



# Hengyi Petrochemical

## 2022 Annual Report



Hengyi Petrochemical Co., Ltd.

# Chairman's Statements

Looking back on 2022, we may find that the external environment remained severe, the international situation was changing constantly, the geopolitical conditions in the world were very complex, and the global economy was facing significant downward pressures. Under the disturbance of multiple unfavorable factors, the business operation of the Company faced a critical test, and the petrochemical chemical fiber industry that the Company had been engaged in also experienced a huge challenge. Only after polishing can a piece of jade be finer. Facing this harsh test, all persons of Hengyi Petrochemical were full of confidence, worked together to overcome the difficulties and demonstrated high business vitality and development resilience, so that the Company can steadily enter the next stage of development.

## **Guided by the strategy, we have significant advantages**

This year, we continued implementing the strategic deployment of "refinery, polyester and polyamide industries" without wavering. The Phase I of the refining-petrochemical project in Brunei was operated steadily, and won the China Construction Engineering Luban Prize. It was hailed by the *People's Daily* as a model for building an Asia-Pacific community with a shared future. The investment and construction of the 1.2-mtpa Caprolactam-Polyamide Integration and Supporting Project have been started in China, and the 500,000-tpa New-type Functional Fiber Project was successfully put into production; the production capacity of differentiated high-end polyester products was gradually released, and the integration advantages of the whole industrial chain were prominent, laying a solid foundation for the high-quality development of Hengyi.

## **Based on the R&D, we are empowered by innovation**

In 2022, the Company continued adhering to the innovation-driven development. With our long-term and unremitting efforts and down-to-earth attitude, the Company achieved significant technological development results this year: The green and environmentally-friendly polyester product "Eticont" achieved large-scale production; the production of flame-retardant and antibacterial products steadily increased; the development of functional composite materials, such as cationic dyeable fiber, was taking shape and gradually advancing industrialization. Besides, the Company continued developing and researching cutting-edge processes and technologies in caprolactam, polyamide and other fields, and our products continued moving towards high-end and differentiation, adding brightness to the innovative development of Hengyi.

### **Digital-intelligence integration improving the quality and efficiency**

This year, the Company continued focusing on the transformation of industry digitization, networking and intelligence, and the construction of the visualized "Hengyi Brain" Phase II project was being orderly promoted; besides, on the basis of building the first polyester factory with full-process intelligent storage and transportation system in China, the Company further promoted the application of the equipment management system, and thus the overall level of intelligence of the Company rose again accordingly. With the introduction and optimization of the automated and intelligent equipment, the labor costs were reduced and the overall operational efficiency was significantly improved, enhancing the sustainability of the development of the Company.

### **The continuous share repurchases give us confidence**

This year, based on our current favorable business background and the expected continuous growth with the project production in the future, we continued firmly implementing our repurchase plan. Up to now, Hengyi Petrochemical has accumulated a repurchase amount of approximately RMB 2.034 billion through the third-phase repurchase plan. The continuous share repurchase plan not only injected a shot of energy into the market, but also gave us confidence in the future development of Hengyi.


The cold winter is passing, and the warm spring is coming. With the gradual release of the effects of national economic stabilization policies, our confidence in the market has been significantly boosted, the downstream consumer demand is gradually recovering, and positive signals of a rebound in the petrochemical and chemical fiber industry have emerged. The climate is extremely cold, but the verdant pine trees have not withered, and the vast blue sea is even clearer. The test of the cold winter makes all Hengyi people more confident that the future is foreseeable. We will continue maintaining our composure, take the initiative, and firmly grasp the next important opportunity to face and overcome difficulties, demonstrate high business vitality and development resilience, steadily entering the next stage of development of the Company.

In 2023, we will follow the spirit of the 20<sup>th</sup> National Congress of the CPC, continue to fully leverage the advantages of upstream and downstream industry integration, and strive to build the Company into a source and a leading place for new technologies and products, further enhancing the profitability and risk resistance ability of the Company. The Company will further increase investment in R&D, adhere to the guidance of "green manufacturing" and "circular economy", and continue to focus on high-end and differentiated product development and achievement transformation of three major themes, i.e., green environmental protection, functional, and bio-based, so as to accumulate energy for the technological

innovation and development of Hengyi, striving to achieve the transformation from an "Industrial Hengyi" to a "Technological Hengyi".

Facing the whole country and the world, Hengyi has always been rooted in China. Following the "headquarters + scientific research + base" trinity model, we have been actively creating one platform, two centers, and six bases, and building a market pattern that "backing on the Yangtze River Delta, the Pearl River Delta, and the Bohai Bay, and facing the blue sea", striving to create high-quality development models. The year of 2023 is the tenth anniversary of the "the Belt and Road" initiative. The Company will continue to actively respond to the "the Belt and Road" initiative, steadily improve the operating efficiency of the Brunei Phase I Project, and accelerate the construction of the Brunei Phase II Project, being a firm practitioner of the "double cycle" development strategy.

We will do our best every day and all the way, and we believe there will be more beautiful scenery ahead. Nowadays, the pain and haze brought about by the external environment are dissipating, and the dawn of hope is now in sight. We will continue to maintain our strategic composure, seize the industrial opportunities of new technologies and products, embrace new changes, achieve new leaps, and draw a new high-quality development blueprint for Hengyi Petrochemical with a forward-looking vision, rock-solid confidence, fearless courage, and seize every moment! Let's strive to create new and greater value for our country, our society, our shareholders, and our employees!

President: 

April 19, 2023

## **Section I Important Notes, Contents and Definitions**

**The Board of Directors (BOD), Board of Supervisors (BOS), directors, supervisors and senior managers of the Company guarantee that the contents of the 2022 Annual Report (hereinafter referred to as "the Report") are true, accurate and complete, free of false records, misleading statements or major omissions, and that they shall bear relevant individual and joint and several legal liabilities.**

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

**Qiu Yibo, the head of the Company, Fang Xianshui, the person in charge of the accounting work, and Yu Zhicheng, the head of the accounting body (accountant in charge), declared that they would ensure the truthfulness, accuracy and completeness of the financial statements in this Annual Report. We would ensure the truthfulness, accuracy and completeness of the financial statements in this Annual Report.**

**The Report has been reviewed and approved at the twenty-eighth meeting of the eleventh session of the BOD of the Company. All directors have attended the Board meeting at which this Report was considered.**

**According to the plan of the Company, no cash dividends or bonus shares will be distributed, and no public reserve funds will be converted into share capital.**

**Forward-looking statements such as future plans, development strategies, industry discussions and prospects involved in this Report do not constitute the substantive commitment of the Company to investors, and investors are advised to pay attention to investment risks. For possible risks in the operation and development of the Company, please refer to (II) "Possible Risks and Countermeasures in the Future" of "XI. Prospects for the Future Development of the Company" under "Section III Management Discussion and Analysis".**

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## **List of Documents for Reference**

1. Accounting statements signed and stamped by the legal representative, the financial principal and the head of the accounting body;
2. The original audit report stamped by the accounting firm and signed and stamped by the certified public accountant;
3. All original documents and original announcements of the Company publicly disclosed on the website designated by CSRC during the current period.



## Definitions

Item	Refers to	Definition
Hengyi Petrochemical/Company/the Company	Refers to	Hengyi Petrochemical Co., Ltd.
SZSE/the Exchange	Refers to	Shenzhen Stock Exchange
Hengyi Group	Refers to	Zhejiang Hengyi Group Co., Ltd.
Hengyi Limited	Refers to	Zhejiang Hengyi Petrochemical 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 High-Tech	Refers to	Zhejiang Hengyi High-Tech Materials Co., Ltd.
Haining New Materials	Refers to	Haining Hengyi New Materials Co., Ltd.
Haining Thermal Power	Refers to	Haining Hengyi Thermal Power 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.
Suqian Yida	Refers to	Suqian Yida New Materials Co., Ltd.
Ningbo Hengyi Trading	Refers to	Ningbo Hengyi Trading Co., Ltd.

Item	Refers to	Definition
Hong Kong Yisheng	Refers to	Hong Kong Yisheng Co., Ltd.
Hengyi Singapore	Refers to	Hengyi Industries International (Singapore) Co., Ltd.
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	Hong Kong Tianyi International Holding Co., Ltd.
Hengyi Investment	Refers to	Hangzhou Hengyi Investment Co., Ltd.
Hengqi Environmental Protection	Refers to	Haining Hengqi Environmental Protection Technology Co., Ltd.
Hengyi Polyamide	Refers to	Zhejiang Hengyi Polyamide Co., Ltd.
Brunei Project, PMB Petrochemical Project	Refers to	The petrochemical project invested and constructed by the Company in Brunei
PX	Refers to	Paraxylene, a colorless and transparent liquid. It is used to produce 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	Isophthalic 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, plasticizers, nonionic surfactant and explosives, etc.
PET and polyester	Refers to	Polyethylene terephthalate. It is a fiber-forming polymer made from PTA and MEG through direct esterification and continuous polycondensation

Item	Refers to	Definition
		reaction.
POY	Refers to	Polyester pre-oriented yarn or partially oriented yarn
FDY	Refers to	Fully drawn yarn or polyester drawn yarn
DTY	Refers to	Drawn 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.
Differentiated yarn	Refers to	A variety that is innovative in technology or performance or has some characteristics that is different from traditional yarns.
RMB 1 and RMB 10,000	Refers to	RMB 1 and RMB 10,000
Reporting period / during the reporting period / this reporting period	Refers to	From January 1, 2022 to December 31, 2022
End of reporting period/end of the current reporting period	Refers to	As of December 31, 2022

## Section II Company Profile and Main Financial Indicators

### I. Company Profile

Stock abbreviation	Hengyi Petrochemical	Stock code	000703
Stock abbreviation before the change (if any)	None		
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 (if any)	HYPC		
Legal representative	Qiu Yibo		
Registered address	4/F, Building 2, International Science and Technology Park, No. 5 Zhongma Avenue, China-Malaysia Qinzhou Industrial Park, Qinzhou Port Area, China (Guangxi) Pilot Free Trade Zone		
Postal code of the registered address	535000		
Change history of the Company's registered address	The original registered address of the Company, No. G, F7, Haifu Building, No. 16 West Beihai Avenue, Beihai City, Guangxi Zhuang Autonomous Region, was changed to current registered address of the Company in August 2022.		
Office address	Building 3, Hengyi Nan'an Mingzhu, 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province		
Postal code of the office address	311215		
Company website	<a href="http://www.hengyishihua.com">http://www.hengyishihua.com</a>		
E-mail	hysh@hengyi.com		

**II. Contact Person and Contact Information**

	Secretary of the BOD	Securities Representative
Name	Zheng Xingang	Chen Shasha
Contact address	BOD Office, 16/F, Building 3, Nan'an Mingzhu, No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province	BOD 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**

The website of the Stock Exchange where the Company discloses the Annual Report	Shenzhen Stock Exchange: <a href="http://www.szse.cn">http://www.szse.cn</a>
Name and website of the media through which the Company discloses the Annual Report	<i>China Securities Journal, STCN, Shanghai Securities News and Securities Daily</i> ; CNINFO: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Place where the Company's Annual Report is prepared	Office of the BOD of Hengyi Petrochemical Co., Ltd.

**IV. Registration Changes**

Unified Social Credit 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****Accounting firm engaged by the Company**

Name of accounting firm	Zhongxinghua Certified Public Accountants LLP
Office address of accounting	20/F, Tower B, Lize SOHO, 20 Lize Road, Fengtai District,

firm	Beijing
Name of signing 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.	48 Liangmaqiao Road, Chaoyang District, Beijing	Mao Zongxuan and Zhu Wei	January 2022 to December 2022

**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**

**Whether the Company needs to retroactively adjust or restate the accounting data of previous years**

Yes  No

**Reason for retrospective adjustment or restatement**

Changes in accounting policies

	2022	2021		Increase/decrease of this year over the previous year	2020	
		Before adjustment	After adjustment		After adjustment	Before adjustment
Operating income (RMB)	152,050,274,944.64	128,979,539,693.27	129,666,931,795.26	17.26%	86,429,630,191.87	86,429,630,191.87
Net profit attributable to shareholders of listed companies (RMB)	-1,079,547,699.72	3,408,043,143.47	3,378,328,289.28	-131.96%	3,071,998,839.75	3,071,998,839.75

Net profit after deducting non-recurring profits and losses attributable to shareholders of listed companies (RMB)	-1,092,334,520.95	2,758,543,282.50	2,728,828,428.31	-140.03%	2,479,101,027.63	2,479,101,027.63
Net cash flow from operating activities (RMB)	2,705,533,483.36	7,754,871,519.56	7,720,521,139.40	-64.96%	5,013,772,777.95	5,013,772,777.95
Basic earnings per share (RMB/share)	-0.30	0.94	0.93	-132.26%	0.83	0.83
Diluted earnings per share (RMB/share)	-0.30	0.91	0.90	-133.33%	0.83	0.83
Weighted average ROE	-4.31%	13.56%	13.45%	-17.76%	12.56%	12.56%
	End of 2022	End of 2021		Increase/decrease at the end of this year over the end of the previous year	End of 2020	
		Before adjustment	After adjustment		After adjustment	Before adjustment
Total assets (RMB)	111,964,797,711.33	105,548,909,472.93	105,514,058,363.19	6.11%	92,260,268,155.54	92,685,505,184.24
Net assets attributable to shareholders of listed companies (RMB)	25,446,694,059.09	25,896,860,136.22	25,863,447,788.06	-1.61%	24,006,633,612.78	24,006,633,612.78

### Main reasons for changes in accounting policies

On December 30, 2021, the Ministry of Finance issued *Interpretation No. 15 of the Accounting Standards for Business Enterprises*. According to the interpretation requirements, the content under "Accounting treatment for the sale of products or by-products produced by an enterprise before the fixed assets reach the intended usable state" was implemented from January 1, 2022, and retrospective adjustments were made to the trial sales that occurred between the beginning of the earliest period

presented in the financial statements and the implementation date of this interpretation.

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

Yes No

**The lower of net profit before and after deducting non-recurring profits and losses is negative.**

Item	2022	2021	Remarks
Operating income (RMB)	152,050,274,944.64	129,666,931,795.26	/
Amount deducted from the operating income (RMB)	1,034,447,991.65	1,349,634,365.69	/
Amount after the deduction from the operating income (RMB)	151,015,826,952.99	128,317,297,429.57	/

## **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 international accounting standards and the accounting standards of China**

Applicable Not applicable

There are no differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with international accounting standards and the accounting standards of China 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 standards and the accounting standards of China**

Applicable Not applicable

There are no differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with foreign accounting standards and the accounting standards of China



during the reporting period.

### VIII. Quarterly main financial indicators

Currency unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	33,252,703,014.35	46,551,958,652.09	43,511,638,340.48	28,733,974,937.72
Net profit attributable to shareholders of listed companies	732,204,352.08	1,081,182,221.86	-496,074,241.58	-2,396,860,032.08
Net profit after deducting non-recurring profits and losses attributable to shareholders of listed companies	670,677,786.49	1,181,319,420.97	-463,524,733.65	-2,480,806,994.76
Net cash flow from operating activities	-3,801,157,548.89	-1,985,208,857.06	2,012,007,811.44	6,479,892,077.87

**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 2022	Amount in 2021	Amount in 2020	Notes
Profit or loss from disposal of non-current assets (including the write-off portion of provided asset impairment reserves)	128,936,835.05	-12,534,455.04	-6,741,262.61	
Tax refund or exemption approved ultra vires or without any formal approval	24,841,218.44	15,609,249.33	12,921,483.38	
Government grants recorded into current profits and losses (except for those that are closely related to the normal business operation of the Company, in line with national policies, and are continuously enjoyed on a fixed quota or a quantitative basis)	179,870,984.15	277,839,245.44	318,607,292.74	
Current net profit or loss from subsidiaries formed by business merger under common control, from the	0.00	0.00	19,376,584.76	

period-beginning to the merger date				
The profit or loss arising from the fair value changes of held-for-trading financial assets and held-for-trading financial liabilities, as well as investment gains received from the disposal of held-for-trading financial assets, held-for-trading financial liabilities and financial assets available for sale, except for effective hedging transactions that are related to the normal business operations of the Company	-448,914,776.35	480,727,659.11	487,752,983.95	
Reversal of impairment reserves for receivables that are separately tested for impairment	0.00	309,000.00	0.00	
Profits or losses from entrusted loans	48,520,852.95	49,567,383.65	41,586,615.56	
Income from custodian fees obtained from entrusted operation	1,698,113.19	1,698,113.20	1,698,113.20	
Other non-operating income and expense in addition to the above	612,146.73	13,359,433.22	-6,299,334.89	
Other profit or loss items that meet the definition of non-recurring profit and loss	17,898,857.26	0.00	2,595,730.83	
Minus: Income tax influence amount	91,691,403.61	38,805,031.16	215,685,156.22	
Influenced amount of the minority shareholders' equity (after-tax)	-151,013,993.42	138,270,736.78	62,915,238.58	
Total	12,786,821.23	649,499,860.97	592,897,812.12	--

**Details of other profit or loss items that meet the definition of non-recurring profit and loss:**

Applicable  Not applicable

The Company does not have any other profit or loss items that meet the definition of non-recurring profit and loss.

**Cases of defining the non-recurring profit and loss items as recurring profit and loss items, which are enumerated in the *Explanatory Announcement No. 1 on Information Disclosure of Companies That Offer Securities to the Public -- Non-recurring Profits and Losses***

Applicable  Not applicable

There was no case of defining any non-recurring profit and loss items as recurring profit and loss items, which are enumerated in the *Explanatory Announcement No. 1 on Information Disclosure of Companies That Offer Securities to the Public -- Non-recurring Profits and Losses*.

## **Section III Management Discussion and Analysis**

### **I. Main business of the Company and the industry in which the Company is engaged during the reporting period**

The Company shall comply with the disclosure requirements for petrochemical industry specified in *Guidelines No. 3 for Self-Regulation of Listed Companies of Shenzhen Stock Exchange - Industry Information Disclosure*

#### **(I) Overview**

Hengyi Petrochemical (stock code: 000703) is committed to developing into a leading domestic and world-class refining - chemical engineering - chemical fiber private multinational industrial group. We have been making continuous efforts to enhance the comprehensive competitiveness through "upstream and downstream collaboration, domestic and international linkage, and software and hardware supports". Under the guidance of the development strategy of "refinery, polyester and polyamide industries", the Company, relying on the Brunei Project as the fulcrum, has accelerated the pace of internationalization, completed the "last mile" of the whole industrial chain from oil refining to chemical fiber, achieved a columnar industrial structure integrating the upstream, midstream and downstream industrial chains, created a unique "polyester + polyamide" double-fiber driving mode among domestic counterparts, and formed a "petrochemical +" multi-level and three-dimensional industrial layout with petrochemical industry chain as the core business, supply chain service business as the growth business, and differentiated fiber products and application of industrial intelligent technology as the emerging business.

#### **1. Overview of petrochemical chemical fiber business**

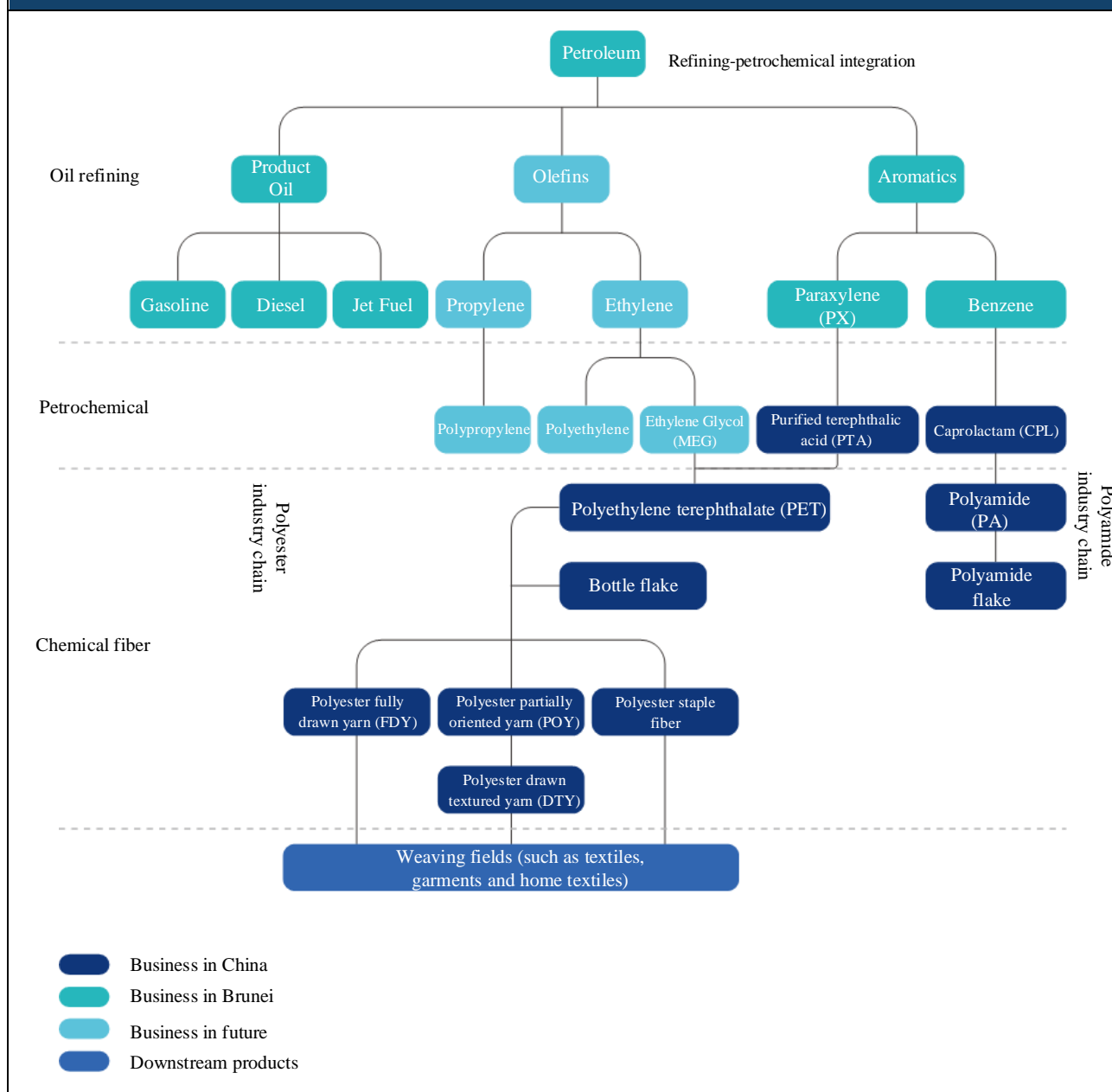
##### **(1) The world's leading group in the integration of "refining - petrochemical - chemical fiber" industrial chain**

During the reporting period, the Company closely focused on the strategic development policy of "consolidating, highlighting, and enhancing the competitiveness of the main business", the

Company's unique industrial layout of "refinery, polyester and polyamide industries" was further improved, and the Hengyi Brunei Phase I Project was operated efficiently, continuously improving the business level; the Company continued filling the gap in domestic chemical products, breaking the monopoly of foreign chemical fiber technology, and improving the industrial layout of domestic substitution and self-sufficiency; the caprolactam-based synthetic ammonia project of the joint-stock company was completed and put into operation, effectively replenishing the downstream industrial chain of aromatics, reducing production costs, and enabling the Company to obtain lasting competitiveness.

During the reporting period, the Company continuously extended the petrochemical industry chain, enriched product categories and further improved product structure, which effectively consolidated the core competitiveness of the main business, strengthened the profitability of products and improved the ability to resist market risks. The Company's main products include gasoline, diesel oil, jet fuel and other product oils; light chemical oil, liquefied petroleum gas (LPG), paraxylene (PX), benzene, purified terephthalic acid (PTA), caprolactam (CPL) and other petrochemical products; polyester bottle flakes and other packaging products, as well as polyester pre-oriented yarn (POY), polyester drawn yarn (FDY), polyester textured yarn (DTY), polyester staple fiber, polyester (PET) flakes and other polyester products. The products are widely used to meet the rigid needs related to national economy and people's livelihood, and meet people's yearning for a better life.

**Figure 1 The petrochemical and chemical fiber industry chain in which the Company is engaged**



Note: Polyamide flakes 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 was 8 mtpa; the PTA production capacity of shareholding and joint-stock companies was 19 mtpa; the PIA production capacity was 300,000 tpa; the polymer production capacity of shareholding and joint-stock companies was 10.765 mtpa, among which the production capacity of polyester fiber was 8.065 mtpa, that of polyester bottle flakes (including RPET bottle flakes) was 2.7 mtpa, and that of

caprolactam (CPL) was 400,000 tpa, ranking among the top of the industry.

**Table 1 Production Capacity of Main Products of the Company (10,000 tpa)**

<b>Product</b>	<b>Production capacity</b>
Chemical products	265
Product oil	565
PTA	1,900
PIA	30
Polyester fiber products	806.5
PET bottle flakes(including RPET)	270
Caprolactam	40

Note:

- 1) Polyester fiber products include POY, FDY, DTY, staple fiber and flake 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 R&D of new products, actively responded to the “carbon peaking and carbon neutrality” strategy, and adhered to the guidance of "green manufacturing" and "circular economy". In polyester business, it continued to carry out product development and achievement transformation around the three major themes of green environmental protection, function and bio-based. Internally, the Company optimized its sales system, actively grasped market demand, and fully tapped and reasonably guided customer demands through the organic linkage of R&D, production and sales. Externally, the Company, through cooperation with colleges and universities, built an "industry-university-research" school-enterprise ecology and realized effective exploration in basic materials research support and cutting-edge key technologies.

During the reporting period, the Company adopted a multi-path, multi-echelon and multi-scenario

R&D system. Through technical research, the Company quickly opened up the regenerated fine denier fiber market and was well received by customers. The environment-friendly "Eticont" series products were also recognized by more and more customers, and the sales volume continued to rise. The flame-retardant fibers continued to maintain a strong market share among domestic flame-retardant products. The project of "Green Manufacturing of TiO<sub>2</sub> Dulling Agent for Polyamide and Complete Technology for Industrial Application of Fully Dulling Polyamide" made breakthrough progress, taking the lead in achieving domestic application. In the field of differentiated products, the development of functional composite materials, such as antibacterial and cationic dyes, was taking shape, and the industrialization of these materials was gradually being promoted, with the technical level reaching international leading levels. In addition, the Company was also focusing on promoting the R&D process of gas phase rearrangement, synthetic ammonia, hydrogen peroxide and other technologies.

During the reporting period, the Brunei Project of the Company, as an important product oil production base in Southeast Asia, seized the historic development opportunities in Southeast Asia and followed the fluctuation trend of crack spread of product oil in the Singapore market. In the market where the crack spread of jet fuel was weaker than diesel, the jet fuel production capacity was duly converted into diesel production capacity, and the output ratio of gasoline and PX was flexibly adjusted to achieve maximum benefits.

## **(2) Company products that promote national economic development and improve people's better lives**

The Company's terminal sales products mainly include product oil, such as gasoline, diesel oil and jet fuel, as well as polyester products such as polyester bottle flakes, polyester fully drawn yarn and polyester staple fiber, which are widely used to meet the rigid needs related to national economy and people's livelihood. Among the products, the product oil such as gasoline, diesel oil and jet fuel provides energy for automobiles, ships, and aircraft and other vehicles and corresponding equipment; polyester bottle flakes are widely used in fields such as food packaging and medical material production, e.g., the demand for PET bottle-grade product in livelihood industries such as beverages, dairy products, edible oils, and seasonings has maintained steady growth, and its share in emerging

application fields such as alcohol, daily chemicals, electronic products, and medical products is rapidly increasing; polyester fully drawn yarn includes POY, FDY, and DTY, mainly used in isolation materials such as clothing and protective clothing, and it can also be used for industrial purposes such as webbing, zippers, tents, automotive interiors, and mask cords. FDY products of the Company can be used as medical and other materials to meet the increasing demand of downstream customers for medical supplies raw materials; polyester staple fibers can be widely used in fields such as yarns, nonwovens, and filling materials. Among them, nonwoven fabrics can be used as raw materials for the production of face masks, and downstream disinfectant wipes and disposable protective products and other health fields.



Figure 2 Features and Application Fields of Main Products of the Company

Products	Application fields		
PX		A type of hydrocarbon, colorless transparent liquid. It can be used in many fields. It is the main raw material for the production of PTA and is also used to make synthetic plastics, drugs, pesticides etc.	
Product Oil		Mainly used as fuel of various fuel-fired power equipment and heating supply. Used as fuel for automobiles, motorcycles, speedboats, helicopters, agricultural and forestry aircraft, motor vehicles with diesel engine (including trains), vessels and diesel boilers.	
PTA		Mainly used for producing polyester products, and is widely used for all national economy aspects, such as clothing, decoration, electronics and construction. 75% of PTA is used for polyester fiber, 20% for bottle grade polyester and 5% for film polyester (mainly for civil use in the downstream).	
PIA		PIA is a white crystalline powder or acicular crystal used to produce alkyd resins, unsaturated polyester resins and other high polymers and plasticizers. It is also used to make film finishers, coatings, polyester fiber dyeing modifiers and medicines.	
POY		Used for DTY and fiber products with special styles reprocessing production. It is widely used in clothing and industrial fields.	
FDY		Directly used for weaving and for production of garment and decorative fabrics. It is widely used in clothing and industrial fields, and also used as isolation material for protective suits and other protective products.	
DTY		It is directly used for weaving and is widely used in clothing and industrial fields, garment fabrics and lining materials.	
CPL		It is mainly used to produce polyamide fibers, engineering plastics and plastic films; widely used in industrial and civil fields.	
PET staple fiber		Mainly used to produce yarns, nonwovens and filling materials. The non-woven fabric can be used as a raw material for the production of face masks and the downstream disinfectant wipes and disposable protective products.	
PET flakes		Widely used for indirect spinning. They can be used to produce textile materials such as yarns and staple fibers, and also for strip casting to produce plastics and other products.	
PET bottle flakes		Mainly used as food packaging (including coke bottle, beverage bottles, water bottles and oil bottle.	

## 2. Overview of “petrochemical +” business

### (1) Supply chain service business is conducive to improving product operation capability and

**enhancing value-added services**

In recent years, against the backdrop of significant uncertainty and severe challenges in the external environment, the Company has steadfastly pursued and built a resilient and stable supply chain industry system, promoting the stable and healthy development of the industry, as well as the green and low-carbon transformation of the industry. The Company has been continuously strengthening the supply chain cooperation and service management capabilities, actively carrying 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 of online and offline services. Among them, the Intelligent Logistics Management Platform (HTTMS) is one of the functionalized applications of Hengyi Micro Mall. It collaborated with supporting services such as price inquiry, quick order placement, market information, and financial services, seeing a sustained explosive growth in the trading volume. Besides, the Company has been innovating in its unique omni-channel logistics control system and building a third-party logistics transportation platform.

In terms of digital development, the Company has been continuously promoting intelligent management, strengthening the construction of digital factories, and actively exploring flexible and personalized customization of production through “big data” means, creating a flexible, controllable, and efficient supply chain and industry chain system.

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

**(2) Long-term equity investment income improves the Company profits**

China Zheshang Bank Co., Ltd, established in 2004, is one of the 12 national joint-stock commercial banks approved by the China Banking and Insurance Regulatory Commission. The Bank was listed on the Main Board of the Stock Exchange of Hong Kong on March 30, 2016 and on Shanghai Stock Exchange on November 26, 2019, becoming an "A+H" listed bank. At present, the Bank has developed into a high-quality commercial bank featuring solid foundation, excellent benefits, rapid

growth and well-established risk control. With the completion of the "A+H" layout, China Zheshang Bank will accelerate its future growth. The Company will further optimize the strategic layout and continuously create value for shareholders through the growth premium of China Zheshang Bank. According to the 2022 Annual Report released by China Zheshang Bank, in 2022, the Bank achieved an operating income of RMB 61.085 billion and net profit attributable to shareholders of RMB 13.618 billion. As of the end of December 2022, the total assets of the Bank were RMB 2,62 trillion, an increase of 14.66% over the end of the previous year. Guided by the vision "to be a first-class commercial bank", and focusing on the "two most" general goal and the management principle of "scaling up, adjusting structure, controlling risks, and creating benefits", China Zheshang Bank has created a new situation of five business segments (i.e. big retail, big company, big investment bank, big asset management and big cross-border business) advancing together to serve the real economy to a new stage.

## **(II) Industries involved**

Hengyi Petrochemical is engaged in the petrochemical and chemical fiber industry. Its raw materials come from petroleum or corresponding chemicals cracked by petroleum. The downstream demands for terminal products are closely related to the basic necessities of ordinary people. Important factors affecting the industry mainly include crude oil price fluctuation, downstream demand, production capacity supply and matching of upstream and downstream industry chains.

### **1. Refining and petrochemical business: Relying on the competitive advantage of China-Brunei location, the Company explored the refining and petrochemical market potential in Southeast Asia**

#### **(1) Under the unpredictable international situation, the overall price of crude oil fluctuated in an inverted "V" shape**

Since 2022, we have seen the increase in international geopolitical conflicts, the frequent adjustments in OPEC+ countries' crude oil production, the reduction in Russian crude oil production, and the weak performance in US crude oil production. At the same time, the recovery of international crude oil demand was below the expectations, coupled with expectations of the Federal Reserve's interest rate hike, which led to a slowdown in overseas economic growth and continuous fluctuations in global

oil prices, presenting an overall "V" trend.

In the first half of 2022, under the influence of factors such as geopolitical risk premium and consumer resilience, the international crude oil price trend was strong; in the second half of the same year, due to macroeconomic pressures on the demand side, crude oil prices fell again, seeking a rebalancing between the low supply and the weak demand.

In terms of the supply, OPEC+ countries gradually relaxed the production in the first three quarters of 2022 to meet the constantly recovering demand for crude oil. However, after experiencing a rapid decline in oil prices in the second half of 2022, OPEC+ countries have been reducing the production of crude oil since October 2022. In April 2023, preventive measures were taken to support the stability of the oil market, and multiple oil producing countries announced further production reduction. From May 2023 to the end of 2023, countries including Russia will have a cumulative reduction of over 1.6 million barrels per day, accounting for approximately 1.5% of global crude oil production. Considering OPEC+ countries' unexpected production reduction, and the US's limited crude oil production and the possibility for replenishing strategic reserves, oil supply may continue to be tight, leading to an upward shift in the range of oil price fluctuations.

In terms of the demand, IEA predicts that global oil demand will increase by 2 million barrels per day in 2023, reaching a record high of 101.9 million barrels per day. Driven by China's economic recovery, the Asia-Pacific region will play a major role in driving the demand growth, and reopening borders will bring a significant increase in the demand for jet fuel.

**(2) With the global tight supply of product oil, the Southeast Asian product oil market continued to maintain a prosperous pattern**

From the perspective of the demand side, in 2022, multiple Southeast Asian countries such as Indonesia, Malaysia, and Singapore actively resumed work and production, leading to a recovery of demands in the Southeast Asian product oil market. Compared with the oversupply of domestic product oil, the Southeast Asian product oil market had a larger gap. Although Southeast Asia has abundant oil and gas resources, it is the world's largest net import market for product oil due to insufficient infrastructure investment. Besides, Australia also needed to import product oil. 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. As some marine diesel (MGO) has been required to replace marine fuel oil, the demand for diesel in Southeast Asia is expected to continue to increase.

From the perspective of the supply side, due to the early construction of some refinery facilities in Southeast Asia and the outdated technology, poor management, heavy government subsidy burden, as well as the impact of public health events, according to Platts (Platts Energy Consulting Platform) data, from 2020 to 2023, energy refining facilities with a total production capacity of more than 30 million tons were withdrawn from the market in Southeast Asia and Australia due to public health events and energy structure transformation; and, in the future, the supply of new production capacity in Southeast Asia will be insufficient. 2022 has become a cut-off period for production capacity supply in Southeast Asian refineries. Due to various factors such as public health events and funding, the production capacity deployment in Southeast Asian refineries will also be delayed or postponed to varying degrees in 2023.

According to IEA data, the production capacity of refineries which announced to be shut down globally from 2020 to 2026 reached 3.6 million barrels per day. According to BP statistics, in 2021, refineries in Europe, the United States, Australia and other regions experienced a wave of shutdowns, resulting in a decrease in production capacity of 25.68 mtpa, 10.06 mtpa, and 11 mtpa, respectively. The growth rate of new global refining capacity has been declining for two consecutive years. In 2021, the global refinery capacity decreased by 20.89 mtpa year-on-year, marking the first net decline in production capacity in the past 30 years. However, in 2022, refineries' profits rose to historical highs, and the operating rates of overseas refineries have basically rebounded to high levels. Some new refineries in China and the Middle East have been put into operation, and the global refining capacity has increased by approximately 1.98 million barrels per day; however, this still cannot make up for the supply and demand gap caused by the reduced production capacity.

Besides, in the context of carbon neutrality and carbon peaking policies, refining and petrochemical enterprises were not willing to expand their refineries and capital expenditure plans tended to be cautious, and thus the refinery production capacity growth will be limited in the future. In addition, under the influence of geopolitics, the global product oil market supply has been significantly tightened, exacerbating the tight supply situation of Southeast Asian product oil market, which is

difficult to be alleviated in the medium to long term.

Against the backdrop of undersupply, the Southeast Asian product oil market will maintain a prosperous pattern.

**Figure 3 Crack Spread of Product Oil in Southeast Asia in Recent Years**



Data source: Platts Platform

As the profit vane of refineries in Southeast Asia, from the perspective of the crack spread of product oil in the Singapore market since 2019, the crack spread of refined product oil was at the lowest level in history in 2020. With the improvement of the external environment in Southeast Asia in 2021, market demand was gradually picked up, and the crack spread of product oil continued to recover. In the first half of 2022, under the influence of multiple factors such as the sharp rise in crude oil prices, the tight supply of product oil, and the increase in oil demands brought about by the economic

recovery in Southeast Asia, the crack spread of product oil in Singapore continued to rise. However, since the second half of the year, under multiple pressures such as weak demand and price fluctuations, the price difference of product oil has significantly decreased. Since 2023, the gasoline price difference has significantly improved month on month, while the diesel price difference remains at a high level. The profitability of Brunei Refinery is expected to remain stable.

## **2. PTA business: Exports were steadily increasing, and the profitability of the Company was being stabilized**

In 2022, PTA prices showed a fluctuating upward trend overall due to the interactive effects of cost and supply and demand. In the first half of 2022, due to multiple sets of PTA devices entering annual maintenance ahead of schedule, the industrial operating rate decreased year-on-year. Coupled with contract reductions from mainstream suppliers and staged supply-demand mismatches and other factors, PTA prices continued to rise. In the second half of the year, PTA spot prices rebounded from a high level due to bearish factors such as the volatility and decline of crude oil prices and the linkage of bulk commodities. Afterwards, the tight supply and demand of PX constrained the downstream PTA construction; coupled with the recovery of market consumer confidence at the end of 2022, PTA spot prices rebounded accordingly.

In terms of the supply, according to CCF data, in 2022, due to the lack of new PTA production capacity in foreign countries, the delay in the production schedule of JBF in India, and much more device maintenance in other regions of Asia in 2022, the operating rate in South Korea and Taiwan remained at 50-80%, and in some time periods it was 30-40% (excluding IPA devices). Especially in the second half of 2022, device maintenance significantly increased, and some devices extended their maintenance cycles for several months. On the other hand, in terms of the demand, due to the fair overseas demand, the polyester facilities in India and Turkey operated at a high level in the first half of the year, and the gap between overseas PTA supply and demand was large, driving China's PTA exports to increase significantly. According to statistics from Longzhong Information, in 2022, China's PTA export volume reached 3.4467 mtpa, with an increase of 33.85% year-on-year. According to the estimated external demand situation, the export volume will still remain high in 2023, and the domestic PTA price advantage will continue. Coupled with the gradual withdrawal of

foreign competitive devices from the market, there will be a possibility of forcing foreign PTA devices to reduce production and increase production in the domestic market, thereby expanding China's export volume.

**3. Polyester business: The inflection point of downstream demand has emerged, and the market confidence is expected to be enhanced continuously with macroeconomic boosting measures**

Since 2022, the chemical fiber industry has faced complex and severe domestic and international situations and multiple factors, and its operations have generally been under pressure. Under the pressure of high inventory and weak demand, the average operating load of the chemical fiber industry has significantly decreased compared with that in 2021, with the profitability of the industry still under pressure. However, under the central government's overall strategy of "seeking progress while maintaining stability" for economic work, the overall operation of the textile and chemical fiber industry tended to be stable. With the gradual recovery of China's macro economy, the production and operation situation of the chemical fiber industry is expected to continue to improve in 2023.

**(1) Slow release of new production capacity, sustained recovery in downstream demands, and further optimization of competition order**

In recent years, China's polyester industry has gradually entered a stage of large-scale and integrated development. The whole industry is currently facing a pattern of continuous improvement in the concentration ratio of production capacity, constant strength of industry leaders, and continuous extension of the industrial chain to the upstream raw material end.

From the perspective of the supply side, due to the dual-carbon policy and equipment supply issues etc., the growth rate of new polyester production capacity has slowed down from 2021 and this situation continued in the future. According to CCF statistics, the withdrawn capacity of polyester fully drawn yarn in 2022 was 1.8 mtpa, while the actual increase in net production capacity was only 2.7%. Besides, polyester factories with old and backward devices and without ability of technological innovation also gradually withdrew from the industry competition. In the future, the backward production capacity will be further cleared, the industry access threshold will be further increased, the market concentration ratio of polyester industry will be further optimized, and the development



environment will become more benign.

For the demand side, as domestic consumption gradually recovers, downstream demand for textiles and clothing has been rebounding. According to data from the National Bureau of Statistics, the per capita disposable income of Chinese residents in 2022 was RMB 36,883, with an increase of 5.0% compared with that in the previous year. With price factors excluded, the actual increase was 2.9%. The median per capita disposable income of Chinese residents was RMB 31,370, with an increase of 4.7%. According to the permanent residence, the per capita disposable income of urban residents was RMB 49,283, with an increase of 3.9% compared with that in the previous year. With price factors excluded, the actual increase was 1.9%. The median per capita disposable income of urban residents was RMB 45,123, with an increase of 3.7%. The per capita disposable income of rural residents was RMB 20,133, with an increase of 6.3% compared with that in the previous year. With price factors excluded, the actual increase was 4.2%. The median per capita disposable income of rural residents was RMB 17,734, with an increase of 4.9%. The improvement of residents' consumption capacity has promoted the increase of terminal consumption expenditure in textile clothing and apparel industry. In the future, with the continuous driving of domestic demands for real estate, automobiles, tourism, and exports, the demand for the polyester industry will continue to maintain a healthy and stable growth.

## **(2) Active building of a high-end, intelligent, and green modern chemical fiber industry**

During the 14<sup>th</sup> Five-Year Plan period, China established itself in a new stage of development, implemented new development concepts, and constructed a new development pattern, putting forward higher requirements for the high-quality development of the chemical fiber industry. In 2022, the Ministry of Industry and Information Technology and the Development and Reform Commission jointly issued the *Guiding Opinions on the High-quality Development of the Chemical Fiber Industry*, proposing a series of high-quality development goals to guide the chemical fiber industry in building a high-end, intelligent, and green modern industrial system and comprehensively building a strong chemical fiber country. Faced with the new development situation, the chemical fiber industry focused on researching and developing new technologies to promote the entire industry towards high-end, intelligent, and green development. In terms of digital transformation and upgrading, leading

polyester enterprises have established an Industrial Internet Platform System based on the whole polyester fiber industrial chain, involving PTA, polyester, spinning and trade, developed data-driven intelligent control technology for the whole process of efficient fiber production, realized large-scale flexible green production, and high-value efficient fine management.

**(3) The supply of raw materials is loose and the profits of the upstream and downstream industrial chains are expected to shift to the polyester end**

From the perspective of the structure of upstream and downstream industrial chains, according to CCF statistics, it is expected that the new production capacity of domestic PX and PTA will be 5.6 mtpa and 15.2 mtpa respectively in 2023, with a year-on-year growth of 14% and 20% respectively. The growth rate of production capacity is higher than that of the downstream polyester production capacity, which is conducive to the transfer of profits of the industrial chain to the downstream polyester end. In addition, MEG production capacity will still be continuously expanded, and integration and coal production capacity will continue to be invested. According to CCF statistics, it is expected that new domestic and international production capacity will be 3.65 mtpa in 2023, with a growth rate of approximately 11.3%. The continuous loose supply of polyester raw materials will be conducive to the transfer of profits from the upstream and downstream industrial chains to the downstream polyester end.

**(4) Exports of polyester bottle flakes to overseas and strong consumer demands in new fields**

In recent years, the demand for polyester bottle flakes in China has grown faster than the production growth rate. In terms of overseas export, due to the advantages of distance, sea freight and relatively few anti-dumping duties of Asian countries, Asian countries currently account for a large proportion of exporting countries. China's prominent production position, coupled with the fact that overseas polyester bottle flake factories have successively stopped production or encountered some financial problems in recent years, even with the existence of anti-dumping policies, China's polyester products also have strong advantages in both price and quality, and the overseas demand for export will continue to increase rapidly. According to ICIS research, in the first half of 2022, the volume of bottle flake products imported from China by the Middle East and Latin America increased significantly. They then achieved exports to European and American countries through regional exchanges. Some

countries that originally imported bottle flake products from the United States, such as Colombia, also began to import bottle flake products from China due to the tight supply of the United States. According to customs data statistics, the export volume of polyester bottle flakes in China increased by 36% year-on-year in 2021; in 2022, the export volume increased by 35.68% year-on-year, reaching 4,314,300 tons.

In terms of the downstream demand side of emerging fields, in addition to the good performance of the traditional soft drink market, the application of bottle flakes in the fresh e-commerce field, household disinfection and sterilization and other daily chemical fields, as well as in new fields such as environmental protection flooring and optical film, is also developing rapidly, driving the continuous growth of bottle flake demands. Currently, the total production capacity of polyester bottle flakes (including RPET bottle flakes) of the shareholding and joint-stock companies has ranked first in the country, and the prosperity of the bottle flake industry has become a new growth point for the Company's profit contribution.

### **(III) Position of each business segment of the Company**

Being deeply involved in the fields of petrochemical and chemical fiber, the Company has been developed into a private multinational leading enterprise in China that integrates refining and petrochemical with chemical fiber. As the only private large refining and petrochemical enterprise with a refinery located overseas, the Company has the largest single overseas project invested by private enterprises. In the future, with the completion and operation of the Brunei Phase II Project of the Company, the Company is expected to usher in new opportunities for development.

#### **1. Refining and petrochemical business**

According to Platts data, as of December 31, 2022, the production capacity of Southeast Asian refineries was approximately 271 mtpa. The new production capacity of Southeast Asian refineries in 2022 was approximately 3 mtpa, which was basically a bottleneck-free expansion. Due to good profits in 2022, there were no new or existing production capacity, but it is still lower than the 278 mtpa in 2020. Among them, the production capacity of the Hengyi Brunei Phase I Project accounts for 3% of the total production capacity of the Company.

The Hengyi Brunei Phase I Project introduced the world's largest single series aromatics complex and

the sixth flexicoking process unit in the world, which have lower production cost per unit of product, are cleaner and more environmentally-friendly, and boast obvious late-mover advantages. After the completion of the Brunei Phase II Project, under the overall transformation and upgrading trend of the petrochemical industry, the advantages of refining-petrochemical integration will further reduce costs and increase efficiency for the Company. In addition, due to the limited investment of new refining and petrochemical production capacity in Southeast Asian countries in the future, and the fact that Southeast Asia itself has a gap in product oil, it is expected that the supply and demand will continue to be tight in the future, and the Brunei project is expected to be greatly benefited.

## **2. PTA business**

According to CCF data, as of December 31, 2022, the existing domestic PTA production capacity base was adjusted to 71.44 million tons. As one of the leading enterprises in PTA industry, the Company has strategically arranged four PTA bases in Dalian of Liaoning Province, Ningbo of Zhejiang Province and Yangpu of Hainan Province along the coastline from north to south. The total PTA production capacity of shareholding and joint-stock companies was about 19 mtpa, ranking the first in the world, and the Company becomes the world's largest manufacturer of purified terephthalic acid (PTA). In addition, according to CCF data, as of December 31, 2022, the national PTA production capacity was about 550,000 tpa, and the Company's PTA production capacity was 300,000 tpa, accounting for about 54.55% of the national total.

