration, appraisal and nomination committee to expand its scope of operation.

1. Performance of duties of audit committee

During the reporting period, the audit committee of the Board of Directors actively performed its duties, and held four meetings in total. In terms of internal audit, the audit committee looked into the implementation of the audit work plan of the internal audit department and checked the audit results; in terms of financial report, the audit committee actively communicated with the Company's accounting department and external auditing institutions, and inspected the Company's financial systems and specifications and the preparation process of financial report to ensure the accuracy and integrity of the Company's financial report; in terms of internal control, the audit committee unanimously agreed that the Company had established a relatively adequate internal control organization, and the internal control department of the Company, in strict accordance with relevant internal control systems and specifications, fully carried out the internal control test process, effectively prevented and controlled the Company's internal control defects, and improved the Company's internal control level.

2. Performance of duties of remuneration, appraisal and nomination committee

During the reporting period, the remuneration, appraisal and nomination committee of the Board of Directors of the Company conducted appraisal based on the main duties of the directors, supervisors and senior executives of the Company and the completion of the key work.

3. Performance of duties of strategy and investment committee

The strategy and investment committee of the Board of Directors of the Company consists of

four directors, with Mr. Qiu Yibo, Chairman of the Company, acting as chairman. During the reporting period, all members of the strategy and investment committee performed their duties with due diligence, and completed their work.

During the reporting period, the strategy and investment committee discussed and analyzed the Company's major investments, and put forward opinions and suggestions, playing an important role in enhancing the Company's core competitiveness, strengthening scientific decision-making, and improving the efficiency and quality of decision-making.

4. Performance of duties of risk control committee

The risk control committee of the Board of Directors of the Company consists of three directors, with Mr. Chen Sanlian acting as chairman. During the reporting period, all members of the risk control committee performed their duties with due diligence, and completed their work. The risk control committee demonstrated and analyzed the possible risks in major investment projects and operation and management of the Company, and put forward relevant suggestions, playing an important role in the stable operation of the Company.

It effectively ensured the fairness and objectivity of the Board of Directors' decisions and protected the overall interests of the Company and the legitimate rights and interests of minority shareholders. The independent directors actively participated in the Company's management meetings, gave risk warning for problems in operation and management of the Company in a timely manner, and provided professional training for senior executives of the Company with their expertise, playing a positive role in the standard operation and sound development of the Company.

VII. Work of the Supervisory Committee

Whether the Supervisory Committee found there was any risk in the Company during the reporting period

The Supervisory Committee has no objection to the supervised matters during the reporting period.

VIII. Evaluation and Incentive Mechanisms for Senior Management

In accordance with the System for Administration of Remuneration and Performance Appraisal of Senior Executives and other relevant regulations, the comprehensive appraisal of senior

executives of the Company was conducted on the basis of the economic indicators and integrated management of business operation, as well as the annual business plan and the duties and objectives of senior executives, and the annual salary distribution of senior executives was determined according to the appraisal results.

IX. Internal Control Assessment Report

1. Details of material weakness in internal control found during the reporting period

Yes No

2. Internal Control Self-evaluation Report

Disclosure date of full text of Internal Control Evaluation Report	April 20, 2021	
Disclosure index of full text of Internal Control Evaluation Report	http://www.cninfo.com.cn	
Proportion of total assets included in the evaluation scope to that of the Company's consolidated financial statements	100.00%	
Proportion of operating revenue included in the evaluation to that of the Company's consolidated financial statements	100.00%	
Defect Identification Standard		
Category	Financial Report	Non-financial Report
Qualitative Standard	(1) Identification standard of major defects: ① lack of democratic decision-making process; ② huge errors caused by decision-making process; ③ violation of national laws and regulations and punishment; ④ serious loss of middle or senior management members and senior technicians; ⑤ frequent negative news in the media, involving a wide range; ⑥ lack of system or	(1) Major defects: The negative news about the safety, environmental protection, social responsibility, practice ethics and operation of the enterprise has been spread all over the country, has been specially investigated by the government or regulatory agencies, and has caused continuous special reports by the public media. As a result, the enterprise has adverse events such as capital loan and recovery, suspension

	<p>system failures in major business; ⑦ failure to rectify major or significant internal control defects. (2) Identification standard of significant defects: ① democratic decision-making process exists but is not adequate; ② general errors caused by the decision-making process; ③ violation of internal rules and regulations, resulting in losses; ④ serious loss of business personnel in key positions; ⑤ negative news in the media, involving local areas; ⑥ defects in important business systems; ⑦ failure to rectify significant or general internal control defects. (3) Identification standard of general defects: ① low efficiency of decision-making process; ② violation of internal rules and regulations without losses; ③ serious loss of business personnel in general positions; ④ negative news in the media, with little impact; ⑤ defects in general business systems; ⑥ failure to rectify general defects; ⑦ other defects</p>	<p>or revocation of administrative license, pledge of assets, and a large number of claims (occurrence of level-I mass disturbance). (2) Significant defects: The negative news about the safety, environmental protection, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-II mass disturbance). (3) General defects: The negative news about the safety, environmental protection, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-III or level-IV mass disturbance)</p>
Quantitative Standard	<p>(1) Major defects: The overall impact level is higher than the importance level (1% of the audited net assets of the previous year). (2) Significant defects: 0.2% of the audited net assets of the previous year < overall</p>	<p>(1) Major defects: direct financial loss: RMB 50 million or above; personnel health and safety impact: death of more than 10 people, or serious injury of more than 50 people. (2) Significant defects: direct financial loss: RMB 10 million (including) to RMB 50 million; personnel health and safety</p>

	importance level < 1% of the audited net assets of the previous year. (3) General defects: The overall importance level is less than 0.2% of the audited net assets of the previous year.	impact: death of more than 3 (including) but less than 10 people, or serious injury of more than 10 (including) but less than 50 people. (3) General defects: direct financial loss: less than RMB 10 million; personnel health and safety impact: death of less than 3 people, or serious injury of less than 10 people.
Number of major defects in financial report (piece)		0
Number of major defects in non-financial report (piece)		0
Number of significant defects in financial report (piece)		0
Number of significant defects in non-financial report (piece)		0

X. Internal Control Audit Report

Deliberations Paragraph in the Internal Control Audit Report	
In our opinion, Hengyi Petrochemical Co., Ltd. maintained effective internal control, in all material respects, in accordance with the Basic Norms for Enterprise Internal Control and relevant regulations at December 31, 2021.	
Disclosure of Internal Control Audit Report	Disclosure
Date of full-text disclosure for Internal Control Audit Report	April 20, 2021
Full-text disclosure index for the Internal Control Audit Report	CNINFO (http://www.cninfo.com.cn)
Opinion type in the Internal Control Audit Report	Standard unqualified opinion
Whether there are major defects in the non-financial report	No

Whether the accounting firm has issued an internal control audit report with modified and qualified opinions

Yes No

Whether the opinions in the internal control assurance report issued by the accounting firm are consistent with those in the self-evaluation report issued by the Board of Directors

Yes No

Section XI Corporate Bonds

Whether the Company has corporate bonds which have been publicly issued and listed on the stock exchange and have not matured or are not fully redeemed at the approval date of annual report

Yes

I. Basic Information about Corporate Bonds

Name of bond	Short name	Code	Date of issue	Maturity date	Balance (RMB 10,000)	Interest rate	Payment method of principal and interest
“Belt and Road” corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2018	18 Hengyi R1	112653.SZ	March 2, 2018	March 5, 2021	0	5.95%	Simple interest calculated per year, without compound interest. Simple interest paid per year.
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2018 (1st series)	18 Hengyi 01	112660.SZ	March 19, 2018	March 22, 2021	0	5.95%	
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2018 (2nd series)	18 Hengyi 02	112681.SZ	April 16, 2018	April 19, 2021	0	5.00%	
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2019 (1st series)	19 Hengyi 01	112883.SZ	March 22, 2019	March 26, 2022	0	6.38%	
Corporate bond publicly issued to eligible investors	19 Hengyi 02	112910.SZ	May 31, 2019	June 4, 2022	5	6.50%	

by Hengyi Petrochemical Co., Ltd. in 2019 (2nd series)						
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2020 (1st series) (epidemic prevention and control bond)	20 Hengyi 01	149061.SZ	March 11, 2020	March 13, 2023	10	5.89%
Marketplace for listing and transfer of corporate bond	Shenzhen Stock Exchange					
Eligibility arrangement of investors	The corporate bonds are publicly issued to eligible institution investors that satisfy requirements of Administrative Measures for the Issuance and Trading of Corporate Bonds and have opened an eligible A-share securities account with China Securities Depository and Clearing Co., Ltd. Shenzhen Branch.					
Interest payment and redemption of corporate bonds in the reporting period	During the reporting period, the interest of “18 Hengyi R1”, “18 Hengyi 01”, “18 Hengyi 02”, “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01” has been paid in full and on time. As of the date of issuance of this report, the principal and interest of “18 Hengyi R1”, “18 Hengyi 01”, “18 Hengyi 02” and “19 Hengyi 01” have been paid in full and on time.					
Implementation in the reporting period of special clauses including the issuer/investor’s option clauses and exchangeability clauses (if applicable).	Each of “18 Hengyi R1”, “18 Hengyi 01”, and “18 Hengyi 02” provides the Company with an option to adjust the nominal interest rate, and the investor with a put option, effective at the end of the second year. 1. On January 15, 2020, January 16, 2020 and January 17, 2020, respectively, the Company disclosed the first, the second and the third suggestive announcements on the adjustment of the nominal interest and the exercise method of the investor’s put option on “18 Hengyi R1”. Within the period for application for exercising the put option (from January 16, 2020 to January 20, 2020), an investor may sell part or all “18 Hengyi R1” bond it holds back to the Company at the put price of RMB 100 per share. According to the data provided by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, 3,464,950 bonds of “18 Hengyi R1” were repurchased at the total price of RMB 368,913,226.50. After this repurchase, 1,535,050 bonds, valuing RMB 153,505,000 (excluding interest), are not repurchased.					

The repurchase has ended. The principal of and interest on repurchased “18 Hengyi R1” were fully paid to the account designated by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch and were transferred to investors’ capital accounts on March 5, 2020, the arrival date of the repurchase funds. 2. On February 7, 2020, February 10, 2020 and February 11, 2020, respectively, the Company disclosed the first, the second and the third suggestive announcements on the adjustment of the nominal interest and the exercise method of the investor’s put option on “18 Hengyi 01”. Within the period for application for exercising the put option (February 10, 2020 to February 12, 2020), an investor may sell all or part of “18 Hengyi R1” bond it holds back to the Company at the price of RMB 100 for each bond. According to the data provided by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, 3,596,820 bonds of “18 Hengyi 01” were repurchased at the total price of RMB 384,068,439.60. After this repurchase, 6,403,180 bonds, valuing RMB 640,318,000.00 (excluding interest), are not repurchased. The principal of and interest on repurchased “18 Hengyi 01” were fully paid to the account designated by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch and were transferred to investors’ capital accounts on March 23, 2020, the arrival date of the repurchase funds. 3. On March 5, 2020, March 6, 2020 and March 9, 2020, respectively, the Company disclosed the first, the second and the third suggestive announcements on the adjustment of the nominal interest and the exercise method of the investor’s put option on “18 Hengyi 02”. Within the period for application for exercising the put option (March 6, 2020 to March 10, 2020), an investor may sell all or part of “18 Hengyi 02” bond it holds back to the Company at the price of RMB 100 for each bond. According to the data provided by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, 4,686,130 bonds of “18 Hengyi 02” were repurchased at the total price of RMB 498,744,815.90. After this repurchase, 10,313,870 bonds, valuing RMB 1,031,387,000 (excluding interest), are not repurchased. The principal of and interest on repurchased “18 Hengyi 02” were fully paid to the account designated by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch and were transferred to investors’ capital accounts on April 20, 2020, the arrival date of the repurchase funds.

The Company disclosed the Announcement of Hengyi Petrochemical Co., Ltd. on Paying Interest and Delisting in 2021 for Public Issuance of “the Belt and Road Initiative” Corporate Bonds to Qualified Investors in 2018 on March 3, 2021, the Announcement of Hengyi Petrochemical Co., Ltd. on Paying Interest and Delisting in 2021 for Public Issuance of Corporate Bonds to Qualified Investors in 2018 (Phase I) on March 19, 2021, and the Announcement of Hengyi Petrochemical Co., Ltd. on Paying Interest and Delisting in 2021 for Public Issuance of Corporate Bonds to Qualified Investors in 2018 (Phase II) on April 16, 2021. “18 Hengyi R1”, “18 Hengyi 01” and “18 Hengyi 02” have all been paid due, and the principal and interest have been paid in full and on time.

“19 Hengyi 01” provides the Company with an option to adjust the nominal interest rate, and the investor with a put option, effective at the end of the second year. Of which:

On February 23, 2021, February 24, 2021 and February 25, 2021, respectively, the Company disclosed the first, the second and the third suggestive announcements on the adjustment of the nominal interest and the exercise method of investor’s put option on “19 Hengyi 01”. Within the period for application for exercising the put option (February 26, 2021 to March 4, 2021), an investor may sell all or part of “19 Hengyi 01” bond it holds back to the Company at the price of RMB 100 for each bond. According to the data provided by China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, 5,000,000 bonds of “19 Hengyi 01” were repurchased at the total price of RMB 500,000,000. This resale is a full resale, which has been implemented at present. The principal and interest of some bonds resold in full of “19 Hengyi 01” have been paid in full to the designated account of Shenzhen Branch of China Securities Depository and Clearing Co., Ltd., and transferred to the investor’s fund account on March 26, 2021, and “19 Hengyi 01” was delisted from Shenzhen Stock Exchange on March 26, 2021.

Each of “19 Hengyi 02”, and “20 Hengyi 01” provides the Company with an option to adjust the nominal interest rate, and the investor with a put option, effective at the end of the second year. The issue date of this report comes earlier than the exercise date, and therefore the said option clauses have not been executed.

II. Information on Bond Trustee and Credit Rating Institution

18 Hengyi R1, 18 Hengyi 01, 18 Hengyi 02

Bond trustee:							
Name	Guosen Securities Co., Ltd.	Office address:	Third Floor, Guosen Securities Tower, No.6 Xicheng Street, Financial Street, Xicheng District, Beijing	Contact	Pan Sijing	Contact No.	010-88005350
The credit rating institution that follows up and rates the corporate bonds in the reporting period:							
Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.		Office address:	K-22, Room 103, Building A, No.1555 Kongjiang Road, Yangpu District, Shanghai			
In case of any change during the reporting period of the bond trustee or the credit rating institution hired by the Company, the causes, procedures and impact on investors' interests of such change (if applicable)					Not Applicable		

19 Hengyi 01, 19 Hengyi 02, 20 Hengyi 01

Bond trustee:							
Name	CITIC Securities Co., Ltd.	Office address:	CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing	Contact	Xu Lin	Contact No.	021-20262318
The credit rating institution that follows up and rates the corporate bonds in the reporting period:							
Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.		Office address:	K-22, Room 103, Building A, No.1555 Kongjiang Road, Yangpu District, Shanghai			
In case of any change during the reporting period of the bond trustee or the credit rating institution hired by the Company, the causes, procedures and impact on investors' interests of such change (if applicable)					Not Applicable		

III. Use of Funds Raised through Issuance of Corporate Bond

Use of funds raised through issuance of corporate bonds and use procedures	The company has been using the funds raised through issuance of bonds in strict accordance with the prospectuses of "18 Hengyi R1", "18 Hengyi 01", "18 Hengyi 02", "19 Hengyi 01", "19 Hengyi 02" and "20 Hengyi 01", and relevant regulations and requirements of the Administrative Measures for the Issuance and Trading of Corporate Bonds, the Rules Governing the Listing of Bonds on Shenzhen Stock Exchange, etc., and its disclosure of relevant information has been timely, true, accurate, and complete.
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	It has had no violation in the use and management of the said funds.
Ending balance (RMB 10,000)	0
Operation of the special account for fund raising	The company has deposited the funds raised in special accounts. The company has subjected the use of the funds raised to strict internal approval procedures, so as to ensure the use of funds as ear-marked.
Whether the use of funds raised was consistent with the purpose committed in the prospectuses, the use plan and other agreements	The use of funds raised was consistent with the purpose agreed in the prospectuses.

IV. Corporate Bond Rating

As of the issue date of this report, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. has conducted follow-up rating on existing “18 Hengyi R1”, “18 Hengyi 01”, “18 Hengyi 02”, “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01”, and new-issue rating on “20 Hengyi 01”. Corresponding credit rating reports have been disclosed on Shenzhen Stock Exchange and CINIFO. Here are the details:

Short name	Credit rating of the issuer:	Rating outlook:	Credit rating of this bond:	Credit rating notice	Latest date of rating	Date of disclosure
18 Hengyi R1	AA+	Stable	AA+	[Brilliance Follow-up Rating (2020) 100555]	June 24, 2020 (follow-up rating)	June 24, 2020
18 Hengyi 01	AA+	Stable	AA+			
18 Hengyi 02	AA+	Stable	AA+			
19 Hengyi 01	AA+	Stable	AA+			
19 Hengyi 02	AA+	Stable	AA+			
20 Hengyi 01	AA+	Stable	AA+			
20 Hengyi 01	AA+	Stable	AA+	[Brilliance Bond Rating (2020) 010220]	February 26, 2020 (new-issue rating)	March 9, 2020

No irregular follow-up rating was conducted in the reporting period, and there was no

difference in rating.

V. Credit Enhancement Mechanism, Debt Service Plan and Other Debt Service Guarantee Measures of the Company

(I) Change in credit enhancement mechanism, debt service plan and other debt service guarantee measures of the Company

As of the issuance date of this report, “18 Hengyi R1”, “18 Hengyi 01”, “18 Hengyi 02”, “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01” are consistent with the stipulations and relevant commitments in the prospectus in terms of credit enhancement mechanism, debt repayment plan and other debt repayment guarantee measures, which have not changed.

(II) Disclosure of implementation and change in credit enhancement mechanism, debt service plan and other debt service guarantee measures

1. Credit enhancement mechanism

No security is established.

2. Debt service plan

Interest on “18 Hengyi R1”, “18 Hengyi 01”, “18 Hengyi 02”, “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01” shall be paid once per year in the duration, and the interest for the last year shall be paid along with the redemption of the principal.

Payment of bond interest will be handled by the bond registration agency and related institutions. The details shall be explained by the Company in interest payment announcements published on CSRC-designated media, as is required by related national rules. According to China’s tax laws and regulations, taxes payable on the investment in the bonds for this year shall be borne by the investors.

Debt servicing costs will mainly rely on cash flow from daily operating activities of the Company. In the reporting period, the Company’s financial structure remained robust, and the stable cash inflow provided strong guarantee for the payment of the principal of and interest on the corporate bonds. The debt service guarantee measures remained unchanged in the reporting period, as committed in the prospectuses.

As of the issuance date of this report, the current interest of “18 Hengyi R1”, “18 Hengyi 01”, “18 Hengyi 02”, “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01” has been paid in full and on

time.

3. Guarantee measures

For the purpose of effectively safeguarding rights and interests of bondholders, and ensuring payment as agreed of the principals and interest for the current year, the Company has established a series of working mechanisms, including opening special accounts for the funds raised and for debt service, building a working group for debt service, setting up a long-term communication mechanism between the Company and the bond trustee, improving the risk supervision and pre-warning mechanism, and reinforcing information disclosure, thus constructing a complete guarantee system to ensure the payment as agreed of the bond principals and interest for this year. The guarantee measures remained unchanged in the reporting period, as committed in the prospectuses.

4. Other credit enhancement measures

None.

5. Special accounts for debt service

The debt security was withdrawn without disturbance in the reporting period, as committed in the prospectuses.

VI. Bondholder Meetings During the Reporting Period

As of the disclosure date of this report, no event has occurred to the corporate bonds issued by the Company to entail holding of a bondholder meeting, and therefore no bondholder meeting has been held.

VII. Duty Performance by Bond Trustee During the Reporting Period

Since the issuance of “18 Hengyi R1”, “18 Hengyi 01” and “18 Hengyi 02” and till the issue date of this report, Guosen Securities Co., Ltd., the bond trustee, has, in strict accordance with related laws and regulations and the Bond Trusteeship Agreement, been continuously following up and supervising the Company’s credit, use of funds raised through issuance of corporate bonds, implementation of debt service guarantee measures, etc., and urging the Company to perform its obligations prescribed in the prospectuses. It has been actively performing its functions as the bond trustee, protecting legitimate rights and interests of bondholders.

On January 16, 2020, the Company disclosed the Temporary Report of Guosen Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the accumulated new loans of the Company as of December 31, 2019 were disclosed.

On January 16, 2020, the Company disclosed the Temporary Report of Guosen Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the election of the Company's Chairman and Vice chairman was disclosed.

On March 9, 2020, the Company disclosed the Temporary Report of Guosen Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the Company's replacement of the accounting firm was disclosed.

On April 15, 2020, the Company disclosed the Temporary Report of Guosen Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the accumulated new loans of the Company as of March 31, 2020 were disclosed.

On May 29, 2020, the Company disclosed the Temporary Report of Guosen Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the repurchase and cancellation of some shares of the Company were disclosed.

Guosen Securities Co., Ltd. has announced the trusteeship events report of the previous year to the public on the website of the Exchange before June 30 of each year in accordance with laws, regulations and prospectus.

On June 29, 2020, the Company disclosed the Report on Regular Trusteeship of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in 2019 in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the Company's corporate bonds in 2019 were disclosed.

On September 15, 2020, the Company disclosed the Temporary Report of Guosen Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the changes of directors, supervisors and the

president of the Company were disclosed.

From the issuance of “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01” to the issuance date of this report, CITIC Securities Co., Ltd., the trustee, has continuously tracked and supervised the Company’s credit status, the use of funds raised by corporate bonds, and the implementation of debt repayment guarantee measures in strict accordance with relevant laws and regulations and the agreement in the Bond Trusteeship Agreement, urged the Company to fulfill the obligations agreed in the prospectus, actively performed the duties of bond trustee and safeguarded the legitimate rights and interests of bondholders.

On January 16, 2020, the Company disclosed the Temporary Report of CITIC Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the accumulated new loans of the Company as of December 31, 2019 were disclosed.

On January 16, 2020, the Company disclosed the Temporary Report of CITIC Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the election of the Company’s Chairman and Vice chairman was disclosed.

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On September 15, 2020, the Company disclosed the Temporary Report of CITIC Securities Co., Ltd. on the Trusteeship of Major Events of Corporate Bonds of Hengyi Petrochemical Co., Ltd. in Shenzhen Stock Exchange (<http://www.szse.cn/disclosure/bond/notice/index.html>), and the changes of directors, supervisors and the president of the Company were disclosed.

VIII. Key Accounting Data and Financial Indicators of the Past Two Years Ended the Report Issue Date

Unit: RMB

Item	2020	2019	YOY change rate
EBITDA	9,080,600,284.77	7,283,089,459.39	24.68%
Current Ratio	70.68%	71.42%	-0.74%
Debt Asset ratio	67.17%	65.54%	1.63%
Quick ratio	47.14%	47.51%	-0.37%
EBITDA/total debt	15.51%	13.40%	2.11%
Times interest earned ratio	3.11	3.75	-17.07%
Times interest earned (cash basis)	2.78	1.33	109.02%
Times interest earned ratio (EBITDA basis)	4.23	4.21	0.48%
Loan repayment rate	100.00%	100.00%	0.00%
Interest coverage	100.00%	100.00%	0.00%

Reasons why the above accounting data and financial indicators changed by more than 30%

In the above accounting data and financial indicators, the cash interest guarantee ratio changed by 109.02%, mainly due to the increase of net operating cash flow after the Brunei Project was put into operation, thus the cash interest guarantee ratio increased largely from 1.33 to 2.78.

IX. Interest Payment and Redemption of Other Bonds and DFIs During the Reporting Period

During the reporting period, the Company's other bonds and debt financing instruments mainly include short-term financing bonds, medium-term notes, income vouchers and subordinated bonds. For details, please refer to "23. Short-term financing payable and 34. Bonds payable in VII. Notes to items of consolidated financial statements in Section XII. Financial Report" in this report. The principal and interest of all financing have been paid on time.

X. Granting & Use of Bank Credit and Repayment of Bank Loans During the Reporting Period

The credit status of the Company was good, without any bad loan record. The company had established a stable long-term credit service relationship with major commercial banks, which secured powerful indirect financing capacity. As of December 31, 2020, the Company and its subsidiaries within the scope of consolidated statements had received credits from financial institutions totaling RMB 70.688 billion, and unused credits amounted to RMB 23.378 billion.

XI. Implementation of Relevant Agreements or Commitments in the Prospectus of Corporate Bonds During the Reporting Period

The Company strictly abides by the relevant agreements and commitments in the prospectus, and there are no matters that have a significant impact on the interests of investors.

XII. Major Events Occurring During the Reporting Period

For details, please refer to "XIX. Explanation on other major matters" in "Section V Important Matters" of this report.

XIII. Whether There Is a Guarantor for Corporate Bonds

Yes No

Section XII Financial Report

I. Audit Report

Type of audit opinion	Standard Unqualified Opinion
Signing Date of Audit Report	April 19, 2021
Name of Audit Institution	Zhongxinghua Certified Public Accountants LLP
Audit Report No.	ZXHSZ [2021] No. 011967
Name of Chinese Certified Public Accountant	Liu Hongyue, Wang Guohai

Audit Report

ZXHSZ [2021] No. 011967

All shareholders of Hengyi Petrochemical Co., Ltd.:

I. Audit Opinion

We have audited the accompanying financial statements of Hengyi Petrochemical Co., Ltd. (hereinafter referred to as “the Company”), which comprise the consolidated and parent company’s Balance Sheet as of December 31, 2020, and the consolidated and parent company’s Income Statement, Cash Flow Statement, Statement of Changes in Owner's Equity for the year then ended, and the Notes to Financial Statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Accounting Standards for Enterprises.

II. Basis for Audit Opinion

We conducted our audit in accordance with the Auditing Standards for the Chinese Certified Public Accountants. “Responsibilities of Certified Public Accountants for the Audit of Financial Statements” in the audit report has further explicated our responsibilities under these standards. According to the code of professional ethics on Chinese Certified Public Accountants, we are independent from your company and we implement other responsibilities on code of professional

ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have identified the following items as key audit matters that need to be dealt with in the audit report.

(I) Recognition of operating revenue

1. Description of Matters

For details of relevant information disclosure, please refer to Notes IV. 27. Revenue and Note VI. 48. Operating Revenue and Operating Costs to the financial statements.

In 2020, Hengyi Petrochemical's consolidated operating revenue was RMB 86,429,630,200, representing a year-on-year increase of 8.55%. Taking into account the importance of revenue recognition to the overall financial statements and the existence of the inherent risk of management manipulating revenue recognition to achieve specific goals or expectations, we deem operating revenue as a key audit matter.

2. Audit Response

The main audit procedures we have performed are as follows:

(1) Understanding, evaluating and testing the effectiveness of the Company's internal control design and operation related to revenue recycling;

(2) Selecting the sales contract signed by samples, identifying the individual performance obligations, transfer of control and other terms in the contracts, and evaluating whether the timing of revenue recognition has met the requirements of the Accounting Standards for Business Enterprises;

(3) Performing analytical procedures on revenue and costs, analyzing the fluctuations in revenue, cost and gross profit rate for each month in the current period, comparing and analyzing the analysis procedures for revenue, cost, gross profit rate of main products in the current period with those in the previous period, as well as product sales prices, raw material purchase prices and

industry-related product prices, and evaluating the accuracy of revenue recognition;

(4) Selecting samples from the accounting records of sales revenue, checking sales-related contracts, delivery notes, bills of lading, certificates of transfer of goods ownership, invoices and other information, and evaluating the authenticity and completeness of revenue recognition;

(5) Selecting samples from customers in the reporting period, implementing procedures for letter of confirmation of transaction, and evaluating the authenticity and accuracy of revenue;

(6) In respect of export sales, finding relevant information through the China Electronic Port System, checking with the book sales records, export customs declarations, sales invoices and other export information, and verifying the authenticity of export revenue;

(7) Implementing the cut-off testing procedures for revenue, selecting samples of revenue recognition transactions before and after the balance sheet date, obtaining relevant materials, such as contracts, invoices and delivery notes, etc., and evaluating whether the revenue has been recognized in an appropriate period.

(II) Measurement of fixed assets and construction in progress

1. Description of Matters

For details of relevant information disclosure, please refer to Notes IV. 17. "Fixed Assets", 18. "Construction in Progress", 34. (6) "Depreciation and Amortization" and Note VI. 15. Fixed Assets and 16. Construction in Progress.

As at December 31, 2020, the book value of Hengyi Petrochemical's fixed assets was RMB 41,579,728,500, which was mainly used for the production machinery and equipment as well as correspondingly constructed plants of aromatic hydrocarbons, refined oil, polyester filaments, purified terephthalic acid, etc.. These fixed assets were recorded in the book when they reached the expected usable state and were depreciated according to the estimated service life by straight-line method.

As at December 31, 2020, the book balance of Hengyi Petrochemical's construction in progress was RMB 7,801,533,000, which mainly consisted of Haining Intelligent Environmental Protection Functional Fiber Construction Project and other projects. Hengyi Petrochemical's construction in progress is measured at actual costs, including construction costs, installation costs, borrowing costs meeting capitalization conditions and other necessary expenditures required for the

construction in progress to reach its intended use status, including engineering design, supervision, cost consulting and other expenses. The management's judgment on the following aspects will affect the book value of fixed assets and construction in progress as well as the fixed asset depreciation policies, including determining which expenditures meet the capitalization conditions, determining the time point to transfer construction in progress to fixed assets and to start the accrual of depreciation; and estimating the economic service life and residual value of corresponding fixed asset.

The evaluation of book value of fixed assets and construction in progress involves significant management judgments, and it accounts for a large portion in the consolidated financial statements, so we have identified the measurement of fixed assets and construction in progress as a key audit matter.

2. Audit Response

In respect of the measurement of fixed assets and construction in progress, the audit procedures we have implemented mainly include:

(1) Understanding, evaluating and testing the effectiveness of design and operation of the management's key internal controls related to the recognition of fixed assets and construction in progress;

(2) Conducting sampling inspections on the construction in progress investments newly added in this year, determining whether the aforesaid investments have met the capitalization conditions, such as the sampling inspections on the construction and installation costs at a significant amount newly added in this year, checking the engineering contracts related thereto, and checking the actual payment amounts with the amounts in invoices and payment vouchers;

(3) Obtaining borrowing contracts, checking the borrowing costs directly attributable to the acquisition and construction of assets that meet the capitalization conditions based on the investments in construction in progress, and evaluating the completeness and accuracy of timing and amount of capitalization.

(4) Carrying out field investigation of the project construction sites, understanding and evaluating the progress of projects, and checking with the amounts recorded in the book.

(5) Conducting spot check on the approval procedures for the transfer of new fixed assets in the current period, and confirming the accuracy of transfer time based on the inventory taking on

site;

(6) Evaluating the reasonableness of accounting estimates related to fixed assets, and calculating reasonableness thereof on this basis.

(7) Checking presentation and disclosure of fixed assets and construction in progress in the financial statements.

IV. Other Information

The management of the Company (hereinafter referred to as “the management”) is responsible for other information. Other information includes information covered in the 2020 annual report, but does not include financial statements and audit reports.

Our audit opinion on the financial statements does not cover other information, and we do not publish any form of assurance conclusions on other information.

Our responsibility is to read other information based on the audits of financial statements, and consider whether other information is materially inconsistent with the financial statements or what we have learned during the audit or if there appears to be a material misstatement.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises, to realize fair presentation; designing, implementing and maintaining appropriate internal control to further avoid material misstatements arising from malpractice or error.

In preparing the financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a

whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements may be caused by frauds or errors, and if reasonably predicted misstatements independently or jointly impact economic decisions in line with financial statement made by financial statement users, thus, they would be deemed as material misstatements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

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

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide a statement to the management on compliance with professional ethical requirements related to independence, and communicate with the management on all relationships and other matters that may be reasonably deemed to affect our independence, as well as relevant precautions (if applicable).

From the matters that we have communicated with the management, we determine which items are most important to the audit of the financial statements in this period, and thus constitute the key audit items. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Zhongxinghua Certified Public Accountants Chinese CPA:

LLP

(Engagement Partner)

Beijing, China

Chinese CPA:

April 19, 2021

II. Financial statements**1. Consolidated Balance Sheet****Consolidated Balance Sheet****31-Dec-20**

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Ending balance	Beginning balance	Balance at the end of prior year
Current assets:			
Monetary capital	10,078,983,803.86	7,439,884,788.19	7,439,884,788.19
Financial assets held for trading	251,904,308.53	149,692,516.20	149,692,516.20
Derivative financial assets	737,015,777.82	409,150,395.76	409,150,395.76
Notes receivable	214,684,966.98	728,006,603.36	728,006,603.36
Accounts receivable	3,879,744,130.04	5,890,241,538.78	5,890,241,538.78
Accounts receivable financing	537,214,790.48	442,981,896.97	442,981,896.97
Advance payments	883,379,980.28	639,205,988.61	639,205,988.61
Other receivables	444,853,725.83	891,840,089.91	891,840,089.91
Inventories	9,650,858,867.17	9,153,238,548.05	9,153,238,548.05
Contract assets			N/A
Non-current assets due within one year	92,749,731.30	4,389,768.36	4,389,768.36
Other current assets	2,210,554,253.43	1,589,791,500.12	1,589,791,500.12
Total current assets	28,981,944,335.72	27,338,423,634.31	27,338,423,634.31
Non-current assets:			
Debt investment			
Other debt investment			
Long-term accounts receivable	157,476,489.65	229,565,480.84	229,565,480.84
Long-term equity investments	10,062,484,360.52	9,260,247,813.26	9,260,247,813.26
Other equity instruments investment	5,600,000.00	600,000.00	600,000.00
Fixed assets	41,579,728,480.95	38,775,633,926.67	38,775,633,926.67
Construction in progress	7,801,532,982.72	3,690,131,551.30	3,690,131,551.30
Productive biological assets			
Oil & gas assets			
Intangible assets	1,780,817,303.08	1,600,920,513.80	1,600,920,513.80
Development expenditure	7,630,754.87	3,517,300.44	3,517,300.44
Goodwill	221,865,586.69	221,865,586.69	221,865,586.69
Long-term deferred expenses	558,914,884.31	672,941,486.88	672,941,486.88
Deferred income tax assets	135,860,344.06	155,720,874.87	155,720,874.87
Other non-current assets	966,412,632.97	3,813,724,540.18	3,813,724,540.18

Total non-current assets	63,278,323,819.82	58,424,869,074.93	58,424,869,074.93
Total assets	92,260,268,155.54	85,763,292,709.24	85,763,292,709.24

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Consolidated Balance Sheet (Contd.)

31-Dec-20

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Ending balance	Beginning balance	Balance at the end of prior year
Current liabilities:			
Short-term loans	26,482,672,125.98	23,323,906,006.56	23,323,906,006.56
Financial liabilities held for trading	9,301,029.70	1,399,903.27	1,399,903.27
Derivative financial liabilities	136,608,747.10		
Notes payable	1,187,267,473.78	2,250,294,707.08	2,250,294,707.08
Accounts payable	5,740,701,545.50	9,679,848,880.14	9,679,848,880.14
Accounts received in advance			596,087,260.62
Contract liabilities	1,468,187,681.02	527,511,147.25	N/A
Wages payable	293,025,783.34	344,069,770.27	344,069,770.27
Taxes and dues payable	640,490,564.22	316,917,106.52	316,917,106.52
Other payables	406,082,547.82	257,344,100.76	257,344,100.76
Liabilities available for sale			
Non-current liabilities due within one year	4,487,453,396.24	1,506,007,634.42	1,506,007,634.42
Other current liabilities	151,856,844.93	68,576,113.37	
Total current liabilities	41,003,647,739.63	38,275,875,369.64	38,275,875,369.64
Non-current liabilities:			
Long-term loans	16,609,903,029.23	12,733,302,561.13	12,733,302,561.13
Bonds payable	3,521,330,557.49	3,989,762,031.71	3,989,762,031.71
Of which: preferred stock			
Perpetual bond			
Long-term accounts payable	520,596,948.45	883,441,367.14	883,441,367.14
Long-term wages payable			
Estimated liabilities	3,555,907.35	2,645,266.16	2,645,266.16
Deferred income	197,513,098.48	198,911,445.22	198,911,445.22
Deferred income tax liabilities	111,572,094.08	127,067,875.20	127,067,875.20

Other non-current liabilities			
Total non-current liabilities	20,964,471,635.08	17,935,130,546.56	17,935,130,546.56
Total liabilities	61,968,119,374.71	56,211,005,916.20	56,211,005,916.20
Shareholders' equity			
Capital stock	3,681,645,407.00	2,841,725,474.00	2,841,725,474.00
Other equity instruments	478,546,158.81		
Of which: preferred stock			
Perpetual bond			
Capital reserves	9,165,068,133.86	10,492,771,354.69	10,492,771,354.69
Less: treasury stock	349,918,604.53	55,450,720.00	55,450,720.00
Other comprehensive income	-1,032,362,450.85	335,623,308.63	335,623,308.63
Special reserves			
Surplus reserves	660,652,171.17	559,247,505.53	559,247,505.53
Undistributed profits	11,403,002,797.32	9,567,928,583.61	9,567,928,583.61
Total shareholders' equity attributable to parent company	24,006,633,612.78	23,741,845,506.46	23,741,845,506.46
Minority equity	6,285,515,168.05	5,810,441,286.58	5,810,441,286.58
Total shareholders' equity	30,292,148,780.83	29,552,286,793.04	29,552,286,793.04
Total liabilities and shareholder's equity	92,260,268,155.54	85,763,292,709.24	85,763,292,709.24

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

2. Consolidated Income Statement

Consolidated Income Statement

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit:

RMB

Item	Amount incurred in current year	Amount incurred in prior year
I. Gross revenue	86,429,630,191.87	79,620,543,631.74
Of which: operating income	86,429,630,191.87	79,620,543,631.74
II. Total operating cost	84,114,651,201.79	76,723,504,823.91
Of which: operating cost	80,449,830,696.94	73,994,833,712.93
Taxes and surcharges	120,437,470.28	185,265,699.10
Selling expenses	218,109,801.14	455,835,985.78
Administration costs	970,153,607.89	583,493,439.21
Research and development expenditure	351,969,307.93	492,740,271.96
Financial expenses	2,004,150,317.61	1,011,335,714.93
Of which: interest expenses	1,857,374,805.92	1,027,006,241.84
Interest income	185,855,314.84	149,956,766.49
Add: other income	371,817,061.73	475,316,277.37
Investment income (loss to be marked by “-”)	1,691,621,709.35	1,504,670,646.53
Of which: investment income from joint ventures and associates	1,326,696,982.37	1,086,988,500.99
Gains on the de-recognition of financial assets measured at amortized cost		
Exchange earnings (loss to be marked by “-”)		
Gains on net exposure hedges (loss to be marked by “-”)		
Gains from changes of fair value (loss to be marked by “-”)	156,423,385.37	-58,842,982.82
Loss on credit impairment (loss to be marked by “-”)	13,912,334.18	-25,187,182.20
Asset impairment loss (loss to be marked by “-”)	-18,111,009.54	-20,345,690.78
Gains from the disposal of assets (loss to be marked by “-”)	-4,357,509.27	1,543,684.20
III. Operating profits (loss to be marked by “-”)	4,526,284,961.90	4,774,193,560.13
Add: non-operating income	14,227,568.48	11,699,859.55
Less: non-operating expenses	20,943,094.87	29,743,281.16
IV. Total profit (loss to be marked by “-”)	4,519,569,435.51	4,756,150,138.52
Less: income tax expenses	704,967,451.61	746,630,993.51
V. Net profit (net loss to be marked by “-”)	3,814,601,983.90	4,009,519,145.01
(I) Classified by continuing operations:		
1. Net profit of continuing operations (net loss to be marked by “-”)	3,814,601,983.90	4,009,519,145.01

2. Net profit of discontinued operations (net loss to be marked by “-”)		
(II) Classified by ownership attribution		
1. Net profit attributable to the owners of parent company (net loss to be marked by “-”)	3,071,998,839.75	3,190,185,517.79
2. Minority interest income (net loss to be marked by “-”)	742,603,144.15	819,333,627.22
VI. Net after-tax of other comprehensive income	-1,477,073,355.49	330,650,510.31
(i) Net after-tax of other comprehensive income attributable to the owners of parent company	-1,367,985,759.48	239,474,532.17
1. Other comprehensive income items which cannot be classified as profit or loss in succeeding accounting period		
(1) Changes due to remeasurement of the net liabilities or net assets under the defined benefit plan		
(2) Share in other comprehensive income that will not be reclassified into profit and loss in investee under equity method		
(3) Changes in the fair value of investment in other equity instruments		
(4) Changes in fair value resulting from the credit risk of the Company		
(5) Others		
2. Other comprehensive income that will be reclassified into profit or loss in subsequent periods	-1,367,985,759.48	239,474,532.17
(1) Other comprehensive income from convertible gains and losses under the equity method	-59,356,706.36	41,930,752.69
(2) Changes in the fair value of other debt investments		
(3) Amount of financial assets reclassified into other comprehensive income		
(4) Provision for credit impairment of other debt investments		
(5) Cash Flow Hedge Reserve	-431,713,895.59	108,757,841.33
(6) Converted difference in foreign currency financial statements	-876,915,157.53	88,785,938.15
(7) Others		
(ii) Net after-tax of other comprehensive income attributable to the minority shareholders	-109,087,596.01	91,175,978.14
VII. Total comprehensive income	2,337,528,628.41	4,340,169,655.32
(i) Total comprehensive income attributable to the shareholders of parent company	1,704,013,080.27	3,429,660,049.96
(ii) Total comprehensive income attributable to minority shareholders	633,515,548.14	910,509,605.36

VIII. Earnings per share:		
(i) Basic earnings per share	1.08	1.13
(ii) Diluted earnings per share	1.07	1.13

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

3. Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit:

RMB

Item	Amount incurred in current year	Amount incurred in prior year
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering labor services	94,164,418,130.34	85,608,267,111.66
Refunds of taxes received	1,606,851,370.63	662,041,823.18
Cash received from other related operating activities	1,871,048,242.67	1,554,963,662.46
Sub-total of cash inflows from operating activities	97,642,317,743.64	87,825,272,597.30
Cash paid for purchasing goods or receiving labor services	86,763,506,667.48	83,383,536,300.14
Cash paid to and for employees	2,063,286,244.53	1,498,511,091.64
Taxes and fees paid	1,103,552,261.90	1,749,852,708.90
Cash paid for other related operating activities	2,698,199,791.78	1,284,498,274.53
Sub-total of cash outflows from operating activities	92,628,544,965.69	87,916,398,375.21
Net cash flow from operating activities	5,013,772,777.95	-91,125,777.91
II. Cash flow from investing activities:		
Cash received from the disposal of investments	881,887,917.02	4,644,938,837.78
Cash received from return on investments	504,230,715.53	342,853,197.41
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	2,612,726.25	4,915,884.62
Net cash received from the disposal of subsidiaries and other business entities	50,437,768.06	
Cash received from other related investing activities	555,326,465.85	108,639,015.50
Sub-total of cash inflows from investing activities	1,994,495,592.71	5,101,346,935.31
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets	8,172,452,434.34	11,333,202,264.49
Cash paid for investments	1,774,515,879.38	6,198,444,997.55
Net cash paid for acquisition of subsidiaries and other business entities		
Cash paid for other related investing activities		579,801,680.00
Sub-total of cash outflows from investing activities	9,946,968,313.72	18,111,448,942.04
Net cash flow from investing activities	-7,952,472,721.01	-13,010,102,006.73
III. Cash flows from financing activities		
Cash received from investors	3,035,100,000.00	4,927,624,987.11

Of which: cash received from minority shareholders by subsidiaries	50,600,000.00	514,700,000.00
Cash received from obtaining loans	35,951,594,602.98	30,279,457,278.04
Cash received from other related financing activities	1,909,656,348.44	5,819,111,783.97
Sub-total of cash inflows from financing activities	40,896,350,951.42	41,026,194,049.12
Cash paid for repayment of debts	29,558,054,825.43	19,879,080,400.10
Cash paid for dividends, profits distribution or interest repayment	3,146,712,192.03	2,503,033,651.79
Of which: dividends & profits paid to minority shareholders by subsidiaries	81,541,666.67	
Cash paid for other related financing activities	2,284,204,105.14	7,663,694,485.75
Sub-total of cash outflows from financing activities	34,988,971,122.60	30,045,808,537.64
Net cash flows from financing activities	5,907,379,828.82	10,980,385,511.48
IV. Effect of exchange rate changes on cash and cash equivalents	-255,434,618.11	57,785,612.38
V. Net increase in cash and cash equivalents	2,713,245,267.65	-2,063,056,660.78
Add: balance of cash and cash equivalents at the beginning of the period	4,473,080,680.52	6,536,137,341.30
VI. Balance of cash and cash equivalents at the end of the period	7,186,325,948.17	4,473,080,680.52

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

4. Consolidated Statement of Changes in Owner's Equity

Consolidated Statement of Changes in Shareholder's Equity

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year												Minority equity	Total shareholders' equity
	Shareholder's equity attributable to parent company													
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Subtotal			
	Preferred stock	Perpetual bond	Others											
I.														
Balance at the end of prior year	2,841,725,474.00				9,992,771,354.69	55,450,720.00	335,623,308.63		559,247,505.53	9,579,091,491.15	23,253,008,414.00	5,810,441,286.58	29,063,449,700.58	
Add: changes in accounting														

policy													
Correction of prior period errors													
Combinati on of businesses under common control					500,000.00 0.00					-11,162.90 7.54	488,837.09 2.46		488,837.09 2.46
II. Balance at the beginning of current year	2,841,725, 474.00				10,492,771 ,354.69	55,450.7 20.00	335,623.3 08.63		559,247, 505.53	9,567,928, 583.61	23,741,845 ,506.46	5,810,441, 286.58	29,552,286 ,793.04

III. Amount of increase/d ecrease in current year (decrease to be marked by “-”)	839,919,9 33.00			478,546, 158.81	-1,327,703 ,220.83	294,467, 884.53	-1,367,985 ,759.48			101,404, 665.64	1,835,074, 213.71	264,788,10 6.32	475,073,8 81.47	739,861,98 7.79
(i) Total comprehe nsive income							-1,367,985 ,759.48				3,071,998, 839.75	1,704,013, 080.27	633,515,5 48.14	2,337,528, 628.41
(ii) Capital invested by	-12,597,7 09.00			478,546, 158.81	21,517,092 .34	294,467, 884.53						192,997,65 7.62	58,600,00 0.00	251,597,65 7.62

shareholders and capital reduction													
1. Ordinary shares invested by shareholders	-12,597,709.00			478,546,158.81	12,503,217.34	349,918,604.53					128,533,062.62	58,600,000.00	187,133,062.62
2. Capital invested by holders of other equity instruments													
3.					9,013,875.	-55,450,					64,464,595		64,464,595

Amount paid in stock & included in shareholders' equity					00	720.00					.00		.00
4. Others													
(iii) Profit distribution									101,404,665.64	-1,236,924,626.04	-1,135,519,960.40	-217,041,666.67	-1,352,561,627.07
1. Appropriation to surplus reserves									101,404,665.64	-101,404,665.64			
2. General risk													

provisions withheld													
3. Distribution to shareholders										-1,135,519,960.40	-1,135,519,960.40	-217,041,666.67	-1,352,561,627.07
4. Others													
(iv) Internal carry-forward of shareholders' equity	852,517,642.00				-852,517,642.00								
1. Capital reserve transferred to capital	852,517,642.00				-852,517,642.00								

stock													
2. Surplus reserve transferred to capital stock													
3, Surplus reserve for making up losses													
4. Carrying over of changes of defined benefit plans into													

retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(v) Special reserves													
1. Withdrawal in current year								53,905,152.19			53,905,152.19		53,905,152.19
2. Use in current								53,905,152.19			53,905,152.19		53,905,152.19

year													
(vi)					-496,702,6						-496,702,6		-496,702,6
Others					71.17						71.17		71.17
IV.													
Balance at	3,681,645,		478,546,	9,165,068,	349,918,	-1,032,362		660,652,	11,403,002	24,006,633	6,285,515,	30,292,148	
the end of	407.00		158.81	133.86	604.53	,450.85		171.17	,797.32	,612.78	168.05	,780.83	
current													
year													

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Consolidated Statement of Changes in Shareholder's Equity (Contd.)

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in prior year												
	Shareholder's equity attributable to parent company										Minority equity	Total shareholders' equity	
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits			Subtotal
Preferred stock		Perpetual bond	Others										
I.													
Balance at the end of prior year	2,627,957,359.00			7,919,543,059.77	125,771,720.00	100,082,637.81		483,115,739.87	7,358,146,155.19	18,363,073,231.64	4,464,847,704.45	22,827,920,936.09	
Add: changes in accounting													

policy													
Correction of prior period errors													
Others													
II. Balance at the beginning of current year	2,627,957, 359.00				7,919,543,0 59.77	125,771,7 20.00	100,082,6 37.81		483,115,7 39.87	7,358,146, 155.19	18,363,073, 231.64	4,464,847, 704.45	22,827,920, 936.09
III. Amount of increase/d ecrease in current	213,768,1 15.00				2,573,228,2 94.92	-70,321,0 00.00	235,540,6 70.82		76,131,76 5.66	2,209,782, 428.42	5,378,772,2 74.82	1,345,593, 582.13	6,724,365,8 56.95

year (decrease to be marked by “-”)													
(i) Total comprehe nsive income							239,474,5 32.17			3,190,185, 517.79	3,429,660,0 49.96	910,509,6 05.36	4,340,169,6 55.32
(ii) Capital invested by shareholde rs and capital reduction	213,768,1 15.00				3,453,782,3 64.53	-70,321,0 00.00					3,737,871,4 79.53	296,876,4 24.04	4,034,747,9 03.57
1. Ordinary	213,768,1 15.00				3,422,196,4 68.70						3,635,964,5 83.70	296,876,4 24.04	3,932,841,0 07.74

shares invested by shareholder s													
2. Capital invested by holders of other equity instruments													
3. Amount paid in stock & included in shareholder s' equity					31,585,895. 83	-70,321,0 00.00					101,906,89 5.83		101,906,89 5.83
4. Others													
(iii) Profit									76,131,76	-928,141,5	-852,009,7	-38,250,00	-890,259,7

distributio n									5.66	06.06	40.40	0.00	40.40
1. Appropriati on to surplus reserves									76,131,76 5.66	-76,131,76 5.66			
2. General risk provisions withheld													
3. Distributio n to shareholder s										-852,009,7 40.40	-852,009,7 40.40	-38,250,00 0.00	-890,259,7 40.40
4. Others													
(iv) Internal													

carry-forward of shareholders' equity													
1. Capital reserve transferred to capital stock													
2. Surplus reserve transferred to capital stock													
3. Surplus reserve for making up losses													
4.													

Carrying over of changes of defined benefit plans into retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(v) Special reserves													

1.														
Withdrawal in current year								56,346,5 57.41			56,346,557. 41		56,346,557. 41	
2. Use in current year								56,346,5 57.41			56,346,557. 41		56,346,557. 41	
(vi) Others					-880,554,0 69.61			-3,933,86 1.35			-52,261,58 3.31	-936,749,5 14.27	176,457,5 52.73	-760,291,9 61.54
IV. Balance at the end of current year	2,841,725, 474.00				10,492,771, 354.69	55,450,72 0.00	335,623,3 08.63		559,247,5 05.53	9,567,928, 583.61	23,741,845, 506.46	5,810,441, 286.58	29,552,286, 793.04	

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

5. Parent Company's Balance Sheet

Balance Sheet

31-Dec-20

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Ending balance	Beginning balance	Balance at the end of prior year
Current assets:			
Monetary capital	19,798,650.05	26,078,403.11	26,078,403.11
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Accounts receivable financing			
Advance payments			
Other receivables	8,167,765,426.76	6,830,966,888.92	6,830,966,888.92
Inventories			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		2,241,163.69	2,241,163.69
Total current assets	8,187,564,076.81	6,859,286,455.72	6,859,286,455.72
Non-current assets:			
Debt investments			
Financial assets available for sale			

Other debt investments			
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	15,781,533,619.33	15,519,677,445.03	15,519,677,445.03
Other equity instruments investment			
Other non-current financial assets			
Investment real estates			
Fixed assets	649.4	649.4	649.4
Construction in progress			
Productive biological assets			
Oil & gas assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets	15,781,534,268.73	15,519,678,094.43	15,519,678,094.43
Total assets	23,969,098,345.54	22,378,964,550.15	22,378,964,550.15

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Balance Sheet (Contd.)

31-Dec-20

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit:

RMB

Item	Ending balance	Beginning balance	Balance at the end
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			of prior year
Current liabilities:			
Short-term loans			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Accounts received in advance			
Contract liabilities			N/A
Wages payable	565,750.89	215,439.69	215,439.69
Taxes and dues payable	1,059,142.98	94,343.42	94,343.42
Other payables	3,683,674.52	58,206,847.35	58,206,847.35
Liabilities available for sale			
Non-current liabilities due within one year	1,984,595,701.21	179,587,499.88	179,587,499.88
Other current liabilities			
Total current liabilities	1,989,904,269.60	238,104,130.34	238,104,130.34
Non-current liabilities:			
Long-term loans			
Bonds payable	3,521,330,557.49	3,989,762,031.71	3,989,762,031.71
Of which: preferred stock			
Perpetual bond			
Long-term accounts payable			
Long-term wages payable			
Estimated liabilities			

Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	3,521,330,557.49	3,989,762,031.71	3,989,762,031.71
Total liabilities	5,511,234,827.09	4,227,866,162.05	4,227,866,162.05
Owner's equity:			
Paid-in capital	3,681,645,407.00	2,841,725,474.00	2,841,725,474.00
Other equity instruments	478,546,158.81		
Of which: preferred stock			
Perpetual bond			
Capital reserves	12,978,735,355.53	13,806,467,773.69	13,806,467,773.69
Less: treasury stock	349,918,604.53	55,450,720.00	55,450,720.00
Other comprehensive income			
Special reserves			
Surplus reserves	540,978,888.21	416,376,958.05	416,376,958.05
Undistributed profits	1,127,876,313.43	1,141,978,902.36	1,141,978,902.36
Total owner's equity	18,457,863,518.45	18,151,098,388.10	18,151,098,388.10
Total liabilities and owner's equity	23,969,098,345.54	22,378,964,550.15	22,378,964,550.15

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

6. Parent Company's Income Statement

Income Statement

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
I. Operating income	2,586,856,333.35	60,019,034.19
Less: operating costs	2,537,833,295.23	58,256,351.09
Taxes and surcharges	2,047,577.69	40,701.76
Selling expenses		
Administration costs	11,662,067.37	27,585,827.42
Research and development expenditure		
Financial expenses	-5,006,422.90	-942,809.46
Of which: interest expenses	267,780,810.45	242,682,503.77
Interest income	273,374,198.05	243,646,931.09
Add: other income	1,241,974.76	1,004,798.52
Investment income (loss to be marked by "-")	1,204,456,174.30	1,283,621,936.37
Of which: investment income from joint ventures and associates	-143,825.70	-308,063.63
Gains on the de-recognition of financial assets measured at amortized cost		
Gains on net exposure hedges (loss to be marked by "-")		
Gains from the changes in fair value (loss to be marked by "-")		
Loss on credit impairment (loss to be marked by "-")	1,500.00	863,818.05
Asset impairment loss (loss to be marked by "-")		
Gains from the disposal of assets (loss to be marked by "-")		
II. Operating profits (loss to be marked by "-")	1,246,019,465.02	1,260,569,516.32
Add: non-operating income		
Less: non-operating expenses	163.39	825.7
III. Total profit (loss to be marked by "-")	1,246,019,301.63	1,260,568,690.62
Less: income tax expenses		

IV. Net profit (net loss to be marked by “-”)	1,246,019,301.63	1,260,568,690.62
(i) Net profit of continuing operations (net loss to be marked by “-”)	1,246,019,301.63	1,260,568,690.62
(ii) Net profit of discontinued operations (net loss to be marked by “-”)		
V. Net after-tax of other comprehensive income		
(i) Other comprehensive income items which cannot be classified as profit or loss in succeeding accounting period		
1. Changes due to remeasurement of the net liabilities or net assets under the defined benefit plan		
2. Share in other comprehensive income that will not be reclassified into profit and loss in investee under equity method		
3. Changes in the fair value of investment in other equity instruments		
4. Changes in fair value resulting from the credit risk of the Company		
5. Others		
(ii) Other comprehensive income items which will be classified as profit or loss in succeeding accounting period		
1. Other comprehensive income from convertible gains and losses under the equity method		
2. Changes in the fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash Flow Hedge Reserve		
6. Converted difference in foreign currency financial statements		
7. Others		
VI. Total comprehensive income	1,246,019,301.63	1,260,568,690.62

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

7. Parent Company's Cash Flow Statement

Cash Flow Statement

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering labor services	2,741,399,334.51	68,845,000.00
Refunds of taxes received		
Cash received from other related operating activities	569,171,451.77	551,845,344.88
Sub-total of cash inflows from operating activities	3,310,570,786.28	620,690,344.88
Cash paid for purchasing goods or receiving labor services	2,686,003,346.36	66,827,500.00
Cash paid to and for employees	1,735,359.81	2,319,935.16
Taxes and fees paid	4,624,508.88	804,744.33
Cash paid for other related operating activities	8,906,447.11	6,237,546.77
Sub-total of cash outflows from operating activities	2,701,269,662.16	76,189,726.26
Net cash flow from operating activities	609,301,124.12	544,500,618.62
II. Cash flow from investing activities:		
Cash received from the disposal of investments		2,100,000,000.00
Cash received from return on investments	1,130,000,000.00	858,930,000.00
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from the disposal of subsidiaries and other business entities		
Cash received from other related investing activities	3,256,632,750.20	241,906,384.73
Sub-total of cash inflows from investing activities	4,386,632,750.20	3,200,836,384.73
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investments	262,000,000.00	3,880,000,000.00
Net cash paid for acquisition of subsidiaries and other business entities		
Cash paid for other related investing activities	4,807,330,000.00	2,699,640,014.17
Sub-total of cash outflows from investing activities	5,069,330,000.00	6,579,640,014.17
Net cash flow from investing activities	-682,697,249.80	-3,378,803,629.44

III. Cash flows from financing activities		
Cash received from investors	2,984,500,000.00	3,912,924,987.11
Cash received from obtaining loans		
Cash received from other related financing activities	6,783,381.50	
Sub-total of cash inflows from financing activities	2,991,283,381.50	3,912,924,987.11
Cash paid for repayment of debts	1,174,790,000.00	
Cash paid for dividends, profits distribution or interest repayment	1,396,519,960.40	1,054,519,622.12
Cash paid for other related financing activities	352,857,048.48	1,066,110.90
Sub-total of cash outflows from financing activities	2,924,167,008.88	1,055,585,733.02
Net cash flows from financing activities	67,116,372.62	2,857,339,254.09
IV. Effect of exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-6,279,753.06	23,036,243.27
Add: balance of cash and cash equivalents at the beginning of the period	26,078,403.11	3,042,159.84
VI. Balance of cash and cash equivalents at the end of the period	19,798,650.05	26,078,403.11

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

8. Parent Company's Statement of Changes in Owner's Equity

Statement of Changes in Shareholder's Equity

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year										
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
		Preferred stock	Perpetual bond	Others							
I. Balance at the end of prior year	2,841,725,474.00				13,806,467,773.69	55,450,720.00			416,376,958.05	1,141,978,902.36	18,151,098,388.10
Add: changes in accounting policy											
Correction of prior period errors											
Others											
II. Balance at the beginning of current year	2,841,725,474.00				13,806,467,773.69	55,450,720.00			416,376,958.05	1,141,978,902.36	18,151,098,388.10
III. Amount of increase/decrease in current year (decrease to be	839,919,933.00			478,546,158.81	-827,732,418.16	294,467,884.53			124,601,930.16	-14,102,588.93	306,765,130.35

marked by “-”)											
(i) Total comprehensive income										1,246,019,301.63	1,246,019,301.63
(ii) Capital invested by shareholders and capital reduction	-12,597,709.00			478,546,158.81	18,001,842.34	294,467,884.53					189,482,407.62
1. Ordinary shares invested by shareholders	-12,597,709.00			478,546,158.81	12,503,217.34	349,918,604.53					128,533,062.62
2. Capital invested by holders of other equity instruments											
3. Amount paid in stock & included in shareholders' equity					5,498,625.00	-55,450,720.00					60,949,345.00
4. Others											
(iii) Profit distribution									124,601,930.16	-1,260,121,890.56	-1,135,519,960.40
1. Appropriation to surplus reserves									124,601,930.16	-124,601,930.16	
2. General risk provisions withheld											
3. Distribution to shareholders										-1,135,519,960.40	-1,135,519,960.40

4. Others											
(iv) Internal carry-forward of shareholders' equity	852,517,642.00				-852,517,642.00						
1. Capital reserve transferred to capital stock	852,517,642.00				-852,517,642.00						
2. Surplus reserve transferred to capital stock											
3. Surplus reserve for making up losses											
4. Carrying over of changes of defined benefit plans into retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(v) Special reserves											
1. Withdrawal in current year											

2. Use in current year											
(vi) Others					6,783,381.50						6,783,381.50
IV. Balance at the end of current year	3,681,645,407.00			478,546,158.81	12,978,735,355.53	349,918,604.53			540,978,888.21	1,127,876,313.43	18,457,863,518.45

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Statement of Changes in Shareholder's Equity (Contd.)

2020

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in prior year										
	Capital stock	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholders' equity
		Preferr ed stock	Perpetu al bond	Othe rs							
I. Balance at the end of prior year	2,627,957,359 .00				11,082,812,36 0.12	125,771,720 .00			290,320,088 .99	859,476,821.2 0	14,734,794,90 9.31
Add: changes in accounting policy											
Correction of prior period											

errors											
Others											
II. Balance											
at the	2,627,957,359				11,082,812,36	125,771,720			290,320,088	859,476,821.2	14,734,794,90
beginning of	.00				0.12	.00			.99	0	9.31
current year											
III. Amount											
of											
increase/decre	213,768,115.0				2,723,655,413.	-70,321,000.			126,056,869	282,502,081.1	3,416,303,478.
ase in current	0				57	00			.06	6	79
year (decrease											
to be marked											
by “-”)											
(i) Total										1,260,568,690	1,260,568,690.
comprehensiv										.62	62
e income											
(ii) Capital	213,768,115.0				2,723,655,413.	-70,321,000.					3,007,744,528.
invested by	0				57	00					57

shareholders and capital reduction											
1. Ordinary shares invested by shareholders	213,768,115.00				2,704,372,892.74						2,918,141,007.74
2. Capital invested by holders of other equity instruments											
3. Amount paid in stock & included in shareholders' equity					19,282,520.83	-70,321,000.00					89,603,520.83
4. Others											
(iii) Profit									126,056,869	-978,066,609.	-852,009,740.4

distribution									.06	46	0
1. Appropriation to surplus reserves									126,056,869 .06	-126,056,869. 06	
2. General risk provisions withheld											
3. Distribution to shareholders										-852,009,740. 40	-852,009,740.4 0
4. Others											
(iv) Internal carry-forward of shareholders' equity											
1. Capital reserve											

transferred to capital stock											
2. Surplus reserve transferred to capital stock											
3, Surplus reserve for making up losses											
4. Carrying over of changes of defined benefit plans into retained earnings											
5. Other comprehensive											

income transferred to retained earnings											
6. Others											
(v) Special reserves											
1. Withdrawal in current year											
2. Use in current year											
(vi) Others											
IV. Balance at the end of current year	2,841,725,474				13,806,467,77	55,450,720.			416,376,958	1,141,978,902	18,151,098,38
	.00				3.69	00			.05	.36	8.10

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Hengyi Petrochemical Co., Ltd.

Notes to 2020 Financial Statements

(Unless otherwise specified, amounts provided herein are all in RMB)

I. General Information

1. Historical development

Hengyi Petrochemical Co., Ltd. (referred to as "the Company" or "Company"), formerly known as Centennial Brilliance Science and Technology Co., Ltd. (referred to as "Centennial Brilliance"), which was changed into its current name on June 1, 2011 by change in the registration with administration for industry and commerce. The Company was established with initiation by shareholders on December 14, 1989 and upon approval by the Economic System Reform Commission of Guangxi Zhuang Autonomous Region with the G. T. G. [1990] No. 3 Document issued on February 10, 1990. The Company's stocks were listed on Shenzhen Stock Exchange on March 28, 1997 under the stock code of 000703 and the current stock abbreviation of "Hengyi Petrochemical".

Upon approval by China Securities Regulatory Commission with the document Reply on Approval of the Sales of Major Assets of Centennial Brilliance Science and Technology Co., Ltd. and the Issuance of Its Shares to Zhejiang Hengyi Group Co., Ltd. for Purchase of Assets (Z. J. X. K. [2011] No. 540) issued on April 15, 2011, the Company sold all its assets and liabilities to Henan Huicheng Investment Co., Ltd. ("Henan Huicheng") with the employees transferred with assets. Henan Huicheng paid the consideration in cash. The Company issued 432,883,813 shares to purchase 100% equity in Zhejiang Hengyi Petrochemical Co., Ltd. (hereinafter referred to as Hengyi Limited) held by Zhejiang Hengyi Group Co., Ltd., Tianjin Dinghui Stock Equity Investment Yiqi Fund (Limited Partnership), Tianjin Dinghui Yuanbo Stock Equity Investment Fund (Limited Partnership); at the same time, Henan Huicheng transferred its 12,237,050 shares in Centennial Brilliance to Zhejiang Hengyi Group Co., Ltd. (hereinafter referred to as Hengyi Group) in form of agreement, and Hengyi Group paid the consideration in cash.

On April 27, 2011, Ascenda conducted capital verification on the major asset reorganization and issuance of shares to purchase assets, and issued T. J. Z. X. Y. (2011) Z. Z. No. 020057 Capital Verification Report to verify the issued 432,883,813 shares.

According to the resolutions of the Company's 2011 Annual General Meeting of Shareholders and the revised articles of association, 3 bonus shares for every 10 shares were distributed to all

shareholders on the basis of the Company's original total share capital of RMB 576,793,813.00, and the capital reserve was transferred to increase 7 shares for every 10 shares to all shareholders at the same time. The Company increased its registered capital by RMB 576,793,813.00. The base date of the increase by transfer was March 27, 2012, and the registered capital after the change was RMB 1,153,587,626.00.

According to the resolutions of the Company's 2015 Annual General Meeting of Shareholders and the Company's revised articles of association, the Company implemented the first restricted stock incentive plan in 2015. The incentive form adopted in this incentive plan was restricted stocks, and 15 incentive objects were granted the restricted stocks in the first time. 11.7 million restricted stocks with a par value of RMB 1 per share were granted to incentive objects by means of targeted issuance. The Company increased its registered capital by RMB 11,700,000.00, and the registered capital after the change was RMB 1,165,287,626.00.

According to the resolutions of the Company's 2014 Annual General Meeting of Shareholders and the revised articles of association, upon the approval granted by China Securities Regulatory Commission with the Reply on Approval of Hengyi Petrochemical Co., Ltd.'s Non-public Issuance of Stocks (Z. J. X. K. [2015] No. 2085), the Company privately issued 140,845,070 RMB ordinary shares (A shares) with a par value of RMB 1 per share in 2015. The Company increased its registered capital by RMB 140,845,070.00, and the registered capital after the change was RMB 1,306,132,696.00.

According to the resolutions of the 26th Meeting of the 9th Board of Directors of the Company in 2016 and the revised articles of association, the Company's repurchased and cancelled 25% of the granted restricted stocks that were held by incentive objects and did not meet the unlocking conditions for the first unlocking period, i.e. 2,925,000 restricted stocks. The Company reduced the registered capital by RMB 2,925,000.00, and the registered capital after the change was RMB 1,303,207,696.00.

According to the resolutions of the Company's 2015 Annual General Meeting of Shareholders and the revised articles of association, upon the approval granted by China Securities Regulatory Commission with the Reply on Approval of Hengyi Petrochemical Co., Ltd.'s Non-public Issuance of Stocks (Z. J. X. K. [2016] No. 1320), the Company privately issued 316,666,666 RMB ordinary shares (A shares) with a par value of RMB 1 per share in 2016. The Company increased its registered capital by RMB 316,666,666.00, and the registered capital after the change was RMB 1,619,874,362.00.

According to the resolutions of the 2nd Extraordinary General Meeting of Shareholders of the Company in 2017 and the Company's revised articles of association, the Company implemented the

second restricted stock incentive plan in 2017. The incentive form adopted in this incentive plan was restricted stocks, and 50 incentive objects were granted the restricted stocks in this time. 28.55 million restricted stocks with a par value of RMB 1 per share were granted to incentive objects by means of targeted issuance. The Company increased its registered capital by RMB 28,550,000.00, and the registered capital after the change was RMB 1,648,424,362.00.

According to the resolutions of the Company's 2017 Annual General Meeting of Shareholders and the revised articles of association, the capital reserve was transferred to increase 4 shares for every 10 shares to all shareholders based on the Company's original total share capital of RMB 1,648,424,362. The Company completed the registration of bonus and transferred stocks on May 24, 2018. The Company increased its registered capital by RMB 659,369,744, and the registered capital after the change was RMB 2,307,794,106.00.

In October 2018, due to the resignation of restricted stock incentive objects, the Company repurchased and cancelled 679,000 restricted stocks. The Company reduced its registered capital (share capital) by RMB 679,000.00. After the change, the registered capital was RMB 2,307,115,106.00, and the share capital was RMB 2,307,115,106.00.

In December 2018, the Company issued 170,592,433 shares to Zhejiang Hengyi Group Co., Ltd. (hereinafter referred to as "Hengyi Group"), 75,124,910 shares to Fulida Group Holding Co., Ltd. (hereinafter referred to as "Fulida Group"), and 75,124,910 shares to Xinghui Chemical Fiber Group Co., Ltd. (hereinafter referred to as "Xinghui Chemical Fiber Group") to purchase related assets. After the change, the registered capital was RMB 2,627,957,359.00, and the share capital was RMB 2,627,957,359.00.

In January 2019, the Company privately issued 213,768,115 shares to 6 investors separately to raise matching funds. After the change, the registered capital was RMB 2,841,725,474.00, and the share capital was RMB 2,841,725,474.00.

According to the resolutions of the Company's 2019 Annual General Meeting of Shareholders and the revised articles of association, the capital reserve was transferred to increase 3 shares for every 10 shares to all shareholders based on the Company's original total share capital of RMB 2,841,725,474.00. The Company completed the registration of bonus and transferred stocks on May 28, 2020. The Company increased its registered capital by RMB 852,517,642, and the registered capital after the change was RMB 3,694,243,116.00.

On June 9, 2020, in accordance with the Proposal on the Issuance of Shares to Purchase Assets and the Realization of Performance Commitments for Related-party Transaction Projects in 2019 and Performance Compensation Plan, the cancellation of 12,597,709 shares was completed, and the registered capital after the change was RMB 3,681,645,407.00.

The Company's unified credit code is 9145050019822966X4; its address is Beihai, Guangxi, and it is now headquartered at No. 260 Shixinbei Road, Xiaoshan District, Hangzhou City, Zhejiang Province; its legal representative is Qiu Yibo; as at December 31, 2020, its registered capital was RMB 3,681,645,407.00 and share capital was RMB 3,681,645,407.00.

The parent company of the Company is Zhejiang Hengyi Group Co., Ltd.

2. Industry

The Company is mainly engaged in petrochemical and chemical fiber product manufacturing industry.

3. Scope of business

The approved business scope covers: production, processing and sales of chemical fiber and chemical raw materials (excluding dangerous goods); import and export business (except for items prohibited and restricted by national laws and regulations).

4. Main products

The Company's main products are purified terephthalic acid (PTA), polyester chips, polyester bottle flakes, polyester pre-oriented yarn (POY), polyester fully drawn yarn (FDY), polyester drawn textured yarn (DTY), polyester staple fiber, p-xylene (PX), gasoline, diesel, aviation kerosene, etc.

5. Relevant statement that during the reporting period, the Company changes its main business, makes any major equity change, or undergoes any major merger, acquisition or restructuring

For details, please refer to the Historical Evolution section.

6. These financial statements are issued with approval from the Board of Directors by means of a resolution on April 19, 2021.

7. In 2020, there were 44 subsidiaries included in the company's consolidation scope. For details, please refer to Note VIII "Interests in Other Equities". The scope of consolidation of the Company for this year included 11 new entities and excluded 1 entity when compared with the previous year. For details, please refer to Note VII "Changes in Consolidation Scope".

II. Basis for the preparation of financial statements

1. Basis for the preparation of financial statements

The Company's financial statements are prepared on the basis of the actual transactions and affairs of the Company on the going-concern assumption in accordance with the Accounting Standards for Enterprises - Basic Standard (promulgated with Decree 33 and revised with Decree 76 by the Ministry of Finance), the 42 Accounting Standards, guidelines for the application of and explanations to Accounting Standards for Enterprises and other relevant provisions issued and amended on and after February 15, 2006 (hereinafter collectively the "Accounting Standards for Enterprises"), and provisions of CSRC on Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2014 Revision).

Following relevant provisions of the Accounting Standards for Enterprises, the Company adopts the accrual basis for its accounting. Except for certain financial instruments, the financial statements are measured on the historical cost basis. The held-for-sale non-current assets shall be measured subject to the amount of fair value minus estimated cost or the original book value when the assets meet the held-for-sale conditions, whichever is lower. Provision for impairment is retained for assets following relevant provisions if any asset is impaired.

III. Statement of conformity

The financial statements of the Company have been formulated following the requirements of the Accounting Standards for Enterprises and reflect the financial status as of December 31, 2020, the business results and cash flows and other statuses of the Company in 2020 on a truthful and complete basis. The Financial Statements are in conformity with requirements on disclosure of information concerning financial statements and notes thereto contained in the Preparation Rules for

Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports, as amended in 2014 by CSRC.

IV. Important Accounting Policies and Estimates

The Company and its subsidiaries have formulated a number of specific accounting policies and accounting estimates in respect of transactions and matters, such as provision for bad debts of receivables, depreciation of fixed assets, amortization of intangible assets, income recognition, etc. according to the actual production and operation characteristics and in accordance with the provisions of relevant corporate accounting standards. For details, please refer to the relevant descriptions in Note IV in these Notes. For more information concerning major accounting judgments and estimates, refer to Note IV-34 “Major Accounting Judgments and Estimates”.

1. Accounting period

The Company adopts an annual period and an interim accounting period. The latter refers to one that is shorter than a complete accounting period. The Company adopts the calendar year as its financial year, namely from January 1 to December 31 of each year.

2. Operating cycle

The normal operating cycle refers to the period in which the Company completes the steps from the purchase of assets to be processed to the realization of cash or cash equivalent. The Company adopts a 12-month period as its operating cycle and the criteria for determining the liquidity of its assets and liabilities.

3. Recording currency

The Company uses RMB as the benchmark currency for its operations in the primary economic environment, in which the Company and its domestic subsidiaries operate. Subsidiaries outside China may decide US dollars as their recording currency pursuant to the prevailing economic environment of their locations. In preparing these financial statements, the Company has used RMB as recording currency.

4. Accounting treatment of business combination under common control and business combination not under common control

Business combination refers to the process of combining two or more separate businesses into one reporting entity. Both business combinations under common control and business combinations not under common control are eligible for combination.

(1) Combination of businesses under common control

Business combination under common control refers to the combination of businesses that are under the ultimate control of the same party or parties on a non-temporary basis before and after the combination. In case of the combination of businesses under common control, the business that

acquires the control of other businesses participating in the combination on the acquisition date is the acquirer and the latter are the acquirees. Acquisition date refers to the date on which the acquirer actually obtains control of the acquiree.

Assets and liabilities the acquirer acquires through the business combination are measured at the book value of the acquiree on acquisition date. Capital reserve (stock premium) is adjusted based on the difference between the net book value of assets acquired by the acquirer and the book value of the consideration for the combination paid (or the total nominal value of issued shares), and if the capital reserve (stock premium) is insufficient to offset such difference, the difference will be offset against retained earnings.

Costs directly incurred by the acquirer in the course of the business combination are recorded in current profit and loss.

(2) Combination of businesses not under common control

Business combination not under common control refers to the combination of businesses that are not under the ultimate control of the same party or parties before and after the combination. In case of the combination of businesses not under common control, the business that acquires the control of other businesses participating in the combination on the combination date is the acquirer and the latter are the acquirees. Acquisition Date refers to the date on which the acquirer actually obtains control over the acquiree.

In case of combination of businesses not under common control, costs for the combination include assets paid and liabilities incurred or assumed to acquire the control of the acquirees on the Acquisition Date as well as the fair value of the equity securities. Intermediary costs incurred for audit, legal and valuation services and other administrative services are recorded in current profit and loss. Transaction costs incurred by the acquirer for equity securities or debt securities issued as consideration for the combination are recorded as the initial recognition amounts for equity securities or debt securities. Contingent considerations paid are recorded as cost for the combination at the fair value on the Acquisition Date. If any new or further evidence is found as to the circumstances within 12 months after the Acquisition Date and it is necessary to adjust the contingent consideration, the goodwill for the combination is adjusted accordingly. Combination costs incurred by the acquirer and identifiable net assets obtained from combinations shall be measured at fair value on the date of acquisition. The balance of the combination cost less the fair value of the net identifiable assets acquired is recognized as goodwill. If the merging cost is less than the net fair value of the identifiable assets of the acquiree, the fair values of the identifiable assets, liabilities and contingent liabilities as well as the merging cost are reviewed; if verified, the difference is recognized in current profit and loss.

In case of a deductible temporary difference arising in the acquisition that are not recognized because it is unqualified as a deferred income tax asset, if new or further information is obtained within 12 months of the acquisition evidencing that they are qualified to be recognized as deferred income tax assets on the acquisition date, and if the benefits from deductible temporary differences of the acquiree is expected to be realized on the acquisition date, such differences are recognized as deferred income tax assets, with goodwill reduced accordingly. If the goodwill is not enough for the reduction, the difference is recognized as gains or losses of the current period. Except for the foregoing, all the deferred income tax assets related to the business combination are recognized in current profit and loss.

Combination of businesses not under common control realized by steps is tested against Circular of the Ministry of Finance for the Printing and Distribution of No. 5 Explanation to the Accounting Standards for Enterprises (C.K. [2012] No. 19) and the criteria for the judgment of package deals contained in Article 51 of the Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements (refer to Note IV-5(2)) to determine whether the related transactions are qualified as a package deal. If qualified as a package deal, the transactions are treated with reference to the foregoing paragraphs and Note IV-15 “Long-term Equity Investment”; if they are not qualified, individual financial statements shall be separated from consolidated financial statements for relevant accounting treatment:

In financial statements of individual companies, the aggregate of the book value of equity investment held by the acquiree before the Acquisition Date and the increase in the investment cost excessive of the book value on the Acquisition Date is taken as the initial investment cost; if the equity held by the acquiree before the Acquisition Date involves other comprehensive income, the relevant comprehensive income is treated in the same manner the acquiree disposes of relevant assets or liabilities when disposing of the investment (i.e., the investment, except the portion in the change resulted from the acquiree’s remeasurement of net liabilities or net asset accounted using the equity method, is recorded in the income from investment of the current period).

In the Consolidated Financial Statements, the equity held by the acquiree before the Acquisition Date is remeasured at the fair value on the Acquisition Date and the difference between the fair value and the book value is recorded in the income from investments of the current period; if the equity held by the acquiree before the Acquisition Date involves other comprehensive income, the relevant comprehensive income is treated in the same manner the acquiree disposes of relevant assets or liabilities (i.e., the income, except the portion in the change resulted from the acquiree's remeasurement of the net liabilities or net assets of the defined benefit plan accounted using the equity method, is recorded in the income from investment of the period to which the Acquisition

Date belongs).

5. Preparation of Consolidated Financial Statements

(1) Principles for defining the scope of the Consolidated Financial Statements

The scope of the Consolidated Financial Statements is defined on the basis of control. Control refers to the power the Company has over the entity in which it invests, to enjoy variable return from the entity by participating in the business operations of the entity and to influence the amount of the return through its ability of influencing the entity. The consolidation of financial statements covers the Company and all subsidiaries. A subsidiary is an entity subject to the control of the Company.

If any change in relevant circumstances arises and results in any change in the relevant elements determining the control as related above, the Company will re-evaluate the same.

(2) Methods for preparing the Consolidated Financial Statements

The Company includes a subsidiary in the scope of the combination on the date the Company acquires the actual control over the net assets and production operations of such subsidiary and discontinues the combination on the date the Company loses the control. For a subsidiary disposed of during the period, the business results and cash flow before the disposal are properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the year beginning data contained in the Consolidated Balance Sheet are not adjusted. For a subsidiary included in the period as a result of combination of businesses not under common control, the business results and cash flow after the Acquisition Date have been properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the year beginning data and the comparison data contained in the Consolidated Balance Sheet are not adjusted. For a subsidiary under combination of businesses under common control and a acquiree under consolidation by merger, the business results and cash flow during the period from the beginning of the period to which the acquisition date belongs to the acquisition date have been properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the comparison data contained in the Consolidated Balance Sheet are adjusted.

When preparing the Consolidated Financial Statements, if there is any inconsistency between the accounting policies and accounting period of the subsidiary and those of the Company, the financial statements of the subsidiary are adjusted accordingly where necessary. For a subsidiary acquired through business combinations not under common control, its financial statements shall be adjusted on the basis of the fair value of its identifiable net assets on the date of acquisition.

Balances of major transactions, transactions and unrealized profits within the scope of the Company are offset when preparing the Consolidated Financial Statements.

The shareholder equity and net gains or losses of the subsidiary not attributable to the Company are separately presented in the categories of the shareholder equity and net profit as minority shareholder's equity and net profit in the Consolidated Financial Statements. The portion of net gains or losses of the subsidiary in the period that is taken as the minority shareholder's equity is presented in the category of Minority Shareholder's Equity under the net profit in the Consolidated Statement of Income. The balance of the loss of the subsidiary attributable to minority shareholders less the shareholder equity of the subsidiary attributable to minority shareholders at the year beginning is set off against the minority shareholder's equity.

If the control over a subsidiary is lost due to disposal of partial equity investment in the subsidiary or any other reason, the remaining equity is remeasured at its fair value on the date the control is lost. The aggregate of the consideration obtained by disposing of the equity and the fair value of the remaining equity less the portion of the net assets of the subsidiary that has been measured, as calculated at the original shareholding proportion, from the Acquisition Date is recognized in the income from investments of the period, in which the control is lost. When the control is lost, the comprehensive income related to the equity investment in the original subsidiary is treated in the same manner the acquiree disposes of relevant assets or liabilities (i.e., the comprehensive equity, except the portion in the change resulted from the remeasurement of the net liabilities or net assets of the defined benefit plan, is recorded in the income from investment of the period). This portion of the remaining equity is subsequently measured following the Accounting Standards for Enterprises No. 2 - "Long-term Equity Investment" or the Accounting Standards for Enterprises No. 22 - "Recognition and Measurement of Financial Instruments", as noted in Note IV-15 "Long-term Equity Investment" and Note IV-9 "Financial Instruments".

If the control is lost through several transactions of disposing of equity investment in the relevant subsidiary, the transactions are tested to determine whether they are qualified as a package deal. A number of transactions of disposing of equity investments are usually accounted for as a package deal if the conditions, terms and economic impacts of such transactions meet one or more of the following conditions: 1) The transactions are done at the same time or in consideration of mutual impacts on each other; 2) The transactions collectively achieve a complete business effect; 3) The completion of one transaction depends on the completion of at least one of the other transactions; 4) A transaction does not appear to be economic if considered alone but is economic if considered in connection with other transactions. If the transactions are determined not to be a package deal, each of them is accounted following the principles for "disposing of long-term equity investments when the control is not lost (refer to Note IV-15(2)④) and "the control over a subsidiary is lost due to disposal of partial equity investment in the subsidiary or any other reason"

(for details, refer to the above paragraph). If the transactions of disposing of equity investment in a subsidiary that lead to the loss of control are determined as a package deal, each of them is treated as a transaction of disposing of equity investment in a subsidiary that lead to the loss of control; however, the difference between the disposal price and the corresponding share of the net asset of the subsidiary is recognized in the other comprehensive income in the Consolidated Financial Statements and transferred to current profit and loss in which the control is lost.