## **3. Polyester business**

According to CCF data, most of the polyester production capacity is concentrated in the Asia-Pacific region, and China has been the world's largest textile producer and exporter. As of December 31, 2022, China's total polymer production capacity reached 70.64 mtpa, with a year-on-year growth of 7.75%, of which the production capacity of polyester fully drawn yarn was 38.31 mtpa, that of polyester staple fiber was 9 mtpa and that of polyester bottle flakes was 12.31 mtpa. The polymer production capacity of shareholding and joint-stock companies of the Company was 10.765 mtpa, among which the production capacity of polyester bottle flakes (including RPET) was 2.7 mtpa, and that of polyester fiber consisted of 6.445 mtpa of fully drawn yarn, 880,000 tpa of staple fiber and 740,000 tpa of PET flakes. The polymer production capacity of shareholding and joint-stock companies ranked

the first in the world. The Company has continuously increased the proportion of differentiated chemical fiber varieties and focused on promoting differentiated fully drawn yarn products. In addition, the Company has been accelerating the promotion of a green and environmentally-friendly new product - "Eticont", leading the technological progress of the chemical fiber industry.

## **II. Main business model, process flow and performance drivers of the company during the reporting period**

**The Company shall comply with the disclosure requirements for petrochemical industry specified in *Guidelines No. 3 for Self-Regulation of Listed Companies of Shenzhen Stock Exchange - Industry Information Disclosure***

### **(I) Business model**

#### **1. Procurement model**

The Company mainly purchases raw materials through direct negotiation with manufacturers or traders. It selects competitive suppliers to establish long-term and stable cooperative relations, on the basis of which it decides the transaction price according to market conditions. The Company adopts a centralized procurement strategy, integrating resources from Brunei and domestic operating suppliers and increasing resource sharing efforts, so as to enhance the Company's own bargaining power.

The raw materials required for production of the Company are mainly purchased from major petrochemical products and crude oil suppliers at home and abroad. When selecting raw material suppliers, the Company first considers the quality of their products and the stability of supply. While ensuring the above, the Company will also give priority to suppliers with competitive prices to reduce production costs. The Company will sign annual supply contracts with major suppliers, regarding the supply in the relevant year of their products to the Company in accordance with international or domestic market prices at the time of actual supply as per the quantity agreed in the contracts.

The main procurement process for auxiliary materials is basically the same as that for raw materials.

#### **2. Production model**

For polyester products, the Company arranges production mainly according to the production plan

formulated in advance. In specific implementation, the annual production plan will be subdivided into monthly production plan, and then the Production Department will make necessary adjustments to the monthly production plan according to the market feedback and change information provided by the Sales Department before finalizing the monthly production plan and arranging production.

The Company's product oil and chemical products (PX, benzene, etc.) are mainly produced by Hengyi Brunei. Usually, it will adjust the process and parameters to control the output of specific products, such as product oil and chemical products, according to the market demand.

The Company's PTA products are mainly produced by Zhejiang Yisheng. Usually, it will adjust the load level of production unit to control PTA output according to the market demand.

### **3. Sales model**

The Company's product oils are mainly sold to Brunei, other Southeast Asian countries and Australia. PTA and polyester products are mainly sold in the domestic market, covering more than 20 provinces and regions in China. Most products are sold directly to customers through the Company's Sales Department, and only a small number of products are sold through distributors.

#### **(1) Sales model of product oil and chemical products (PX, benzene, etc.)**

The Company's product oil and chemical products are mainly produced by Hengyi Brunei. Among them, the main customers of chemical products are PTA manufacturers downstream of the Company's industry chain, and the settlement mode usually adopts wire transfer and letter of credit, etc. Product oil is mainly sold to Brunei, other Southeast Asian countries and Australia. When selling to local enterprises in Brunei, the Company usually signs sales contracts directly and the settlement mode is letter of credit. The Company's sales to other Southeast Asian countries and Australia are mainly through Singapore Commodity Exchange. Sales contracts are directly entered into with customers and the settlement mode is letter of credit.

#### **(2) Sales model of PTA products**

The Company's PTA products are generally sold by direct sales, that is, the Company will directly sign purchase and sale contracts with downstream polyester manufacturers or large traders, agreeing on the purchase quantity and price within a certain period. After receiving the payment for goods from customers, the products are delivered directly from the Company's warehouse. The settlement

mode for sales of PTA products is “payment before delivery”, or “collect on delivery”, usually by wire transfer, acceptance draft or letter of credit.

### (3) Sales model of polyester fiber products

The main customers of the Company's polyester fiber products are textile enterprises, including elastomer enterprises, garment fabric manufacturers, bag fabric manufacturers, home decoration fabric manufacturers, etc. These customers are mainly concentrated in the areas of Jiangsu and Zhejiang as well as Shanghai. The Company generally adopts direct sales, and directly concludes sales contracts with customers. The settlement mode is usually “payment before delivery”, or “collect on delivery”.

## **4. Business model of supply chain service business**

The Company's supply chain service business mainly includes trade business and supporting logistics related services.

### (1) Trading business

Petrochemical industry is a cyclical industry. On the one hand, the supply side of raw materials is susceptible to factors such as upstream suppliers' production capacity, operation stability of the plant and start-up time of the new plant. On the demand side, especially in the downstream polyester business, sales have typical seasonal characteristics. Meanwhile, chemical raw materials and finished products are very dependent on the stability of port facilities and international logistics transportation. On the other hand, the prices of products in the petrochemical industry chain are affected by the price of terminal crude oil, showing wide fluctuations. Therefore, in order to ensure production and operation, strengthen supply chain stability and reduce the risk of price fluctuation, petrochemical enterprises need to smooth supply and demand and hedge risks through trade business in procurement and sales.

Since 2022, the production capacity release in the industry has been uncertain. The quarantine and lockdown measures in various regions have led to the instability of logistics supply. In addition, the sharp shock of oil prices has increased the uncertainty of supply and demand in the industry, which further drives the urgent need of enterprises to hedge supply risks through trade management. In trade business, the Company always adheres to the principle of “serving the main business”. The trading

varieties focus on the primary business and core products, mainly PTA and MEG. Among them, PTA belongs to the finished products of the Company's PTA business segment, and PTA and MEG are also important raw materials of polyester business, which shows that the Company uses its trading business to stabilize supply chain and hedge against price volatility.

## (2) Supporting logistics related services

The Company's logistics sector provides transportation services of raw materials and products for upstream and downstream industries of Hengyi Petrochemical. Its business covers three aspects of raw materials transportation, product transportation and foreign trade transportation. It is deeply rooted in China and gradually going abroad, and the business scope involves international shipping and land transportation. The main business model is as follows:

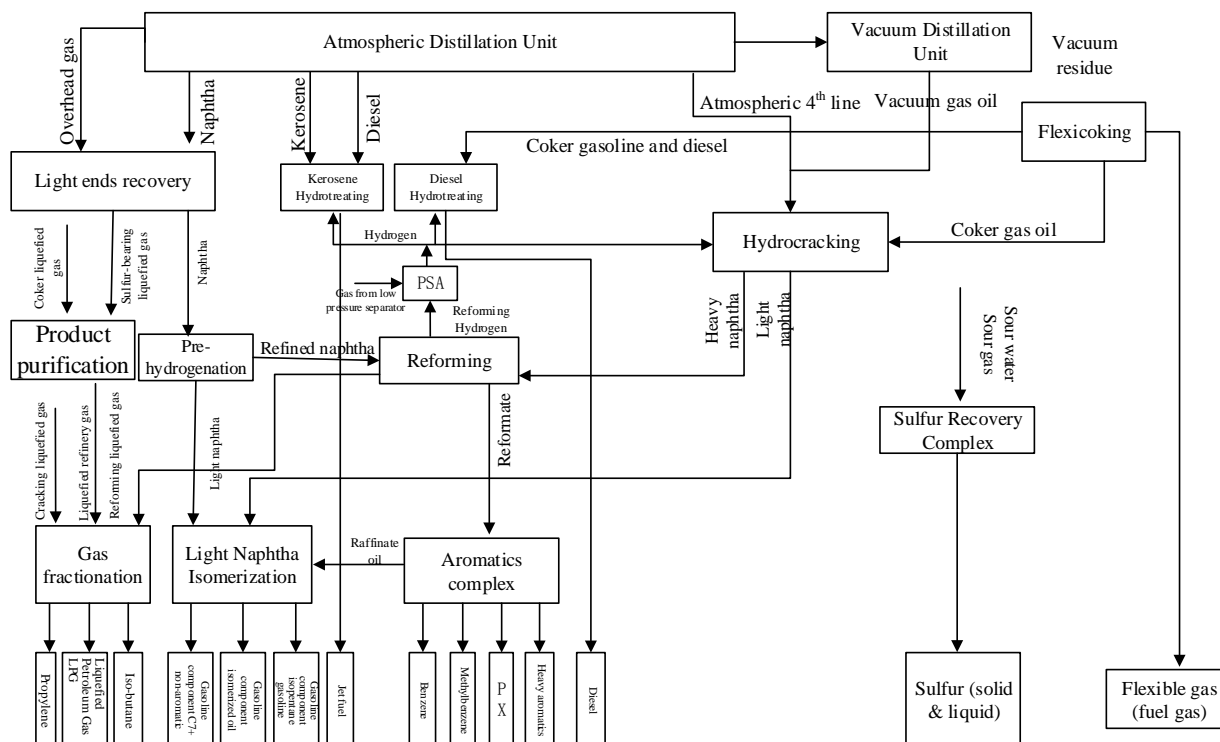
- 1) Transportation of raw materials mainly serves the production plants within the Company system, through the land transport of self-own vehicles and third-party land transport, inland river shipping, etc.
- 2) Transportation of products mainly used for the Company to sell the Company's business orders and organize the third-party logistics company to transport the products. The transportation business settlement is carried out by Hengyi Logistics.
- 3) Foreign trade transportation mainly through Hengyi Logistics, under collaboration with the sales company of the Company and cooperation with third-party shipping companies or freight forwarding companies, to carry out container transportation business by means of bidding. Transportation modes include sea-rail combined transport, sea-river combined transport, direct transport, etc.
- 4) International transportation mainly serves Brunei PMB Petrochemical Project, most of which are operated by Hengyi Logistics and its overseas subsidiaries. The imported crude oil and coal, exported product oil and benzene and other products of the PMB Project are transported by spot chartering with the fleet capacity of a third-party ship-owner in the market. For the transportation of chemical PX, due to the relatively stable ports and batch volume of upstream and downstream routes, MR chemical fleet will be rented for transportation during the self-construction period. For some LPG gas products, a mixture of the above two modes is adopted to achieve the goal of safe transportation.



## (II) Process flow charts of main products

### 1. Production flow of product oil/chemical products

The production flow of the Company's product oil/chemical products includes atmospheric distillation, vacuum distillation, hydrocracking, flexicoking, catalytic cracking and alkylation, etc.

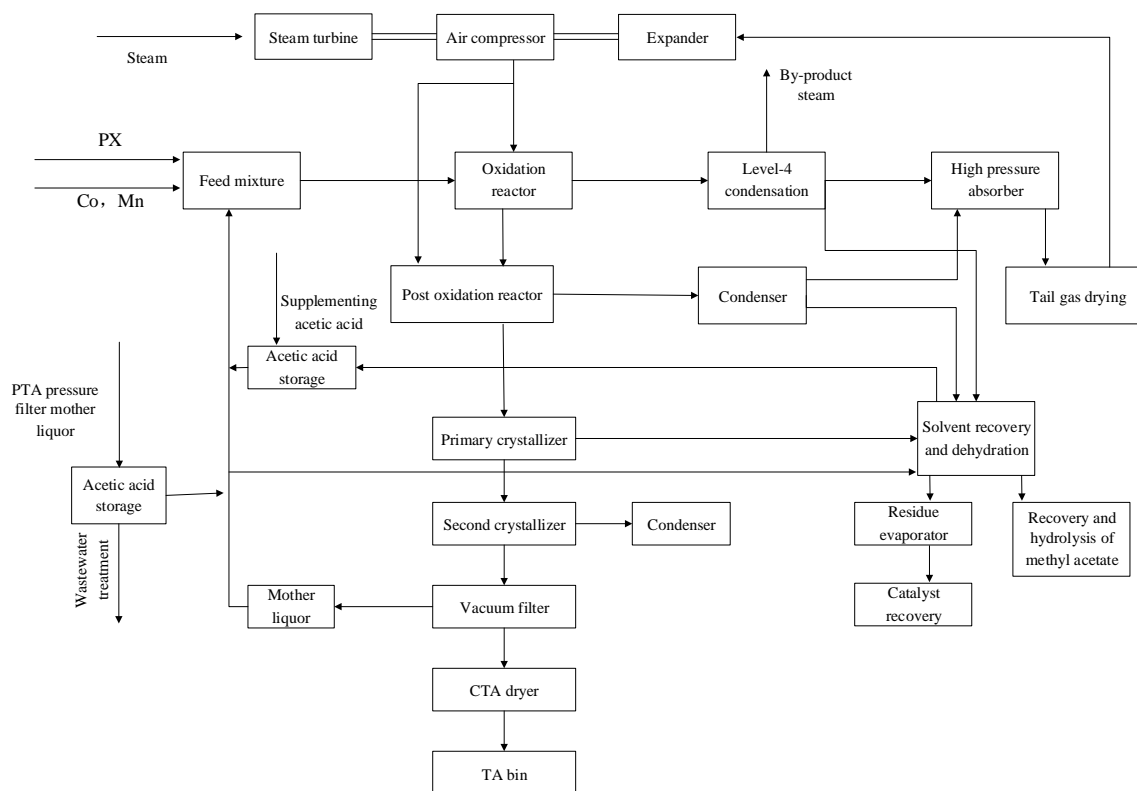


### 2. PTA preparation process

The specific PTA process flow can be divided into oxidation unit and refining unit:

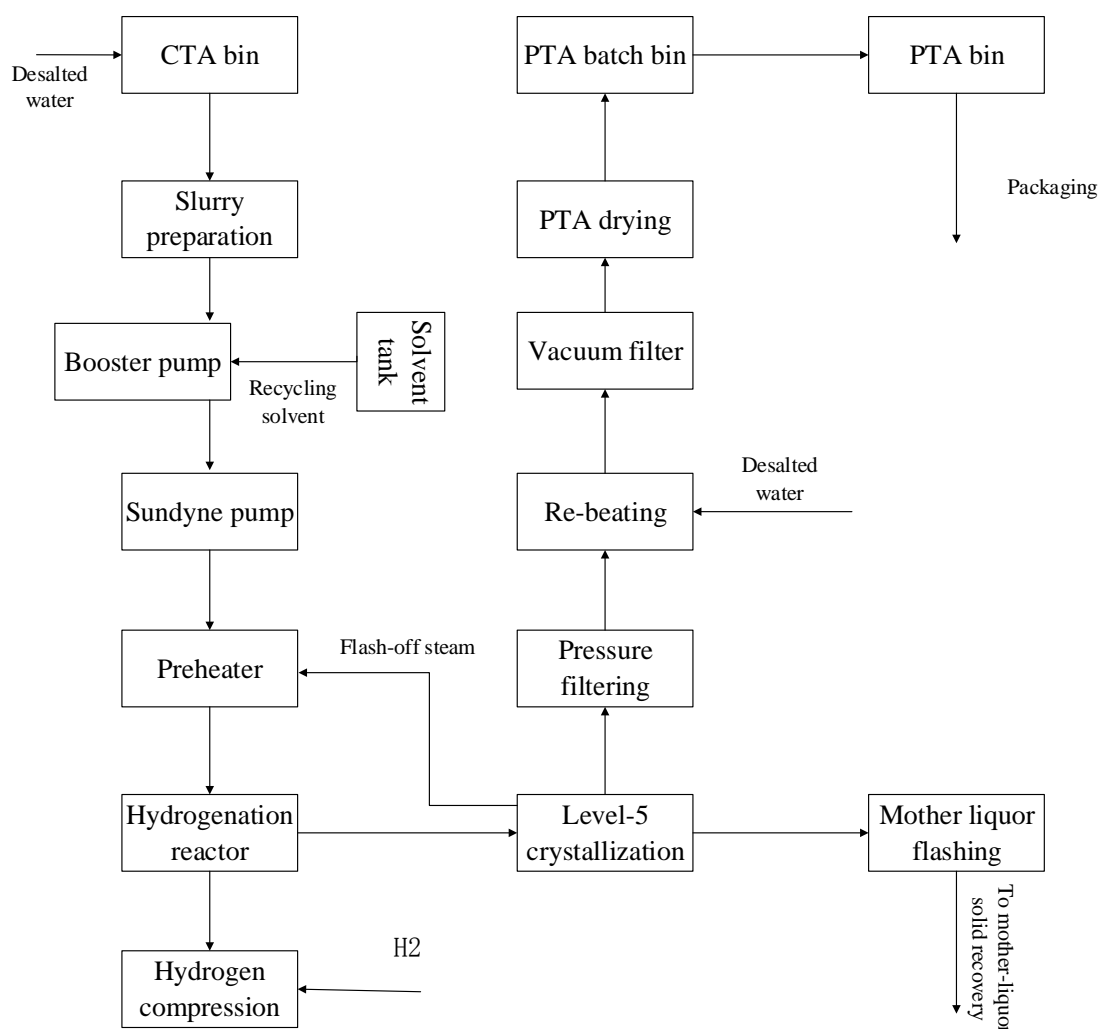
#### (1) Oxidation unit

The specific flow chart of oxidation unit is as follows:



(2) Refining unit

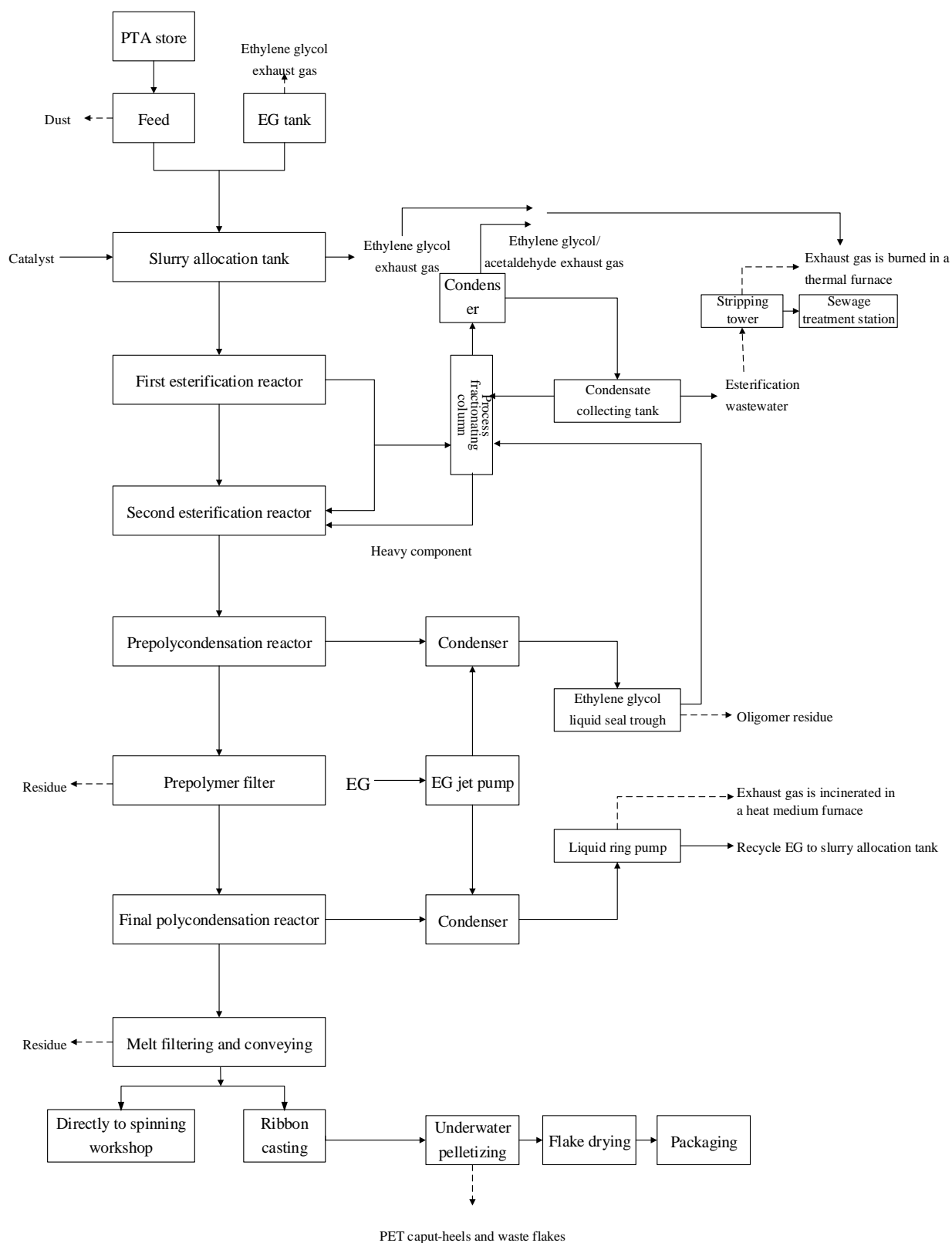
The flow chart of refining unit is as follows:



### 3. Polyester esterification polycondensation process

In the process of polyester esterification, the raw material PTA, ethylene glycol and catalyst solution are continuously sent into the slurry preparation tank according to the specified proportion. After they enter the esterification reactor, the esterification rate can reach about 95%-96% by controlling the reaction temperature at an appropriate level. By means of gear pump discharging and pressurization, the polyester melt produced from esterified materials after prepolycondensation and final polycondensation is filtered by melt filter, and is distributed through a specially designed melt distribution system. Part of it is sent to the spinning device for melt direct spinning, and the other part is sent to the flake production system for ribbon casting and pelletizing.

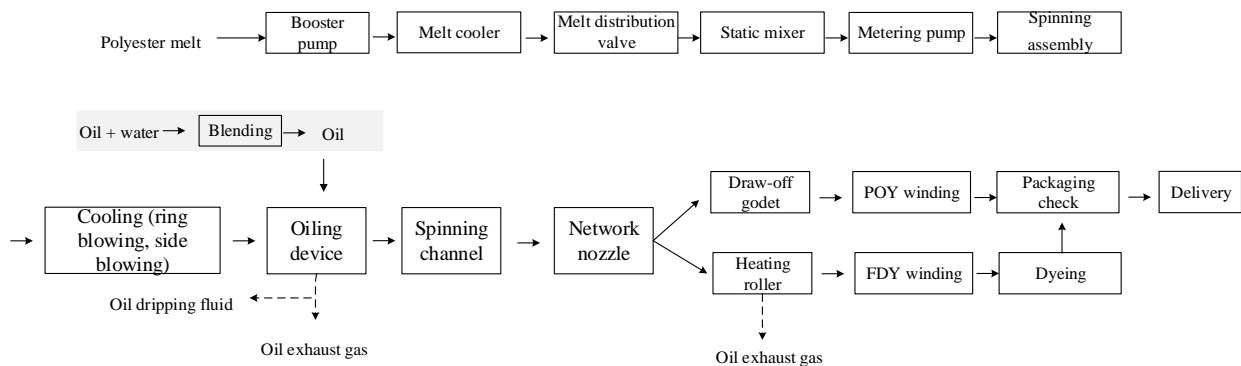
The specific flow chart of polyester esterification, polycondensation and other reactions is as follows:



#### 4. Production flow of POY/FDY

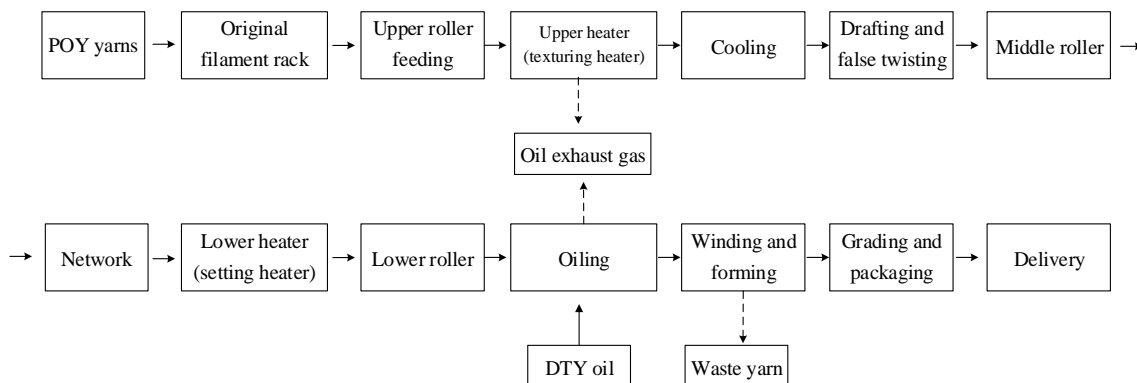
The production process of POY and that of FDY are basically the same. The polyester melt is connected and transported to the device from the outlet of the melt distribution valve of the polyester

device, and then is divided into two systems through the melt three-way valve. On the way, it is pressurized by the melt booster pump, and then sent to the melt distribution valve after cooling-down by the melt cooler. The polyester melt from the melt distribution system enters the spinning chamber insulated by steam phase heat medium at a certain temperature and is delivered to the spinning assembly after metering by a metering pump. The melt pipe is equipped with a freezing valve to ensure that the spinning position can be independently started and stopped. After the melt is filtered and pressed by the filter layer again in the spinning assembly, it is ejected from the spinneret in a thin stream and solidified into yarns under the condition of constant temperature and humidity. The yarn is oiled by the tanker, and then through the network nozzles, it is rolled into a yarn tube in the winding machine. POY and FDY products were prepared under high speed winding ranging from 2,500m/min to 5,100m/min.



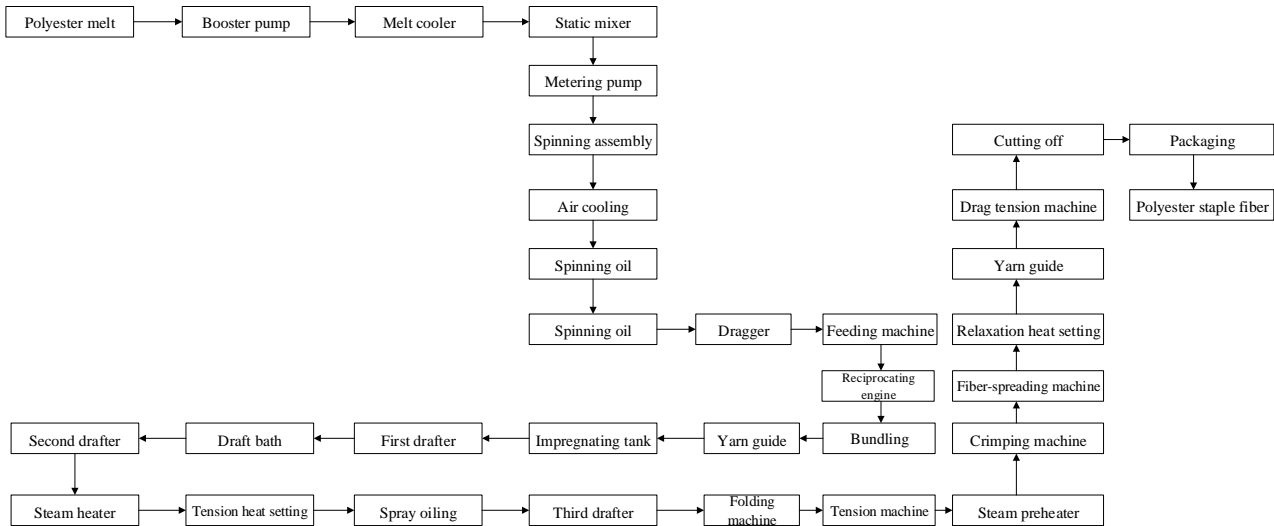
### 5. Production flow of DTY

The POY yarn on the yarn tube rack is wound into a DTY yarn tube and becomes a finished product after it passes through yarn guide, feeding roller, texturing heater, cooling, drafting, false twister, feeding roller in the middle, network, heater, delivery roller and oil roller.



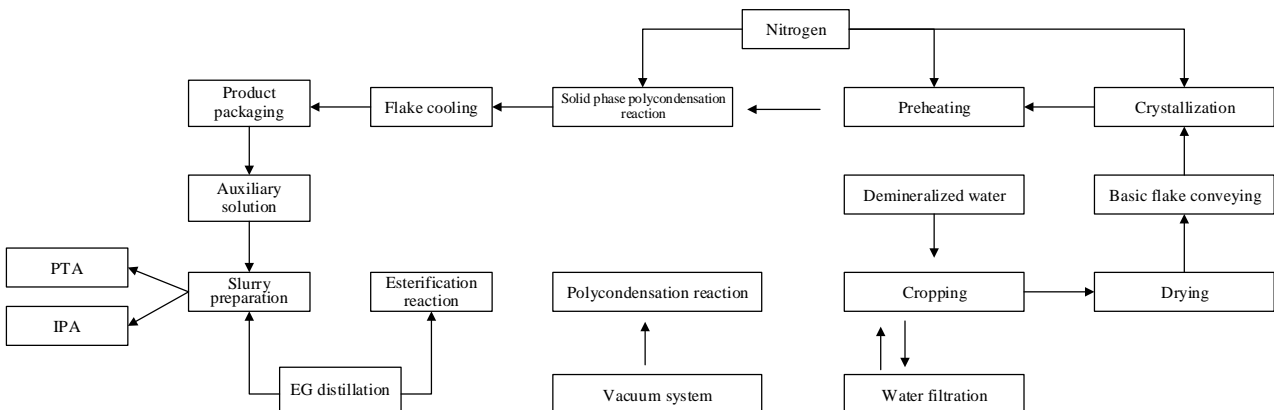
### 6. Production flow of staple fiber

Polyester staple fiber is a kind of fiber that is transported to the spinning machine through melt, spun into shape, cut into fibers of different lengths after drafting, crimping and heat setting, and then packed into individual packages. The main process includes melt conveying, spinning, cooling, winding, tube falling, bundling, drafting, tension heat setting, folding, crimping, cutting and packaging.



## 7. Production flow of bottle flakes

The production process of bottle flakes, i.e. bottle grade flakes, is composed of two parts: melt polymerization + solid phase polymerization. The main process of melt polymerization consists of pulping, esterification, polycondensation, and dicing, and is basically the same as that of fiber polymerization. The difference lies in that IPA, stabilizer and toner are added in the formula of bottle flakes. The main process of solid phase polymerization is crystallization, preheating, reaction, and cooling.



### **(III) Main performance drivers**

#### **1. Actively promoting the transformation and implementation of scientific research achievements, ushering in a new era of green development**

The Company strengthened the independent R&D efforts, fully leveraged the technological advantages in R&D, continued carrying out R&D of high-end polyester chemical fiber products and green products, co-built research institutes, joint laboratories and other platforms with first-class universities, completed the mechanism of "industry, academia, research, and application", accelerated the transformation of scientific and technological achievements into industries, and comprehensively promoted the transformation from "Industrial Hengyi" to "Technological Hengyi", continuously enhancing the contribution of scientific research and technological innovation to the Company's main business.

During the reporting period, the production and quality of the Company's green and environmentally-friendly polyester product "Eticont" continued to be improved, achieving the industrialization of a new generation of green, healthy, and environmentally-friendly polyester fibers, ushering in a new era of green development for polyester fibers. In the field of differentiated products, the development of functional composite materials of the Company, such as antibacterial and cationic dyes, has been taking shape and gradually advancing to industrialization.

#### **2. Seize the prosperity cycle of Southeast Asian product oil market and efficiently running the Brunei Phase I Project**

In 2022, the economy of Southeast Asia rebounded rapidly, and the demand for product oil received strong support. Besides, due to the continuous withdrawal of outdated production capacity and the comprehensive influence of geopolitical factors, the supply pattern of product oil continued to be tight. Against the backdrop of supply shortage, the Southeast Asian product oil market maintained a prosperous pattern, driving Brunei Refinery's profitability to improve.

Brunei Phase I Project has a crude oil processing capacity of 8 mtpa. Since the commercial operation started, the project has been operating at full capacity and can be increased to 110% or more according to market conditions. During the reporting period, the Company quickly adjusted the product structure based on the product profitability, fully ensuring the optimal profitability of the project. While

ensuring the efficient operation of the Brunei Phase I Project, the Company has been fully promoting the construction of the Brunei Phase II Project. After the completion of the Brunei Phase II Project, a new "olefin-polyolefin" industrial chain will be added, which is conducive to improving the refining-petrochemical integration of the Brunei Project, further enhancing the advantages of collaborative operation between upstream and downstream industries, and improving the overall profitability of the Company.

### **3. Flexibly adjusting the product structure to increase the proportion of high value-added products**

Closely following the fluctuations in the crack spread of product oil in the Singapore market, the Brunei Project purchased more suitable types of raw materials for processing, reduced production costs, and timely adjusted the production proportion of products. In the market situation where the crack spread of jet fuel was weaker than that of diesel, the project promptly converted jet fuel into diesel, striving to maximize profits. In addition, the production capacity of PTA and PIA of the Company could also be flexibly converted according to market conditions, effectively improving the utilization of capacities and the added value of products. Bottle flakes, due to their high transparency and good glossiness, could increase the added value of packaged goods, which is beneficial for increasing product premium rates and is highly favored by downstream manufacturers. As of the end of the reporting period, the Company has a production capacity of 2.7 mtpa of polyester bottle flakes (including RPET), with a large profit margin.

### **4. Continuously advancing key projects and strengthening the integrated industrial chain through cohesion**

The Company has been developed into a leading global enterprise that integrates the industrial "crude oil - PX - PTA polyester" chain with the "crude oil - benzene CPL - polyamide" chain, continuously extends the petrochemical industrial chain, enriches product types, and further improves product structure, effectively consolidating the core competitiveness of the main business and enhancing the ability to resist market risks.

During the reporting period, 1.1 mtpa New Environment-friendly Differentiated Fiber Project, 1.2 mtpa Caprolactam-Polyamide Industry Integration and Supporting Project, the Brunei Phase II



Project and other projects under construction of the Company were orderly promoted; in addition, the 2.5 mtpa purified terephthalic acid (PTA) engineering project and 1.8 million mtpa functional materials project of joint venture Hainan Yisheng have also been actively advancing. After the completion and operation of the projects under construction, the Company's performance is expected to further enhanced, so as to improve the Company's market share in the fields of staple fiber and bottle flakes, etc., effectively strengthen the downstream industrial chain, and fully leverage the unique advantages driven by both polyester and polyamide businesses, further enhancing the advantages of a balanced and integrated industrial chain that highly matches the upstream and downstream.

#### **5. Building a self-owned logistics system to assist in the coordinated development of upstream and downstream industries**

In order to meet the needs of business growth and production safety, the Company was vigorously building a logistics system, creating its own transportation fleet of ships and that of trucks, so as to enhance the competitiveness of the Company's main business and stabilize the supply of raw materials, assisting in stable production capacity at home and abroad. The Company was developing digital logistics, creating a TMS system that combines internal standardized management, information data exchange with upstream and downstream factories, and online control of vehicle and road operation safety, so as to reduce manual operations and improve accuracy while standardizing processes. The industrial layout of "petrochemical + logistics" can reduce the logistics costs of internal raw materials and products, better achieve upstream and downstream collaboration, and provide strong supports for the development of the main business, comprehensively enhancing comprehensive competitiveness.

#### **Procurement mode of main raw materials**

Currency unit: RMB

Main raw materials	Procurement model	Percentage of total amount of purchase	Has the settlement method changed significantly?	Average price in the first half of the year	Average price in the second half of the year
Crude oil	Purchasing	30.84%	No	5,442.68	5,223.07

	inquiry				
PX	Purchasing inquiry	10.89%	No	7,479.70	7,559.86
MEG	Purchasing inquiry	5.59%	No	4,406.42	3,670.69

### Reasons for the significant change in the prices of raw materials compared with the previous reporting period

During the reporting period, there were significant changes in the raw material prices of the Company compared with that in the previous reporting period, mainly due to the escalation of the geopolitical situation and fluctuations in global crude oil inventory and supply. In 2022, crude oil prices showed an overall upward trend, with an increase in the first half of the year and a decrease in the second half. According to CCF data, the average price of WTI crude oil in 2022 increased by 38.73% compared with that in 2021, and the price of Brent crude oil increased by 39.65%. At the same time, the rise in crude oil price also lifted the prices of downstream products in the industrial chain such as PX.

### The purchase price of energy accounts for more than 30% of the total production cost

Applicable  Not applicable

### Reasons for significant changes in major energy types

Applicable  Not applicable

### Main production technologies

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
Gasoline	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, and high level of eco-friendliness
Diesel	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, and high level of eco-friendliness
Kerosene	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, and high level of eco-friendliness
Paraxylene	Mass	Multiple	Introduction	Advanced equipment and technology, high production

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
	production	persons	and innovation	capacity, low costs of raw materials and transportation, high product purity, and long operating cycle of the plant
Benzene	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, high product purity, and long operating cycle of the plant
Purified terephthalic acid	Mass production	Multiple persons	Introduction and innovation	High production capacity, low investment, low energy consumption, convenient transportation and high level of eco-friendliness
Polyester	Mass production	Multiple persons	Introduction and innovation	Short process, high production capacity, low consumption of raw materials and public works, etc.
Polyester	Mass production	Multiple persons	Introduction and innovation	The third and fourth monomers are added into the polymerization reaction system, and a special equipment structure is adopted. Through esterification, prepolycondensation and final polycondensation reaction, low-temperature dyeable cationic polyester is prepared, lowering the cost of subsequent dyeing and reducing environmental pollution. Additives such as compound stabilizers are used to increase the melting point and improve the heat resistance of melts, while increasing the whiteness and improving the hue and heat resistance of the products.
Polyester	Mass production	Multiple persons	Introduction and innovation	No dulling agent is added in the polymerization process to produce super bright polyester products to meet the needs of different customers with low production costs
Polyester	Mass production	Multiple persons	Introduction and innovation	By adding dulling agents in the polymerization process to produce full dull polyester products, the problem of low filter life due to the increase of dulling agents is solved and energy consumption is reduced.
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	By optimizing the design of the reactor structure and adding titanium-based catalysts instead of antimony-based catalysts, the catalyst is uniformly dispersed in the material, and an environmentally-friendly antimony-free polyester product is produced, realizing a high level of eco-friendliness.
Polyester	Mass production	Multiple persons	Introduction and innovation	The masterbatch preparation process has been improved, the types and proportions of silver-based antibacterial agent, PBT powder mixture and dispersant have been studied, and the optimal proportions of the three have been determined. The antibacterial masterbatch has been prepared by melt blending and extrusion with outstanding features.

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	Maximum output, highest conversion rate and lowest energy consumption are realized
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	By tapping the potential of equipment, the effect of increasing production and efficiency has been achieved without increasing investment
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	Through recycling, energy waste is reduced and energy utilization rate is improved; by continuously introducing energy-saving technologies, production costs have been reduced.
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	It extends the filter service life, reduces labor waste, and saves packaging costs, bringing considerable economic benefits to the Company
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	Through modification during the polymerization reaction, the fluidity and ductility of the polyester melt are improved. With the same polymerization residence time, the intrinsic viscosity of the product is higher than that of the conventional polyester, and the processing performance of the melt is also improved. A utility model patent has been granted for this technology. The patent number is ZL201120219233.4.
Polymerization	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company has successfully developed and produced titanium dioxide for polyamide, and completed independent production and supply of auxiliary materials to replace imports.
Polymerization	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company has successfully developed and produced titanium dioxide for polyamide, and completed independent production and supply of auxiliary materials to replace imports.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Using advanced AI technology, the Company can automatically monitor the spinning process, and detect and deal with abnormalities in a timely manner, thereby improving the product quality and production efficiency and reducing the cost
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Using advanced AI technology, the Company can automatically inspect the appearance defects of fully drawn yarn rolls, thereby improving the production efficiency and reducing the cost
Spinning	Wide range of	Multiple	Introduction	Using advanced automation technology, the Company realizes the automation of the production process, greatly

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
	applications	persons	and innovation	reducing manual operations, improving the production efficiency and reducing the cost
Spinning	Mass production	Multiple persons	Introduction and innovation	Using advanced technology, the Company shortens the process flow and increases the production capacity and degree of differentiation, maintaining stable product quality with low utility costs
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning POY→DTY process route, the melt is ejected from the independently designed "straight-line"-shaped spinneret hole, and then cooled, oiled, rolled and spun into flat special-shaped POY yarns. POY yarns are then textured into flat DTY polyester fully drawn yarn, which feature lower bulk density, lighter weight and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning POY→DTY process route, the melt is ejected from the independently designed "cross"-shaped spinneret hole, and then cooled, oiled, rolled and spun into cross-shaped POY yarns. POY yarns are then textured into cross DTY polyester fully drawn yarn, which feature lower bulk density, lighter weight, better air permeability and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning PDY process route, the melt is ejected from the independently designed "tree"- or "star"-shaped and other special-shaped spinneret holes, and then cooled, oiled, rolled and spun into "tree"- or "star"-shaped and other special-shaped FDY yarns. This type of polyester fully drawn yarn features lower bulk density, lighter weight, special luster, and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	The functional self-heating masterbatch is added to produce the functional hollow polyester fiber. It can be used as the "core layer" of the heat retaining and comfortable composite fiber, with double heat retaining effects. A utility model patent has been granted for this technology. The patent number is ZL201410481816.0.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	With the use of advanced equipment and process technology, short process, high degree of automation, and low manufacturing cost are achieved.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through technical improvement, the manual operation cycle is extended, the product quality stability is improved, and the resource consumption and cost are reduced
Spinning	Wide range of	Multiple persons	Introduction and innovation	By installing in-line addition equipment, dynamic and static mixing equipment, oiling nozzles, winders, etc. on the melt direct spinning line, the existing equipment has

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
	applications			been transformed and upgraded, enabling the polyester melt direct spinning line to produce differentiated and high-end products. It solves the challenge of using the large-capacity polyester plant to produce functional differentiated chemical fibers of multiple varieties in small batches. Functional modified fibers are produced, including colored, flame-retardant, antibacterial and full dull fibers.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The self-owned technology of the Company is applied to the production of flame-retardant polyester. Single-component spinning or composite spinning technology is used to produce single-component or two-component sheath-core composite flame-retardant and anti-dripping POY-DTY polyester fully drawn yarn.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company produces polyester and polyamide, SPH, sea-island, cationic dyed polyester and other composite yarns to meet the high-end market demand
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company produces differentiated and functional products such as HOY and medium-strength yarns for segment markets, meeting the needs of specific users
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	In the spinning process, the non-contact heating method is adopted to reduce the friction and heating of the yarns during processing to avoid the production of broken yarns. Low-temperature stretching deformation-high-temperature setting are adopted and appropriate tangle jets are used to reasonably control the tangle air pressure bundling performance and other production processes to produce ideal fully-drawn yarns (FDY) similar to the products of parallel drafting machines. A utility model patent has been granted for this technology. The patent number is ZL200810059725.2.
Spinning	Wide range of applications	Multiple persons	Independent R&D	Through independent R&D, the Company produces oils suitable for the spinning process to improve the processing performance of the product, so that the weaving process can proceed smoothly and the product quality is excellent.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By using the programmable controller (PLC), the composite yarn is stretched in multiple stages, and the order of the stretching ratio of each stage can be changed as needed within the range, so that the composite yarn has different structural densities, resulting in the difference in color absorption and dyeing rates, and realizing multiple colors after dyeing. It has brought significant economic

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
				and social benefits. A utility model patent has been granted for this technology. The patent number is ZL200710070581.6.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The graphene masterbatch and PET flakes are blended and spun into yarns. A spinneret with a 4C aperture is used to prepare hollow graphene polyester fiber POY, and the fluffy curl of the polyester fiber is further improved in the subsequent texturing process. This gives the polyester fiber the features of heat retaining and light weight in addition to the functionality of graphene, expanding its application prospect of graphene in the field of textiles.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The antimony-free polyester melt is produced by adding a titanium-based catalyst to polyester to instead of antimony-based catalysis, and then antimony-free staple fibers and fully drawn yarns are produced through a spinning process, featuring high environment-friendliness.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By spinning and winding a bunch of POY and a bunch of FDY, a new type of polyester/polyester composite yarn is made, and it can be used for weaving high-grade artificial silk clothing fabrics and home textile fabrics, which has the advantages of rich hand feel, anti-wrinkle property and good drapability.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the spinning oil for FDY has been successfully prepared to replace imported oils.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The antimony-free polyester melt is produced by adding a titanium-based catalyst to polyester to instead of antimony-based catalysis, and then antimony-free staple fibers and fully drawn yarns are produced through a spinning process, featuring high environment-friendliness.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By spinning and winding a bunch of POY and a bunch of FDY, a new type of polyester/polyester composite yarn is made, and it can be used for weaving high-grade artificial silk clothing fabrics and home textile fabrics, which has the advantages of rich hand feel, anti-wrinkle property and good drapability.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the spinning oil for FDY has been successfully prepared to replace imported oils.
Texturing	Mass production	Multiple persons	Introduction and innovation	By controlling the temperature of false twisting deformation, the linen type is achieved, which not only has the style of natural linen fibers, but also has the stiffness of

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
				artificial linen fibers.
Texturing	Mass production	Multiple persons	Introduction and innovation	The airflow through the tangle jet is closed intermittently, and a variety of polyester POY yarns of different colors are composited through false twisting deformation to produce a fancy composite polyester yarn interleaved with fluffy non-intermingled low-stretch fiber and intermingled blended fiber. Colored polyester POY is used to produce the colored composite yarn directly by texturing, eliminating the complicated downstream dyeing process, reducing the cost of the product, simplifying the process and lessening the pollution to the environment
Texturing	Mass production	Multiple persons	Introduction and innovation	A double-solenoid valve opening and closing logic design is adopted. The two solenoid valves arranged in parallel or series are designed with a reasonable opening and closing logic to jointly control them to realize intermittent switching of the tangle jet airflow and the intelligent design of polyester fancy composite yarn tangling points. At the same time, it reduces the frequency of use of a single solenoid valve to prevent overheating damage to a single solenoid valve, effectively improving the efficiency of texturing.
Texturing	Mass production	Multiple persons	Introduction and innovation	The Company has a more mature technology for producing products with a monofil fineness of 0.5-1.0dpf, which provides technical support and experience accumulation for the development of finer products. Through the supporting of pre- and post-spinning equipment, the Company realizes independent R&D. At present, the Company's production technology of ultra-fine fibers of less than 0.5dpf is mature, the quality is stable, and relevant production conditions are available. They are mainly used for producing high-grade fabrics and decorative fabrics.
Texturing	Mass production	Multiple persons	Introduction and innovation	In pre-spinning, the third monomer is introduced into the reaction system to prepare low-temperature dyeable cationic POY, which is matched with post-spinning and texturing to prepare DTY products, thereby reducing the cost of subsequent dyeing and environmental pollution.
Texturing	Mass production	Multiple persons	Introduction and innovation	The technology is independently researched and developed by the Company. Nubby products are produced under special process conditions such as stretching temperature and stretching ratio. With the characteristics of cotton and linen fabrics, they are widely used in summer cotton and linen fabrics and popular in the market.
Texturing	Mass	Multiple	Introduction	Composite yarns are made by processing two or more



Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
	production	persons	and innovation	fibers. The processed products have the characteristics of various fibers, such as fabric cotton feel, softness and breathability, and different patterns of dyeing. Examples include FDY-DTY composite yarn, high- and low-viscosity composite yarn, cationic dyed polyester compound, etc. This product is widely used in high-end fabrics, and the market demand is great
Texturing	Mass production	Multiple persons	Introduction and innovation	The special-shaped section of the spinning spinneret produces polyester fibers with different sections, which improves the capillary effect of the fibers in the fabric, so that sweat can quickly migrate to the surface of the fabric and disperse due to the effects of wicking, diffusion and transmission, achieving the purpose of moisture conductivity and fast drying, and improving the moisture permeability of polyester fabrics
Texturing	Mass production	Multiple persons	Introduction and innovation	By producing the S+Z products on a twin-strand machine, the torques of the two yarns cancel each other after stranding, resulting in a torque-free product. This technology has the advantages of flat surface, easy weaving, rich hand feel, and even dyeing. In particular, it shows good effect in oxford fabric, so it is very suitable for high-end decorative fabrics
Texturing	Wide range of applications	Multiple persons	Introduction and innovation	Using the production technology of wool-like fibers, POY yarns are drawn and falsely twisted on the DTY machine, and then compounded with DTY of the PTT component. The PTT fiber floats on the surface of the yarn and exerts its excellent wearing performance. The high-shrinkage modified PET fiber is placed in the inner layer of the yarn to exert its rigid supporting effect and bring out a stronger sense of uprightness. A utility model patent has been granted for this technology. The patent number is ZL201010174972.4.
Texturing	Wide range of applications	Multiple persons	Introduction and innovation	The false-twisting texturing technology is used to produce polyester fully drawn yarn with good hollowness and clear profiled outline, and high requirements for conformal properties such as profile degree and hollowness
Texturing	Wide range of applications	Multiple persons	Introduction and innovation	The technology is independently developed by the Company and is used to process DTY of various colors such as black, red, gray, and yellow. The color is uniform and not easy to fade in daily use. No dyeing is required after weaving, and the yarn is mostly used for making special-purpose fabrics.
Multifunctional polyester bottle	Leading in China	Multiple persons	Introduction and innovation	The core technology of this product is the current international advanced high-temperature crystallization

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
flakes				and solid-phase polycondensation process with short process and low energy consumption. The comprehensive energy consumption per unit of product has reached the leading level in China

### Production capacity of main products

Please refer to I. Major businesses engaged in by the Company during the reporting period of Section III, Business Summary of the Company.