6. Classification of joint arrangements and accounting of joint operations

A joint arrangement refers to an arrangement between two or more parties participating in jointly control. The Company divides joint arrangements into joint operations and joint ventures on the basis of the rights enjoyed and liabilities assumed in the joint arrangements. A joint operation refers to a joint arrangement in which the Company enjoys rights and assumes liabilities. A joint venture refers to a joint arrangement of which the Company enjoys only the rights to the net asset.

The Company's investment in joint ventures is accounted for using the equity method and treated following the accounting policies described in Note IV-15(2)② “Long-term Equity Investments treated using the equity method.”

The Company, as a party to the joint operation, recognizes the assets and liabilities the Company holds and assumes in the joint operation and the assets and liabilities it jointly holds with other parties in proportion to the share the Company is entitled to in the joint operation; the Company also recognizes the income from sales of share of the products of the joint operation in proportion to the share in the joint operation the Company is entitled to; the Company recognizes income the joint operation receives from sales of the products produced by the joint operation in proportion to the share in the joint operation the Company is entitled to; the Company recognizes the expenses the Company has incurred alone and the share of the expenses incurred by the joint operation in proportion to the share the Company is entitled to.

When the Company makes investments in the joint operation or sells assets to the joint operation to which the Company is a party (such assets do not constitute business of the joint operation, as is also applicable below) or purchases assets from the joint operation, the Company recognizes only the part of the gains or losses arising from such transactions attributable to other parties to the joint operation. If impairment loss occurs to an asset defined in the Accounting Standards for Enterprises No. 8 - Impairment of Assets and other regulatory documents, the Company fully recognizes the loss occurs to such an asset as the Company has invested in or sold to the joint operation, or only the loss occurs to such an asset as the Company has purchased from the joint operation in proportion to the share in the joint operation the Company is entitled to.

7. Recognition criteria for cash and cash equivalents

The cash and cash equivalents of the Company include cash at hand, deposit in bank that can be readily used for payment and investments of short terms (generally mature within three months from the date of purchase) and high liquidity that can be easily converted into known sums of cash and are exposed to low risks in terms of change in value.

8. Foreign currency business and conversion of foreign currency statement

(1) Translation of transactions in foreign currencies

A transaction in a foreign currency of the Company, when initially recognized, is translated into the benchmark currency at the spot exchange rate (the middle rate of the foreign exchange quotation published by the People's Bank of China; the same below) on the transaction date, provided that foreign currency translation transactions and transactions involving conversion of foreign currencies are translated into the benchmark currency at the exchange rate actually adopted for the transactions.

(2) Translation of monetary and non-monetary assets in foreign currencies

On the balance sheet date, monetary assets in foreign currencies are translated at the spot exchange rate on the balance sheet date and the exchange difference arising therefrom is recognized in current profit and loss except that ①the exchange difference arising from special loans in foreign currencies used to purchase assets eligible for capitalization is treated following the principle of capitalization of borrowing cost; ②the exchange difference arising from the hedging instruments used for effective hedging of net investment in overseas operations is recognized in other comprehensive income, and after the net investment is disposed, recognized in current profit and loss; ③the exchange difference arising from changes in the book balance of monetary assets available for sale, except the amortized cost, is recognized in other comprehensive income.

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference arising due to a change in the exchange rate is recognized in other comprehensive income and transferred to current profit and loss upon the disposal of the overseas operation.

Non-monetary transactions in foreign currencies that are measured at the historical costs are translated at the current exchange rate prevailing on the Transaction Date. A non-monetary asset in a foreign currency measured at the fair value, is translated at the spot rate on the date on which the fair value is determined and the difference between the amounts recorded in the benchmark currency after the translation and that recorded in the original currency is treated as changes in the fair value (including change in exchange rate) and recognized in current profit and loss or other comprehensive income.

(3) Translation of accounting statements in foreign currencies

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference arising due to a change in the exchange rate is recognized in other comprehensive income as a difference from translation of accounting statements in foreign currencies and transferred to current profit and loss upon the disposal of overseas operation.

Financial statements in foreign currencies of overseas operations are translated into RMB and assets and liabilities in the balance sheet are translated at the current exchange rate on the Balance Sheet Date; all transactions in Shareholders' Equity, except those in Undistributed Profit, are translated at the current exchange rate on the Transaction Date. Income and expense in the balance sheet are translated at the prevailing exchange rate on the Transaction Date. Undistributed profit at the year beginning is the undistributed profit at the end of previous year; the undistributed profit at the year end is measured and presented by the items of the translated profit distribution; the difference between the translated assets/liabilities and the total shareholders' equity is recognized in other comprehensive income as the difference of foreign currency translation. If an overseas operation is disposed of and the control over it is lost, the difference of foreign currency translation related to the overseas operation listed in Shareholders' Equity in the Balance Sheet is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

For cash flows in foreign currencies, the weighted-average exchange rate on the occurrence day of cash flow shall apply. The difference of cash caused by change of exchange rate shall be separately presented in Cash Flow Statement.

The year beginning amounts and the actual amounts of the previous year are presented as translated from the financial statements of the previous year.

If all the shareholders' equity in an overseas operation is disposed of or if the control over it is lost as a result of disposal of part of the owners' equity or for any other reason, the difference of foreign currency translation related to the overseas operation that is attributable to shareholders of the parent company, as listed in Owners' Equity in the Balance Sheet is wholly transferred to current profit and loss in which the same is disposed of.

If the share of the equity in an overseas operation held by the Company decreases as a result of disposal of part of the equity investment or for any other reason but the decrease does not result in the loss of control over the overseas operation, the difference of foreign currency translation related to the part of the overseas operation is classified as minority shareholder's equity and is not transferred to current profit and loss. If part of the equity in an overseas operation that is an associate or a joint venture is disposed of, the difference of foreign currency translation related to

the overseas operation is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

9. Financial instruments

A financial instrument is recognized as an asset or liability when the Company becomes a party thereto.

(1) Classification, recognition and measurement of financial assets

Based on the business model of managing financial assets and the characteristic of contractual cash flow, the Company classifies financial assets into three categories, which are financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets are measured at fair value for the purpose of initial recognition. For financial assets measured at fair value through profit or loss, the transaction expenses are directly included in current profit and loss; for financial assets in other categories, the transaction expenses are included in the amount initially recognized. For accounts receivable or bills receivable arising from the sale of goods or the rendering of services, which do not include or do not allow for a significant financing component, the amount of consideration to which the Company is expected to be entitled to, is treated as the amount of initial recognition.

① Financial assets measured at amortized cost

The objective of the business model within which financial assets measured at amortized cost are managed is to collect contractual cash flow, and the contractual cash flow characteristic of such financial assets is consistent with a basic lending arrangement, namely, the cash flow generated at a specified date is solely payment of principal and the interest based on unpaid principal amount. Such financial assets are subsequently measured at amortized cost using the effective interest rate method, the gains or losses arising from the amortization or impairment of the assets are recorded in current profit or loss.

② Financial assets measured at fair value and their changes are included in other comprehensive income

Such financial assets are managed within a business model whose objectives are to collect contractual cash flow and to sell the assets, and the contract cash flow characteristics of such assets are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, however, impairment losses or gains, exchange gains or losses, as well as interest calculated according to the effective interest rate method are recorded in current profit or loss.

Furthermore, the Company designates certain non-trading equity instruments as financial

assets measured at fair value through other comprehensive income. The relevant dividend income earned on such financial assets is recorded in current profit or loss, with changes in fair value recorded in other comprehensive income. Upon de-recognition of financial assets, the cumulated gains or losses which were previously recorded in other comprehensive income will be transferred from other comprehensive income to retained earnings, and will not be recorded in current profit or loss.

③ Financial assets at fair value through profit or loss

The Company classifies financial assets other than those measured at amortized cost and those measured at fair value through other comprehensive income, as financial assets at fair value through profit or loss. Moreover, on initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designates certain financial assets as measured at fair value through profit or loss. Such financial assets are subsequently measured at fair value, with changes in fair value recorded in current profit or loss.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities are classified at the initial recognition as financial liabilities measured at the fair value with the changes listed in current profit and loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the transaction expenses are directly included in the current profit and loss; for financial liabilities in other categories, the transaction expenses are included in the amount initially recognized.

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (derivative instruments that belong to financial liabilities) and those designated financial liabilities at fair value through profit or loss at the time of initial recognition.

Financial liabilities held-for-trading (including derivatives which fall within the category of financial liabilities) are subsequently measured at fair value, with fair value changes recorded in current profit or loss, except to the extent they are related to hedge accounting.

For financial liabilities designated as at fair value through profit or loss, fair value changes arising from the change in the Company's credit risk are recorded in other comprehensive income, and upon de-recognition of such financial liabilities, the cumulative amount of changes in fair value which arise from the change in credit risk and recorded in other comprehensive income are transferred to retained earnings. Other changes in fair value are recorded in current profit or loss. If accounting for the effects of change in the credit risk of the financial liabilities in the abovementioned manner would result in or increase the accounting mismatch in profit and loss, the Company will record all the gains or losses on the financial liabilities (including the amount of

effects of the change in the Company's credit risk) in current profit or loss.

②Other financial liabilities

Except for financial liabilities which arise due to that the transfer of financial asset does not satisfy the criteria for de-recognition or due to the continuing involvement in the transferred asset, and except for financial guarantee contract, all other financial liabilities are classified as measured at amortized cost, which are subsequently measured at amortized cost with the gains or losses arising from de-recognition or amortization recorded in current profit or loss.

(3) Basis for recognizing and methods for measuring the transfer of financial assets

A financial asset meeting one of the following conditions is derecognized: 1) The contractual right to receive cash flows from the financial asset is terminated; 2) the financial asset has been transferred and substantial risks related to and benefits from the ownership of the financial asset have been transferred to the transferee; 3) the financial asset has been transferred and substantial risks related to and benefits from the ownership of the financial asset has been waived instead of being transferred or retained.

If risks related to and benefits from the ownership of the financial asset have not been transferred nor retained, neither has the control over the financial asset been waived, then the financial assets and related financial liabilities are recognized according to the extent to which the financial asset has been transferred. The extent to which the financial asset has been transferred refers to the level of risk the entity is exposed to due to the change in the value of the financial asset.

If the transfer of the whole of a financial asset meets the conditions for derecognition, the difference between the book value of the financial asset as well as the consideration received for the transfer and the aggregate of changes in the fair value that has been recognized in other comprehensive income is recognized in current profit and loss.

If the transfer of part of a financial asset meets the conditions for derecognition, the book value of the financial asset is allocated to the part of the financial asset that has been derecognized and the part that has not been derecognized; the aggregate of the consideration received for the transfer and accumulated changes in the part of fair value that has been allocated to derecognized part and the difference of the foregoing book value are recognized in current profit and loss.

In case of a financial asset sold with attached recourse or transferred with endorsement, the Company determines whether substantial risks and benefits related to the ownership of the financial asset have been transferred. If substantial risks and benefits related to the ownership of the financial asset have been transferred to the transferee, the financial asset is derecognized; if the same is retained, the financial asset is not derecognized; if the same is not transferred nor retained, the

Company determines whether control over the financial asset is retained, and treated according to the principles related in previous paragraphs.

(4) Derecognition of financial liabilities

Where the present obligation of a financial liability (or a portion thereof) has been discharged, the Company de-recognizes the financial liability (or a portion thereof). Where the Company (as the borrower) enters into an agreement with a lender whereby it assumes a new financial liability to replace an existing one, and the new financial liability has substantially different contract terms than those of the existing one, the existing financial liability is de-recognized, and a new financial liability is recognized. Where the Company has made substantial changes to the contractual terms of an existing financial liability (or a portion thereof), it de-recognizes the existing financial liability and recognizes a new financial liability according to the changed terms.

Where a financial liability (or a portion thereof) is de-recognized, the difference between the book value of that financial liability and the consideration paid (including the non-cash asset transferred or liability assumed) is recognized in current profit or loss.

(5) Offsetting of financial assets and financial liabilities

If the Company has the legal right readily available to offset a recognized financial asset and a financial liability and the Company plans a net settlement or realizes the financial asset and settles the financial liability simultaneously, and the balance of the offsetting is presented in the Balance Sheet. Other financial assets and liabilities are separately presented in the Balance Sheet without offsetting one another.

(6) Methods for determining fair values of financial assets and liabilities

The fair value refers to the price is receivable from an asset sold or payable for a liability transferred through a normal transaction on the measurement date. In case of a financial instrument for which there is an active market, the fair value is determined by the price quoted on the active market. The quotation on the active market refers to the price collected from stock exchanges, brokers, associations of the industry, pricing institutions, etc., that represents the price at which a transaction is actually an arm's length transaction. In case of a financial instrument for which there is no active market, the fair value is determined using the valuation techniques. Valuation techniques include the reference to the price at which market participants that are familiar with the market and transact voluntarily have used recently, the reference to the fair value of other financial instruments of similar properties, cash flow discount method and option valuation modes. At the time of valuation, the Company uses valuation techniques that are applicable in the current circumstances and that are sufficient to support the use of data and other information, selects input values that are consistent with the characteristics of the asset or liability considered by the market

participants in the transaction of the relevant asset or liability, and prioritizes the use of relevant observable input values. Unobservable inputs are used if the relevant observable inputs are not available or are not practicable.

(7) Equity instruments

An equity instrument refers to a contract evidencing the right to the remaining equity in an asset after deducting all relevant liabilities. The issuance (including seasoned offering), repurchase, sale or cancellation of equity instruments by the Company are treated as changes in equity, the transaction costs related to equity transactions are deducted from the equity. The Company does not recognize changes in the fair value of equity instruments.

Dividend distribution during the existence of an equity instrument (including “interest” generated by an instrument that is classified as equity instrument) is treated as profit distribution.

10. Impairment of financial assets

Financial assets for which impairment loss is required to be recognized by the Company are financial assets measured at amortized cost, investment in debt instruments measured at fair value through other comprehensive income, these mainly include bills receivable, accounts receivable, other receivables, debt investments, other debt investments and long-term receivables. Furthermore, for certain financial guarantee contracts, impairment provision and credit impairment loss are recognized according to the accounting policies mentioned in this section.

(1) Method for recognizing impairment provision

Based on expected credit loss, the Company recognizes impairment provision and credit impairment loss in respect of the above-mentioned items according to the applicable method for measuring expected credit loss (the general approach or simplified approach).

Credit loss is the difference between all contractual cash flow receivable by the Company under contracts which are discounted according to the original effective interest rate, and all the cash flow expected to be received, namely the present value of all cash shortfall. Particularly, financial assets acquired or derived to which credit impairment has occurred are discounted by the Company according to the credit-adjusted effective interest rate.

The general approach for measuring expected credit loss means that, at each balance sheet date, the Company assesses the financial assets to see if the credit risk has significantly increased after initial recognition, if credit risk has significantly increased after initial recognition, the Company calculates provision for loss according to the amount of expected credit loss over the life-time of the assets; if credit risk has not significantly increased after initial recognition, the Company calculates loss provision based on expected credit loss in the future twelve-month. When evaluating expected credit loss, the Company considers all reasonable information that is supported by evidence,

including forward-looking information.

For financial instruments that have relatively low credit risk at the balance sheet date, the about assumes that the credit risk of such instruments has not significantly increased after initial recognition, and chooses to calculate loss provision according to the twelve-month expected credit loss.

(2) Criteria for determining whether credit risk has significantly increased since initial recognition

If the probability of default of a certain financial asset within the expected lifetime of the asset, as determined at the balance sheet date, is significantly higher than the probability of default within the expected lifetime determined at the time of initial recognition, then it indicates that the credit risk of such asset has significantly increased. Except for special circumstances, the Company regards the change in default risk occurring in the future twelve-month period as the reasonable estimate of the change in default risk occurring over the entire lifetime of an asset, thereby determining whether the credit risk has increased significantly after initial recognition.

Usually in case of more than 30 days overdue, the Company deems that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence showing that the credit risk of the financial instrument has not increased significantly since its initial recognition.

The Company will take into account the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the regulatory, economic or technological environment of the debtor has been subject to significant adverse changes;
- 3) Whether the value of the collateral mortgaged for debt or the quality of guarantee provided by a third party or credit enhancement has changed significantly with these changes expected to reduce the debtor's economic motivation to repay the debt within the term set out in the contract or affect the probability of breach;
- 4) Whether the expected performance and repayment behaviors of the debtor have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company determines that a financial instrument has only low credit risk, the Company will assume that the credit risk of the financial instrument has not increased significantly since its initial recognition. If the default risk of financial instruments is low, the borrower has a strong capacity to fulfill its cash flow obligations under contract in the short term, and the borrower's performance of its cash obligations under contract may not necessarily be reduced even if there are unfavorable changes in the economic situation and operating environment

in a long period of time, then the financial instrument will be deemed to have low credit risk.

Criteria for determining financial assets that have been subject to credit impairment

When one or more events that adversely affects the expected future cash flow of a financial asset has occurred, such financial asset is considered to be an asset which has suffered credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

- 1) A serious financial difficulty occurs to the issuer or debtor;
- 2) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;
- 3) Due to the economic or contractual considerations related to the debtor's financial difficulties, the creditor gives the debtor a compromise that the debtor would not make under any other circumstances;
- 4) The debtor will probably become bankrupt or carry out other financial reorganizations;
- 5) The issuer or the debtor's financial difficulties result in the disappearance of the active market for the financial asset;
- 6) A financial asset is purchased or originated at a heavy discount, and this discount reflects the fact that the credit loss has occurred.

The credit impairment of a financial asset may be caused by the combined effects of several events, and may not necessarily be caused by a separately identifiable event.

(4) Method for evaluating the expected credit risk on a portfolio basis

For financial assets which have significantly different credit risk, the Company evaluates the credit risk on an individual basis, for example, amounts due from related parties; receivables from a debtor with which the Company has a dispute or which involve a lawsuit or arbitration; and receivables for which there is a clear indication that the debtor thereof is very likely to be unable to meet its payment obligation.

In addition to financial assets with credit risk assessed individually, the Company divides financial assets into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Company include types of financial instruments, credit risk ratings, aging combination, etc., and it assesses credit risk on the basis of combination.

(5) Accounting treatment for the impairment of financial assets

At the end of period, the Company calculates the expected credit loss of various financial assets, if the expected credit loss is greater than the carrying amount of the current impairment provision, the difference between the two amounts is recognized as an impairment loss; if the expected credit loss is smaller than the carrying amount of impairment provision, then the difference is recognized as an impairment gain.

(6) Method for determining the credit loss of financial assets

With regard to the notes receivable, accounts receivable and financing of accounts receivable

arising from daily business activities such as selling goods, providing labor services, etc., the Company measures the loss provision based on the expected credit loss for the entire duration, regardless of whether there is a significant financing component.

①Notes receivable

Based on the credit risk characteristics, the notes receivable will be classified into different combinations.

Item	Basis for grouping	Method for measuring of expected credit loss
Bank acceptance bills Domestic letter of credit	The acceptor is the bank with low credit risk.	The Company deems that this type of funds has a relatively low credit risk and does not recognize the expected credit loss.
Commercial acceptance bills	This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	The expected credit rate is recognized with reference to the policy of accounts receivable

②Accounts receivable and contract assets

Except for other receivables for which credit risk is assessed individually, assets are classified into different portfolios based on credit risk characteristic:

Item	Basis for grouping	Method for measuring of expected credit loss
Amounts due from related parties included in the scope of consolidation	This portfolio represents receivables due from related parties with relatively low risk which are included within the scope of consolidation.	The Company deems that this type of funds has a relatively low credit risk and does not recognize the expected credit loss.
Receivables from third parties	This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	With reference to historical credit loss experience and based on the current conditions and the forecasts of future economic conditions, a comparison table between the aging of accounts receivable and the expected credit loss rate for the entire duration are prepared and the expected credit losses are calculated.

Comparison table showing the account age of the portfolio of accounts receivable and other receivables based on credit risk characteristic and the full lifetime expected credit loss:

Aging	Expected credit loss rate (%)
Within 6 months (including 6 months)	0.00
7-12 months (inclusive)	5.00
1-2 years (inclusive)	30.00
2-3 years (inclusive)	50.00

Aging	Expected credit loss rate (%)
Over 3 years	100.00

③ Other receivables

Based on the determination as to whether the credit risk of other receivables has increased significantly since initial recognition, the Company calculates impairment loss according to the twelve-month expected credit loss or life-time expected credit loss. Except for other receivables for which credit risk is assessed individually, assets are classified into different portfolios based on credit risk characteristic:

Item	Basis for grouping	Method for measuring of expected credit loss
Related party funds within the scope of consolidation	The nature of other receivables are used as credit risk characteristics	With reference to historical credit loss experience and based on the current conditions and the forecasts of future economic conditions, the expected credit loss is calculated based on the default risk exposure and the expected credit loss rate within the next 12 months or for the entire duration.
Receivables and payables such as advances from entities beyond the scope of consolidation		
Combination of consumption taxes and export tax rebates receivable		
Combination of tax refunds receivable and other government subsidies		
Portfolio of deposits and security		
Employee loan and petty cash		
Other groups		

④ Other financial assets With regard to financial assets other than those under the aforesaid measurement methods, the Company measures impairment at an amount equivalent to expected credit losses within the next 12 months or for the entire duration based on whether its credit risk has increased significantly since initial recognition loss.

11. Accounts receivable financing

For the notes and accounts receivable that are classified as measured at fair value with changes included in other comprehensive income, the part thereof within one year (including one year) from the date of acquisition is presented as receivable financing; if the period from the acquisition is more than one year, it will be presented as other debt investment. For related accounting policies, please refer to Note IV. 9 “Financial Instruments” and Note IV. 10 “Impairment of Financial Assets”.

12. Inventories

(1) Classification of inventories

Inventories refer to finished goods or commodities for sale held in daily activities, unfinished

goods in manufacturing process, and materials and supplies consumed in process of manufacturing products or providing services, etc. Including large categories such as materials in transit, raw materials, products in progress, commodities in stock, etc.

(2) Pricing method for acquisition and distribution of inventories

Inventories are measured at their actual cost, which includes the purchase cost, processing cost and other costs. Inventories are measured at the weighted average method upon receiving and sending. If the daily accounting of inventories is valued at planned cost, the cost difference of materials shall be carried over at the end of the year and the planned cost shall be adjusted to the actual cost.

(3) Methods for recognition of net realizable value of inventories and retaining the provision for depreciation

The net realizable value of the inventory is determined at the estimated selling price less the estimated cost and sales cost at the time it is distributed as well as related taxes and charges. The net realizable value of the inventory is determined on the basis of conclusive evidence obtained while considering the purpose of keeping the inventory and effect of events after the balance sheet date.

On the balance sheet date, the inventories are measured at the lower of cost and net realisable value. If the net realizable value is lower than the cost, then the provision for price decline is retained for the inventory. The provision for price decline of the inventory is retained by the difference of the cost less its net realizable value.

If the factors leading to the write-down of the price of an inventory no longer exist and the net realizable value is higher than the book value of the inventory after the provision is retained, the difference is reversed from the provision and recognized in current profit and loss.

(4) Inventory system of inventory

The Company adopts the perpetual inventory system.

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

One-time amortization method will be used for low-value consumables and packing materials

13. Contract assets

The accounting policy for contract assets is applicable to 2020 and beyond:

The Company presents the right for which the customer has not paid the contract consideration, but the Company has fulfilled its performance obligations in accordance with the contract and it does not constitute the right to unconditionally collect payments from the customer (i.e. only depending on the passage of time) as contract assets in the balance sheet. Contract assets and contract liabilities under the same contract are presented at net amount, and contract assets and contract liabilities under different contracts are not offset.

For the determination method and accounting treatment method of expected credit losses of contract assets, please refer to Note IV. 10. Financial Asset Impairment.

14. Assets available for sale and disposal group

Where the Company recovers the book value of one non-current asset or disposal group mainly through sales (including the non-monetary asset exchange with commercial substance, similarly hereinafter) rather than sustained use, upon satisfaction of following conditions, it is categorized to the held-for-sale category. The specific standard is that the following conditions are met simultaneously: some non-current assets or disposal group can be sold immediately under current conditions according to the practices of selling similar asset or disposal group in similar transactions; the Company has made a decision on the selling plan and obtained the positive purchase commitment. It's predicted that the selling will be completed within a year. Disposal group refers to a group of assets disposed together through selling or other methods in a transaction as a whole and liabilities directly related to these assets transferred in the transaction. If the goodwill from the business merger is apportioned to the asset group or combination of asset groups that the disposal group belongs to according to the Accounting Standard for Business Enterprises No. 8 Impairment of Asset, the disposal group shall include the goodwill apportioned to the disposal group.

Upon initial measurement or re-measurement upon balance sheet date of held-for-sale non-current asset or disposal group, where the book value is higher than the net amount that the fair value minus the selling expense, the book value is written down the net amount after the fair value minus selling expense, the write-down amount is determined as the asset impairment loss and included into current profits and losses, and the provisioning of held-for-sale asset impairment is made at the same time. For the disposal group, the recognized assets depreciation loss shall be used to firstly offset against the book value of goodwill in the disposal group and then against the book value of each non-current asset applicable to the measurement rules in the Accounting Standard for Business Enterprises No. 42 Non-current Assets Held for Sale, Disposal Groups, and Discontinued Operations (hereinafter referred to as "No. 42 Standard"). If the net amount of the fair value of the disposal group held for sale on the subsequent balance sheet date less the selling fee is increased, the previously written-down amount shall be recovered, and reversed in the amount of recognized assets impairment loss of the non-current assets regulated by No. 42 Standard after being classified as those held for sale. The reversed amount shall be included in the current profit and loss, and its book value shall be increased proportionally according to the portion of the book value of each non-current asset in the disposal group applicable to the measurement rules of No. 42 Standard, except goodwill. The written-down book value of goodwill and the assets impairment loss recognized before the non-current assets is classified into those held for sale applicable to the

measurement rules of No. 42 Standard shall not be reversed.

No depreciation or amortization is provisioned for the non-current asset in the held-for-sale non-current asset or disposal group, and the interest of liability in held-for-sale disposal group and other expenses shall continue recognition.

When the non-current asset or disposal group no longer meets the classification condition of held-for-sale category and no longer continues to classify the held-for-sale category, or the non-current asset is removed from the held-for-sale disposal group, measurement is made at whichever is lesser: (1) for the book value prior to classification into the held-for-sale category, the amount after adjustment of depreciation, amortization or impairment to be recognized in case of assuming no classification into the held-for-sale category; (2) Recoverable amount.

15. Long-term equity investments

Long-term equity investments in this section refer to the long-term equity investments by the Company in the investee with control, joint control or significant influence. Long-term equity investments which do not enable the Company to exert control, common control or significant influence over the investee entity are accounted for as financial assets at fair value through profit or loss, in particular, if such long-term equity investments are not held for trading, they may be designated by the Company on initial recognition as financial assets at fair value through other comprehensive income, for the relevant accounting policy, refer to Note V(9) “Financial Instruments”.

Joint control refers to the control the Company shares with other entities over a certain arrangement following relevant agreement by which any activity under the arrangement may be conducted only with unanimous agreement of all participants sharing the power of control. Significant influence refers to the situation where the Company is entitled to participate in but is not authorized to control the financial and/or business decisions, either alone or in joint efforts with other participants.

(1) Determination of investment costs

For a long-term equity investment acquired through combination of businesses under common control, the share of the shareholders' equity of the acquiree in the book value of the shareholders' equity in the consolidated financial statements of the ultimate controlling party on acquisition date shall be taken as the initial investment cost for the long-term equity investment. Capital reserve is adjusted based on the difference between the initial cost for the long-term equity investment and the book values of cash paid, non-cash asset transferred and debt assumed, and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. If the consideration is paid in the form of equity securities, the share of the shareholders' equity of the

acquiree in the book value of the owners' equity in the consolidated financial statements of the ultimate controlling party on acquisition date is taken as the initial investment cost for the long-term equity investment on the date of combination. The face value of the shares issued is taken as the equity, and the capital reserve is adjusted by the difference between the initial investment cost for the long-term equity investment and the total face value of the shares issued; and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. If the combination of businesses under common control is realized through a series of transactions in acquiring the equity of the acquiree, the transactions are determined whether to be a package deal and treated in either of the following manners: If the whole series of transactions are determined to constitute a package deal, then they are treated as one transaction realizing the acquisition of the control. If not, the share of the shareholders' equity of the acquiree in the book value of the owners' equity in the consolidated financial statements of the ultimate controlling party on acquisition date is taken as the initial investment cost for the long-term equity investment on the date of combination. Capital reserve is adjusted based on the difference between the initial investment cost for the long-term equity investment and the book value of the long-term equity investment before the combination plus the total book value of newly paid consideration for acquiring shares on acquisition date; and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. The other comprehensive income accounted for the adoption of equity method for the equity investment held or recognized for financial assets available for sale before acquisition date is not accounted for upon the acquisition.

For a long-term equity investment acquired through combination of businesses not under common control, the cost for the combination, which is fair value of the total of the assets paid, liabilities incurred or assumed and the equity securities issued by the acquiring party, is taken as the initial investment cost for the long-term equity investment on acquisition date. If the combination of businesses not under common control is realized through a series of transactions in acquiring the equity of the acquiree, the transactions are determined whether to be a package deal and treated in either of the following manners: If the whole series of transactions are determined to constitute a package deal, then they are treated as one transaction realizing the acquisition of the control. If not, the aggregate of the book value of the equity investment in the acquiree held by the Company and the increase in the investment cost is taken as the initial cost for the long-term equity investment remeasured using the cost method. If the originally held equity is measured by the equity method, the relevant other comprehensive income is not accounted. In case of an equity investment originally held as a financial asset available-for-sale, the difference between its fair value and its

book value as well as the cumulative change in the fair value originally recorded in other comprehensive income is transferred to current profit and loss.

Intermediary costs incurred by the acquirer in the course of combination for audit, legal and valuation services and other administrative services are recorded in current profit and loss.

Equity investments, except long-term equity investments derived from business combination, are initially measured at the cost. The cost are determined, depending on the means of acquisition, at the purchase price actually paid in cash, the fair value of the equity securities issued by the Company, the value determined in the investment contract or agreement, the fair value of the original book value of the asset traded off by means of exchange trade of non-monetary asset or the fair value of long-term equity investment itself. Charges, taxes and other necessary expenses related to the acquisition of long-term equity investments are recognized in Investment Costs. In case of a long-term equity investment made in addition to other investment, if the investment results in the Company's ability to exercise significant influence over the investee but does not constitute the control over the same, the cost is the aggregate of the fair value of the equity investment originally held, as determined following the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the newly increased cost.

(2) Methods for subsequent measure and recognition of profit and loss

If the entity in which the Company invests exercises joint control (except those constitute a joint operation) or significant influence over the long-term equity investments, equity method is adopted for such long-term equity investments. Also, a long-term equity investment that grants control over the investee is accounted for in the financial statements of the Company using the cost method.

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

Under the cost method, a long-term equity investment is measured at the initial investment cost, which is adjusted by the increased or recovered investment. Except the price actually paid upon acquisition of an investment or the cash dividend or profit that has been declared but not granted and included in the consideration for the acquisition, cash dividend or profit in the investee attributable to the Company shall be recognized as income from investments.

② Long-term equity investments accounted for using the equity method

If the long-term equity investment is accounted using the equity method and the initial cost for the investment is greater than the share of the total fair value of the identifiable assets of the investee, the initial cost for the investment is not adjusted; if the former is less than the latter, the difference is recognized in current profit and loss and the cost for the long-term equity investment is adjusted accordingly.

When accounted for using the equity method, the share in the net gains or losses that have been realized by the investee and which the Company is entitled to receive or obliged to assume and the share in other comprehensive income are recognized in income from investments and other comprehensive income, respectively, and the book value of the long-term equity investment is adjusted accordingly; the book value of the long-term investment is adjusted according to the portion of the profit or cash dividend declared and distributed by the investee; In case of any change in the owners' equity in the invested equity, except the net gains or losses, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and the balance is recognized in the capital surplus. The share in the net gains or losses of the investee is recognized after adjustment is made on the basis of the fair values of all identifiable assets of the investee upon the investment is realized. If the accounting policies and accounting periods adopted by the investee are inconsistent with those adopted by the Company, the financial statements of the investee are adjusted in accordance with the accounting policies and accounting period of the Company and the investment income and other comprehensive income from the investee is recognized according to the adjustment. In case of a transaction between the Company and its associate or joint venture, where the investment or sale does not constitute a business transaction, the unrealized gains or losses within the scope of the Company are calculated and offset according to the share attributable to the Company, with the balance recognized as gains or losses from investment, Provided that losses arising from unrealized transactions with the investee within the Company, if being impairment loss of the asset to be transferred, may not be offset. In case of an investment of an asset in a joint venture or an associated enterprise that constitutes a business transaction and a long-term equity investment without realizing the control over the investee, the fair value of the asset is taken to be the initial investment cost for the long-term equity investment and the whole difference between the initial investment cost and the book value of the asset is recognized in current profit and loss. In case of an investment of an asset sold to a joint venture or an associated enterprise that constitutes a business transaction, the whole difference between the consideration acquired and the book value of the asset is recognized in current profit and loss. An asset acquired from a joint venture or an associate, if constitutes a business transaction, is treated following Accounting Standards for Enterprises No. 20 - Business Combinations and wholly recognized as gains or losses related to the transaction.

Net loss from an investment in an investee is written down against the total of the book value of the long-term equity investment and the long-term equity from other actual net investment in the investee, but only to that extent. In addition, if the Company assumes liability for any extra loss of the investee, the obligation is recognized as an estimated liability in Losses from Investment of the

period. If the investee realizes net profit subsequently, the share in the profit payable to the Company is recognized as a share of income after the unrecognized loss arising from the investment.

For the long-term equity investments to joint ventures and associates already held before the first implementation of the new accounting standards, if there is the debit balance of equity investments related to the investments, the amount amortized using the straight-line method over the remaining period shall be included in the current profit and loss.

③. Acquisition of minority equity

When preparing the Consolidated Financial Statements, the difference between the newly increased long-term equity investment due to the acquisition of minority equity and the share in the net asset of the subsidiary attributable to the Company calculated at the newly increased shareholding ratio on acquisition date or (the Consolidation Date) is recognized as an adjustment to the capital surplus and, and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings.

④ Disposal of long-term equity investments

If the Parent Company disposes of part of its long-term equity investment in a subsidiary without losing the control over the latter, the difference between the price of the disposal and the share in the net asset of the subsidiary corresponding to the long-term equity investment disposed of is recognized in Shareholders' Equity in the Consolidated Financial Statements; if the Parent Company disposes of part of its long-term equity investment in a subsidiary resulting in the loss of control over the latter, the disposal price is treated following accounting policies described in Note IV - 5(2) "Methods for Preparing Consolidated Financial Statements."

In case of a long-term equity investment disposed of in other circumstances, the difference between the book value and the price actually acquired is recognized in current profit and loss.

In case of a long-term equity investment accounted for using the equity method, if the remaining equity after disposal continues to be accounted for using the equity method, the corresponding share in the other comprehensive income originally recognized in Shareholders' Equity is treated on the same basis on which the investee directly disposes of the relevant asset or liability. All other shareholders' equity of the investee recognized because of changes in the shareholders' equity, other than those in the net gains or losses, other comprehensive income and profit distribution are carried over to current profit and loss in proportion.

Long-term equity investments accounted for using the cost method, if the remaining equity after disposal continues to be accounted for using the cost method, the other comprehensive income originally accounted for using the equity method or the standards for recognition and measurement

of financial instruments before the acquisition of the control over the investee is treated on the same basis on which the investee directly disposes of the relevant asset or liability and is carried forward in proportion; all other shareholders' equity in the net asset of the investee, as accounted for and recognized using the equity method, except net gains or losses, other comprehensive income and profit distributions, are carried forward in proportion.

If the Company loses the control over the investee due to disposal of part of its equity investment but the remaining equity constitutes joint control or significant influence over the investee, the remaining equity is re-accounted for using the equity method and adjustment is made, as if the remaining equity were accounted for using the equity method since the acquisition; the remaining equity, if it does not constitute joint control or significant influence over the investee, is re-accounted for following the standards for recognition and measurement of financial instruments and the difference between the fair value on the date the control is lost and the book value of the equity is recognized in current profit and loss. When the control over the investee is lost, the other comprehensive income accounted for using the equity method or following the standards for the recognition and measurement of financial instruments before the acquisition of the control over the investee is treated on the same basis on which the investee directly disposes of the relevant asset or liability. All changes in other shareholders' equity in the net asset of the investee, as accounted for and recognized using the equity method, except net gains or losses, other comprehensive income and profit distributions, are carried forward in proportion upon the loss of control. If the remaining equity is accounted for using the equity method, the other comprehensive income and other shareholders' equity are carried forward in proportion; if the remaining equity is accounted for following the standards for recognition and measurement of the financial instruments, the other comprehensive income and other shareholders' equity are fully carried forward.

If the Company loses the joint control or significant influence over the investee due to partial disposal of equity investments, the remaining equity is re-accounted for following the standards for recognition and measurement of financial instruments and the difference between the fair value on the date the control or significant effect is lost and the book value of the remaining equity is recognized in current profit and loss. When the control of the investee is terminated, the other comprehensive income from the original equity investment, as accounted for the adoption of equity method or following the standards for the recognition and measurement of financial instruments is treated on the same basis on which the investee directly disposes of the relevant asset or liability; all changes in other shareholders' equity in the net asset of the investee, as accounted for and recognized because of the adoption of the equity method, except net gains or losses, other comprehensive income and profit distributions, are carried forward in proportion upon the loss of

control.

If the Company disposes of equity investment in a subsidiary through a series of transactions that lead to the loss of control and the transactions are determined to constitute a package deal, each of them is treated as a transaction of disposing of equity investment in a subsidiary that leads to the loss of control. However, the difference between the disposal price in each of the transactions and the book value of the corresponding long-term equity investment in subsidiary is recognized in the other comprehensive income in the Consolidated Financial Statements and transferred to current profit and loss in which the control is lost.

16. Investment real estates

Investment real estate refers to real estate held for lease or capital increase or for both purposes, including land use rights leased or held for sale after appreciation and leased buildings.

Investment properties are initially measured at cost. Subsequent expenditures relating to investment properties, if the asset's economic benefits are likely to flow in and its cost can be reliably measured, are recognized in cost for investment properties. Other subsequent expenditures are recognized in current profit and loss.

The Company uses the cost method for subsequent measurement of investment properties and calculates the depreciation or amortization using the same following policies in line with the housing buildings and related land use rights.

Refer to Note IV - 22 "Impairment of Long-term Assets" for methods for depreciation test and impairment provision retention for investment properties.

If owner-occupied properties or inventories are converted into investment properties or investment properties converted into owner-occupied properties, the book value before the conversion is taken as the entry value after the conversion.

When an investment real estate is changed for self-use, as from the date of such change, this investment real estate shall be converted into fixed asset or intangible asset. When the use of self-used real estate is changed to earn rent or capital appreciation, fixed assets or intangible assets shall be converted into investment real estate from the date of change. In case of a conversion, if it is converted into an investment real estate measured by cost model, the book value before the conversion shall be the entry value after the conversion.

When an investment real estate is disposed of or withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. Income from disposal of an investment property by means of sale, transfer, etc., less its book value and related taxes, is accounted for in current profit and loss.

17. Fixed assets

(1) Conditions for recognition of fixed assets

The fixed assets of the Company refer to tangible assets held for production of goods, provision of labor services, lease or business with a service life of over a fiscal year. A fixed asset is recognized only when the related economic benefit is likely to flow in and the cost can be reliably measured. A fixed asset is initially measured at cost and the estimated abandonment cost.

(2) Method for depreciating fixed assets

Provision for depreciation of a fixed asset is retained using the straight-line method from the month after the fixed asset reaches the expected serviceable condition. Estimated service life, estimated residual values and annual depreciation rates of different types of fixed assets are as follows:

Category	Depreciable life (year)	Residual ratio (%)	Annual depreciation rate (%)
Houses & buildings	20 years, 30 years, 50 years	5.00	4.75, 4.50
			3.17, 3.00
		10.00	1.90, 1.80
Structures	10 and 20 years	5.00	9.50, 4.75
		10.00	9.00, 4.50
Machinery equipment	5-30 years	5.00	3.00-19.00
		10.00	
Transportation equipment	5 years, 6 years, 10 years	5.00	19.00, 18.00
			15.83, 15.00
		10.00	9.50, 4.75
Office facilities & others	5 years	5.00, 10.00	19.00, 18.00

Estimated net residual value refers to the value the Company is expected to acquire by disposing of the fixed asset in its status upon the expiry of its using life.

(3) Method for impairment test of fixed assets and impairment provision retention

Refer to Note IV - 22 "Impairment of Long-term Assets" for methods for depreciation test and impairment provision retention for fixed assets.

(4) The basis for recognizing and measuring fixed assets acquired under finance leases

Finance lease refers to the lease by which all risks and benefits from the control of an asset are transferred while the ultimate ownership may or may not be transferred. Depreciation provision for fixed assets leased by means of finance lease is retained following the same policy for the retention of depreciation provision for own fixed assets. If it is reasonably expected that the Company will acquire the title to the leased asset upon the expiry of the lease, the depreciation provision is retained over the serviceable life of the leased asset; if it is not reasonably expected that the Company will acquire the title to leased asset upon the expiry of the lease, the depreciation

provision is retained over the shorter of the lease and serviceable life of the leased asset.

(5) Other Explanations

Subsequent expenditures relating to fixed assets, if the asset's economic benefits are likely to flow in and its cost can be reliably measured, are recognized in cost for fixed assets and the book value of the substituted part is derecognized. Other subsequent expenditures are recognized in current profit and loss in which they are incurred.

Fixed assets are derecognized if they are disposed of or no economic gain can be realized through use or disposal of the same. Income from disposal of fixed assets by means of sale, transfer, etc., is accounted as current profit and loss less the book value and relevant taxes and charges.

The Company reviews the serviceable life, expected residual value and the method of depreciation at the latest at the end of the accounting year. If any change is found in the original estimates, adjustment is made to the relevant accounting estimate.

18. Construction in progress

The cost for construction-in-progress is recorded at the actual costs, including various expenditures on the construction, the borrowing costs for the capitalization before the construction reaches its serviceable status and other related expenses. A construction-in-progress is re-accounted for as a fixed asset upon reaching its serviceable status.