### Product categories of major chemical parks

Major chemical parks	Main product categories
PMB Industrial Park	Gasoline, diesel, jet fuel, PX, and benzene
Linjiang High-tech Industrial Park	Flake, staple fiber, POY, and FDY
Haining Economic Development Zone (Jianshan New District)	Flake, POY, FDY, and DTY
Suqian High-tech Industrial Development Zone	Flake and staple fiber
Jiaxing Xiuzhou High-tech Industrial Development Zone	Flake, POY, and FDY
Shaxi Town Industrial Park	Flake and POY
Ningbo Petrochemical Economic and Technological Development Zone	PTA
Dalian Economic and Technological Development Zone	PTA and bottle flake
Yangpu Economic Development Zone	PTA and bottle flake

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

Applicable  Not applicable

### Unusual suspension of production of the listed company during the reporting period

Applicable  Not applicable

### Relevant approvals, permits, qualifications and validity periods

Mainly including: Production Safety Permit, Emission Permit, and Cargo Transportation Permit.

Engaged in petroleum processing and petroleum trading.

SN	Holder	Certificate name	Certificate No.	Issuer	Validity period
1	Zhejiang Yisheng	Emission Permit	91330200744973411 W001W	Beilun Branch of Ningbo Municipal Ecology and Environment Bureau	December 15, 2026
2	Zhejiang Yisheng	Radiation Safety Permit	ZHFZ No. B2005	Department of Ecology and Environment of Zhejiang Province	November 17, 2024
3	Zhejiang Yisheng	Production Safety Permit	(ZJ) WHAXZZ (2019)-B-1448	Department of Emergency Management of Zhejiang Province	January 03, 2025
4	Hengyi Limited	Emission Permit	91330000765215943 G001Y	Hangzhou Municipal Ecology and Environment Bureau	August 27, 2023
5	Hengyi Limited	Work Safety Standardization Level-3 Enterprise (Textile)	Hangzhou AQBZIII202100807	Hangzhou Municipal Bureau of Emergency Management	2023.08
6	Hengyi High-Tech	Emission Permit	913301006680033406 001Q	Hangzhou Municipal Ecology and Environment Bureau	November 25, 2026
7	Hengyi High-Tech	Work Safety Standardization Level-3 Enterprise (Textile)	HZ AQBZIII201900974	Hangzhou Municipal Bureau of Emergency Management	January 2023
8	Hengyi Polymer	Emission Permit	913301097245283880 001P	Hangzhou Municipal Ecology and Environment Bureau	November 2, 2026

SN	Holder	Certificate name	Certificate No.	Issuer	Validity period
9	Hengyi Polymer	Radiation Safety Permit	ZHFZ No. A2255	Department of Ecology and Environment of Zhejiang Province	September 19, 2024
10	Hengyi Polymer	Work Safety Standardization Level-3 Enterprise (Textile)	Hangzhou AQBZIII202100038	Hangzhou Municipal Bureau of Emergency Management	April 2023
11	Jiaxing Yipeng	Emission Permit	91330411MA28BLM Y30001V	Jiaxing Ecology and Environment Bureau	December 1, 2023
12	Jiaxing Yipeng	Port Operations Permit of People's Republic of China	(ZJNH) GJZ (1265)	Jiaxing Municipal Port and Shipping Administration	March 11, 2023
13	Jiaxing Yipeng	Jiaxing Inland Port Shoreline Use Registration Certificate	JNHAZ No. (1265)	Jiaxing Municipal Port and Shipping Administration	March 11, 2024
14	Jiaxing Yipeng	Water Use Permit	QS (JXNS) Z (2019) No. 007	Xiuzhou District Agriculture, Rural and Water Resources Bureau of Jiaxing City	November 12, 2023
15	Taicang Yifeng	Emission Permit	91320585MA1P1GP BXM001V	Suzhou Municipal Ecology and Environment Bureau	December 30, 2027
16	Shuangtu New Materials	Emission Permit	91330100566050736P 001Y	Hangzhou Municipal Ecology and Environment Bureau	November 26, 2026
17	Shuangtu New Materials	Radiation Safety Permit	ZHFZ No. A3048	Department of Ecology and Environment of Zhejiang Province	December 26, 2023
18	Shuangtu New Materials	Work Safety Standardization Level-3 Enterprise (Textile)	Hangzhou AQBZIII202101128	Hangzhou Municipal Bureau of Emergency Management	October 2023
19	Fujian Yijin	Emission Permit	91350582MA31G07Q 8C001V	Quanzhou Municipal Ecology	April 7, 2026

SN	Holder	Certificate name	Certificate No.	Issuer	Validity period
				and Environment Bureau	
20	Suqian Yida	Emission Permit	91321311MA1UXUC8XJ001R	Suqian Ecology and Environment Bureau	July 18, 2026
21	Suqian Yida	Radiation Safety Permit	SHFZ No. 0199	Suqian Ecology and Environment Bureau	January 12, 2027
22	Haining Thermal Power	Emission Permit	91330481MA29HXM L34001R	Jiaxing Ecology and Environment Bureau	July 22, 2025
23	Haining New Materials	Emission Permit	91330481MA29HRX 724001V	Jiaxing Ecology and Environment Bureau	July 27, 2023
24	Zhejiang Hengyi Engineering	Special Equipment Production License	TS3833335-2024	Zhejiang Provincial Administration for Market Regulation	April 1, 2024
25	Zhejiang Hengyi Engineering	Construction Enterprise Qualification Certificate	D333903322	Hangzhou Urban and Rural Construction Committee	December 31, 2023
26	Zhejiang Hengyi Logistics	Road Transport Operations Permit of People's Republic of China	ZJYGXKHZ No. 330109186475	Hangzhou Municipal Transportation Bureau	August 31, 2025
27	Ningbo Hengyi Trading	Hazardous Chemicals Operations Permit	YLAJ (2022) 0085	Beilun District Branch of Bureau of Emergency Management of Ningbo	November 25, 2024
28	Shaoxing Hengyi Logistics	Road Transport Operations Permit of People's Republic of China	ZJYGXKSZ No. 330621104701	Shaoxing Keqiao District Transportation Bureau	April 12, 2031
29	Hengyi Logistics	Work Safety Standardization Level-1 Enterprise (Road Transport)	2018-01-101490	Ministry of Transport of the People's Republic of China	January 9, 2024
30	Hangzhou Yijing	Emission Permit	91330109MA28M4D D8Y001P	Hangzhou Municipal Ecology and Environment Bureau	November 4, 2026

SN	Holder	Certificate name	Certificate No.	Issuer	Validity period
31	Hangzhou Yijing	Radiation Safety Permit	ZHFZ No. A2259	Department of Ecology and Environment of Zhejiang Province	May 22, 2027
32	Hangzhou Yijing	Work Safety Standardization Level-3 Enterprise (Textile)	Hangzhou AQBFBZ□2019	Hangzhou Municipal Bureau of Emergency Management	January 2023
33	Hengyi Caprolactam	Production Safety Permit	(ZJ) WHAXZZ (2019)-A-2191	Department of Emergency Management of Zhejiang Province	December 5, 2023
34	Hengyi Caprolactam	Radiation Safety Permit	ZHFZ No. A3044	Department of Ecology and Environment of Zhejiang Province	January 16, 2027
31	Hengyi Caprolactam	Work Safety Standardization Level-2 Enterprise (Hazardous Chemicals)	Zhejiang AQBWH II 202100002	Department of Emergency Management of Zhejiang Province	June 2023

### Engaged in petroleum processing and petroleum trading

Yes  No

### Engaged in fertilizer industry

Yes  No

### Engaged in pesticide industry

Yes  No

### Engaged in chlor-alkali and soda ash industry

Yes  No

## III. Analysis of core competitiveness

### 1. Leading international industrial strategy by adhering to industrial business and highlighting main business

Focusing on the strategic policy of “consolidating, highlighting and optimizing the competitiveness

of main business”, the Company takes the lead in applying polyester melt direct spinning technology, large-scale PTA technology and high-end green caprolactam technology, and optimizes and expands the terminal production capacity of chemical fiber industry through mergers and acquisitions to realize the grafting of its advantages in petrochemical and chemical fiber industry; and substantially improves the technology level and competitiveness in the above-mentioned fields of industry to boost the high-quality development of petrochemical and chemical fiber industry.

Following the “headquarters + scientific research + base” trinity model, the Company has been actively creating one platform, two centers, and six bases, and build a market pattern that “backs on the Yangtze River Delta, the Pearl River Delta, and the Bohai Bay, and faces the blue sea”, steadily operating to help accelerate the cycle, and comprehensively enhancing the development momentum of the Company. The Company took the lead in overseas layout of the Brunei Project to respond to the “the Belt and Road” policy, seize the development opportunities of the Southeast Asian market, and realize the international layout and operation of the industry, which helped the Company complete the integration of the vertical industrial chain to solve the bottleneck of raw materials. The Brunei Project is the first large-scale overseas petrochemical project that fully implements Chinese standards, the largest foreign direct investment project in Brunei and the largest overseas investment project of Chinese private enterprises so far, and has been listed in the first batch of key construction projects under the “the Belt and Road” initiative.

## **2. High-end R&D advantages by focusing on innovation and environmental protection**

The Company has long been focusing on R&D and application of high-end technologies and products in the field of petrochemical and chemical fibers. Relying on the university-enterprise platform, the Company has established its leading position in technology and a product portfolio featuring “diversification, serialization, quality, and uniqueness”. Through comprehensive R&D of new products and technologies related to the whole industry chain, the Company realizes full-process, flexible development of high-tech products (technologies) and transformation of scientific and technological achievements, and the technology level is industry-leading.

The Hengyi Research Institute, a subsidiary of the Company, is committed to the R&D of advanced materials and green chemicals, actively enhances the Company’s ability to lead innovation, and takes

the initiative to assume the main responsibility for the transformation of scientific and technological achievements, the launch of new products on the market, and the realization of economic benefits to accelerate the implementation of technological achievements.

The Company adheres to the concept of green and environmentally-friendly development, transforming technological advantages into sustainable development momentum. The Company focuses on the recycling of polyester throughout its life cycle, breaking through existing technical difficulties and realizing high-quality recycling of polyester. Through independent project establishment and R&D, the Company has produced safe, high-quality and environment-friendly green polyester products, launched the self-developed green polyester product "Eticont", and prepared high-performance polyester from bio-based materials. By promoting green manufacturing, the environmental pollution caused by production has been effectively reduced, and the green loop of textile life cycle has been realized.

### **3. Advantages of vertical balance and intensive development in large-scale layout**

The Company has been developed into a global leader integrating the industrial chain of "PX-Polyester" with that of "Benzene-Polyamide". Through the construction of upstream refineries overseas, the expansion of midstream and downstream enterprises in China, the implementation of mergers and acquisitions and restructuring and other differentiated development models, the Company has built a "columnar" balanced and integrated industrial chain covering "crude oil - aromatics - PTA - polyester" and "crude oil - benzene - CPL - polyamide". The Company coordinated the matching of upstream, mid-stream and downstream raw materials, and has achieved balanced and coordinated development of the entire industry chain from unique large-scale refining and petrochemical industry to supporting PX, PTA, and polyester (PET) production capacities. After the Brunei Phase II Project is completed and put into operation, a new "olefin - polyolefin" industrial chain will be formed, which will improve the intensification, large-scale operation and integration level of the Brunei Refining and Petrochemical Project, is conducive to the integrated, globalized and balanced synergistic operation of the Company's products, equipment and utilities, and will help enhance the Company's sustainable profitability and anti-risk ability.

The Company's production capacity ranks among the top of the industry, with obvious scale



advantages. Currently, the refining and petrochemical design capacity of the Company is 8 mtpa, the PTA production capacity of shareholding and joint-stock companies is 19 mtpa, the polymer production capacity of shareholding and joint-stock companies is 10.765 mtpa, the caprolactam production capacity is 400,000 tpa, and the production capacities of both PTA and polymer of shareholding and joint-stock companies rank first in the world. The Company has been continuously upgrading and optimizing the industrial model, consolidating and expanding the production capacity advantages of each link, advancing the quantitative change of the Company's operation scale and the qualitative change of the business structure, and promotes the investment and application of large-scale equipment and energy-saving and consumption-reducing technologies. The Company's advantage in scale promotes the stability of production plant operation, improves product quality and production efficiency, and greatly reduces the unit investment cost and unit energy consumption, giving the Company a significant advantage in unit manufacturing cost in the industry. Besides, the large-scale procurement enables the Company to form strong operational capabilities and obtain advantageous prices, saving procurement costs and providing a strong guarantee for the profitability of final products.

#### **4. Intelligent operation advantages of digital-intelligence integration and efficient operation**

The Company has established the "Petrochemical + Industrial Internet" information strategy to promote the deep integration of new-gen information and communication technologies and the petrochemical manufacturing industry and drive the digitalization, networking and intelligent development of the chemical fiber manufacturing industry, so as to realize the highly coordinated operation of the whole industrial chain. As a leading enterprise in the industry, the Company has actively been building digital workshops and intelligent factories, and has built the first polyester factory in China equipped with a full process intelligent storage and transportation system; has creatively proposed a single-spindle data flow system, achieving data-driven production operations and operational management; has independently developed a cloud-table finished product storage system to achieve efficient logistics operation and automatic quality control of products in the workshop warehouse, achieving process optimization, information sharing, and efficiency improvement among various production processes; and, has been promoting information

interconnection between intelligent manufacturing devices such as automatic winding, automatic packaging, intelligent appearance inspection, AGV cars, robots, and three-dimensional warehouses. The Company has pioneered a full-life product quality traceability system and a smart sales supply chain system in the industry, and independently developed a visual "Hengyi Brain" to assist the management personnel of the Company in achieving digital management.

The Company has innovated customer service ecosystem and a chemical fiber supply chain platform integrating micro mall, supply chain finance, warehousing and logistics. Externally, it combines Internet marketing and customer social experience management, providing various services including independent order placement, supply chain support, data display through the whole process of sales, and multi-dimensional portraits; internally, it realizes data sharing among various business systems, improves the efficiency of data interaction, eliminates barriers to information flow, and forms a closed-loop process for supply chain operations such as sales, collection, scheduling, delivery, dispatching, shipment, and invoicing.

Besides, keeping in mind the aim of becoming a leader in the Internet of chemical fiber industry, the Company gives full play to its own supply chain supporting strength, actively builds an industry ecosystem, and strives to create an industrial platform of "online trading + online finance + warehousing and logistics" to provide various digital solutions such as digital management, intelligent manufacturing, online trading, logistics services, market analysis, production, supply and marketing synergy, and supply chain finance, deeply empowering the development of the chemical fiber industry.

#### **5. Professional talent advantages of being rooted in China and having a global perspective**

Learning the advanced domestic and foreign organizational management experience, the Company has established a sound internal system to further optimize its organizational structure, continuously improve its organizational management and operation efficiency, and bring into play the advantages of scale synergy.

The Company has created an international, specialized, and professional management and operation team, providing strong supports for the high-quality development of the Company. The Company has attached great importance to talent introduction and cultivation, including strengthening the construction of management and technical talent teams, actively introducing senior management and

technical talents from both domestic and foreign sources through various channels, and improving the internal talent cultivation model by combining industry, academia, research, and application, providing employees with a good career development channel. The Brunei Project of the Company has been steadily improving the localization level of employees, vigorously supporting the growth of local youth in Brunei, achieving win-win talent cooperation.

In terms of employee incentive, in addition to providing employees with competitive remuneration and incentive mechanisms in the industry, the Company has implemented two phases of restricted stock incentive plans, four phases of employee stock ownership plans and two phases of share repurchase plans to reserve for the subsequent employee stock ownership plans or stock incentive plans since 2015, which has fully mobilized the enthusiasm of employees and effectively attracted more high-caliber talents. Through the establishment of the long-term development sharing mechanism, the sense of belonging and cohesion of employees is effectively enhanced, which lays the talent foundation for the Company's long-term development.

#### **IV. Analysis of main business**

##### **1. Overview**

In 2022, in the face of complex and severe domestic and international situations, increasingly fierce market competition, and industry landscape, the Company withstood the pressures and successfully completed the tasks and goals set at the beginning of the year. All employees worked together to achieve steady production and improved quality and efficiency by optimizing production organization, implementing refined business measures, advocating cost reduction and energy conservation, and strengthening risk control. At the end of the reporting period, the Company realized operating income of RMB 152.05 billion. The net profit attributable to shareholders of the listed company was RMB -1.080 billion; the total assets of the Company was RMB 111.965 billion, and the net assets attributable to shareholders of the listed company was RMB 25.447 billion; the basic earnings per share was RMB -0.30 /share, and the weighted average net return on assets was -4.31%. During the reporting period, the Company implemented the dividend distribution plan for 2021, distributing cash dividend totaling RMB 717 million, which accounted for 21.05% of the Company's net profit attributable to the parent

company in 2021.

During the reporting period, the Company implemented the third-phase share repurchase plan. As of March 31, 2023, the cumulative number of shares repurchased by the Company reached 122,499,800, which accounted for 3.34% of the total share capital of the Company, and the total amount paid was approximately RMB 900 million. With the first- and second-phase share repurchases of RMB 510 million and RMB 624 million, as of the end of 2022, the cumulative repurchase amount of Hengyi Petrochemical reached about RMB 2.034 billion. The third-phase share repurchase plan once again injected a shot of energy in the market, demonstrating the Company's confidence in future development.

**(1) The Company seized opportunities in the Southeast Asian market to achieve high-quality operations**

During the reporting period, international oil prices fluctuated sharply, resulting in a significant increase in overall costs and a decline in efficiency. In the first half of 2022, affected by the international turmoil and tight supply pattern, the Southeast Asian product oil market ushered in a boom cycle, with the crack spread of product oil rising across the industry, and the price difference of product oil hitting a historic high. However, after entering the second half of the year, due to the impact of the low consumption season and the Federal Reserve's interest rate hike, the corresponding product price difference in the Brunei refining and petrochemical business has fallen, and the costs for the Company's production and operation have significantly increased. Throughout the year, although the average price difference has expanded, it has not covered the overall cost increase caused by the rise in oil prices, resulting in a year-on-year decline in the benefits of the Brunei Project.

During the reporting period, in order to maintain stable production and operation of the Brunei Project, the Company took measures to actively respond to fluctuations in crude oil prices and product price differences, e.g., purchased various types of crude oil raw materials suitable for the Company's processing, reduced upstream costs, and closely followed market changes in the product structure. Besides, the Company also made reasonable adjustments to the production of chemical light oil, gasoline, diesel, jet fuel, benzene, and PX products, with clean oil accounting for one-third of the total production capacity, and aromatics (Benzene and PX) and diesel accounting for one-third

respectively, striving to maximize the operational benefits of the Brunei Project. During the reporting period, the Brunei Project had been operating efficiently. It mainly produced production oil products such as diesel, gasoline, chemical light oil, and liquefied gas, and chemicals such as PX and benzene. The outputs of the two categories were 6.4225 mtpa and 2.0239 mtpa, the sales volumes were 6.3912 mtpa and 2.0179 mtpa, and the sales revenues (sales amounts) were RMB 41.531 billion and RMB 8.599 billion respectively. The products further promoted the global popularity of the brand "Hengyi", and the improvement of vertical industrial chain integration enhanced the Company's competitiveness. As of the disclosure date of this Report, the advantages of international operations of the Hengyi Brunei Project have more prominent, including:

(1) In the medium to long term, the Southeast Asian product oil market will have a strong demand while the supply remains tight, and the Company's Brunei Refinery is expected to continue to be benefited.

(2) The powerful support of China and Brunei will provide the Company with long-term tax incentives and other favorable policies.

✓ Brunei has a stable political situation and the project meets Brunei's 2035 Vision and promotes the economic growth of the Belt and Road Initiative countries;

✓ The project 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 received eleven years of tax exemption and export enterprise discounts from pioneer enterprises, and can enjoy a longer-term of enterprise income tax reduction and exemption.

✓ 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 product oil produced by the project is sold to Southeast Asia and Australia, which has strong

demand; Brunei 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 power generation units, and thus 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 with waste heat 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 flexicoking 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, 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.

Hengyi (Brunei) PMB Petrochemical Project, as the first overseas large-scale petrochemical project of the Company that fully implements Chinese standards, is the first private refining-petrochemical project for the Company to realize the international layout of production capacity and practice "the Belt and Road" initiative, and it has received unanimous supports from both China and Brunei governments. In 2022, the project won the Award for China Construction Engineering - the highest award in the Chinese construction industry, the "Luban Prize", which promoted the coordinated development of Brunei and self-development of the Company and was highly praised by government

media.

At present, all work in the Brunei Phase II Project is being carried out in an orderly manner, and the construction work such as embankment reclamation is underway. After the completion, the Brunei Phase II Project will help the Company further reduce production costs, stabilize raw material supply, and optimize product structure, playing an integrated and collaborative operation role. In combination with the geographical advantage, i.e., the project is located in the hinterland of the Southeast Asian product oil demand market, the overall profitability of the Company is expected to be improved continuously. In addition, the project will further promote the employment in Brunei, assist in industrial upgrading, and achieve diversified economic development.

**(2) With the increased sales volume and expanded market, the polyester leader welcomed a recovery**

In the first half of 2022, under the influence of various factors such as international geopolitics, energy prices continued to rise, and overseas inflation continued to ferment, resulting in a sharp increase in the cost of polyester raw materials; in the second half of the year, as the tightened US monetary policy and the Federal Reserve's interest rate hikes, domestic and foreign demand continued to weaken. Under the dual suppression of high costs of the upstream and low demand of the downstream, polyester product prices fell and product benefits were compressed.

In 2023, the Company will continue to optimize the customer structure in the field of fully drawn yarn production, especially increasing the expansion of customers with high-quality requirements and high added-value; and, consolidate the existing market share and maintain the core market of the original Hengyi system. In terms of staple fiber, the Company will rely on innovation in sales models to develop personalized procurement models for each customer and to increase sales. In terms of flakes, the Company will focus on expanding customers with semi-gloss additives and expanding customers with glossy films and industrial yarn. With the increase in industry operating rates and the boost in demand during traditional peak seasons, it is expected to drive the recovery of the polyester industrial chain, and the polyester efficiency is expected to be stabilized and to rebound in 2023.

**(3) Continuously emerging scientific research and innovation achievements promoted the upgrading of Hengyi products**

During the reporting period, the Company invested approximately RMB 688 million in R&D. As of December 31, 2022, the Company has applied for a total of 511 patents, including 310 authorized patents, among which there are 203 authorized invention patents and 107 authorized utility model patents; Currently, 123 patents are being processed; participated in the formulation of 34 standards, including 10 national standards, 18 industry standards, and 6 group standards (including associations). During the reporting period, the Company actively responded to the national "carbon peaking and carbon neutrality" strategy, adhered to the guidance of "green manufacturing" and "circular economy", arranged the recycling of waste textiles in the medium and long term, and upgraded the R&D towards high end and differentiation. Among them, flame-retardant and antibacterial products were in a leading position in the country, and the production capacity continued to increase; bio-based PLO, PPS, PPET, and FDC patents ranked among the top in China, with more prominent barrier advantages; the application and development of the bio-based PTT elastic memory fiber series products have been completed and industrialized, greatly reducing production costs and improving market competitive advantages.

The Company realized the industrialization of melt direct spinning antimony-free polyester fully drawn yarn, and large-scale production of environmentally-friendly polyester product "Eticont", which is widely used in facial mask, baby clothes, etc., realizing full industrialization and variety coverage. The development of functional composite materials, such as antibacterial and cationic dyes, was taking shape, and the industrialization of these materials was gradually being promoted, with the technical level reaching international leading levels.

In order to further improve R&D conditions, the Company has invested in the construction of the Hengyi Global Innovation Center in Hangzhou, which is used for R&D of future advanced technologies, and has established a joint R&D platform with Zhejiang University, Donghua University, and Nanjing University of Technology to build a new technology innovation system that combines industry, academia, research, and application, so as to promote the collaborative innovation between schools and enterprises, provide innovation impetus for the long-term development of the Company, and continue to collaborate with multiple well-known universities. Besides, the Company also collaborated with research institutions and well-known domestic and foreign enterprises to form



a comprehensive scientific and technological innovation mechanism that combines industry, academia, research, and application to effectively achieve the sharing and complementarity of technological innovation resources, so as to rapidly improve the Company's technological innovation ability, scientific research level, and market response ability.

**(4) The Company promoted the digital transformation strategy and made fruitful achievements in intelligent transformation**

Under the strategy of "Petrochemical + Industrial Internet", the Company actively carried out industrial digital transformation, promoted the deep integration of new-gen information and communication technologies and the petrochemical manufacturing industry, diving the digitalization, networking and intelligent development of the chemical fiber manufacturing industry. The Company has been focusing on building a visual "Hengyi Brain". The construction of Phase II was being steadily advanced, and a chemical fiber supply chain platform integrating the Micro Mall, supply chain finance, warehousing and logistics was under construction. Besides, the Company has creatively proposed the concept of "single-spindle data flow" to strengthen the construction of digital infrastructure, striving to promote the digital transformation and upgrading of enterprises and promoting high-quality business development of the Company.

In order to promote intelligent transformation, the Company has built the first domestic polyester factory with a full process intelligent storage and transportation system. In 2022, the equipment management system began to be promoted and applied, and the level of intelligence has significantly improved. The Company also introduced automated and intelligent equipment such as intelligent appearance inspection and automatic packaging lines to reduce labor costs and improve work efficiency. The subsidiary Haining Hengyi New Materials has built the first digital black-light factory in the industry, of which the degree of automation is as high as 95% and the overall efficiency reaches 92% or above. It achieved transparency in production information and rapidly promoted the digitalization and intelligence process of the enterprise, and was awarded the title of "2022 Best Practice in Intelligent Manufacturing in China" by [www.e-works.net.cn](http://www.e-works.net.cn).

## 2. Revenue and cost

### (1) Composition of operating income

Currency unit: RMB

	2022		2021		Year-on-year increase/decrease
	Amount	Percentage in operating income	Amount	Percentage in operating income	
Total operating income	152,050,274,944.64	100%	129,666,931,795.26	100%	17.26%
By industry					
Petrochemical industry	59,269,682,296.57	38.98%	36,094,837,257.96	27.84%	64.21%
Chemical fiber industry	46,316,793,158.99	30.46%	45,814,836,579.30	35.33%	1.10%
Supply chain services	46,463,799,489.08	30.56%	47,757,257,958.00	36.83%	-2.71%
By product					
Refinery products	41,531,346,473.30	27.31%	24,081,670,289.03	18.57%	72.46%
Chemical products	8,599,075,610.04	5.66%	4,553,199,820.35	3.51%	88.86%
PTA	8,966,680,849.79	5.90%	6,388,792,085.43	4.93%	40.35%
PIA	172,579,363.44	0.11%	1,071,175,063.15	0.83%	-83.89%
Polyester yarn	41,123,434,064.32	27.05%	41,337,835,963.34	31.88%	-0.52%
Flake	5,193,359,094.67	3.42%	4,477,000,615.96	3.45%	16.00%
Supply chain services	46,463,799,489.08	30.56%	47,757,257,958.00	36.83%	-2.71%
By region					
Domestic	98,119,165,712.07	64.53%	96,384,470,426.22	74.33%	1.80%

Overseas	53,931,109,232.57	35.47%	33,282,461,369.04	25.67%	62.04%
By sales model					
Direct sales	150,056,276,149.80	98.69%	127,962,603,313.47	98.69%	17.27%
Distribution	1,993,998,794.84	1.31%	1,704,328,481.79	1.31%	17.00%

**(2) Industries, products, regions, and sales models that account for more than 10% of the Company's operating income or profit**

The Company shall comply with the disclosure requirements for petrochemical industry specified in *Guidelines No. 3 for Self-Regulation of Listed Companies of Shenzhen Stock Exchange - Industry Information Disclosure*

Currency unit: RMB

	Operating income	Operating cost	Gross profit margin	Increase or decrease in operating income compared with the same period of the previous year	Increase or decrease in operating cost compared with the same period of the previous year	Increase or decrease in gross profit margin compared with the same period of previous year
By industry						
Petrochemical industry	59,269,682,296.57	56,742,187,026.59	4.26%	64.21%	68.70%	-2.55%
Chemical fiber industry	46,316,793,158.99	45,630,114,979.64	1.48%	1.10%	9.46%	-7.53%
Supply chain services	46,463,799,489.08	46,143,208,516.15	0.69%	-2.71%	-1.83%	-0.89%
By product						
Refinery products	41,531,346,473.30	39,071,409,441.34	5.92%	72.46%	68.33%	2.31%
Chemical products	8,599,075,610.04	8,376,249,628.83	2.59%	88.86%	137.61%	-19.99%
PTA	8,966,680,849.79	9,088,501,918.59	-1.36%	40.35%	49.13%	-5.97%

PIA	172,579,363.44	206,026,037.83	-19.38%	-83.89%	-74.37%	-44.34%
Polyester yarn	41,123,434,064.32	40,586,001,652.13	1.31%	-0.52%	8.40%	-8.11%
Flake	5,193,359,094.67	5,044,113,327.51	2.87%	16.00%	18.83%	-2.32%
Supply chain services	46,463,799,489.08	46,143,208,516.15	0.69%	-2.71%	-1.83%	-0.89%
By region						
Domestic	98,119,165,712.07	97,404,511,107.95	0.73%	1.80%	6.91%	-4.75%
Overseas	53,931,109,232.57	51,110,999,414.43	5.23%	62.04%	63.70%	-0.96%

**The Company's main business data in the year adjusted according to the caliber at the end of the reporting period as the statistical caliber of the Company's main business data was adjusted during the reporting period**

Applicable  Not applicable

Currency unit: RMB

Product name	Production capacity (10,000 tons)	Sales volume (10,000 tons)	Income realized	Price trend during the reporting period	Reason for change
Refinery products	642.25	639.12	41,531,346,473.30	First up and then down; overall up	Market reasons
Polyester yarn	608.50	603.47	41,123,434,064.32	First up and then down; overall stable	

**The operating income or net profit generated by overseas business accounts for more than 10% of the audited operating income or net profit of the Company in the latest fiscal year**

Name of overseas business	Operation status	Impact of tax policies on overseas business during the reporting period	Company's response
Brunei Project	Stable operation under high load	The overall tax burden during the reporting period was low, because Brunei does not levy personal income tax, business tax, salary tax, production tax and export tax. A local pioneer enterprise certificate and an export enterprise certificate have been issued for the project, so it can enjoy a long-term corporate income tax exemption.	Both China and Brunei provided powerful support. The project enjoyed long-term tax incentives and other favorable policies.

**(3) Whether the Company's income from product sales is greater than its income from labor services**

Industry	Item	Unit	2022	2021	Year-on-year increase/decrease
Refinery products	Sales volume	10,000 tons	639.12	589.78	8.37%
	production volume	10,000 tons	642.25	587.17	9.38%
	Inventory	10,000 tons	14.73	11.60	26.98%
Chemical products	Sales volume	10,000 tons	201.79	211.37	-4.53%
	production volume	10,000 tons	202.39	208.38	-2.87%
	Inventory	10,000 tons	8.80	8.20	7.32%
PTA	Sales volume	10,000 tons	286.27	450.39	-36.44%
	production volume	10,000 tons	285.13	451.19	-36.80%
	Inventory	10,000 tons	1.97	3.11	-36.66%
PIA	Sales volume	10,000 tons	2.11	15.67	-86.53%
	production volume	10,000 tons	1.07	13.56	-92.11%
	Inventory	10,000 tons	0.01	1.05	-99.05%
Polyester products	Sales volume	10,000 tons	684.97	740.69	-7.52%

	production volume	10,000 tons	692.19	723.38	-4.31%
	Inventory	10,000 tons	52.47	45.25	15.96%

#### Description of the reasons for the year-on-year change of more than 30% in relevant data

During the reporting period, the production and sales of PIA and PTA have changed by more than 30% compared with the same period of previous year, mainly because the joint impact of the shutdown for maintenance and production reduction of the Company, resulting in a decrease in operating load.

#### (4) Performance of the major sales contracts and major purchase contracts entered into by the Company as of the Reporting Date

Applicable  Not applicable

#### (5) Composition of operating cost

##### By industry and product

##### Product Classification of Hengyi Brunei

Currency unit: RMB

Industry	Item	2022		2021		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
Refinery products	Raw materials	37,827,012,569.00	96.82%	22,068,840,115.45	95.08%	71.40%
	Energy	425,050,466.17	1.09%	435,640,277.36	1.88%	-2.43%
	Depreciation and others	819,346,406.17	2.09%	707,213,095.03	3.04%	15.86%
	Total	39,071,409,441.34	100.00%	23,211,693,487.84	100.00%	68.33%
Chemical products	Raw materials	7,647,487,621.92	91.30%	3,229,472,939.74	91.61%	136.80%
	Energy	500,515,083.07	5.98%	162,281,960.64	4.60%	208.42%

	Depreciation and others	228,246,923.84	2.72%	133,393,061.60	3.79%	71.11%
	Total	8,376,249,628.83	100.00%	3,525,147,961.98	100.00%	137.61%

**By domestic industry and product**

Currency unit: RMB

Product	Item	2022		2021		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
PIA products	Raw materials	144,253,439.63	70.02%	589,219,138.02	73.31%	-75.52%
	Energy	16,491,918.19	8.00%	64,929,361.11	8.08%	-74.60%
	Depreciation and others	45,280,680.01	21.98%	149,632,383.00	18.61%	-69.74%
	Total	206,026,037.83	100.00%	803,780,882.13	100.00%	-74.37%
PTA products	Raw materials	8,104,904,977.86	89.18%	5,337,995,524.43	87.59%	51.83%
	Energy	263,544,052.57	2.90%	207,810,074.87	3.41%	26.82%
	Depreciation and others	720,052,888.16	7.92%	548,579,521.79	9.00%	31.26%
	Total	9,088,501,918.59	100.00%	6,094,385,121.09	100.00%	49.13%
Polyester products	Raw materials	37,624,877,259.76	82.46%	33,887,658,918.72	81.29%	11.03%
	Energy	3,093,599,154.96	6.78%	2,601,291,569.11	6.24%	18.93%
	Depreciation and others	4,911,638,564.92	10.76%	5,198,414,401.73	12.47%	-5.52%
	Total	45,630,114,979.64	100.00%	41,687,364,889.56	100.00%	9.46%

**Notes**

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

A total of 48 subsidiaries were included in the scope of consolidation in FY2022. For details, please refer to Note VIII "Equity in Other Entities" in "Section X, Financial Report". Compared with the previous year, 5 subsidiaries were included in and 1 excluded from the Company's consolidation scope in this fiscal year. For details, please refer to Note VII "Changes in the Scope of Consolidation" in "Section X, Financial Report".

**(7) Significant changes or adjustments in the Company's business, products or services during the reporting period**

Applicable  Not applicable

**(8) Major customers and suppliers****Major customers**

Total sales amount of the top five customers (RMB)	28,299,442,006.78
Percentage of the total sales amount of the top five customers in total annual sales amount	18.61%
Percentage of sales amount of related parties among the top five customers in total annual sales amount	0.00%

**Top 5 customers**

SN	Customer name	Sales amount (RMB)	Percentage in total annual sales amount
1	Customer 1	8,498,995,728.05	5.59%
2	Customer 2	7,995,935,856.45	5.26%
3	Customer 3	4,418,284,215.90	2.91%
4	Customer 4	3,841,798,920.42	2.53%
5	Customer 5	3,544,427,285.95	2.33%



Total	--	28,299,442,006.77	18.61%
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**Other information about major customers**

Applicable  Not applicable

**Major suppliers**

Total purchase amount of top five suppliers (RMB)	44,379,336,725.33
Percentage of the total purchase amount of the top five suppliers in the total annual purchase amount	29.88%
Percentage of purchase amount of related parties among the top five suppliers in total annual sales amount	15.32%

**Top 5 suppliers**

SN	Supplier name	Purchase amount (RMB)	Percentage in total annual purchase amount
1	Supplier 1	22,348,038,778.91	15.05%
2	Supplier 2	6,987,350,219.75	4.70%
3	Supplier 3	6,396,317,334.53	4.31%
4	Supplier 4	5,251,769,399.49	3.54%
5	Supplier 5	3,395,860,992.62	2.29%
Total	--	44,379,336,725.30	29.88%

**Other information about major suppliers**

Applicable  Not applicable

**3. Expenses**

Currency unit: RMB

	2022	2021	Year-on-year increase/dec	Description of major changes

			rease	
Selling expenses	247,443,749.81	228,081,384.04	8.49%	/
Administrati on expenses	1,084,986,983.70	1,087,267,658.53	-0.21%	/
Financial expenses	2,787,697,495.20	2,133,576,548.94	30.66%	The main reasons include: the rise in crude oil prices, which has driven the rise in the prices of various raw and auxiliary materials in the industrial chain; the demand for daily working capital of the Company increased; the borrowing scale increased.
R&D expenses	668,706,028.57	686,980,217.98	-2.66%	/

#### 4. R&D investment

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
R&D of preparation technology of polyester titanium-based polycondensation catalyst	To improve and optimize the preparation process of titanium-based polyester catalyst to produce titanium-based PET flakes with excellent performance and good hue, and then conduct spinning and post-processing as needed to produce heavy metal-free titanium-based polyester products.	Completed and industrialized	To meet the standards of high-quality PET flakes and fibers produced by large-scale production lines with the PET flakes produced with the titanium-based catalyst developed.	By further optimizing the catalyst preparation process and polymerization process to improve product quality, the project has high eco-friendliness value and social significance.
Research and application development of bio-based PTT elastic shape memory fiber series	To break the monopoly of foreign enterprises, reduce the raw material cost of downstream textile enterprises, and facilitate the promotion and application of bio-based PTT textile materials.	Completed and industrialized	To form a complete set of key preparation technologies for the development and production of PTT and composite yarns, and establish stable mass production of bio-based PTT flake series.	It has high application value and prospects, and will greatly reduce production costs and improve the competitive advantage in the market.
R&D of key technologies for intelligent temperature-regulating fiber melt-spinning forming	Intelligent temperature-regulating fiber is a new type of fiber with bi-directional temperature regulation function. This type of textile can regulate the temperature fluctuations within a certain temperature range for the space between the human body and the environment, avoiding discomforts caused by large temperature fluctuations and making people feel more comfortable and be healthy.	Completed and industrialized	To prepare phase-change temperature-regulating functional masterbatch to form a mature set of key technologies for preparing intelligent temperature-regulating fibers. The raw material loss during the production process is low, and the resulting fabric has functions such as energy storage and temperature regulation, anti-static, cool body feel, good elasticity, moisture absorption and breathability.	It will expand the market of functional fiber products and enhance the competitiveness of the Company.
R&D of low-melting-point PET flake	To solve the problems that the current low-melting polyester produced has a low melting point, resulting in no crystallinity or low	Low-melting-point PET flakes have been	To form a mature technology for producing and processing low-melting-	It will greatly improve the flame retardancy of flakes, and is of great significance to expansion of the market of

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
preparation process	crystallinity of polymers, and it is difficult to achieve industrialized mass production.	produced and samples sent to customers for trial	point PET flakes	the Company's differentiated products.
R&D of key technology of antistatic modified polyester staple fiber	To solve the problems of high price, limited specification options, and great susceptibility to environmental humidity on the antistatic polyester products on the market.	Antistatic modified polyester staple fibers have been produced and samples sent to customers for trial	To form a mature technology for producing and processing antistatic modified polyester staple fibers	The project will produce antistatic staple fibers, expand the market of the Company's product, and enhance the Company's competitiveness
R&D of highly hygroscopic and dyeable microcrystalline cellulose modified polyester fiber	To complete the polymer modification by adding cellulose microcrystalline slurry in situ, so that the modified polyester fiber has moisture wicking and anti-static effects.	Related technologies have been extended to mass production to realize the industrialization of products.	To form a mature technology for producing and processing highly hygroscopic and dyeable microcrystalline cellulose modified polyester fibers.	The project will expand the market of the Company's products and is of great significance to the development of the chemical fiber industry.
R&D of hydrophilic and dyeable polyester fiber	To produce a hydrophilic polyester fiber through secondary esterification by endcapping sorbitol, followed by polycondensation and melt spinning, which can effectively improve the hydrophilicity and flammability of the polyester fiber.	Related technologies have been extended to mass production to realize the industrialization of products.	To form a mature technology for producing and processing hydrophilic and dyeable polyester fibers.	The project will expand the market of the Company's products and is of great significance to the development of the polyester industry.
R&D of melt direct spinning	To develop the product by adding a new composite flame-retardant agent during the	The project has passed the pilot	To form a mature technology for producing and processing flame-retardant	The project will improve the hygroscopic effect of fiber, improve the wearing

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
flame-retardant polyester fiber	spinning process. Various properties of the new composite flame-retardant agent will bring many excellent properties to the flame-retardant polyester fiber compared with conventional flame-retardant polyester fiber.	test and is transferred for industrialization test.	polyester fibers that can be directly spun.	performance of polyester fiber, greatly improve the coloring performance, reduce the dyeing temperature and save energy.
R&D of polyester elastomeric yarn integrating heat retention and self-heating effects	To solve the problem that the heat retention and self-heating effects of fibers on the current market cannot be integrated, and propose a process for producing heat retaining and self-heating fibers.	Related technologies have been extended to mass production to realize the industrialization of products.	To explore and master the core technology for the preparation of heat retaining and self-heating polyester elastomeric yarn through a series of R&D work, enable the relevant functional indicators of the prepared heat retaining and self-heating fibers to meet the testing standards, and realize the transformation of the project results.	The development of heat retaining and self-heating fibers will enrich our range of differentiated chemical fibers, enhance the competitive advantage of our products, improve the Company's reputation in the industry, and also help promote the development of the entire sector of functional fiber.
R&D and industrial demonstration project of efficient preparation technology of polymer-grade 2,5-furandicarboxylic acid	To carry out systematic chemical engineering basic research on three key aspects of the industrial preparation technology of high-purity FDCA: fructose dehydration, HMF oxidation and FDCA refining; to screen efficient "catalytic + solvent" system for dehydration reaction to find the technical key to HMF preparation with high selectivity; to optimize HMF oxidation process conditions, hydrogenation catalyst carriers and catalytically active components, and break through the core technology of FDCA refining; to establish a mathematical model through determination of basic data, carry out process simulation calculation, propose process flow, and compile process package and industrial design to obtain an industrially	The project has been established and is under implementation	To form a complete industrial preparation technology for producing polymer-grade FDCA through the R&D and industrial implementation of this project.	The implementation of this project will realize the industrialization of bio-based furandicarboxylic acid monomer, provide necessary monomer raw materials for producing high-performance bio-based polyamide and polyester materials, help promote the development of renewable resources and technologies in China, and provide an alternative technological route for China's "carbon peaking and carbon neutrality". It is of great significance for cultivating strategic emerging bio-industries and breaking the bottleneck constraints of resources and environment in economic development.

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
	implementable polymer-grade FDCA preparation technology.			
R&D of high-performance bio-based polyamide	This project applies bio-based monomers to carry out polymerization and modification research on semi-aromatic bio-based and aliphatic bio-based polyamides, develop high-temperature resistant material bio-based polyamides, establish a thousand-ton high-temperature resistant bio-based polyamide polymerization device, and carry out application research on bio-based polyamides in the electronic, electrical, and automotive industries.	The project has been established and is under implementation	To explore the influence of types and contents of bio-based monomers, catalysts, and impurities on polymerization reactions, study the kinetics and thermodynamics of polymerization reactions, and clarify the mechanism by which the heterocyclic structure of bio-based polyamides affects the formation and crystallization behavior of hydrogen bonds; to develop large-scale and continuous salt forming technology and online multi-parameter salt quality control technology, develop efficient mass transfer and heat transfer continuous polymerization technology and key equipment, and achieve stable production of bio-based polyamides; to determine the composite technology of reinforcement and polyamide matrix and the evolution law of condensed state structure, laying the foundation for the development of key production technologies for high-temperature resistant bio-based polyamide and modified resin; to establish a demonstration line for continuous polymerization of 1,000-ton bio-based polyamides.	This project will enhance the competitiveness of enterprises and promote the R&D and preparation technology of bio-based high-temperature resistant polyamides in national strategic emerging industries such as electronics, electronics, and automobiles.
Green synthesis and efficient catalyst	The research and production of bio-based monomer raw materials is a key point for promoting the large-scale industrial	The project has been established and is under	To conduct in-depth research on the liquid-phase catalytic oxidation process of HMF and its derivatives to produce	The unique properties of FDCA polyester make it important for applications in bottles, membranes, fibers, and

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
development of bio-based furandicarboxylic acid (FDCA) polyester	application of bio-based plastics, and it urgently needs to be taken seriously. The 14 <sup>th</sup> Five-Year Plan for Key R&D in China also clearly prioritizes the development of bio-based polymer materials, with independent innovation as the core, and focuses on the development of low-cost bio-based monomers, polymers, and back-end applications throughout the entire industrial chain, addressing the issues of high cost of bio-based polymer materials and limited number of high-performance engineering plastic grades.	implementation	FDCA, and obtain kilogram-grade FDCA products, opening up the entire process route of preparing FDCA from fructose.	engineering plastics. In the future, the demand for FDCA polyester will reach 10 mtpa, and the market prospects are very broad. Enterprise profits are expected to be further improved.
Key technologies for efficient antibacterial polyester in-situ polymerization and composite high-speed spinning	In the spreading process of pathogenic bacteria, textiles are one of the main carriers, while ordinary textiles cannot resist most pathogenic bacteria. The environment they are used in, including humidity, temperature, sweat stains, and oils, can become a source of nutrition for the survival and reproduction of various bacteria. Especially with the continuous expansion of textiles in public places, the harm of pathogenic bacteria breeding and cross infection to human health is even more difficult to estimate. Textiles have become an important medium for the spread of pathogenic bacteria, and giving them antibacterial functions has also received increasing attentions. The development of long-lasting antibacterial functional fibers is of great significance.	The project has been established and is under implementation	To develop key technologies for efficient in-situ polymerization and composite high-speed spinning of antibacterial polyester based on technological breakthroughs, and develop high-quality antibacterial functional polyester and fiber products, so as to achieve stable mass production and ensure that the overall technical level of the project can reach a leading level in China.	Application scenarios of this product: Sanitary materials, high-performance home textiles, sportswear, automotive interiors, and ultra clean work clothes and other fields, to meet people's demand for "hygiene and health". The prospects for technological application and industrialization are promising, with significant practical significance and significant social benefits.
R&D of TiO <sub>2</sub>	Due to the technical difficulties in production,	Industrialization	To develop a mature set of domestically	The product can achieve the performance

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
localization technology and device project	the supply of titanium dioxide for polyamide 6 extinction is mainly monopolized by Germany's Sachtleben Chemie GmbH. Not only is the price high, but also the supply cycle is long, which is prone to accidents, making the Company's production in a passive situation. Therefore, on the basis of domestic titanium dioxide, modification is carried out to make it close to or even reach the performance of titanium dioxide products used in the extinction of Sachtleben polyamide, thereby achieving the goal of partially or completely replacing imported titanium dioxide used in the extinction of polyamide.	and stable mass production are achieved. The products are promoted and applied in the market.	produced TiO <sub>2</sub> production technology and equipment, to produce polyamide specific titanium dioxide by combining developed organic modification processes, so as to meet the requirements of production equipment and processes for titanium dioxide.	of Sachtleben polyamide extinction titanium dioxide product and replace imported polyamide extinction titanium dioxide. This is of great significance for the Company to master the core technology, reduce production costs, improve supply and demand conditions, and even promote the development of the entire industry.
Copolymerized polyester amide (PET-PA6)/PA6 parallel composite crimped elastic fibers	By utilizing the thermodynamic performance differences between PET and PA6, to achieve the effect of three-dimensional crimping and that of elasticity and moisture absorption. However, due to the poor compatibility between PET and PA, it is not possible to achieve functional integration between them. Therefore, the composite compatibility problem of polyester and polyamide cannot be solved for a long time and cannot be industrialized. In order to solve the compatibility problem of PET and PA6 composite spinning, this project proposes a preparation method for copolymerized polyester amide.	Related technologies have been extended to mass production to realize the industrialization of products.	To produce composite crimped elastic fibers to solve the compatibility problem between polyester and nylon, avoid high-temperature degradation of nylon chain segments, reduce by-products, low thermal degradation, good product color, and good performance.	Copolyesteramide flakes improve the compatibility between polyester and polyamide due to the regular molecular structure and hydrophilicity of conventional polyester products. Their composite crimped elastic fibers have excellent elasticity, can increase the added value of products, and have broad application prospects.
R&D of polyamide ester synthesis and	Polyester fiber is the world's largest synthetic fiber, with a wide fabric that is not easily wrinkled and has low production costs.	The project has passed the pilot test and is	To form a mature process production technology for synthesizing polyamide ester and comfort fibers with excellent	The fabric is quite wide and not prone to wrinkles, moisture absorption and breathability, anti-pilling, and easy to dye.



Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
comfort fibers	However, it also has disadvantages such as poor moisture absorption and insufficient softness of the fabric. Polyamide, due to the hydrophilic groups in its molecules, has good moisture absorption and soft fabric, but it also has disadvantages such as low modulus and poor dimensional stability. After comparison, it was found that the advantages and disadvantages of them can complement each other. Polyamide ester fibers refer to fibers containing both ester and amide groups in their molecules. They possess some excellent properties of polyester and polyamide, and their softness and comfort are similar to those of cotton fibers. Therefore, it is necessary to develop a polyamide ester synthetic and comfort fiber for this purpose.	transferred for industrialization test. The series of products of this project are promoted and applied in the market.	moisture absorption performance and good comfort of the produced fabric, so as to achieve functional upgrading of polyester fibers.	It will have broad application prospects in sports, denim, business leisure, work clothes and other clothing fields, expanding the differentiated polyester product market of the Company and improving the economic benefits of the Company.
R&D of key technology of antistatic modified polyester staple fiber	The project adopts fiber-forming polymer grafting technology. By adding aluminum-doped zinc oxide (AZO) conductive powder and hydrophilic molecular segments (PEE) to PET polyester, more water in the environment can be absorbed, causing a reduction in electrostatic charge accumulation on the polymer surface, effectively achieving uniform dispersion and grafting of AZO and hydrophilic PEE segments, and improving the antistatic properties of the co-polyester.	The project has been established and is under implementation	To complete all the development plan tasks under the project, and form a mature technology for producing and processing antistatic modified polyester staple fiber; to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the transformation of the project's achievements and industrial production.	The development and enrichment of the Company's differentiated polyester fiber product range will broaden the market of the Company's products, and will be of great significance to the development of the polyester chemical fiber industry.
R&D of cationic dyed polyester two-color composite	This is to develop a two-color wool-like polyester fiber. After the fabric woven with the composite fiber is processed and dyed, it will not only have obvious contraction effect, but	The project has passed the pilot test and is transferred for	To complete all the planned tasks under the project, and form a mature technology for producing and processing cationic dyed polyester two-color composite	The development of the Company's differentiated polyester fiber product range will broaden the market and improved the Company's economic

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
wool-like polyester fiber	also show two colors prominently. After the fabric is sanded, the fibers are not easy to fall, and feel thicker and plump like real wool.	industrialization test. The series of products of this project are promoted and applied in the market.	wool-like polyester fiber; to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the transformation of the project's achievements and industrial production.	benefits.
R&D of in-line addition full dull rabbit hair-like fiber	To improve the beauty and comfort of clothing, further raise the grade of polyester products, and enhance product competitiveness and the Company's profitability; to reduce pollutant emissions in the downstream dyeing and finishing process, improve the level of eco-friendliness, and achieve economic benefits for the Company and the society.	Industrialization and stable mass production are achieved. The products are promoted and applied in the market.	Independent R&D is carried out for this project. Dull black masterbatches are added to the Company's existing semi-dull PET flakes for melt spinning. The technical focus is on the design and manufacture of special-shaped spinnerets, the precise control of dull black masterbatch addition amount and the development of spinning and drafting process for full dull rabbit hair-like black silk.	The development of the Company's differentiated polyester fiber product range will broaden the market and improved the Company's economic benefits.
R&D of HOY hollow curly wool-like fiber	To develop a hollow curly wool-like fiber based on HOY yarn, with comfortable wool feel, warmth and breathability, to be used for making Altai, small teddy velvet, big teddy velvet, wheat ear, granular cashmere, etc.	Industrialization and stable mass production are achieved. The products are promoted and applied in the market.	To complete all the planned tasks under the project, and form a mature technology for producing and processing HOY hollow curly wool-like fiber. to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the transformation of the project's achievements and industrial production.	Highly oriented yarn (HOY) is also known as fully oriented yarn. One-step high-speed spinning process is adopted. Compared with FDY and DT technologies, this technology eliminates the need for drafting components or drafting equipment. After the polymer is melt-sprayed, cooled and cured and oiled, it can be wound into polyester fully drawn yarn directly used for weaving. Therefore, the total equipment cost is low. HOY production features high efficiency, simple process, low energy consumption and equipment investment. Meanwhile, the

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
				product is dyeable, the fiber feels soft, and the velvet made is desirable. It can be used to make various high-grade clothing fabrics and decorative fabrics, showing good prospects for development in the field of chemical fiber.
R&D of flame-retardant cationic polyester fiber	In view of the future development direction and market demand of flame-retardant polyester fibers and based on the R&D and production of flame-retardant polyester fibers, this project is implemented to study the feasibility of producing flame-retardant high-shrinkage fiber, flame-retardant cationic dyeable fiber and other composite functional polyester fibers, and launch high-quality functional composite flame-retardant polyester fibers	It has passed the pilot test and is transferred for industrialization test to achieve stable mass production and promotion	To determine a technical scheme for producing flame-retardant cationic polyester and flame-retardant high-shrinkage polyester, and prepare flame-retardant cationic PET flakes and flame-retardant high-shrinkage PET flakes; to research and confirm the spinning process and produce flame-retardant cationic PET flakes and flame-retardant high-shrinkage PET flakes that meet customer needs. The technology is owned by the Company, and the Company's existing equipment, technology and related supporting conditions are fully used. The Company has completed the lab test and pilot test and will provide technical support for industrialization	It will enrich the Company's differentiated product range, increase the market share, and achieve better economic benefits
R&D of high brightness polyester prepared by transesterification	To improve the blending performance of PET and inorganic filler melt, so as to enhance the transparency of PET materials	Completed and industrialized	To achieve good hydrophilicity of the product and greatly improve the transparency of polyester, while keeping the conventional properties of polyester basically unchanged, and providing good spinning processing performance.	It will increase the added value of the Company's products, meet the needs of downstream customers, and is of great significance for the sustainable development of the Company.
R&D of environmental	To study the flake crystallization ability, drying process, sheath-core composite plate	It has passed the pilot test and is	To complete all the planned tasks under the project, and form a mature technology	The low-melting-point polyester sheath-core composite fiber will partially melt

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
y-friendly antimony-free low-melting-point polyester sheath-core composite fiber	design, composite spinning process, etc. by screening out antimony-free low-melting-point PET flakes that meet the spinning requirements, form a complete technology for producing antimony-free low-melting-point polyester sheath-core composite fiber, and successfully realize the transformation and industrial production of the project	transferred for industrialization test to achieve stable mass production and promotion	for producing and processing antimony-free low-melting-point polyester sheath-core composite fiber; to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the transformation of the project's achievements and industrial production.	and bond with other materials. It features environment-friendliness, safety, and high bonding strength, and has broad development prospects. The implementation of this project and product promotion will further increase the market share of differentiated polyester fibers, thereby enhancing the Company's economic benefits

**R&D personnel**

	2022	2021	Change ratio
Number of R&D staff (person)	1065	643	65.63%
Percentage of R&D personnel	6.81%	3.82%	2.99%
Educational background of R&D personnel	—	—	—
PhD	69	33	109.09%
Master	118	52	126.92%
Bachelor	335	149	124.83%
Junior college degree	314	192	63.54%
High school and below	229	217	5.53%
Age of R&D personnel	—	—	—
Under 30	457	241	89.63%
30~40	373	247	51.01%
40~50	166	117	41.88%
50~60	64	36	77.78%
60 and above	5	2	150.00%

**R&D investment**

	2022	2021	Change ratio
R&D investment amount (RMB)	688,229,267.31	691,226,781.85	-0.43%
R&D investment as a percentage of operating	0.45%	0.53%	-0.08%

income			
Capitalized R&D investment (RMB)	19,523,238.74	4,246,563.87	359.74%
Capitalized R&D investment as a percentage of R&D investment	2.84%	0.61%	2.23%

**Reasons for and effects of significant changes in the composition of R&D personnel**

Applicable  Not applicable

**Reasons for the significant changes in the percentage of total R&D investment in operating income compared with the previous year**

Applicable  Not applicable

**Reasons for the substantial changes in the capitalization rate of R&D investment and Description of their reasonableness**

Applicable  Not applicable

**5. Cash flow**

Currency unit: RMB

Item	2022	2021	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	162,080,383,545.53	137,940,305,883.49	17.50%
Subtotal of cash outflows from operating activities	159,374,850,062.17	130,219,784,744.09	22.39%
Net cash flow from operating activities	2,705,533,483.36	7,720,521,139.40	-64.96%
Subtotal of cash inflows from investing activities	2,401,958,320.75	2,597,646,523.70	-7.53%
Subtotal of cash outflows from investing activities	4,528,249,402.63	10,115,000,453.57	-55.23%
Net cash flows from investing activities	-2,126,291,081.88	-7,517,353,929.87	71.71%

Subtotal of cash inflows from financing activities	67,702,995,578.82	47,569,372,668.77	42.32%
Subtotal of cash outflows from financing activities	66,030,295,613.61	44,628,796,599.91	47.95%
Net cash flows from financing activities	1,672,699,965.21	2,940,576,068.86	-43.12%
Net increase in cash and cash equivalents	2,689,332,661.19	3,058,411,003.67	-12.07%

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

- 1) The decrease in net cash flow generated from operating activities is mainly attributable to various factors such as international geopolitical and domestic demand contraction in 2022, resulting in a significant decline in the operating efficiency of the Company compared with that in the same period of previous year.
- 2) The increase of net cash flow generated from investment activities is mainly attributable to a decrease in the new construction projects of the Company and a decrease in cash outflows from investment activities.
- 3) The decrease of net cash flow generated from financing activities is mainly attributable to an increase in the Company's debt repayment in current period and an increase in cash outflows from financing activities.

**Description of the reasons for the significant difference between the net cash flows generated by the Company's operating activities and the net profit of the year during the reporting period**

For details, please refer to the supplementary information in the cash flow statement in the Company's annual audit report.

**V. Analysis of non-main business**

Currency unit: RMB

	Amount	Percentage of total profit	Reasons	Sustainable or not
Investment income	745,260,076.32	67.19%	It was mainly attributable to the provision of the investment income of subsidiaries from the main business.	Yes
Profits and losses from changes in fair value	-211,436,484.36	-19.06%	It was mainly attributable to changes in fair value of foreign exchange and commodity derivatives during the reporting period	No
Assets impairment loss	-368,677,441.03	-33.24%	It was mainly attributable to the Company's provision of inventory depreciation reserves	No
Non-operating income	14,943,253.23	1.35%	It was mainly attributable to the compensation and fine income during the reporting period, and governmental subsidies irrelevant to daily enterprise activities	No
Non-operating expenses	20,261,590.79	1.83%	It was mainly attributable to external donations and fixed asset retirement losses during the reporting period	No

## VI. Analysis of assets and liabilities

### 1. Significant changes in asset composition

Currency unit: RMB

	End of 2022		Early 2022		Proportion increase or decrease	Description of major changes
	Amount	Percentage in total assets	Amount	Percentage in total assets		
Monetary funds	17,358,475,538.50	15.50%	14,322,716,793.82	13.57%	1.93%	
Accounts receivable	6,857,913,648.22	6.13%	6,436,842,058.88	6.10%	0.03%	
Inventory	14,083,484,571.18	12.58%	12,145,955,534.77	11.51%	1.07%	
Long-term equity investments	12,831,505,320.53	11.46%	12,085,626,559.38	11.45%	0.01%	
Fixed assets	47,466,461,676.63	42.39%	46,102,729,538.71	43.69%	-1.30%	



Construction in progress	3,751,889,400.94	3.35%	3,875,588,007.79	3.67%	-0.32%	
Right-of-use assets	430,002,663.24	0.38%	411,032,649.33	0.39%	-0.01%	
Short-term loans	37,875,833,338.09	33.83%	33,778,694,677.24	32.01%	1.82%	
Contract liabilities	989,622,772.97	0.88%	1,723,901,780.92	1.63%	-0.75%	
Long-term loans	16,107,140,036.35	14.39%	15,996,229,686.31	15.16%	-0.77%	
Lease liabilities	431,285,378.29	0.39%	380,145,523.29	0.36%	0.03%	

### High proportion of foreign assets

Specific content of assets	Reason	Asset size	Location	Operation mode	Controls to ensure asset security	Income status	Proportion of overseas assets in the Company's net assets	Whether there is significant risk of impairment
Subsidiaries controlled by the Company	Overseas investment	USD 6870.8773 million	Hong Kong/Brunei/Singapore	Built by the Company	Strengthen the parent Company's management control over subsidiaries	Good	188.05%	No
Other information	None							

## 2. Assets and liabilities measured at fair value

Currency unit: RMB

Item	Beginning balance	Ending balance
Financial assets		
1. Held-for-trading financial assets (excluding derivative financial assets)	388,958,054.67	251,021,508.33
2. Derivative financial assets	0.00	1,872,460.80
3. Investment in other equity instruments	5,600,000.00	5,600,000.00
Subtotal of financial assets	394,558,054.67	258,493,969.13

financial liabilities	25,375,802.83	62,965,410.64
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**Other changes**

**Whether the measurement attributes of the Company's main assets changed significantly during the reporting period**

Yes No

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

Item	Ending book value of the year	Reason for restriction
Monetary funds	4,424,405,925.47	Margin
Notes receivable	53,822,104.39	Pledge to open acceptance bills
Long-term equity investments	5,928,738,265.27	Mortgage loan
Fixed assets	21,934,801,647.52	Sale and leaseback financial leases and mortgage loan
Intangible assets	781,335,552.81	Mortgage loan and financial lease guarantee
Inventory	2,550,641,487.83	Mortgage loan
Total	35,673,744,983.29	--

**VII. Analysis of investment status****1. General situation**

Investment amount during the reporting period (RMB)	Investment amount in the same period of previous year (RMB)	Range of change
5,186,854,861.36	5,315,505,561.36	-2.42%

**2. Significant equity investments acquired during the reporting period**

Applicable Not applicable

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

Currency unit: RMB

Project name	Investment method	Whether it is fixed asset investment	Industry involved in the project	Amount invested during the reporting period	Cumulative actual investment amount as of the end of the reporting period	Sources of funds	Project progress	Disclosure date (if any)	Disclosure index (if any)
Brunei Phase II Project	Built by the Company	Yes	Petrochemical industry	508,247,308.49	2,079,913,992.24	Self-raised funds and loans	2.35%	September 16, 2020	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208444483&amp;announcementTime=2020-09-16">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208444483&amp;announcementTime=2020-09-16</a>
Suqian Yida New Environment-friendly Differentiated Fiber Project	Built by the Company	Yes	Chemical fiber industry	391,874,017.27	521,514,887.05	Self-raised funds and loans	13.71%	June 1, 2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210132115&amp;announcementTime=2021-06-01">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210132115&amp;announcementTime=2021-06-01</a>
The 1.2 mtpa Caprolactam-Polyamide Industry Integration and Supporting Project	Built by the Company	Yes	petrochemical chemical fiber industry	122,120,259.75	143,465,895.02	Self-funded	1.36%	January 22, 2022	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1212243026&amp;announcementTime=2022-01-22">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1212243026&amp;announcementTime=2022-01-22</a>
Total	--	--	--	1,022,241,585.51	2,744,894,774.31	--	--	--	--

#### 4. Investment in financial assets

##### (1) Investment in securities

The Company's made no investment in securities in the reporting period.

##### (2) Investment in derivatives

##### 1) Investments in derivatives for hedging purposes during the reporting period

Currency unit: RMB 10,000

Type of Hedging Investment	Beginning investment amount	Profits and losses from changes in fair value in the reporting period	Accumulated fair value changes recognized in equity	Ending amount	Ending investment amount as a percentage of the Company's net assets at the end of the reporting period
Foreign exchange hedging	0	-437	-589	-1,165	-0.05%
Commodity hedging	38,729	-20,707	-223	20,158	0.79%
<b>Total</b>	<b>38,729</b>	<b>-21,144</b>	<b>-812</b>	<b>18,993</b>	<b>0.75%</b>
Explanation on whether there is any significant change in the accounting policy and specific principles of accounting for hedging business of the Company in the reporting period compared with that in the previous reporting period	No. The Company accounted for the hedging investment carried out in accordance with the relevant provisions of the Ministry of Finance's <i>Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments</i> , <i>Accounting Standards for Business Enterprises No. 24 - Hedging</i> , <i>Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets</i> , <i>Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments</i> and relevant guidelines to reflect the relevant items of the balance sheet and profit and loss statement.				
Explanation on actual profit or loss in the reporting period	During this reporting period, the actual profit and loss amount was RMB -448.91 million, of which the profit and loss from changes in fair value was RMB -211.44 million, and the investment income was RMB -237.47 million.				
Explanation on hedging effects	The profits and losses generated from the Company's hedging tools can offset the value changes of the hedged items, and the hedging business has a good hedging effect.				
Source of funding for investments in derivatives	Self-owned funds				

<p>Risk analysis and description of control measures for derivatives positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, and legal risk)</p>	<p>1. Market risks When the market changes drastically, the Company may not be able to fully lock in the price of raw materials or products, thereby resulting in losses. 2. Liquidity risks Commodity hedging transactions are ordered within the authority specified in the Company's <i>Management System for Commodity Derivatives Transactions</i>. If the market fluctuates drastically, losses may be caused by forced liquidation of positions due to lack of time for margin replenishment. 3. Operational risks As futures and forward transactions are highly specialized and complex, unexpected losses may be caused due to defects in information systems or internal controls. 4. Credit risks When the price fluctuates greatly to the disadvantage of the counterparty, the counterparty may violate the relevant provisions of the contract and cancel the contract, resulting in losses to the Company. 5. Legal risks Due to changes in relevant legal systems or violations of relevant legal systems by the counterparty, the contract may not be executed normally, resulting in losses to the Company. Risk control measures taken by the Company: The BOD of the Company has reviewed and approved the <i>Management System for Foreign Exchange Derivatives Transactions</i> and the <i>Management System for Commodity Derivatives Transactions</i>, which stipulate that the Company engages in hedging investment business with the main purpose of hedging, and speculation and arbitrage transactions are prohibited. The systems clearly stipulate the principles of the Company's business operations, approval authority, internal audit process, responsible departments and responsible persons, information isolation measures, internal risk reporting system and risk handling procedures, which are in line with the relevant requirements of regulatory authorities and meet the needs of actual operations. The specified risk control measures are practical and effective.</p>
<p>Changes in market price or fair value of products involved in invested derivatives during the reporting period; the analysis of the fair value of derivatives shall disclose the specific methods used and the setting of relevant assumptions and parameters</p>	<p>The Company's hedging investment was priced at fair value, and forward foreign exchange was basically determined according to the price provided by or obtained from banks, the Reuters system and other pricing service agencies. The Company conducted fair value measurement and confirmation every month; the transaction price of futures was the fair price.</p>
<p>Involvement in lawsuits (if applicable)</p>	<p>None</p>
<p>Date of disclosure of announcement of the BOD for approval of derivatives investment (if any)</p>	<p>January 22, 2022</p>
<p>Date of disclosure of announcement of shareholders meeting for approval of derivatives investment (if any)</p>	<p>February 15, 2022</p>

Special opinions of independent directors on the Company's derivatives investment and risk control	The hedging investment carried out by the Company for the purpose of hedging was closely related to the Company's daily business needs and complied with relevant laws and regulations. The Company formulated the <i>Management System for Foreign Exchange Derivatives Transactions</i> and the <i>Management System for Commodity Derivatives Transactions</i> , which have strengthened the Company's risk management and control abilities and improved the Company's ability to withstand market risks, causing no damage to the interests of the Company and all shareholders.
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**The Company shall comply with the disclosure requirements for petrochemical industry specified in *Guidelines No. 3 for Self-Regulation of Listed Companies of Shenzhen Stock Exchange - Industry Information Disclosure***

During the reporting period, the Company carried out hedging investment for the purpose of reasonably avoiding the risk of price and exchange rate fluctuations of raw materials and finished products, reducing the impact of price and exchange rate fluctuations of raw materials and finished products on the normal operation of the Company, and ensuring the stable operation and sustainable profitability of the Company. The commodities involved in the hedging transactions included raw materials, finished products, and foreign exchange related to the Company's production and operation.

**2) Investments in derivatives for speculative purposes during the reporting period**

Applicable  Not applicable

There were no investments in derivatives for speculative purposes during the reporting period

## 5. Use of raised funds

### (1) Overall use of raised funds

Currency unit: RMB 10,000

Year of fund raising	Mode of fund raising	Total funds raised	Total amount of raised funds used in this period	Total amount of raised funds used cumulatively	Total amount of raised funds with changed usage during the reporting period	Cumulative total amount of raised funds with changed usage	Proportion of cumulative total amount of raised funds with changed usage	Total amount of raised funds not yet used	Usage and destination of raised funds not yet used	Amount of raised funds idle for more than two years
2019	Issue of shares to purchase assets and raise supporting funds	291,091.12	0	288,785.36	0	156,300	53.69%	0	On April 25, 2022, the seventeenth meeting of the eleventh session of the BOD of the Company reviewed and approved the <i>Proposal on Closing Investment Projects with Raised Funds and Permanently Replenishing Working Capital with Surplus Raised Funds</i> , agreeing to permanently supplement the working capital with the balance of supporting funds from share issuance by the Company in 2019. As of December 31, 2022, the Company has permanently replenished RMB 18.3541 million, with the remaining RMB 25.2216 million not replenished or transferred out.	0
2020	Public issuance of convertible corporate bonds in 2020	198,737.74	0	198,737.74	0	0	0.00%	0	/	0
2022	Public issuance of convertible corporate	298,367.92	127,694.64	127,694.64	0	0	0.00%	170,673.28	As of December 31, 2022, the unused raised funds amounted to RMB 1706.7328 million, of which RMB 1.5 billion had not yet been returned as temporary supplementary working	0

	bonds in 2022								capital due. The balance of the Company's raised funds special account was RMB 209.2097 million (including RMB 108,500 of unpaid issuance fees).	
Total	--	788,196.78	127,694.64	615,217.74	0	156,300	19.83%	170,673.28	--	0
General description of the use of raised funds										
<p>1. As approved by the [2018] No. 1937 CSRC Permit issued by the China Securities Regulatory Commission and agreed by the Shenzhen Stock Exchange, the Company raised a total of RMB 2,949,999,987.00 through non-public issuance of 213,768,115 ordinary shares (A shares) to eligible investors, which was verified by Ruihua Certified Public Accountants (Special General Partnership). After deducting the broker's underwriting fees and related issuance expenses, the actual net amount of funds raised was RMB 2,910,911,218.99. As of December 31, 2022, the Company has used RMB 2887.8536 million from the funds.</p> <p>2. As approved by the [2020] No. 522 CSRC Permit issued by the China Securities Regulatory Commission and agreed by the Shenzhen Stock Exchange, the Company publicly issued 20 million convertible corporate bonds to eligible investors, each with a face value of RMB 100. The total issuance amount was RMB 2 billion, the conversion price was RMB 11.50 per share, and the bonds were listed on the Shenzhen Stock Exchange on November 16, 2020. The total amount of funds raised from the public issuance of convertible corporate bonds was RMB 2 billion. After deducting the underwriting and recommendation fees excluding taxes and related issuance fees, the actual net amount of funds raised was RMB 1,987.3774 million, all of which will be used for the "1 mtpa intelligent differentiated eco-friendliness functional fiber construction project" implemented by Haining Hengyi New Materials Co., Ltd.</p> <p>3. As approved by CSRC Permit [2022] No. 565 issued by the China Securities Regulatory Commission and agreed by the Shenzhen Stock Exchange, the Company publicly issued 30 million convertible corporate bonds to eligible investors, each with a face value of RMB 100. The total issuance amount was RMB 3 billion, the conversion price was RMB 10.50 per share, and the bonds were listed on the Shenzhen Stock Exchange on August 11, 2022. The total amount of funds raised from the public issuance of convertible corporate bonds was RMB 3 billion. After deducting the underwriting and recommendation fees excluding taxes and related issuance fees, the actual net amount of funds raised was RMB 2983.6792 million. As of December 31, 2022, the Company has used RMB 1276.9464 million from the funds.</p>										



**(2) Projects for committed investment with raised funds**

Currency unit: RMB 10,000

Projects for committed investment and investment direction of over-raised funds	Whether the project has been changed (or partially changed)	Total committed investment of raised funds	Adjusted total investment amount (1)	Amount invested during the 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 scheduled availability date	Benefits realized during the reporting period	Whether the expected benefits are achieved	Whether there is a significant change in the feasibility of the project
Projects for committed investment										
Brunei PMB Petrochemical Project	No	No more than 376,562.33	376,562.33	0	377,633.81	100.28%	November 2019	\$9,711.32	No	No
500,000 tpa differentiated functional fiber upgrading and transformation project	No	No more than 93,500	93,500	0	93,647.49	100.16%	August 2020	-12,458.8	No	No
Intelligent upgrading and transformation project	No	No more than 28,170	28,170	0	25,621.7	90.95%	August 2020	Not applicable	Not applicable	No
Differentiated chemical 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	Not applicable	Not applicable	No
250,000 tpa environmentally-friendly functional fiber upgrading and transformation project	Yes	No more than 141,500	416.05	0	416.05	100.00%	Not applicable	Not applicable	Not applicable	Yes
Intelligent upgrading and transformation project	Yes	No more than 20,500	5,283.95	0	3,406.99	64.48%	Not applicable	Not applicable	Not applicable	Yes
1 mtpa intelligent environmentally-friendly functional fiber construction project	No	No more than 200,000	200,000	0	198,737.74	99.37%	2020 and June 2022	-53,097.45	Not applicable	No
500,000 tpa New-type Functional fiber technological transformation projects	No	No more than 70,000	70,000	33,398.74	33,398.74	47.71%	January and August 2021	-17,701.35	No	No

1.1 mtpa New Environment-friendly Differentiated Fiber Project	No	No more than 230,000	230,000	94,295.9	94,295.9	41.00%	Not applicable	Not applicable	Not applicable	No
Subtotal of committed investment for the projects	--	No more than 1,168,732.33	1,012,432.33	127,694.64	835,557.76	--	--	/	--	--
Investment direction of over-raised funds										
None										
Total	--	No more than 1,168,732.33	1,012,432.33	127,694.64	835,557.76	--	--	/	--	--
Description of the situation and reasons why the planned progress and expected benefits have not been achieved by projects (including the reason for selecting "not applicable" for "whether the expected benefits have been achieved")	<p>Brunei PMB Petrochemical Project Due to significant fluctuations in crude oil and product prices during the reporting period, the project benefits did not meet expectations</p> <p>Other projects: Due to significant fluctuations in raw material prices and the weak downstream demand, some project benefits did not meet expectations</p>									
Description of significant changes in project feasibility	Not applicable									
Amount, purpose and progress of use of over-raised funds	Not applicable									
Change of location for implementation of projects for committed investment	Not applicable									
Adjustment of implementation mode of projects for committed investment	Not applicable									
Preliminary investment and replacement of projects for committed investment	<p>1. On February 2, 2019, the twenty-fourth meeting of the tenth session of the BOD of the Company reviewed and approved the <i>Proposal on Using Raised Funds to Replace Self-raised Funds and Intermediary Fees and Related Taxes Pre-paid for Relevant Investment Projects</i>, agreeing to use RMB 1,147,288,319.73 from the raised funds to replace the self-raised funds and the intermediary fees and related taxes that had been paid for relevant investment projects, of which the self-raised funds that had been invested in the projects were RMB 1,141,188,319.73 and the intermediary fees and related taxes paid in advance by the Company with its own funds were RMB 6,100,000.00. On June 18, 2019, the thirtieth meeting of the tenth session of the BOD of the Company reviewed and approved the <i>Proposal on Using Raised Funds to Replace Self-raised Funds Pre-paid for Relevant Investment Projects</i>, agreeing to use RMB 331,666,503.97 from the raised funds to replace the self-raised funds that had been paid for relevant investment projects</p> <p>2. According to the <i>Proposal on the Company's Public Issuance of Convertible Corporate Bonds</i> reviewed and approved at the twenty-ninth meeting of the tenth session of the BOD on April 25, 2019 and the 2018 Annual General Meeting of Shareholders on May 9, 2019, it is agreed that if the Company has invested self-raised funds in the construction of the above projects first before the funds raised from the issuance of convertible corporate bonds are in place, the funds can be replaced in accordance with the procedures prescribed by relevant laws and</p>									

	<p>regulations after the funds raised are available. As of October 23, 2020, the Company had invested RMB 4,606,157,244.19 in the above-mentioned project with self-raised funds. After deducting the supporting fund of RMB 756,000,000.00 raised by the Company on January 30, 2019 through the non-public issuance of RMB ordinary shares to specific objects for the construction of the 1 mtpa intelligent environment-friendly functional fiber construction project, the remaining amount was RMB 3,850,157,244.19. The Company decided to replace its own funds, RMB 1,987,377,358.49, invested in the project with the raised funds. As of December 31, 2022, the Company has replaced the self-raised funds invested in advance of RMB 1,987,377,358.49.</p> <p>3. According to the resolution of the tenth meeting of the eleventh session of the BOD on May 31, 2021, and the <i>Proposal on the Company's Public Issuance of Convertible Corporate Bonds</i> reviewed and approved at the third Extraordinary General Meeting (EGM) of Shareholders 2021 on June 16, 2021, it is agreed that if the Company has invested self-raised funds in the construction of the above projects first before the funds raised from the issuance of convertible corporate bonds are in place, the funds can be replaced in accordance with the procedures prescribed by relevant laws and regulations after the funds raised are available. As of July 28, 2022, the Company has invested RMB 1,042,688,264.58 in the above-mentioned raised funds investment project with self-raised funds in advance, and has made the advance payment of intermediary fees and related taxes of RMB 1,550,000.00 with self-owned funds. After the review of the BOD of the Company, it was decided to replace the self-raised funds invested in the raised funds investment project with the raised funds, with an amount of RMB 1,042,688,264.58, and to replace the self-raised funds with the raised funds for the paid issuance fees, with an amount of RMB 1,462,264.15 (excluding tax). As of December 31, 2022, the Company has replaced the self-raised funds invested in advance of RMB 1,044,150,528.73.</p>
Temporary replenishment of working capital with idle raised funds	As of December 31, 2022, the Company has temporarily replenished its working capital with idle raised funds of RMB 1.5 billion, and there is no situation where any fund has not been returned upon maturity.
Amount and reasons for the balance of raised funds in project implementation	Due to the long payment cycle of contract payments agreed with some suppliers, the Company will continue to make relevant payments as agreed in the contract after the project is completed.
Usage and destination of unused raised funds	<p>On April 25, 2022, the seventeenth meeting of the eleventh session of the BOD of the Company reviewed and approved the <i>Proposal on Closing Investment Projects with Raised Funds and Permanently Replenishing Working Capital with Surplus Raised Funds</i>, agreeing to permanently supplement the working capital with the balance of supporting funds from share issuance by the Company in 2019. As of December 31, 2022, the Company has permanently replenished RMB 18.3541 million, with the remaining RMB 25.2216 million not replenished or transferred out.</p> <p>As of December 31, 2022, the unused amount of funds raised from the public issuance of convertible corporate bonds in 2022 was RMB 1,706.7328 million, of which RMB 1.5 billion had not yet been returned as temporary supplementary working capital due. The balance of the Company's raised funds special account was RMB 209.2097 million (including RMB 108,500 of unpaid issuance fees).</p>
Problems or other situations in the use and disclosure of raised funds	Not applicable

### (3) Changes of projects for investment with raised funds

During the reporting period, there was no change of the projects for investment with raised funds.

## VIII. Sales of major assets and equity

### 1. Sales of major assets

Applicable  Not applicable

### 2. Sales of major equity

Counter party	Sold equity	Date of sale	Transaction price (RMB 10,000)	Net profit contributed by the equity to the listed	Impact of the sale on the Company	Net profit contributed by the equity sale to the	Pricing principle of equity disposal	Whether it is a related-party transaction	Relationship with counter party	Whether the equity involved has been fully transfer	Whether it is implemented as planned; if not, explain the	Disclosure date	Disclosure index
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				company from the beginning of current period to the date of sale (RMB 10,000)		listed company as a percentage of the total net profit				red	reasons and the measures the Company has taken		
Hangzhou Chenhao Textile Finishing Co., Ltd.	Hangzhou Jingxin Supply Chain Management Co., Ltd.	September 26, 2022	29,400	65.51	None	17.23%	To be negotiated and determined based on the value evaluated by a third party	No	Non-related party	Yes	Yes		

**IX. Analysis of major subsidiaries and JV companies****Major subsidiaries and JV companies with an impact of 10% or more on the net profit of the Company**

Currency unit: RMB 10,000

Company name	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Hengyi Brunei	Subsidiary	Refining and petrochemical	USD 1.0309 billion	4,675,858.29	1,000,800.15	5,631,775.07	65,304.93	65,336.76
Zhejiang Yisheng	Subsidiary	PTA and PIA	USD 514.4471 million	1,876,955.57	893,494.69	2,138,615.21	-15,767.22	-17,193.75
Hainan Yisheng	JV company	PTA and bottle flake	458,000	1,234,567.09	642,597.75	2,271,698.29	121,806.70	104,001.29
Yisheng Investment	JV company	PTA and bottle flake	201,800	1,753,393.73	763,653.88	2,974,782.89	32,849.78	40,524.44
Yisheng New Materials	JV company	Production and sales of PTA	300,000	1,228,897.79	286,002.94	3,370,855.32	-33,559.80	-25,199.76
Hengyi Limited	Subsidiary	DTY	300,000	3,630,936.24	832,947.39	6,800,415.00	28,911.14	29,805.95
Hengyi High-Tech	Subsidiary	PET flakes, POY, etc.	275,725	1,071,883.91	443,671.20	977,880.38	-3,159.94	1,781.81
Haining New Materials	Subsidiary	PET flakes, POY, etc.	328,500	973,324.61	277,953.42	918,957.43	-58,513.84	-54,815.87
Shuangtu New Materials	Subsidiary	POY, FDY, and flakes	60,000	519,583.00	212,555.37	605,398.89	-11,702.25	-10,008.43
Jiaxing Yipeng	Subsidiary	FDY	300,000	535,337.15	268,126.74	480,326.41	-20,648.27	-18,629.96
Hong Kong Tianyi	Subsidiary	Investment and trade	USD 1.5095 billion	1,397,336.09	1,122,629.30	740,213.39	33,599.29	33,599.29
China Zheshang Bank	JV company	Finance	2,126,870	262,193,000	16,593,000	6,108,500	1,584,700	1,398,900

**Acquisition and disposal of subsidiaries during the reporting period**

Company name	Methods of acquiring and disposing of subsidiaries during the reporting period
Haining Hengqi Environmental Protection Technology Co., Ltd.	Disposal
Guangxi Free Trade Zone Yihai Port Co., Ltd.	Establishment
Hangzhou Lanxing Chemical Fiber Oiling Agent Co., Ltd.	Establishment
Lianyungang Junbo Shengda Logistics Co., Ltd.	Establishment
Suqian Hengyuan Thermal Energy Co., Ltd.	Establishment
Suqian Huida Port Co., Ltd.	Establishment

**Description of major subsidiaries and JV companies****(1) Hengyi Brunei**

The Company holds 70% of the shares of Hengyi Industries Sdn. Bhd. through Hong Kong Tianyi International Holding Co., Ltd. Hengyi Brunei has a registered capital of USD 1.0309 billion, and the scope of business covers: Petroleum refining and petrochemical.

**(2) Zhejiang Yisheng**

The Company holds 70% of the shares of Zhejiang Yisheng Petrochemical Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Zhejiang Yisheng has a registered capital of USD 514.4471 million, and the scope of business covers: production of chemical products (excluding chemical products subject to license); manufacture of basic chemical raw materials (excluding chemical products subject to license, such as hazardous chemicals); manufacture of synthetic fibers; sales of chemical products (excluding chemical products subject to license); sales of synthetic materials; sales of synthetic fibers; sales of new membrane materials; sales of petroleum products (excluding hazardous chemicals); general cargo warehousing services (excluding hazardous chemicals and other items subject to license and approval); technology services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; technology import and export; goods import

and export; import and export agency (except for business subject to approval according to law, other business activities can be carried out independently and legally with the business license). The Company currently has three large PTA production lines, with a PTA production capacity of 5 mtpa and a PIA production capacity of 300,000 tpa.

### **(3) Yisheng Investment**

The Company holds 30% of the shares of Dalian Yisheng Investment Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Scope of Business: Project investment, domestic general trade, import and export of goods, technology import and export, and trade intermediary agency. (Except for business prohibited by laws and administrative regulations, business restricted by laws and administrative regulations can be operated only after obtaining corresponding permit). (Business activities subject to approval according to laws can be carried out only after by relevant departments.)

The legal representative is Li Shuirong, and the registered capital is RMB 2.018 billion.

### **(4) Hainan Yisheng**

The Company holds 50% of the shares of Hainan Yisheng Petrochemical Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Hainan Yisheng has a registered capital of RMB 4.58 billion. The scope of business: production, processing, wholesale and retail of purified terephthalic acid, PET flakes, polyester bottle flakes, polyester staple fibers, POY yarns, FDY yarns, crude cobalt oxide and manganese oxide, and chemical fiber raw materials; purchase and sales of paraxylene (PX), acetic acid, and ethylene glycol; self-supporting and acting as an agent for the import and export of various goods and technologies; terminal facilities operation, general cargo handling service in the terminal area, terminal tugboat operation, ship service, fresh water supply for ships, collection of ship pollutants (including oily sewage, residual oil, tank washing water, domestic sewage and garbage), and supply of oil containment boom.

### **(5) Yisheng New Materials**

The Company holds 49% of the shares of Zhejiang Yisheng New Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. The scope of business: import and export of technologies; import and export of goods; import and export of agency (Business activities subject to approval according to laws can be carried out only after approved by relevant departments. Specific business

activities are subject to the approval results). General business: Sales of new membrane materials; sales of synthetic materials; sales of chemical products (excluding chemical products subject to license); sales of petroleum products (excluding hazardous chemicals); production of chemical products (excluding chemical products subject to license); manufacturing of synthetic materials (excluding hazardous chemicals); technical services, technical development, technical consultation, technical exchange, technology transfer, and technology promotion (except for business subject to approval according to laws, business activities shall be carried out independently and legally with the business license). The legal representative is Xu Baoyue, and the registered capital is RMB 3 billion.

#### **(6) Hengyi Limited**

The Company directly holds 99.72% of the shares (actually enjoys 100% of the rights) of Zhejiang Hengyi Petrochemical Co., Ltd. Hengyi Limited has a registered capital of RMB 3 billion. The scope of business: production, processing and sales of chemical fibers and chemical raw materials (excluding hazardous chemicals); import and export.

#### **(7) Haining New Materials**

The Company holds 100% of the shares of Haining Hengyi New Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd., and the registered capital of Haining New Materials is RMB 3.285 billion. Scope of Business of Haining New Materials: Manufacturing, processing, and wholesale of differentiated chemical fibers, PET flakes, POY yarns, FDY yarns, and chemical fiber raw materials; export of the company's own products and technologies; import of raw and auxiliary materials, mechanical equipment, and spare parts required for production of the company; warehouse management.

#### **(8) Hengyi High-Tech**

The Company holds 90.67% of the shares of Zhejiang Hengyi High-Tech Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Hengyi High-Tech has a registered capital of RMB 2.75725 billion, and the scope of business covers: production, processing and sales of PET flakes, POY yarns, FDY yarns, and chemical fiber raw materials; export of the company's own products and technologies and import of self-use products and technologies (except for those that are prohibited or restricted according to national laws and regulations); all other legal business not subject to approval.



**(9) Shuangtu New Materials**

The Company holds 100% of the shares of Zhejiang Shuangtu New Materials Co., Ltd., and the registered capital of Shuangtu New Materials is RMB 600 million. Scope of Business: General business: general business: production of chemical products (excluding chemical products subject to license); sales of chemical products (excluding chemical products subject to license); sales of synthetic fibers; synthetic fiber manufacturing; sales of synthetic materials; manufacture of synthetic materials (excluding hazardous chemicals) (except for business subject to approval according to law, other business activities can be carried out independently and legally with the business license). Licensed business: import and export of goods; import and export of technologies (Business activities subject to approval according to law can only be carried out after approved by relevant departments. Specific business activities are subject to the approval results). The main products are FDY, POY and fiber grade PET flakes.

**(10) Jiaxing Yipeng**

The Company holds 100% of the shares of Jiaxing Yipeng Chemical Fiber Co., Ltd. Jiaxing Yipeng has a registered capital of RMB 3 billion, and the scope of business covers: manufacture, processing and sales of PET flakes and FDY fully drawn yarns; sales of chemical fiber raw materials; import and export of goods. (excluding hazardous chemicals). The main products are FDY and fiber grade PET flakes.

**(11) Hong Kong Tianyi**

The Company holds 100% of the shares of Hong Kong Tianyi International Holding Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Hong Kong Tianyi is USD 1.5095 billion, and its business scope involves investment and trading.

**(12) China Zheshang Bank**

The Company holds a total of 748,069,283 shares of China Zheshang Bank Co., Ltd. through its subsidiary Zhejiang Hengyi Petrochemical Co., Ltd. and its indirect subsidiary Zhejiang Hengyi High-Tech Materials Co., Ltd., accounting for 3.52% of the total share capital of China Zheshang Bank. Scope of Business: financial business (For details, please refer to the approval of the China Banking and Insurance Regulatory Commission). Established in 2004, the company is one of the 12

national joint-stock commercial banks approved by the China Banking and Insurance Regulatory Commission. China Zheshang Bank was listed on the main board of the Hong Kong Stock Exchange on March 30, 2016 (stock code: 02016.HK) and on the Shanghai Stock Exchange on November 26, 2019 (stock code: 601916.SH).

#### **X. Information on structured entities controlled by the Company**

Applicable  Not applicable

#### **XI. Prospects for the future development of the Company**

In 2023, the Company will continue to closely focus on the strategic development policy of "consolidating, highlighting and enhancing the competitiveness of our main business", realize resource sharing, systematically build upstream and downstream synergy, consolidate integration advantages, enhance domestic and overseas linkage, improve the "polyester + polyamide"-driven industry chain, deepen the "petrochemical +" multi-layered and multi-dimensional industrial layout, enhance the overall competitiveness, and build the Company into one of the leading international chemical groups.

##### **(I) Strategic prospects for the development of the Company**

In 2023, the Company actively will adapt to economic changes, reshape the entrepreneurial passion, and strictly adhere to the two bottom lines of legality, compliance, and production safety. The Company will adhere to the unchanged industrial strategic direction, continue to consolidate, highlight, and optimize the core competitiveness of the main business, increase scientific research and innovation to improve product quality, improve operational efficiency, expand and strengthen the petrochemical and chemical fiber industrial chain, improve the "polyester + polyamide"-driven industrial chain, and deepen the multi-level and three-dimensional industrial layout of "petrochemical+". In the future, the Company will focus on consolidating the "petrochemical+" industrial layout of the petrochemical industry, petrochemical trade, and petrochemical finance. Through continuous R&D investment, the Company will increase the development of differentiated products, leverage internal and external resources, achieve resource sharing and industrial

coordination, and comprehensively enhance comprehensive competitiveness, striving to become an international first-class and influential petrochemical industry group.

## **(II) Prospects for the industrial development of the Company**

See I. Industrial situation of the Company during the reporting period (II) - industrial situation

## **(III) Business strategy of the Company for 2023**

The Company will continue to increase investments in scientific and technological R&D based on the requirements of high-quality development in the new era and the new pattern of industrial development, guided by "green manufacturing" and "circular economy", and improve the conversion efficiency of new materials and technologies; continuously promote the planning and construction of the Company's key strategic projects, enhance the Company's sustained profitability and risk resistance ability; deepen the digital transformation strategy to meet the growing demand for intelligent logistics technology; optimize the grassroots organizational model, continuously improve the efficiency and efficiency of human resource allocation, and accumulate momentum for the Company to achieve sustainable development.

### **1. Move forward with cohesion, steadily operate existing production capacity and promote the construction of major projects**

In 2023, the Company will continue to operate domestic PTA and polyester related production capacity safely and steadily, promote the stable construction of projects under construction such as Qinzhou "1.2 mtpa Caprolactam-Polyamide Industry Integration and Supporting Project" and Suqian "1.1 mtpa New Environment-friendly Differentiated Fiber Project", and continue to steadily promote the construction of Brunei Phase II Project.

After the completion of the Brunei Phase II Project, it will further increase the Company's market share, thicken the profits, and bring new growth and synergy. The newly added "olefin-polyolefin" industrial chain will be conducive to the Company's further improvement of industrial chain integration and scale advantages, reducing product production costs, ensuring the stability of raw material supply, and enhancing the Company's sustained profitability and risk resistance.

### **2. Realize fine management for long-cycle, stable, safe and full-load operation and optimal**

**scalability of equipment to ensure smooth production of the Brunei Project**

The Company will continue to do a good job in the production and operation of the Phase I of the refining-petrochemical project in Brunei, always put safety and environmental protection work at the top of the refinery operation, adhere to the principle of "affordable, stable, and long-term" device operation, and continue to maintain good HSE performance. Besides, based on the actual operating characteristics of the equipment, the Company will take "short, flat, and fast" technical renovation measures and further improve and optimize the entire factory's processing process, so as to effectively ensure the production safety, production capacity improvement, process optimization, and cost reduction and efficiency increase of the equipment of the Phase I Project.

In 2023, in order to comprehensively improve the safety performance and efficiency creation ability of production equipment, further optimize product structure, reduce comprehensive energy and material consumption in the production process, and enhance the comprehensive profitability of the refining-petrochemical project in Brunei, in accordance with industry practices and the characteristics of production equipment in petrochemical enterprises and based on the changing trends of product oil and chemical market conditions, the Company will implement routine maintenance improvement and technical renovation work for the PMB Petrochemical Project in Brunei. The routine maintenance improvement and technical renovation plan is a routine arrangement made by the management personnel of the Company and Brunei Company, which is conducive to the improvement of production and operation. After the completion of this maintenance improvement and technical renovation, the efficiency creation ability of the production equipment will be further enhanced, product quality, production efficiency and operational efficiency will be improved, which is conducive to the sustainable operation of the refining-petrochemical project in Brunei in the future.

In the future, the Company will adhere to the principle of "market orientation, benefit orientation, and serving for production", focus on the process control for incoming raw materials, the production of products, the blending and transportation, and the sales and delivery, and timely solve any conflicts in production, transportation, and sales, ensuring the smooth implementation of production and sales plans.

**3. Increase efforts to drive innovation, focus on R&D innovation, and promote achievement**

**transformation**

In 2023, the Company has begun to enter the forefront of industry technology in some advantageous areas. Next, it will continue to leverage the independent innovation spirit of the research institute, increase R&D investment, and continue to focus on product development and fruit transformation around three major themes: green environmental protection, functional, and bio-based types. The Company will continuously increase the promotion of "Eticont" products, increase the promotion and application of environmentally-friendly polyester technology and product sales, and successfully complete the trial spinning, trial use, production stability evaluation, and customer trial evaluation of the developed titanium catalyst; increase the development scale and promote industrialization of functional composite materials such as antibacterial, cationic dyeable, and flame-retardant materials. Besides, the Company will focus on promoting the R&D process of technologies such as gas phase rearrangement, synthetic ammonia, hydrogen peroxide, chemical fiber oils, and polyamide specific titanium dioxide, promoting the high-quality development of the green petrochemical industry.

Furthermore, by leveraging the functional positioning and advantages of linkage with universities and research institutes, the Company will participate in basic research through various forms and channels, carry out scientific and technological cooperation in the front-end, promote application implementation in the back-end, and create a flexible mechanism with strong R&D motivation, high conversion efficiency, and smooth management operation, so as to continuously promote the generation of new achievements, promote their transformation, and actively play a role in back-end innovation. The Company will build a multi-agent collaborative innovation ecosystem that integrates technological innovation, application demonstration, talent cultivation, model innovation, and business integration. The Company will closely focus on the industrial layout, aim at the world's scientific and technological frontier, gather global innovation resources, cultivate high-end innovation achievements, build a world-class R&D base for refining-petrochemical integration key common technologies and high-end chemical products, and will be committed to the R&D of green chemicals and advanced materials, becoming the technology leader of the whole industry.

**4. Strengthen the digital-intelligence integration technologies to promote the construction of information operation standardization system**

Based on a digital intelligent factory, the Company is accelerating the construction of a standardized information operation system. In 2023, the Company will continue to consolidate and improve the service experience of Hengyi Brain, establish a comprehensive application based on AI technology for continuous upgrading, and provide the Company's senior management with a scientific decision-making system that integrates production and sales; realize online management of information assets, operation knowledge base, and system operation configuration, as well as online display and analysis of operation data; improve the construction of information infrastructure, promote the value mining of production and operation big data, establish the construction of daily operation standardization system, and realize the digital transformation development of traditional industries.