Refer to Note IV - 22 "Impairment of Long-term Assets" for methods for depreciation test and impairment provision retention for constructions-in-progress.

19. Borrowing costs

Borrowing costs of the Company include the interest accrued on loans, the amortization of discount or premium and auxiliary expenses as well as the translation differences incurred by loans in foreign currencies. Borrowing costs related to the purchase, construction or production of assets that meet the conditions for capitalization are capitalized when the asset expenditure has been made, the borrowing costs have been incurred and the purchase, construction or production activities necessary to work the asset into its serviceable or marketable status have begun; the capitalization ceases when the asset that meets the conditions for capitalization under construction or production reaches its expected serviceable or marketable status. Other borrowing costs are recognized as expenses in the period they are incurred.

The interest expenses incurred in the period for special loans less the interest income from the loan fund deposited in a bank or income from temporary investments made out of the loans are capitalized; general loans are capitalized on the basis of result of the accumulated capital expenditures excessive of weighted average of the capital expenditures of the special loan multiplied by the capitalization ratio of the general loans. The capitalization rate is determined on

the basis of the weighted average interest rate of general borrowings.

During the capitalization, the difference arising from special loans in foreign currencies is fully capitalized while that arising from general loans in foreign currencies is recognized in current profit and loss.

Assets qualified for capitalization refer to fixed assets, investment real properties and inventories that take a reasonable period of purchase, construction or production to be developed into the ready-for-sale or ready-for-use status.

If the purchase, construction or production of the asset qualified for capitalization is suspended for over 3 months, the capitalization of the borrowing cost is suspended until the resumption of purchase, construction or production.

20. Intangible assets

(1) Intangible assets

Intangible asset refers to invisible recognizable non-currency assets owned or controlled by the Company.

Intangible assets are initially measured at cost. Expenses related to intangible assets are recognized in cost for intangible assets when related economic gains are likely to flow in and the cost can be reliably measured. Other subsequent expenditures are recognized in current profit and loss in which they are incurred.

Land use rights acquired are usually accounted for as intangible assets. Expenditures on the land use right and the cost for the construction of self-developed plants and other buildings are accounted for as intangible assets and fixed assets. In case of houses and buildings purchased, the purchase price is allocated onto the land use right and the buildings and treated accordingly; if the allocation cannot be done reasonably, the whole price is treated as fixed assets.

In case of an intangible asset of limited serviceable life, the original value, net of expected residual value and the accumulated depreciation provision retained, is amortized over the expected serviceable life using the straight-line method. Intangible assets with uncertain service life are not amortized.

The service life and the amortization method adopted for intangible assets of a limited serviceable life is reviewed at the year end, and if any change has occurred, adjustments are made accordingly to the accounting estimates. The serviceable life of each intangible asset with uncertain serviceable life is reviewed at the end of year. If there is evidence that the period in which the intangible asset can bring in economic benefit can be predicted, the serviceable life is estimated and the intangible asset is amortized following the policy for amortization of intangible assets with limited serviceable life.

(2) R&D expenses

Internal R&D expenses of the Company include expenses on the research stage and those on the development stage.

Expenses incurred on the research stage are recognized in current profit and loss.

Expenses incurred on the development stage, if satisfying all of the following conditions, are recognized as an intangible asset, otherwise, in current profit and loss.

① The expenses contribute to the completion of intangible asset so that it can be technically usable or salable;

② Having the intention to complete the intangible asset and use or sell it;

③ The intangible asset is able to generate economic benefits, with evidence that there is a market for the intangible asset or products produced using the intangible asset, or that the intangible asset is useful if it is intended to be internally used;

④ Having sufficient technical, financial and other resources to support the development of the intangible asset and having the ability to use or sell the intangible asset;

⑤ The expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenses on the research stage and the development stage, if not able to be distinguished, are both recognized in current profit and loss.

(3) Impairment test of intangible assets and methods for withholding the impairment provision

Refer to Note IV - 22 “Impairment of Long-term Assets” for methods for depreciation test and impairment provision retention for intangible assets.

21. Long-term deferred expenses

Long-term deferred expenses refer to expenses that have been incurred and should be amortized over a period of longer than one year, including the current period and periods yet to come. Long-term deferred expenses are recorded at actual expense and amortized using the straight-line method over estimated period of benefit.

22. Impairment of long-term assets

The Company determines on the balance sheet date whether there are signs that impairment has occurred to fixed assets, constructions-in-progress, intangible assets with limited serviceable life, investment properties measured at cost and non-current non-financial assets including long-term equity investments in its subsidiaries, joint ventures and associates. If there are signs of impairments, the recoverable amount is estimated and an impairment test is done. Goodwill, intangible assets with uncertain serviceable life and intangible assets that have not reached the serviceable status are subject to impairment tests every year regardless of whether there are signs of

impairments.

When impairment test indicates that the asset's recoverable amount is below its book value, impairment provision shall be made as per the difference and recorded into impairment loss. The recoverable amount shall be the higher of the fair value minus disposal expenses and the present value of expected future cash flows of the asset. The fair value of an asset is determined based on contract price of fair trade; if there is no sales agreement but there is an active market, the bid price the buyer offers for the asset is taken to be the fair value; if there is no sales agreement or active market, the fair value of the asset is estimated on the basis of the best information available. Costs of disposal include legal costs, taxes and fees related to the disposal of assets as well as the handling fees and other expenses incurred in bringing the asset to the salable status. The present value of the expected future cash flow from an asset is determined by discounting the expected future cash flow from the asset while it is used on an on-going basis and the at the final disposal at a suitable discount rate. Where there is any evidence indicating a possible impairment of assets, the enterprise shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs. Asset group refers to a minimum combination of assets that can generate cash inflows independently.

When conducting impairment loss of goodwill separately listed in the financial statements, the book value of the goodwill is allocated to the asset group or combination of asset groups that benefit from the synergies of the business combination. The corresponding impairment loss shall be recognized when impairment test indicates that the recoverable amount of the asset group or combination of asset groups to which goodwill is apportioned is lower than its book value. The amount of the impairment loss shall first charge against the book value of goodwill apportioned to the asset groups or combination of asset groups, then charge against the book value of other assets in proportion to the weight of other assets in the asset groups or combination of asset groups with goodwill excluded.

Once recognized, the aforesaid impairment loss subsequently shall not reverse the recovered part.

23. Contract liabilities

The accounting policy for contract liabilities is applicable to 2020 and beyond:

Contract liabilities mean the obligation for which the Company shall transfer goods to customers for the consideration received or receivable from customers. If the customer has already paid the contract consideration or the Company has obtained the unconditional right to receive payment before the Company transfers the goods to the customer, the Company shall present the

received amounts or receivables as contract liabilities at the earlier of the time when the actual payment is received by the Company from the customer and the due date of payment. Contract assets and contract liabilities under the same contract are presented at net amount. If the net amount is the debit balance, the contract asset and contract liability should be presented in the item of "contract assets" or "other non-current assets" according to its liquidity; if the net amount is the credit balance, the contract asset and contract liability should be presented in the item of "contract liabilities" or "other non-current liabilities" according to its liquidity. Contract assets and contract liabilities under different contracts are not offset.

24. Staff remuneration

Employee benefits mainly include short-term employee remunerations, post-employment benefits, termination benefits and other long-term employee benefits. Of which:

The short-term remunerations include salaries, bonuses, allowance and subsidies, welfare, medical insurance premium, maternity insurance premium, industrial injury insurance premium, housing fund contributions, labor union fund contribution, employee education fund contributions and non-monetary benefits. The Company treats short-term employee remunerations actually incurred during the accounting period in which employees provide services for the Company as liabilities and recognizes the same in current profit and loss or relevant cost for assets of the period. Non-monetary benefits are measured at fair value.

Post-employment benefits mainly include basic pension insurance, unemployment insurance and annuities. Post-employment benefit plans include defined contribution plans. If a defined contribution plan is in place, the corresponding amounts payable is included in relevant costs for assets or current profit and loss in which they are incurred.

If the labor relationship with employees terminates before the employment contracts expire or if the Company offers compensation with the view of encouraging employees to voluntarily accept redundancy, payroll liabilities arising from the termination benefits are recognized in current profit and loss on the earlier of the date on which it is determined that the Company may not withdraw the termination benefits offered through labor relationship plans or redundancy proposals and the date on which the Company recognizes the cost for the restructure involving the payment of termination benefits. However, if the dismissal welfare can not be completely paid within 12 months after the termination of the annual report period, it shall be dealt with according to the remuneration of other long-term employee.

Internal retirement plans are treated following the same principles related to the termination benefits as described above. The Company recognizes in current profit and loss (termination benefits) of the salaries, social insurance premiums, etc. that are to be paid between the date the

employees stops to provide services for the Company and the date of normal retirement, if satisfying the conditions for the recognition of estimated liabilities.

Other long-term employee benefits offered to employees, if eligible for the defined contribution plan, are accounted for following such plan, or, if not eligible, following defined benefit plan.

25. Estimated liabilities

A liability related to contingencies, if meeting the following conditions, is recognized as estimated liabilities: (1) the liability is a current liability the Company assumes; (2) the performance of the liability is likely to result in outflow of economic benefits; and (3) the amount of the liability can be reliably measured.

On the balance sheet date, estimated liabilities are measured at the best estimate of the amount to be expensed in performing related liabilities, while considering the risks, uncertainties and the time value of money related to the contingencies.

If the expense for liquidating an estimated liability is wholly or partially compensated by a third party, the compensation amount is recognized as a separate asset when it is basically certain to be received, provided that the recognized compensation amount may not exceed the book value of the estimated liability.

(1) Onerous contracts

Onerous contracts are contracts where the costs involved with fulfilling the terms and conditions of the contract are inevitably higher than the amount of economic benefit received. If an executory contract becomes an onerous contract and the liabilities thereunder satisfy the foregoing conditions for the recognition of estimated liabilities, the expected loss from the performance of the contract less the recognized impairment loss from the asset subject to the contract (if any) is recognized as an estimated liability.

(2) Liabilities for restructure

In case of a detailed formal restructure plan that has been publicly announced, an estimated liability based on the direct expense related to restructure is recognized if the same meet the foregoing conditions for recognition of estimated liabilities.

26. Share-based payments

(1) Method for accounting for share-based payments

The share-based payment refers to the transaction by which the Company grants equity instruments or assumes a liability based on equity instruments for the services an employee or another party renders to the Company. Share-based payments include those settled in equity shares or in cash.

① Share-based payment settled in equity shares

Share-based payments designed to pay the employee equity shares in exchange for the services he/she renders are measured at fair value of the equity instruments on the Grant Date. If the right to the fair value are exercisable only if the employee completes the services in the specified waiting period or attained the specified performance results, such rights are recognized in relevant cost or expenses using the straight-line method during the waiting period; or if the right can be exercised upon grant, such rights are recognized in relevant cost or expenses on the date of grant; in both cases, the capital reserve is increased accordingly.

The Company makes its best estimates on the basis of the change in the number of employees who have newly acquired the exercisable rights and other subsequent information and revise the recorded the quantities of instruments expected to be exercisable. Those effects of the foregoing estimates are recognized in impact of relevant costs or expenses of the period and the capital reserve is adjusted accordingly.

A share-based payment settled with equity in exchange for another party's service, if the fair value of the other party's service can be reliably measured, is measured at the fair value of such service on the date such service is provided, or, if such fair value cannot be reliably measured but the fair value of the equity instrument can be reliably measured, is measured at the fair value of the equity instrument on the date such service is provided; the amount is recognized in relevant cost or expenses and the shareholders' equity is increased accordingly.

② Share-based payment settled in cash

A share-based payment settled in cash is measured at the fair value of the liability assumed by the Company, which is determined on the basis of shares and other equity instruments. If the rights granted for such share-based payment settled in cash are immediately exercisable, the payment is recognized in relevant costs and expenses and the liability is increased accordingly. If rights granted to such share-based payment settled in cash are exercisable only if the employee completes the services in the specified waiting period or attained the specified performance results, on each balance sheet date during the waiting period, the liabilities of the Company are be increased at the fair value of the liabilities to be assumed by the Company on the basis of the best estimate of the quantities of exercisable equity instruments, with the services received in the current period included in relevant costs or expenses.

The fair value of the liability is re-measured on each Balance Sheet Date and each settling date prior to the settlement of the liability with the change included in current profit and loss.

(2) Accounting process in case of revision or termination of a share-based payment plan

If the modification of the share-based payment plan increases the fair value of the equity

instruments granted, the increase in the services received shall be recognized according to the increase in the fair value of the equity instruments. Increase in the fair value of an equity instrument refers to the difference between the fair values of the equity instrument before and after the date of revision. If the Company revises the terms and conditions by means of decreasing the total fair value of the share-based payments or other means against the interest of employees, the Company continues to account for the services received as if such modification had not been done, unless the Company cancel all or part of the equity instruments granted.

If equity instruments granted are canceled during the vesting period, the exercise of the rights granted on the equity instruments shall be accelerated and the amount to be recognized during the remaining vesting period shall be forthwith included in current profit and loss and the Capital Reserve shall be simultaneously recognized. If an employee or another party can choose to satisfy non-exercise conditions but the vesting period has not yet expired, the circumstance may be addressed as if the granted equity instruments were canceled.

(3) Accounting process for share-based payment transactions involving the Company or a shareholder or the actual controller of the Company

In case of a share-based payment transaction involving the Company or a shareholder or the actual controller of the Company, if one of the settling party and the serviced party is within the scope of the Company and the other outside the scope, such payment is treated in accordance with the following procedures:

① If the settling entity settles the payment with its own equity instruments, the share-based payment transaction is treated as one settled in equity; in other cases, the share-based payment transaction is treated as one settled in cash.

If the settling entity invests in the serviced entity, the share-based payment is treated as a long-term equity investment at the fair value of the equity instrument or the liability to be assumed on the grant date, and Capital Reserves (Other Capital Reserves) or liability is recognized accordingly.

② If the serviced entity has no obligation to settle the payment or if it grants its own equity instruments to its employees, the share-based payment transaction is treated as share-based payment in equity; If the serviced entity has an obligation to settle the payment or if it grants equity instruments of another entity to its employees, the share-based payment transaction is treated as share-based payment in cash.

In case of a share-based payment transaction, if the settling entity and the serviced entity are not the same entity, the transaction is recognized and measured following the foregoing principle in individual financial statements of both entities.

27. Revenue

(1) The following accounting policies for revenue are applicable to 2020 and beyond:

1) Principles of revenue recognition

On the commencement date of the contract, the Company evaluates the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain time point.

When one of the following conditions is met, it shall be the fulfillment of contract performance obligation within a certain period of time, otherwise it shall be the fulfillment of contract performance at a certain time point: ①The customer obtains and consumes the economic benefits brought by the Company's contract performance at the same time as the Company performs the contract; ②The customer can control the goods or services under production during the performance of the Company; ③The goods or services produced during the contract performance of the Company have irreplaceable uses, and the Company has the right to collect payments for the accumulative performance part that has been completed during the entire contract term.

For the contract performance obligations fulfilled within a certain period of time, the Company recognizes revenue according to the performance progress during that period of time. When the contract performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized according to the amount of cost incurred until the performance progress can be reasonably determined. For the contract performance obligations fulfilled at a certain time point, revenue is recognized at the time point when the customer obtains the control over the relevant goods or services. When determine whether the customer has obtained the control of goods, the Company considers the following signs: ①The Company has the current right to receive payment for the goods, i.e. the customer has the current obligation to pay for the goods; ②The Company has transferred the legal ownership of the goods to the customer, i.e. the customer has owned the legal ownership of the goods; ③The Company has transferred the goods to the customer physically, i.e. the customer has physically taken possession of the goods; ④The Company has transferred the main risks and rewards on the ownership of the goods to the customer, i.e. the customer has obtained the main risks and rewards on the ownership of the goods; ⑤The customer has accepted the goods; ⑥Other signs showing that the customer has obtained control over the goods.

2) Principles of income measurement

① The Company measures revenue based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the Company

expects to have the right to receive due to the transfer of goods or services to the customer, excluding the amounts collected on behalf of a third party and the amounts expected to be returned to the customer.

② If there is variable consideration in the contract, the Company will determine the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price including the variable consideration shall not exceed the amount of the accumulated recognized income that is likely to have no major reversal when the relevant uncertainty is eliminated.

③ If there is a significant financing component in the contract, the Company will determine the transaction price based on the amount payable that is assumed to be paid in cash when the customer obtains the control over the goods or services. The difference between the transaction price and the contract consideration is amortized by the effective interest method during the contract term. On the commencement date of the contract, the Company expects that the interval between the customer's acquisition of control of the goods or services and the customer's payment of price will not exceed one year, regardless of the significant financing components in the contract.

④ If the contract contains two or more performance obligations, the Company will allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the separate selling price of the goods promised under each individual performance obligation on the contract commencement date.

3) Specific method of revenue recognition

The Company mainly sells refined oil products, chemical products, PTA, polyester chips, polyester yarns, etc., and the sales shall be the fulfillment of contract performance obligation at a certain time point. Based on the characteristics of actual production and operation, the following conditions shall be met for the Company's recognition of the income from domestic sales: the Company has delivered the products to the purchaser in accordance with the contract provisions, and the amount of product sales income has been determined, the payment has been recovered or the receipt voucher has been obtained and the related economic benefits are likely to flow in, the control of product has been transferred to the purchaser, and the costs of product can be reliably measured. For exported goods, the income is recognized when the goods are declared for export. For the sales of trade goods, the income is recognized when the Company has delivered the goods property in goods to the purchaser in accordance with the contract provisions. For the goods in the Company's overseas subsidiary international trade business, the income is recognized according to the time point for the transfer of goods risk as set out in the contract.

(2) The following accounting policies for income are applicable to 2019:

1) Income from sales of goods

Income from sales of goods is recognized as realized when major risks related to and returns from the title of the goods are transferred to the buyer, the Company no longer holds the actual rights to manage and control over the same or exercise actual control of the same, the amount of income can be reliably measured, the economic benefits from the transaction are likely to be transferred to the Company and the income from and cost for the sales of the same can be reliably measured. Based on the characteristics of actual production and operation, the Company recognizes income from products sold domestically when the goods are delivered. or exported goods, the income is recognized when the goods are declared for export. For the sales of trade goods, the income is recognized when the Company has delivered the goods property in goods to the purchaser in accordance with the contract provisions. For the goods in the Company's overseas subsidiary international trade business, the income is recognized according to the time point for the transfer of goods risk as set out in the contract.

2) Income from labor provided

Income from labor services is recognized at the end of the balance sheet date by the percentage of the service completed if the result of the labor service transaction can be reliably measured. The percentage of the service completed is determined at the ratio of the labor costs that have been incurred over the estimated total cost.

The statement that "the result of the labor service provided can be reliably estimated" means:

① the amount of the income can be reliably measured; ② relevant economic benefit is likely to flow in; ③ the completion and progress of the construction can be reliably established and ④ the costs that incurred or to be incurred can be reliably measured.

If the result of the labor transaction cannot be reliably estimated, then the income from the labor service provided at the cost for labor services that have been incurred and can be compensated for and the labor cost that has been incurred is recognized as expenses of the period. If the labor cost that has been incurred is estimated as not being able to be compensated for, no income is recognized.

If a contract or agreement contains provisions on sales of goods and provision of labor and the two parts can be identified and separately measured, the two parts are treated separately; if the two parts cannot be identified, or if they can be identified but cannot be separately measured, both parts shall be treated as sales of goods.

3) Income from utilization fees

Income as utilization fees is recognized as income using the accrual basis following relevant contracts or agreements.

4) Interest income

Interest income is determined by the time span others use the monetary funds of the Company and the effective interest rate.

28. Contract cost

The accounting policies for contract cost are applicable to 2020 and beyond:

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

If the cost incurred for the performance of contract does not fall within the scope of the Accounting Standards for Business Enterprises No. 14-Revenue (Revision 2017) and the following conditions are met at the same time, it shall be recognized as an asset as contract performance cost:

①The cost is directly related to a current or expected contract, including expenses of direct labor, direct materials, manufacturing (or similar expenses), costs clearly borne by the customer, and other costs incurred only due to the contract; ②The cost has increased the Group's resources used for fulfilling the contract performance obligation in the future; ③The cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as the recognition of income from goods related to the asset and included in the current profit and loss.

29. Government grants

Government grant refers to monetary or non-monetary assets the Company receives from the government for free, but excludes funds invested in the Company by the government, which enjoys the owners' equity in the same as a fund owner. Government grants are divided into asset-related government grants and income-related government grants. The Company defines government grant received and used for purchase or construction or formation of long-term assets as asset-related government grant and other government grant is defined as income-related government grant. If the target of a government grant is not specified in relevant government documents, the subsidy is divided into income- and asset-related subsidy in the following manners: (1) if the project is defined in relevant government document, the subsidy is divided in accordance with the relative proportions of the expense allocated for asset and expenditure, provided that the division is reviewed against the proportions on each balance sheet date and adjusted if necessary; (2) if only a general direction on the use of the subsidy but no specific project is stated in relevant government documents, the subsidy is recognized as income-related subsidy. If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount. Government grants in the form of non-monetary assets are measured at fair value or, if the fair value cannot be reliably obtained, at its nominal amount. Government grants measured at nominal amounts shall be directly included into current profit and loss.

The Company usually recognizes and measures government grants at by the amount actually received. However, the financial support funds that meet the relevant conditions stipulated by the financial support policy with conclusive evidence at the end of the period shall be measured according to the amount receivable. Government grant to be measured at the amount receivable must meet all the following conditions: (1) The amount of the government grant receivable has been confirmed by a formal document from competent government authority or can be reasonably calculated following relevant regulations of formally issued financial fund management measures and there is no significant uncertainty as to the amount to be received; (2) the government grant is based on a financial support program and its financial fund management measures formally implemented and disclosed following the Regulations on Open Government Information, and the said measures are inclusive (open to all eligible entities) rather than specifically formulated for certain entities; (3) a deadline for the disbursement has been announced in relevant documents and guaranteed with financial budget so that the receipt of the amount is reasonably certain; (4) the Company is expected to satisfy other conditions that may be required for such subsidy (if any).

Asset-related government grant is recognized as a deferred income, which is included into current profit and loss in installments over the life of use of relevant assets in a reasonable and systematic way. Income-related government grant, if used to cover relevant future expenses or losses, is recognized as a deferred income and is included into current profit and loss in the period when such expenses and losses are recognized, or, if used to cover related expenses and losses that have been incurred, is directly included into current profit and loss.

If government grants include both asset-related and income-related grants, different accounting methods may be applied for different parts of the grants; government grants that cannot be differentiated are accounted for as income-related.

Government grants related to the daily operations of the Company are included in other income or used to offset relevant costs and expenses and those irrelevant to the daily operations are recorded as non-operating income.

When the recognized government subsidy needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income will be offset, and the excess will be included in the current profit and loss; in other cases, it will be directly included in the current profit and loss.

30. Deferred income tax assets and deferred income tax liabilities

(1) Income tax of the period

On the balance sheet date, the income tax liabilities (or assets) of the period that have developed in the current and previous periods are measured at the amounts expected to be paid or

recovered. The taxable income base for the calculation of the income tax of the current period shall be determined on the basis of the accounting profit adjusted according to relevant provisions of the Tax Law.

(2) Deferred income tax assets and liabilities

The difference between book values of certain assets or liabilities and their tax bases as well as the temporary difference between the book values and the tax bases of items that are not recognized as assets or liabilities but whose tax bases can be determined following relevant provisions of the Tax Law are recognized as deferred tax assets or liabilities using the balance sheet liability method.

No deferred income tax liability is recognized for taxable temporary differences related to the initial recognition of goodwill or the initial recognition of assets or liabilities arising from transactions that have not occurred in a business combination process and which do not influence the accounting profit and taxable income (or deductible losses). No deferred income tax liability is recognized for taxable temporary differences related to investments in subsidiaries, joint ventures and associates, if the Company can determine the time for the reversal of the temporary differences and the taxable temporary differences are not likely to be reversed within a predictable future. Except for the circumstances described above, the Company recognizes deferred income tax liabilities for all other taxable temporary differences.

No deferred income tax asset is recognized for deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that have not occurred in a business combination process and which do not influence the accounting profit and taxable income (or deductible losses). No deferred income tax asset is recognized for any deductible temporary differences related to the investment of the subsidiaries, joint ventures and joint ventures of the Company, if the temporary differences are not very likely to be reversed or the Company is not likely to obtain and use taxable income to offset deductible temporary differences. Except for the circumstances described above, the Company may recognize deferred income tax assets for all other deductible temporary differences to the extent of the taxable income that can be obtained and used to offset deductible temporary differences.

Deferred income tax assets are recognized for deductible loss and tax credits that can be carried forward to future periods to the extent of the future taxable income that are likely to be obtained and used to offset deductible loss and tax credits.

On the balance sheet date, deferred tax assets and liabilities are measured at the applicable tax rate expected for the period, in which relevant assets are expected to be recovered or relevant liabilities are expected to be settled following relevant provisions of the Tax Law.

The Company reviews book values of deferred tax assets on the balance sheet date. If it is

determined that the Company is not likely to obtain adequate taxable income to offset benefits from deferred tax assets, the book values of deferred tax assets are written down. The write-down is reversed when it is determined that adequate taxable income can be obtained.

(3) Income tax expenses

Income tax expenses include current and deferred income taxes.

Except other comprehensive income or current and deferred income taxes related to transactions that are related to classified in shareholders' equity are recognized in other comprehensive income or shareholders' equity as well as book values of deferred income tax arising from business combination that are adjusted to goodwill, all other current and deferred income expenses are recognized as current profit and loss.

(4) Offset of income tax

If the Company has the legal right and plans to perform net settlement or plans to acquire assets and settle liabilities, the current income tax assets and liabilities are listed at the net amount after offset.

The deferred income taxes and liabilities are listed at the net value after offset if the Company has the legal right to net its current income tax assets and liabilities, the deferred income taxes and liabilities are related to the income taxes collected from the same tax subject by the tax authority or related to different tax subjects, but the tax subject intends to net the current income taxes and liability or acquires assets and settle liabilities simultaneously during the period when each important deferred income tax or liability is reversed.

31. Leases

Finance lease refers to the lease by which all risks and benefits from the control of an asset are transferred while the ultimate ownership may or may not be transferred. Leases other than finance leases are operating leases.

(1) Operating lease transactions recorded by the Company as the lessee

Lease expenses for operating leases are recognized as costs for assets or current profit and loss using the straight-line method in all periods within the leasehold. The initial direct expenses are recognized in current profit and loss. Contingent rental is recognized in current profit and loss in which it is actually incurred.

(2) Operating lease transactions accounted for by the Company as the lessor

Lease income from operating leases is recognized as current profit and loss during the leasehold. Initial direct costs of large amounts are capitalized when incurred and listed in current profit and loss following the same intervals by which the rental income is recognized during the leasehold; other insignificant initial direct costs are included in current profit and loss when

incurred. Contingent rental is recognized in current profit and loss in which it is actually incurred.

(3) Finance lease transactions recorded by the Company as the lessee

The Company records the lower of the fair value of the leased asset and the current value of the minimum lease payment as the entry value for fixed assets leased on the date on which the lease is commenced, and the minimum lease payment as the entry value for the long-term payables. The difference between the two is recorded as unrecognized financing cost. Initial direct expenses attributable to the leased asset incurred during the negotiation and execution of the lease contract are also accounted for as the value of the leased asset. The minimum lease payment less unrecognized financial expenses are accounted for as long-term liability and long-term liability matured within 1 year.

Unrecognized financial expenses are recognized as current financial expenses in each of the periods within the leasehold at the effective interest rate. Contingent rental is recognized in current profit and loss in which it is actually incurred.

(4) Finance lease transactions recorded by the Company as the lessor

On the lease beginning date, the aggregate of the minimum lease payment on the lease beginning date and the initial direct cost are taken for the entry value of the finance lease receivable, and the unsecured balance is also recorded; the difference between the aggregate of the minimum lease payment, the initial direct expenses and the unsecured balance and the total present value is recognized as the unrealized financing income. The finance lease less unrealized financial income are accounted for as long-term credit right and long-term credit right matured within 1 year.

Unrealized financial income is recognized as current financial income in each of the periods within the leasehold at the effective interest rate. Contingent rental is recognized in current profit and loss in which it is actually incurred.

32. Other important accounting policies and accounting estimates

(1) Discontinued operation

The discontinued operation refers to such component that meets any of the following conditions, can be independently separated and has been disposed of or classified into the held for sale by the Company: 1) the component represents an independent main business or an independent main business area; 2) the component is a part of related plan that is to dispose of an independent main business or an independent main business area; 3) The component is a subsidiary acquired exclusively for reselling.

Method for accounting of discontinued operation is shown in Note IV-14 “Assets available for sale and disposal group” herein.

(2) Hedge accounting

In order to avoid certain risks, the Company hedges certain financial instruments as hedging instruments. For a heading that satisfies specific conditions, the Company may treat it through hedge accounting method. The company's hedges include fair value hedges, cash flow hedges and hedges of net investment in an overseas operation. With regards to hedge for foreign exchange risks with firm commitment, the Company will treat it as cash flow hedge.

At the commencement of the hedging, the Company formally specifies the hedging instrument and the hedged items, and prepares written documents in connection with the hedging relationship and the risk management strategy and risk management objectives for the Company to conduct hedging. In addition, the Company will continuously evaluate the effectiveness of hedging at the commencement of hedging and thereafter.

(1) Fair value hedges

For the hedging instrument that is designated as a fair value hedge and meets the conditions, the gains or losses from the tool will be included in the current profits and losses. If the hedging instrument is to hedge non-trading equity instrument investment (or component parts thereof) that is selected to be measured at fair value with changes included in other comprehensive income, then the gains and losses arising from the hedging instrument will be included in other comprehensive income. The profit or loss of the hedged items from the hedging risks shall also be included into the current profit and loss, and at the same time the book value of the hedged item shall be adjusted. If the hedged item is measured at fair value, the gain or loss of the hedged item arising from the hedged risk does not need to be used to adjust the book value of the hedged item, and the relevant gains and losses will be included in the current profit and loss or other comprehensive income.

When the Company withdraws the appointment of hedge relationship, the hedging instruments have expired or been sold, the contract has been terminated or executed, or the conditions for applying the hedge accounting are no more satisfied, the application of the hedge accounting will be terminated.

(2) Cash flow hedges

For a hedging instrument that is designated to hedge cash flow and meets the conditions, the part of the profit or loss arising therefrom that has effective hedging is included in other comprehensive income as a cash flow hedging reserve, and the part that has ineffective hedging is included in the current profit and loss.

If the expected transaction causes the Company to recognize a non-financial asset or non-financial liability subsequently, or the expected transaction of a non-financial asset or non-financial liability forms a definite commitment applicable to fair value hedge accounting, then the Company will transfer out the cash flow hedge reserve amount originally recognized in

comprehensive income and include the same in the initial recognized amount of the asset or liability. For the cash flow hedging other than the above, the Company transfers out the cash flow hedging reserve amount originally recognized in other comprehensive income during the same period when the expected cash flow that is hedged affects the profit and loss, and includes the same in the current profit and loss.

If it is expected that all or part of the net loss originally included in other comprehensive income cannot be compensated in the future accounting period, the part that cannot be compensated will be transferred out and included in the current profit and loss.

When the Company terminates the use of hedge accounting for cash flow hedging, the accumulated cash flow hedging reserve that has been included in other comprehensive income will be retained when future cash flow is expected to occur, or it will be transferred out from other comprehensive income and included in the current profit and loss when future cash flow is not expected to occur.

(3) Hedges of net investment in an overseas operation

The hedges of net investment in an overseas operation shall be accounted by using the similar method to the cash flow hedges. Among the gains or losses of hedging instruments, the part that is effective hedging is recognized as other comprehensive income, and the gains or losses of the ineffective part of hedging are included in the current profits and losses.

The gains and losses that have been included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss upon disposal of overseas operations.

(4) Repurchase shares

The consideration and transaction expenses paid during the share repurchase reduce the shareholders' equity, which can not be recognized as profit or loss upon the repurchase, transfer or cancellation of the share.

As for the transfer of treasury stock, the difference between the received amount and the carrying amount of the treasury stock shall be included in the capital reserve. If the capital reserve is not enough for write-down, the surplus reserve and undistributed profit shall be written down. As for the cancellation of treasury stock, the capital stock shall be reduced according to the par value of stock and the quantity of canceled stocks; the capital reserve shall be written down according to the difference between the book balance and the par value of stocks. If the capital reserve is not enough for write-down, the surplus reserve and undistributed profit shall be written down.

33. Changes in significant accounting policies and estimates

(1) Changes in Accounting Policies

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 14-Revenue (Revision 2017) (C. K. [2017] No. 22) (hereinafter referred to as the "New Revenue Standards") on July 5, 2017. Upon approval with the resolution of the 37th Meeting of the 10th Board of Directors of the Company on March 5, 2020, the Company started to implement the aforesaid new revenue standards from January 1, 2020.

The New Revenue Standards establish a new revenue recognition model for regulating revenue from contracts with customers. In order to implement the New Revenue Standards, the Company reassessed the recognition and measurement, accounting and presentation and other aspects of main contract revenue.

After the implementation of the New Revenue Standards, the Company changes the presentation of contractual consideration received from customers in advance due to the transfer of goods from the item of "accounts received in advance" to the item of "contractual liabilities" and "other current liabilities"; and the Company changes the presentation of the transportation costs incurred from transfer of goods from the item of "sales expense" to the item of "operating cost".

Impact on the financial statements dated January 1, 2020:

Statement items	December 31, 2019 (before change)		January 1, 2020 (after change)	
	Consolidated statements	The Company	Consolidated statements	The Company
Accounts received in advance	596,087,260.62	0.00	0.00	0.00
Contract liabilities	0.00	0.00	527,511,147.25	0.00
Other current liabilities	0.00	0.00	68,576,113.37	0.00

(2) Changes in accounting estimates

The Company has no changes in accounting estimates during the reporting period.

34. Significant accounting judgments and estimates

Due to uncertainties in the business operations of the Company, the Company needs to make judgments, estimates and assumptions as to items in the accounts that the Company is unable to measure accurately in applying the accounting policies. Those judgments, estimates and assumptions are based on the historical experience of the management of the Company and other relevant elements. Those judgments, estimates and assumptions may influence the amounts of income, expenses, assets and liabilities and the contingent liabilities disclosed on the balance sheet date. However, those estimates, due to the uncertainties, may be significantly different from the actual results of business operations of the Company and, thus, may necessitate significant adjustments to the future book values of assets or liabilities subject to such estimates.

The Company periodically reviews the aforementioned judgments, estimates and assumptions

on the basis of going concern. If a change to the accounting estimate concerns only the current period, the change is recognized during the current period; and if a change concerns both the current and future periods, such changes are recognized in both the current and relevant future periods.

On the balance sheet date, the Company needs to make judgments, estimates and assumptions as to items in the financial statements in the following key areas:

(1) Classification of leases

The Company classifies leases into operating leases and finance leases following the Accounting Standards for Enterprises No. 21 - Leases. When classifying leases, the Company makes analysis and judgments as to whether the Company has transferred substantially all risks and benefits related to the title to the assets leased out to the transferee or has assumed substantially all risks and benefits related to the title to the assets leased in.

(2) Retention of bad debt provision

The Company accounts for the bad debt losses using the allowance method following accounting policies concerning accounts receivable. The impairment of accounts receivable is measured with reference to the assessment of the recoverability of accounts receivable. Determining the impairment of accounts receivable requires the management to make judgments and estimates. The differences between the actual outcomes and the estimates may influence the book value and the retention and reversal of the bad debt provision for accounts receivable during the period when the estimates are changed.

(3) Inventory impairment provision

The Company measures the cost and the realizable net value following the accounting policies related to inventories and retains impairment provision for an inventory that is obsolete or moving slowly or whose cost is higher than its realizable net value. Impairment of inventories is determined on the basis of the assessment of the saleability and realizable net value of the inventories. The inventory impairment is determined on the basis of conclusive evidence obtained while considering the purpose of keeping the inventory and effect of events after the balance sheet date. The differences between the actual outcomes and the estimates may influence the book value of the inventories and the retention and reversal of the inventory impairment provision during the period when the estimates are changed.

(4) Fair value of financial instruments

In case of a financial instrument for which there is no active market, the fair value is determined using various valuation techniques, including the discounted cash flow model analysis, among others. The Company is required to make estimates as to the future cash flow, credit risks, market volatility and relevance and choose an appropriate discount rate. Such estimates feature

uncertainty, and changes in such estimates may have Effect on the fair value of financial instrument.

(5) Provision for depreciation of long-term assets

On the Balance Sheet Date, the Company judges whether there are signs for possible impairment of non-current assets except financial assets. Except for annual impairment tests, the Company conducts impairment tests on intangible assets with uncertain serviceable life whenever there are signs of impairment. Non-current assets, except financial assets, are tested when there are signs that the book value is unable to be recovered.

Impairment is determined to have occurred when the book value of an asset or an asset group is higher than its recoverable amount, which is the higher of the net balance of the fair value less the disposal cost and the present value of the future cash flow.

The net balance of the fair value less the disposal cost is the price contained in sales agreement for similar assets in fair trade or the market price observed less the incremental costs attributable to the disposal of the asset.

Estimating the present value of the future cash flow requires significant judgments shall be made as to the production, price, operating costs and the discount rate used to calculate the present value of the asset (or asset group). The Company collects all information available, including all estimates made on the basis of reasonable and supported assumptions as to the production, selling price and operating costs, to estimate the recoverable amount.

The Company conducts impairment test on goodwill at least annually. This requires estimating the future cash flow of an asset group or combination of asset groups, to which goodwill is allocated. To estimate the present value of the future cash flow, the Company needs to estimate the cash flow generated by a future asset group or combination of asset groups and choose an appropriate discount rate.

(6) Depreciation and amortization

The Company depreciates and amortizes the investment properties, fixed assets and intangible assets within its serviceable life using the straight-line method while giving due consideration to their residual values. The Company reviews the serviceable life of its assets in order to determine the cost for depreciation and amortization to be allocated to each reporting period. The Company determines the serviceable life of its assets based on its historical experience and the expected technological update. If a significant change occurs to an estimate previously made, the amount of depreciation and amortization will be adjusted in future periods.

(7) Deferred income tax assets

The Company may recognize all unused tax loss as deferred income tax assets to the extent there is likely to be adequate taxable profit to offset the loss. It requires the Management to make

numerous judgments to estimate the time and amount of taxable profit with reference to the tax payment scheduling strategy to determine the amount of the deferred income tax assets.

(8) Income tax

There are uncertainties as to the conclusive tax treatment and calculation of some transactions in the normal business course of the Company. It requires approval from tax authorities as to whether some items can be treated as pre-income-tax deduction items. The possible difference between the conclusive determinations and the initial estimated amounts has effect over the current and deferred income taxes in the period in which such items are conclusively determined.

(9) Estimated liabilities

The Company makes estimates on and retains provisions for product quality assurance, expected contract losses, penalties on delayed delivery in accordance with the provisions of contracts, its current knowledge and historical experience. When such a contingency results in a current liability and the discharge of the same is likely to result in an outflow of the economic benefits of the Company, the Company recognize the best-estimated expenses to discharge the same as an estimated liability. The recognition and measurement of the estimated liability depends largely on the judgment of the Management. To make the judgment, the Company needs to assess risks related to and uncertainties of such contingencies as well as the time value of money.

The Company will recognize estimated liabilities for its guarantee on the sale, maintenance and renovation for the sold products and quality assurance provided for customers. When determining the estimated liabilities, the Company has considered the experience of maintenance, which, nevertheless, may fail to fairly represent the future maintenance expenses. Any change in the provision may influence the gains or losses of future periods.

(10) Fair value measurement

Certain assets and liabilities of the Company shall be measured at the fair value in the Balance Sheet. When the fair value of certain assets or liabilities is estimated, the Company will adopt available and observable market data. If the first-level input values are not available, the Company will engage a qualified third-party appraiser to perform the valuation. Information related to the valuation technique and input values used in the recognition of the fair value of various assets and liabilities are disclosed in Note X.

V. Taxes

1. Main Tax Categories and Tax Rates

Tax Categories	Applicable tax rate
VAT	The output taxes of taxable income shall be calculated at a tax rate of 13%, 9% and 6%, and the VAT shall be calculated and paid based on the difference after deducting the amount of input tax that can be deducted for the current period;
Urban maintenance and construction tax:	To be paid at 7%, 5% of the actually paid turnover tax.
Education surcharges:	To be paid at 3% of the actually paid turnover tax.
Local education surcharge	To be paid at 2% of the actually paid turnover tax.
Enterprise income tax	Calculated and paid at 25%, 15%, 16.5%, 10% and 18.5% of taxable income.

The Company has different enterprise income tax rate taxpayers, and the specific conditions are as follows:

Name of tax payer	Income tax rate
Domestic subsidiary	25%, 15%
Hongkong Tianyi International Holding Company Limited Jiabai International Investment Co., Ltd. Hong Kong Yisheng Petrochemical Investment Co., Ltd.	16.5% For offshore trade, the offshore profits tax exemption can be applied for
Hengyi Industry International Co., Ltd. Hengyi Petrochemical International Co., Ltd.	The Company is approved to join the Singapore Global Trader Programme (GTP), so is entitled to the preferential enterprise income tax rate and payment of enterprise income tax at a tax rate of 10% from 2019 to 2021.
Hengyi Industries Sdn Bhd	18.5%

2. Tax Incentives and Approvals

(1) According to *the Announcement on Issuing the Measures for the Administration of Preferential Value-Added Tax Policies for Promoting the Employment of Disabled Persons* (Announcement No. 33 [2016] of the State Administration of Taxation) released by the State Administration of Taxation, Zhejiang Hengyi Polymer Co., Ltd. (Hereinafter “the Polymer Company”), a holding subsidiary of the Company, enjoyed the preferential VAT policy of immediate refund upon payment for the employment of disabled persons.

(2) Zhejiang Hengyi High-tech Materials Co., Ltd. (hereinafter referred to as "Hengyi High-tech Materials"), the Company's holding subsidiary, and Zhejiang Henglan Technology Co., Ltd. (hereinafter referred to as "Henglan"), the Company's wholly-owned subsidiary, obtained the High-tech Enterprise Certificates jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation, and were recognized as high-tech enterprises with a validity period of three years. According to the Enterprise Income Tax Law of the People's Republic of

China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, Hengyi High-tech Materials and Henglan are taxed at a reduced enterprise income rate of 15% from January 1, 2019 to December 31, 2021. .