Besides, with the growing demand of the petrochemical industry for intelligent logistics technology, the Company will focus on building an efficient MES system to achieve the consistency and interconnection of the data of the entire factory, and constantly improve and upgrade the chemical fiber industrial Internet platform, which is a trinity of "online transaction + online finance + warehousing logistics", so as to effectively reduce the logistics costs of the Company's internal raw materials and products, achieve upstream and downstream collaboration, and provide a strong boost for the development of the main industry, comprehensively enhancing comprehensive competitiveness of the Company.

#### **5. Improve corporate governance to help achieve strategic goals**

In 2023, the Company will take the opportunity of the change of the Board of Director and the BOS to increase organizational change efforts, create a management team that matches the Company's strategy, stimulate the vitality of the organization and mechanisms, carry forward the guiding spirit of hard work and entrepreneurship, maximize the enthusiasm and creativity of employees, and promote their active contributions to the Company. The Company will continue to strengthen the construction of talent echelons, normalize the promotion of stable frontline work, and increase employees' sense of belonging and stimulate the internal power of the enterprise by continuously improving systems and the policy transparency, and enhancing the grassroots atmosphere.

#### **6. Improve the management system to continuously improve the operational efficiency**

In 2023, the Company will continue to establish and improve an advanced operational management

system, continuously improve production organization efficiency and operational management performance, actively promote the construction of a lean production system, strengthen the awareness of cost reduction and efficiency increase among all employees from top to bottom, deeply implement cost reduction and control throughout the entire process, all elements, and all aspects, establish a scientific and efficient management system, and further refine the management of procurement costs, production costs, operational costs, etc., effectively reducing various costs and expenses of the Company, achieving collaborative improvement in operational efficiency, and ensuring the sustained, stable, and healthy development of the Company.

#### **(IV) Risks faced by the Company and countermeasures**

##### **1. Macroeconomic risks**

The Company is engaged in the production and sales of petrochemical and polyester chemical fiber products. The petrochemical and polyester fiber industry is closely related to the development of the world economy and China's economy, and people's livelihood. The product prices and sales are affected by macroeconomic fluctuations and changes in supply and demand. With the acceleration of economic globalization and integration, national macro-control and cyclical fluctuations of the world economy will have an impact on the development of the industry. If the global economic growth slows down or declines, it will directly have a direct impact on the Company's business, operating results and financial position and demand.

##### **2. Safety and environmentally-friendly production risks**

As the awareness of eco-friendliness increases and the government's environmentally-friendly requirements become stricter, the Company strictly implements the *Production Safety Law of the People's Republic of China*, *Environmental Protection Law of the People's Republic of China* and other relevant laws and regulations to ensure safe and environmentally-friendly production, and earnestly fulfills our social responsibility. Since the operation of the main production entity, no major safety and eco-friendliness incidents have occurred. With the expansion of the Company's production scale and the extension of the industry chain, preventing safety and eco-friendliness accidents has become the focus of the Company's operation and management.

In order to reduce industrial safety and environmental production risks, the Company strengthens

subsequent investment in eco-friendliness, including but not limited to the purchase and update of equipment and facilities, the construction and implementation of organizational systems, etc. The Company will actively carry out safety standardization and acceptance work in accordance with the arrangements for the construction of Class 1, 2, and 3 national safety standards, and focus on building a safety standard management system. The Company will implement the dual-prevention work mechanism combining safety risk classification and control and hidden danger investigation and management, strengthen safety training, increase safety investment, practice the strategy of promoting safety based on science and technology, promptly remove safety and eco-friendliness hazards, and eliminate all possibilities of major accidents.

### **3. Risk of significant fluctuations of crude oil price**

In 2023, the United States imposed restrictions on Russia's crude oil exports, and OPEC countries responded by reducing production. Crude oil prices may fluctuate significantly with the international situation, geopolitics, and other factors. More than 80% of the cost of the industrial chain where the Company is located is determined by upstream raw materials. Fluctuations in crude oil prices will affect the price fluctuations of various products in the industrial chain, exacerbating the uncertainty of raw material costs and operating costs, as well as the accompanying increase in sales risks and fluctuations in enterprise benefits. The Company will continue to optimize the inventory strategy to reduce the adverse impact of product price fluctuations in the industry chain on the Company's operations as a result of crude oil price fluctuations.

### **4. Environmental protection risks**

The production and operation of the Company must comply with multiple environmental protection laws and regulations related to air, water quality, waste disposal, and public health and safety, obtain relevant environmental protection permits, and accept inspections from relevant national environmental protection departments. In recent years, the Company has invested a large amount of funds and technical strength in the transformation of environmental protection equipment and production processes, and has treated and discharged pollutants in accordance with national environmental protection requirements. However, with the promotion of vertical integration of the industrial chain of listed companies, the expansion of production scale, and the possibility of stricter



environmental protection standards and broader and stricter pollution control measures being implemented in China or Brunei in the future, the Company's environmental protection costs and management difficulties will also increase.

**XII. Reception of research, communication, interview and other activities during the reporting period**

Time	Location	Reception method	Visitor type	Visitor	Main content of communication and information provided	Index of basic facts of research
February 28, 2022	The Company's meeting room	Field research	Institution	Five institutions including Guosen Securities and Springs Capital	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of March 1, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: 2022年2月28日恒逸石化调研活动信息.pdf (cninfo.com.cn)</a>
March 10, 2022	The Company's meeting room	Field research	Institution	One institution, i.e., CITIC Securities	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of March 11, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: Hengyi Petrochemical: 2022年3月10日恒逸石化调研活动信息.pdf (cninfo.com.cn)</a>
April 26-27, 2022	Teleconference	Telephone communication	Institution	93 institutions including Shenwan Hongyuan and TF Securities	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of April 27, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: Hengyi Petrochemical: 2022年4月27日恒逸石化调研活动信息.pdf (cninfo.com.cn)</a>
May 6, 2022	Teleconference	Others	Institutions and individuals	Investors who participated in the Company's 2021 annual results briefing	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of May 7, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: Hengyi Petrochemical: 2022年5月7日恒逸石化调研活动信息.pdf (cninfo.com.cn)</a>
June 15, 2022	The Company's meeting room	Telephone communication	Institution	12 institutions including Haitong Securities and Haitong International	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of June 15, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: 000703 恒逸石化调研活动信息 20220615.pdf (cninfo.com.cn)</a>
June 17, 2022	The Company's meeting room	Telephone communication	Institution	Three institutions including HSBC Qianhai Securities	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of June 17, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: 000703 恒逸石化调研活动信息 20220617.pdf (cninfo.com.cn)</a>
July 8, 2022	The Company's	Field research	Institution	25 institutions including	Company operation and industry	Record Form of Hengyi Petrochemical's Investor Relation Activities as of July 11, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi</a>

Time	Location	Reception method	Visitor type	Visitor	Main content of communication and information provided	Index of basic facts of research
	meeting room			Northeast Securities	development trend	<a href="#">Petrochemical: 000703 恒逸石化调研活动信息.20220708.pdf (cninfo.com.cn)</a>
July 20, 2022	p5w.net "Investor Relations Interactive Platform"	Others	Institutions and individuals	Investors who participated in the online roadshow for the issuance of convertible bonds of the Company	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of July 20, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: 000703 恒逸石化调研活动信息.20220720.pdf (cninfo.com.cn)</a>
August 23-24, 2022	Teleconference	Telephone communication	Institution	157 institutions including CITIC Securities and TF Securities	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of August 24, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: 000703 恒逸石化调研活动信息.20220824.pdf (cninfo.com.cn)</a>
August 30, 2022	p5w.net "Investor Relations Interactive Platform"	Others	Institutions and individuals	Investors who participated in the Company's 2022 semi-annual results briefing	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of August 31, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: Hengyi Petrochemical: 2022年8月31日恒逸石化调研活动信息.pdf (cninfo.com.cn)</a>
October 28, 2022	Teleconference	Telephone communication	Institution	157 institutions including CITIC Securities and Shenwan Hongyuan Securities	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of October 31, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: 000703 恒逸石化调研活动信息.20221031.pdf (cninfo.com.cn)</a>
November 10, 2022	The Company's meeting room	Field research	Institution	10 institutions including CITIC Securities	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities as of November 11, 2022 on SZSE (cninfo.com.cn): <a href="#">Hengyi Petrochemical: 000703 恒逸石化调研活动信息.20221111.pdf (cninfo.com.cn)</a>

## Section IV Corporate Governance

### I. Basic status of corporate governance

During the reporting period, the Company strictly complied with the *Company Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies in China*, *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, *Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Listed Companies on the Main Board* and other relevant laws and regulations. Based on the actual situation of the Company, we continuously improved and enhanced the standardized operation of corporate governance, and established a sound internal management and control system to regulate the operation of the Company. The Company's internal control system has been increasingly improved, and the standardization level of governance has been continuously increased.

#### 1. Shareholders and shareholders' general meetings

During the reporting period, the Company strictly complied with laws and regulations, and convened and held shareholders' general meetings in a standardized manner. The convening and holding procedures of the shareholders' general meetings, the qualifications of the persons attending the shareholders' general meetings, the voting procedures and voting results of the shareholders' general meetings all complied with the *Company Law*, *Rules for the Shareholders' Meetings of Listed Companies* and other laws and regulations and the Company's Rules of Procedure for the General Meeting of Shareholders, which ensured that all shareholders, especially minority shareholders, could fully exercise their rights. The Company's shareholders' general meetings during the reporting period were convened by the BOD, and lawyers were engaged to witness the meetings on site, ensuring the legality of the meeting convening, holding and voting procedures, and safeguarding the legitimate rights and interests of the Company and shareholders.

#### 2. The Company and the controlling shareholder

The Company is completely independent from the controlling shareholder and its subsidiaries in terms of business, personnel, assets, organization, and finance. The Company has independent and complete business and the ability to operate independently. The Company's BOD, BOS and internal

organizations operate independently. The controlling shareholder of the Company can strictly regulate its behavior. Major decisions of the Company were made by the shareholders' general meetings in accordance with the law. The controlling shareholder exercised its shareholder rights in accordance with the law, and did not directly or indirectly interfere with the decision-making and operating activities of the Company beyond the shareholders' general meetings of the Company.

### **3. Directors and the BOD**

The Company elected directors in strict accordance with the selection and appointment procedures stipulated in the *Company Law* and the *Articles of Association* of the Company. The number and composition of the BOD of the Company met the requirements of laws and regulations. All directors of the Company could carry out their work in accordance with the *Rules of Procedure of the BOD*, attend the board meetings and shareholders' general meetings on time with a conscientious and responsible attitude, faithfully perform their duties in the interests of the Company and all shareholders, actively participate in training on relevant knowledge, study relevant laws and regulations, and promote the standardized operation and scientific decision-making of the BOD. The independent directors of the Company could perform their duties independently in accordance with the corresponding rules and regulations, without being influenced by the actual controller of the Company or other units or persons that have an interest in the Company.

During the reporting period, the procedures of the meetings of the BOD of the Company were in compliance with relevant regulations, the minutes of the meeting were complete and true, and the disclosure of relevant information at the meetings was timely, accurate and adequate. The BOD of the Company set up four special committees, namely the Remuneration Assessment and Nomination Committee, the Risk Control Committee, the Audit Committee and the Strategy and Investment Committee, which have played an important role in promoting the standardized operation and healthy development of the Company.

### **4. Supervisors and the BOS**

The Company's BOS consists of three supervisors, one of whom is an employee representative. The number and personnel of the Company's BOS met the requirements of relevant laws and regulations and the Company's *Articles of Association*. All the supervisors of the Company could perform their duties conscientiously in accordance with the requirements of the Company's *Rules of Procedure of the BOS* and other relevant regulations, attend the shareholders' general meeting, attend the meetings

of the BOD as nonvoting delegates, convene the meetings of the BOS according to the prescribed procedures, diligently and conscientiously supervise the legality and compliance of the Company's financial situation, directors and senior executives, and safeguard the legitimate rights and interests of the Company and its shareholders.

## **5. Stakeholders**

The Company fully respected and safeguarded the legitimate rights and interests of relevant stakeholders to achieve a win-win situation for customers, suppliers, employees, shareholders and other stakeholders and jointly promote the Company's sustainable and steady development.

## **6. Information disclosure and transparency**

The Company strictly followed the requirements of relevant laws and regulations as well as the *Information Disclosure Management System* and the *Investor Relations Management System* to conscientiously fulfill our information disclosure obligations, disclose the Company's operation and management and matters that have significant impact on the Company in a true, accurate, complete and timely manner, coordinate the relationship between the Company and investors, receive investors' visits, and answer investors' inquiries. The Company's designated newspapers and websites such as *STCN*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and *CNINFO* (<http://www.cninfo.com.cn>) for the Company's information disclosure.

## **7. Performance evaluation and incentive and restraint mechanisms**

The Company is gradually improving and establishing fair and transparent performance evaluation standards and incentive and restraint mechanisms for directors, supervisors and senior executives. The appointment of senior executives of the Company was open and transparent, in line with laws and regulations.

**Whether there is any material difference between the actual situation of corporate governance of the Company and the laws, administrative regulations and the rules on the governance of listed companies issued by the China Securities Regulatory Commission**

Yes No

There is no material difference between the actual situation of corporate governance of the Company and laws, administrative regulations and the rules on the governance of listed companies issued by the China Securities Regulatory Commission.

## **II. Independence of the Company in guaranteeing the Company's assets, personnel, finance, organization, and business relative to the controlling shareholder and actual controller**

The Company carried out operations in strict accordance with the *Company Law, Articles of Association* and other laws, regulations and rules, established a sound corporate governance structure of the Company, and maintained independent from the controlling shareholder in terms of business, personnel, assets, organization, and finance. The Company has an independent and complete business system and the ability to operate independently.

1. Business: The Company has an independent and complete supply, R&D, production and sales system, has the ability to operate independently in the market, conduct business, accounting and decision-making, assume responsibilities and risks independently, and does not rely on the controlling shareholder or other any related parties.

2. Personnel: The Company has formed a complete system for labor, personnel and salary management, and an independent human resources management department to manage labor, personnel and salary independently of the controlling shareholder. The Company has an independent workforce. The Company's directors, supervisors and senior executives are legally elected in accordance with the *Company Law, Articles of Association* and other relevant laws, regulations and rules. The Company's senior executives all work in the Company and receive remuneration, and do not hold any positions other than directors and supervisors in the controlling shareholder and its subsidiaries.

3. Assets: The Company has a clear property relationship with the controlling shareholder, and independently owns complete legal person assets, production and supporting facilities, land, plant, machinery and equipment related to production and operation, as well as ownership and right to use of trademarks, patents and non-patented technologies. The Company has full control over all assets, and its assets and funds are not occupied by the controlling shareholder to the detriment of the interests of the Company.

4. Organization: The Company established a sound organizational system to meets its own production and operation needs. The functional departments operate independently and smoothly, and there is no subordination relationship between the controlling shareholder and the functional departments.

5. Finance: The Company has an independent financial and accounting department equipped with full-time financial personnel. The Company established an independent accounting system and a standardized financial management system, and financial decisions were made independently. The Company opened an independent bank account to independently make tax declarations and perform tax obligations in accordance with the law. There is no shared bank account or mixed tax payment with the controlling shareholder.

**III. Competition in the same industry**

Applicable     Not applicable



#### IV. Information on the annual general meeting and extraordinary general meetings of shareholders held in the reporting period

##### 1. Annual general meeting of shareholders held during the reporting period

Session of meeting	Type of meeting	Percentage of investors	Date of meeting	Disclosure date	Resolutions
First Extraordinary General Meeting of Shareholders in 2022	Extraordinary general meeting of shareholders	49.002%	January 17, 2022	January 18, 2022	1. Reviewed and approved the <i>Proposal on Changing the Scope of Business of the Company and Amendment of the Articles of Association</i> ;
The second Extraordinary General Meeting of Shareholders in 2022	Extraordinary general meeting of shareholders	42.853%	February 14, 2022	February 15, 2022	<p>1. Reviewed and approved the <i>Proposal on the Estimated Amount of Daily Related-party Transactions in 2022</i>;</p> <p>2. Reviewed and approved the <i>Proposal on Determining the Company's Guarantee to its Controlled Subsidiaries and Mutual Insurance Amount between Controlled Subsidiaries in 2022</i>;</p> <p>3. Reviewed and approved the <i>Proposal on Carrying out Foreign Exchange Hedging Business in 2022</i>;</p> <p>4. Reviewed and approved the <i>Proposal on Carrying out Commodity Hedging Business in 2022</i>;</p> <p>5. Reviewed and approved the <i>Proposal on the Provision of Financial Support to the Company by the Controlling Shareholder and Related-party Transactions</i>;</p> <p>6. Reviewed and approved the <i>Proposal on Purchasing Liability Insurance for the Company's Directors, Supervisors and Senior Executives</i>;</p> <p>7. Reviewed and approved the <i>Proposal on the Subsidiary's Investment and Construction of the 1.2 mtpa Caprolactam-Polyamide Industry Integration and Supporting Project</i>;</p> <p>8. Reviewed and approved the <i>Proposal on Guarantee Provision to Hainan</i></p>

Session of meeting	Type of meeting	Percentage of investors	Date of meeting	Disclosure date	Resolutions
					<i>Yisheng Petrochemical Co., Ltd. and related-party transactions.</i>
2021 Annual General Meeting of Shareholders	Annual general meeting of shareholders	52.644%	May 17, 2022	May 18, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on the 'Annual Report 2021' and Its Summary</i>;</li> <li>2. Reviewed and approved the <i>Work Report of the BOD for the Year 2021</i>;</li> <li>3. Reviewed and approved the <i>Work Report of the BOS for the Year 2021</i>;</li> <li>4. Reviewed and approved the <i>Report on the Financial Accounts for the Year 2021</i>;</li> <li>5. Reviewed and approved the <i>Proposal on Profit Distribution of the Company for the Year 2021</i>;</li> <li>6. Reviewed and approved the <i>Self-Evaluation of Internal Control for the Year 2021</i>;</li> <li>7. Reviewed and approved the <i>Proposal on the Annual Deposit and Use of Raised Funds in 2021</i>;</li> <li>8. Reviewed and approved the <i>Proposal on Renewal of the Appointment of the Accounting Firm</i>;</li> <li>9. Reviewed and approved the <i>Proposal on Addition of Daily Related-party Transactions for the Year 2022</i>;</li> <li>10. Reviewed and approved the <i>Proposal on Extending the Validity Period of the Resolution of the Shareholders' Meeting on the Public Issuance of Convertible Corporate Bonds</i>;</li> <li>11. Reviewed and approved the <i>Proposal on Submission to the General Meeting of Shareholders to Extend the Validity Period of Authorizing the BOD to Handle Specific Matters Regarding the Company's Public Offering of Convertible Corporate Bonds</i>.</li> </ol>
The Third Extraordinary General Meeting of	Extraordinary general	48.98%	August 15,	August 16,	1. Reviewed and approved the <i>Proposal on Changing the Registered Address and</i>

Session of meeting	Type of meeting	Percentage of investors	Date of meeting	Disclosure date	Resolutions
Shareholders in 2022	meeting of shareholders		2022	2022	<i>Amending the Articles of Association of the Company</i>
The Forth Extraordinary General Meeting of Shareholders in 2022	Extraordinary general meeting of shareholders	51.58%	November 14, 2022	November 15, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on Increase in Estimated Amount of Daily Related-party Transactions for in 2022</i>;</li> <li>2. Reviewed and approved the <i>Proposal on Providing Affiliated Entrusted Loans to a JV Company - Yisheng New Materials</i>.</li> </ol>
The Fifth Extraordinary General Meeting of Shareholders in 2022	Extraordinary general meeting of shareholders	51.444%	December 22, 2022	December 23, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on the Estimated Amount of Daily Related-party Transactions in 2023</i>;</li> <li>2. Reviewed and approved the <i>Proposal on Determining the Company's Guarantee to its Controlled Subsidiaries and Mutual Insurance Amount between Controlled Subsidiaries in 2023</i>;</li> <li>3. Reviewed and approved the <i>Proposal on Carrying out Foreign Exchange Hedging Business in 2023</i>;</li> <li>4. Reviewed and approved the <i>Proposal on Carrying out Commodity Hedging Business in 2023</i>;</li> <li>5. Reviewed and approved the <i>Proposal on the Provision of Financial Support to the Company by the Controlling Shareholder and Related-party Transactions</i>;</li> <li>6. Reviewed and approved the <i>Proposal on Guarantee Provision to Hainan Yisheng Petrochemical Co., Ltd. and related-party transactions</i>;</li> <li>7. Reviewed and approved the <i>Proposal on Purchasing Liability Insurance for the Company's Directors, Supervisors and Senior Executives</i>;</li> <li>8. Reviewed and approved the <i>Proposal on Electing Company Directors</i>;</li> <li>9. Reviewed and approved the <i>Proposal on Increasing the Expected Amount of Daily Related-party Transactions for 2022 and Adjusting the Implementation Entities of related-party transactions</i>;</li> </ol>

## 2. The preference shareholders whose voting rights have been restored request the convening of an extraordinary general meeting

Applicable  Not applicable

## V. Directors, supervisors and senior executives

### 1. Basic information

Name	Title	Employment status	Gender	Age	Start date of term	End date of term	Number of shares held at the beginning of the period (shares)	Stock options	Number of restricted shares granted (shares)	Increase of shares in current period (shares)	Decrease of shares in current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares
Qiu Yibo	President and CEO	Current	Male	36	May 15, 2015	September 13, 2023	1,365,000						1,365,000	
Fang Xianshui	Vice President and Financial Director	Current	Male	59	May 16, 2011	September 13, 2023	4,777,500						4,777,500	
Ni Defeng	Director	Current	Male	45	August 25, 2017	September 13, 2023	6,051,500						6,051,500	
Lou Jianchang	Director, Vice President	Current	Male	61	September 14, 2021	September 13, 2023	0						0	
Mao Ying	Director, Financial Director, Vice President	Then	Female	42	September 14, 2021	December 6, 2022	0						0	
Wu Zhong	Director, Vice President	Current	Male	34	September 14, 2021	September 13, 2023	109,200						109,200	
Luo Dan	Director	Current	Female	40	December 22, 2022	September 13, 2023	0						0	
Chen	Independent	Current	Male	58	August 25, 2017	September 13, 2023	0						0	

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Name	Title	Employment status	Gender	Age	Start date of term	End date of term	Number of shares held at the beginning of the period (shares)	Stock options	Number of restricted shares granted (shares)	Increase of shares in current period (shares)	Decrease of shares in current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares
Sanlian	Director													
Yang Bozhang	Independent Director	Current	Male	66	August 25, 2017	September 13, 2023	0						0	
Yang Liuyong	Independent Director	Current	Male	59	August 25, 2017	September 13, 2023	0						0	
Wang Songlin	Executive Vice President	Current	Male	53	May 16, 2011	September 13, 2023	5,778,500						5,778,500	
Chen Liancai	Vice President	Current	Male	56	August 25, 2017	September 13, 2023	3,640,000						3,640,000	
Zhao Donghua	Vice President	Current	Male	38	September 15, 2021	September 13, 2023	327,600						327,600	
Zheng Xingang	Secretary of the BOD	Current	Male	44	August 28, 2017	September 13, 2023	2,912,000						2,912,000	
Li Yugang	Chairman of the BOS	Current	Male	46	September 15, 2021	September 13, 2023	218,400						218,400	
Jin Danwen	Supervisor	Current	Female	37	September 14, 2021	September 13, 2023	109,200						109,200	
Ni Jinmei	Supervisor	Current	Female	48	August 28, 2021	September 13, 2023	273,000						273,000	
Total	--	--	--	--	--	--	25,561,900						25,561,900	--

**Where there is any dismissal of directors, supervisors or senior executives during the reporting period**

Due to job adjustments, Ms. Mao Ying applied in writing to resign from her position as a director, vice president, and financial director of the Company on December 6, 2022. According to the relevant provisions of the Company's *Articles of Association*, the written resignation application submitted by Ms. Mao Ying took effect immediately.

**Changes in directors, supervisors and senior executives of the Company**

Name	Positions held		Date	Reason
Mao Ying	Director, Vice President and Financial Director	Then	December 6, 2022	Job changes
Fang Xianshui	Financial Director	Currently employed	December 6, 2022	Currently employed
Luo Dan	Director	Currently employed	December 22, 2022	Currently employed

**2. Employment status**

**Professional background, main work experience and main responsibilities of the current directors, supervisors and senior executives of the Company**

**(1) Directors**

Qiu Yibo, male, born in December 1987, Chinese nationality, with a bachelor degree and used to work as Manager of Investment Management Department of Sinopec Chemical Sales Co., Ltd. East China Branch and Hengyi Petrochemical Co., Ltd. He is currently President and CEO of Hengyi Petrochemical Co., Ltd., and concurrently serves as Director of Zhejiang Hengyi Group Co., Ltd., Executive Director of Suqian Yida New Materials Co., Ltd., Executive Director of Zhejiang Yizhi Information Technology Co., Ltd., President of Fujian Yijin Chemical Fiber Co., Ltd., Vice President of Zhejiang Hengyi Polyamide Co., Ltd., Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd., Director of Dongzhan Shipping Co., Ltd., Executive Director of Ningbo Jinhou Industrial Investment Co., Ltd., Director of Zhejiang Xianfeng Data Technology Co., Ltd., Executive Director of Zhejiang

Hengyi Hanlin Enterprise Management Co., Ltd., Executive Director of Hangzhou Yibo Investment Management Co., Ltd., and Director of Zhejiang Hengyi Polymer Co., Ltd.

Fang Xianshui, male, born in March 1964, Chinese nationality, senior economist with a bachelor degree and has more than 30 years of production management experience in chemical fiber industry. He used to work as General Manager of Hangzhou Hengyi Industrial Corporation, General Manager of Hangzhou Hengyi Chemical Fiber Co., Ltd., and General Manager of Zhejiang Hengyi Group Co., Ltd. He is currently the Vice President of Hengyi Petrochemical Co., Ltd., and concurrently serves as the Director of Zhejiang Hengyi Group Co., Ltd., President and CEO of Hangzhou Hengyi Investment Co., Ltd., Executive Director and President of Zhejiang Hengyi Petrochemical Co., Ltd., President of Zhejiang Hengyi Polymer Co., Ltd., President of Zhejiang Yisheng Petrochemical Co., Ltd., President of Zhejiang Hengyi High-Tech Materials Co., Ltd., Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd., Director of Hong Kong Tianyi International Holding Co., Ltd., Director of Good Park International Investment Co., Ltd., 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 CEO of Ningbo Hengyi Engineering Management Co., Ltd., President of Hainan Yisheng Petrochemical Co., Ltd., Executive Director and President of Zhejiang Hengyi Petrochemical Sales Co., Ltd., President of Ningbo Hengyi Trading Co., Ltd., Director of Hong Kong Yisheng Co., Ltd., Executive Director of Shanghai Hengyi Polyester Fiber Co., Ltd., President of Zhejiang Hengyi International Trading Co., Ltd., Director of Fujian Yijin Chemical Fiber Co., Ltd., Director of Zhejiang Yisheng New Materials Co., Ltd., Director of Zhejiang Hengyi Polyamide Co., Ltd., Executive Director of Zhejiang Hengkai Energy Co., Ltd., Executive Director of Zhejiang Shuangtu New Materials Co., Ltd., Executive Director of Zhejiang Hengyi Energy Co., Ltd., Executive Director of Zhejiang Xiaoyi Supply Chain Management Co., Ltd., Director of Dalian Yisheng Investment Co., Ltd., and Director of Haining Hengyi New Materials Co., Ltd.

Ni Defeng, male, born in January 1978, Chinese nationality, a Senior Economist with a doctoral degree and has nearly 20 years of work experience in finance and investment. He used to work as Auditor of Pan-China Certified Public Accountants, Manager of Finance Department, Manager of

Investment Development Department, and Assistant to CEO of Zhejiang Hengyi Group Co., Ltd., and investment Director of Hengyi Petrochemical Co., Ltd. He is currently Director of Hengyi Petrochemical Co., Ltd., and concurrently serves as Director and CEO of Zhejiang Hengyi Group Co., Ltd., Director of Zhejiang Xianfeng Data Technology Co., Ltd., Director of Hangzhou Hengyi Investment Co., Ltd., 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 CEO of Hangzhou Jinglin Asset Management Co., Ltd., Director of Dalian Yishengyuan Real Estate Co., Ltd., and President and CEO of Hangzhou Jinyi Industrial Co., Ltd.

Lou Jianchang, male, born in November 1962, Chinese nationality, a professor-level senior engineer with a master degree of engineering conferred by China University of Petroleum (Beijing) and an MBA degree conferred by University of Houston. He used to worked as Deputy Chief Dispatcher of General Dispatching Office, Deputy Plant Manager, and Plant Manager of Sinopec Yanshan Petrochemical Company Refinery; Deputy General Manager of Sinopec Yanshan Petrochemical Company; Deputy Director of Sinopec Materials and Equipment Department and Deputy General Manager of Sinopec International Business Co., Ltd. He is currently Director and Vice President of Hengyi Petrochemical Co., Ltd., and concurrently serves as Director of Fujian Yijin Chemical Fiber Co., Ltd., and Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd.

Wu Zhong, male, born in July 1989, Chinese nationality, with a bachelor degree conferred by Zhejiang Gongshang University. He used to worked as Deputy General Manager of Zhejiang Hengyi Petrochemical Sales Co., Ltd. and General Manager of Ningbo Hengyi Industrial Co., Ltd. He is currently Director and Vice President of Hengyi Petrochemical Co., Ltd., and concurrently serves as Director of Fujian Yijin Chemical Fiber Co., Ltd., Executive Director of Hainan Hengjing Trading Co., Ltd., and Executive Director of Zhejiang Hengyi International Trade Co., Ltd.

Luo Dan, female, born in September 1983, Chinese nationality, with a bachelor's degree from Zhejiang Agricultural and Forestry University and a master's degree in MPA from Wuhan University of Technology. The former Manager of the Comprehensive Department of the Comprehensive Management Center of Hengyi Petrochemical Co., Ltd., and the current General Manager of the



Investment Management Department of Hengyi Petrochemical Co., Ltd.

Chen Sanlian, male, Chinese nationality, born in November 1964, without overseas permanent residency or party affiliation; holds a bachelor of law degree, an independent director qualification certificate and a lawyer qualification certificate. He successively served as Editorial Director and Deputy Editor of *Lawyers and Legal System* magazine, lawyer of High Mark Law Firm, and Deputy Secretary-general and Secretary-general of the Lawyers Association of Zhejiang. He is currently full-time Vice President of the Lawyers Association of Zhejiang, Member of the Zhejiang Provincial Political Consultative Conference, Vice President of the Association of Intellectuals of Zhejiang, Visiting Professor of the Law School of Zhejiang University of Technology, arbitrator of the Shanghai International Economic and Trade Arbitration Commission, and arbitrator of the Hangzhou Arbitration Commission. He is an independent director of Hengyi Petrochemical Co., Ltd. and concurrently serves as an independent director of Calxon Group Co., Ltd., Zheshang Development Group Co., Ltd., and Viewshine Ltd.

Yang Liuyong, male, born in March 1964, Chinese nationality, and a doctoral degree. He is currently a professor of finance at Zhejiang University and Deputy Dean of Academy of Financial Research, Zhejiang University. He joined the Communist Party of China in 1984 and started working in 1987. He studied agricultural economics at Zhejiang University from 1980 to 1984 for a bachelor degree and from 1984 to 1987 for a master degree. He has been a teacher in the Department of Finance of Zhejiang University since 1987 (including studying in the Department of Agricultural Economics and Management of Zhejiang University from 1996 to 2001 [as a doctoral student]), and is also an independent director of Hengyi Petrochemical Co., Ltd.

Yang Bozhang, male, born in July 1957, Chinese nationality, a senior accountant with a junior college degree. He used to work as Vice President of Zhejiang Association of CFO, Director and Vice President of Transfar Group Co., Ltd., General Manager of Zhejiang Transfar Jiangnan Dadi Development Co., Ltd., CEO of Hangzhou Transfar Science and Technology City Company, Secretary of the Party Committee of Transfar Logistics Group Co., Ltd., President of the BOS of Zhejiang Wynca Chemical Industrial Group Co., Ltd. (600596), and Director of Zhejin Trust Co., Ltd. He is currently President of Transfar Group Finance Co., Ltd., President of Hangzhou Kezhu

Investment and Development Co., Ltd., and the President of Hangzhou Kerong Real Estate Co., Ltd. He is also an independent director of Hengyi Petrochemical Co., Ltd.

## **(2) Supervisors**

Li Yugang, male, born in November 1977, Chinese nationality, economist, international registered internal auditor, and company lawyer; with a master degree and more than ten years of audit work experience. He used to work as First Deputy Director of Audit Department of the BOD and Deputy Director of Legal Department of Shagang Group, and is currently Audit and Legal Director of Hengyi Petrochemical Co., Ltd.

Jin Danwen, female, born in April 1986, Chinese nationality, with a master of accounting degree conferred by Hangzhou Dianzi University. She holds qualifications of Chinese certified public accountant and intermediate accountant. She used to work as Director of Finance Department of Hengyi Industries Sdn. Bhd. She is currently General Manager of Fund Management Department of Hengyi Petrochemical Co., Ltd. and Director of Finance Department of Hengyi Industries Sdn. Bhd. She concurrently serves as Director of Hangzhou Jinyi Industrial Co., Ltd., and Director of Zhejiang Hengyi High-Tech Materials Co., Ltd.

Ni Jinmei, female, born on March 21, 1976; Chinese nationality, economist. She used to work as General Manager of Zhejiang Hengyi Polymer Co., Ltd., and General Manager of Comprehensive Management Center of Zhejiang Hengyi Petrochemical Co., Ltd. Currently, she is Executive Director and General Manager of Hangzhou Yijing Chemical Fiber Co., Ltd.

## **(3) Senior management**

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 Materials Co., Ltd., the executive director and president of Haining Hengyi Thermal Power Co., Ltd., and director of Jiangsu New Horizon 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 Law from Zhejiang University, and EMBA from China Europe International Business School; 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, 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 BOD of Hengyi Petrochemical Co., Ltd. He is currently the secretary of the BOD and assistant to the president of Hengyi Petrochemical Co., Ltd.

#### Posts held in corporate shareholders

Name of incumbent	Name of corporate shareholder	Post held	Start date of term	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
Fang Xianshui	Hangzhou Hengyi Investment Co., Ltd.	President & GM	October 8, 2022	No

Ni Defeng	Zhejiang Hengyi Group Co., Ltd.	Director & 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	

### Posts held in other entities

Name of incumbent	Name of other entities	Posts held in other entities	Start date of term	Is remuneration paid by other entities?
Qiu Yibo	Hangzhou Yibo Investment Management Co., Ltd.	Executive Director	March 17, 2016	No
Qiu Yibo	Ningbo Jinhou Industry Investment Co., Ltd.	Manager & Executive Director	May 3, 2016	No
Qiu Yibo	Zhejiang Yizhi Information Technology Co., Ltd.	Executive Director & GM	February 7, 2022	No
Qiu Yibo	Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd.	Executive Director & GM	August 20, 2021	No
Qiu Yibo	Fujian Yijin Chemical Fiber Co., Ltd.	President	January 26, 2018	No
Qiu Yibo	Zhejiang Hengyi Polyamide Co., Ltd.	Vice President	January 14, 2022	No
Qiu Yibo	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	June 9, 2022	No
Qiu Yibo	Suqian Yida New Materials Co., Ltd.	Executive Director	January 19, 2018	No
Qiu Yibo	Dongzhan Shipping Co., Ltd.	Director	November 30, 2017	No
Qiu Yibo	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	June 7, 2016	No
Qiu Yibo	Zhejiang Hengyi Polymer Co., Ltd.	Director	November 29, 2022	No

Name of incumbent	Name of other entities	Posts held in other entities	Start date of term	Is remuneration paid by other entities?
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 Trading Co., Ltd.	President	May 24, 2011	No
Fang Xianshui	Ningbo Hengyi Engineering Management Co., Ltd.	GM & Executive Director	November 27, 2014	No
Fang Xianshui	Zhejiang Hengyi Energy Co., Ltd.	Executive Director & GM	September 24, 2022	No
Fang Xianshui	Zhejiang Xiaoyi Supply Chain Management Co., Ltd. (Zhejiang Xiaoyi Supply Chain Management Co., Ltd.)	Executive Director & GM	April 19, 2022	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Co., Ltd.	Executive Director & GM	July 26, 2004	No
Fang Xianshui	Zhejiang Hengyi High-Tech Materials Co., Ltd.	President & manager	October 15, 2007	No
Fang Xianshui	Zhejiang Hengyi Polymer Co., Ltd.	President	September 5, 2000	No
Fang Xianshui	Zhejiang Yisheng Petrochemical Co., Ltd.	President	May 12, 2015	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Sales Co., Ltd.	Manager & Executive Director	July 24, 2017	No
Fang Xianshui	Hainan Yisheng Petrochemical Co., Ltd.	President	June 23, 2014	No
Fang Xianshui	Shanghai Hengyi Polyester Fiber Co., Ltd.	Executive Director	May 14, 2015	No
Fang Xianshui	Fujian Yijin Chemical Fiber Co., Ltd.	Director	January 26, 2018	No

Name of incumbent	Name of other entities	Posts held in other entities	Start date of term	Is remuneration paid by other entities?
Fang Xianshui	Yisheng Dahua Petrochemical Co., Ltd.	Director	April 29, 2006	No
Fang Xianshui	Zhejiang Hengyi Polyamide Co., Ltd.	Director	August 12, 2013	No
Fang Xianshui	Dalian Yisheng Investment Co., Ltd.	Director	September 29, 2007	No
Fang Xianshui	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	January 10, 2008	No
Fang Xianshui	Zhejiang Yisheng New Materials Co., Ltd.	Director	November 27, 2017	No
Fang Xianshui	Haining Hengyi New Materials Co., Ltd.	Director	October 5, 2019	No
Fang Xianshui	Hong Kong Tianyi International Holding Co., Ltd.	Director	September 17, 2009	No
Fang Xianshui	Good Park 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.	President & GM	September 30, 2019	No
Ni Defeng	Hangzhou Jinglin Asset Management Co., Ltd.	Executive Director & GM	March 12, 2018	No
Ni Defeng	Zhejiang Hengyi Polyamide Co., Ltd.	Director	January 27, 2015	No
Ni Defeng	Lanping County Qingdian Bay Zinc 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

Name of incumbent	Name of other entities	Posts held in other entities	Start date of term	Is remuneration paid by other entities?
Ni Defeng	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	June 7, 2016	No
Lou Jianchang	Fujian Yijin Chemical Fiber Co., Ltd.	Director	October 22, 2021	No
Lou Jianchang	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	June 9, 2022	No
Wu Zhong	Hainan Hengjing Trading Co., Ltd.	Executive Director & manager	August 21, 2021	No
Wu Zhong	Zhejiang Hengyi International Trade Co., Ltd.	Executive Director & GM	July 1, 2022	No
Wu Zhong	Fujian Yijin Chemical Fiber Co., Ltd.	Director	October 22, 2021	No
Jin Danwen	Hainan Hengjing Trading Co., Ltd.	Supervisor	August 21, 2021	No
Jin Danwen	Hangzhou Jinyi Industrial Co., Ltd.	Director	February 28, 2021	No
Jin Danwen	Zhejiang Hengyi High-Tech Materials Co., Ltd.	Director	February 28, 2021	No
Jin Danwen	Zhejiang Hengyi Engineering Management Co., Ltd.	Supervisor	January 29, 2018	No
Jin Danwen	Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd.	Supervisor	August 20, 2021	No
Jin Danwen	Haining Hengyi New Materials Co., Ltd.	Supervisor	October 27, 2021	No
Wang Songlin	Zhejiang Hengyi Petrochemical Research Institute Co., Ltd.	Executive Director & GM	August 4, 2021	No
Wang Songlin	Jiangsu New Horizon Advanced Functional Fiber Innovation Center Co., Ltd.	Director	July 19, 2018	No

Name of incumbent	Name of other entities	Posts held in other entities	Start date of term	Is remuneration paid by other entities?
Wang Songlin	Haining Hengyi New Materials Co., Ltd.	President	June 29, 2018	No
Ni Jinmei	Hangzhou Yijing Chemical Fiber Co., Ltd.	Executive Director & GM	May 29, 2019	No
Posts held in other entities			None	

### **Punishments of the Company's current and outgoing directors, supervisors and senior management by securities regulators during the reporting period in the previous three years**

On September 9, 2022, the Company received the Administrative Supervision Measures Decision Letter ([2022] No. 25) issued by the Guangxi Regulatory Bureau, i.e., *Decision on Measures to Issue Warning Letter to Wuzhong*. In accordance with Article 170 (2) of the *Securities Law of the People's Republic of China*, the Guangxi Regulatory Bureau decided to adopt the regulatory measures to issue a warning letter to Wuzhong. For details, please refer to the *Announcement on the Receipt of Warning Letter from Guangxi Regulatory Bureau by Company Directors* (Announcement No. 2022-097) disclosed on September 17, 2022 in the *STCN*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily*, and *CNINFO* ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

### **3. Remuneration of directors, supervisors and senior management**

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

The Company passed the *Salary and Performance Appraisal Management System for Senior Management Staff* (reviewed and approved at the third meeting of the eighth session of the BOD) 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 2022 (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 BOD. 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 eleventh BOD of the Company on September 15, 2020 and the fifth extraordinary general meeting of shareholders of the Company on October 12, 2020, the allowance standard of the independent director was adjusted to RMB 150,000 per person per year (including Tax), allowances are paid on an average monthly basis.

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

Currency unit: RMB 10,000

Name	Title	Gender	Age	Employment status	Total pre-tax remuneration received from the Company	Whether to get remuneration from related parties of the Company
Qiu Yibo	President and CEO	Male	36	Current	142.13	No
Fang Xianshui	Vice President and Financial Director	Male	59	Current	142.13	No
Ni Defeng	Director	Male	45	Current	--	Yes
Lou Jianchang	Director, Vice President	Male	61	Current	128.13	No
Mao Ying	Director, Vice President and Financial Director	Female	42	Then	101.60	No
Wu Zhong	Director, Vice President	Male	34	Current	106.13	No
Luo Dan	Director	Female	40	Current	2.43	No
Chen Sanlian	Independent Director	Male	59	Current	15.00	No
Yang Bozhang	Independent	Male	66	Current	15.00	No

Name	Title	Gender	Age	Employment status	Total pre-tax remuneration received from the Company	Whether to get remuneration from related parties of the Company
	Director					
Yang Liuyong	Independent Director	Male	59	Current	15.00	No
Wang Songlin	Executive Vice President	Male	53	Current	117.93	No
Chen Liancai	Vice President	Male	56	Current	118.08	No
Zhao Donghua	Vice President	Male	38	Current	106.13	No
Zheng Xingang	Secretary of the BOD	Male	44	Current	60.00	No
Li Yugang	Chairman of the BOS	Male	46	Current	53.13	No
Jin Danwen	Supervisor	Female	37	Current	47.53	No
Ni Jinmei	Supervisor	Female	47	Current	63.48	No
Total	--	--	--	--	1,233.83	--

Note: On December 23, 2022, the Company issued the *Announcement on the Resolution of the Fifth Extraordinary General Meeting of Shareholders in 2022* (Announcement No.: 2022-140). According to the announcement, Ms. Luo Dan was appointed as a director of the Company, and thus only the salary for December was disclosed.

## VI. Performance of Duties by the Directors during the reporting period

### 1. Performance of the BOD during the reporting period

Session of meeting	Date of meeting	Disclosure date	Resolutions
The Sixteenth Meeting of the Eleventh Session of the BOD	January 20, 2022	January 21, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on the Estimated Amount of Daily Related-party Transactions in 2022</i>;</li> <li>2. Reviewed and approved the <i>Proposal on Determining the Company's Guarantee to its Controlled Subsidiaries and Mutual Insurance Amount between Controlled Subsidiaries in 2022</i>;</li> <li>3. Reviewed and approved the <i>Proposal on Carrying out Foreign Exchange Hedging Business in 2022</i>;</li> <li>4. Reviewed and approved the <i>Proposal on Carrying out Commodity Hedging Business for the Year 2022</i>;</li> <li>5. Reviewed and approved the <i>Proposal on the Provision of Financial Support to the Company by the Controlling Shareholder and Related-party Transactions</i>;</li> <li>6. Reviewed and approved the <i>Proposal on External Donation for Poverty Alleviation</i>;</li> <li>7. Reviewed and approved the <i>Proposal on Purchasing Liability Insurance for the Company's Directors, Supervisors and Senior Executives</i>;</li> <li>8. Reviewed and approved the <i>Proposal on the Subsidiary's Investment and Construction of the 1.2 mtpa Caprolactam-Polyamide Industry Integration and Supporting Project</i>;</li> <li>9. Reviewed and approved the <i>Proposal on Guarantee Provision to Hainan Yisheng Petrochemical Co., Ltd. and related-party transactions</i>;</li> <li>10. Reviewed and approved the <i>Proposal on Convening the Second Extraordinary General Meeting of Shareholders for 2022</i>;</li> </ol>
The Seventeenth Meeting of the Eleventh Session of	April 25, 2022	April 26, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on the Annual Report 2021'and Its Summary</i>;</li> <li>2. Reviewed and approved the <i>First Quarterly Report 2022 (Full Text &amp; Body)</i>;</li> </ol>

Session of meeting	Date of meeting	Disclosure date	Resolutions
the BOD			<p>3. Reviewed and approved the <i>Work Report of the BOD for the Year 2021</i>;</p> <p>4. Reviewed and approved the <i>Report on the Financial Accounts for the Year 2021</i>;</p> <p>5. Reviewed and approved the <i>Proposal on Profit Distribution of the Company for the Year 2021</i>;</p> <p>6. Reviewed and approved the <i>Report on Social Responsibilities 2021</i>;</p> <p>7. Reviewed and approved the <i>Self-Evaluation of Internal Control for the Year 2021</i>;</p> <p>8. Reviewed and approved the <i>Proposal on Deposit and Use of Raised Funds for the Year 2021</i>;</p> <p>9. Reviewed and approved the <i>Proposal on Renewal of the Appointment of the Accounting Firm</i>;</p> <p>10. Reviewed and approved the <i>Proposal on Closing Investment Projects with Raised Funds and Permanently Replenishing Working Capital with Surplus Raised Funds</i>;</p> <p>11. Reviewed and approved the <i>Proposal on Addition of Daily Related-party Transactions for the Year 2022</i>;</p> <p>12. Reviewed and approved the <i>Proposal on Capital Increase and related-party transactions of Hangzhou Jingxin Supply Chain Management Co., Ltd.</i>;</p> <p>13. Reviewed and approved the <i>Proposal on Changes of Accounting Policies</i>;</p> <p>14. Reviewed and approved the <i>Proposal on Retrospective Adjustment of Previous Financial Statements due to Changes in Accounting Policies</i>;</p> <p>15. Reviewed and approved the <i>Proposal on Convening 2021 Annual General Meeting of Shareholders</i>;</p>
The Eighteenth Meeting of the Eleventh Session of the BOD	May 6, 2022	May 7, 2022	<p>1. Reviewed and approved the <i>Proposal on Extending the Validity Period of the Resolution of the Shareholders' Meeting on the Public Issuance of Convertible Corporate Bonds</i>;</p> <p>2. Reviewed and approved the <i>Proposal on Submission to the General Meeting of Shareholders to Extend the Validity Period of Authorizing the BOD to Handle Specific Matters Regarding the Company's Public Offering of Convertible Corporate Bonds</i>;</p> <p>3. Reviewed and approved the <i>Proposal on Adding Temporary Proposals and Supplementary Notices to the 2021 Annual General Meeting of Shareholders</i>.</p>

Session of meeting	Date of meeting	Disclosure date	Resolutions
The Nineteenth Meeting of the Eleventh Session of the BOD	July 18, 2022	July 19, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on Further Clarifying the Specific Plan for the Public Issuance of Convertible Corporate Bonds by the Company</i>;</li> <li>2. Reviewed and approved the <i>Proposal on the Public Issuance of Convertible Corporate Bonds by the Company for Listing</i>;</li> <li>3. Reviewed and approved the <i>Proposal on Establishing a Special Account for Raising Funds through Public Issuance of Convertible Corporate Bonds and Signing a Supervision Agreement for Raising Funds by the Company</i>.</li> </ol>
The Twentieth Meeting of the Eleventh Session of the BOD	July 28, 2022	July 29, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on Using Raised Funds to Replace Self-raised Funds and Paid Issuance Fees for Pre-invested Raised Investment Projects</i>;</li> <li>2. Reviewed and approved the <i>Proposal on Proposal on Using Part of the Idle Raised Funds to Temporarily Supplement Working Capital</i>;</li> <li>3. Reviewed and approved the <i>Proposal on Changing the Registered Address and Amending the Articles of Association of the Company</i>;</li> <li>4. Reviewed and approved the <i>Proposal on Convening the Third EGM for FY2022</i>.</li> </ol>
The Twenty-first Meeting of the Eleventh Session of the BOD	August 21, 2022	August 22, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on 'Semi-annual Report 2022' and the Summary</i>;</li> <li>2. Reviewed and approved the <i>Proposal on Semi-annual Special Report on Deposit and Use of Raised Funds for FY2022</i>.</li> </ol>
The Twenty-second Meeting of the Eleventh Session of the BOD	August 24, 2022	August 25, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on Not Revising the Conversion Price of Hengyi Convertible Bonds</i>"</li> </ol>
The Twenty-third Meeting of the Eleventh Session of the BOD	October 14, 2022	October 15, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on Not Revising the Conversion Price of Hengyi Convertible Bond 2</i>"</li> </ol>
The Twenty-fourth Meeting of the Eleventh Session of the BOD	October 27, 2022	October 28, 2022	<ol style="list-style-type: none"> <li>1. Reviewed and approved the <i>Proposal on the Third Quarterly Report 2022</i>;</li> </ol>

Session of meeting	Date of meeting	Disclosure date	Resolutions
Session of the BOD			<p>2. Reviewed and approved the <i>Proposal on Increase in Estimated Amount of Daily Related-party Transactions for the Year 2022</i>;</p> <p>3. Reviewed and approved the <i>Proposal on Provision of Entrusted Loan to the Invested Company, Yisheng New Materials</i>;</p> <p>4. Reviewed and approved the <i>Proposal on Share Repurchase by Way of Centralized Bidding (Phase III)</i>”;</p> <p>5. Reviewed and approved the <i>Proposal on Convening the Fourth EGM for the Year 2022</i>;</p>
The Twenty-fifth Meeting of the Eleventh Session of the BOD	December 6, 2022	December 7, 2022	<p>1. Reviewed and approved the <i>Proposal on the Estimated Amount of Daily Related-party Transactions for the Year 2023</i>;</p> <p>2. Reviewed and approved the <i>Proposal on Determining the Company's Guarantee to its Controlled Subsidiaries and Mutual Insurance Amount between Controlled Subsidiaries for the Year 2023</i>;</p> <p>3. Reviewed and approved the <i>Proposal on Carrying out Foreign Exchange Hedging Business for the Year 2023</i>;</p> <p>4. Reviewed and approved the <i>Proposal on Carrying out Commodity Hedging Business for the Year 2023</i>;</p> <p>5. Reviewed and approved the <i>Proposal on the Provision of Financial Support to the Company by the Controlling Shareholder and Related-party Transactions</i>;</p> <p>6. Reviewed and approved the <i>Proposal on Guarantee Provision to Hainan Yisheng Petrochemical Co., Ltd. and related-party transactions</i>;</p> <p>7. Reviewed and approved the <i>Proposal on Purchasing Liability Insurance for the Company's Directors, Supervisors and Senior Executives</i>;</p> <p>8. Reviewed and approved the <i>Proposal on Electing Company Directors</i>;</p> <p>9. Reviewed and approved the <i>Proposal on Appointing the Vice President of the Company to concurrently serve as the Financial Director</i>;</p> <p>10. Reviewed and approved the <i>Proposal on Adjusting the Members of the Audit Committee of the Eleventh Session of the BOD of the Company</i>;</p>

Session of meeting	Date of meeting	Disclosure date	Resolutions
			11. Reviewed and approved the <i>Proposal on Increasing the Expected Amount of Daily Related-party Transactions for 2022 and Adjusting the Implementation Entities of related-party transactions</i> ; 12. Reviewed and approved the <i>Proposal on Convening the Fifth EGM for the Year 2022</i> ;

## 2. Attendance of Directors in the Board Meeting and the General Meeting of Shareholders

Attendance of Directors in the Board Meeting and the General Meeting of Shareholders							
Name of 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
Qiu Yibo	10	2	8	0	0	No	6
Fang Xianshui	10	2	8	0	0	No	6
Ni Defeng	10	2	8	0	0	No	6
Lou Jianchang	10	2	8	0	0	No	6
Mao Ying	9	2	7	0	0	No	5
Wu Zhong	10	2	8	0	0	No	6
Chen Sanlian	10	2	8	0	0	No	6
Yang Bozhang	10	2	8	0	0	No	6
Yang Liuyong	10	2	8	0	0	No	6
Luo Dan	0	0	0	0	0	No	1

Description of the failure to physically attend board meetings for two consecutive times

## 3. Objections of directors to related issues of the Company

### Whether the directors raise objections to relevant matters of the Company

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

## 4. Other information on directors' performance of duties

### Whether directors' suggestions to the Company are accepted

Yes  No



**Description of the directors' recommendations that were adopted or refused**

During the reporting period, all directors of the Company strictly followed the *Company Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies in China*, *Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Listed Companies on the Main Board* and the *Articles of Association* and *Rules of Procedure for the BOD* to diligently carry out their work and perform their duties. They took the initiative to pay attention to the Company's operation and management information, financial position, important matters, etc., put forward opinions on the Company's important decisions regarding its governance and operation, deeply discussed the proposals submitted to the BOD for review, expressed their own views and reached unanimous options after full communication and discussion. They fully considered the interests and demands of minority shareholders when making decisions, and resolutely supervised and promoted the implementation of the resolutions adopted at the BOD in order to make the decisions scientific, timely and efficient and protect the legitimate rights and interests of the Company and all shareholders.