(3) Jiaxing Yipeng Chemical Fiber Co., Ltd. (hereinafter referred to as "Jiaxing Yipeng"), Zhejiang Shuangtu New Materials Co., Ltd. (hereinafter referred to as "Shuangtu New Materials"), Hangzhou Yijing Chemical Fiber Co., Ltd. (Hereinafter referred to as "Hangzhou Yijing"), wholly-owned subsidiaries of the Company, obtained the High-tech Enterprise Certificate jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation on December 1, 2020, and were recognized as high-tech enterprises with a validity period of three years In accordance with the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, Jiaxing Yipeng, Shuangtu New Materials and Hangzhou Yijing are taxed at a reduced enterprise income rate of 15% from January 1, 2020 to December 31, 2023.

(4) Hengyi Industries Sdn Bhd, a holding subsidiary of the Company, can enjoy 11-year tax exemption as PMB petrochemical project in Brunei meets the conditions of a "pioneer enterprise", which means the enterprise income tax is exempted and the imports of equipment and Imported raw materials are exempt from tax.

(5) According to provisions of Article 100 of the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China: the "tax credits" mentioned in Article 34 of the Enterprise Income Tax Law means that, in case of the purchase and actual use of the environmental protection, energy-saving and water-saving, safe production and other special equipment as stipulated in the Catalogue of Enterprise Income Tax Benefits for Environmental Protection Special Equipment, the Catalogue of Enterprise Income Tax Benefits for Energy-saving and Water-saving Special Equipment and the Catalogue of Enterprise Income Tax Benefits for Safety Production Special Equipment, 10% of the investment of the special equipment can be credited from the tax payable of the enterprise in the current year; if the amount is insufficient for credit in the current year, the credit can be carried forward in the next 5 tax years. Hengyi High-tech Materials enjoys the enterprise income tax reduction amount equal to 10% of the purchase amount of the environmental protection, energy saving, water saving, safety production and other special equipment.

(6) According to the implementation opinions of the People's Government Office of Xiaoshan District, Hangzhou on deepening the reform of "giving priority to yield per acre" and promoting high-quality development, "for giving full play to the role of taxation in regulating the economy,

promoting the intensive and economical use of urban land, and implementing the urban land use tax reduction and exemption policies by classifications and grading throughout the district, before December 31, 2021, for those classified as Class A and Class B enterprises, the urban land use tax will be reduced by 100% and 80% respectively. For those classified as Class C and D enterprises, the urban land use tax will not be relieved". Hangzhou Yijing enjoys a preferential tax policy of 80% reduced land use tax, and "Hengyi Limited enjoys a preferential tax policy of 100% reduced land use tax.

(7) On March 15, 2019, the Company's holding subsidiary Hengyi Industries International Pte.Ltd. was approved to join the Singapore Global Trader Programme (GTP). According to the approval document, Hengyi Industries International Pte. Ltd. enjoys the relevant preferential enterprise income tax rate for three consecutive years (from 2019 to 2021) and pays enterprise income tax at a tax rate of 10%.

(8) According to C. S. [2020] No. 31 Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Enterprise Income Tax Policy of Hainan Free Trade Port, Hainan Hengjing Trading Co., Ltd., a wholly-owned subsidiary of the Company, is taxed at a reduced enterprise income rate of 15% from January 1, 2020.

VI. Notes to items of consolidated financial statements

Unless otherwise specified, for the following note items (including the main item notes to the Company's financial statements), the "beginning of the year" refers to January 1, 2020, the "end of the period" refers to December 31, 2020, the "end of last year" refers to December 31, 2019, the "current period" refers to 2020, and the "previous period" refers to 2019.

1. Monetary capital

Item	Ending balance	Balance at the end of prior year
Cash on hand	1,351,988.81	2,279,461.41
Bank deposit	6,364,528,999.42	3,820,783,848.39
Other monetary capital	3,713,102,815.63	3,616,821,478.39
Total	10,078,983,803.86	7,439,884,788.19
Of which: the total amount of funds deposited abroad	3,363,891,032.92	1,553,988,373.09

Note: As of December 31, 2020, the monetary capital that the Company's right to use was restricted was RMB 2,892,657,855.69, including RMB 1,203,876,128.81 of L/G guarantee deposit, RMB 1,163,906,196.24 of acceptance bill marginal deposit, RMB 290,745,969.26 of L/G, RMB 63,977.05 of collection for bill pledge, RMB 8,127,489.32 of freezing of funds and RMB 225,938,095.01 of other margin.

2. Financial assets held for trading

Item	Ending balance	Balance at the end of prior year
Financial assets at fair value through profit or loss	251,904,308.53	149,692,516.20
Of which: debt instruments	0.00	0.00
Equity instruments	0.00	
Derivative financial assets	251,904,308.53	149,692,516.20
Others	0.00	0.00
Specified as financial assets at fair value through profit or loss	0.00	0.00
Total	251,904,308.53	149,692,516.20
Including: Portion reclassified to other non-current financial assets	0.00	0.00

3. Derivative financial assets

Item	Ending balance	Balance at the end of prior year
Foreign exchange derivatives	0.00	0.00
Commodity derivatives	737,015,777.82	409,150,395.76
Total:	737,015,777.82	409,150,395.76

Note: the derivative financial assets at the year end are the future exchange derivatives that are designated and are effective hedging instruments.

(1) Cash flow hedges:

In order to avoid the risk of cash flow changes related to commodity prices in product sales that are likely to occur in the future, the Company designates a series of commodity futures and paper market contracts held by it as hedging instruments for expected commodity sales. Commodity futures and paper market contracts designated as hedging instruments have an economic relationship with the expected sales of commodities under the hedging. The hedge ratio of the hedging relationship is the same as that set from the perspective of risk management, and the hedging ratio of hedging relationship is reasonable.

In order to avoid the risk of cash flow changes related to foreign currency borrowings in the future, the Company designates a series of foreign currency derivative contracts held by the Company as hedging instruments for foreign currency borrowings. The underlying assets of foreign currency derivatives designated as hedging instruments have an economic relationship with the hedged foreign currency borrowings. The hedge ratio of the hedging relationship is the same as that set from the perspective of risk management, and the hedging ratio of hedging relationship is reasonable.

In the current year, the amount of cash flow hedging reserve included in shareholders' equity is

RMB -431,713,895.59, and the details are as follows:

Item	Amount incurred in current year
Total fair value gains included into shareholders' equity	-386,595,860.29
Less: Deferred income tax from the gains of fair value	-12,890,777.43
Less: Other comprehensive income is reclassified into current profit and loss	156,684,593.22
Less: Deferred income tax reclassified into current profit and loss	-1,952,640.00
Less: Net after-tax income attributable to minority shareholders	-100,628,420.49
Net gain of cash flow hedges	-431,713,895.59

(2) Fair value hedges

At the end of 2020, the Company held a series of PTA futures contracts designated to hedge the price risk of future PTA purchases, and the Company had firm commitments to these purchases. The underlying assets of commodity futures designated as hedging instruments have an economic relationship with the hedged expected sales commodity. The hedge ratio of the hedging relationship is the same as that set from the perspective of risk management, and the hedging ratio of hedging relationship is reasonable.

① Hedged items

Type of risk	Book value	Change of Fair value hedges Accumulative amount	Items presented in balance sheet
Price risk	454,738,420.94	454,738,420.94	Other current assets

② Hedging instruments

Type of risk	Book value	Balance Sheet Presented items	Included in current profit and loss Ineffective part of hedging	Recognized ineffective part of hedging Items presented in income statement
Price risk	-454,738,420.94	Derivative financial assets	0.00	Gains from changes of fair value

4. Notes receivable

(1) Notes receivable are listed by classification

Item	Ending balance	Balance at the end of prior year
Bank acceptance bills	214,684,966.98	728,006,603.36
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Subtotal	214,684,966.98	728,006,603.36
Less: bad debt provision	0.00	0.00
Total	214,684,966.98	728,006,603.36

(2) Pledged notes receivable at the end of the year

Item	Amounts pledged at the end of period
Bank acceptance bills	119,651,779.16
Commercial acceptance bills	0.00
Domestic letter of credit	0.00
Total	119,651,779.16

(3) The amount of endorsed or discounted notes receivable that become mature after the date of balance sheet at the end of the year.

Item	Ending balance of those derecognized	Ending balance of those not derecognized
Bank acceptance bills	379,286,514.43	0.00
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Total	379,286,514.43	0.00

(4) Notes converted to accounts receivable at the year end due to the non-performance of the drawer

Notes that are transferred to accounts receivable by the Company not due to the drawer's failure of performance at year end

5. Accounts receivable

(1) Disclosure based on aging analysis

Aging of accounts receivable	Ending balance	Balance at the end of prior year
Within 1 year	3,879,791,533.09	5,898,731,247.43
Including: within 6 months	3,668,167,642.10	5,897,452,251.37
7 - 12 months	211,623,890.99	1,278,996.06
1-2 years	9,090,985.04	120,647.36
2-3 years	16,931.85	0.00
Over 3 years	336,665.16	336,665.16
Subtotal	3,889,236,115.14	5,899,188,559.95
Less: bad debt provision	9,491,985.10	8,947,021.17
Total	3,879,744,130.04	5,890,241,538.78

(2) Presented based on bad debt reserve provision method

Category	Ending balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Allotment rate, %	
Accounts receivable with single provision for bad debt	8,510,212.00	0.22	8,510,212.00	100.00	0.00

Category	Ending balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Allotment rate, %	
Including: Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	0.22	8,510,212.00	100.00	0.00
Receivables with bad debt provision made as per different groups	3,880,725,903.14	99.78	981,773.10	0.03	3,879,744,130.04
Including: those with aging of accounts receivable used as credit risk characteristics	3,880,725,903.14	99.78	981,773.10	0.03	3,879,744,130.04
Total	3,889,236,115.14	100.00	9,491,985.10	0.24	3,879,744,130.04

(Contd.)

Category	Balance at the end of prior year				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Allotment rate, %	
Accounts receivable with single provision for bad debt	8,510,212.00	0.14	8,510,212.00	100.00	0.00
Including: Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	0.14	8,510,212.00	100.00	0.00
Receivables with bad debt provision made as per different groups	5,890,678,347.95	99.86	436,809.17	0.01	5,890,241,538.78
Including: those with aging of accounts receivable used as credit risk characteristics	5,890,678,347.95	99.86	436,809.17	0.01	5,890,241,538.78
Total	5,899,188,559.95	100.00	8,947,021.17	0.15	5,890,241,538.78

①Accounts receivable with single provision for bad debt

Accounts receivable (by unit)	Ending balance			Reason for provision
	Book balance	Provision for bad debts	Allotment rate (%)	
Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	8,510,212.00	100%	Expected to be less likely to be recovered

②Accounts receivable with provision for bad debts made based on aging combination in the combination

Aging of accounts receivable	Ending balance		
	Accounts receivable	Provision for bad debts	Allotment rate, %

Aging of accounts receivable	Ending balance		
	Accounts receivable	Provision for bad debts	Allotment rate, %
Within 6 months	3,870,543,331.22	0.00	0.00
7-12 months	9,248,201.87	462,410.10	5.00
1-2 years	580,773.04	174,231.91	30.00
2-3 years	16,931.85	8,465.93	50.00
Over 3 years	336,665.16	336,665.16	100.00
Total	3,880,725,903.14	981,773.10	0.03

(3) Bad debt preparation

Category	Beginning balance	Amount of changes in the current period			Ending balance
		Provision	Amount recovered or written back	Resell or write off	
Accounts receivable with single provision for bad debt	8,510,212.00	0.00	0.00	0.00	8,510,212.00
Amounts due from related parties included in the scope of consolidation	0.00	0.00	0.00	0.00	0.00
Receivables with bad debt provision made as per different groups	436,809.17	583,434.81	38,470.88	0.00	981,773.10
Total	8,947,021.17	583,434.81	38,470.88	0.00	9,491,985.10

(4) The top five ending amounts (totals by borrower) of accounts receivable

The top five ending amounts (totals by borrower) of accounts receivable amounted to RMB 1,880,960,918.67 in total, accounting for 48.36% of the year-end balance of accounts receivable, and the corresponding year-end balance of the provision for bad debts was RMB 0.00.

6. Accounts receivable financing

(1) Financing of receivables presented by category

Item	Ending balance	Beginning balance
Notes receivable	537,214,790.48	442,981,896.97
Accounts receivable	0.00	0.00
Total	537,214,790.48	442,981,896.97

(2) Changes of increase or decrease of financing of receivables in the current period and changes in fair value thereof

Item	Beginning balance	Changes in the current period	Ending balance
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	Costs	Changes of fair value	Costs	Changes of fair value	Costs	Changes of fair value
Notes receivable	442,981,896.97	0.00	94,232,893.51	0.00	537,214,790.48	0.00
Accounts receivable	0.00	0.00	0.00	0.00	0.00	0.00
Total	442,981,896.97	0.00	94,232,893.51	0.00	537,214,790.48	0.00

(3) Financing of pledged receivables at the end of the period

Item	Amounts pledged at the end of period
Bank acceptance bills	262,151,806.71
Commercial acceptance bills	0.00
Domestic letter of credit	0.00
Total	262,151,806.71

(4) The amount of endorsed or discounted accounts receivable that become mature after the date of balance sheet at the end of the year.

Item	Ending balance of those derecognized	Ending balance of those not derecognized
Bank acceptance bills	1,709,219,276.34	0.00
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Total	1,709,219,276.34	0.00

(5) Other Explanations

During the current period, the Company discounted bank acceptance bills of RMB 2,034,341,304.09 (previous year: RMB 4,574,723,760.80) under the financing of receivables to banks. As the major risks such as interest rate risk related to the banker's acceptance and benefits have been transferred to the bank, the Company ceased to recognize the banker's acceptance that has been cashed but not yet mature. According to the cashing agreement, if the banker's acceptance failed to be cashed upon maturity, the bank has the right to ask the Company to pay off the unsettled balance. Therefore, the Company continued to involve in cashing the banker's acceptance. On December 31, 2020, the cashed but not mature banker's acceptance was RMB 822,644,628.06 in total (December 31, 2019: RMB 1,864,896,260.32).

7. Advance payments

(1) Advance payments are listed by aging as follows

Aging of accounts receivable	Ending balance		Balance at the end of prior year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	870,010,754.43	98.49	634,753,441.64	99.31

Aging of accounts receivable	Ending balance		Balance at the end of prior year	
	Amount	Proportion (%)	Amount	Proportion (%)
1-2 years	12,296,929.92	1.39	3,416,432.89	0.53
2-3 years	537,030.32	0.06	501,954.80	0.08
Over 3 years	535,265.61	0.06	534,159.28	0.08
Total	883,379,980.28	100.00	639,205,988.61	100.00

(2) Significant advance payments with aging exceeding 1 year

The Company has no significant advance payments with aging exceeding 1 year at the end of the period.

(3) The top five ending amounts (totals by prepayment objects) of advance payments

The top five ending amounts (totals by prepayment objects) of advance payments amounted to RMB 508,946,460.72, accounting for 57.61% in the total balance of prepayments at the year-end balance.

8. Other receivables

Item	Ending balance	Balance at the end of prior year
Interests receivable	0.00	0.00
Dividend receivable	330,395,003.24	194,194,087.61
Other receivables	114,458,722.59	697,646,002.30
Total	444,853,725.83	891,840,089.91

(1) Dividends receivable

Investee	Ending balance	Balance at the end of prior year
Hainan Yi Sheng Petrochemical Co., Ltd.	212,500,000.00	127,500,000.00
Dalian Yisheng Investment Co., Ltd.	63,750,000.00	38,250,000.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	54,145,003.24	28,444,087.61
Subtotal	330,395,003.24	194,194,087.61
Less: bad debt provision	0.00	0.00
Total	330,395,003.24	194,194,087.61

(2) Other receivables

① Disclosure based on aging analysis

Aging of accounts receivable	Ending balance	Balance at the end of prior year
Within 1 year	66,799,712.81	676,000,505.62
1-2 years	13,196,734.21	61,298,689.59
2-3 years	59,795,633.48	4,638,827.45

Aging of accounts receivable	Ending balance	Balance at the end of prior year
Over 3 years	5,347,080.87	1,022,337.27
Subtotal	145,139,161.37	742,960,359.93
Less: bad debt provision	30,680,438.78	45,314,357.63
Total	114,458,722.59	697,646,002.30

② Classification of accounts receivable by nature

Nature of account	Ending balance	Balance at the end of prior year
Receivables and payables such as advances from entities beyond the scope of consolidation	31,101,998.16	518,394,221.11
Combination of tax refunds receivable and other government subsidies	23,000,185.76	144,919,980.00
Portfolio of deposits and security	17,867,007.60	10,047,663.87
Employee loan and petty cash	4,825,111.28	5,107,590.62
Other groups	68,344,858.57	64,490,904.33
Subtotal	145,139,161.37	742,960,359.93
Less: bad debt provision	30,680,438.78	45,314,357.63
Total	114,458,722.59	697,646,002.30

③ Bad debt provision

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime(no credit impairment has occurred)	Expected credit loss over the lifetime(credit impairment has occurred)	
Beginning balance	18,130,372.54	628,940.00	26,555,045.09	45,314,357.63
In this year, book balance of other receivables at the beginning of the year:				
--Transferred to the second stage	--	--	--	--
--Transferred to the third stage	--	--	--	--
--Transferred back to the second stage	--	--	--	--
--Transferred back to the first stage	--	600,000.00	0.00	600,000.00

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime(no credit impairment has occurred)	Expected credit loss over the lifetime(credit impairment has occurred)	
Withdrawal in the current period	1,434,544.65	15,000.00	0.00	1,449,544.65
Amount written-back in the current period	15,391,509.01	600,000.00	0.00	15,991,509.01
Amount charged off in the current period	0.00	0.00	0.00	0.00
Amount written-off in the current period	80,000.00	0.00	0.00	80,000.00
Other changes	9,714.49	2,240.00	0.00	11,954.49
Ending balance	4,083,693.69	41,700.00	26,555,045.09	30,680,438.78

④Bad debt preparation

Category	Beginning balance	Amount of changes in the current period			Ending balance
		Provision	Amount recovered or written back	Resale or write-off and others	
Receivables and payables such as advances from entities beyond the scope of consolidation	15,561,166.85	437,272.75	15,036,034.51	7,614.49	954,790.60
Combination of tax refunds receivable	0.00	0.00	0.00	0.00	0.00
Portfolio of deposits and security	1,156,900.08	703,851.46	850,682.70	82,240.00	927,828.84
Employee loan and petty cash	140,805.05	103,289.77	98,251.32	2,100.00	143,743.50
Other groups	28,455,485.65	205,130.67	6,540.48	0.00	28,654,075.84
Total	45,314,357.63	1,449,544.65	15,991,509.01	91,954.49	30,680,438.78

⑤Other receivables actually written off in the current period

Item	Amount written off
Other receivables actually written off	80,000.00

⑥ The top five ending amounts (totals by borrower) of other receivables:

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the year ended (%)	Provision for bad debts Ending balance
Fulida Group Holdings Co., Ltd., Xinghui Chemical Fiber Group Co., Ltd.	Compensations	38,309,664.44	Within one year, 2-3 years	26.40	1,915,483.22
Wang	Claim	26,243,545.09	2-3 years	18.08	26,243,545.09
Economic and Information Bureau of Xiaoshan District Hangzhou	Government grants	18,715,600.00	Within 1 year	12.89	0.00
Special account for land bid margin of Zhejiang Jiangnan Elements Trading Center Co., Ltd.	Security deposit	7,590,000.00	Within 1 year	5.23	379,500.00
Sahid & CSEEC Sdn Bhd	Deposit	6,224,322.39	1-2 years, 2-3 years	4.29	311,216.12
Total	—	97,083,131.92	—	66.89	28,849,744.43

Note 1: The relevant description on balance formation of the Company's "other receivables - Wang" and full provision for bad debts at the end of 2020 can be found in Note XIII. 2.

⑦Accounts receivable involving government grants

Name of organization	Project name of government grants	Ending balance	Aging at the end of the period	Time, amount and basis of estimated collection
Economic and Information Bureau of Xiaoshan District Hangzhou	2020 return subsidy fund from the headquarters	18,715,600.00	Within 1 year	End of May 2021
Taxation Bureau, Xiao Shan, Hangzhou	Refunds of VAT	4,284,585.76	Within 1 year	End of May 2021
Total	—	23,000,185.76	—	—

9. Inventories

(1) Classification of inventories

Item	Ending balance		
	Book balance	Inventory falling price reserves	Book value
In-transit materials	1,116,653,343.48	0.00	1,116,653,343.48
Raw materials	3,365,367,168.21	0.00	3,365,367,168.21
Goods in process	612,488,224.61	0.00	612,488,224.61
Commodity stocks	4,567,184,984.49	18,111,009.54	4,549,073,974.95
Project construction	7,276,155.92	0.00	7,276,155.92

Item	Ending balance		
	Book balance	Inventory falling price reserves	Book value
Total	9,668,969,876.71	18,111,009.54	9,650,858,867.17

(Contd.)

Item	Balance at the end of prior year		
	Book balance	Inventory falling price reserves	Book value
In-transit materials	4,039,224,970.82	338,489.60	4,038,886,481.22
Raw materials	2,459,717,421.55	699,838.76	2,459,017,582.79
Goods in process	933,548,159.78	0.00	933,548,159.78
Commodity stocks	1,726,755,117.02	19,307,362.42	1,707,447,754.60
Project construction	14,338,569.66	0.00	14,338,569.66
Total	9,173,584,238.83	20,345,690.78	9,153,238,548.05

(2) Inventory price decline provision

Item	Beginning balance	Increase in the current period		Decrease in the current period		Ending balance
		Provision	Others	Write-back or write-off	Others	
In-transit materials	338,489.60	0.00	0.00	338,489.60	0.00	0.00
Raw materials	699,838.76	0.00	0.00	699,838.76	0.00	0.00
Goods in process	0.00	0.00	0.00	0.00	0.00	0.00
Commodity stocks	19,307,362.42	18,111,009.54	0.00	19,307,362.42	0.00	18,111,009.54
Total	20,345,690.78	18,111,009.54	0.00	20,345,690.78	0.00	18,111,009.54

Note: The reason for the Company's re-sell inventory depreciation provision in the current period is the external sales of the inventory for which the inventory depreciation provision has been made.

10. Non-current assets due within one year

Item	Ending balance	Balance at the end of prior year	Remarks
long-term accounts receivable due within 1 year	92,749,731.30	4,389,768.36	For details, please refer to Note VI. 12.

11. Other current assets

Item	Ending balance	Balance at the end of prior year
Deferred expenses	164,706,030.82	106,167,297.81
Input taxes retained for deduction purpose	553,743,560.98	850,870,478.90
Overpaid tax	30,789,142.69	31,897,740.08
Input taxes to be certified	3,105,506.54	0.00
Principal and interest of entrusted loan	1,001,440,816.65	600,855,983.33

Item	Ending balance	Balance at the end of prior year
Hedged items	454,738,420.94	0.00
Estimated net realizable value of products in trial production	2,030,774.81	0.00
Total	2,210,554,253.43	1,589,791,500.12

12. Long-term accounts receivable

Long-term accounts receivable

Item	Ending balance			Balance at the end of prior year		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
Finance leases	250,226,220.95	0.00	250,226,220.95	233,955,249.20	0.00	233,955,249.20
Of which: unrealized financing income	-24,800,126.32	0.00	-24,800,126.32	-43,765,551.02	0.00	-43,765,551.02
Less: Portion due within one year (Note VI. 10)	92,749,731.30	0.00	92,749,731.30	4,389,768.36	0.00	4,389,768.36
Total	157,476,489.65	0.00	157,476,489.65	229,565,480.84	0.00	229,565,480.84

13. Long-term equity investments

(1) Investments in joint ventures and associates

Investee	Beginning balance	Changes of increase or decrease in the current period				
		Additional investment	Negative investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Changes in other equity
I. Associates						
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	1,139,905,940.15	0.00	0.00	99,150,058.48	0.00	0.00
Zhejiang Yisheng New Material Co., Ltd.	850,568,431.26	50,000,000.00	0.00	25,768,873.47	0.00	0.00
Subtotal	1,990,474,371.41	50,000,000.00	0.00	124,918,931.95	0.00	0.00
II. Joint ventures						
Dalian Yisheng Investment Co., Ltd.	1,801,485,833.87	0.00	0.00	299,953,892.22	2,472,528.93	0.00
Hainan Yi Sheng Petrochemical Co., Ltd.	1,555,592,148.45	0.00	0.00	492,373,119.54	6,202,593.75	0.00
China Zheshang Bank	3,892,730,356.96	0.00	0.00	401,922,655.50	-70,646,400.00	0.00
Ningbo Jinhou Industry Investment Co., Ltd.	14,408,927.05	0.00	0.00	-143,825.70	0.00	0.00

Investee	Beginning balance	Changes of increase or decrease in the current period				
		Additional investment	Negative investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Changes in other equity
Hangzhou Huixin Zhishi Technology Co., Ltd.	5,556,175.52	0.00	5,556,175.52	0.00	0.00	0.00
Dongzhan Shipping Co., Ltd.	0.00	132,461,850.00	0.00	8,709,007.75	0.00	0.00
Subtotal	7,269,773,441.85	132,461,850.00	5,556,175.52	1,202,814,849.31	-61,971,277.32	0.00
Total	9,260,247,813.26	182,461,850.00	5,556,175.52	1,327,733,781.26	-61,971,277.32	0.00

(Contd.)

Investee	Changes of increase or decrease in the current period				Ending balance	Impairment provision Ending balance
	Announcement of release Cash dividend or profit	Impairment provision	Others			
I. Associates						
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	74,145,003.24	0.00	0.00	1,164,910,995.39	0.00	
Zhejiang Yisheng New Material Co., Ltd.	0.00	0.00	0.00	926,337,304.73	0.00	
Subtotal	74,145,003.24	0.00	0.00	2,091,248,300.12	0.00	
II. Joint ventures						
Dalian Yisheng Investment Co., Ltd.	89,250,000.00	0.00	0.00	2,014,662,255.02	0.00	
Hainan Yi Sheng Petrochemical Co., Ltd.	297,500,000.00	0.00	0.00	1,756,667,861.74	0.00	
China Zheshang Bank	179,536,627.92	0.00	0.00	4,044,469,984.54	0.00	
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,265,101.35	0.00	
Hangzhou Huixin Zhishi Technology Co., Ltd.	0.00	0.00	0.00	0.00	0.00	
Dongzhan Shipping Co., Ltd.	0.00	0.00	0.00	141,170,857.75	0.00	
Subtotal	566,286,627.92	0.00	0.00	7,971,236,060.40	0.00	
Total	640,431,631.16	0.00	0.00	10,062,484,360.52	0.00	

14. Other equity instruments investment

(1) Other equity instruments investment

Item	Ending balance	Beginning balance
Zhejiang Hengchuang Advanced Functional Fiber Innovation Center Co., Ltd.	600,000.00	600,000.00

Item	Ending balance	Beginning balance
Jiangsu New Vision Advanced Functional Fiber Innovation Center Co., Ltd.	5,000,000.00	0.00
Total	5,600,000.00	600,000.00

15. Fixed assets

Item	Ending balance	Beginning balance
Fixed assets	41,521,433,906.78	38,775,633,926.67
Liquidation of fixed assets	58,294,574.17	0.00
Total	41,579,728,480.95	38,775,633,926.67

(1) Fixed assets

① Information on fixed assets

Item	Houses & buildings	Structures	Machinery equipment	Transportation equipment	Office facilities & others	Total
I. Original book value						
1. Balance at the beginning of current year	10,266,177,506.41	1,148,321,883.71	37,060,711,323.00	194,201,545.23	164,739,722.32	48,834,151,980.67
2. Increase in current year	326,410,473.41	1,367,338,006.21	4,122,790,793.75	125,049,469.69	67,966,935.45	6,009,555,678.51
(1) Acquisition	48,833,066.01	315,294.63	74,938,894.34	82,914,413.54	19,605,322.81	226,606,991.33
(2) Transfer from construction in progress	734,640,862.20	1,278,414,740.57	4,286,876,174.66	1,313,442.38	10,117,291.95	6,311,362,511.76
(3) Changes in scope of consolidation	0.00	0.00	0.00	0.00	0.00	0.00
(4) Reversal of rebuilt fixed assets	0.00	88,615,649.00	985,332,746.02	0.00	0.00	1,073,948,395.02
(5) Reclassification of fixed assets	0.00	0.00	0.00	45,478,017.34	42,101,831.44	87,579,848.78
(6) Others (conversion of foreign currency statements)	-457,063,454.80	-7,677.99	-1,224,357,021.27	-4,656,403.57	-3,857,510.75	-1,689,942,068.38
3. Decrease in current year	59,231,592.96	21,106,177.10	382,471,512.43	57,790,602.37	4,005,801.07	524,605,685.93
(1) Disposal or retirement	6,033,786.14	0.00	165,360,220.38	25,839,438.34	1,981,233.85	199,214,678.71
(2) Changes in scope of consolidation	53,197,806.82	21,106,177.10	3,977,908.26	31,951,164.03	2,024,567.22	112,257,623.43
(3) Transfer into construction in progress	0.00	0.00	125,553,535.01	0.00	0.00	125,553,535.01
(4) Reclassification of fixed assets	0.00	0.00	87,579,848.78	0.00	0.00	87,579,848.78

Item	Houses & buildings	Structures	Machinery equipment	Transportation equipment	Office facilities & others	Total
4. Balance at the end of current year	10,533,356,386.86	2,494,553,712.82	40,801,030,604.32	261,460,412.55	228,700,856.70	54,319,101,973.25
II. Accumulated depreciation						
1. Balance at the beginning of current year	694,101,771.93	457,378,903.46	8,708,067,381.58	105,278,599.14	93,691,397.89	10,058,518,054.00
2. Increase in current year	240,098,383.98	108,639,361.91	2,524,435,786.38	24,288,465.47	20,106,720.01	2,917,568,717.75
(1) Provision	248,326,703.02	63,046,877.97	1,869,362,949.74	25,137,668.80	21,014,075.19	2,226,888,274.72
(2) Reversal of rebuilt fixed assets	0.00	45,594,367.30	687,712,536.76	0.00	0.00	733,306,904.06
(3) Reclassification of fixed assets	0.00	0.00	0.00	876,154.69	1,135,462.75	2,011,617.44
(4) Others (conversion of foreign currency statements)	-8,228,319.04	-1,883.36	-32,639,700.12	-1,725,358.02	-2,042,817.93	-44,638,078.47
3. Decrease in current year	7,936,518.27	9,623,916.28	117,545,774.92	40,659,986.47	2,652,509.34	178,418,705.28
(1) Disposal or retirement	0.00	0.00	93,657,258.13	22,659,998.76	1,210,871.51	117,528,128.40
(2) Changes in scope of consolidation	7,936,518.27	9,623,916.28	1,913,139.25	17,999,987.71	1,441,637.83	38,915,199.34
(3) Reclassification of fixed assets	0.00	0.00	8,621,568.37	0.00	0.00	8,621,568.37
(4) Transfer into construction in progress	0.00	0.00	13,353,809.17	0.00	0.00	13,353,809.17
4. Ending balance	926,263,637.64	556,394,349.09	11,114,957,393.04	88,907,078.14	111,145,608.56	12,797,668,066.47
III. Impairment provision						
1. Balance at the beginning of current year	0.00	0.00	0.00	0.00	0.00	0.00
2. Increase in current year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal or retirement	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00	0.00

Item	Houses & buildings	Structures	Machinery equipment	Transportation equipment	Office facilities & others	Total
IV. Book value						
1. Book value at the end of this year	9,607,092,749.22	1,938,159,363.73	29,686,073,211.28	172,553,334.41	117,555,248.14	41,521,433,906.78
2. Book value at the beginning of this year	9,572,075,734.48	690,942,980.25	28,352,643,941.42	88,922,946.09	71,048,324.43	38,775,633,926.67

② Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Houses & buildings	0.00	0.00	0.00	0.00
Structures	278,529.56	112,456.32	0.00	166,073.24
Machinery equipment	14,080,545.76	4,273,816.60	0.00	9,806,729.16
Transportation vehicles	0.00	0.00	0.00	0.00
Office facilities & others	0.00	0.00	0.00	0.00
Total	14,359,075.32	4,386,272.92	0.00	9,972,802.40

③ Explanation of fixed assets that did not have title certificates

Item	Book value	Reasons for failure to complete relevant affairs of property right certificate
Comprehensive water supply station workshop	2,864,075.71	Property acquired by auction is being handled.
110KVA substation	2,173,449.63	Property acquired by auction is being handled.
Power station workshop	2,349,344.81	Property acquired by auction is being handled.
Fire water supply station	4,353,211.21	Supporting auxiliary facilities
110KV substation	3,521,294.92	Supporting auxiliary facilities
Dormitory Building 2#	15,796,465.38	Property acquired by auction is being handled.
Dormitory Building 4#	32,132,205.84	Property acquired by auction is being handled.
Dormitory Building 3#	33,891,288.36	Property acquired by auction is being handled.
Phase II polyester slurry preparation room	4,347,246.52	Property acquired by auction is being handled.
Phase II polyester building	12,732,519.76	Property acquired by auction is being handled.
Spinning CD workshop	135,282,913.69	Property acquired by auction is being handled.
New thermal coal station in Phase I	7,655,071.91	Property acquired by auction is being handled.
Smart stereoscopic storehouse	41,862,383.94	Property acquired by auction is being handled.

(2) Liquidation of fixed assets

Item	Ending balance	Balance at the end of prior year
Machinery equipment	58,294,574.17	0.00

Item	Ending balance	Balance at the end of prior year
Total	58,294,574.17	0.00

16. Construction in progress

Item	Ending balance	Balance at the end of prior year
Construction in progress	7,605,609,683.33	3,437,747,296.61
Engineering materials	195,923,299.39	252,384,254.69
Total	7,801,532,982.72	3,690,131,551.30

(1) Construction in progress

①Description

Item	Ending balance			Balance at the end of prior year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Fujian Yijin Project Phase II	924,046,018.56	0.00	924,046,018.56	60,768,238.72	0.00	60,768,238.72
Haining Jianshan Industrial Park Cogeneration Project	645,712,875.42	0.00	645,712,875.42	419,125,628.96	0.00	419,125,628.96
Haining New Material Construction Project	5,309,102,204.69	0.00	5,309,102,204.69	1,768,344,567.98	0.00	1,768,344,567.98
Brunei Refining and Chemical Project Phase II	402,295,413.64	0.00	402,295,413.64	80,351,605.02	0.00	80,351,605.02
Brunei PX Project Promote	0.00	0.00	0.00	0.00	0.00	0.00
Upgrading and Reforming Project with an Annual Output of 500,000 tons of Differential Functional Fibers	0.00	0.00	0.00	414,122,083.64	0.00	414,122,083.64
PIA Project	1,046,212.13	0.00	1,046,212.13	482,055,552.72	0.00	482,055,552.72
Other projects	323,406,958.89	0.00	323,406,958.89	212,979,619.57	0.00	212,979,619.57
Total	7,605,609,683.33	0.00	7,605,609,683.33	3,437,747,296.61	0.00	3,437,747,296.61

②Changes of major construction in progress projects

Item	Budget amount (RMB 10,000)	Beginning balance	Increase in current year Amount	Amount of transferred into fixed assets in current year	Other decrease in current year	Ending balance
Fujian Yijin Project Phase II	134,100.00	60,768,238.72	863,277,779.84	0.00	0.00	924,046,018.56
Haining Jianshan Industrial Park Cogeneration Project	83,299.00	419,125,628.96	459,984,799.80	233,397,553.34	0.00	645,712,875.42

Item	Budget amount (RMB 10,000)	Beginning balance	Increase in current year Amount	Amount of transferred into fixed assets in current year	Other decrease in current year	Ending balance
Haining New Material Construction Project	892,500.00	1,768,344,567.98	4,844,273,114.87	1,303,515,478.16	0.00	5,309,102,204.69
Brunei Refining and Chemical Project Phase II	\$1,365,389.00	80,351,605.02	321,943,808.62	0.00	0.00	402,295,413.64
Brunei PX Project Promote	\$43,000.00	0.00	1,945,445,827.09	1,945,445,827.09	0.00	0.00
Upgrading and Reforming Project with an Annual Output of 500,000 tons of Differentiated Functional Fibers	227,220.00	414,122,083.64	966,302,305.42	1,380,424,389.06	0.00	0.00
PIA Project	35,085.00	482,055,552.72	179,535,923.23	660,395,263.82	150,000.00	1,046,212.13
Other projects	-	212,979,619.57	1,239,252,830.57	1,128,825,491.25	0.00	323,406,958.89
Total	-	3,437,747,296.61	10,820,016,389.44	6,652,004,002.72	150,000.00	7,605,609,683.33

(Contd.)

Project name	Proportion of project accumulated investment in budget (%)	Engineering Schedule (%)	Interest capitalization Accumulative amount	Of which: amount of interest capitalization in current year	Capitalization rate of interest in current year (%)	Capital source
Fujian Yijin Project Phase II	86.00	91.00	22,091,717.22	22,091,717.22	4.79%	Self-raising and borrowing
Haining Jianshan Industrial Park Cogeneration Project	83.00	95.00	45,601,673.82	35,436,763.98	5.07%	Self-raising and borrowing
Haining New Material Construction Project	77.00	72.00	174,045,464.28	141,666,879.91	4.29%	Self-raising and borrowing
Brunei Refining and Chemical Project Phase II	0.38	0.38	0.00	0.00	-	Self-financing
Brunei PX Project Promote	55.47	100.00	0.00	0.00	-	Self-financing
Upgrading and Reforming Project with an Annual Output of 500,000 tons of Differentiated Functional Fibers	92.00	100.00	27,954,550.75	2,958,895.36	4.35%	Self-raising and borrowing
PIA Project	91.00	99.84	6,762,385.65	4,378,304.36	4.35%	Self-raising and borrowing
Other projects	-	-	24,569,623.77	20,525,931.05	-	Self-raising and borrowing
Total	-	-	301,025,415.49	227,058,491.88		

(2) Engineering materials

Item	Ending balance			Balance at the end of prior year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Special materials	129,111,961.49	0.00	129,111,961.49	211,770,885.95	0.00	211,770,885.95
Dedicated equipment	66,811,337.90	0.00	66,811,337.90	40,613,368.74	0.00	40,613,368.74
Total	195,923,299.39	0.00	195,923,299.39	252,384,254.69	0.00	252,384,254.69

17. Intangible assets**(1) Information on intangible assets**

Item	Land use right	Patent	Trademark	Software and others	Total
I. Original book value					
1. Balance at the beginning of current year	1,347,111,967.03	650,042,719.74	19,740.00	108,142,649.37	2,105,317,076.14
2. Increase in current year	326,533,878.06	0.00	0.00	20,570,409.88	347,104,287.94
(1) Acquisition	326,533,878.06	0.00	0.00	20,570,409.88	347,104,287.94
(2) Internal R&D	0.00	0.00	0.00	0.00	0.00
(3) Business combination	0.00	0.00	0.00	0.00	0.00
(4) Capital invested by investors	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	63,933,808.57	22,355,802.30	0.00	3,128,820.51	89,418,431.38
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Changes in scope of business consolidation	63,933,808.57	0.00	0.00	0.00	63,933,808.57
(3) Others	0.00	22,355,802.30	0.00	3,128,820.51	25,484,622.81
4. Ending balance	1,609,712,036.52	627,686,917.44	19,740.00	125,584,238.74	2,363,002,932.70
II. Accumulated amortization					
1. Balance at the beginning of current year	162,762,832.03	307,334,773.70	8,460.00	34,290,496.61	504,396,562.34
2. Increase in current year	41,249,366.38	34,045,300.68	4,230.00	16,231,841.66	91,530,738.72
(1) Provision	41,249,366.38	34,045,300.68	4,230.00	16,231,841.66	91,530,738.72
(2) Changes in scope of business consolidation	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00
3. Decrease in current	11,294,973.25	2,038,200.31	0.00	408,497.88	13,741,671.44

Item	Land use right	Patent	Trademark	Software and others	Total
year					
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Changes in scope of business consolidation	11,294,973.25	0.00	0.00	0.00	11,294,973.25
(3) Others	0.00	2,038,200.31	0.00	408,497.88	2,446,698.19
4. Ending balance	192,717,225.16	339,341,874.07	12,690.00	50,113,840.39	582,185,629.62
III. Impairment provision	0.00	0.00	0.00	0.00	0.00
1. Balance at the beginning of current year	0.00	0.00	0.00	0.00	0.00
2. Increase in current year	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Book value at the end of this year	1,416,994,811.36	288,345,043.37	7,050.00	75,470,398.35	1,780,817,303.08
2. Book value at the beginning of this year	1,184,349,135.00	342,707,946.04	11,280.00	73,852,152.76	1,600,920,513.80

(2) Important individual intangible assets

Item	Book value at the end of the period	Remaining amortization period (month)
Land use right of Zhejiang Hengyi High-tech Materials Co., Ltd.	48,370,084.42	449.00
Patent license of Hengyi Industries Sdn Bhd	170,500,771.12	107.00
Patent license of Hengyi Industries Sdn Bhd	66,724,973.16	107.00
Land use right of Haining Hengyi New Materials Co., Ltd.	66,320,302.68	566.00
Land use right of Taicang Yifeng Chemical Fiber Co., Ltd.	52,252,852.68	486.00
Land use right of Zhejiang Shuangtu New Materials Co., Ltd.	204,100,275.22	488.00
Land use right of Fujian Yijin Chemical Fiber Co., Ltd.	67,919,642.70	446.00
Land use right of Jiaxing Yipeng Chemical Fiber Co., Ltd.	148,794,310.01	398.00

(3) Intangible assets with restricted ownership or right to use

Item	Book value at the end of the period	Amortization amount in the current period	Reason for restriction

Item	Book value at the end of the period	Amortization amount in the current period	Reason for restriction
Land use right	638,649,800.63	20,573,788.29	Mortgage loan

18. Development expenditure

Item	Beginning balance	Increase in current year		Decrease in the current period		Ending balance
		Internal development expenditure	Others	Confirmed as intangible assets	Transfer to current profit and loss	
Henglan Technology R&D PTT Industrialization Project	3,517,300.44	3,502,034.92	0.00	0.00	0.00	7,019,335.36
Polyester POY and FDY Spinning Finish Device Project	0.00	6,388.67	0.00	0.00	0.00	6,388.67
Development and Industrialization of Branching PA6 Resin with High LDPE	0.00	567,398.18	0.00	0.00	0.00	567,398.18
Development of Differential New Flame Retardant Products	0.00	37,632.66	0.00	0.00	0.00	37,632.66
Total	3,517,300.44	4,113,454.43	0.00	0.00	0.00	7,630,754.87

19. Goodwill

(1) Original book value

Name or formation of investee Goodwill matters	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
		Business combinations	Disposal	
Zhejiang Shuangtu New Materials Co., Ltd.	221,865,586.69	0.00	0.00	221,865,586.69

(2) Impairment test process of goodwill

In November 2018, the Company issued shares to purchase 100% equity in Zhejiang Shuangtu New Materials Co., Ltd. (hereinafter referred to as Shuangtu) at a consideration of RMB 2.105 billion, and carried out the apportionment of the merger consideration in accordance with the accounting standards. The fair value share of the identifiable net assets of the acquiree on the merger date was RMB 1,883,134,400, which resulted in the goodwill of RMB 221,865,600 in the consolidated accounting statements.