**VII. Performance of duties by the specialized committees under the BOD during the reporting period**

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
Strategy and Investment Decision-making Committee	Qiu Yibo, Fang Xianshui, Ni Defeng and Yang Liuyong	2	January 20, 2022	1. Reviewed the <i>Proposal on Carrying out Foreign Exchange Hedging Business for the Year 2022</i> ; 2. Reviewed the <i>Proposal on Carrying out Commodity Hedging Business for the Year 2022</i> ;	The Committee strictly followed the <i>Company Law</i> , the <i>Regulatory Rules of the CSRC</i> , the <i>Articles of Association</i> and the <i>Rules of Procedure for the BOD</i> to diligently perform its duties. It put forward opinions on and unanimously approved all proposals after full communication and discussion.	Not applicable	Not applicable
			July 15, 2022	1. Reviewed the <i>Proposal on Further Clarifying the Specific Plan for the Public Issuance of Convertible Corporate Bonds by the Company</i> ; 2. Reviewed the <i>Proposal on the Public Issuance of Convertible Corporate Bonds by the Company for Listing</i>			
Audit Committee	Yang Bozhang, Chen Sanlian, Yang Liuyong, Lou Jianchang and Fang Xianshui	3	April 20, 2022	1. Reviewed the <i>Annual Report on Implementation of Internal Audit 2021</i> ; 2. Reviewed the <i>First Quarterly Report on Internal Audit 2022</i> ; 3. Reviewed the <i>Annual Report on Financial Final Accounts for the Year 2021</i> ; 4. Reviewed the <i>Annual Audit Report 2021</i> ; 5. Reviewed the <i>Annual Report 2021</i> (The first draft);	The Committee strictly followed the <i>Company Law</i> , the <i>Regulatory Rules of the CSRC</i> , the <i>Articles of Association</i> , the <i>Rules of Procedure for the BOD</i> and other relevant laws and regulations to diligently perform its duties. It put forward opinions on and unanimously approved all proposals after full communication and discussion	Not applicable	Not applicable

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
				<p>6. Reviewed the <i>First Quarterly Report 2022</i> (The first draft);</p> <p>7. Reviewed the <i>Self-Evaluation of Internal Control for the Year 2021</i>;</p> <p>8. Reviewed the <i>Proposal on Deposit and Use of Raised Funds for the Year 2021</i>;</p> <p>9. Reviewed the <i>Proposal on Summary of Funds Appropriation and Other Related Fund Transactions for Non-operating Purpose for the Year 2021</i>;</p> <p>10. Reviewed the <i>Proposal on Renewal of the Appointment of the Accounting Firm</i>;</p>			
			August 19, 2022	<p>1. Reviewed the <i>Semi-annual Report 2022</i> (The first draft);</p> <p>2. Reviewed the <i>Proposal on Semi-annual Special Report on Deposit and Use of Raised Funds for the Year 2022</i>;</p> <p>3. Reviewed the <i>Semi-annual Report on Internal Audit 2022</i>;</p>			
			October 13, 2022	<p>1. Reviewed the <i>Third Quarterly Report 2022</i> (The first draft);</p> <p>2. Reviewed the <i>Third Quarterly Report on Internal Audit 2022</i>;</p>			
Risk	Chen		January	1. Reviewed the <i>Proposal on Carrying out</i>	The Committee strictly followed the <i>Company</i>	Not	Not

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
Control Committee	Sanlian, Yang Bozhang and Lou Jianchang	2	20, 2022	<p><i>Foreign Exchange Hedging Business for the Year 2022;</i></p> <p>2. Reviewed the <i>Proposal on Carrying out Commodity Hedging Business for the Year 2022;</i></p>	<p><i>Law, the Regulatory Rules of the CSRC, the Articles of Association and the Rules of Procedure for the BOD to diligently perform its duties. It put forward opinions on and unanimously approved all proposals after full communication and discussion</i></p>	applicable	applicable
			April 20, 2022	<p>1. Reviewed the <i>Proposal on Renewal of the Appointment of the Accounting Firm;</i></p> <p>2. Reviewed the <i>Annual Report on Financial Final Accounts 2021;</i></p>			

**VIII. Performance of Duties by the BOS**

**Whether there are any risks found by the BOS in its supervisory activities during the reporting period**

The BOS had no objections to the matters under supervision during the reporting period

**IX. Employees of the Company****1. Number, composition and education level**

Number of employees in the parent company at the end of the reporting period (person)	10
Number of employees of service in major subsidiaries at the end of the reporting period (person)	15,637
Total number of employees in service at the end of the reporting period (person)	15,637
Total number of employees receiving salaries in current period (person)	15,637
Number of retired employees whose expense is borne by the parent company and major subsidiaries (person)	235
<b>Composition</b>	
Professional composition category	Number of professional composition (person)
Production personnel	13,014
Sales staff	315
Technical staff	1,732
Finance staff	156
Administrative staff	420
Total	15,637
<b>Education level</b>	

Education level category	Quantity (person)
Master degree or above	221
Bachelor degree	1,826
College degree or below	13,590
Total	15,637

## 2. Compensation policies

The Company implements a labor contract system, sign labor contracts with every employee in accordance with the *Labor Law of the PRC*, the *Labor Contract Law of the PRC* 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 plans

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)	10,946,124
Total remuneration paid for labor outsourced (RMB)	263,430,852

#### X. 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 [2022] No. 3 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 (2023-2025)* to better guarantee the reasonable return of all shareholders, further refine the provisions of the profit distribution policy in the *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 2021 Profit Distribution Plan approved by the Company's 2021 Annual General Meeting of Shareholders held on May 17, 2022: Based on the total number of 3,666,280,554 shares

of the Company's existing share capital, after the deduction of 79,888,281 shares that have been repurchased in the Company's repurchase account, 3,586,392,273 shares will be distributed as a cash dividend of RMB 2 (including tax) for every 10 shares. No bonus shares will be given and no public reserve funds will be converted into share capital. The Company published the *Announcement of Dividend Distribution of Hengyi Petrochemical Co., Ltd. for the Year 2021*, and completed the distribution on July 7, 2022.

Special description of cash dividend policy	
Whether it meets the requirements of the Company's Articles of Association or the resolutions of the General Meeting of Shareholders:	Yes
Whether the dividend standard and proportion are clear and definite:	Yes
Were 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 equities are fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not applicable

**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

#### **Profit distribution and capitalization of capital reserve during the reporting period**

According to the plan of the Company, no cash dividends or bonus shares will be distributed this year, and no public reserve funds will be converted into share capital.

#### **XI. Implementation of the Company's SIPs, ESOPs or other employee incentives**

There are no equity incentive plans, employee stock ownership plans, or other employee incentive measures and their implementation during the reporting period of the Company.



## **XII. Establishment and implementation of internal control system during the reporting period**

### **1. Establishment and implementation**

During the reporting period, the Company continuously updated and optimized its internal control system in accordance with the *Basic Standard for Enterprise Internal Control* and other relevant regulations to adapt to the changing external environment and internal management requirements. The Company's internal control system is sound and reasonable and covers the main aspects of its operation and management. It works well and there is no significant omission.

(1) Internal environment. The Company has an organizational structure that is suitable for its business, which has a clear division of labor and sound and complete functional departments, and the Company implements the principle of separation of incompatible duties to make these departments restrain with each other.

(2) Risk assessment. The Company collects relevant information in a comprehensive and systematic manner according to its strategic objectives, development thoughts and the industry characteristics to conduct risk assessment timely and weigh risks and benefits, then determines risk response strategies to keep the risks under control.

(3) Control activities. The Company continuously sorts out and improves the system according to the current state of its management and development needs, without comprising the legality, normality, feasibility and operability.

(4) Information and communication. The Company has established an information and communication system to define the procedures for the collection, processing and transmission of information related to internal control, in order to build a smooth communication line and promote effective conduct of internal control.

(5) Supervision. The Company has established a corporate governance mechanism, so that the independent directors and the BOS are able to independently perform their supervisory duties and independently conduct evaluation and provide recommendations on the Company's management. A special internal audit body is set up under the Audit Committee of the BOD to carry out internal audit work independently according to law in order to realize the effective supervision of the management and effective operation of the internal control system.

## 2. Details of significant internal control deficiency identified during the reporting period

Yes  No

### XIII. The Company's management and control over subsidiaries during the reporting period

As of the end of the reporting period, the Company has 48 subsidiaries. During the reporting period, in order to strengthen the management, regulate the internal operation and promote the healthy development of subsidiaries, the Company developed and improved the *Comprehensive Management System of Subsidiaries* in accordance with the requirements for the standardized operation of listed companies, to provide for the establishment of a sound governance structure and its operation, operational business decision-making, financial management, information management, investment decision-making management, inspection and assessment, etc. Also, the Company requires subsidiaries to implement the *Internal Reporting System for Important Information*, etc., which clearly stipulates the procedures for reporting and reviewing important matters, to timely track the governance, financial position, production and operation, project construction, safety and environmental protection and other significant matters of the subsidiaries, in order to timely fulfill the information disclosure obligations. To improve the standardized operation of its subsidiaries, the Audit Department and Legal Department of the Company provides guidance on, supervision and evaluation of the establishment and implementation of the internal control system of each subsidiary, and supervises the continuous improvement and effective operation of each internal control system of the Company.

### XIV. Internal control self-evaluation report or internal control audit report

#### 1. Internal control self-evaluation report

Disclosure date of full text of Internal Control Evaluation Report	April 20, 2023
Disclosure index of full text of Internal Control Evaluation Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Proportion of total assets included in the evaluation scope to that of the Company's consolidated	100.00%

financial statements		
Proportion of operating income included in the evaluation to that of the Company's consolidated financial statements		100.00%
Defect Identification Standard		
Category	Financial reports	Financial reports Non-financial reports
Qualitative criteria	<p>(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 system failures in major business; ⑦ failure to rectify major or significant internal control defects. (2) Identification standard of significant defects: ① Imperfect democratic decision-making procedures; ② decision-making procedures leading to general errors; ③ violation of internal regulations of the Company, resulting in losses; ④ outflow of many business personnel in key positions; ⑤ negative news appeared on the media, involving local region; ⑥ defects in important business systems or systems; ⑦ failure to rectify material or general deficiencies in internal control. (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>(1)Major defects: The negative news about the safety, eco-friendliness, 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 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, eco-friendliness, 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, eco-friendliness, 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	(1)Major defects: The overall impact	(1)Major defects: direct financial loss:

	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 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.	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 (included) to RMB 50 million; personnel health and safety impact: death of more than 3 (included) but less than 10 people, or serious injury of more than 10 (included) 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

## 2. Internal control audit report

Reviewed parts 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 <i>Basic Norms for Enterprise Internal Control</i> and relevant regulations at December 31, 2022.	
Disclosure of internal control audit report	Disclosure
Date of full-text disclosure for Internal Control Audit Report	April 20, 2023
Full-text disclosure index for the Internal Control Audit Report	CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Category of opinions	Opinion type in the Internal Control Audit Report
Whether there are major defects in	No

the non-financial report	
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**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 BOD**

Yes    No

**XV. Self-examination and rectifications through the special campaign on corporate governance of listed companies**

In strict accordance with the *Company Law*, the *Securities Law* and other relevant laws and administrative regulations, and the *Articles of Association*, *Rules of Procedure for the BOD*, *Rules of Procedure for the BOS* and rules of procedure for special committees and other internal rules and regulations, the Company, adhering the principle of seeking truth from facts, conducted self-examination against the CSRC's self-examination checklists for the special campaign on corporate governance of listed companies, which covered a total of seven aspects, involving a total of 119 questions and answers. The Company carefully sorted out and filled in the self-examination system, and completed self-examination on April 25, 2022.

This self-examination revealed that the Company's governance follows the *Company Law*, *Securities Law*, *Guidelines for Standardized Operation*, *Guidelines for Articles of Association of Listed Companies*, and other laws and regulations. The Company is under relatively sound corporate governance and standardized operation and there is no major mistake.

## Section V Environmental and Social Responsibilities

### I. Major environmental issues

Whether the listed company and its subsidiaries are the key pollutant discharge units announced by the environmental protection departments?

Yes  No

### Environmental protection related policies and industry standards

The Company and its subsidiaries strictly abided by national and local environmental protection laws and relevant rules and regulations, including *Environmental Protection Law*, *Air Pollution Prevention and Control Law*, *Water Pollution Prevention and Control Law*, *Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, *Noise Pollution Prevention and Control Law*, *Environmental Protection Tax Law*, *Soil Pollution Prevention and Control Law*, *Regulations on the Administration of Construction Project Environmental Protection*, and *Pollutant Discharge Permit Management Regulations*. All pollutants are strictly discharged in accordance with relevant standards, including: *Emission Standards of Pollutants for Synthetic Resin Industry* (GB31752-2015), *Emission Standard of Air Pollutants for Boilers* (GB13271-2014), *Emission Standards for Odor Pollutants* (GB14554-93), *Standard for Pollution Control on Hazardous Waste Storage* (GB18597-2001), *Emission Standard for Industrial Enterprises Noise at Boundary* (GB12348-2008), and *Standard for Pollution Control of General Industrial Solid Waste Storage and Disposal Sites* (GB18599-2020).

### Environmental protection administrative permits

SN	Holder	Certificate name	Certificate No.	Issuer	Validity period
1	Hengyi Limited	Emission Permit	91330000765215943G001Y	Hangzhou Municipal Ecology and Environment Bureau	August 27, 2023

2	Hengyi High-Tech	Emission Permit	913301006680033406001Q	Hangzhou Municipal Ecology and Environment Bureau	November 25, 2026
3	Hengyi Polymer	Emission Permit	913301097245283880001P	Hangzhou Municipal Ecology and Environment Bureau	November 2, 2026
4	Hengyi Polymer	Radiation Safety Permit	ZHFZ No. A2255	Department of Ecology and Environment of Zhejiang Province	September 19, 2024
5	Jiaxing Yipeng	Emission Permit	91330411MA28BLMY30001V	Jiaxing Ecology and Environment Bureau	December 1, 2023
6	Taicang Yifeng	Emission Permit	91320585MA1P1GPBXM001V	Suzhou Municipal Ecology and Environment Bureau	December 30, 2027
7	Shuangtu New Materials	Emission Permit	91330100566050736P001Y	Hangzhou Municipal Ecology and Environment Bureau	November 26, 2026
8	Shuangtu New Materials	Radiation Safety Permit	ZHFZ No. A3048	Department of Ecology and Environment of Zhejiang Province	December 26, 2023
9	Fujian Yijin	Emission Permit	91350582MA31G07Q8C001V	Quanzhou Municipal Ecology and Environment Bureau	April 7, 2026
10	Suqian Yida	Emission Permit	91321311MA1UXUC8XJ001R	Suqian Municipal Ecology and Environment Bureau	July 18, 2026

11	Suqian Yida	Radiation Safety Permit	SHFZ No. 0199	Suqian Municipal Ecology and Environment Bureau	January 12, 2027
12	Haining Thermal Power	Emission Permit	91330481MA29HXML34001R	Jiaxing Ecology and Environment Bureau	July 22, 2025
13	Haining New Materials	Emission Permit	91330481MA29HRX724001V	Jiaxing Ecology and Environment Bureau	July 27, 2023
14	Hangzhou Yijing	Emission Permit	91330109MA28M4DD8Y001P	Hangzhou Municipal Ecology and Environment Bureau	November 4, 2026
15	Hangzhou Yijing	Radiation Safety Permit	ZHFZ No. A2259	Department of Ecology and Environment of Zhejiang Province	May 22, 2027
16	Hengyi Caprolactam	Emission Permit	913301006706049462	Hangzhou Municipal Ecology and Environment Bureau	June 22, 2025
17	Hengyi Caprolactam	Radiation Safety Permit	ZHFZ No. A3044	Department of Ecology and Environment of Zhejiang Province	January 16, 2027
18	Zhejiang Yisheng	Emission Permit	91330200744973411W001W	Beilun Branch of Ningbo Municipal Ecology and Environment Bureau	December 15, 2026
19	Zhejiang Yisheng	Radiation Safety Permit	ZHFZ No. B2005	Department of Ecology and Environment of Zhejiang Province	November 17, 2024



20	Yisheng Dahua	Emission Permit	912102137873094570001R	Dalian Municipal Ecology and Environment Bureau	October 13, 2023
21	Yisheng Dahua	Radiation Safety Permit	ZHFZ No. B0001	Dalian Municipal Ecology and Environment Bureau	November 25, 2026

**Industry emission standards and specific situations of pollutant emissions involved in production and business activities**

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
Zhejiang Yisheng	Process wastewater	COD	Discharge after treatment	1	Sewage station	50.38mg/L	GB31571-2015	477.9 t	1039.84 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage station	0.21 mg/L	GB31571-2015	1.98 t	17.35 t	Up to standard
	Waste gas	SO <sub>2</sub>	Discharge after treatment	2	Boiler Island	4.82 mg/m <sup>3</sup>	DB33/2147-2018	24.27 t	197.45 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	2	Boiler Island	17.7 mg/m <sup>3</sup>	DB33/2147-2018	76.57 t	859.17 t	Up to standard
		Particulate matter	Discharge after treatment	2	Boiler Island	1.8 mg/m <sup>3</sup>	DB33/2147-2018	9.19 t	426.11 t	Up to standard
Hainan Yisheng	Waste gas	SO <sub>2</sub>	Discharge after treatment	2	Boiler/thermal furnace	53.83/98.31mg/m <sup>3</sup>	GB13223-2011 GB13271-2014	301.85 t	679 t	Up to standard
		NO <sub>x</sub>	Discharge after	2	Boiler/thermal furnace	69.71/261.22mg/m <sup>3</sup>	GB13223-2011	723.64 t	989.9t	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment				GB13271-2014			
		Smoke and ashes	Discharge after treatment	2	Boiler/thermal furnace	9.34/6.51mg/m <sup>3</sup>	GB13223-2011 GB13271-2014	28.97 t	232 t	Up to standard
	Process wastewater	COD	Discharge after treatment	1	Sewage station	30.68mg/L	GB31571-2015 GB31572-2015	126.83 t	236.15 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage station	0.19mg/L	GB31571-2015 GB31572-2015	0.74 t	17.7 t	Up to standard
Hengyi Caprolactam	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	8.33	GB31571-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment station	136mg/L	GB31571-2015	95.17 t	127.51 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.3mg/L	GB31571-2015	4.76 t	6.37t	Up to standard
		Total phosphorus	Discharge after	1	Sewage treatment	0.8mg/L	DB33-887-2013	/	/	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
	Waste gas		treatment		station					
		Smoke and ashes	Discharge after treatment	1	Power station	1.56 mg/m <sup>3</sup>	DB33/2147-2018	9 t	48.2 t	Up to standard
		SO <sub>2</sub>	Discharge after treatment	1	Power station	3.73mg/m <sup>3</sup>	DB33/2147-2018	22.48 t	368.87 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	1	Power station	41.6mg/m <sup>3</sup>	DB33/2147-2018	290.48 t	482.08 t	Up to standard
		Mercury and its compounds	Discharge after treatment	1	Power station	0.000023mg/m <sup>3</sup>	DB33/2147-2018	/	/	Up to standard
		Ringerman blackness	Discharge after treatment	1	Power station	<Level 1	DB33/2147-2018	/	/	Up to standard
Hengyi High-Tech	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	7.25	GB31572-2015	/	/	Up to standard
		COD	Discharge after	1	Sewage treatment	12.54mg/L	GB31572-2015	0.90 t	3.68 t	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment		station					
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.31mg/L	GB31572-2015	0.03 t	0.15 t	Up to standard
	Waste gas	Smoke and ashes	Discharge after treatment	2	Thermal coal station	1.55/4.41mg/m <sup>3</sup>	DB3301/T0250-2018	2.36 t	18.55 t	Up to standard
		SO <sub>2</sub>	Discharge after treatment	2	Heat media station	12.47/12.74mg/m <sup>3</sup>	DB3301/T0250-2018	11.04 t	60.4 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	2	Thermal coal station	71.46/75.25mg/m <sup>3</sup>	DB3301/T0250-2018	69.88 t	181.21 t	Up to standard
Hengyi Polymer	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	8.12	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage station	82.74mg/L	GB31572-2015	2.78 t	34.5 t	Up to standard
		Ammonia nitrogen	Discharge after	1	Sewage treatment	6.52mg/L	GB31572-2015	0.22 t	2.42 t	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment		station					
	Waste gas	Smoke and ashes	Discharge after treatment	3	Heat media station	6.58/1.73/5.46mg/m <sup>3</sup>	DB3301/T0250-2018	2.13 t	14.02 t	Up to standard
		SO <sub>2</sub>	Discharge after treatment	3	Heat media station	20.87/8.5/27.64mg/m <sup>3</sup>	DB3301/T0250-2018	8.28 t	29.22 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	3	Heat media station	123.07/118.47/122.84mg/m <sup>3</sup>	DB3301/T0250-2018	58.4 t	87.67 t	Up to standard
Hangzhou Yijing	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	7.6	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment station	36.21mg/L	GB31572-2015	0.65 t	44 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	2.32mg/L	GB31572-2015	0.02 t	3.08 t	Up to standard
	Waste gas	Smoke and ashes	Discharge after	1	Heat media station	0.57mg/m <sup>3</sup>	DB3301/T0250-2018	1.17 t	7.5 t	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment							
		SO <sub>2</sub>	Discharge after treatment	1	Heat media station	18.95mg/m <sup>3</sup>	DB3301/T0250-2018	13.88 t	33.75 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	1	Heat media station	91.25mg/m <sup>3</sup>	DB3301/T0250-2018	43.33 t	101.25 t	Up to standard
Shuangtu New Materials	Waste gas	Smoke and ashes	Discharge after treatment	2	Heat media station	3.34/1.79mg/m <sup>3</sup>	DB3301/T0250-2018	4.132 t	28.32 t	Up to standard
		SO <sub>2</sub>	Discharge after treatment	2	Heat media station	14.67/17.42mg/m <sup>3</sup>	DB3301/T0250-2018	25.23 t	75.92 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	2	Heat media station	125.61/116.19mg/m <sup>3</sup>	DB3301/T0250-2018	160.91 t	168 t	Up to standard
Haining Hengyi Thermal Power	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	8.03	GB8978-1996	/	/	Up to standard
		COD	Discharge after	1	Sewage treatment	35.1mg/L	GB8978-1996	13.56 t	21.33 t	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment		station					
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.39mg/L	GB8978-1996	0.14 t	2.13 t	Up to standard
	Waste gas	Smoke and ashes	Discharge after treatment	1	Heat media station	0.61mg/m <sup>3</sup>	DB33/2147-2018	1.02 t	8.83 t	Up to standard
		SO <sub>2</sub>	Discharge after treatment	1	Heat media station	16.31mg/m <sup>3</sup>	DB33/2147-2018	27.53 t	61.52 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	1	Heat media station	45.45mg/m <sup>3</sup>	DB33/2147-2018	74.49 t	88.33 t	Up to standard
Haining Hengyi New Materials	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	8.03	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment station	35.1mg/L	GB31572-2015	0.06 t	4.26 t	Up to standard
		Ammonia nitrogen	Discharge after	1	Sewage treatment	0.39mg/L	GB31572-2015	0.004 t	0.42 t	Up to standard



Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment		station					
Jiaxing Yipeng	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	7.61	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment station	11.12mg/L	GB31572-2015	0.29 t	6.03 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.51mg/L	GB31572-2015	0.01 t	0.80 t	Up to standard
Taicang Yifeng	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	7.56	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment station	64.25mg/L	GB31572-2015	1.9	13.27	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	1.85mg/L	GB31572-2015	0.02	0.46	Up to standard
	Waste gas	Smoke and ashes	Discharge after	1	Heat media station	5.52mg/m <sup>3</sup>	GB31572-2015	1.71	9.72	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment							
		SO <sub>2</sub>	Discharge after treatment	1	Heat media station	1.22mg/m <sup>3</sup>	GB31572-2015	0.71	3.8	Up to standard
		NO <sub>x</sub>	Discharge after treatment	1	Heat media station	67.83mg/m <sup>3</sup>	GB31572-2015	25.37	26.6	Up to standard
Suqian Yida	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	7.96	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment station	27.68mg/L	GB31572-2015	3.57 t	6.09 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.25mg/L	GB31572-2015	0.03 t	0.06 t	Up to standard
Fujian Yijin	Process wastewater	PH	Discharge after treatment	1	Sewage treatment station	7.4	GB31572-2015	/	/	Up to standard
		COD	Discharge after	1	Sewage treatment	25.02mg/L	GB31572-2015	1.21 t	3.45 t	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
			treatment		station					
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.23mg/L	GB31572-2015	0.011 t	0.46 t	Up to standard
	Waste gas	Smoke and ashes	Discharge after treatment	1	Heat media station	1.19mg/m <sup>3</sup>	GB13271-2014	0.73 t	21.49 t	Up to standard
		SO <sub>2</sub>	Discharge after treatment	1	Heat media station	44.18mg/m <sup>3</sup>	GB13271-2014	28.13 t	114.64 t	Up to standard
		NO <sub>x</sub>	Discharge after treatment	1	Heat media station	140.46mg/m <sup>3</sup>	GB13271-2014	90.66 t	179.12 t	Up to standard
Yisheng Dahua	Process wastewater	COD	Continuous	2	Sewage station	62.5mg/L	300mg/L	585.284 t	1680 t	Up to standard
		Ammonia nitrogen	Continuous	2	Sewage station	0.86mg/L	30mg/L	8.02 t	182 t	Up to standard
	Waste gas	NOX	Continuous	3	Boiler Island	14.29 mg/m <sup>3</sup>	50 mg/m <sup>3</sup>	24.99 t	405 t	Up to standard

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
		SO2	Continuous	3	Boiler Island	1.86 mg/m <sup>3</sup>	35 mg/m <sup>3</sup>	3.595 t	251 t	Up to standard
		Smoke and ashes	Continuous	3	Boiler Island	1.48 mg/m <sup>3</sup>	5 mg/m <sup>3</sup>	2.271 t	51 t	Up to standard

## **Treatment of pollutants**

### **(1) Sewage treatment**

The principle of "separation of clean water and sewage, separation of rainwater and sewage, and separation of sewage and sewage" has been implemented, a comprehensive wastewater collection system in the factory has been established, and anti-corrosion, leak-proof, and anti-seepage measures have been taken. The polyester production wastewater was pre-treated by a steam stripping device and enters the sewage treatment station for treatment along with the spinning workshop wastewater and domestic sewage. The sewage treatment station adopted a "pre-treatment + anaerobic + aerobic secondary biochemical" treatment process, and the treated parts were reused through the reclaimed water reuse system. The remaining wastewater was treated to meet the relevant standards in the *Emission Standards of Pollutants for Synthetic Resin Industry* (GB31752-2015) and then included in the sewage pipeline network.

### **(2) Waste gas treatment**

The principle of classified waste gas treatment was adopted, and sources of waste gas were controlled. With various treatment measures proposed in the environmental impact assessment being taken, the amount of waste gas generated was reduced, and the emission of unorganized waste gas was strictly controlled and reduced. The PTA feeding dust was treated by a bag filter and discharged externally. The polyester waste gas was introduced into the thermal furnace for incineration and discharged externally. The spinning waste gas was treated by an oil fume purifier and discharged externally. The flue gas from the coal water slurry boiler was treated by denitrification, dust removal, and desulfurization and discharged through the chimney.

The organized emissions of dust, non-methane total hydrocarbons, and acetaldehyde were in compliance with the relevant standards in the *Emission Standards of Pollutants for Synthetic Resin Industry* (GB31752-2015), the flue gas emissions from coal water slurry boilers in Hangzhou were in compliance with the *Hangzhou Emission Standard of Air Pollutants for Boilers*, other regions were in compliance with the relevant standards in the *Emission Standard of Air Pollutants for Boilers* (GB13271-2014), and the emission of odor pollutants was in compliance with the relevant standards in the *Emission Standards for Odor Pollutants* (GB14554-93).

### **(3) (General and dangerous) Solid waste treatment situation**

According to the principles of "resource utilization, reduction, and harmless disposal", the Company established a ledger system, set up temporary waste storage warehouses, classified, collected, stacked, and disposed of hazardous waste and general solid waste according to their quality, and achieved comprehensive utilization of resources. Waste oils and other hazardous wastes were entrusted to

companies with corresponding hazardous waste treatment qualifications and processing capabilities for disposal, hazardous waste transfer approval procedures were handled in accordance with relevant regulations, and the hazardous waste transfer receipt system was strictly implemented. The temporary storage of hazardous waste was strictly in compliance with the relevant provisions of the *Standard for Pollution Control on Hazardous Waste Storage* (GB18597-2001), and general solid waste were in compliance with the *Standard for Pollution Control of General Industrial Solid Waste Storage and Disposal Sites* (GB18599-2020).

### **Environmental emergency response plan**

1. *Emergency Plan for Emergent Environmental Incidents of Zhejiang Baling Hengyi Caprolactam Co., Ltd.* was filed by the local environmental protection department in April 2022, and a new Emergency Plan for Emergent Environmental Incidents is being prepared.
2. *Emergency Plan for Emergent Environmental Incidents of Zhejiang Hengyi High-Tech Materials Co., Ltd.* was filled by the local environmental protection department in March 2022.
3. *Emergency Plan for Emergent Environmental Incidents of Zhejiang Hengyi Polymer Co., Ltd.* was filled by the local environmental protection department in August 2021.
4. *Emergency Plan for Emergent Environmental Incidents of Hangzhou Yijing Chemical Fiber Co., Ltd.* was filled by the local environmental protection department in March 2022.
5. *Emergency Plan for Emergent Environmental Incidents of Zhejiang Shuangtu New Materials Co., Ltd.* was filled by the local environmental protection department in October 2022.
6. *Emergency Plan for Emergent Environmental Incidents of Haining Hengyi Thermal Power Co., Ltd.* was filled by the local environmental protection department authority in June 2021.
7. *Emergency Plan for Emergent Environmental Incidents of Haining Hengyi New Materials Co., Ltd.* was filled by the local environmental protection department in June 2021.
8. *Emergency Plan for Emergent Environmental Incidents of Jiaxing Yipeng Chemical Fiber Co., Ltd.* was filled by the local environmental protection department in November 2020.
9. *Emergency Plan for Emergent Environmental Incidents of Taicang Yifeng Chemical Fiber Co., Ltd.* was filled by the local environmental protection department in March 2022.
10. *Emergency Plan for Emergent Environmental Incidents of Suqian New Materials Co., Ltd.* was filled by the local environmental protection department in December 2021.

11. *Emergency Plan for Emergent Environmental Incidents of Fujian Yijin Chemical Fiber Co., Ltd.* was filled by the local environmental protection department in January 2022.

12. *Emergency Plan for Emergent Environmental Incidents of Hainan Yisheng Petrochemical Co., Ltd.* was revised, reviewed and filled by the local environmental protection department in December 2021.

13. *Emergency Plan for Emergent Environmental Incidents of Zhejiang Yisheng Petrochemical Co., Ltd.* was revised, reviewed and filled by the local environmental protection department in September 2021.

14. *Emergency Plan for Emergent Environmental Incidents of Yisheng Dahua Petrochemical Co., Ltd.* was filled by the local environmental protection department in April 2020.

#### **Environmental self-monitoring program**

The Company and its subsidiaries strictly comply with national and local environmental protection laws, regulations and relevant provisions, and establish environmental self-monitoring programs to ensure that all pollutants discharged are strictly up to the discharge standards set out in and reasonably disposed according to relevant laws and regulations. The Company carries out pollution source monitoring in strict accordance with the self-monitoring program, which is publicized in the pollution source monitoring data management system, to ensure that all pollutants discharged are strictly up to the standards as specified by relevant laws and regulations, and also entrusts qualified third-party monitoring entities to carry out regular monitoring.

#### **Investments in environmental governance and protection and payment of environmental protection taxes**

As economic bodies, enterprises not only maximize profits, but also significantly promote the economic wealth accumulation, the social civilization progress, and the environmentally sustainable development. The Company conscientiously implements the ecological and environmental requirements of the national and local governments, and effectively implements the development concept of "green water and green mountains are golden mountains and silver mountains". With pollution prevention and control as the core work and standard emissions as the foundation work, the Company actively responded to the "blue sky defense war", vigorously promoted clean

transformation, continued to carry out waste gas pollution control, achieving positive progress and results and effectively improving the level of the ecological environment.

In 2022, the Company's key pollutant discharge units invested a total of RMB 78.5532 million in environmental governance and protection, and paid RMB 26.7869 million in environmental protection tax. The joint venture subsidiary, Zhejiang Baling Hengyi Caprolactam Co., Ltd., continued to invest about RMB 5.5 million to transform the collection of malodorous waste gas from the hydrogen peroxide sewage treatment station and VOC waste gas from the intermediate tank farm; Zhejiang Shuangtu New Materials Co., Ltd. invested approximately RMB 21 million to renovate the boiler flue gas denitrification and dust removal facilities, as well as the environmental waste gas of the Spinning Workshop B, reducing the emission of waste gas; Suqian Yida New Materials Co., Ltd. invested nearly RMB 5 million to renovate the staple fiber VOCs waste gas facilities, adopting VOC absorption coupling and whitening integrated equipment to absorb VOC while reducing water vapor emissions; Zhejiang Hengyi Petrochemical Co., Ltd. invested approximately RMB 500,000 in the renovation of the oil fume purifier pipeline; Zhejiang Hengyi High-Tech Materials Co., Ltd. invested approximately RMB 16 million to renovate the boiler flue gas denitrification and dust removal facilities; Zhejiang Hengyi Polymer Co., Ltd. invested approximately RMB 200,000 to renovate the zero-direct discharge of sewage and polyester process waste gas, reducing the emissions of waste gas and VOCs.

#### **Measures taken to reduce carbon emissions during the reporting period and their effects**

The quality of coal was improved to make chemical raw materials lighter; a series of measures such as renovation of energy-saving lamps, combined use of air compressors and renewal of equipment to reduce the electricity consumption. Solar thermal power was used for power generation by establishing a pilot base for solar thermal power generation and PV power generation on the roof of the Company's factory. Employees were encouraged to use new energy vehicles and new energy non-road mobile machinery and equipment were additionally arranged in the factory. Employees were trained with knowledge of ecological civilization, to make them to practice the green low-carbon concept in life and production, thematic publicity activities such as All Staff Environment Day and Low Carbon Day were carried out to make employees know more about green low-carbon.



**Administrative punishment for environmental issues during the reporting period**

Name of Company or subsidiary	Reasons for punishment	Violations	Penalty results	Impacts on the production and operation of listed companies	Rectification measures of the Company
Shuangtu New Materials	Spinning Workshop B was not sealed during production, and all 8 production lines in the winding process were equipped with suction ducts. The induced draft fan absorbed some of the process waste gas generated during production, and the waste gas was directly discharged into the external environment through the curved exhaust outlet on the roof without treatment.	Article 45 of the <i>Air Pollution Prevention and Control Law</i> was violated	F i n e R M B 20,000	No impacts on the production and operation of the Company	After receiving the notice of administrative penalty, the Company immediately arranged for the environmental protection company to carry out rectification, installing oil fume purifiers, treating the waste gas from the curved exhaust outlets on the roof, and strengthening the daily supervision to ensure the normal operation of the oil fume purifiers in environmental protection facilities.

**Other environmental information that shall be made public**

Environmental information that shall be made public had been disclosed as required.

**Other environmental protection information**

The Company and its subsidiaries attach great importance to eco-friendliness, 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.

**The Company shall comply with the disclosure requirements for petrochemical industry specified in *Guidelines No. 3 for Self-Regulation of Listed Companies of Shenzhen Stock Exchange - Industry Information Disclosure***

**Relevant situations of environmental accidents in listed companies**

Applicable  Not applicable

**II. Social responsibility**

Please see the Social Responsibility Report for details.

**The Company shall comply with the disclosure requirements for petrochemical industry specified in *Guidelines No. 3 for Self-Regulation of Listed Companies of Shenzhen Stock Exchange - Industry Information Disclosure***

During the reporting period, the Company strictly implemented the management requirements of the *Production Safety Law*, strengthened safety awareness, implemented safety responsibilities, striving to achieve the goal of zero accidents in production safety throughout the year.

First, the Company adhered to the work principle of "whoever is in charge shall be responsible", fully implemented the production safety responsibility system, signed the *Safety and Environmental Protection Production Objective Responsibility Letter*, achieved clear division of labor, clear

responsibilities, responsibility to each person, and work in place, forming a good situation of responsibility at all levels and implementation at all levels.

Second, the Company continued to promote the construction of safety standardization. The road transportation field of the Company maintained the first level of production safety standardization, the hazardous chemical production field maintained the second level of production safety standardization, and 80% of enterprises in the chemical fiber manufacturing field achieved the third level of production safety standardization. Other non-compliant enterprises have been making improvement gradually.

Third, the Company strengthened the supervision of safety inspection to carry out normal management of hidden dangers: The Company vigorously implemented the troubleshooting and rectification of hidden dangers, strengthened on-site supervision of key engineering projects and key hazard, resolutely put an end to all kinds of illegal operations, and focused on the safety inspection, special safety inspection and comprehensive safety inspection before seasonal and holiday days. The completion rate of hidden dangers rectification throughout the year reached 100%.

Fourth, the Company increased investment in and consolidate the foundation of safe production: During the reporting period, the Company promoted the development of science and technology, actively adopted new technologies, processes, and equipment, continuously improved production safety conditions, and invested a total of RMB 72.7476 million in safety costs.

Fifth, the Company focused on safety education and training to improve the safety awareness of all staff: During the reporting period, the Company conducted multiple safety training and emergency drills with different contents and themes, organized employees to conduct limited space emergency rescue drills and fire drills, and improved their ability to handle accidents in an emergency manner. For the principal, safe production management personnel, special operations and equipment operators, and other employees as well as contractors (subcontractors) and laborers, education and training activities on production safety were carried out for 47,725 person-times throughout the year, and the completion rate and pass rate reached 100%, covering all key points and all persons.

During the reporting period, the Company maintained safe production, and there were no major fires or personal injuries throughout the year.

### **III. Achievements in poverty alleviation consolidation and expansion and rural revitalization**

The Company actively responded to national policies, participated in targeted poverty alleviation activities through various ways, and made contributions to the best of its ability in various aspects. In order to promote east-west cooperation, effectively fulfill the corporate social responsibility, and provide more support for education, the Company signed a donation agreement with Hongsibao District, Wuzhong City, Ningxia in August 2020, to support the construction of Hongde Hope School in Hongsibao District, and has made the donation by installments according to the construction progress. Up to now, the Company has donated a total amount of RMB 27 million.

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 local role as a local enterprise, feedback the society in time, and build a harmonious development atmosphere.

## Section VI Important Matters

### I. 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 item	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	He 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.
	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on horizontal competition	Promise not to compete with the Company in the same industry.	April 29, 2010	Long-term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.
	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on related-party transactions	Commit to regulate related-party transactions with the Company.	April 29, 2010	Long-term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.

Commitment item	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on the use of funds	He commits not to take up the Company's funds.	April 29, 2010	Long-term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.
	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 in cash and full amount timely.	April 29, 2010	Long-term effective	The commitment remains valid and is still in the process of fulfillment. Up to now, Hengyi Group did not go against this commitment.
Other commitments made to the Company's minority shareholders	Hainan Hengshengyuan International Tourism Development Co., Ltd.	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 general meeting of shareholders; Besides, Shanghai Hengyi Polyester Fiber Co., Ltd. split and disposes of its existing assets to completely solve this potential horizontal competition problem.	March 21, 2016	Long-term effective	Up to now, Hainan Hengshengyuan International Tourism Development Co., Ltd. has not violated this commitment.
Whether the promise is fulfilled on time				Yes		

Commitment item	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
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				Not applicable		

**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**

Applicable  Not applicable

**II. 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.

**III. External Guarantees Against the Rules and Regulations**

There was no external guarantee provided by the Company which was against rules and regulations during the reporting period.

**IV. Explanation of the BOD on the latest "Non-standard Audit Report "**

Applicable  Not applicable

**V. Description of the BOD, the BOS, and the independent directors (if any) on the "Non-standard Audit Report" for the current reporting period issued by the accounting firm**

Applicable  Not applicable

**VI. Description of changes in accounting policies, accounting estimates or corrections of material accounting errors compared to the financial report of the previous year**

On December 30, 2021, the Ministry of Finance issued *Interpretation No. 15 of the Accounting Standards for Business Enterprises*, which stipulates the accounting treatment for the sale of products or by-products produced by enterprises before the fixed assets reach the intended usable state or during the R&D process, the presentation of centralized fund management, and the judgment on loss contracts. The Company held the seventeenth meeting of the eleventh session of the BOD and the twelfth meeting of the eleventh of the BOS on April 25, 2022, and respectively reviewed and approved the *Proposal on Changes in Accounting Policies*. From January 1, 2022, the aforementioned



interpretation was implemented and relevant accounting policies were changed accordingly.

The impact of changes in accounting policies on the financial situation at the end of the previous year, as well as the operating results and cash flows of the previous period:

Financial statements	Report item	Consolidated statements at the end of the previous year/before changes in previous period	Consolidated statements at the end of the previous year/after changes in previous period
Balance Sheet	Inventory	12,100,381,644.06	12,145,955,534.77
Balance sheet	Other current assets	1,640,351,289.45	1,594,777,398.74
Balance sheet	Fixed assets	46,117,918,498.81	46,102,729,538.71
Balance sheet	Construction in progress	3,896,282,585.50	3,875,588,007.79
Balance sheet	Deferred income tax assets	123,507,368.56	124,539,796.63
Balance sheet	Capital reserve	9,165,586,160.07	9,161,888,666.10
Balance sheet	Undistributed profit	13,623,601,273.27	13,593,886,419.08
Balance sheet	Minority stockholders' equity	7,043,319,140.59	7,041,880,379.01
Income statement	Operating income	128,979,539,693.27	129,666,931,795.26
Income statement	Operating cost	121,608,031,299.09	122,327,177,226.63
Income statement	Assets impairment loss	-146,977,289.85	-151,107,002.11
Income statement	Income tax expenses	344,590,446.03	343,558,017.96
Statement of cash flow	Cash received from the sales of goods and the rendering of labor services	135,429,689,619.36	136,206,442,694.61
Statement of cash flow	Cash payments for goods purchased and labor services received	124,636,768,649.57	125,447,872,104.98
Statement of cash flow	Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	6,007,146,711.00	5,972,796,330.84

## VII. Description of changes in the scope of the consolidated financial statements compared to the financial report of the previous year

A total of 48 subsidiaries were included in the scope of consolidation in FY2022. For details, please refer to Note VIII "Equity in Other Entities" in "Section X, Financial Report". Compared with the previous year, 5 subsidiaries were included in and 1 excluded from the Company's consolidation scope in this fiscal year. For details, please refer to Note VII "Changes in the Scope of Consolidation" in "Section X, Financial Report".

## VIII. Appointment and dismissal of the accounting firms

Currently employed accounting firm

Name of the domestic accounting firm	Zhongxinghua Certified Public Accountants LLP
Remuneration of domestic accounting firms (RMB 10,000)	325
Consecutive years of audit services of domestic accounting firms	4
Name of CPA in domestic accounting firms	Liu Hongyue, Wang Guohai
Consecutive years of audit services provided by the domestic accounting firm's CPAs	4
Name of overseas accounting firms (if any)	None
Remuneration of overseas accounting firms (RMB 10,000) (if any)	0
Consecutive years of audit services of overseas accounting firms (if any)	None
Name of the certified public accountant of the overseas accounting firms (if any) (if any)	None
Consecutive years of CPA audit services of overseas accounting firms (if any)	None

**Whether to reappoint an accounting firm in current period**

Yes No

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

During the reporting period, the Company hired Zhongxinghua Certified Public Accountants LLP as the internal control audit agency, with an internal control audit fee of RMB 550,000, and the fees paid during the reporting period were RMB 3.8 million.