This year, the Company assessed the recoverable amount of goodwill and conducted impairment tests on various asset groups related to goodwill. In the process of goodwill impairment test, the Company determined the composition of the assets of the asset groups related to the goodwill reflected in the Company's consolidated financial statements and their book value of RMB 2,362,793,900 based on the consolidated financial statement as at December 31, 2020 and the assets and operating conditions of the merged party Shuangtu. It is found after impairment test that the present value of the expected future cash flow of this goodwill and related asset group as at

December 31, 2020 was RMB 2,612,223,100, and no impairment occurred. Details are as follows:

Currency Unit: RMB

10,000

Item	Book amount of consolidated statements
Fixed assets	192,886.31
Construction in progress	34.74
Intangible assets	21,080.86
Long-term deferred expenses	90.92
Goodwill recognized in consolidated statements	22,186.56
Subtotal of book value of asset groups containing goodwill	236,279.39
Value of goodwill not recognized as attributable to minority shareholders' equity	0.00
Total adjusted book value of asset groups containing goodwill	236,279.39
Present value (recoverable amount) of the estimated future cash flow of the asset group	261,222.31

Note: For the present value (recoverable amount) of the expected future cash flow of the asset groups above, the results of assessment set out in the Z. L. P. B. Z. [2021] No. 119 Asset Appraisal Report issued by Zhejiang United Yaoxin Assets Appraisal Co., Ltd. on April 16, 2021 were used.

The recoverable amount of the asset groups above is determined according to the present value of the expected future cash flow. The future cash flow is determined based on the profit forecast from 2021 to 2025 as approved by the management. It is assumed that the future cash flow of the asset groups will remain the same as that in 2025 and a discount rate of 13.29% will be used as from 2026.

Important assumptions for goodwill impairment test:

① There are no major changes in the current macroeconomic, financial and industrial policies of the state;

② There are no major changes in the Company's social and economic environment and the taxes, tax rates and other policies implemented by the Company in the future business period;

③ The Company's asset scale, composition, main business, product structure, revenue and cost composition, sales strategy, cost control, etc. can be predicted and developed in accordance with the Company's plan in the future business period;

◇ The contracts signed by the Company so far are valid and can be performed;

⑤ For this impairment test, it is assumed that the equipment and related assets can be used normally and reasonably, and the shutdown and maintenance caused by the improper use thereof are not considered;

⑥ For this estimate, it is assumed that the future price fluctuations of the main raw materials

PTA and MEG are consistent with the product price fluctuations.

20. Long-term deferred expenses

Item	Beginning balance	Increase in the current period	Amortization amount in the current period	Other decrease in current year	Ending balance
Renovation cost	2,973,993.44	527,015.22	1,540,626.43	75,134.81	1,885,247.42
Exterior wall coating project	1,266,564.73	1,477,064.22	963,302.76	0.00	1,780,326.19
Workshop reinforcement project	1,009,819.80	0.00	367,207.17	0.00	642,612.63
Rental fee	1,208,333.27	32,320,000.00	1,358,048.91	0.00	32,170,284.36
Transfer fee of storage tank use right	1,056,624.38	0.00	147,435.96	0.00	909,188.42
Catalyst	659,497,018.52	0.00	106,984,706.24	36,841,970.52	515,670,341.76
Others	5,929,132.74	2,460,336.92	2,519,154.18	13,431.95	5,856,883.53
Total	672,941,486.88	36,784,416.36	113,880,481.65	36,930,537.28	558,914,884.31

21. Deferred income tax assets and deferred income tax liabilities

(1) Details about non-offset deferred income tax assets

Item	Ending balance		Balance at the end of prior year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment loss on credit assets	39,077,190.61	6,038,615.66	54,170,571.42	13,336,764.71
Asset impairment provision	18,111,009.54	3,831,264.37	20,345,690.78	4,086,183.59
Changes of fair value of financial assets held for trading	17,242,006.11	4,633,044.84	18,508,184.39	4,778,062.35
Unrealized profit arising from intra-group trading	105,803,721.83	26,450,930.46	108,481,550.28	27,120,387.57
Accrued expense	3,121,974.85	468,296.23	2,211,333.66	552,833.42
Deferred income	85,878,905.11	12,881,835.77	79,871,224.02	19,824,851.74
Deductible losses	266,851,757.20	66,712,939.30	336,276,605.91	84,069,151.49
Cash flow hedging	91,296,116.20	14,843,417.43	13,017,600.00	1,952,640.00
Total	627,382,681.45	135,860,344.06	632,882,760.46	155,720,874.87

(2) Details about non-offset deferred income tax liabilities

Item	Ending balance		Balance at the end of prior year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset valuation appreciation of business	442,951,456.94	73,672,808.85	399,780,561.04	99,945,140.27

Item	Ending balance		Balance at the end of prior year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
combinations not under common control				
Changes of fair value of financial assets held for trading	139,028,274.42	33,975,572.86	0.00	0.00
One-off deduction difference before income tax on fixed assets	26,158,082.46	3,923,712.37	108,490,940.06	27,122,734.93
Total	608,137,813.82	111,572,094.08	508,271,501.10	127,067,875.20

(3) Details of unconfirmed deferred income tax assets

Item	Ending balance	Balance at the end of prior year
Deductible temporary differences	13,278,842.77	19,373,328.22
Deductible losses	787,814,103.31	522,947,999.94
Total	801,092,946.08	542,321,328.16

(4) Deductible losses of unconfirmed deferred income tax assets will expire the next year

Year	Ending balance	Balance at the end of prior year
2020 years	--	9,055,754.78
2021	26,715,814.79	50,772,045.66
2022	31,866,477.40	33,007,681.86
2023	229,079,938.78	251,186,681.12
2024	190,651,121.96	178,925,836.52
2025	309,500,750.38	--
Total	787,814,103.31	522,947,999.94

22. Other non-current assets

Item	Ending balance	Balance at the end of prior year
Prepaid project equipment payment	866,329,855.24	3,796,569,779.95
Advance payment for transfer of pollution discharge right	10,961,977.73	10,961,977.73
Advance payment for land	89,120,800.00	3,435,417.60
Others	0.00	2,757,364.90
Total	966,412,632.97	3,813,724,540.18

23. Short-term loans

(1) Classification of short-term loans

Item	Ending balance	Balance at the end of prior year
Pledge loan	10,134,292,276.14	8,623,348,275.08
Mortgage loan	1,096,431,610.43	2,919,310,000.00
Guaranteed loan	13,692,168,947.17	11,549,999,620.90

Item	Ending balance	Balance at the end of prior year
Fiduciary loan	1,544,609,239.54	208,295,861.55
Loan interest	15,170,052.70	22,952,249.03
Total	26,482,672,125.98	23,323,906,006.56

Note: For asset classes and amounts of mortgaged loans, please refer to Note VI-66.

For the portage asset category and amount of pledge loan, please refer to Note VI-66.

24. Financial liabilities held for trading

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
Financial liabilities held for trading	1,399,903.27	9,301,029.70	1,399,903.27	9,301,029.70
Among which: issued bonds held for trading	0.00	0.00	0.00	0.00
Derivative financial liabilities	1,399,903.27	9,301,029.70	1,399,903.27	9,301,029.70
Others	0.00	0.00	0.00	0.00
Specified as financial liability at fair value through profit or loss	0.00	0.00	0.00	0.00
Total	1,399,903.27	9,301,029.70	1,399,903.27	9,301,029.70

25. Derivative financial liabilities

Item	Ending balance	Balance at the end of prior year
Future exchange derivatives	11,490,000.00	0.00
Futures	125,118,747.10	0.00
Total	136,608,747.10	0.00

26. Notes payable

Category	Ending balance	Balance at the end of prior year
Commercial acceptance bills	0.00	0.00
Bank acceptance bills	1,107,267,473.78	1,278,572,207.08
Domestic letter of credit	80,000,000.00	971,722,500.00
Total	1,187,267,473.78	2,250,294,707.08

27. Accounts payable

(1) Accounts payable are listed as follows

Item	Ending balance	Balance at the end of prior year
Within 1 year	4,448,180,007.83	9,607,032,194.91
1-2 years	1,259,912,844.31	54,016,044.40
2-3 years	20,554,317.73	7,349,394.36
Over 3 years	12,054,375.63	11,451,246.47

Item	Ending balance	Balance at the end of prior year
Total	5,740,701,545.50	9,679,848,880.14

(2) Significant accounts payable with aging exceeding 1 year

Item	Ending balance	Reasons for outstanding or carry over
China Chemical Engineering Second Construction Corporation Brunei Branch	119,617,476.74	Warranty has not expired
China Chemical Engineering Third Construction Corporation Brunei Branch	113,475,517.11	Warranty has not expired
Nanjing Chemical Construction Co., Ltd. Brunei Branch	120,214,551.35	Warranty has not expired
China Construction Installation Engineering (Brunei) Co., Ltd.	75,439,004.91	Warranty has not expired
CSCPE(B)SDN BHD	66,176,088.39	Warranty has not expired
Total	494,922,638.50	—

28. Accounts received in advance

(1) Accounts received in advance are listed as follows

Item	Ending balance	Balance at the end of prior year
Within 1 year	0.00	561,874,711.40
1-2 years	0.00	31,467,549.24
2-3 years	0.00	2,594,233.19
Over 3 years	0.00	150,766.79
Total	0.00	596,087,260.62

29. Contract liabilities

(1) Contract liabilities

Item	Ending balance
Advance receipt of payment for contracts unfulfilled	1,620,044,525.95
Less: Those included in other current liabilities (Note VI. 34)	151,856,844.93
Total	1,468,187,681.02

(2) There were no significant changes in the book value in the current period.

30. Wages payable

(1) Wages payable are listed as follows

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
I. Short-term remuneration	341,106,195.21	2,174,108,275.14	2,224,701,928.97	290,512,541.38
II. Post-employment benefit and defined contribution plan	2,963,575.06	82,229,787.64	82,680,120.74	2,513,241.96
III. Termination benefits	0.00	2,853,563.78	2,853,563.78	0.00

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
IV. Other benefits due within one year	0.00	0.00	0.00	0.00
Total	344,069,770.27	2,259,191,626.56	2,310,235,613.49	293,025,783.34

(2) Short-term remuneration is listed as follows

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
1. Wages, bonuses, allowances & subsidies	328,452,040.04	1,968,939,703.71	2,015,662,285.13	281,729,458.62
2. Employee welfare	0.00	76,471,291.53	75,723,515.98	747,775.55
3. Social insurance	1,646,843.42	65,467,092.19	66,068,498.89	1,045,436.72
Of which: medical insurance	1,417,772.33	62,530,914.71	62,945,192.99	1,003,494.05
Employment injury insurance	37,005.54	1,804,930.94	1,815,871.87	26,064.61
Maternity insurance	192,065.55	1,131,246.54	1,307,434.03	15,878.06
4. Housing accumulation fund	891,971.35	36,084,600.06	35,907,255.54	1,069,315.87
5. Labor union & employee education expense	10,115,340.40	27,145,587.65	31,340,373.43	5,920,554.62
6. Short-term paid absences	0.00	0.00	0.00	0.00
7. Short-term profit sharing plan	0.00	0.00	0.00	0.00
8. Others	0.00	0.00	0.00	0.00
Total	341,106,195.21	2,174,108,275.14	2,224,701,928.97	290,512,541.38

(3) Defined contribution plan is listed as follows

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
1. Basic pension insurance	2,886,265.39	79,288,130.43	79,712,393.85	2,462,001.97
2. Unemployment insurance	77,309.67	2,941,657.21	2,967,726.89	51,239.99
3. Enterprise annuity payment	0.00	0.00	0.00	0.00
Total	2,963,575.06	82,229,787.64	82,680,120.74	2,513,241.96

31. Taxes and dues payable

Item	Ending balance	Balance at the end of prior year
VAT	261,972,242.58	51,456,001.00
Corporate income tax:	328,881,257.17	214,774,318.58
Urban maintenance and construction tax	9,304,479.42	3,933,259.13
Education surcharges	4,089,343.55	1,716,934.27
Land use tax	11,014,092.06	12,232,209.40
Property tax	13,804,263.97	24,666,900.84

Item	Ending balance	Balance at the end of prior year
Individual income tax	1,521,278.02	1,341,941.21
Stamp duty	6,777,481.05	3,619,939.70
Local education surcharges	2,726,229.02	1,143,445.11
Disabled employment security fund	58,226.03	219,444.49
Others	341,671.35	1,812,712.79
Total	640,490,564.22	316,917,106.52

32. Other payables

Item	Ending balance	Balance at the end of prior year
Interests payable	0.00	0.00
Dividends payable	173,750,759.38	38,250,759.38
Other payables	232,331,788.44	219,093,341.38
Total	406,082,547.82	257,344,100.76

(1) Dividends payable

Item	Ending balance	Balance at the end of prior year
Common stock dividends	759.38	759.38
Dividends payable by subsidiaries to minority shareholders	173,750,000.00	38,250,000.00
Total	173,750,759.38	38,250,759.38

(2) Other accounts payable

① Presented by nature of amount

Item	Ending balance	Balance at the end of prior year
Account current	21,116,555.50	30,923,407.60
Deposit & security	122,878,434.45	84,305,935.72
Nature of unsettled expenses	74,696,444.37	28,582,313.96
ESOP repurchase obligation	0.00	55,450,720.00
Receipts under custody	1,990,402.06	179,115.43
Others	11,649,952.06	19,651,848.67
Total	232,331,788.44	219,093,341.38

② Advance payments are listed by aging

Item	Ending balance	Balance at the end of prior year
Within 1 year	181,866,809.75	132,960,545.15
1-2 years	29,350,701.44	15,446,777.82
2-3 years	7,609,359.46	59,015,418.54
Over 3 years	13,504,917.79	11,670,599.87

Item	Ending balance	Balance at the end of prior year
Total	232,331,788.44	219,093,341.38

③ Significant accounts payable with aging exceeding 1 year

Item	Ending balance	Reasons for outstanding or carry over
Zhejiang Yaxia Decoration Group Co., Ltd.	5,195,500.00	Incomplete settlement
Zhejiang Weixin Trading Co., Ltd.	3,419,908.00	Pending litigation
Yousheng Village, Yaqian Town, Xiaoshan	2,136,825.00	Margin not due for payment
Zhejiang Dongxing Fire Engineering Co., Ltd.	1,250,000.00	Not due for repayment
Total	12,002,233.00	---

33. Non-current liabilities due within one year

Item	Ending balance	Balance at the end of prior year
Long-term loans and interests due within 1 year (Note VI-35)	1,756,790,484.15	651,999,161.28
Bonds payable and interests due within 1 year (Note VI-36)	1,984,595,701.21	179,587,499.88
Long-term accounts payable and interests due within 1 year (Note VI-37)	746,067,210.88	674,420,973.26
Total	4,487,453,396.24	1,506,007,634.42

34. Other current liabilities

Item	Ending balance	Beginning balance
Output tax to be transferred	151,856,844.93	N/A

35. Long-term loans

Item	Ending balance	Balance at the end of prior year
Pledge loan	310,937,295.00	0.00
Mortgage loan	12,650,509,052.06	12,591,548,759.98
Guaranteed loan	5,375,637,314.17	773,564,066.31
Interests payable	29,609,852.15	20,188,896.12
Less: long-term loans due within 1 year (Note VI-33)	1,756,790,484.15	651,999,161.28
Total	16,609,903,029.23	12,733,302,561.13

Note: For asset classes and amounts of mortgaged loans, please refer to Note VI-66.

For the portage asset category and amount of pledge loan, please refer to Note VI-66.

36. Bonds payable

(1) Bonds payable

Item	Ending balance	Balance at the end of prior year
Corporate bond	3,521,330,557.49	3,989,762,031.71

(2) Changes in bond payables (excluding other financial instruments such as preferred shares)

and perpetual bonds classified as financial liabilities)

Name of bonds	Face value	Date of issue	Bond maturity	Issue amount	Beginning balance
Belt and Road" corporate bonds	500,000,000.00	2018-3-22	3 years	497,500,000.00	523,212,465.31
Corporate bonds (Tranche 1)	1,000,000,000.00	2018-3-22	3 years	995,000,000.00	1,048,728,784.49
Corporate Bond (Tranche 2)	1,500,000,000.00	2018-4-19	3 years	1,492,500,000.00	1,560,839,386.79
Corporate bonds (19 Hengyi 01)	500,000,000.00	2019-3-26	3 years	497,750,000.00	522,211,271.97
Corporate bonds (19 Hengyi 02)	500,000,000.00	2019-6-4	3 years	497,750,000.00	514,357,623.03
Corporate bonds (20 Hengyi 01)	1,000,000,000.00	2020-03-13	2 years	995,500,000.00	0.00
Hengyi Convertible Bonds 127022	2,000,000,000.00	2020-10-16	6 years	1,508,831,199.68	0.00
Subtotal	7,000,000,000.00	--	--	6,484,831,199.68	4,169,349,531.59
Less: partial year-end balances due within one year (Note VI-33)	--	--	--	--	179,587,499.88
Total	7,000,000,000.00	--	--	6,484,831,199.68	3,989,762,031.71

(Contd.)

Name of bonds	Issuance in the current period	Accrued interest at face value	Discounted amortization	Repayment in the current period	Interest paid in the current period	Ending balance
Belt and Road" corporate bond	0.00	14,937,660.60	1,006,255.21	346,495,000.00	32,350,000.00	160,311,381.12
Corporate bonds (Tranche 1)	0.00	45,524,190.76	1,921,441.23	359,682,000.00	67,800,000.00	668,692,416.48
Corporate Bond (Tranche 2)	0.00	66,529,566.66	2,900,258.53	468,613,000.00	96,450,000.00	1,065,206,211.98
Corporate bonds (19 Hengyi 01)	0.00	31,899,999.96	757,143.36	0.00	31,900,000.00	522,968,415.29
Corporate bonds (19 Hengyi 02)	0.00	32,499,999.94	751,942.29	0.00	32,500,000.00	515,109,565.26
Corporate bonds (20 Hengyi 01)	995,500,000.00	49,083,333.30	1,351,954.47	0.00	0.00	1,045,935,287.77
Hengyi Convertible Bonds 127022	1,508,831,199.68	1,127,358.48	17,744,422.64	0.00	0.00	1,527,702,980.80
Subtotal	2,504,331,199.68	241,602,109.70	26,433,417.73	1,174,790,000.00	261,000,000.00	5,505,926,258.70
Less: partial year-end balances due within one year (Note VI-34)	--	--	--	--	--	1,984,595,701.21
Total	2,504,331,199.68	241,602,109.70	26,433,417.73	1,174,790,000.00	261,000,000.00	3,521,330,557.49

37. Long-term accounts payable

Item	Ending balance	Balance at the end of prior year
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Long-term accounts payable	520,596,948.45	883,441,367.14
Special accounts payable	0.00	0.00
Total	520,596,948.45	883,441,367.14

(1) Long-term accounts payable

Item	Ending balance	Balance at the end of prior year
Finance leases payable	1,266,664,159.33	1,557,862,340.40
Less: partial balances due within one year (Note VI-33)	746,067,210.88	674,420,973.26
Total	520,596,948.45	883,441,367.14

38. Estimated liabilities

Item	Balance at the end of prior year	Ending balance	Reason
Pending litigations	2,645,266.16	3,555,907.35	Refer to Note XIII-2 for details.

39. Deferred income

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance	Reason
Government grants	198,911,445.22	12,689,800.00	14,088,146.74	197,513,098.48	Related to assets

Among them, projects involving government grants:

Grant items	Beginning balance	Newly added subsidies in current year	Recorded into non-operating income in current year	Amount accounted into other income in current year	Other changes	Ending balance	Related to assets/income
Refunds of fixed assets	5,579,592.61	0.00	0.00	2,678,204.45	0.00	2,901,388.16	Related to assets
Infrastructure fund within the central government budget for key industrial revitalization and technical renovation	2,150,000.00	0.00	0.00	600,000.00	0.00	1,550,000.00	Related to assets
2013 industrial revitalization and technical renovation projects	8,995,833.25	0.00	0.00	1,587,500.00	0.00	7,408,333.25	Related to assets
20,000t/a functional fiber technical renovation project	969,957.50	0.00	0.00	151,162.21	0.00	818,795.29	Related to assets
45,000 t/a functional fiber technical renovation project	2,015,962.87	0.00	0.00	298,661.17	0.00	1,717,301.70	Related to assets
Subsidy for automatic monitoring of source of pollution	2,016,792.63	0.00	0.00	205,860.76	0.00	1,810,931.87	Related to assets
Special award funds for major industrial projects	36,813,607.47	0.00	0.00	2,013,757.49	0.00	34,799,849.98	Related to assets
Special subsidies for wastewater systems	34,999.97	0.00	0.00	3,500.00	0.00	31,499.97	Related to assets

Grant items	Beginning balance	Newly added subsidies in current year	Recorded into non-operating income in current year	Amount accounted into other income in current year	Other changes	Ending balance	Related to assets/income
Special subsidies for exhaust gas systems	206,625.00	0.00	0.00	21,750.00	0.00	184,875.00	Related to assets
Land compensation funds of Haining New Material	98,500,000.00	0.00	0.00	0.00	2,000.00	96,500,000.00	Related to assets
The first batch of special funds for key technological transformation in 2018 - Technological Transformation Project with an Annual Output of 400,000 tons of Differential Fibers	20,497,572.40	0.00	0.00	2,066,982.10	0.00	18,430,590.30	Related to assets
The second batch of subsidies for intelligent manufacturing of the District in 2018 - Technology Transformation Project with an Annual Output of 400,000 Tons of Differential Fibers + Intelligent Manufacturing Workshop with an Annual Output of 67,000 Tons of DTY	19,722,222.22	0.00	0.00	1,666,666.67	0.00	18,055,555.55	Related to assets
The first batch of subsidies for industrial robot purchase in 2018	860,509.86	0.00	0.00	78,228.17	0.00	782,281.69	Related to assets
The second batch of subsidies for industrial robot purchase of the District in 2018	547,769.44	0.00	0.00	45,966.67	0.00	501,802.77	Related to assets
The second batch of subsidies for boiler cleaning transformation in 2020	0.00	12,353,400.00	0.00	648,882.05	0.00	11,704,517.95	Related to assets
Subsidies of RMB 336,400 for Phase I Project of the Industrial Internet Digital Factory of the District	0.00	336,400.00	0.00	21,025.00	0.00	315,375.00	Related to assets
Total	198,911,445.22	12,689,800.00	0.00	12,088,146.74	2,000.00	197,513,098.48	Related to assets

40. Capital stock

Item	Beginning balance	Changes of increase or decrease in the current period (+, -)					Ending balance
		New issue of shares	Script issue	Conversion of provident fund to shares	Others	Subtotal	
The sum of shares	2,841,725,474.00	0.00	0.00	852,517,642.00	-12,597,709.00	839,919,933.00	3,681,645,407.00

Note: (1) According to the resolutions of the Company's 2019 Annual General Meeting of Shareholders and the revised articles of association, the capital reserve was transferred to increase 3 shares for every 10 shares to all shareholders based on the Company's original total share capital of

RMB 2,841,725,474.00. The Company completed the registration of bonus and transferred stocks on May 28, 2020. The Company increased its registered capital by RMB 852,517,642.00, and the registered capital after the change was RMB 3,694,243,116.00.

(2) On June 9, 2020, in accordance with the Proposal on the Issuance of Shares to Purchase Assets and the Realization of Performance Commitments for Related-party Transaction Projects in 2019 and Performance Compensation Plan, the cancellation of 12,597,709 shares was completed.

41. Other equity instruments

Issued financial instruments	Beginning balance		Increase in current year		Decrease in the current period		Ending balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Equity portion of convertible corporate bonds	0.00	0.00	20,000,000.00	478,546,158.81	0.00	0.00	20,000,000.00	478,546,158.81
Total	0.00	0.00	20,000,000.00	478,546,158.81	0.00	0.00	20,000,000.00	478,546,158.81

42. Capital reserves

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
Premium on capital	12,022,558,116.44	28,394,965.50	852,612,133.66	11,198,340,948.28
Other capital reserves	799,514,342.86	4,513,947.33	508,000,000.00	296,028,290.19
Capital reserve generated by simulating ownership structure and quantity	-2,329,301,104.61	0.00	0.00	-2,329,301,104.61
Total	10,492,771,354.69	32,908,912.83	1,360,612,133.66	9,165,068,133.86

Note 1: The reason for the decrease of the capital premium of RMB 852,517,642.00 this year is shown in Note VI-40(1), and other decreases are due to the handling fee arising from share repurchase.

Note 2: On June 30, 2020, the Company has made the best estimate of the number of feasible equity instruments in Phase I and II restricted share incentive plans, revised the number of stock options with expected feasible rights, and included the services obtained in the current period into the relevant expenses and capital reserves according to the fair value of the restricted share authorization date. It is estimated that the share payment cost from January to June 2020 is RMB9,013,875.00, and the corresponding increase of “capital reserve-other capital reserves” is RMB9,013,875.00.

Note 3: On June 9, 2020, according to the Proposal on the Implementation of Performance Commitment and Performance Compensation Scheme of Assets Purchase by Issuing Shares and Related Party Transactions in 2019, 12,597,709 shares were cancelled, and the corresponding dividend of RMB6,783,381.50 was received, increasing the capital premium by RMB19,381,090.50.

Note 4: In 2020, the Company carried out combination under the same control, increasing other

capital reserves by RMB500,000,000.00 at the beginning of the period, which was correspondingly offset in the current period; in addition, the difference between the initial investment cost of the long-term equity investment on the combination date and the share of the book net assets of the acquiree was reduced by other capital reserves of RMB-213, 677.22, and the retained earnings realized by the acquiree before the combination were reduced by other capital reserves of RMB8,213, 677.22.

43. Treasury stock

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
Inventory shares related to restricted share obligation repurchase	55,450,720.00	0.00	55,450,720.00	0.00
Shares of the Company acquired due to reduction of registered capital	0.00	349,918,604.53	0.00	349,918,604.53
Total	55,450,720.00	349,918,604.53	55,450,720.00	349,918,604.53

44. Other comprehensive income

Item	At the beginning of the year Balance	Amount in the current period					End of period Balance
		Current period Before-tax amount incurred	Less: net current profit and loss transferred from previous other comprehensive income	Less: income tax expense	Net after-tax income attributable to parent company	Net after-tax income attributable to minority shareholders	
(i) Other comprehensive income items which cannot be classified as profit or loss in succeeding accounting period	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Of which: changes due to remeasurement of the net liabilities or net assets under the defined benefit plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share in other	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Item	At the beginning of the year Balance	Amount in the current period					End of period Balance
		Current period Before-tax amount incurred	Less: net current profit and loss transferred from previous other comprehensive income	Less: income tax expense	Net after-tax income attributable to parent company	Net after-tax income attributable to minority shareholders	
comprehensive income that will not be reclassified into profit and loss in investee under equity method							
(ii) Other comprehensive income items which will be classified as profit or loss in succeeding accounting period	335,623,308.63	-1,331,326,899.70	158,637,233.22	-12,890,777.43	-1,367,985,759.48	-109,087,596.01	-1,032,362,450.85
Of which: other comprehensive income from convertible gains and losses under the equity method	73,656,530.21	-61,971,277.32	0.00	0.00	-59,356,706.36	-2,614,570.96	14,299,823.85
Effective part of cash flow hedging profit and loss	108,614,328.62	-386,595,860.29	158,637,233.22	-12,890,777.43	-431,713,895.59	-100,628,420.49	-323,099,566.97
Converted difference in foreign currency statements	153,352,449.80	-882,759,762.09	0.00	0.00	-876,915,157.53	-5,844,604.56	-723,562,707.73
Total of other	335,623,308.63	-1,331,326,899.70	158,637,233.22	-12,890,777.43	-1,367,985,759.48	-109,087,596.01	-1,032,362,450.85

Item	At the beginning of the year Balance	Amount in the current period					End of period Balance
		Current period Before-tax amount incurred	Less: net current profit and loss transferred from previous other comprehensive income	Less: income tax expense	Net after-tax income attributable to parent company	Net after-tax income attributable to minority shareholders	
comprehensive income				3	8		

45. Special reserves

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
Work safety funds	0.00	53,905,152.19	53,905,152.19	0.00

Note: The increase and decrease in special reserves during the reporting period are the work safety funds withdrawn and used.

46. Surplus reserves

Item	Beginning balance	Increase in current year	Decrease in the current period	Ending balance
Statutory surplus reserves	559,247,505.53	101,404,665.64	0.00	660,652,171.17

Note: The Company shall withdraw 10% of net profit as the statutory surplus reserve according to the provisions of Company Law and Articles of Association. The accumulative statutory surplus reserve that reaches 50% or more of registered capital of the Company shall not be withdrawn.

47. Undistributed profits

Item	Current period	Previous period
Undistributed profit before adjustment at the end of the previous year	9,567,928,583.61	7,358,146,155.19
Adjust the total undistributed profit at the beginning of the year (increase to be marked by +, decrease to be marked by -)	0.00	0.00
Undistributed profits after adjustment at the beginning of the year	9,567,928,583.61	7,358,146,155.19
Add: net profit attributable to the owners of parent company in current year	3,071,998,839.75	3,190,185,517.79
Less: withdrawal of statutory surplus reserves	101,404,665.64	76,131,765.66
Withdrawal for discretionary surplus reserves	0.00	0.00
General risk provisions withheld	0.00	0.00
Common stock dividends payable	1,135,519,960.40	852,009,740.40

Item	Current period	Previous period
Common stock dividends transferred to capital stocks	0.00	0.00
Add: others	0.00	-52,261,583.31
Undistributed profits at the end of the year	11,403,002,797.32	9,567,928,583.61

48. Operating income and operating cost

Item	Amount incurred in current year		Amount incurred in prior year	
	Revenue	Costs	Revenue	Costs
Principal business	85,795,557,470.87	79,894,558,655.25	78,994,427,068.89	73,516,302,718.49
Other operations	634,072,721.00	555,272,041.69	626,116,562.85	478,530,994.44
Total	86,429,630,191.87	80,449,830,696.94	79,620,543,631.74	73,994,833,712.93

49. Taxes and surcharges

Item	Amount incurred in current year	Amount incurred in prior year
Consumption tax	5,458,218.81	739,383.34
Urban maintenance and construction tax	28,475,454.02	59,857,919.21
Education surcharges	12,515,877.22	25,854,989.49
Property tax	12,166,370.38	28,776,229.56
Land use tax	14,693,786.15	13,190,509.79
Vessel usage tax	82,324.22	85,915.97
Stamp duty	36,519,194.04	38,264,424.50
Local education surcharges	8,240,898.58	16,948,846.22
Others	2,285,346.86	1,547,481.02
Total	120,437,470.28	185,265,699.10

Note: please refer to Note V. Taxes for details of taxation and additional payment standards.

50. Selling expense

Item	Amount incurred in current year	Amount incurred in prior year
Transport expenses	3,856,318.79	287,238,464.56
Import and export expenses	87,223,211.47	14,112,141.18
Staff remuneration	97,461,347.91	106,116,142.88
Transport insurance expenses	851,252.32	4,167,047.84
Warehouse fee	2,143,725.80	11,265,981.52
Business entertainment	1,298,961.23	1,841,741.38
Travel expense	3,942,993.44	7,585,453.12
Vehicle cost	1,028,277.49	1,044,731.77
Rental fee	66,934.74	2,366,968.17

Item	Amount incurred in current year	Amount incurred in prior year
Office expense	619,421.63	1,296,787.01
Handling cost	1,273,862.85	6,342,651.87
Others	18,343,493.47	12,457,874.48
Total	218,109,801.14	455,835,985.78

51. Administration costs

Item	Amount incurred in current year	Amount incurred in prior year
Staff remuneration	408,272,551.84	354,821,227.01
Amortization charge of intangible asset	32,383,255.26	30,419,072.08
Fixed asset depreciation expenses	196,684,292.39	54,679,441.36
Business entertainment	5,658,891.41	6,630,475.30
Vehicle cost	15,492,070.51	10,287,128.69
Environmental protection cost	11,850,664.75	12,280,420.34
Office expense	11,545,260.18	11,673,606.98
Intermediary agency expenses	20,806,234.27	13,395,457.02
Travel expense	6,803,278.43	8,291,975.41
Rental fee	71,152,170.94	18,154,915.16
Repair costs	68,902,650.22	3,300,255.83
Property insurance premium	21,782,408.76	1,297,772.32
Transportation and storage charges	45,540,587.48	9,421.56
Others	53,279,291.45	58,252,270.15
Total	970,153,607.89	583,493,439.21

52. Research and development expenditure

Item	Amount incurred in current year	Amount incurred in prior year
Direct input cost	219,624,282.26	283,464,492.03
Staff remuneration	85,841,604.65	77,361,355.81
Depreciation charge	12,299,524.80	16,220,031.68
Technical development service fee	11,734,405.96	37,236,839.44
Other expenses	22,469,490.26	78,457,553.00
Total	351,969,307.93	492,740,271.96

53. Financial expenses

Item	Amount incurred in current year	Amount incurred in prior year
Interest expense	1,857,374,805.92	1,027,006,241.84
Less: interest income	185,855,314.84	149,956,766.49

Item	Amount incurred in current year	Amount incurred in prior year
Exchange loss/profit	206,643,585.24	31,115,541.83
Bank service charges	125,987,241.29	100,498,071.11
Others	0.00	2,672,626.64
Total	2,004,150,317.61	1,011,335,714.93

54. Other income

Item	Amount incurred in current year	Amount incurred in prior year	Amount of non-recurring gains and losses of the current year
Government grants related to daily activities of the Company	369,221,330.90	475,243,984.43	316,639,730.90
Return of charges for withholding and remitting individual income tax for others	2,595,730.83	72,292.94	2,595,730.83
Total	371,817,061.73	475,316,277.37	319,235,461.73

Among them, the details of government grants related to the daily activities of the Company are as follows:

Item	Amount incurred in current year	Amount incurred in prior year	Amount of non-recurring gains and losses of the current year	Related to assets/income
Government grants related to assets	12,088,146.74	9,939,029.19	12,088,146.74	Related to assets
Reward for issuing corporate bonds	1,000,000.00	1,000,000.00	1,000,000.00	Related to income
Ningbo Meishan financial support fund	11,000,000.00	81,710,000.00	11,000,000.00	Related to income
Financial grants for modern trade	0.00	1,274,900.00	0.00	Related to income
Enterprise quality management subsidy	2,302,200.00	24,712,000.00	2,302,200.00	Related to income
Subsidy for permanent post	11,470,007.94	3,241,157.15	11,470,007.94	Related to income
Special fund for science and technology development	101,523,400.00	1,200,000.00	101,523,400.00	Related to income
Headquarters financial support funds	0.00	1,516,200.00	0.00	Related to income
Investment grants	11,672,300.00	3,700,000.00	11,672,300.00	Related to income
Environmental protection grant income	34,766.00	6,296,300.00	34,766.00	Related to income
Intelligent manufacturing support fund	38,890,660.00	12,549,410.00	38,890,660.00	Related to income

Item	Amount incurred in current year	Amount incurred in prior year	Amount of non-recurring gains and losses of the current year	Related to assets/income
Refund of social insurance premiums	5,173,900.85	29,964,923.48	5,173,900.85	Related to income
Foreign trade support fund	9,810,177.00	15,206,430.93	9,810,177.00	Related to income
Refunds of VAT	53,069,661.71	55,270,580.10	488,061.71	Related to income
Special fund for promoting industrial restructuring	16,154,945.00	34,760,000.00	16,154,945.00	Related to income
Reward for a higher level of the output value of industrial enterprises	0.00	1,500,000.00	0.00	Related to income
Recycling transformation grant funds	0.00	147,300.00	0.00	Related to income
Sales promotion subsidy	400,000.00	42,443,900.00	400,000.00	Related to income
2019 return subsidy fund from the headquarters	18,715,600.00	135,818,700.00	18,715,600.00	Related to income
Property tax refunds for special enterprises	0.00	1,756,184.67	0.00	Related to income
Grants for cleaning transformation	12,220,200.00	0.00	12,220,200.00	Related to income
Subsidies for resuming work and production	49,337,031.84	0.00	49,337,031.84	Related to income
Talent grants	2,359,636.62	0.00	2,359,636.62	Related to income
Special fund for employment promotion	1,177,795.60	0.00	1,177,795.60	Related to income
Support fund	5,684,391.98	0.00	5,684,391.98	Related to income
Others	5,136,509.62	11,236,968.91	5,136,509.62	Related to income
Total	369,221,330.90	475,243,984.43	316,639,730.90	--

Note: Please refer to Notes VI-39 Deferred Revenue for details of government grants related to assets.

55. Investment income

Item	Amount incurred in current year	Amount incurred in prior year
Long-term equity investment income accounted by the equity method	1,326,696,982.37	1,086,988,500.99
Investment income from disposal of long-term equity investment	33,595,128.40	0.00

Item	Amount incurred in current year	Amount incurred in prior year
Investment income received from the disposal of transactional financial assets	331,329,598.58	408,510,501.70
Income from investment in finance products	0.00	9,171,643.84
Total	1,691,621,709.35	1,504,670,646.53

56. Gains from changes of fair value

Source of gains from changes of fair value	Amount incurred in current year	Amount incurred in prior year
Financial assets at fair value through profit or loss	155,023,482.10	-57,665,599.55
Of which: gains from changes of fair value derived from derivative financial instruments	155,023,482.10	-57,612,799.55
Financial liabilities at fair value through profit or loss	1,399,903.27	-1,399,903.27
Hedging operations	0.00	222,520.00
Total	156,423,385.37	-58,842,982.82

57. Impairment loss on credit assets

Item	Amount incurred in current year	Amount incurred in prior year
Bad debt losses of receivables	-579,235.36	-22,222,894.91
Bas debt loss from other receivables	14,491,569.54	-2,964,287.29
Total	13,912,334.18	-25,187,182.20

58. Impairment loss on assets

Item	Amount incurred in current year	Amount incurred in prior year
Loss due to decline in value	-18,111,009.54	-20,345,690.78
Total	-18,111,009.54	-20,345,690.78

59. Income from the disposal of assets

Item	Amount incurred in current year	Amount incurred in prior year	Amount of non-recurring gains and losses of the current year
Gains or losses from disposal of fixed assets	-4,357,509.27	1,543,684.20	-4,357,509.27

60. Non-operating income

Item	Amount incurred in current year	Amount incurred in prior year	Amount of non-recurring gains and losses of the current year
Gains from scrapping of non-current assets	213,667.29	879,955.30	213,667.29
Where: fixed asset	213,667.29	879,955.30	213,667.29
Intangible assets	0.00	0.00	0.00

Item	Amount incurred in current year	Amount incurred in prior year	Amount of non-recurring gains and losses of the current year
Government grants unrelated to daily activities of the Company	1,967,561.84	2,479,600.00	1,967,561.84
Indemnity and fines income	7,266,071.78	2,624,761.68	7,266,071.78
Others	4,780,267.57	5,715,542.57	4,780,267.57
Total	14,227,568.48	11,699,859.55	14,227,568.48

Among them, the details of government grants are as follows:

Grant items	Amount incurred in current year	Amount incurred in prior year	Related to assets/income
IRAS Jobs Support Scheme - COVID19	1,967,561.84	0.00	Related to income
Grants for attracting investment	0.00	2,323,600.00	Related to income
Others	0.00	156,000.00	Related to income
Total	1,967,561.84	2,479,600.00	

61. Non-operating expense

Item	Amount incurred in current year	Amount incurred in prior year	Amount of non-recurring gains and losses of the current year
Loss on disposal of non-current assets	2,597,420.63	4,235,205.01	2,597,420.63
Where: fixed asset	2,597,420.63	4,235,205.01	2,597,420.63
Intangible assets	0.00	0.00	0.00
Expenditure of liquidated damages	1,776,430.69	13,538,103.19	1,776,430.69
Donation expenditure	12,763,598.45	7,325,000.00	12,763,598.45
Overdue fine and penalty	422,111.29	426,868.22	422,111.29
Extraordinary loss	2,380,975.92	0.00	2,380,975.92
Others	1,002,557.89	4,218,104.74	1,002,557.89
Total	20,943,094.87	29,743,281.16	20,943,094.87

62. Income tax expenses

(1) Income tax expense table

Item	Amount incurred in current year	Amount incurred in prior year
Income tax expenses in current year	684,111,777.20	722,823,772.31
Deferred income tax expenses	20,855,674.41	23,807,221.20
Total	704,967,451.61	746,630,993.51

(2) Adjustment process of accounting profit and income tax expense

Item	Amount incurred in the current period
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Item	Amount incurred in the current period
Total profit	4,519,569,435.51
Income tax expense at legal/applicable tax rate	1,129,892,358.88
Impact of the different tax rate applicable to subsidiaries	-84,792,642.63
Impact of income tax adjusted in previous period	-5,383,242.84
Impact of non-taxable income	-300,697,805.00
Impact of non-deductible cost, expense and loss	4,752,673.3
Impact of using deductible loss previously not recognized as deferred income tax assets	-12,094,616.27
Impact of deductible temporary differences or deductible losses recognized as deferred income tax assets at the end of the year	25,607,154.27
Tax rate adjustments lead to changes in balance of deferred income tax assets/liabilities at the beginning the period	13,898,682.78
The impact of weighted deduction of costs, expenses and other deductions allowed by tax laws	-55,455,889.02
Others	-10,759,221.86
Income tax expenses	704,967,451.61

63. Other comprehensive income

For details, please refer to Note VI. 44.