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 a service fee of RMB 14.6 million during the reporting period.

**IX. Delisting after the disclosure of annual report**

Applicable Not applicable

**X. Matters Related to bankruptcy and reorganization**

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

**XI. Major litigations and arbitrations**

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

**XII. Penalties and rectifications**

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

**XIII. Integrity of the Company and its controlling shareholders and the actual controller**

Applicable Not applicable

#### XIV. Significant related-party transactions

##### 1. Related-party transactions related to daily operations

Related party	Related party relations	Type of related-party transactions	Contents of related-party transactions	Pricing principle for related-party transactions	Price of related-party transactions	Amount of related-party transactions (RMB 10,000)	Proportions in the amount of similar transactions (%)	Approved transaction limit (RMB 10,000)	Whether it exceeds the approved quota	Settlement method of related-party transactions	Available market prices for similar transactions
Yisheng Dahua	Associated enterprises	Procurement of goods	PTA	Market price	Market price	269,090	8.01%	311,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PIA	Market price	Market price	3,910	22.65%	16,000	No	Bill/cash	Market price
	Associated enterprises	Procurement of goods	PET bottle flakes	Market price	Market price	0	0.00%	2,000	No	Bill/cash	Market price
Hainan Yisheng	Associated enterprises	Procurement of goods	PTA	Market price	Market price	1,600	0.05%	20,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PX	Market price	Market price	226,499	50.37%	250,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PIA	Market price	Market price	11,588	67.15%	32,000	No	Bill/cash	Market price
	Associated enterprises	Provision of labor services	Transportation of goods	Market price	Market price	620	1.44%	1,000	No	Bill/cash	Market price
Yisheng New Materials	Associated enterprises	Procurement of goods	PTA	Market price	Market price	1,576,785	46.92%	1,620,000	No	Bill/cash	Market price

	Associated enterprises	Sales of goods	Acetic acid	Market price	Market price	49,124	100.00%	55,670	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PX	Market price	Market price	226,424	50.36%	437,000	No	Bill/cash	Market price
	Associated enterprises	Provision of labor services	Transportation of goods	Market price	Market price	6,239	14.48%	9,500	No	Bill/cash	Market price
Hengyi Caprolactam	JV	Procurement of goods	Steam	Market price	Market price	16,885	100.00%	18,000	No	Bill/cash	Market price
	JV	Procurement of goods	Electricity	Market price	Market price	32,543	100.00%	33,800	No	Bill/cash	Market price
	JV	Sales of goods	Power and energy-related products	Market price	Market price	131,889	70.09%	141,400	No	Bill/cash	Market price
	JV	Sales of goods	Benzene	Market price	Market price	51,925	27.73%	102,000	No	Bill/cash	Market price
	JV	Provision of labor services	Transportation of goods	Market price	Market price	566	1.31%	1,000	No	Bill/cash	Market price
	JV	Provision of labor services	Engineering management	Market price	Market price	2,429	42.46%	4,600	No	Bill/cash	Market price
Hengyi Polyamide	A holding subsidiary of the ultimate parent company	Sales of goods	PTA	Market price	Market price	259	0.01%	520	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	704	1.63%	900	No	Bill/cash	Market price

	A holding subsidiary of the ultimate parent company	Sales of goods	Auxiliary materials	Market price	Market price	1,032	15.33%	5,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Procurement of goods	Polyamide flake	Market price	Market price	2,457	0.46%	2,520	No	Bill/cash	Market price
Shaoxing Hengming	A holding subsidiary of the ultimate parent company	Procurement of goods	Polyester products	Market price	Market price	694,707	13.81%	900,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Procurement of goods	Packing materials	Market price	Market price	3,141	40.16%	4,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	Packing materials	Market price	Market price	3,229	39.67%	5,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	Auxiliary materials	Market price	Market price	3,018	44.81%	2,000	Yes	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	Energy-related products	Market price	Market price	33,923	18.03%	45,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	6,251	14.51%	8,200	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Provision of labor services	Engineering management	Market price	Market price	3,091	54.02%	600	Yes	Bill/cash	Market price
Hangzhou Yichen	A holding subsidiary of the ultimate parent company	Procurement of goods	Polyamide flake	Market price	Market price	992	0.18%	2,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	PTA	Market price	Market price	371	0.01%	520	No	Bill/cash	Market price

	A holding subsidiary of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	2,106	4.89%	2,300	No	Bill/cash	Market price
Hengqi Environmental Protection	A holding subsidiary of the ultimate parent company	Sales of goods	Power and energy-related products	Market price	Market price	111	0.06%	1,300	No	Bill/cash	Market price
Total				--	--	3,363,508	--	4,034,830	--	--	--
Disclosure date				January 22, 2022, April 26, 2022, October 28, 2022, and December 7 2022							
Disclosure index				CNINFO: <i>Announcement on the Estimated Amount of Daily Related-party Transactions for the Year 2022</i> (Announcement No.: 2022-009), <i>Announcement on Adding Daily Related-party Transactions for the Year 2022</i> (Announcement No.: 2022-037), <i>Announcement on Adding Daily Related-party Transactions for the Year 2022</i> (Announcement No.: 2022-111), <i>Announcement on Increasing the Expected Amount of Daily Related-party Transactions for the Year 2022 and Adjusting the Implementation Entities of related-party transactions</i> (Announcement No.: 2022-133)							
Details of returns of large sales				None							
Actual performance during the reporting period, if the total amount of the daily related-party transactions that are expected to take place in current period is forecasted by category (if any)				The above-mentioned related-party 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-party 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

Related Party	Related party relations	Type of related-party transactions	Contents of related-party transactions	Pricing principle for related-party transactions	Book value of transferred assets (RMB 10,000)	Assessed value of transferred assets (RMB 10,000)	Transfer price (RMB 10,000)	Settlement method of related-party transactions	Profit and loss of transactions (RMB 10,000)	Disclosure date	Disclosure index
Hengyi Group	The parent company of the Company	Transfer of assets	Sell 50% equity of Hengqi Environmental Protection	Market value	298.67	/	300.00	Cash	1.33		
Reasons for significant differences between the transfer price and the book value or assessed value (if any)				Market value							
Impacts on the operating results and financial conditions of the Company				Not applicable							
Achievements of performance during the reporting period in case the relevant transaction involves performance agreements				Not applicable							

## 3. Related-party transactions for joint overseas 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 (RMB 10,000)	Total assets of the invested company (RMB 10,000)	Net assets of the invested company (RMB 10,000)	Net profit of the invested company (RMB 10,000)
Yisheng Investment	Mr. Fang Xianshui, VP of the Company, also serves as President of Hainan Yisheng	Hainan Yisheng	Production and sales of PTA, PET bottle flakes and other chemical products	458,000	1,234,567.09	642,597.75	104,001.29
Ningbo Zhongjin	Mr. Fang Xianshui, Vice President of the Company, also serves as director of Yisheng New Materials	Yisheng New Materials	Production of chemical raw materials and chemical products	300,000	1,228,897.79	286,002.94	-25,199.76
Progress in major ongoing projects of the investee (if any)					None		

## 4. Related credit and debt transactions

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

## 5. Transactions with related finance companies

The Company had no transactions regarding deposits, loans, credits or other financial businesses with the related finance companies and related parties.



## **6. Transactions between finance companies controlled by the Company and related parties**

The finance companies controlled by the Company had no transactions regarding deposits, loans, credits or other financial businesses with the related parties.

## **7. Other major related-party transactions**

The Company had no other major related-party transactions during the reporting period.

## **XV. 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) Leasing situation**

During the reporting period, there was no leasing situation.

## 2. Major guarantees

Currency unit: RMB 10,000

The Company and its subsidiaries' external guarantees (excluding guarantees to subsidiaries)								
Name of the guaranteed object	Date of disclosure of announcement on guaranteed quota	Guaranteed limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hainan Yisheng	January 22, 2022	70,000	February 23, 2022	35,114.17	General guaranty	July 5, 2022 to April 24, 2023	No	Yes
Total amount of external guarantees approved during the reporting period (A1)		70,000		Total amount of external guarantees actually incurred during the reporting period (A2)		35,114.17		
Total amount of external guarantees approved at the end of the reporting period (A3)		70,000		Total balance of actual external guarantees at the end of the reporting period (A4)		35,114.17		
The Company's guarantees for subsidiaries								
Name of the guaranteed object	Date of disclosure of announcement on guaranteed quota	Guaranteed 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, 2021	60,255	April 21, 2021	60,255	General guaranty	April 21, 2021 to November 29, 2022	Yes	Yes
	January 22, 2022	30,222.43	January 27, 2022	30,222.43	General	January 27, 2022 to	Yes	Yes

					guaranty	November 18, 2022		
	January 22, 2022	71,700	March 28, 2022	71,700	General guaranty	March 28, 2022 to November 121, 2023	No	Yes
	January 22, 2022	1,015.44	November 25, 2022	1,015.44	General guaranty	November 25, 2022 to February 23, 2023	No	Yes
	January 22, 2022	25,119	March 25, 2022	25,119	General guaranty	March 25, 2022 to May 25, 2023	No	Yes
	January 22, 2022	101,245	February 14, 2022	101,245	General guaranty	February 14, 2022 to September 7, 2023	No	Yes
	January 22, 2021	20,000	January 14, 2022	20,000	General guaranty	January 14, 2022 to January 28, 2023	No	Yes
	January 16, 2020	25,809.80	July 24, 2020	25,809.80	General guaranty	July 24, 2020 to March 31, 2024	No	Yes
	January 16, 2020	4,444.86	May 31, 2020	4,444.86	General guaranty	May 31, 2020 to May 31, 2023	No	Yes
Hengyi High-Tech	January 16, 2020	3,000	May 29, 2020	3,000	General guaranty	May 29, 2020 to May 25, 2022	Yes	Yes
	January 16, 2020	20,000	January 12, 2021	20,000	General guaranty	January 12, 2021 to January 14, 2022	Yes	Yes
	January 22, 2021	50,780	April 1, 2021	50,780	General guaranty	April 1, 2021 to August 3, 2022	Yes	Yes
	January 22, 2022	4,500	March 31, 2022	4,500	General guaranty	March 31, 2022 to October 14, 2022	Yes	Yes

	January 16, 2020	14,000	May 29, 2020	14,000	General guaranty	May 29, 2020 to May 25, 2023	No	Yes
	January 22, 2022	52,280	March 21, 2022	52,280	General guaranty	March 21, 2022 to August 5, 2023	No	Yes
	January 22, 2022	41,869	March 25, 2022	41,869	General guaranty	March 25, 2022 to May 10, 2023	No	Yes
	January 22, 2022	108,370.45	June 28, 2022	108,370.45	General guaranty	June 28, 2022 to December 6, 2023	No	Yes
Hengyi Polymer	January 22, 2021	35,300	March 9, 2021	21,180	General guaranty	March 9, 2021 to December 30, 2022	Yes	Yes
	January 22, 2022	3,000	February 1, 2022	1,800	General guaranty	February 1, 2022 to January 28, 2023	Yes	Yes
	January 22, 2022	37,650	March 10, 2022	22,590	General guaranty	March 10, 2022 to December 16, 2023	No	Yes
	January 22, 2022	12,595	July 21, 2022	7,557	General guaranty	July 21 2022 to April 28, 2023	No	Yes
	January 22, 2022	30,600	May 26, 2022	18,360	General guaranty	May 26, 2022 to October 8, 2023	No	Yes
	January 22, 2022	7,000	July 22, 2022	4,200	General guaranty	July 22, 2022 to July 22, 2023	No	Yes
Zhejiang Yisheng	January 16, 2020	23,290	September 3, 2020	16,303	General guaranty	September 3, 2020 to May 3, 2022	Yes	Yes

	January 16, 2020	10,000	January 1, 2021	7,000	General guaranty	January 1, 2021 to September 1, 2022	Yes	Yes
	January 22, 2021	52,189.24	March 12, 2021	36,532.47	General guaranty	March 12, 2021 to June 13, 2022	Yes	Yes
	January 22, 2022	193,779.73	March 11, 2022	135,645.81	General guaranty	March 11, 2022 to April 20, 2023	Yes	Yes
	January 22, 2022	114,080	March 22, 2022	79,856	General guaranty	March 22, 2022 to March 20, 2024	No	Yes
	January 22, 2021	20,000	January 19, 2022	14,000	General guaranty	January 19, 2022 to January 19, 2023	No	Yes
	January 22, 2022	320	July 6, 2022	224	General guaranty	July 6, 2022 to January 6, 2023	No	Yes
	January 22, 2022	39,897.49	May 5, 2022	27,928.24	General guaranty	May 5, 2022 to May 6, 2023	No	Yes
Taicang Yifeng	January 22, 2021	8,000	July 22, 2021	8,000	General guaranty	July 22, 2021 to July 23, 2022	Yes	Yes
	January 22, 2021	1,500	January 17, 2022	1,500	General guaranty	January 17, 2022 to January 16, 2023	No	Yes
	January 22, 2022	18,000	February 16, 2022	18,000	General guaranty	February 16, 2022 to July 25, 2023	No	Yes
	January 22, 2022	5,000	February 9, 2022	5,000	General guaranty	February 9, 2022 to February 9, 2023	No	Yes

Suqian Yida	January 22, 2021	2,000	June 28, 2021	2,000	General guaranty	June 28, 2021 to June 26, 2022	Yes	Yes
	January 22, 2022	5,000	June 24, 2022	5,000	General guaranty	June 24, 2022 to July 27, 2023	No	Yes
	January 22, 2022	5,000	November 29, 2022	5,000	General guaranty	November 29, 2022 to November 29, 2023	No	Yes
	January 22, 2022	10,000	January 26, 2022	10,000	General guaranty	January 26, 2022 to July 24, 2023	No	Yes
Jiaxing Yipeng	January 22, 2022	10,000	March 18, 2022	10,000	General guaranty	March 18, 2022 to September 16, 2022	Yes	Yes
	January 22, 2022	5,000	October 31, 2022	5,000	General guaranty	October 31, 2022 to October 30, 2023	No	Yes
	January 22, 2022	25,996	July 25, 2022	25,996	General guaranty	July 25, 2022 to April 25, 2023	No	Yes
	January 22, 2022	60,000	August 24, 2022	60,000	General guaranty	August 24, 2022 to November 17, 2023	No	Yes
Shuangtu New Materials	January 22, 2021	40,400	May 6, 2021	40,400	General guaranty	May 6, 2021 to July 26, 2022	Yes	Yes
	January 22, 2021	1,000	January 1, 2022	1,000	General guaranty	January 1, 2022 to December 30, 2022	Yes	Yes
	January 22, 2022	4,600	May 10, 2022	4,600	General guaranty	May 10, 2022 to May 9, 2023	Yes	Yes

	January 22, 2022	48,800	May 6, 2022	48,800	General guaranty	May 6, 2022 to July 25, 2023	No	Yes
	January 22, 2022	69,999.75	July 13, 2022	69,999.75	General guaranty	July 13, 2022 to June 26, 2023	No	Yes
	January 16, 2020	4,000	September 30, 2020	4,000	General guaranty	September 30, 2020 to September 20, 2023	No	Yes
Hangzhou Yijing	January 22, 2021	15,000	September 6, 2021	15,000	General guaranty	September 6, 2021 to September 6, 2022	Yes	Yes
	January 22, 2022	29,999.60	August 24, 2022	29,999.60	General guaranty	August 24, 2022 to December 5, 2023	No	Yes
	January 22, 2022	15,000	September 8, 2022	15,000	General guaranty	September 8, 2022 to September 8, 2023	No	Yes
	January 16, 2020	9,999	September 30, 2020	9,999	General guaranty	September 30, 2020 to September 20, 2025	No	Yes
Hong Kong Tianyi	January 22, 2021	14,991.95	October 12, 2021	14,991.95	General guaranty	October 12, 2021 to March 4, 2022	Yes	Yes
	January 22, 2022	43,397.81	January 24, 2022	43,397.81	General guaranty	January 24, 2022 to November 25, 2022	Yes	Yes
	January 22, 2022	1,503.06	November 2, 2022	1,503.06	General guaranty	November 2, 2022 to February 7, 2023	No	Yes
Haining Thermal	January 16, 2020	6,250	April 24, 2020	6,250	General guaranty	April 24, 2020 to December 10, 2022	Yes	Yes

Power	January 16, 2020	37,750	April 24, 2020	37,750	General guaranty	April 24, 2020 to December 10, 2029	No	Yes
Haining New Materials	January 22, 2021	15,000	November 15, 2021	15,000	General guaranty	November 15, 2021 to November 14, 2022	Yes	Yes
	January 22, 2021	750	January 4, 2022	750	General guaranty	January 4, 2022 to July 4, 2022	Yes	Yes
	January 22, 2021	14,250	January 4, 2022	14,250	General guaranty	January 4, 2022 to January 4, 2024	No	Yes
	January 22, 2022	750	October 21, 2022	750	General guaranty	October 21, 2022 to October 21, 2024	No	Yes
	January 22, 2022	24,000	September 27, 2022	24,000	General guaranty	September 27, 2022 to March 27, 2023	No	Yes
	January 22, 2021	120,804	April 20, 2021	120,804	General guaranty	April 20, 2021 to April 26, 2029	No	Yes
Fujian Yijin	January 22, 2021	49,900	March 22, 2021	44,910	General guaranty	March 22, 2021 to March 20, 2023	Yes	Yes
	January 16, 2020	4,210.25	May 26, 2020	3,789.23	General guaranty	May 26, 2020 to November 21, 2022	Yes	Yes
	January 16, 2020	43,906.89	May 26, 2020	39,516.20	General guaranty	May 26, 2020 to May 21, 2028	No	Yes
	January 22, 2022	3,000	July 15, 2022	2,700	General guaranty	July 15, 2022 to July 14, 2023	No	Yes



Hengyi Singapore	January 22, 2021	37,324.58	December 20, 2021	37,324.58	General guaranty	December 20, 2021 to June 17, 2022	Yes	Yes
	January 22, 2022	48,081.17	April 1, 2022	48,081.17	General guaranty	April 1, 2022 to December 23, 2022	Yes	Yes
	January 22, 2022	184,145.55	July 15, 2022	184,145.55	General guaranty	July 15, 2022 to April 24, 2025	No	Yes
Total amount of guarantees to subsidiaries approved during the reporting period (B1)		3,130,000		Total amount of guarantees to subsidiaries actually incurred during the reporting period (B2)		1,402,955.31		
Total amount of guarantees to subsidiaries approved at the end of the reporting period (B3)		3,130,000		Total balance of guarantees to subsidiaries actually incurred at the end of the reporting period (B4)		1,379,281.95		
Subsidiary guarantees for subsidiaries								
Name of the guaranteed object	Date of disclosure of announcement on guaranteed quota	Guaranteed limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hengyi High-Tech	January 22, 2021	20,928.25	August 12, 2021	14,649.78	General guaranty	August 12, 2021 to December 3, 2022	Yes	Yes
	January 22, 2022	22,192.22	January 26, 2022	15,534.55	General guaranty	January 26, 2022 to December 23, 2022	Yes	Yes
	January 22, 2021	15,000	February 4, 2021	15,000	General guaranty	February 4, 2021 to December 2, 2022	Yes	Yes

	January 22, 2021	10,000	January 1, 2022	10,000	General guaranty	January 1, 2022 to December 27, 2022	Yes	Yes
	January 22, 2022	10,000	March 14, 2022	10,000	General guaranty	March 14, 2022 to April 14, 2023	No	Yes
	January 22, 2022	5,500	August 1, 2022	5,500	General guaranty	August 1, 2022 to February 1, 2023	No	Yes
	January 22, 2022	17,500	March 7, 2022	17,500	General guaranty	March 7, 2022 to May 18, 2023	No	Yes
	January 22, 2022	36,615	July 15, 2022	25,630.50	General guaranty	July 15, 2022 to December 2, 2023	No	Yes
Hengyi Limited	January 22, 2021	33,319.80	August 25, 2021	23,323.86	General guaranty	August 25, 2021 to December 15, 2022	Yes	Yes
	January 22, 2022	26,260	February 22, 2022	18,382	General guaranty	February 22, 2022 to December 26, 2022	Yes	Yes
	January 22, 2022	8,063.62	February 7, 2022	5,644.53	General guaranty	February 7, 2022 to June 2, 2022	Yes	Yes
	January 22, 2021	9,600	November 17, 2021	6,720	General guaranty	November 17, 2021 to November 13, 2023	No	Yes
	January 22, 2022	27,620	July 20, 2022	19,334	General guaranty	July 20, 2022 to February 17, 2023	No	Yes
	January 22, 2022	3,539.83	November 28, 2022	2,477.88	General guaranty	November 28, 2022 to February 24, 2023	No	Yes

Zhejiang Yisheng	January 22, 2021	80,578.40	February 5, 2021	80,578.40	General guaranty	February 5, 2021 to August 6, 2022	Yes	Yes
	January 22, 2022	117,813.93	February 22, 2022	117,813.93	General guaranty	February 22, 2022 to February 24, 2023	Yes	Yes
	January 22, 2022	40,309.46	June 27, 2022	40,309.46	General guaranty	June 27, 2022 to September 27, 2023	No	Yes
	January 22, 2022	83,531	February 25, 2022	83,531	General guaranty	February 25, 2022 to February 22, 2026	No	Yes
	January 22, 2022	1,380	August 5, 2022	1,380	General guaranty	August 5, 2022 to February 5, 2023	No	Yes
	January 22, 2022	37,000	September 14, 2022	37,000	General guaranty	September 14, 2022 to May 29, 2023	No	Yes
Haining New Materials	January 23, 2019	3,184.02	September 15, 2019	3,184.02	General guaranty	September 15, 2019 to June 23, 2022	Yes	Yes
	January 16, 2020	2,018.42	March 29, 2020	2,018.42	General guaranty	March 29, 2020 to May 11, 2022	Yes	Yes
	January 23, 2019	43,795.21	September 15, 2019	43,795.21	General guaranty	September 15, 2019 to December 23, 2029	No	Yes
	January 16, 2020	30,276.28	March 29, 2020	30,276.28	General guaranty	March 29, 2020 to May 11, 2030	No	Yes
Hong Kong Tianyi	January 22, 2021	32,768.24	June 23, 2021	32,768.24	General guaranty	June 23, 2021 to June 21, 2022	Yes	Yes

	January 22, 2022	9,502.85	April 11, 2022	9,502.85	General guaranty	April 11, 2022 to August 23, 2022	Yes	Yes
	January 22, 2021	19,291.94	January 21, 2022	19,291.94	General guaranty	January 21, 2022 to January 19, 2023	No	Yes
	January 22, 2022	55,605.65	January 27, 2022	55,605.65	General guaranty	January 27, 2022 to June 26, 2023	No	Yes
Hengyi Brunei	January 22, 2021	69,646	January 5, 2022	69,646	General guaranty	January 5, 2022 to July 5, 2022	Yes	Yes
	January 22, 2022	64,608.18	July 7, 2022	64,608.18	General guaranty	July 7, 2022 to January 3, 2023	Yes	Yes
	January 22, 2021	186,101.34	October 20, 2021	186,101.34	General guaranty	October 20, 2021 to March 30, 2022	Yes	Yes
	January 22, 2021	687.54	January 11, 2022	687.54	General guaranty	January 11, 2022 to April 11, 2022	Yes	Yes
	January 22, 2022	356,130.73	January 25, 2022	356,130.73	General guaranty	January 25, 2022 to December 14, 2022	Yes	Yes
	January 22, 2022	69,646	December 12, 2022	69,646	General guaranty	December 12, 2022 to June 12, 2023	No	Yes
	January 22, 2022	341,201.20	May 27, 2022	341,201.20	General guaranty	May 27, 2022 to May 26, 2027	No	Yes
Hengyi Polymer	January 22, 2021	20,790	July 28, 2021	12,474	General guaranty	July 28, 2021 to September 2, 2022	Yes	Yes

	January 22, 2022	31,951.59	January 25, 2022	19,170.95	General guaranty	January 25, 2022 to August 17, 2022	Yes	Yes
	January 22, 2022	33,370	July 14, 2022	20,022	General guaranty	July 14, 2022 to April 26, 2023	No	Yes
Hong Kong Yisheng	January 22, 2021	13,422.80	August 24, 2021	13,422.80	General guaranty	August 24, 2021 to September 5, 2022	Yes	Yes
Total amount of guarantees to subsidiaries approved during the reporting period (C1)		1,395,000		Total amount of guarantees to subsidiaries actually incurred during the reporting period (C2)		1,435,550.90		
Total amount of guarantees to subsidiaries approved at the end of the reporting period (C3)		1,395,000		Total balance of guarantees to subsidiaries actually incurred at the end of the reporting period (C4)		829,221.12		
Total amount of company guarantees (i.e., the total of the first three items)								
Total amount of guarantees approved during the reporting period (A1+B1+C1)		4,595,000		Total amount of guarantees actually incurred during the reporting period (A2+B2+C2)		2,873,620.39		
Total amount of guarantees approved at the end of the reporting period (A3+B3+C3)		4,595,000		Total balance of guarantees actually incurred at the end of the reporting period (A4+B4+C4)		2,243,617.24		
Proportion of the actual total amount of guarantee (A4+B4+C4) to the Company's net assets				88.17%				
Wherein:								
Balance of guarantees provided for shareholders, actual controllers and their				35,114.17				

related parties (D)	
Balance of debt guarantees provided directly or indirectly for the guaranteed object whose asset-liability ratio exceeds 70% (E)	0
Total amount of the total guarantee exceeding 50% of the net assets (F)	0
Total amount of the above three guarantees (D+E+F)	35,114.17
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
Description of external guarantees against the rules and regulations (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 USD 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.* on the website of CNINFO on November 18, 2017 for details (Announcement No.: 2017-136).

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

Currency unit: RMB 10,000

Type	Source of funds	Amount	Outstanding balance	Overdue amount	Provision for impairment of overdue wealth management
Bank WMPs	Self-owned capital	19,023.76	0	0	0
Total		19,023.76	0	0	0

High-risk entrusted wealth management with significant individual amounts or low security or low liquidity

Applicable  Not applicable

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

Applicable  Not applicable

**(2) Entrusted loans**

Overview of entrusted loans during the reporting period

Currency unit: RMB 10,000

Total amount	Sources of funds	Outstanding balance	Overdue amount
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206,600	Self-owned capital	98,800	0
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**High-risk entrusted loans with significant individual amounts or low security or low liquidity**

Currency unit: RMB 10,000

Loan object	Loan object type	Loan interest rate	Loan amount	Sources of funds	Start date	End date	Expected return (if any)	Actual profit and loss during the reporting period	Actual recovery of profits and losses during the reporting period	Amount of provision for impairment reserves (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)
Yisheng New Materials	Associated company	4.785%	107,800	Self-owned capital	January 5, 2021	December 20, 2022	2,374.74	2,374.74	2,374.74	0	Yes	Yes	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1211403679&amp;announcementTime=2021-10-28">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1211403679&amp;announcementTime=2021-10-28</a>
Yisheng New Materials	Associated company	4.785%	98,800	Self-owned capital	January 14, 2022	December 21, 2023	2,490.76	2,490.76	2,490.76	0	Yes	Yes	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1214941035&amp;announcementTime=2022-10-28">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1214941035&amp;announcementTime=2022-10-28</a>
Total			206,600	--	--	--	4,865.50	4,865.50	--	0	--	--	--

**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. Other major contracts

There were no other major contracts during the reporting period.

**XVI. Description of other important matters**

During the reporting period, the Company has disclosed the major issues on the website of CNINFO in accordance with the *Securities Law* and the *Administrative Measures for Information Disclosure of Listed Companies*, the details are as follows:

SN	Date of announcement	Title of announcement
1	March 8, 2022	Announcement on the Approval of the Application for Public Issuance of Convertible Corporate Bonds by the Issuance and Examination Committee of the China Securities Regulatory Commission (Announcement No.: 2022-025)
2	March 26, 2022	Announcement on the Approval of the Application for Public Issuance of Convertible Corporate Bonds by the Issuance and Examination Committee of the China Securities Regulatory Commission (Announcement No.: 2022-027)
3	July 19, 2022	Announcement on the Public Issuance of Convertible Corporate Bonds by Hengyi Petrochemical Co., Ltd. (Announcement No.: 2022-064)
4	July 22, 2022	Announcement on the Repurchase of Company Shares (Phase II) with a Ratio of 1% and the Progress of Repurchase (Announcement No.: 2022-072)
5	October 26, 2022	Announcement on Completion of Share Repurchase and Change of Shares (Announcement No.: 2022-107)
6	October 28, 2022	Announcement on Share Repurchase Program (Phase III) by way of Centralized Bidding (Announcement No.: 2022-113)
7	December 30, 2022	Announcement on the Repurchase of Company Shares (Phase III) with a Ratio of 1% (Announcement No.: 2022-141)

**XVII. Important matters of subsidiaries of the company**

SN	Date of announcement	Title of announcement	Index
1	January 22, 2022	Announcement on the Subsidiary's Investment and Construction of 1.2 mtpa Caprolactam-Polyamide Industry Integration and Supporting Project (Announcement No.: 2022-016)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1212243026&amp;announcementTime=2022-01-22">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1212243026&amp;announcementTime=2022-01-22</a>

2	October 28, 2022	Announcement on the Production of a 100,000 tpa New Green and Environmentally-friendly Polyester Renovation Project (Announcement No.: 2022-114)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1214941032&amp;announcementTime=2022-10-28">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1214941032&amp;announcementTime=2022-10-28</a>
3	December 7, 2022	Announcement on the Production of CTG Upgrading and Technical Reform of By-product Synthetic Ammonia Joint Plant Technical Renovation Project (Announcement No.: 2022-137)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1215290156&amp;announcementTime=2022-12-07">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1215290156&amp;announcementTime=2022-12-07</a>

## Section VII Changes in Shares and Shareholders

### I. Changes in shares

#### 1. Changes in shares

Currency unit: Share

	Before the change		Increase or decrease in current period (+, -)					After the change	
	Quantity	Proportion (%)	Issue of new shares	Bonus shares	Capital reserve converted into share capital	Others	Subtotal	Quantity	Proportion (%)
I. Shares with Restrictions on Sales	278,085,426	7.58%				-258,914,001	-258,914,001	19,171,425	0.52%
1. State shares									
2. State-owned legal person shares									
3. Other domestic shares	278,085,426	7.58%				-258,914,001	-258,914,001	19,171,425	0.52%
Wherein: Domestic corporate shares	258,914,001	7.06%				-258,914,001	-258,914,001		
Domestic natural person shares	19,171,425	0.52%						19,171,425	0.52%

II. Shares without Restrictions on Sales	3,388,194,588	92.42%				258,914,793	258,914,793	3,647,109,381	99.48
1. Ordinary shares in RMB (A shares)	3,388,194,588	92.42%				258,914,793	258,914,793	3,647,109,381	99.48
2. Domestically listed foreign shares (B shares)									
3. Overseas listed foreign shares									
4. Others									
III. Total Number of Shares	3,666,280,014	100.00%				792	792	3,666,280,806	100.00%

**Reason for changes in shares**

(1) In January 2022, the Company issued shares to purchase assets and raised supporting funds, as well as related-party transactions. The issuance of shares to purchase assets and the addition of shares were lifted from restrictions on sale and listed for circulation. The number of shares lifted from restrictions on sales this time is 258,914,001.

(2) As of December 2022, the Company had a total of 89 "Hengyi Convertible Bonds" which was converted into 792 shares of "Hengyi Petrochemical".

**Approval of changes in shares**

(1) On November 27, 2018, the Company received the Official Reply on Approving Hengyi Petrochemical Co., Ltd. to Issue Shares to Zhejiang Hengyi Group Co., Ltd. etc. for Purchase of Assets and Fundraising (ZJXK[2018] No. 1937) issued by China Securities Regulatory Commission (CSRC).

(2) Upon approval by Shenzhen Stock Exchange ("approval document" SZS [2020] No. 1027), the Company's convertible corporate bonds amounting to RMB 2 billion were listed on Shenzhen Stock Exchange on November 16, 2020. The bond named "Hengyi Convertible Bonds" and the bond code is "127022".

**Transfer of changed shares**

(1) On January 12, 2022, the Company issued shares for the purpose of purchase of assets and fund raising and involved in related-party transaction to issue shares for purchase of assets and 258,914,001 shares were lifted from sales restrictions.

**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 one year and the reporting period**

The Company's share capital was 3,666,280,014 shares at the beginning of the reporting period and was 3,666,280,806 shares as at the end of the reporting period. The change in shares resided in the conversion of convertible corporate bonds into shares. In accordance with *Accounting Standards for Business Enterprises - Earnings Per Share*, the most recent share capital was recalculated on the basis of the adjusted number of shares, and therefore the basic earnings per share over the past period was

RMB -0.30/share and the diluted earnings per share after the change was RMB -0.30/share.

### Miscellaneous disclosures deemed necessary by the Company or required by regulatory authorities

Applicable  Not applicable

## 2. Changes in restricted shares

Currency unit: Share

Name of shareholders	Number of restricted shares at the beginning of period	Number of restricted shares increased during the period	Number of restricted shares released in current period	Number of restricted shares at the end of period	Reason for restrictions	Date of restriction release
Zhejiang Hengyi Group Co., Ltd.	193,792,724	0	193,792,724	0	Shares added through the issue of shares for purchase of assets and related-party transactions	January 12, 2022
Fulida Group Holdings Company	32,560,639	0	32,560,639	0		
Xinghui Chemical Fiber Group Co., Ltd.	32,560,638	0	32,560,638	0		
Total	258,914,001	0	258,914,001	0	--	--

## II. Securities issuance and listing

### 1. Securities issuance (excluding preference shares) in the reporting period

Currency unit: Share; RMB/piece; 10,000 pieces; RMB 100 million; currency: RMB

Names of shares and their derivative securities	Date of issuance	Issuance price (or interest rate)	Number of issued shares	Listing date	Number of shares approved in listed transactions	Date of transaction termination	Disclosure index	Disclosure date
Convertible corporate bonds, detachable convertible corporate bonds, and corporate bonds								
Hengyi Convertible Bond 2	July 21, 2022	Issued at par with face value	3,000	August 18, 2022	3,000	July 20, 2028	CNINFO: Listing Announcement	August 16, 2022

### Convertible corporate bonds:

(1) during the reporting period, the Company issued convertible corporate bonds "Hengyi Convertible Bond 2", raising a total of RMB 3 billion, with a value date of July 20, 2022. For details on the issuance of convertible corporate bonds by the Company, please refer to "Section VIII Convertible Corporate Bonds" of this report.

**2. Statement of changes in the Company's total number of shares and shareholder structure, changes in the Company's assets and debts**

During the reporting period, the Company's conversion of convertible corporate bonds into shares resulted in change in the total number of shares, which was 3,666,280,014 at the beginning of period and was 3,666,280,806 as at the disclosure date of the report.

**3. Existing employee stocks**

Applicable  Not applicable



### III. Shareholders and actual controller

#### 1. The number of shareholders and shareholding of the Company

Currency unit: Share

The total number of common shareholders at the end of period		59,442		The total number of shareholders as at March 31, 2023		56,179		
Shareholders holding over 5% of the Company's shares or top 10 shareholders								
Name of shareholders	Nature of shareholders	Shareholding ratio	Number of shares held at the end of the reporting period	Increase/decrease in the reporting period	Number of shares with restrictions held	Number of shares without restrictions held	Pledged or frozen	
							Status of shares	Quantity
Zhejiang Hengyi Group Co., Ltd.	Domestic non-state-owned legal person	40.61%	1,488,933,728	0	0	1,488,933,728	Pledged	967,234,523
Hangzhou Hengyi Investment Co., Ltd.	Domestic non-state-owned legal person	6.99%	256,338,027	0	0	256,338,027		
Gongqingcheng Shengbang Investment Management Co., Ltd. - Gongqingcheng Shengbang Kaimi Investment Partnership (limited partnership)	Others	2.68%	98,111,801	98,111,801	0	98,111,801		

Xinghui Chemical Fiber Group Co., Ltd.	Domestic non-state-owned legal person	2.66%	97,662,383	0	0	97,662,383		
Hong Kong Securities Clearing Company Limited (HKSCC)	Overseas legal person	2.18%	79,793,773	17,569,191	0	79,793,773		
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinyi Xincheng Assembled Funds Trust Program	Others	1.96%	72,030,334	-54,827,593	0	72,030,334		
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinxing Assembled Funds Trust Program	Others	1.47%	53,834,649	0	0	53,834,649		
Berseagold Asset Management Co., Ltd. - Berseagold Hui Xin No. 8 Private Securities Investment Fund	Others	1.36%	49,936,900	0	0	49,936,900		
Tibetan Trust Co., Ltd. - Tibetan Trust - Hong Jing No. 29 Assembled Funds Trust Program	Others	1.30%	47,841,104	0	0	47,841,104		
Fulida Group Holdings Company	Domestic non-state-owned legal person	1.05%	38,421,512	0	0	38,421,512	Frozen	38,421,512
Strategic investors or general legal persons ranked the top 10 shareholders due to placing (if any) (Please refer to Note 3)			None					
Statement of the connected relation or parties acting in concert among the above shareholders			Among the top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is a controlled subsidiary of Hengyi Group. It is unknown whether connected relation exists among other shareholders and it is unknown whether they are shareholders acting in concert either.					

Statement of the above shareholders involvement in entrustment /trustee voting and waiver of voting	None
Special statement of the existence of special account for repurchase among top 10 shareholders (if any) (Please refer to Note 10)	Among the top 10 shareholders, Hengyi Petrochemical Co., Ltd. held 152,305,981 Company shares through its special account for securities repurchase, representing 4.15% of the Company's total share capital and it is not included in the list of top 10 shareholders.

Continued

Top 10 shareholders holding of shares without restrictions		
Name of shareholders	Number of shares without restrictions held at the end of the reporting period	Stock class
Zhejiang Hengyi Group Co., Ltd.	1,488,933,728	Ordinary shares in RMB
Hangzhou Hengyi Investment Co., Ltd.	256,338,027	Ordinary shares in RMB
Gongqingcheng Shengbang Investment Management Co., Ltd. - Gongqingcheng Shengbang Kaimi Investment Partnership (limited partnership)	98,111,801	Ordinary shares in RMB
Xinghui Chemical Fiber Group Co., Ltd.	97,662,383	Ordinary shares in RMB
Hong Kong Securities Clearing Company Limited (HKSCC)	79,793,773	Ordinary shares in RMB
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinyi Xincheng Assembled Funds Trust Program	72,030,334	Ordinary shares in RMB
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinxing Assembled Funds Trust Program	53,834,649	Ordinary shares in RMB
Berseagold Asset Management Co., Ltd. - Berseagold Hui Xin No. 8 Private Securities Investment Fund	49,936,900	Ordinary shares in RMB
Tibetan Trust Co., Ltd. - Tibetan Trust - Hong Jing No. 29 Assembled Funds Trust Program	47,841,104	Ordinary shares in RMB
Fulida Group Holdings Company	38,421,512	Ordinary shares in RMB
Statement of connected relation or parties acting in connect among the top 10 shareholders of unrestricted tradable shares and between the top 10 shareholders of unrestricted tradable shares and top 10 shareholders	Among the top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is a controlled subsidiary of Hengyi Group. It is unknown whether connected relation exists among other shareholders and it is unknown whether they are shareholders acting in concert either.	
Statement of the top 10 common shareholders involvement in margin trading and securities lending business (if any) (Please refer to Note 4)	1. The shareholder Zhejiang Hengyi Group Co., Ltd. held 1,400,471,542 shares through general securities account and held 88,462,186 shares through CITIC Securities customer credit collateral securities trading account, both of which sum up to 1,488,933,728 shares.	

	<p>2. The shareholder Hangzhou Hengyi Investment Co., Ltd. held 0 shares through ordinary securities account and held 256,338,027 shares through Soochow Securities Co., Ltd. customer credit collateral securities trading account, both of which sum up to 256,338,027 shares.</p> <p>3. The shareholder Berseagold Asset Management Co., Ltd. - Berseagold Hui Xin No. 8 private securities investment fund held zero share through general securities account and held 49,936,900 shares through Guosen Securities Co., Ltd. customer credit collateral securities trading account, both of which sum up to 49,936,900 shares.</p>
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**Whether there are agreed repurchase securities transactions among the top 10 ordinary shareholders and top 10 ordinary shareholders of shares without restrictions?**

There are no agreed repurchase securities transactions among the top 10 ordinary shareholders and top 10 ordinary shareholders of shares without restrictions.

**2. The majority shareholder of the Company**

Nature of controlling shareholder: natural person holding

Type of controlling shareholder: legal person

Name of majority shareholder	Legal representative /head of company	Date of establishment	Organization code	Primary business
Hengyi Group	Qiu Jianlin	October 18, 1994	91330109143586141L	Industrial investment, production and marketing of textile materials and products
Holding of and involvement in other domestically and overseas listed equity by majority shareholders in the reporting period	As at the disclosure date hereof, Hengyi Group held 494,655,630 shares of China Zheshang Bank Co., Ltd. (Security code: 601916.SH, 02016.HK), accounting for 2.33% of its total share capital.			

**Change in majority shareholder in the reporting period**

There's no change in majority shareholder of the Company in the reporting period.

**3. The Company's actual controller and its persons acting in concert**

Nature of actual controller: domestic natural person

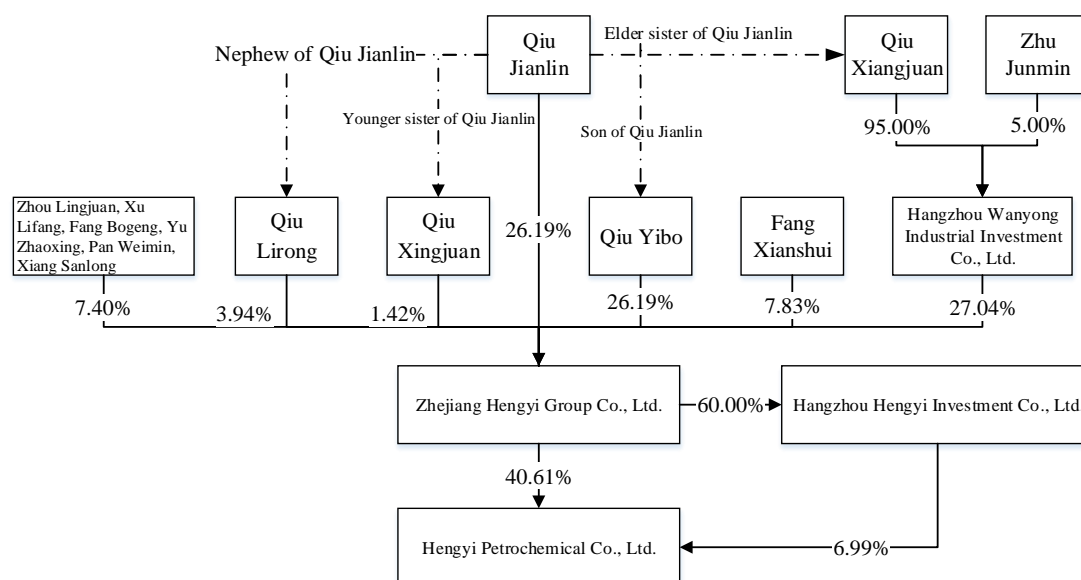
Type of actual controller: natural person

Name of actual controller	Relation with the actual controller	Nationality	Whether the right of residence in other countries or regions is acquired or not
Qiu Jianlin	Himself	China	No
Primary occupation and title	Since 1994, Mr. Qiu Jianlin has been serving as the President of Zhejiang Hengyi Group Co., Ltd. Currently, he holds social positions such as the Special Vice President of the China Textile Industry Federation and the Senior Vice President of the China Chemical Fibers Association.		
Domestically and overseas listed companies controlled over the past 10 years	As at the disclosure date hereof, Mr. Qiu Jianlin is the actual controller of Hengyi Group that directly holds 40.61% of the Company shares and holds 6.99% of the Company shares through Zhejiang Hengyi Investment Co., Ltd., a controlled subsidiary of Hengyi Group (Hengyi Group holds 60% of the shares of Zhejiang Hengyi Investment Co., Ltd.). Therefore, Mr. Qiu Jianlin is the actual controller of the Company.		

### Change in actual controller in the reporting period

There's no change in actual controller of the Company in the reporting period.

### Block diagram of equity and control relationship between the Company and the actual controller



Note: As at the disclosure date hereof, Qiu Jianlin holds 26.19% of the equity of Hengyi Group and actually controls 84.77% of the equity of Hengyi Group through acting in concert with his family members (Qiu Jianlin signed the *Acting-in-Concert Agreement* with Hangzhou Wanyong Industrial Investment Co., Ltd., Qiu Xiangjuan, Qiu Yibo, Qiu Lirong and Qiu Xingjuan on February 8, 2018. The agreement has maintained effective and under the agreement, Wanyong Industrial Investment Co., Ltd. controlled by Qiu Xiangjuan, Qiu Yibo, Qiu Lirong and Qiu Xingjuan are persons acting in

concert with Qiu Jianlin. The four shareholders hold 27.04%, 26.19%, 3.94% and 1.42% of Hengyi Group equity respectively). Hengyi Group owns a direct 40.61% stake of Hengyi Petrochemical and owns a 6.99% stake of Hengyi Petrochemical through its controlled subsidiary - Hengyi Investment Co., Ltd., both of which sum up to a 47.60% stake of Hengyi Petrochemical. Therefore, Qiu Jianlin remains the actual controller of the listed Company.

**The actual controller controls the Company through trust or other means of asset management.**

Applicable  Not applicable

**4. The accumulative total number of pledged shares owned by the controlling shareholder of the Company or the largest shareholder and its persons acting in concert with him accounts for 80% of their holding.**

Applicable  Not applicable

**5. Other corporate shareholders with the holding over 10%**

Applicable  Not applicable

**6. Restricted reduction of holding of the controlling shareholder, actual controller, restructuring party and other major parties to the commitment**

Applicable  Not applicable

#### **IV. Implementation details of repurchase in the reporting period**

##### **Implementation progress of repurchase**

Disclosure date of the plan	Proposed number of shares repurchased	Proportion to total share capital	Proposed amount of repurchase	Proposed period of repurchase	Purpose of repurchase	Repurchased shares	Proportion of repurchased shares to the underlying stocks relating to share incentive plan (if any)
October 28, 2021	/	/	Not less than RMB 500 million and not more than RMB 1 billion	October 27, 2021 to October 26, 2022	Implement employee stock ownership plan or share incentive plan later	63,703,752	/
October 28, 2022	/	/	Not less than RMB 1 billion and not more	October 27, 2022 to October 26,	Convert the Convertible corporate bonds	122,499,800	/

			than RMB 2 billion	2023	issued by listed companies into shares		
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**Implementation progress of reducing the holding repurchased shares through centralized bidding**

Applicable  Not applicable



## **Section VIII Preference Shares**

There are no preference shares of the Company in the reporting period.

## Section IX Bonds

### I. Enterprise bonds

There are no corporate bonds of the Company in the reporting period.

### II. Corporate bonds

#### 1. Basic information about corporate bonds

Currency unit: RMB 10,000

Bond name	Bond abbreviation	Bond code	Date of issuance	Value date	Maturity date	Bond balance	Interest rate	Method for interest and principal repayment	Place of trading
Hengyi Petrochemical Co., Ltd. issued corporate bonds (Tranche 1) publicly to eligible investors in 2020	20Hengyi01	149061.SZ	March 11, 2020	March 13, 2020	March 13, 2023	81.10	5.50%	Yearly accrual of simple interest is to be calculated without consideration of compound interest. Interest will be paid per annum and the last installment of interest will be paid together with principal payment.	Shenzhen Stock Exchange
Investor suitability arrangement (if any)			Corporate bonds are issued publicly to the eligible institutional investors who are in compliance with the provisions of <i>Measures for Administration of Issuance and Trading of Corporate Bonds</i> and have opened an eligible securities account for A-share trading at China Securities Depository and Clearing Corporation Limited (CSDC) Shenzhen Branch.						
Applicable trading mechanism			As of the disclosure date of this report, the principal and interest of "20 Hengyi 01" have been paid in full and on time.						
Risks of terminating the listing (if any) and countermeasures			None						

#### Overdue outstanding bonds

Applicable  Not applicable

#### 2. Activation and execution of issuer or investor option clauses, investor protection clauses

**"20 Hengyi 01" provides the coupon rate adjustment option for the issuer:** In accordance with the *Prospectus for Public Issuance of Hengyi Petrochemical Co., Ltd. Corporate Bonds (Tranche 1) to Eligible Investors in 2020*, the issuer of the bonds has the right to decide whether to change the

coupon rate of current tranche at the end of the second year. The issuer will, on the 20th trading day prior to the interest payment date in the second interest bearing year of current tranche, disclose an announcement on whether to change the coupon rate of current tranche and the detailed change. The annual coupon rate of current tranche for the first two years of duration was 5.89%; the issuer opted to reduce the coupon rate by 39bp at the end of the second year of duration and the coupon rate for the third year of duration was 5.50%.