64. Items of Cash Flow Statement

(1) Cash received from other related operating activities

Item	Amount incurred in current year	Amount incurred in prior year
Account current	1,072,000,000.00	708,507,405.30
Cash deposit	38,572,498.73	306,833,295.30
Government grants	438,096,929.36	396,808,447.53
Interest income	131,442,106.44	82,234,871.49
Indemnity and fines	7,266,071.78	40,678,600.84
Judicial freeze	4,279,494.72	12,063,260.00
Others	5,062,746.91	7,837,782.00
Hedging instrument margin	174,328,394.73	0.00
Total	1,871,048,242.67	1,554,963,662.46

(2) Cash paid for other related operating activities

Item	Amount incurred in current year	Amount incurred in prior year
Account current	1,097,488,830.85	643,217,361.34
Transport expenses	25,266,956.32	37,110,229.43
Import and export expenses	87,223,211.47	14,107,520.40

Item	Amount incurred in current year	Amount incurred in prior year
Bank service charges	125,987,241.29	81,304,111.58
Business entertainment	6,957,852.64	9,383,926.14
Vehicle cost	16,520,348.00	15,950,925.53
Environmental protection cost	11,850,664.75	9,434,786.21
Security deposit	7,819,343.73	280,521,099.73
Transport insurance expenses	851,252.32	5,479,202.43
Warehouse fee	26,273,675.75	10,305,368.18
Intermediary agency expenses	20,806,234.27	17,736,843.14
Travel expense	10,746,271.87	16,384,985.57
Rental fee	71,219,105.68	36,436,179.51
Judicial frozen amount	1,881,515.45	4,362,940.59
Renovation cost	617,107.08	90,359.45
Hedging instrument margin	996,873,170.73	0.00
Repair costs	68,902,650.22	3,875,837.91
Property insurance premium	21,782,408.76	2,060,419.56
Others	99,131,950.60	96,736,177.83
Total	2,698,199,791.78	1,284,498,274.53

(3) Cash received from other related investing activities

Item	Amount incurred in current year	Amount incurred in prior year
Interest income from entrusted loans and related party funds borrowing	43,496,979.18	28,595,691.66
PTA future guarantee recovered	0.00	79,801,680.00
Total principal and interest of the borrowed funds of Hangzhou Wanyong	511,829,486.67	0.00
Others	0.00	241,643.84
Total	555,326,465.85	108,639,015.50

(4) Cash paid for other related investing activities

Item	Amount incurred in current year	Amount incurred in prior year
Future guarantee	0.00	79,801,680.00
Lending of the borrowed funds of Hangzhou Wanyong	0.00	500,000,000.00
Total	0.00	579,801,680.00

(5) Cash received from other related financing activities

Item	Amount incurred in current year	Amount incurred in prior year
Recovering monetary capital of financial pledge	953,452,966.94	304,452,606.17
Collections of financing leaseback	396,000,000.00	1,196,520,000.00

Item	Amount incurred in current year	Amount incurred in prior year
Funds borrowing and lending of Hengyi Group	553,420,000.00	4,318,029,097.80
Others	6,783,381.50	110,080.00
Total	1,909,656,348.44	5,819,111,783.97

(6) Cash paid for other related financing activities

Item	Amount incurred in current year	Amount incurred in prior year
Monetary capital of financial pledge	540,727,965.35	1,052,032,389.74
Repayment of the principal and interest of Hengyi Group's borrowed funds	574,520,000.00	5,038,148,374.77
Share repurchase	350,013,157.87	0.00
Rent expenses paid for financing leaseback	782,309,036.86	1,282,555,605.37
Commission charges for financing leaseback	0.00	2,820,000.00
Financing after-sale leaseback margin	0.00	34,400,000.00
Loan handling fee	25,300,054.45	47,383,720.97
Incurrence of share-related expenses	0.00	1,066,110.90
Repayment of Hengming's borrowed funds	0.00	200,000,000.00
Others	11,333,890.61	5,288,284.00
Total	2,284,204,105.14	7,663,694,485.75

65. Supplementary information of Cash Flow Statement

(1) Supplementary information of Cash Flow Statement

Supplementary information	Amount incurred in current year	Amount incurred in prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	3,814,601,983.90	4,009,519,145.01
Add: asset impairment provision	18,111,009.54	20,345,690.78
Impairment loss on credit assets	-13,912,334.18	25,187,182.20
Depreciation of fixed assets, depletion of oil-and-gas assets and depreciation of productive biological assets	2,219,594,687.78	1,444,727,503.50
Intangible asset amortization	82,927,125.36	38,526,350.10
Amortization of long-term deferred expenses	112,914,481.65	16,679,225.43
Loss from the disposal of fixed assets, intangible assets and other long-term assets (income to be marked by "-")	4,357,509.27	-1,543,684.20
Loss from fixed assets retirement (income to be marked by "-")	2,383,753.34	3,355,249.71
Loss from changes of fair value (income to be marked by "-")	-156,423,385.37	58,842,982.82

Supplementary information	Amount incurred in current year	Amount incurred in prior year
Financial expenses (income to be marked by “-”)	2,199,804,202.55	987,299,417.78
Loss on investments (income to be marked by “-”)	-1,691,621,709.35	-1,504,670,646.53
Decrease in deferred income tax assets (increase to be marked by “-”)	30,798,668.24	50,161,732.72
Increase in deferred income tax liabilities (decrease to be marked by “-”)	-11,892,474.98	-23,139,614.62
Decrease in inventory (increase to be marked by “-”)	-515,731,328.66	-6,082,546,523.71
Decrease in operating receivables (increase to be marked by “-”)	1,025,906,081.61	-4,666,502,804.94
Increase in operating payables (decrease to be marked by “-”)	-2,110,038,907.75	5,380,707,069.05
Others	1,993,415.00	151,925,946.99
Net cash flow from operating activities	5,013,772,777.95	-91,125,777.91
2. Significant investing and financing activities involving no cash receipts and disbursements		
Conversion of a debt into capital	0.00	0.00
Convertible corporate bond due within one year	0.00	0.00
Fixed assets acquired under finance leases	0.00	0.00
3. Net change of cash and cash equivalents		
Balance of cash at the year ended	7,186,325,948.17	4,473,080,680.52
Less: balance of cash at the beginning of current year	4,473,080,680.52	6,536,137,341.30
Add: balance of cash equivalents at the year ended	0.00	0.00
Less: balance of cash equivalents at the beginning of current year	0.00	0.00
Net increase in cash and cash equivalents	2,713,245,267.65	-2,063,056,660.78

(2) Composition of cash and cash equivalents

Item	Amount incurred in current year	Amount incurred in prior year
I. Cash	7,186,325,948.17	4,473,080,680.52
Of which: cash on hand	1,351,988.81	2,279,461.41
Bank deposits ready for payment	6,319,478,358.41	3,816,504,353.67
Other monetary capital ready for payment	865,495,600.95	654,296,865.44
Central bank deposits available for payment	0.00	0.00
Due from placements with banks and other financial institutions	0.00	0.00
Call loan to banks	0.00	0.00
II. Cash equivalents	0.00	0.00
Of which: bond investment due within 3 months	0.00	0.00

Item	Amount incurred in current year	Amount incurred in prior year
III. Balance of cash and cash equivalents at the end of the period	7,186,325,948.17	4,473,080,680.52
Of which: cash & cash equivalents with restricted right to use for parent company or subsidiaries under the Group	0.00	0.00

66. Assets with restricted ownership or right to use

Item	Book value at the end of the period	Reason for restriction
Monetary capital	2,884,530,366.37	Security deposit
Monetary capital	8,127,489.32	Judicial freeze
Notes receivable and receivables financing	381,803,585.87	Acceptance bills pledged
Long-term equity investments	5,189,280,189.32	Mortgage loan
Fixed assets	1,823,905,447.51	After-sale leaseback finance lease
Fixed assets	20,109,796,115.54	Mortgage loan
Intangible assets	638,628,140.25	Mortgage loan
Construction in progress	4,270,862,773.38	Mortgage loan
Intangible assets	21,660.38	Financial lease guarantee
Construction in progress	22,050,273.72	Financial lease guarantee
Total	35,329,006,041.66	--

67. Foreign currency monetary items

(1) Monetary items of foreign currency

Item	Foreign currency balance at the end of the period	Conversion exchange rate	Ending balance in RMB
Monetary capital			
Including: HKD	72,041.86	0.8416	60,633.28
USD	597,549,974.09	6.5249	3,898,953,825.93
EUR	30,138.37	8.0250	241,860.43
BND	30,852,704.59	4.9314	152,147,027.42
SGD	709,053.79	4.9314	3,496,627.97
Accounts receivable			
Of which: USD	4,181,90,365.11	6.5249	2,728,650,313.3
BND	28,951,031.40	4.9314	142,772,573.60
Other receivables			
USD	426,581.80	6.5249	2,783,403.61
BND	4,330,630.67	4.9314	21,356,072.09

Item	Foreign currency balance at the end of the period	Conversion exchange rate	Ending balance in RMB
Short-term loans			
Of which: USD	822,806,683.23	6.5249	5,368,751,185.38
Accounts payable			
Of which: USD	445,000,009.92	6.5249	2,903,580,602.42
EUR	2,545,606.01	8.0250	20,428,488.23
Yen	25,185,000.00	0.0632	1,592,598.66
BND	10,180,771.52	4.9314	50,205,456.67
Other payables			
Of which: USD	266,250.00	6.5249	1,737,254.63
BND	2,951,839.39	4.9314	14,556,700.77
SGD	6.45	4.9314	31.81
Non-current liabilities due within one year			
Of which: USD	1,952,936.28	6.5249	12,742,713.93
Long-term accounts payable			
Of which: USD	6,077,830.61	6.5249	39,657,236.95
Long-term loans			
Of which: USD	1,154,550,000.00	6.5249	7,533,323,295.00
EUR	25,389,731.18	8.0250	203,752,592.72

68. Hedge

Please refer to relevant contents of the item notes of Note VI. 3 “Derivative Financial Assets”.

69. Government grants

(1) Basic information on government grants

Category	Amount	Presentation items	Amounts included in current profit and loss
Government grants related to income and used to compensate the company for related costs or losses incurred.	357,133,184.16	Other income	357,133,184.16
	1,967,561.84	Non-operating income	1,967,561.84
Government grants related to income and used to compensate related costs or losses	0.00	Deferred income	0.00

Category	Amount	Presentation items	Amounts included in current profit and loss
of the Company in future periods			
Government grants related to assets	211,601,245.22	Deferred income	12,088,146.74
Total	570,701,991.22		318,607,292.74

VII. Change of the scope of consolidation

1. Combination of businesses under common control

(1) Combination of businesses under common control incurred in current year

Name of acquiree	Proportion of rights and interests acquired in business combination (%)	Constitute the basis for business combination under the common control	Merger date	Basis for determining the merger date
Guangxi Hengyi New material Co., Ltd	100.00	Controlled by Hengyi Group	2020-7-15	Actual settlement date

(Contd.)

Name of acquiree	Income of the acquiree from the beginning of the current combination period to the combination date	Net profit of the acquiree from the beginning of the year of combination to the date of combination	Income of the acquiree during the comparison period	Net profit of the acquiree during the comparison period
Guangxi Hengyi New material Co., Ltd	0.00	19,376,584.76	0.00	-11,162,907.54

(2) Combined cost

Combined cost	
—Cash	508,000,000.00

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

Item	Guangxi Hengyi New material Co., Ltd	
	Merger date	End of last year
Assets:		
Monetary capital	510,806,748.63	55,950.25
Other receivables	0.00	485,351,625.00
Other current assets	2,155.29	11,089.72
Fixed assets	21,950.00	0.00
Construction in progress	433,637.09	72,272.85
Intangible assets	42,930,071.65	43,291,435.89
Deferred income tax assets	0.00	3,752,718.75
Total assets	554,194,562.66	532,535,092.46

Item	Guangxi Hengyi New material Co., Ltd	
	Merger date	End of last year
Assets:		
Liabilities:		
Accounts payable	619,300.74	21,219,000.00
Taxes and dues payable	2,841,585.00	1,379,000.00
Other payables	42,520,000.00	21,100,000.00
Total liabilities	45,980,885.44	43,698,000.00
Net assets	508,213,677.22	488,837,092.46
Less: minority interest	0.00	0.00
Net assets obtained	508,213,677.22	488,837,092.46

2. Disposal of subsidiaries

(1) A single disposal of investment in a subsidiary company when the control right is lost

Name of subsidiary	Equity disposal price	Equity disposal ratio (%)	Equity disposal method	Time point of loss of control	Basis for determining the time point of losing control right	The difference between the disposal price and the share of the net assets of the subsidiary at the consolidated statement level corresponding to the disposal investment
Ningbo Hengyi Logistics Co., Ltd.	92,080,000.00	100.00	Transfer	2020-5-15	Equity delivery	34,651,303.92

(Contd.)

Name of subsidiary	Proportion of remaining equity on the date of loss of control (%)	Book value of remaining equity at the date of loss of control	Fair value of remaining equity at the date of loss of control	Gains or losses arising from remeasuring remaining equity at fair value	Determination method and main assumptions of fair value of residual equity on the date of loss of control right	Amount of other comprehensive income related to the equity investment of the original subsidiary transferred to the investment profit and loss
Ningbo Hengyi Logistics Co., Ltd.	0.00	0.00	0.00	0.00	0.00	0.00

3. Change of consolidation scope caused by other reasons

This year, the Company invested in the establishment of the following 10 subsidiaries, including Hangzhou Yitong New Materials Co., Ltd., Hangzhou Jingxin Supply Chain Management Co., Ltd., Haining Yixin Logistics Co., Ltd., Shaoxing Hengyi Logistics Co., Ltd., Guangxi Hengyi Environmental Technology Co., Ltd., Zhejiang Hengyi Hanlin Real Estate Co., Ltd., Hainan Hengjing Trading Co., Ltd., Guangxi Hengyi Shunqi Trading Co., Ltd., Haining Lantai New Materials Co., Ltd., Jiaxing Hengyu Trading Co., Ltd.

4. Original subsidiaries that are no longer included in the current period

Name of subsidiary	Place of registration	Nature of business	Shareholding ratio of the parent company (%)	Proportion of voting rights of the parent company (%)	Reasons for no longer becoming a subsidiary
Ningbo Hengyi Logistics Co., Ltd.	Ningbo City	Logistics transportation	100.00	100.00	Transfer of equity

Continued

Name of subsidiary	Total assets on the date of disposal	Total liabilities on the date of disposal	Owner's equity on the date of disposal	Total assets at the end of last year	Total liabilities at the end of last year	Owner's equity at the end of last year
Ningbo Hengyi Logistics Co., Ltd.	186,304,297.31	128,875,601.23	57,428,696.08	182,253,815.21	107,594,983.19	74,658,832.02

Continued

Name of subsidiary	Income from the beginning of the year to the date of disposal	Total cost from the beginning of the year to the date of disposal	Net profit from the beginning of the year to the date of disposal
Ningbo Hengyi Logistics Co., Ltd.	76,625,865.58	70,701,367.76	4,539,864.06

VIII. Interests in other equities

1. Interests in subsidiaries

(1) Composition of enterprise group

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Zhejiang Hengyi Petrochemicals Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Establishment or investment

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Zhejiang Hengyi Polymer Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	60.00	Combination of businesses under common control
Zhejiang Yisheng Petrochemical Co., Ltd.	Ningbo City	Ningbo City	Manufacturing of petrochemical products	0.00	70.00	Combination of businesses under common control
Zhejiang Yixin Chemical Fiber Co., Ltd.	Hangzhou City	Hangzhou City	Commercial and trade industry	0.00	70.00	Establishment or investment
Hong Kong Yisheng Petrochemical Investment Co., Ltd.	Hong Kong	Hong Kong	Trade and consulting	0.00	70.00	Establishment or investment
Zhejiang Hengyi High-tech Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	90.67	Establishment or investment
Ningbo Hengyi Trading Co., Ltd.	Ningbo City	Ningbo City	Commercial and trade industry	0.00	70.00	Establishment or investment
Hongkong Tianyi International Holding Company Limited	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or investment
Jiabai International Investment Co., Ltd.	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or investment
Hengyi Industries Sdn Bhd	Brunei	Brunei	Manufacturing of petrochemical products	0.00	70.00	Combination of businesses under common control
Ningbo Hengyi Engineering Management Co., Ltd.	Ningbo City	Ningbo City	Engineering management	0.00	70.00	Combination of businesses under common control
Hengyi Industry International Pte. Ltd.	Singapore	Singapore	Commercial and trade industry	0.00	70.00	Establishment or investment
Hengyi Petrochemical International Pte. Ltd. (Singapore)	Singapore	Singapore	Commercial and trade industry	0.00	100.00	Establishment or investment
Zhejiang Hengyi Petrochemicals Sales Co., Ltd.	Hangzhou City	Hangzhou City	Trade	0.00	100.00	Establishment or investment
Haining Hengyi New Materials Co., Ltd.	Haining City	Haining City	Manufacturing of chemical fiber products	0.00	100.00	Establishment or investment
Haining Hengyi Thermoelectricity Co., Ltd.	Haining City	Haining City	Electricity, thermal production and supply industry	0.00	90.00	Establishment or investment
Suqian Yida New Material Co., Ltd.	Suqian City	Suqian City	Manufacturing of chemical fiber	0.00	100.00	Establishment or investment

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
			products			
Fujian Yijin Chemical Fiber Co., Ltd.	Quanzhou, Fujian	Quanzhou, Fujian	Manufacturing of chemical fiber products	0.00	65.00	Establishment or investment
Shaoxing Shengong Packaging Co., Ltd.	Shaoxing City	Shaoxing City	Production and processing of packaging materials	0.00	51.00	Establishment or investment
Zhejiang Hengyi Logistics Co., Ltd.	Hangzhou City	Hangzhou City	Logistics transportation	0.00	100.00	Combination of businesses under common control
Zhejiang Hengyi International Trading Co., Ltd.	Hangzhou City	Hangzhou City	Commercial and trade industry	100.00	0.00	Establishment or investment
Ningbo Hengyi Industrial Co., Ltd.	Ningbo City	Ningbo City	Commercial and trade industry	0.00	100.00	Establishment or investment
Zhejiang Hengkai Energy Co., Ltd.	Hangzhou City	Hangzhou City	Commercial and trade industry	0.00	60.00	Establishment or investment
Zhejiang Hengyi Engineering Management Co., Ltd.	Hangzhou City	Hangzhou City	Engineering management	100.00	0.00	Establishment or investment
Zhejiang Henglan Technology Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Establishment or investment
Jiaxing Yipeng Chemical Fiber Co., Ltd.	Jiaxing City	Jiaxing City	Manufacturing of chemical fiber products	100.00	0.00	Combination of businesses under common control
Taicang Yifeng Chemical Fiber Co., Ltd.	Taicang City	Taicang City	Manufacturing of chemical fiber products	100.00	0.00	Combination of businesses under common control
Zhejiang Shuangtu New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Business combinations not under common control
Hangzhou Yijing Chemical Fiber Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	100.00	Combination of businesses under common control
Hong Kong Hengyi Logistics Co., Ltd.	Hong Kong	Hong Kong	Logistics transportation	0.00	100.00	Establishment or investment
Hengyi International Logistics Co., Ltd.	Singapore	Singapore	Logistics transportation	0.00	100.00	Establishment or investment
Zhejiang Yizhi Information Technology Co., Ltd.	Hangzhou City	Hangzhou City	Software and information technology service	0.00	100.00	Establishment or investment

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
			industry			
Haining Junbo Shengming Trading Co., Ltd.	Haining City	Haining City	Commercial and trade industry	0.00	100.00	Establishment or investment
Hangzhou Yitong New Material Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	60.00	Establishment or investment
Hangzhou Jingxin Supply Chain Management Co., Ltd.	Hangzhou City	Hangzhou City	Supply chain management services	0.00	100.00	Establishment or investment
Haining Yixin Logistics Co., Ltd.	Haining City	Haining City	Logistics transportation	0.00	100.00	Establishment or investment
Shaoxing Hengyi Logistics Co., Ltd.	Shaoxing City	Shaoxing City	Logistics transportation	0.00	100.00	Establishment or investment
Guangxi Hengyi Environmental Science and Technology Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Science and technology service	0.00	100.00	Establishment or investment
Zhejiang Hengyi Hanlin Real Estate Co., Ltd.	Hangzhou City	Hangzhou City	Real estate development and management	0.00	75.00	Establishment or investment
Hainan Hengjing Trading Co., Ltd.	Hainan Province	Hainan Province	Trade	0.00	100.00	Establishment or investment
Guangxi Hengyi Shunqi Trading Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Trade	0.00	100.00	Establishment or investment
Haining Lantai New Material Co., Ltd.	Haining City	Haining City	Manufacturing of chemical fiber products	0.00	100.00	Establishment or investment
Jiaxing Hengyu Trading Co., Ltd.	Jiaxing City	Jiaxing City	Trade	0.00	100.00	Establishment or investment
Guangxi Hengyi New material Co., Ltd	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Manufacturing of chemical fiber products	0.00	100.00	Combination of businesses under common control

(2) Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Gains and losses attributable to minority shareholders in current year	Dividends declared to minority shareholders in current period	Balance of minority interest at the end of the period
Ningbo Hengyi Trading Co., Ltd.	30.00	203,840,218.81	179,250,000.00	237,647,696.78
Zhejiang Hengyi Polymer Co., Ltd.	40.00	43,075,805.64	20,000,000.00	395,204,435.11

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Gains and losses attributable to minority shareholders in current year	Dividends declared to minority shareholders in current period	Balance of minority interest at the end of the period
Zhejiang Yisheng Petrochemical Co., Ltd.	30.00	328,890,016.52	30,000,000.00	2,679,865,926.49
Hengyi Industries Sdn Bhd	30.00	125,974,280.45	0.00	2,308,834,043.73
Zhejiang Hengyi High-tech Materials Co., Ltd.	9.33	30,124,205.73	17,791,666.67	462,226,864.25

(3) Major financial information of important non-wholly owned subsidiaries Currency Unit: RMB 10,000

Name of subsidiary	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	93,556.05	190,479.78	284,035.83	191,595.63	0.00	191,595.63
Zhejiang Hengyi Polymer Co., Ltd.	202,630.90	49,911.13	252,542.03	147,413.47	327.45	147,740.92
Zhejiang Yisheng Petrochemical Co., Ltd.	1,115,094.69	450,392.51	1,565,487.20	619,229.88	74,734.77	693,964.65
Hengyi Industries Sdn Bhd	1,062,634.75	2,573,033.49	3,635,668.24	1,888,536.30	1,012,888.99	2,901,425.29
Zhejiang Hengyi High-tech Materials Co., Ltd.	589,997.70	527,222.16	1,117,219.86	603,657.91	18,141.95	621,799.86

(Contd.)

Name of subsidiary	Balance at the end of prior year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	118,220.32	170,475.89	288,696.21	205,073.01	0.00	205,073.01
Zhejiang Hengyi Polymer Co., Ltd.	281,712.36	39,851.26	321,563.61	222,149.98	381.48	222,531.46
Zhejiang Yisheng Petrochemical Co., Ltd.	1,068,370.20	470,424.71	1,538,794.91	773,480.19	557.96	774,038.15
Hengyi Industries Sdn Bhd	1,241,036.43	2,608,342.18	3,849,378.61	1,919,063.01	1,162,011.83	3,081,074.84
Zhejiang Hengyi High-tech Materials Co., Ltd.	577,835.80	540,293.09	1,118,128.89	609,665.28	16,894.51	626,559.78

(Contd.)

Name of subsidiary	Amount incurred in current year				Balance at the end of prior year			
	Operating income	Net profit	Total comprehensive income	Cash inflows from operating activities	Operating income	Net profit	Total comprehensive income	Cash inflows from operating activities
Ningbo Hengyi Trading Co., Ltd.	1,431,043.73	67,946.74	68,567.00	71.32	1,739,584.17	44,838.32	45,950.19	-6,869.55
Zhejiang Hengyi	349,464.95	10,768.95	10,768.95	49,137.40	474,801.52	13,139.93	13,139.93	65,058.81

Name of subsidiary	Amount incurred in current year				Balance at the end of prior year			
Polymer Co., Ltd.								
Zhejiang Yisheng Petrochemical Co., Ltd.	2,352,467.70	109,630.01	106,765.78	222,553.67	3,261,678.77	141,436.90	141,737.42	37,449.76
Hengyi Industries Sdn Bhd	2,321,258.54	47,747.33	-34,060.82	168,216.90	1,016,837.15	77,056.52	105,143.62	-239,080.35
Zhejiang Hengyi High-tech Materials Co., Ltd.	988,395.09	32,287.47	22,920.21	-186,077.82	1,182,134.72	38,487.03	39,480.41	72,660.61

2. Trade that still controls the subsidiary after its owner's equity share changes

None.

3. Rights and interests in joint ventures and associated enterprises

(1) Important joint ventures or associates

Name of joint venture and associated enterprise	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Accounting treatment methods of joint venture or associated enterprise
				Direct	Indirect	
Zhejiang Baling Hengyi Caprolactam Co., Ltd	Xiao Shan	Xiao Shan	Manufacturing of chemical fiber products	0.00	50.00	Equity method
Dalian Yisheng Investment Co., Ltd.	Dalian	Dalian	Trade and investment	0.00	30.00	Equity method
Hainan Yisheng Petrochemical Co., Ltd.	Hainan	Hainan	Production, sales, import and export	0.00	50.00	Equity method
China Zheshang Bank	Hangzhou	Hangzhou	Banking business	0.00	3.52	Equity method

Note 1: The Company holds 3.52% of shares of China Zheshang Bank Co., Ltd., and has assigned representatives to its Board of Directors, with substantial power of participating in decision-making. Therefore, the Company can participate in preparing financial and operating policies of Zheshang Bank Co., Ltd. through such representative, for imposing significant impact on the Bank.

Note 2: According to the resolution of the shareholders' meeting of Hainan Yisheng Petrochemical Co., Ltd., the minority shareholders gave up the rights and interests arising from the operation from January 1, 2020, and Ningbo Hengyi Trading Co., Ltd. and Dalian Yisheng Investment Co., Ltd. each enjoyed 50%.

(2) Major financial information of important associated enterprises

Item	Balance at the end of the period/amount incurred in the current period	Beginning balance/Amount incurred in prior year
	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
Current assets	1,288,155,439.19	1,310,639,379.21

Item	Balance at the end of the period/amount incurred in the current period	Beginning balance/Amount incurred in prior year
	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
Of which: cash & cash equivalents	184,103,365.57	89,504,828.65
Non-current assets	4,552,145,931.54	4,783,456,861.87
Total assets	5,840,301,370.73	6,094,096,241.08
Current liabilities	3,122,327,679.98	3,355,528,855.04
Non-current liabilities	428,353,281.19	498,957,087.01
Total liabilities	3,550,680,961.17	3,854,485,942.05
Minority equity	0.00	0.00
Shareholder's equity attributable to parent company	2,289,620,409.56	2,239,610,299.03
Net asset share calculated based on shareholding ratio	1,144,810,204.78	1,119,805,149.52
Events adjusted	0.00	0.00
- Goodwill	0.00	0.00
- Unrealized profit arising from intra-group trading	0.00	0.00
-Others	20,100,790.61	20,100,790.61
Book value of equity investment in joint ventures	1,164,910,995.39	1,139,905,940.15
Fair value of equity investment in joint ventures with public quotation	0.00	0.00
Operating income	5,371,929,504.09	5,047,750,726.47
Financial expenses:	117,037,894.48	87,671,729.17
Income tax expenses	66,296,918.59	75,477,468.63
Net profit	213,650,290.24	239,789,757.30
Net profit of discontinued operations	0.00	0.00
Other comprehensive income	0.00	0.00
Total comprehensive income	213,650,290.24	239,789,757.30
Dividends received from joint ventures during the year	74,145,003.24	75,000,000.00

(3) Major financial information of important associated enterprises

Currency Unit: RMB 10,000

Item	Balance at the end of the period/amount incurred in the current period			Beginning balance/Amount incurred in prior year		
	Yisheng Investment	Hainan Yi Sheng	China Zheshang Bank	Yisheng Investment	Hainan Yi Sheng	China Zheshang Bank

Item	Balance at the end of the period/amount incurred in the current period			Beginning balance/Amount incurred in prior year		
	Yisheng Investment	Hainan Yi Sheng	China Zheshang Bank	Yisheng Investment	Hainan Yi Sheng	China Zheshang Bank
Current assets	792,315.14	472,043.34	197,614,400.00	726,570.27	458,958.73	--
Non-current assets	889,697.28	549,701.51	7,208,100.00	912,324.81	595,160.71	--
Total assets	1,682,012.42	1,021,744.86	204,822,500.00	1,638,895.09	1,054,119.44	180,078,586.70
Current liabilities	866,438.91	552,299.55	166,036,500.00	936,694.90	636,727.61	--
Non-current liabilities	44,057.90	71,720.27	25,531,700.00	11,002.42	49,174.57	--
Total liabilities	910,496.82	624,019.82	191,568,200.00	947,697.32	685,902.18	167,275,819.80
Minority equity	118,276.34	0.00	203,100.00	109,017.31	0.00	178,125.80
Shareholder's equity attributable to parent company	653,239.26	397,725.04	13,051,200.00	582,180.46	368,217.26	12,624,641.10
Net asset share calculated based on shareholding ratio	195,971.78	176,496.23	459,402.24	174,654.14	156,492.33	444,387.37
Events adjusted	0.00	0.00	0.00	0.00	0.00	0.00
—Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
- Unrealized profit arising from intra-group trading	0.00	-829.44	0.00	0.00	-933.12	0.00
-Others	5,494.45	0.00	-54,954.97	5,494.45	0.00	-55,114.33
Book value of equity investment in associates	201,466.23	175,666.79	404,447.00	180,148.58	155,559.21	389,273.04
Fair value of equity investment in associates with public quotation	0.00	0.00	8,677,628.38	0.00	0.00	10,166,437.17
Operating income	2,536,416.86	1,808,764.93	4,770,300.00	3,901,448.91	1,976,267.35	4,636,390.90
Net profit	109,206.53	98,267.26	1,255,900.00	116,523.88	55,963.72	1,314,298.30
Net profit of discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income	861.31	1,240.52	-200,700.00	1,066.54	2,616.15	87,861.20
Total comprehensive income	110,067.84	99,507.78	1,055,200.00	117,590.42	58,579.87	1,402,159.50
Dividends received from	8,925.00	29,750.00	17,953.66	0.00	0.00	0.00

Item	Balance at the end of the period/amount incurred in the current period			Beginning balance/Amount incurred in prior year		
	Yisheng Investment	Hainan Yi Sheng	China Zheshang Bank	Yisheng Investment	Hainan Yi Sheng	China Zheshang Bank
associated enterprises in current year						

(4) Summary financial information of unimportant joint ventures associated enterprises

Currency Unit: RMB 10,000

Item	Balance at the end of the period/amount incurred in the current period	Beginning balance/Amount incurred in prior year
Joint ventures:		
Total book value of investments	92,633.73	85,056.84
The total of the following items calculated based on shareholding ratio		
- Net profit	2,576.89	52.45
- Other comprehensive income	0.00	0.00
- Total comprehensive income	2,576.89	52.45
Associated enterprises:		
Total book value of investments	15,543.60	1,996.51
The total of the following items calculated based on shareholding ratio		
- Net profit	856.52	-167.29
- Other comprehensive income	0.00	0.00
- Total comprehensive income	856.52	-167.29

(5) Excess deficit of joint venture or associated enterprise

As of December 31, 2020, the Company has no excess deficit of joint venture or associated enterprise.

(6) Unconfirmed commitment related to the investment of joint venture

As of December 31, 2020, the Company has no unconfirmed commitment related to the investment of joint venture.

(7) Contingent liabilities related to the investment of joint venture or associated enterprise

As of December 31, 2020, the Company has no contingent liabilities related to the investment of joint venture or associated enterprise.

4. Equity of structured entity not incorporated into the consolidated financial statement

The Company does not have any equity of structured entity not incorporated into the consolidated financial statement.

IX. Risks associated with financial instruments

The Company's major financial instruments include monetary funds, financial assets measured at fair value with changes included in profit or loss, borrowings, accounts receivable, accounts payable, etc. For details of various financial instruments, please refer to the relevant items in Note VI. Risks relating to these financial instruments, together with risk management policies taken by the Company to lower these risks, are as follows. The company management manages and monitors the risk exposure in order to ensure the above risks to be controlled within the limited range.

The Company takes the sensitivity analysis techniques to analyze the reasonable risk variables and probable changes towards current profits and losses or shareholders' equity. Since any risk variables rarely change in isolation, and the correlation between the variables has a significant effect on the final impact of the change in a risk variable, therefore, the following content is under the assumption that the change of each variable was conducted under the independent condition.

(I) Risk management objectives and policies

The purpose of risk management is to maintain a proper balance between risks and benefits, minimize the risks' negative impact on the operating results of the Company and maximize the benefits to shareholders and other equity investors. Based on such an objective, the basic policy for risk management is to determine and analyze various risks to be faced with, establish proper risk tolerances and carry out risk management, oversee various risks in a timely and reliable manner and keep relevant risks within the defined range.

1. Market Risk

(1) Foreign Exchange Risk

Foreign exchange risk refers to the risk of causing a loss due to exchange rate movement. The Company's exposure to foreign exchange risk is mainly related to the USD and the BND. Except for several subsidiaries of the Company that purchase and sell in USD, other major business activities of the Company are settled in RMB. On December 31, 2020, the balances of assets and liabilities are almost in RMB except for the below balances of US dollars and BND. The foreign exchange risk from assets and liability of foreign currency balance may have an effect on the business performance of the Company.

Item	Ending balance		Beginning balance	
	USD	BND	USD	BND
Cash & Cash Equivalents	597,549,974.09	30,852,704.59	272,473,370.08	2,168,288.48
Accounts receivable	418,190,365.11	28,951,031.41	751,315,469.46	1,195,207.71
Other receivables	426,581.80	4,330,630.67	60,608,150.13	3,872,007.78
Accounts payable	445,000,009.92	10,180,771.52	613,534,713.95	2,751,356.79
Other payables	266,250.00	2,951,839.39	781,115,996.18	1,210,564.77

Item	Ending balance		Beginning balance	
	USD	BND	USD	BND
Short-term loans	822,806,683.23	0.00	1,229,209,378.59	0.00
Non-current liabilities due within one year	1,952,936.28	0.00	0.00	0.00
Long-term loans	1,154,550,000.00	0.00	1,657,512,508.24	0.00
Long-term accounts payable	6,077,830.61	0.00	0.00	0.00

The Company pays close attention to the impact of exchange rate changes on the Company's foreign exchange risk, and stipulates that the Company will not conduct any foreign exchange derivatives trading for speculative purposes. All foreign exchange derivatives trading is based on normal production and operation, and relies on specific business operations for the purpose of avoiding and preventing exchange rate or interest rate risk.

Foreign exchange risk sensitivity analysis:

The Company's exposure to foreign exchange risk is mainly related to changes in the exchange rate of USD and Euro against RMB. The following table shows the sensitivity analysis under the assumption regarding the Company's relevant foreign currency and RMB exchange rate changes of 1%. During the sensitivity analysis conducted by management, the movement of 1% is considered to reflect the possible range of exchange rate changes. Based on the above assumptions, if other variables remain the same, the pre-tax impacts of possible reasonable interest rate changes on the profits and losses of the current period and the shareholders' equities are as follows:

Item	Exchange rate movement	Pre-tax impact on current profit & loss and shareholders' equity	
		Current period	Previous period
USD-monetary assets	1% appreciation against RMB	66,303,875.42	71,421,557.02
USD monetary liabilities		-158,597,723.93	-244,184,900.98
Net influence		-92,293,848.50	-172,763,343.96
USD-monetary assets	1% depreciation against RMB	-66,303,875.42	-71,421,557.02
USD monetary liabilities		158,597,723.93	244,184,900.98
Net influence		92,293,848.50	172,763,343.96
Currency monetary assets	1% appreciation against RMB	3,162,722.16	374,357.74
Currency monetary liabilities		-647,621.57	-204,985.86
Net influence		2,515,100.58	169,371.88
Currency monetary assets	1% depreciation against RMB	-3,162,722.16	-374,357.74
Currency monetary liabilities		647,621.57	204,985.86
Net influence		-2,515,100.58	-169,371.88

(2) Interest rate risk--risk for cash flow changes

The risk of changes in fair value of financial instruments caused by changes in interest rates of the Company mainly comes from the fact that the interest rate of the financial market is in a downward trend, the Company's fixed-rate borrowings will not enjoy the cost savings brought by interest-rate cuts. Conversely, when the financial market interest rate is in an upward trend, the Company's borrowing with floating interest rate will cause the cost increase due to the rate hike. As the short-term and medium-term loans of the Company's interest-bearing debt each account for about half of the Company's interest-bearing debt, and short-term loans bear interest at fixed interest rates and medium-term and long-term debts bear interest at floating interest rates, the Company's management believed that under the current trend of interest rate changes in macro financial markets, the Company's interest rate risk-fair value change risk was not significant. The Company currently has no interest rate hedging policy.

Interest rate risk sensitivity analysis:

The interest rate risk sensitivity analysis is based on the assumption that market interest rate changes affect interest income or expenses of financial instruments with variable rate. For short-term loans, such sensitivity analysis is based on the fact that borrowing that will continue to revolve in the whole fiscal year. Additionally, when the management conducted such a sensitivity analysis, the increase and decrease of 50 basis points was considered to reasonably reflect the possible range of interest rate changes. Based on above assumptions, when other variables remain the same, if interest rate increases/decreases by 50 basis points, the pre-tax impacts of possible reasonable interest rate changes on current profits and losses and shareholders' equities are as follows:

Item	Interest rate movement	Profit increase in the current period	Profit decrease in the current period
Short-term borrowings and medium-and long-term debts bearing interest at fixed interest rates	Upward trend of interest rates, with an increase of 50 basis points	150,260,187.30	—
Short-term borrowings and medium-and long-term debts bearing interest at fixed interest rates	Downward trend of interest rates, with a decrease of 50 basis points	—	150,260,187.30
Medium and long-term debt bearing interest at the floating interest rate	Upward trend of interest rates, with an increase of 50 basis points	—	79,255,491.22
Medium and long-term debt bearing interest at the floating interest rate	Downward trend of interest rates, with a decrease of 50 basis points	79,255,491.22	—

(3) Other price risks

The investment classified as the trading financial assets held by the Company shall be measured according to the fair value on the balance sheet date. Therefore, the Company is exposed

to the risk of price changes of relevant assets. The Company has internally established an investment management department, with designated members closely monitoring the price changes of investment products. Given the necessity of investing in futures and characteristics of leverage risk, the Board of Directors of the Company authorized the Chairman to form a company futures leading team, further authorized the team to lead the Company's futures business, formulated working ideas of futures business, and clearly established futures trading team in company investment management department for organizing and implementing the trade execution as decided by foresaid futures leading team, futures settlement team in company financial management department for the fund management, accounting processing, transaction confirmation and settlement management of the Company's futures business, and futures supervision team in company audit department for the risk management & control of futures trading and regular review of trading behavior. Further, to strengthen the Company's internal control over futures business, effectively prevent and resolve various risks that may exist in the trade execution and implementation, the Company has formulated the Futures Business Management System, which requires staff participating in the futures business to strictly follow relevant regulations and procedures for operation. The Company's staff involved in futures business has undergone special training and fully understands the characteristics and risks of the futures variety business involved. Therefore, the directors of the Company believe that price risks faced by the Company have been alleviated.

2. Credit risk

Credit risk refers to risk that one party of financial instruments does not perform obligations so that the other party encounters financial loss. The Company's credit risks mainly arise from bank deposits and accounts receivable. The Company has taken the following measures to control the above related risks.

To reduce credit risk, the Company set up a team for credit line determination, credit approval, and payment-to-delivery policy for unapproved customers. In addition, the Company will review collection situation of every account receivable on every balance sheet date to guarantee to withdraw enough bad debt provision for funds that cannot be collected. Therefore, the management of the Company thinks credit risk undertaken by the Company has been reduced significantly.

The Company's working capital is deposited in banks with high credit ratings, so the credit risk of working capital is low.

3. Liquidity risk

In managing the liquidity risk, the Company, to meet its managing demand, should keep and supervise enough cash and cash equivalent which approved by the management. Meanwhile, it

should decrease the influence of the fluctuation of cash flow. The Company management monitors the using of bank loans and guarantees to abide by the loan agreement.

The Company sets the bank loans as the main fund source. On December 31, 2020, the bank credit line of the Company was RMB 23.378 billion (December 31, 2019: RMB 24.503 billion).

According to the deadline of undiscounted remaining contract obligations, financial assets and financial liabilities held by the Company are analyzed as follows:

Item	Within 6 months	7-12 months	1-3 years	Over 3 years
Non-derivative financial assets and liabilities:				
Notes receivable	128,306,084.37	86,378,882.61	0.00	0.00
Short-term loans	19,403,889,638.52	7,078,782,487.46	0.00	0.00
Notes payable	1,187,267,473.78	0.00	0.00	0.00
Long-term loans due within 1 year	594,968,849.55	1,161,821,634.60	0.00	0.00
Long-term loans	0.00	0.00	4,395,716,680.86	12,214,186,348.37
Accounts receivable financing	277,820,103.37	259,394,687.11	0.00	0.00
Derivative financial assets and liabilities:				
Forward exchange contract	4,648,638.91	0.00	0.00	0.00
Futures contract	759,555,645.85	80,274,127.29	-1,468,102.50	0.00

Note: The maturity time of other undiscounted financial assets and financial liabilities held by the Company is included in corresponding items in Note VI of financial statements.

(II) Financial assets transfer

1. Financial assets transferred but not confirmed wholly

Financial assets transferred but not confirmed wholly of this year that the Company need not disclose

2. Transferred financial assets that have been derecognized wholly but the transferor still continues to involve in

In 2020, the Company cashed the banker's acceptance of RMB 2,262,383,251.48, (RMB 4,574,723,760.80 for last year) in total to the bank. As the major risks such as interest rate risk related to the banker's acceptance and benefits have been transferred to the bank, the Company ceased to recognize the banker's acceptance that has been cashed but not yet mature. According to the cashing agreement, if the banker's acceptance failed to be cashed upon maturity, the bank has the right to ask the Company to pay off the unsettled balance. Therefore, the Company continued to involve in cashing the banker's acceptance. On December 31, 2020, the cashed but not mature banker's acceptance was RMB 924,028,209.32 in total (December 31, 2019: RMB

1,864,896,260.32).

X. Disclosure of fair value**1. Year-end fair values of assets and liabilities measured at fair value**

Item	Fair value at the end of the period			Total
	Fair value measurement at Level 1	Fair value measurement at Level 2	Fair value measurement at Level 3	
1. Continuous fair value measurement				
(i) Financial assets held for trading	251,904,308.53	0.00	0.00	251,904,308.53
1. Financial assets at fair value through profit or loss	251,904,308.53	0.00	0.00	251,904,308.53
(1) Investment in debt instruments	0.00	0.00	0.00	0.00
(2) Investment in equity instruments	0.00	0.00	0.00	0.00
(3) Derivative financial assets	251,904,308.53	0.00	0.00	251,904,308.53
2. Specified as financial assets at fair value through profit or loss	0.00	0.00	0.00	0.00
(1) Investment in debt instruments	0.00	0.00	0.00	0.00
(2) Investment in equity instruments	0.00	0.00	0.00	0.00
(ii) Derivative financial assets	737,015,777.82	0.00	0.00	737,015,777.82
(iii) Financial liabilities held for trading	9,301,029.70	0.00	0.00	9,301,029.70
Among which: issued bonds held for trading	0.00	0.00	0.00	0.00
Derivative financial liabilities	9,301,029.70	0.00	0.00	9,301,029.70
Others	0.00	0.00	0.00	0.00
(iv) Derivative financial liabilities	136,608,747.10	0.00	0.00	136,608,747.10

2. Basis of determining the market price of continuous and non-continuous level-1 fair value measurement project

Items for which the continuous measurement is made at the level-based fair value for the first time mainly include derivative financial instruments and an active market exists. The unadjusted offer for the same assets or liabilities at the active market can be obtained.

XI. Related parties and connected transactions

1. Introduction about parent company of the Company

Name of parent company	Place of registration	Nature of business	Registered capital	Parent company's shareholding ratio in the Company (%)	Parent company's proportion of voting rights in the Company (%)
Zhejiang Hengyi Group Co., Ltd.	Hangzhou	Investment and trade	RMB51.8 million	40.86	47.82

Note: the ultimate controller of the Company is Qiu Jianlin

2. Introduction about subsidiaries of the Company

Please refer to Note VIII, 1: Interests in Subsidiaries.

3. Introduction to joint ventures and associated enterprises

Name of joint venture and associated enterprise	Main place of businesses	Place of registration	Nature of business	Shareholding ratio (%)		Accounting treatment methods of joint venture or associated enterprise
				Direct	Indirect	
Ningbo Jinhou Industry Investment Co., Ltd.	Hangzhou	Ningbo	Investment and consulting	25.00	0.00	Equity method
Zhejiang Yisheng New Material Co., Ltd.	Ningbo	Ningbo	Chemical raw materials and chemical products manufacturing industry	0.00	50.00	Equity method
Dongzhan Shipping Co., Ltd.	Zhoushan	Zhoushan	Water transport industry	0.00	30.00	Equity method

As for important joint ventures or associated enterprise of the Company, please see Note VII. 3: Equity in Joint Ventures or Associated Enterprise.

4. Other related parties

Name of other related parties	Relationship between other related parties and the Company
Hangzhou Hengyi Investment Co., Ltd.	Corporate shareholders which hold more than 5% of the Company's shares, and
	The wholly-owned subsidiaries of the parent company
Zhejiang Hengyi Polyamide Co., Ltd.	A holding subsidiary of the ultimate parent company
HENGYI JAPAN Co., Ltd.	A holding subsidiary of the ultimate parent company
Hangzhou Yichen Chemical Fiber Co., Ltd.	A holding subsidiary of the ultimate parent company

Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	A joint venture of the ultimate parent company
Zhejiang Rongtong Chemical Fiber New Material Co., Ltd.	A holding subsidiary of the joint venture
Yisheng Dahua Petrochemical Co., Ltd.	A holding subsidiary of the joint venture
Hong Kong Yisheng Dahua Co., Ltd.	A holding subsidiary of the joint venture
Hong Kong Yisheng Co., Ltd.	A wholly-owned subsidiary of a joint venture
Hangzhou Wanyong Industrial Investment Co., Ltd.	Related natural person serves as the senior executive.
Ningbo Qingshi Chemical Wharf Co., Ltd.	Related natural person serves as the senior executive.
Hangzhou Yibo Investment Management Co., Ltd.	A company controlled by related natural persons
Zhejiang Hengyi Real Estate Development Co., Ltd.	Related natural person serves as the senior executive.

5. Related-party transactions

(1) Connected transactions for purchase and sale of goods, provision and acceptance of services

① Purchasing goods or receiving labor services

Related parties	Contents of connected transactions	Current period	Previous period
Hainan Yi Sheng Petrochemical Co., Ltd.	Goods procurement	364,528,944.69	707,144,849.70
Hainan Yi Sheng Petrochemical Co., Ltd.	Receiving labor services	270,152.21	0.00
Yisheng Dahua Petrochemical Co., Ltd.	Goods procurement	3,217,687,757.97	3,742,056,138.64
Yisheng Dahua Petrochemical Co., Ltd.	Receiving labor services	0.00	463,250.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd	Goods procurement	403,774,807.18	394,461,794.88
Zhejiang Hengyi Jinlun Co., Ltd.	Goods procurement	110,164.61	21,653.99
Ningbo Qingshi Chemical Wharf Co., Ltd.	Receiving labor services	59,917,129.31	62,873,091.10
Hangzhou Yichen Chemical Fiber Co., Ltd.	Goods procurement	8,920,172.05	1,169,225.66
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Acceptance of services	0.00	3,980,917.42
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Goods	3,022,628,921.27	1,261,644,792.24

Related parties	Contents of connected transactions	Current period	Previous period
	procurement		

② Sales of goods and rendering labor services

Related parties	Contents of connected transactions	Current period	Previous period
Zhejiang Baling Hengyi Caprolactam Co., Ltd	Selling goods	670,705,898.26	486,960,795.87
Zhejiang Baling Hengyi Caprolactam Co., Ltd	Provision of services	32,214,927.63	31,319,840.06
Hainan Yi Sheng Petrochemical Co., Ltd.	Selling goods	1,691,872,715.08	167,237,590.77
Hainan Yi Sheng Petrochemical Co., Ltd.	Provision of services	15,521,892.37	58,272,787.10
Zhejiang Hengyi Polyamide Co., Ltd.	Selling goods	1,295,293.80	2,658,544.26
Zhejiang Hengyi Polyamide Co., Ltd.	Provision of services	7,579,045.74	8,853,956.48
Hangzhou Hengyi Investment Co., Ltd.	Selling goods	0.00	11,686,888.04
Yisheng Dahua Petrochemical Co., Ltd.	Provision of services	202,233.49	20,537.74
Yisheng Dahua Petrochemical Co., Ltd.	Selling goods	28,277,321.68	17,681,415.93
Hangzhou Yichen Chemical Fiber Co., Ltd.	Provision of services	25,362,366.14	13,041,287.52
Hangzhou Yichen Chemical Fiber Co., Ltd.	Selling goods	2,577,034.44	3,068,169.24
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Selling goods	62,637,805.44	95,173,107.23
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Provision of services	37,335,011.58	38,513,321.22
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Trademark licensing expenses	5,565,160.26	4,837,273.39

(2) Information about related trusteeship management/entrusted management

The Company as the trustee

Name of entrusting party	Name of trustee	Entrusted assets Type	Entrustment Starting date	Custody fee confirmed in this period
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Zhejiang Hengyi Petrochemicals Co., Ltd.	Operation trusteeship	2018-7-25	1,698,113.20

Note: Zhejiang Hengyi Petrochemical Co., Ltd., a subsidiary of the Company, was entrusted to

provide management consulting services for the production and operation activities of Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd. and did not bear any operational risks of the entrusting party. The termination date of the entrustment is the date when the entrusting party is acquired by the Company or non-related parties of the Company.

(3) Introduction about associated lease

①The Company as a lessor

Name of lessee	Type of leasing assets	Rental income recognized in current period	Rental income recognized in prior period
Hangzhou Yibo Investment Management Co., Ltd.	House property	0.00	209,090.91

②The Company as a lessee

Name of lessor	Type of leasing assets	Rental recognized in current period	Rental recognized in prior period
Zhejiang Baling Hengyi Caprolactam Co., Ltd	House property	0.00	258,095.24
Zhejiang Hengyi Real Estate Development Co., Ltd.	House property	0.00	1,333,333.34

(4) Guarantee of related parties

①The company as a guarantor

As of December 31, 2020, the Company has no related-party guarantee as a guarantor.

②The Company as the secured party

Guarantor	Guarantee	Amount (RMB 10,000)	Debit date	Repayment date	Does the Company provide collateral	Whether the guarantee has been fulfilled
Zhejiang Southeast Space Frame Group Company Limited and Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co., Ltd.	5,000.00	2020-03-24	2021-03-03	No	No
Zhejiang Southeast Space Frame Group Company Limited and Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co., Ltd.	14,992.50	2020-10-16	2021-05-18	No	No
Xinghui Chemical Fiber Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	13,200.00	2020-04-01	2021-07-24	No	No
Xinghui Chemical Fiber Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co., Ltd.	28,000.00	2020-07-29	2021-07-20	No	No
Zhejiang Hengyi Real Estate Development Co., Ltd., Zhejiang Hengyi Real	Zhejiang Hengyi Polymer Co., Ltd.	7,200.00	2020-01-21	2021-01-20	Yes	No

Guarantor	Guarantee	Amount (RMB 10,000)	Debit date	Repayment date	Does the Company provide collateral	Whether the guarantee has been fulfilled
Estate Development Co., Ltd., Xinghui Chemical Fiber Group Co., Ltd.						
Zhejiang Hengyi Group Co., Ltd.	Haining Hengyi New Materials Co., Ltd.	367,785.01	2020-01-14	2024-12-30	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Jiaxing Yipeng Chemical Fiber Co., Ltd.	15,000.00	2020-02-28	2021-07-01	No	No
Zhejiang Hengyi Group Co., Ltd.	Ningbo Hengyi Trading Co., Ltd.	49,984.00	2020-12-01	2021-06-01	No	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fiber Co., Ltd.	14,950.00	2020-08-25	2021-09-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-tech Materials Co., Ltd.	\$15,000.00	2020-02-21	2021-02-20	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-tech Materials Co., Ltd.	54,000.00	2020-01-13	2021-03-19	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-tech Materials Co., Ltd.	20,000.00	2020-03-11	2021-03-11	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	6,000.00	2016-03-14	2023-3-13	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co., Ltd.	2,000.00	2015-12-30	2023-12-29	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co., Ltd.	15,000.00	2020-05-12	2021-05-12	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co., Ltd.	115,999.64	2020-02-21	2021-09-03	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	6,991.89	2020-08-13	2021-03-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	10,000.00	2020-03-06	2021-12-04	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	206,000.00	2020-01-09	2021-11-23	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	\$11,439.17	2020-02-18	2022-02-18	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries International Pte Ltd (Singapore)	\$3,605.54	2020-12-29	2021-01-27	No	No
Zhejiang Hengyi Group Co., Ltd.	Hongkong Tianyi International Holding Company Limited	\$1,802.00	2020-08-17	2022-06-02	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	32,500.00	2020-09-09	2022-03-04	No	No

Guarantor	Guarantee	Amount (RMB 10,000)	Debit date	Repayment date	Does the Company provide collateral	Whether the guarantee has been fulfilled
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	\$9,336.58	2020-10-05	2021-01-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	\$10,000.00	2020-12-18	2022-03-04	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	\$8,000	2020-03-02	2021-03-01	No	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fiber Co., Ltd.	23,500.00	2020-06-19	2021-12-24	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	25,000.00	2020-07-22	2021-09-04	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	4,800.00	2019-05-08	2022-05-09	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Suqian Yida New Material Co., Ltd.	5,926.67	2019-11-26	2022-11-20	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	\$700.00	2019-06-25	2024-09-25	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	20,440.00	2019-12-09	2022-12-10	Yes	No
Zhejiang Hengyi Group Co., Ltd., Qiu Jianlin	Hengyi Industries Sdn Bhd	410,000.00	2018-08-23	2030-08-22	Yes	No
Zhejiang Hengyi Group Co., Ltd., Qiu Jianlin	Hengyi Industries Sdn Bhd	\$107,000	2018-08-23	2030-08-22	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Shaoxing Shengong Machinery Manufacturing Co., Ltd.	Shaoxing Shengong Packaging Co., Ltd.	1,379.46	2020-01-21	2023-12-31	Yes	No

As of December 31, 2020, the Company has no related-party guarantee as a guarantor.

(5) Funds borrowed from related party

Related parties	Inter-bank Borrowing and Lending	Starting date	Expiring date	Description
Lending:				
Hainan Yi Sheng Petrochemical Co., Ltd.	520,000,000.0 0	2019-11- 13	2020-12- 4	Entrusted loan, with a loan interest rate of 4.785%
Zhejiang Yisheng New Material Co., Ltd.	80,000,000.00	2019-12- 23	2020-12- 22	Entrusted loan, with a loan interest rate of 4.785%
Zhejiang Yisheng New Material Co., Ltd.	1,000,000,000 .00	2020-3-1 6	2021-12- 22	Entrusted loan, with a loan interest rate of 4.785%

(6) Related-party Assets Transfer and Debt Restructuring

Related parties	Contents of connected transactions	Current period	Previous period
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Transferred assets	0.00	130,119.82
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Asset alienation	0.00	298,964.16
Zhejiang Yisheng New Material Co., Ltd.	Asset alienation	32,943.58	0.00
Hangzhou Huixin Zhishi Technology Co., Ltd.	Transferred assets	675,006.60	0.00
Zhejiang Hengyi Group Co., Ltd.	Transferred assets	100,000.00	0.00
Zhejiang Hengyi Group Co., Ltd.	Asset alienation	1,000,000.00	0.00

(7) Remuneration of key management personnel

Item	Current period	Previous period
Remuneration of key management personnel	RMB 12,667,800	RMB 12,974,400

(8) Other related-party transactions

During the year, the Company conducted paper transactions with Hong Kong Yisheng Co., Ltd. and Hong Kong Yisheng Dahua Co., Ltd. respectively, with a total revenue of USD5,739,102.00 and USD706,944.00 respectively.

As of December 31, 2020, the deposit balance of the Company and its subsidiaries in the related party China Zheshang Bank Co., Ltd. was RMB61.6471 million; at the end of the period, the amount of discounted bank acceptance bills that have not yet expired was RMB735.8737 million.

6. Accounts receivable from and payable to affiliated parties

(1) Receivable items

Item	Ending balance		Balance at the end of prior year	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable:				
Hong Kong Yisheng Co., Ltd.	35,140,697.19	0.00	7,106,850.27	0.00
Hainan Yi Sheng Petrochemical Co., Ltd.	553,876,023.16	0.00	1,154,281.98	0.00
Hong Kong Yisheng Dahua Co., Ltd.	0.00	0.00	10,709,108.81	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd	214,624.00	0.00	0.00	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	229,073.95	0.00	0.00	0.00
Total	589,460,418.30	0.00	18,970,241.06	0.00
Advance payments:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd	5,083.43	0.00	0.00	0.00
Zhejiang Rongtong Chemical Fiber New Material Co., Ltd.	0.00	0.00	943,940.00	0.00

Item	Ending balance		Balance at the end of prior year	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Total	5,083.43	0.00	943,940.00	0.00
Other receivables:				
Hangzhou Yichen Chemical Fiber Co., Ltd.	2,400.00	0.00	0.00	0.00
Zhejiang Hengyi Group Co., Ltd.	1,000,000.00	0.00	0.00	0.00
Hangzhou Wanyong Industrial Investment Co., Ltd.	0.00	0.00	500,362,500.00	15,010,875.00
Total	1,002,400.00	0.00	500,362,500.00	15,010,875.00
Dividend receivable:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd	54,145,003.24	0.00	28,444,087.61	0.00
Dalian Yisheng Investment Co., Ltd.	63,750,000.00	0.00	38,250,000.00	0.00
Hainan Yi Sheng Petrochemical Co., Ltd.	212,500,000.00	0.00	127,500,000.00	0.00
Total	330,395,003.24	0.00	194,194,087.61	0.00

(2) Payable items

Item	Ending balance	Balance at the end of prior year
Accounts payable:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd	7,833,213.52	331,922.92
Hangzhou Yichen Chemical Fiber Co., Ltd.	7,871,460.86	1,213,470.00
Zhejiang Hengyi Polyamide Co., Ltd.	0.00	10,344.08
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	48,740,055.61	19,523,227.72
Hangzhou Huixin Zhishi Technology Co., Ltd.	0.00	5,625,073.25
Ningbo Qingshi Chemical Wharf Co., Ltd.	0.00	10,920,679.93
Total	64,444,729.99	37,624,717.90
Accounts received in advance:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd	0.00	1,801,612.46
Zhejiang Hengyi Polyamide Co., Ltd.	0.00	147,360.00
Total	0.00	1,948,972.46
Contractual liabilities:		
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	9,944,293.55	0.00
Hong Kong Yisheng Petrochemical Investment Co., Ltd.	35,131,486.70	0.00
Zhejiang Hengyi Group Co., Ltd.	0.00	0.00
Zhejiang Hengyi Jinlun Co., Ltd.	198,244.97	0.00
Total	45,274,025.23	0.00

Item	Ending balance	Balance at the end of prior year
Other payables:		
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	0.00	3,145,068.00
Zhejiang Hengyi Group Co., Ltd.	100,000.00	21,100,000.00
Total	100,000.00	24,245,068.00

XII. Share-based Payment

1. General situation of share-based payment in Phase I

Item	Related contents
Total amount of various equity instruments granted by the Company in the current period	0.00
Total amount of various equity instruments exercised by the Company in the current period	0.00
Total amount of various equity instruments invalidated in the current period	0.00
The range of the exercise price of the stock options issued by the Company at the end of the year and the remaining term of the contract	—
The scope of the exercise price of other equity instruments of the Company at the end of the year and the remaining term of the Contract	—

The Company implemented the Phase I Restricted Share Incentive Plan (hereinafter referred to as “the Plan” or “the Incentive Plan”) in 2015. Taking August 25, 2015 as the grant date, the Company granted 11.7 million restricted shares with a par value of RMB1 per share and a grant price of RMB5.35 per share to 15 incentive targets through targeted issuance.

The validity period of this Plan is 5 years from the date of grant of restricted shares. The restricted shares granted by this Incentive Plan shall be locked in within 12 months from the date of grant. The unlocking arrangements for granting restricted shares are shown in the table:

Unlock schedule	Unlock time	Proportion of the number of unlocked stocks to the number of restricted shares
First unlocking	From the first trading day after the expiration of 12 months from the first grant date to the last trading day within 24 months from the first grant date	25%
Second unlocking	From the first trading day after the expiration of 24 months from the first grant date to the last trading day within 36 months from the first grant date	25%
Third unlocking	End on the last trading day within 36 months from the date of the first grant; end on the last trading day within 48 months from the date of the first grant	25%

Fourth unlocking	From the first trading day after the expiration of 48 months from the first grant date to the last trading day within 60 months from the first grant date	25%
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This incentive plan is an equity tool with performance evaluation conditions. As the Company failed to meet the requirement that “the net profit attributable to shareholders of the listed company during the lock-in period and the net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses shall not be lower than the average level of the last three fiscal years before the grant date and shall not be negative” in 2015, and the unlocking conditions of the Company's stocks in the first unlocking period were not met, the relevant stocks involved cannot be unlocked within the first unlocking time or deferred to the next year. In 2016, the Company repurchased and cancelled 25% of the restricted shares granted to incentive targets that did not meet the unlocking conditions for the first unlocking period, i.e. 2,925,000 restricted shares.

On August 28, 2017, the first meeting of the 10th Board of Directors of the Company deliberated and passed the Proposal on the Achievement of Unlocking Conditions in the Second Unlocking Period of the Phase I Restricted Share Incentive Plan, agreeing that 2,925,000 restricted shares of the 15 incentive targets of the Company in the second unlocking period of the Phase I Restricted Share Incentive Plan shall be unlocked according to regulations.

On August 27, 2018, the 17th meeting of the 10th Board of Directors deliberated and passed the Proposal on the Achievement of Unlocking Conditions in the Third Unlocking Period of the Phase I Restricted Share Incentive Plan, agreeing that 4,095,000 restricted shares (after excluding rights) of 15 incentive targets of the Company in the third unlocking period of the Phase I Restricted Share Incentive Plan should be unlocked according to regulations.

On August 29, 2019, the 33rd Meeting of the 10th Board of Directors deliberated and passed the Proposal on the Achievement of Unlocking Conditions in the Fourth Unlocking Period of the Phase I Restricted Share Incentive Plan, agreeing that 3,920,000 restricted shares (after excluding rights) of 14 incentive targets of the Company in the fourth unlocking period of the Phase I Restricted Share Incentive Plan should be unlocked according to regulations.

2. General situation of share-based payment in Phase II

Item	Related contents
Total amount of various equity instruments granted by the Company in the current period	0.00
Total amount of various equity instruments exercised by the Company in the current period	15,260,700.00
Total amount of various equity instruments invalidated in the current period	0.00
The range of the exercise price of the stock options issued by the Company at the end of the year and the remaining term of the contract	—

Item	Related contents
The scope of the exercise price of other equity instruments of the Company at the end of the year and the remaining term of the Contract	_____

The Company implemented the Phase II Restricted Share Incentive Plan (hereinafter referred to as the “Phase II Incentive Plan”) in 2017. Taking June 12, 2017 as the grant date, the Company granted 28.55 million restricted shares, each with a par value of RMB1, and the grant price of restricted shares was RMB6.60 per share to 50 incentive targets through targeted issuance.

The validity period of the Phase II Incentive Plan is 3 years from the date of grant of restricted shares. The restricted shares granted by this Incentive Plan shall be locked in within 12 months from the date of grant. The unlocking arrangements for granting restricted shares are shown in the table:

Unlock schedule	Unlock time	Proportion of the number of unlocked stocks to the number of restricted shares
First unlocking	From the first trading day after the expiration of 12 months from the first grant date to the last trading day within 24 months from the first grant date	40%
Second unlocking	From the first trading day after the expiration of 24 months from the first grant date to the last trading day within 36 months from the first grant date	30%
Third unlocking	From the first trading day after the expiration of 36 months from the first grant date to the last trading day within 48 months from the first grant date	30%

On June 12, 2018, the 16th Meeting of the 10th Board of Directors deliberated and passed the Proposal on the Achievement of Unlocking Conditions in the First Unlocking Period of Phase II Restricted Share Incentive Plan, agreeing that 15,988,000 shares (after excluding rights) of 50 incentive targets of the Company in the first unlocking period of Phase II Restricted Share Incentive Plan should be unlocked according to regulations.

On June 18, 2019, the 30th Meeting of the 10th Board of Directors deliberated and passed the Proposal on the Achievement of Unlocking Conditions in the Second Unlocking Period of Phase II Restricted Share Incentive Plan, agreeing that 11,739,000 shares (after excluding rights) of 49 incentive targets of the Company in the second unlocking period of Phase II Restricted Share Incentive Plan should be unlocked according to regulations.

On June 12, 2020, the 39th Meeting of the 10th Board of Directors deliberated and passed the Proposal on the Achievement of Unlocking Conditions in the Third Unlocking Period of Phase II Restricted Share Incentive Plan, agreeing that 15,260,700 restricted shares (after excluding rights)

of 49 incentive targets of the Company in the third unlocking period of Phase II Restricted Share Incentive Plan should be unlocked according to regulations.

3. Share-based payment settled in equity shares

Item	Related contents
Method for determining fair value of equity instruments on grant date	The fair value of the Company's restricted shares in Phase II was determined directly based on the market price of the shares with unlimited selling conditions on the grant date minus the grant price, regardless of factors such as option value and liquidity discount, i.e. the fair value of restricted shares = the closing price of the shares on the grant date - the grant price; the total cost to be recognized for the restricted shares granted this time = the fair value of each restricted share * the number of restricted shares.
Basis for determining the amount of equity instruments in respect of which an option is exercisable	According to the best estimate of the Company's management
Reasons for the significant difference between the current period's estimate and prior-period estimate	—
Cumulative amount of equity-settled share payments included in the capital reserve	187,774,833.33
Total amount of confirmed fees paid by equity-settled shares in the current period	9,013,875.00

XIII. Commitments and Contingencies

1. Commitments

(1) On January 27, 2014, the Company's controlling subsidiary, Hengyi Industries Sdn Bhd (hereinafter referred to as "Brunei Industries") and the Brunei Economic Development Board signed the Land Lease Agreement, to clarify the rental rate, payment methods, and other specific items. The main contents are as follows:

- ① Location of leased land
Pulau Muara Besar, Brunei Darussalam.
- ② Area leased: 260 hectares.
- ③ Term of lease: 30 years, and additional 30 years extended upon expiration.
- ④ Land rent determination method:

Considering that the PMB petrochemical project land requires filling and proposal, the Brunei government gives the project an initial rent-free concession.

Land rent is subject to local rent level; and considering other contributions of the PMB

petrochemical project to local areas, certain concessions will be granted.

Given the currency inflation and rising household consumption price, the Brunei Economic Development Board will raise rental rate once every five years, with each increase not exceeding 10%.

⑤ Land rent payment method

The rent shall be paid to the Brunei Economic Development Board on the first working day of the first month of each quarter upon expiration of rent-free period.

⑥ Prerequisite conditions

Before the formal implementation of the Land Lease Agreement, prerequisite conditions shall be met: The Brunei Economic Development Board has obtained the ownership certificate of leased land that meets project requirements, the Implementation Agreement signed between both parties has entered into force, and its conditions have been met.

2. Contingencies

(1) Contingent liabilities formed by arbitration of pending litigation and their financial impact

Criminal case and related civil litigation case of Wang of Shuangtu Company

Since October 21, 2018, Shuangtu Company has received notices from more than ten customers, including Haiyan Yixiao Knitting New Materials Co., Ltd. After paying for the goods, the customers have not received the goods from Shuangtu Company and cannot contact Wang, a business employee of Shuangtu Company. Haiyan Yixiao Knitting New Materials Co., Ltd., Tonglu Yueheng Knitting Garment Co., Ltd., and Yiwu Zijing Garment Co., Ltd. filed a lawsuit with the court on the grounds that Shuangtu Company did not complete the delivery after receiving the payment.

Upon inspection by Shuangtu Company, the Company has received the payment from the above customers and completed activities such as delivery and issuance of sales invoices according to the sales order. Customers who did not receive the goods were handled by Wang, a salesperson of Shuangtu Company. After losing contact with Wang, Shuangtu Company reported the case to the Criminal Investigation Brigade of Dajiangdong Industrial Agglomeration Branch of Hangzhou Public Security Bureau on November 1, 2018. On April 13, 2019, Shuangtu Company received a notice from the public security organ that Wang had been arrested. As of the reporting date of this financial report, the public security organ is still investigating the criminal case.

Three civil cases related to Wang's criminal case and the contract dispute case with Haiyan Yixiao Knitting New Materials Co., Ltd. have been heard on December 3, 2018, and the court has not yet issued a judgment. The contract dispute case with Tonglu Yueheng Knitting Garment Co., Ltd. has been withdrawn because it involved Wang's criminal case, and how to solve it will be

decided after the criminal case is handled. In the case of the contract dispute with Yiwu Zijing Garment Co., Ltd., Shuangtu Company has submitted a reply and evidential materials to the court, and the court temporarily postponed the hearing. In the case of the contract dispute of Haiyan Yixiao Knitting New Materials Co., Ltd., the court frozen the bank deposit of RMB300,000 of Shuangtu Company.

In 2018, Shuangtu Company offset the income by RMB26,201,814.47 according to the information such as the quantity of goods not yet received in customer correspondence notice, and included the corresponding cost of goods by RMB24,105,503.18 in “Other Receivables-Wang” and fully accrued bad debt losses. At the same time, according to the time and amount of customer payment, the estimated liabilities of RMB433,932.50 were accrued according to the bank loan interest rate for the same period.

On May 17, 2019, Wang was arrested according to law. On January 22, 2020, Hangzhou Xiaoshan District People's Procuratorate filed a public prosecution with Hangzhou Xiaoshan District People's Court for the crime of duty encroachment and contract fraud, which was accepted. Due to the pandemic and other reasons, the court trial has not yet started. According to the amount of duty-related crimes found in the indictment of Hangzhou Xiaoshan District People's Procuratorate, Shuangtu Company offset its income by RMB2,414,257.32 included the corresponding cost of goods by RMB2,138,041.91 into “Other Receivables-Wang” and fully confirmed the estimated loss. At the same time, according to the time and amount of customer payment, the estimated liabilities of RMB1,573,136.66 were accrued according to the bank loan interest rate for the same period.

According to the Agreement on Issuing Shares to Purchase Assets and subsequent related agreements signed by the Company, Fulida Group Holding Co., Ltd. and Xinghui Chemical Fiber Group Co., Ltd., the former shareholders of Shuangtu Company, Fulida Group Holding Co., Ltd. and Xinghui Chemical Fiber Group Co., Ltd. promised and agreed to assume joint and several liabilities to Shuangtu Company and the Company for all losses suffered by Shuangtu Company due to the dispute case that occurred before December 7, 2018 (inclusive). Therefore, the above matters would not have a significant impact on Shuangtu Company and the Company.

On July 20, 2020, the Xiaoshan District People's Court of Hangzhou issued a criminal judgment and ruled that: (1) The defendant Wang committed the crime of duty encroachment and was sentenced to 13 years in prison; Wang was convicted of contract fraud and sentenced to 11 years and 6 months in prison and fined RMB150,000; Wan was sentenced to 18 years in prison and fined RMB150,000. (2) The defendant Wang was ordered to compensate the relevant victim units and their economic losses.

After Wang's criminal case was judged, cases identified as duty encroachment were judged or tried. On September 2, 2020, Hangzhou Intermediate People's Court of Zhejiang Province made a first-instance judgment: Terminate the contract signed between the Company and Tonglu Yueheng Knitting Clothing Co., Ltd., return the latter's payment of RMB407,160.00 (including tax), pay capital interest of RMB31,938.08, property preservation fee of RMB25,610, and bear the acceptance fee of the second-instance case of RMB7,422. On March 17, 2021, Hangzhou Intermediate People's Court held a hearing on the dispute over the sales contract between Yiwu Zijing Clothing Co., Ltd. and the Company. The plaintiff filed a lawsuit requesting the court to dissolve the sales contract relationship between the plaintiff and the defendant, and demanded that the defendant immediately return the defendant's payment and interest loss. As of the date of this report, the court has not made a judgment.

XIV. Events after the Balance Sheet Date

1. Profit distribution

On April 19, 2021, at the eighth meeting of the 11th Board of Directors of the Company, the Proposal on Profit Distribution in 2020 was deliberated and passed. The Company planned to distribute cash dividends of RMB 3 (including tax) for every 10 shares based on the total share capital of 3,681,645,407.00 shares. The proposal would be submitted to the Company for deliberation through 2020 general meeting of shareholders.

2. As of the reporting date of the financial statement, except the disclosed above, there are no other post balance sheet date items needing to be disclosed this year.

XV. Other important matters

1. Correction of prior period errors

The Company has no prior-period error correction items that should be disclosed in 2020.

2. Segment information

The Company has neither branch management, nor has branch reporting.

3. Other important matters

The Company has no other major matters that are necessary to be disclosed during the reporting period.

XVI. Notes to main items of financial statements

1. Other accounts receivable

Item	Ending balance	Balance at the end of prior year
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Item	Ending balance	Balance at the end of prior year
Interests receivable	0.00	0.00
Dividend receivable	1,629,600,000.00	1,555,000,000.00
Other receivables	6,538,165,426.76	5,275,966,888.92
Total	8,167,765,426.76	6,830,966,888.92

(1) Dividends receivable

Item or name of investee	Ending balance	Balance at the end of prior year
Zhejiang Hengyi Petrochemicals Co., Ltd.	1,209,400,000.00	1,055,000,000.00
Zhejiang International Business Group Co., Ltd	0.00	100,000,000.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	150,000,000.00	200,000,000.00
Taicang Yifeng Chemical Fiber Co., Ltd.	70,200,000.00	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	200,000,000.00	200,000,000.00
Subtotal	1,629,600,000.00	1,555,000,000.00
Less: bad debt provision	0.00	0.00
Total	1,629,600,000.00	1,555,000,000.00

Important dividend receivable which is outstanding for longer than one year

Item or name of investee	Ending balance	Aging	Reason for no recovery	Whether impairment has occurred and the basis for determining impairment
Zhejiang Hengyi Petrochemicals Co., Ltd.	425,000,000.00	1-2 years	The Company has no demand for external dividend distribution, and the daily working capital demand is also small, so the dividend has not been recovered yet.	No

(2) Other receivables**① Disclosure based on aging analysis**

Aging of accounts receivable	Ending balance	Balance at the end of prior year
Within 1 year	1,262,247,037.84	5,275,968,388.92
1-2 years	5,275,918,388.92	0.00
2-3 years	0.00	0.00

Aging of accounts receivable	Ending balance	Balance at the end of prior year
Over 3 years	2,500.00	2,500.00
Subtotal	6,538,167,926.76	5,275,970,888.92
Less: bad debt provision	2,500.00	4,000.00
Total	6,538,165,426.76	5,275,966,888.92

② Classification of accounts receivable by nature

Nature of account	Ending balance	Balance at the end of prior year
Related party funds within the scope of consolidation	6,538,165,426.76	5,275,918,388.92
Receivables and payables such as advances from entities beyond the scope of consolidation	0.00	0.00
Combination of consumption taxes and export tax rebates receivable	0.00	0.00
Combination of tax refunds receivable	0.00	0.00
Portfolio of deposits and security	2,500.00	2,500.00
Employee loan and petty cash	0.00	50,000.00
Other groups	0.00	0.00
Subtotal	6,538,167,926.76	5,275,970,888.92
Less: bad debt provision	2,500.00	4,000.00
Total	6,538,165,426.76	5,275,966,888.92

③ Bad debt provision

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime(no credit impairment has occurred)	Expected credit loss over the lifetime(credit impairment has occurred)	
Balance as of January 1, 2020	1,500.00	0.00	2,500.00	4,000.00
On January 1, 2020, the book balance of other receivables was in this year:				
--Transferred to the second stage	0.00	--	--	0.00
--Transferred to the third stage	0.00	0.00	--	0.00
--Transferred back to the second stage	--	--	0.00	0.00
--Transferred back to the	--	0.00	0.00	0.00

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime(no credit impairment has occurred)	Expected credit loss over the lifetime(credit impairment has occurred)	
first stage				
Withdrawal in the current period	0.00	0.00	0.00	0.00
Recovered or reversed in the current period	1,500.00	0.00	0.00	1,500.00
Written-off or canceled in the current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as of December 31, 2020	0.00	0.00	2,500.00	2,500.00

④Bad debt preparation

Category	Beginning balance	Amount of changes in the current period			Ending balance
		Provision	Amount recovered or written back	Resell or write off	
Related party funds within the scope of consolidation	0.00	0.00	0.00	0.00	0.00
Receivables and payables such as advances from entities beyond the scope of consolidation	0.00	0.00	0.00	0.00	0.00
Combination of consumption taxes and export tax rebates receivable	0.00	0.00	0.00	0.00	0.00
Combination of tax refunds receivable	0.00	0.00	0.00	0.00	0.00
Portfolio of deposits and security	2,500.00	0.00	0.00	0.00	2,500.00
Employee loan and petty cash	1,500.00	0.00	1,500.00	0.00	0.00
Other combination	0.00	0.00	0.00	0.00	0.00
Total	4,000.00	0.00	1,500.00	0.00	2,500.00

⑤The top five ending amounts (totals by borrower) of other receivables:

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the year ended (%)	Provision for bad debts Ending balance
Zhejiang Hengyi Petrochemicals Co.,	Receivables and payables with	6,290,185,123.00	Within one year, 1-2	96.21	0.00

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the year ended (%)	Provision for bad debts Ending balance
Ltd.	related parties		years		
Jiaxing Yipeng Chemical Fiber Co., Ltd.	Receivables and payables with related parties	101,700,000.00	1-2 years	1.56	0.00
Suqian Yida New Material Co., Ltd.	Receivables and payables with related parties	101,505,222.21	Within 1 year	1.55	0.00
Taicang Yifeng Chemical Fiber Co., Ltd.	Receivables and payables with related parties	39,440,014.17	Within 1 year	0.60	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	Receivables and payables with related parties	5,335,067.00	Within 1 year	0.08	0.00
Total	—	6,538,165,426.38	—	100.00	0.00

2. Long-term equity investments

(1) Classification of long-term equity investments

Item	Ending balance			Balance at the end of prior year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in subsidiaries	15,767,268.51 7.98	-	15,767,268.51 7.98	15,505,268.51 7.98	0.00	15,505,268.51 7.98
Investments in joint ventures and associates	14,265,101.35	-	14,265,101.35	14,408,927.05	0.00	14,408,927.05
Total	15,781,533.61 9.33	-	15,781,533.61 9.33	15,519,677.44 5.03	0.00	15,519,677.44 5.03

(2) Investments in subsidiaries

Investee	Beginning balance	Increase in current year	Decrease in the current period	Ending balance	Impairment provision in current year	Current balance of impairment provision
Zhejiang Hengyi Petrochemicals Co., Ltd.	9,372,870,750.00	0.00	0.00	9,372,870,750.00	0.00	0.00
Zhejiang Hengyi International Trading Co., Ltd.	300,000,000.00	0.00	0.00	300,000,000.00	0.00	0.00
Zhejiang Hengyi Engineering	105,000,000.00	62,000,000.00	0.00	167,000,000.00	0.00	0.00

Investee	Beginning balance	Increase in current year	Decrease in the current period	Ending balance	Impairment provision in current year	Current balance of impairment provision
Management Co., Ltd.						
Zhejiang Henglan Technology Co., Ltd.	38,500,000.00	0.00	0.00	38,500,000.00	0.00	0.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	2,686,198,482.98	200,000,000.00	0.00	2,886,198,482.98	0.00	0.00
Taicang Yifeng Chemical Fiber Co., Ltd.	897,699,306.80	0.00	0.00	897,699,306.80	0.00	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	2,104,999,978.20	0.00	0.00	2,104,999,978.20	0.00	0.00
Total	15,505,268,517.98	262,000,000.00	0.00	15,767,268,517.98	0.00	0.00

(3) Investments in joint ventures and associates

Investee	Beginning balance	Changes of increase or decrease in the current period				
		Addition investment	Negative investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Changes in other equity
Associated enterprises						
Ningbo Jinhou Industry Investment Co., Ltd.	14,408,927.05	0.00	0.00	-143,825.70	0.00	0.00

(Contd.)

Investee	Changes of increase or decrease in the current period			Ending balance	Ending balance of impairment provision
	Declaring distribution of cash dividends or profits	Impairment provision	Others		
Associated enterprises					
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,265,101.35	0.00

3. Operating income and operating cost

Item	Amount incurred in current year		Amount incurred in prior year	
	Revenue	Costs	Revenue	Costs
Principal business	2,586,856,333.35	2,537,833,295.23	60,019,034.19	58,256,351.09
Other operations	0.00	0.00	0.00	0.00
Total	2,586,856,333.35	2,537,833,295.23	60,019,034.19	58,256,351.09

4. Investment income

Item	Amount incurred in current year	Amount incurred in prior year

Item	Amount incurred in current year	Amount incurred in prior year
Long-term equity investment income accounted by the cost method	1,204,600,000.00	1,275,000,000.00
Long-term equity investment income accounted by the equity method	-143,825.70	-308,063.63
Income from investment in finance products	0.00	8,930,000.00
Total	1,204,456,174.30	1,283,621,936.37

XVII. Supplementary Information

1. Statement of Non-Recurring Profit and Loss in current year

Item	Amount
Gains and losses from the disposal of non-current assets	-6,741,262.61
Tax refund, reduction or exemption approved ultra vires or without any formal approval or granted incidentally	12,921,483.38
Government grants recorded into current profit and loss but closely related to normal business operations of the Company, except for those that are continuously make available at specified portion or amount in accordance with national policies	318,607,292.74
Current net profit or loss from subsidiaries formed by business combination under common control, from period-beginning to acquisition date	19,376,584.76
Profit or loss from contingencies irrelevant to normal business operations of the Company	0.00
The gains or losses arising from the fair value changes of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities, as well as investment gain received from the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, except for effective hedging transactions that are related to the Company's ordinary business	487,752,983.95
Profit or loss from entrusted loans	41,586,615.56
Income from entrusted operation	1,698,113.20
Other non-operating income and expense in addition to the above	-6,299,334.89
Other profit or loss that complies with the definition of non-recurring profit and loss	2,595,730.83
Subtotal	871,498,206.92
Effect of income tax	215,685,156.22
Influenced amount of the minority shareholders' equity (after-tax)	62,915,238.58
Total	592,897,812.12

Note: “+” in non-recurring profit and loss items means “profit and income”, while “-” means loss or expenditure.

The Company confirms the non-recurring profit and loss items according to relevant regulations of Explanatory Announcement on Information Disclosures of Companies Issuing

Securities No. 1 -- Non-Recurring Profits and Losses (ZJHGG [2008] No. 43).

2. ROE and EPS

Profit in report period	Weighted average net asset Rate of return (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	12.56	1.08	1.07
Net profit attributable to holders of ordinary shares of the Company, after deducting non-recurring profit or loss	10.39	0.87	0.86

Section XIII Catalogue of Documents for Reference

- I. Accounting statements containing the signatures and seals of the legal representative, the person in charge of finance and the person in charge of accounting institutions.
- II. The original audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant.
- III. The originals of all Company documents and announcements publicly disclosed on the website designated by the CSRC during the reporting period.

Hengyi Petrochemical Co., Ltd.

Chairman: Qiu Yibo

April 19, 2021