**"20 Hengyi 01" provides the put option for the investors:**

As of the date of this report, "20 Hengyi 01" provides the coupon rate adjustment option for the Company and the put option for the investors. The Company disclosed the first, second and third informative announcements regarding the implementation of the measures for coupon rate adjustment and investors' put of "20 Hengyi 01" on February 9, 2022, February 10, 2022, and February 11, 2022 respectively. Investors can choose to put all or part of their "20 Hengyi 01" to the Company during the put declaration period (from February 14, 2022 to February 18, 2022), with a put price of RMB 100 per piece. According to the data provided by Shenzhen branch of China Securities Depository and Clearing Corporation Limited, the put number of "20 Hengyi 01" is 9991890 pieces, with an amount of RMB 999,189,000.00. The remaining quantity after this put is 8,110 pieces, with an amount of RMB 811000 (excluding interest). The put this time has been completed, and the principal and interest of the put "20 Hengyi 01" have been fully paid to the account designated by Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and the funds will be transferred to the investors' fund accounts on the receipt date of the put funds, March 14, 2022.

On March 9, 2023, the Company released an announcement that "Hengyi Petrochemical Co., Ltd. publicly issued corporate bonds (Tranche 1) (epidemic prevention and control bonds) to qualified investors in 2020, and have cashed the principal and interest and delisted the bonds in 2023". "20 Hengyi 01" has become due and been cashed, and the principal and interest have been paid in full and on time.

**3. Intermediary**

Bond program name	Intermediary name	Office address	Name of signing accountants	Contact of intermediary	Telephone number

Hengyi Petrochemical Co., Ltd. issued corporate bonds (Tranche 1) publicly to eligible investors in 2020	CITIC Securities Co., Ltd.	22F Central Building, No. 1568 Century Avenue, Pudong New Area, Shanghai	Liu Hongyue, Wang Zhiwei, Jiang Bo, Li Chongshi	Xu Lin	021-20262318
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**Whether there are changes to the said agency in the reporting period?**

Yes No

**4. Utilization of funds raised**

Currency unit: RMB

Bond program name	Total amount of funds raised	Amount used	Amount unused	Operation of the special account for funds raised (if any)	Correction of illegal use of funds raised	Whether the fund use is compliant with the purpose, use plan and other provisions under the prospectus
Hengyi Petrochemical Co., Ltd. issued corporate bonds (Tranche 1) publicly to eligible investors in 2020	1,000,000,000	1,000,000,000	0.00	None	None	Yes

**Funds raised are used for construction projects.**

Applicable Not applicable

**The purpose of the said funds raised through bonds issuance was changed in the reporting period.**

Applicable Not applicable

**5. Change in credit rating results in the reporting period**

Applicable Not applicable

**6. Guarantee, execution of and change in debt repayment plan and other debt repayment safeguard measures in the reporting period and impacts on the rights and interests of bond investors**

“20Hengyi01” is under no guarantee. In the reporting period, the debt repayment plan and other safeguard measures remained unchanged, having no impacts on the rights and interests of bond

investors.

### III. Non-financial corporate debt financing instruments

There were no debt-financing instruments of non-financial businesses in the reporting period.

### IV. Convertible corporate bonds

#### (I) Hengyi convertible bonds (Bond code: 127022)

##### 1. Historic changes in conversion price

Since the Company implemented the equity distribution 2020 business, the convertible corporate bonds issued by the Company (bond abbreviation: Hengyi Convertible Bonds; bond code: 127022) were subject to change in the conversion price: original conversion price was RMB 11.50 per share and the changed conversion price was RMB 11.20 per share, and the change took effect since July 6, 2021.

Since the Company implemented the equity distribution 2021 business, the convertible corporate bonds issued by the Company (bond abbreviation: Hengyi Convertible Bonds; bond code: 127022) were subject to change in the conversion price. The original conversion price of Hengyi Convertible Bonds was RMB 11.20 per share and the changed conversion price of Hengyi Convertible Bonds was RMB 11.00 per share, and the change took effect since July 7, 2022.

##### 2. Cumulative conversion

Abbreviation of the convertible bonds	Beginning and ending dates of conversion	Total number of issues	Total amount of issuance (RMB)	Accumulative amount of conversion (RMB)	Accumulative number of bonds converted into shares (share)	Proportion of converted quantity to total shares in issue before the conversion beginning date	Amount of bonds not converted (RMB)	Proportion of amount of bonds not converted to total amount of issuance
Hengyi Convertible Bonds	April 22, 2021 to October 15, 2026	20,000,000	2,000,000,000	172,800	15,129	0.0004%	1,999,827,200	99.9914%

##### 3. Top 10 convertible bond holders

Currency unit: Share

SN	Name of convertible bonds holders	Nature of convertible bonds holders	Number of convertible bonds held at the end of the reporting period	Amount of convertible bonds held at the end of the reporting period (RMB )	Proportion of convertible bonds held at the end of the reporting period
1	Industrial Bank Co., Ltd. - Tianhong Yongli Bond Securities Investment Fund	Others	1,389,979	138,997,900	6.95%
2	Taikang Asset LOF Fixed Income Pension Products - Bank of China Limited	Others	802,496	80,249,600	4.01%
3	Agricultural Bank of China Co., Ltd. (ABC) - Penghua Convertible Bond Securities Investment Fund	Others	777,146	77,714,600	3.89%
4	ICBC Credit Suisse Tianli Convertible Bond Fixed Income Pension Product - Bank of China Limited	Others	542,660	54,266,000	2.71%
5	China Construction Bank Corporation - China Merchants Anqing Bond Securities Investment Fund	Others	510,198	51,019,800	2.55%
6	ICBC Credit Suisse hybrid pension product - Industrial and Commercial Bank of China	Others	396,629	39,662,900	1.98%
7	UBS AG	Overseas legal person	391,487	39,148,700	1.96%
8	Basic pension insurance fund 102 portfolio	Others	377,050	37,705,000	1.89%
9	China Construction Bank Corporation - Guotai Shuangli Bond Securities Investment Fund	Others	291,370	29,137,000	1.46%
10	Basic pension insurance fund 307 portfolio	Others	284,910	28,491,000	1.42%

#### 4. Major changes in the profitability, condition of assets and credit status of guarantor

Applicable  Not applicable

## 5. Debt condition, credit standing and respectability changes of the Company at the end of the reporting period and cash arrangement for debt repayment in the coming years

### 1. Relevant accounting data and financial indicators

Item	End of current reporting period	End of previous year	Add/deduct at the end of current reporting period over the end of previous year
Liquidity ratio	0.75	0.74	1.35%
Debt-to-asset ratio	70.83%	68.81%	2.02%
Acid-test ratio	0.50	0.51	-1.96%
Item	Current reporting period	The same period of previous year	Year-on-year add/deduct in the reporting period
Times interest earned	0.58	2.83	-79.51%
Loan repayment ratio (%)	100.00%	100.00%	0.00%
Interest repayment rate (%)	100.00%	100.00%	0.00%

### 2. Credit rating of convertible bonds

The convertible corporate bonds have been rated by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. and the *Credit Rating Report on Convertible Corporate Bonds Issued Publicly by Hengyi Petrochemical Co., Ltd.* was issued on September 4, 2020. According to the report, the main credit rating of Hengyi Petrochemical is AA+ and the credit rating of the convertible corporate bonds is AA+. In the duration of the convertible bonds, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. will conduct a regularly annual rating.

### 3. Cash arrangement for debt repayment in the coming years

The Company has maintained stable operation, sufficient cash flow, stable growth of asset size and profitability. Its asset-liability ratio has been maintained at a reasonable level and credit standing has been well maintained. The Company will maintain stable and sufficient cash to prepare for payment of the interest of convertible corporate bonds and repayment of bonds in the future.

**(II) Hengyi Convertible Bonds 2 (Bond Code: 127067)****1. Historic changes in conversion price**

On March 31, 2021, the Company received the *Approval for the Public Issuance of Convertible Corporate Bonds by Hengyi Petrochemical Co., Ltd.* issued by China Securities Regulatory Commission (CSRC Permit [2022] No. 565). This public issuance has been approved by the China Securities Regulatory Commission, and the convertible bonds issued are referred to as Hengyi Convertible Bonds 2 and the bond code is 127067. On July 21, 2022, the Company publicly issued 30 million pieces of convertible corporate bonds, each with a face value of RMB 100. The total issuance amount was RMB 3 billion, the conversion price was RMB 10.50 per share, and the bonds were listed on Shenzhen Stock Exchange on August 18, 2022.

As of the disclosure date of this report, the convertible bond to equity price of the Company has not been adjusted.

**2. Cumulative conversion**

Applicable  Not applicable

**3. Top 10 holders of convertible bonds**

Currency unit: Share

SN	Name of convertible bonds holders	Nature of convertible bonds holders	Number of convertible bonds held at the end of the reporting period	Amount of convertible bonds held at the end of the reporting period (RMB)	Proportion of convertible bonds held at the end of the reporting period
1	Zhejiang Hengyi Group Co., Ltd.	Domestic non-state-owned legal person	12,453,441	1,245,344,100	41.51%
2	Hangzhou Hengyi Investment Co., Ltd.	Domestic non-state-owned legal person	2,144,011	214,401,100	7.15%
3	Bank of China - E Fund Steady Income Bond Type Securities	Others	785,912	78,591,200	2.62%



	Investment Fund				
4	Guosen Securities Co., Ltd.	Domestic state-owned legal person	623,729	62,372,900	2.08%
5	Fuguo Fuyi Enterprising Fixed Income Pension Product - Industrial and Commercial Bank of China Limited	Others	544,497	54,449,700	1.81%
6	Berseagold Asset Management Co., Ltd. - Berseagold Hui Xin No. 8 Private Securities Investment Fund	Others	409,472	40,947,200	1.36%
7	Tibetan Trust Co., Ltd. - Tibetan Trust - Hong Jing No. 29 Assembled Funds Trust Program	Others	400,000	40,000,000	1.33%
8	ICBC - Fuguo Tianli Growth Bond Investment Fund	Others	371,612	37,161,200	1.24%
9	Agricultural Bank of China Co., Ltd. (ABC) - Penghua Convertible Bond Securities Investment Fund	Others	352,010	35,201,000	1.17%
10	E Fund Steady Return Fixed Income Pension Product - Bank of Communications Co., Ltd.	Others	349,990	34,999,000	1.17%

#### 4. Major changes in the profitability, condition of assets and credit status of guarantor

Applicable  Not applicable

#### 5. Debt condition, credit standing and respectability changes of the Company at the end of the reporting period and cash arrangement for debt repayment in the coming years

##### 1. Relevant accounting data and financial indicators

Same as Hengyi Convertible Bonds (Bond Code: 127022)

##### 2. Credit rating of convertible bonds

The convertible corporate bonds have been rated by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. and the *Credit Rating Report on Convertible Corporate Bonds Issued Publicly by Hengyi Petrochemical Co., Ltd.* was issued on September 26, 2021. According to the report, the main

credit rating of Hengyi Petrochemical is AA+ and the credit rating of the convertible corporate bonds is AA+. In the duration of the convertible bonds, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. will conduct a regularly annual rating.

**3. Cash arrangement for debt repayment in the coming years**

Same as Hengyi Convertible Bonds (Bond Code: 127022)

**V. 10% more losses within the consolidation in the reporting period than the net assets at the end of previous year**

Applicable  Not applicable

**VI. Overdue situation of interest-bearing debts except for bonds in the reporting period**

Applicable  Not applicable

**VII. Existence/non-existence of violation of rules and regulations in the reporting period**

Yes  No

**VIII. Main accounting data and financial indicators for the past two years as at the end of the reporting period**

Currency unit: RMB 10,000

Item	End of current reporting period	End of previous year	Add/deduct at the end of current reporting period over the end of previous year
Liquidity ratio	0.75	0.74	1.35%
Debt-to-asset ratio	70.83%	68.81%	2.02%
Acid-test ratio	0.50	0.51	-1.96%
	Current reporting period	The same period of previous year	Year-on-year add/deduct in the reporting period
Net profit after deducting non-recurring profit and loss	-109,233.45	272,882.84	-140.03%
Debts to EBITDA	6.26%	13.64%	-7.38%
Times interest earned ratio	0.58	2.83	-79.51%
Times cash interest earned ratio	1.98	4.43	-55.30%
EBITDA times interest earned ratio	1.79	4.00	-55.25%
Loan repayment ratio	100.00%	100.00%	0.00%
Interest coverage	100.00%	100.00%	0.00%

## Section X Financial Report

### I. Audit Report

Type of auditor's opinion	Standard unqualified opinion
date of signing the audit report	April 19, 2023
Name of auditing agency	Zhongxinghua Certified Public Accountants LLP
Reference number of the audit report	ZXHSZ [2023] No. 012530
Name of certified public accountant	Liu Hongyue, Wang Guohai

### Audit Report

ZXHSZ [2023] No. 012530

**To:**

**All shareholders of Hengyi Petrochemical Co., Ltd.,**

#### I. Auditor's opinions

We have audited the financial statements of Hengyi Petrochemical Co., Ltd. (hereinafter referred to as "Hengyi Petrochemical"), which comprise the parent company' balance sheets as of December 31, 2022 and the consolidated statement, the parent company' income statements and the consolidated statement, the parent company' cash flow statements and the consolidated statement, the parent company' statements of changes in shareholders' equity and the consolidated statement, and notes to the financial statements for the year 2022.

In our opinion, the attached financial statements are prepared and present fairly, in all material aspects, the consolidated financial position of Hengyi Petrochemical and parent company's financial position as of December 31, 2022, and the results of their operations and cash flows for the year 2022 in accordance with the Accounting Standards for Business Enterprises.

#### II. Basis for Auditor's Opinions

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants (CPAs) in China. Our responsibilities under these standards are further described in the "CPAs' Responsibilities for the Audit of the Financial Statements" section of the audit report. According to the China Code of Ethics for Certified Public Accountants, we are independent from Hengyi Petrochemical and have fulfilled other ethical responsibilities as specified in the code. 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 financial statements for 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 income**

##### **1. Description of matters**

For details of relevant information disclosure, please refer to Note IV. 27. "Revenue" and Note VI. 49. "Operating Income and Operating Costs" to the Financial Statements.

In 2022, the consolidated operating income of Hengyi Petrochemical was RMB 152,050,274,900, representing a year-on-year increase of 17.26%. Taking into account the importance of revenue recognition to the overall financial statements, and the existence of the inherent risk that management may manipulate revenue recognition to achieve specific goals or expectations, we deem recognition of operating income as a key audit matter.

##### **2. Audit response**

The main audit procedures we performed are as follows:

- (1) Understanding, evaluating and testing the effectiveness of the design and operation of the Company's internal control related to the revenue recycling;
- (2) Selecting the sales contracts 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 revenues and costs; analyzing fluctuations in revenue, cost,

gross profit rate for each month of current period; comparing and analyzing the analysis procedures for revenue, cost, gross profit rate of main products in current period with those in previous period, and comparing and analyzing product sales prices and raw material purchase prices with those of related products in the industry, 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 property, invoices, etc., and evaluating the authenticity and completeness of revenue recognition;

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

(6) For some major clients, implementing field-visit procedures to understand and evaluate the transaction purpose and business background of relevant businesses;

(7) For export sales, checking the relevant information via China Export & Credit Insurance Corporation and the People's Insurance Company of China APPs against the book sales records, export declarations, sales invoices, etc. to verify the authenticity of the export income;

(8) Performing a cut-off test for revenue; selecting samples from revenue recognition transactions before and after the balance sheet date, obtaining relevant documents such as contracts, invoices, and delivery notes etc., and evaluating whether revenue has been recognized in an appropriate period.

## **(II) Inventory depreciation reserves**

### **1. Description of matters**

For details of relevant information disclosure, please refer to Note IV. 12. "Inventory", and Notes VI. 9. (2). "Inventory Depreciation Reserves" in the financial statements.

As stated in Note VI. 9 to the financial statements, inventory mainly includes product oil, chemical products, polyester fibers, purified terephthalic acid, as well as related raw materials and semi-finished products for the production of these products. As of December 31, 2022, the book balance of inventory was RMB 14,451,216,100, with a provision for depreciation of RMB 367,731,500 and a book value of RMB 14,083,484,600.

On the balance sheet date, inventory is measured at the lower of cost and net realizable value, and inventory depreciation reserves are made based on the difference between the cost of a single inventory item and the net realizable value. Where the management personnel of Hengyi

Petrochemical (hereinafter referred to as "the management") encounters damage to these inventories, product expiration, or objective reasons such as changes in market conditions that result in the realizable value being lower than the cost of the inventory, inventory depreciation reserves are made based on the difference between the net realizable value and the cost. Due to the large amount of inventory and the complexity of calculating inventory depreciation reserves, we have identified inventory depreciation reserves as a key audit matter.

## **2. Audit response**

For inventory depreciation reserves, our audit procedure mainly includes:

- (1) We understood, evaluated and tested the effectiveness of the design and operation related to inventory depreciation reserves by the management;
- (2) We implemented inventory monitoring and checked the actual condition of the inventory;
- (3) We obtained a calculation table for product depreciation reserves, conducted inventory impairment tests, checked whether relevant accounting policies were followed, checked the changes in inventory depreciation reserves made in previous years during the current period, and analyzed whether the provision for inventory depreciation reserves was sufficient;
- (4) For products that could obtain the domestic open market price, we retrieved the open market price information and compared them with the estimated price. For the inventory with provision for depreciation reserves for sales after the balance sheet date, we evaluated the reasonableness of the assumptions and data used by management during the testing by comparing the actual and expected selling prices of the products, and reviewed the accuracy of the inventory provision amount;
- (5) By comparing the historical costs of similar raw materials and the costs that still need be incurred until the completion of the product, we evaluated the rationality of the management's estimate of the costs that would be incurred until the completion;
- (6) By comparing the sales expenses of similar products in history, we evaluated the rationality of the estimated sales expenses of the products estimated by the management;
- (7) We checked the presentation and disclosure of inventory depreciation reserves in the financial statements.

## **IV. Other information**

The management is responsible for the "other information". The "other information" comprises the

information included in Hengyi Petrochemical's 2022 Annual Report, but does not include the financial statements and our audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the “other information” and, in doing so, consider whether the “other information” is materially inconsistent with the financial statements or otherwise appears to be materially misstated to the best of our knowledge in the course of our audit.

If, based on the work we have performed, we conclude that there is a material misstatement in the “other information”, we are required to report that fact. We have nothing to report in this regard.

#### **V. Responsibilities of the management and those charged with governance for the financial statements**

The management is responsible for preparing financial statements that present fairly the financial position of the Company in accordance with the provisions of the Accounting Standards for Business Enterprises, and designing, implementing and maintaining necessary internal controls relevant to preparing and presenting financial statements that are free from material misstatement due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability to continue of Hengyi Petrochemical as a going concern, disclosing matters related to going concern (if applicable), and applying the going concern assumptions, unless management intends to liquidate Hengyi Petrochemical, or Hengyi Petrochemical ceases operations or has no realistic alternative.

Those charged with governance are responsible for overseeing the financial reporting process of Hengyi Petrochemical.

#### **VI. Responsibilities of the CPAs for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 arise from fraud or error and are generally considered material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions made by users based on the financial statements.

As part of an audit in accordance with Auditing Standards, we exercise professional judgment and



maintain professional skepticism throughout the audit. At the same time, 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 resulting from error, as fraud may involve collusion, forgery, willful omission, misrepresentation or 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 using the going concern assumption by the management; and, based on the audit evidence obtained, conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Hengyi Petrochemical to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the Auditing Standards to draw attention in our report to the related disclosures in the financial statements; if such disclosures are inadequate, we shall express a modified opinion. Our conclusions are based on information available as of the date of our Audit Report. However, future events or conditions may cause Hengyi Petrochemical to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements fairly represent the relevant transactions and events.
- (6) Obtain sufficient and appropriate audit evidence on the financial information of Hengyi Petrochemical's entities or business activities to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and are solely responsible for our audit opinion.

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

We also provided a statement to those charged with governance that we had complied with ethical requirements related to independence and communicated with those charged with governance about all relationships and other matters that may reasonably be deemed to affect our independence, and related precautions, if applicable.

From the matters communicated with those charged with governance, we determined which matters were most significant to the audit of the financial statements for current period and therefore constituted key audit matters. We described these matters in our audit report except public disclosure

of such matters is prohibited by laws and regulations, or in rare cases where we determine that a matter shall not be communicated in an audit report if there is a reasonable expectation that the negative consequences of communicating such matter in the audit report would outweigh the benefits in the public interest.

(As the signature and seal page of the Audit Report (ZXHSZ [2023] No. 012530, this page has no text)

Zhongxinghua Certified Public Accountants LLP (Special General Partnership)  
Certified Public Accountant of China:  
(Project Partner)

Beijing, China

Certified Public Accountant of China:

April 19, 2023

**II. Financial statements**

Unit for the statements included in the notes: RMB

**1. Consolidated Balance Sheet**

Currency unit: RMB

**Consolidated balance sheet**

December 31, 2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Ending balance	Ending balance of previous year
<b>Current assets:</b>			
Monetary funds	VI. 1	17,358,475,538.50	14,322,716,793.82
Held-for-trading financial assets	VI. 2	251,021,508.33	388,958,054.67
Derivative financial assets	VI. 3	1,872,460.80	
Notes receivable	VI. 4	246,560,954.07	258,014,878.86
Accounts receivable	VI. 5	6,857,913,648.22	6,436,842,058.88
Accounts receivable financing	VI. 6	129,579,710.85	487,553,057.15
Advance payments	VI. 7	1,792,696,846.85	2,361,528,254.53
Other receivables	VI. 8	133,782,632.86	484,215,755.18
Inventory	VI. 9	14,083,484,571.18	12,145,955,534.77
Contract assets			
Held for sale assets			
Non-current assets due within one year	VI. 10		115,233,477.61
Other current assets	VI. 11	1,711,232,831.86	1,594,777,398.74
<b>Total current assets</b>		<b>42,566,620,703.52</b>	<b>38,595,795,264.21</b>
<b>Non-current assets:</b>			
Debt investment			
Other debt investment			
Long-term receivables	VI. 12	176,482,501.78	3,307,639.58
Long-term equity investments	VI. 13	12,831,505,320.53	12,085,626,559.38
Investments in other equity instruments	VI. 14	5,600,000.00	5,600,000.00
Other non-current financial assets			
Investment property			
Fixed assets	VI. 15	47,466,461,676.63	46,102,729,538.71
Construction in progress	VI. 16	3,751,889,400.94	3,875,588,007.79
Capitalized biological assets			
Oil and gas assets			
Right-of-use assets	VI. 17	430,002,663.24	411,032,649.33
Intangible assets	VI. 18	2,938,530,705.96	1,934,882,729.96
Development expenditure	VI. 19	21,381,548.20	11,303,531.89
Goodwill	VI. 20	221,865,586.69	221,865,586.69
Long-term deferred and prepaid expenses	VI. 21	443,731,817.67	466,996,430.48
Deferred income tax assets	VI. 22	351,648,873.24	124,539,796.63
Other non-current assets	VI. 23	759,076,912.93	1,674,790,628.54
<b>Total non-current assets</b>		<b>69,398,177,007.81</b>	<b>66,918,263,098.98</b>
<b>Total assets</b>		<b>111,964,797,711.33</b>	<b>105,514,058,363.19</b>

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Chief accountant:

Head of accounting agency:

**Consolidated balance sheet (continued)**

December 31, 2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Ending balance	Ending balance of previous year
<b>Current liabilities:</b>			
Short-term loans	VI. 24	37,875,833,338.09	33,778,694,677.24
Held-for-trading financial liabilities	VI. 25	21,353,552.33	1,670,361.85
Derivative financial liabilities	VI. 26	41,611,858.31	23,705,440.98
Notes payable	VI. 27	815,169,321.16	440,900,000.00
Accounts payable	VI. 28	9,768,477,976.21	10,011,007,717.44
Advance receipts			
Contract liabilities	VI. 29	989,622,772.97	1,723,901,780.92
Wages payable	VI. 30	191,287,035.07	311,462,869.52
Taxes and dues payable	VI. 31	389,310,729.61	938,364,781.66
Other payables	VI. 32	235,619,327.94	428,170,797.92
Held for sale liabilities			
Non-current liabilities due within one year	VI. 33	6,533,334,680.84	4,534,519,325.21
Other current liabilities	VI. 34	90,760,675.06	180,919,015.28
<b>Total current liabilities</b>		<b>56,952,381,267.59</b>	<b>52,373,316,768.02</b>
<b>Non-current liabilities:</b>			
Long-term loans	VI. 35	16,107,140,036.35	15,996,229,686.31
Bonds payable	VI. 36	4,061,538,995.85	2,612,404,203.28
Wherein: Preference shares			
Perpetual bonds			
Lease liabilities	VI. 37	431,285,378.29	380,145,523.29
Long-term payables	VI. 38	1,433,381,038.10	952,254,861.09
Long-term wages payable			
Estimated liabilities	VI. 39	360,508.08	213,630.54
Deferred income	VI. 40	238,413,108.05	207,647,626.95
Deferred income tax liabilities	VI. 22	82,151,983.86	86,517,896.64
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>22,354,271,048.58</b>	<b>20,235,413,428.10</b>
<b>Total liabilities</b>		<b>79,306,652,316.17</b>	<b>72,608,730,196.12</b>
<b>Stockholders' equity:</b>			
Share capital	VI. 41	3,666,280,806.00	3,666,280,014.00
Other equity instruments	VI. 42	1,159,082,382.38	478,506,692.86
Wherein: Preference shares			
Perpetual bonds			
Capital reserve	VI. 43	9,170,637,734.40	9,161,888,666.10
Minus: Treasury Stock	VI. 44	1,483,566,737.98	718,150,457.23
Other comprehensive income	VI. 45	380,920,744.19	-1,070,859,214.62
Special reserve	VI. 46		
Surplus reserve	VI. 47	781,701,619.18	751,895,667.87
Undistributed profit	VI. 48	11,771,637,510.92	13,593,886,419.08
Total stockholders' equity attributable to parent company		25,446,694,059.09	25,863,447,788.06
Minority stockholders' equity		7,211,451,336.07	7,041,880,379.01
<b>Total stockholders' equity</b>		<b>32,658,145,395.16</b>	<b>32,905,328,167.07</b>
<b>Total liabilities and stockholders' equity</b>		<b>111,964,797,711.33</b>	<b>105,514,058,363.19</b>

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

**2. Balance Sheet of Parent Company**

Currency unit: RMB

**Balance sheet**

December 31, 2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Ending balance	Ending balance of previous year
Current assets:			
Monetary funds		384,399,115.21	103,098,639.59
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Accounts receivable financing			
Advance payments		8,680,068.00	1,372,924.53
Other receivables	XV. 1	6,026,278,001.08	4,741,406,347.78
Inventory			
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets		697,863.98	2,526,591.06
<b>Total current assets</b>		<b>6,420,055,048.27</b>	<b>4,848,404,502.96</b>
<b>Non-current Assets</b>			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	XV. 2	15,946,023,143.22	15,932,060,322.09
Equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		649.40	649.40
<b>Construction in progress</b>			
Capitalized biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred and prepaid expenses			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>15,946,023,792.62</b>	<b>15,932,060,971.49</b>
<b>Total assets</b>		<b>22,366,078,840.89</b>	<b>20,780,465,474.45</b>

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

**Balance sheet (continued)**

December 31, 2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Ending balance	Ending balance of previous year
<b>Current liabilities:</b>			
Short-term loans		500,545,833.33	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		117,600,000.00	235,000,000.00
Accounts payable		708,624.46	8,624.46
Advance receipts			
Contract liabilities			
Wages payable			787,610.58
Taxes and dues payable		531,317.09	473,166.43
Other payables		576,035,092.59	19,125,450.79
Held for sale liabilities			
Non-current liabilities due within one year		6,828,015.61	51,033,160.10
Other current liabilities			
<b>Total current liabilities</b>		<b>1,202,248,883.08</b>	<b>306,428,012.36</b>
<b>Non-current Liabilities</b>			
Long-term loans			
Bonds payable		4,061,538,995.85	2,612,404,203.28
Wherein: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term wages payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>4,061,538,995.85</b>	<b>2,612,404,203.28</b>
<b>Total liabilities</b>		<b>5,263,787,878.93</b>	<b>2,918,832,215.64</b>
<b>Owner's equity</b>			
Paid-up capital		3,666,280,806.00	3,666,280,014.00
Other equity instruments		1,159,082,382.38	478,506,692.86
Wherein: Preference shares			
Perpetual bonds			
Capital reserve		13,008,339,529.73	13,008,479,380.82
Minus: Treasury Stock		1,483,566,737.98	718,150,457.23
Other comprehensive income			
Special reserve			
Surplus reserve		629,803,709.13	625,741,560.92
Undistributed profit		122,351,272.70	800,776,067.44
<b>Total owner's equity</b>		<b>17,102,290,961.96</b>	<b>17,861,633,258.81</b>
<b>Total liabilities and owner's equity</b>		<b>22,366,078,840.89</b>	<b>20,780,465,474.45</b>

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

## 3. Consolidated Income Statement

Currency unit: RMB

## Consolidated income statement

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Current period amount	Last period amount
<b>I. Gross revenue</b>		<b>152,050,274,944.64</b>	<b>129,666,931,795.26</b>
Wherein: Operating income	VI. 49	152,050,274,944.64	129,666,931,795.26
<b>II. Total operating cost</b>		<b>153,530,837,892.16</b>	<b>126,689,231,081.19</b>
Wherein: Operating cost	VI. 49	148,515,510,522.38	122,327,177,226.63
Tax and associate charge	VI. 50	226,493,112.50	226,148,045.07
Selling expenses	VI. 51	247,443,749.81	228,081,384.04
Administration expenses	VI. 52	1,084,986,983.70	1,087,267,658.53
R&D expenses	VI. 53	668,706,028.57	686,980,217.98
Financial expenses	VI. 54	2,787,697,495.20	2,133,576,548.94
Wherein: Interest expenses		2,682,684,624.12	2,098,777,291.01
Interest income		193,688,404.54	166,560,838.30
Plus: Other incomes	VI. 55	236,242,477.21	332,264,253.83
Income from investment (loss expressed with a minus sign "-")	VI. 56	745,260,076.32	1,069,400,148.61
Wherein: Income from investment in associates and joint ventures		823,499,882.13	625,843,764.66
Gains from derecognition of financial assets measured at amortized cost			
Net exposure hedging gains (loss expressed with a minus sign "-")			
Income from changes in fair value (loss expressed with a minus sign "-")	VI. 57	-211,436,484.36	42,971,667.68
Credit impairment loss (loss expressed with a minus sign "-")	VI. 58	-1,101,785.57	82,758.06
Asset impairment loss (loss expressed with a minus sign "-")	VI. 59	-368,677,441.03	-151,107,002.11
Gains on asset disposal (loss expressed with a minus sign "-")	VI. 60	-23,661,125.27	-16,621,636.32
<b>III. Business profit (loss expressed with a minus sign "-")</b>		<b>-1,103,937,230.22</b>	<b>4,254,690,903.82</b>
Plus: Non-operating income	VI. 61	14,943,253.23	32,027,224.27
Minus: Non-operating expenses	VI. 62	20,261,590.79	19,712,097.61
<b>IV. Total profit (total loss expressed with a minus sign "-")</b>		<b>-1,109,255,567.78</b>	<b>4,267,006,030.48</b>
Minus: Income Tax Expenses	VI. 63	-184,856,758.54	343,558,017.96
<b>V. Net profit (net loss expressed with a minus sign "-")</b>		<b>-924,398,809.24</b>	<b>3,923,448,012.52</b>
(I) Classified by operation continuity:			
1. Net profit from continuing operations (net loss expressed with a minus sign "-")		-924,398,809.24	3,923,448,012.52
2. Net profit from discontinued operation (net loss expressed with a minus sign "-")			
(II) Classification by attribution of the ownership:			
1. Net profit attributable to shareholders of parent company (net loss expressed with a minus sign "-")		-1,079,547,699.72	3,378,328,289.28
2. Minority interest income (net loss expressed with a minus sign "-")		155,148,890.48	545,119,723.24
<b>VI. Other comprehensive income, net of tax</b>	VI. 64	<b>1,473,875,713.20</b>	<b>3,515,560.65</b>
(I) Other comprehensive income, net of tax, attributable to owners of the parent company		1,451,779,958.81	-38,496,763.77
1. Other comprehensive income that cannot be re-classified into profit and loss			
(1) Remeasurement gains or losses of a defined benefit plan			
(2) Other comprehensive income cannot be recognized in profit and loss under equity method			
(3) Changes in fair value of investments in other equity instruments			
(4) Changes in fair value of enterprise credit risks			
(5) Others			
2. Other comprehensive income to be reclassified into profit and loss		1,451,779,958.81	-38,496,763.77
(1) Other comprehensive income that can be recognized in profit and loss under equity method		99,931,282.10	9,011,096.96
(2) Changes in 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		-4,627,201.60	300,242,496.51
(6) Exchange differences from translation of financial statements		1,356,475,878.31	-347,750,357.24
(7) Others			
(II) Net amount after taxes of other comprehensive income attributable to minority shareholders		22,095,754.39	42,012,324.42
<b>VII. Total comprehensive income</b>		<b>549,476,903.96</b>	<b>3,926,963,573.17</b>
(I) Total comprehensive income attributable to parent company shareholders		372,232,259.09	3,339,831,525.51
(II) Net amount after taxes of other comprehensive income attributable to minority shareholders		177,244,644.87	587,132,047.66
<b>VIII. Earnings per Share (EPS):</b>			
(I) Basic earnings per share	XVI. 2	-0.30	0.93
(II) Diluted earnings per share	XVI. 2	-0.30	0.90

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

## 4. Income Statement of Parent Company

Currency unit: RMB

## Income Statement

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Current period amount	Last period amount
<b>I. Operating income</b>	XV. 3	<b>1,437,239,380.54</b>	<b>3,707,429,681.57</b>
Minus: Operating cost	XV. 3	1,413,310,442.21	3,572,734,835.29
Tax and associate charge		1,257,958.97	5,754,198.90
Selling expenses			
Administration expenses		5,131,757.12	9,310,644.14
R&D expenses			
Financial expenses		-22,743,899.98	18,986,910.99
Wherein: Interest expenses		177,581,595.81	215,840,087.70
Interest income		203,043,659.19	197,728,575.34
Plus: Other incomes		358,091.71	2,193,970.06
Income from investment (loss expressed with a minus sign "-")	XV. 4	-37,178.87	744,799,664.76
Wherein: Income from investment in associates and joint ventures		-37,178.87	26,702.76
Gains from derecognition of financial assets measured at amortized cost			
Net exposure hedging gains (loss expressed with a minus sign "-")			
Income from changes in fair value (loss expressed with a minus sign "-")			
Credit impairment loss (loss expressed with a minus sign "-")			-10,000.00
Asset impairment loss (loss expressed with a minus sign "-")			
Gains on asset disposal (loss expressed with a minus sign "-")			
<b>II. Business profit (loss expressed with a minus sign "-")</b>		<b>40,604,035.06</b>	<b>847,626,727.07</b>
Plus: Non-operating income		21,090.30	
Minus: Non-operating expenses		3,643.29	
<b>III. Total profit (total loss expressed with a minus sign "-")</b>		<b>40,621,482.07</b>	<b>847,626,727.07</b>
Minus: Income Tax Expenses			
<b>IV. Net profit (net loss expressed with a minus sign "-")</b>		<b>40,621,482.07</b>	<b>847,626,727.07</b>
(I) Net profit from continuing operations (net loss expressed with a minus sign)		40,621,482.07	847,626,727.07
(II) Net profit from discontinued operation (net loss expressed with a minus sign)			
<b>V. Net amount after taxes of other comprehensive income</b>			
(I) Other comprehensive income cannot be reclassified into profit and loss			
1. Remeasurement gains or losses of a defined benefit plan			
2. Other comprehensive income cannot be recognized in profit and loss under equity method			
3. Changes in fair value of investments in other equity instruments			
(4) Changes in fair value of enterprise credit risks			
5. Others			
(II) Other comprehensive income to be reclassified into profit and loss			
1. Other comprehensive income can be recognized in profit and loss under equity method			
2. Changes in 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. Exchange differences from translation of financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>40,621,482.07</b>	<b>847,626,727.07</b>

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:



## 5. Consolidated Statement of Cash Flow

Currency unit: RMB

## Consolidated Statement of Cash Flow

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Current period amount	Last period amount
<b>I. Cash flow from operating activities:</b>			
Cash received from the sales of goods and the rendering of labor services		159,672,411,042.94	136,206,442,694.61
Tax refunds received		1,820,864,021.53	1,179,284,649.76
Other cash received relating to operating activities	VI.65	587,108,481.06	554,578,539.12
<b>Subtotal of cash inflows from operating activities</b>		<b>162,080,383,545.53</b>	<b>137,940,305,883.49</b>
Cash payments for goods purchased and labor services received		154,044,175,073.74	125,447,872,104.98
Cash payments to and on behalf of employees		2,515,740,844.55	2,196,370,278.69
Payments of all types of taxes		1,892,421,845.68	1,627,523,124.40
Other cash payments relating to operating activities	VI.65	922,512,298.20	948,019,236.02
<b>Subtotal of cash outflows from operating activities</b>		<b>159,374,850,062.17</b>	<b>130,219,784,744.09</b>
<b>Net cash flow from operating activities</b>		<b>2,705,533,483.36</b>	<b>7,720,521,139.40</b>
<b>II. Cash flow from investment activities:</b>			
Cash received from disposals and withdrawn on investments		1,375,000,000.00	1,297,909,623.83
Cash received from return on investment		637,798,059.48	1,050,815,136.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		14,502,494.60	23,381,288.25
Net cash received from disposal of subsidiaries and other business units			173,134,357.42
Other cash received relating to investment activities	VI.65	374,657,766.67	52,406,117.49
<b>Subtotal of cash inflows from investing activities</b>		<b>2,401,958,320.75</b>	<b>2,597,646,523.70</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		2,955,334,534.93	5,972,796,330.84
Cash payments to acquire investment		1,541,765,980.81	3,851,849,386.88
Net cash payments for acquisition of subsidiaries and other business units			
Other cash payments relating to investment activities	VI.65	31,148,886.89	290,354,735.85
<b>Subtotal of cash outflows from investing activities</b>		<b>4,528,249,402.63</b>	<b>10,115,000,453.57</b>
<b>Net cash flows from investing activities</b>		<b>-2,126,291,081.88</b>	<b>-7,517,353,929.87</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors in making investment in the enterprise		3,029,697,000.00	347,903,000.00
Wherein: Cash received by subsidiaries from issuing shares of minority shareholders		44,297,000.00	347,903,000.00
Cash received from borrowings		57,429,242,118.33	41,559,507,427.01
Other cash received relating to financing activities	VI.65	7,244,056,460.49	5,661,962,241.76
<b>Subtotal of cash inflows from financing activities</b>		<b>67,702,995,578.82</b>	<b>47,569,372,668.77</b>
Cash repayments of amounts borrowed		55,105,512,814.65	35,587,266,783.39
Cash payments for distribution of dividends or profit or for interest payment		3,065,324,736.57	3,075,829,806.46
Wherein: Subsidiaries' cash payments to minority shareholders for distribution of dividends or profit		235,986,111.11	135,486,111.11
Other cash payments relating to financing activities	VI.65	7,859,458,062.39	5,965,700,010.06
<b>Subtotal of cash outflows from financing activities</b>		<b>66,030,295,613.61</b>	<b>44,628,796,599.91</b>
<b>Net cash flows from financing activities</b>		<b>1,672,699,965.21</b>	<b>2,940,576,068.86</b>
<b>IV. Effect of foreign exchange rate change on cash and cash equivalents</b>		<b>437,390,294.50</b>	<b>-85,332,274.72</b>
<b>V. Net increase in cash and cash equivalents</b>	VI. 66	<b>2,689,332,661.19</b>	<b>3,058,411,003.67</b>
Plus: Beginning balance of cash and cash equivalents	VI. 66	10,244,736,951.84	7,186,325,948.17
<b>VI. Ending balance of cash and cash equivalents</b>	VI. 66	<b>12,934,069,613.03</b>	<b>10,244,736,951.84</b>

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

## 6. Statement of Cash Flow of Parent Company

Currency unit: RMB

## Statement of Cash Flow

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Current period amount	Last period amount
<b>I. Cash flow from operating activities:</b>			
Cash received from the sales of goods and the rendering of labor services		1,624,080,500.11	4,189,382,332.64
Tax refunds received			
Other cash received relating to operating activities		636,125,692.27	224,691,199.96
<b>Subtotal of cash inflows from operating activities</b>		<b>2,260,206,192.38</b>	<b>4,414,073,532.60</b>
Cash payments for goods purchased and labor services received		1,723,040,799.70	3,802,342,240.19
Cash payments to and on behalf of employees		2,129,443.97	2,329,109.86
Payments of all types of taxes		1,369,758.25	25,517,443.07
Other cash payments relating to operating activities		99,176,944.28	70,349,804.23
<b>Subtotal of cash outflows from operating activities</b>		<b>1,825,716,946.20</b>	<b>3,900,538,597.35</b>
<b>Net cash flow from operating activities</b>		<b>434,489,246.18</b>	<b>513,534,935.25</b>
<b>II. Cash flow from investment activities:</b>			
Cash received from disposals and withdrawn on investments			
Cash received from return on investment		744,772,962.00	1,204,600,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities		1,091,801,527.22	3,019,781,028.02
<b>Subtotal of cash inflows from investing activities</b>		<b>1,836,574,489.22</b>	<b>4,224,381,028.02</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets			
Cash payments to acquire investment		14,000,000.00	150,500,000.00
Net cash payments for acquisition of subsidiaries and other business units			
Other cash payments relating to investment activities		2,903,987,361.80	
<b>Subtotal of cash outflows from investing activities</b>		<b>2,917,987,361.80</b>	<b>150,500,000.00</b>
<b>Net cash flows from investing activities</b>		<b>-1,081,412,872.58</b>	<b>4,073,881,028.02</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors in making investment in the enterprise		2,985,400,000.00	
Cash received from borrowings		800,000,000.00	250,000,000.00
Other cash received relating to financing activities		634,250,000.00	16,814,978.66
<b>Subtotal of cash inflows from financing activities</b>		<b>4,419,650,000.00</b>	<b>266,814,978.66</b>
Cash repayments of amounts borrowed		1,299,189,000.00	3,075,210,000.00
Cash payments for distribution of dividends or profit or for interest payment		790,996,700.78	1,322,959,638.66
Other cash payments relating to financing activities		1,383,685,128.45	408,011,313.73
<b>Subtotal of cash outflows from financing activities</b>		<b>3,473,870,829.23</b>	<b>4,806,180,952.39</b>
<b>Net cash flows from financing activities</b>		<b>945,779,170.77</b>	<b>-4,539,365,973.73</b>
<b>IV. Effect of foreign exchange rate change on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>298,855,544.37</b>	<b>48,049,989.54</b>
Plus: Beginning balance of cash and cash equivalents		67,848,639.59	19,798,650.05
<b>VI. Ending balance of cash and cash equivalents</b>		<b>366,704,183.96</b>	<b>67,848,639.59</b>

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

## 7. Consolidated Statement of Owner's Equity

Amount incurred in current period

Currency unit: RMB

### Consolidated Statement of Stockholders Equity

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Current period amount											Minority stockholders' equity	Total stockholders' equity
	Stockholders' equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surplus	Undistributed profit	Subtotal		
	Preference shares	Perpetual bonds	Other										
I. Ending balance of previous year	3,666,280,014.00			478,506,692.86	9,165,586,160.07	718,150,457.23	-1,070,859,214.62		751,895,667.87	13,623,601,273.27	25,896,860,136.22	7,043,319,140.59	32,940,179,276.81
Plus: Changes in accounting policies					-3,697,493.97					-29,714,854.19	-33,412,348.16	-1,438,761.58	-34,851,109.74
Correction of previous accounting errors													
Other													
II. Beginning balance of current year	3,666,280,014.00			478,506,692.86	9,161,888,666.10	718,150,457.23	-1,070,859,214.62		751,895,667.87	13,593,886,419.08	25,863,447,788.06	7,041,880,379.01	32,905,328,167.07
III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")	792.00			680,575,689.52	8,749,068.30	765,416,280.75	1,451,779,958.81		29,805,951.31	-1,822,248,908.16	-416,753,728.97	169,570,957.06	-247,182,771.91
(I) Total comprehensive income							1,451,779,958.81			-1,079,547,699.72	372,232,259.09	177,244,644.87	549,476,903.96
(II) Shareholders investment and capital reduction	792.00			680,575,689.52	-139,851.09	765,416,280.75					-84,979,650.32	96,408,075.00	11,428,424.68
1. Ordinary shares invested by shareholders					-147,916.45	765,416,280.75					-765,564,197.20	96,408,075.00	-669,156,122.20
2. Capital invested by holders of other equity instruments	792.00			680,575,689.52	8,065.36						680,584,546.88		680,584,546.88
3. Amount of share-based payment that recognized in stockholders' equity													
4. Others													
(III) Profit distribution									29,805,951.31	-744,790,079.91	-714,984,128.60	-102,597,186.11	-817,581,314.71
1. Appropriation of earned surplus									29,805,951.31	-29,805,951.31			
2. Profit distributed to shareholders										-714,984,128.60	-714,984,128.60	-102,597,186.11	-817,581,314.71
3. Others													
(IV) Internal carry-forward of stockholder's equity													
1. Capital reserve carried over into share capital													
2. Earned surplus carried over into share capital													
3. Earned surplus carried over to cover loss													
4. Gains or losses of a defined benefit plan carried over into retained earnings													
5. Other comprehensive income carried over into retained earnings													
6. Others													
(V) Appropriative reserve													
1. Reserve withdrawn in current period									66,593,026.55		66,593,026.55		66,593,026.55
2. Reserve used in current period									66,593,026.55		66,593,026.55		66,593,026.55
(VI) Others					8,888,919.39					2,088,871.47	10,977,790.86	-1,484,576.70	9,493,214.16
IV. Ending balance of current year	3,666,280,806.00			1,159,082,382.38	9,170,637,734.40	1,483,566,737.98	380,920,744.19		781,701,619.18	11,771,637,510.92	25,446,694,059.09	7,211,451,336.07	32,658,145,395.16

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Amount incurred in previous period

Currency unit: RMB

## Consolidated Statement of Stockholders Equity(continued)

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Last period amount												Minority stockholders' equity	Total stockholders' equity
	Stockholders' equity attributable to parent company													
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surplus	Undistributed profit	Subtotal			
	Preference shares	Perpetual bonds	Other											
I. Balance at the end of previous year	3,681,645,407.00			478,546,158.81	9,165,068,133.86	349,918,604.53	-1,032,362,450.85		660,652,171.17	11,403,002,797.32	24,006,633,612.78	6,285,515,168.05	30,292,148,780.83	
Plus: Changes in accounting policies														
Correction of previous accounting errors														
Other														
II. Beginning balance of current year	3,681,645,407.00			478,546,158.81	9,165,068,133.86	349,918,604.53	-1,032,362,450.85		660,652,171.17	11,403,002,797.32	24,006,633,612.78	6,285,515,168.05	30,292,148,780.83	
III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")	-15,365,393.00			-39,465.95	-3,179,467.76	368,231,852.70	-38,496,763.77		91,243,496.70	2,190,883,621.76	1,856,814,175.28	756,365,210.96	2,613,179,386.24	
(I) Total comprehensive income							-38,496,763.77			3,378,328,289.28	3,339,831,525.51	587,132,047.66	3,926,963,573.17	
(II) Shareholders investment and capital reduction	-15,365,393.00			-39,465.95	29,744,025.29	368,231,852.70					-353,892,686.36	324,654,060.00	-29,238,626.36	
1. Ordinary shares invested by shareholders	-15,379,730.00				29,595,247.63	368,231,852.70					-354,016,335.07	324,654,060.00	-29,362,275.07	
2. Capital invested by holders of other equity instruments	14,337.00			-39,465.95	148,777.66						123,648.71		123,648.71	
3. Amount of share-based payment that recognized in stockholders' equity														
4. Others														
(III) Profit distribution									91,243,496.70	-1,181,207,797.05	-1,089,964,300.35	-157,987,171.11	-1,247,951,471.46	
1. Appropriation of earned surplus									91,243,496.70	-91,243,496.70				
2. Profit distributed to shareholders										-1,089,964,300.35	-1,089,964,300.35	-157,987,171.11	-1,247,951,471.46	
3. Others														
(IV) Internal carry-forward of stockholder's equity														
1. Capital reserve carried over into share capital														
2. Earned surplus carried over into share capital														
3. Earned surplus carried over to cover loss														
4. Gains or losses of a defined benefit plan carried over into retained earning														
5. Other comprehensive income carried over into retained earning														
6. Others														
(V) Appropriative reserve														
1. Reserve withdrawn in current period									52,367,268.75		52,367,268.75		52,367,268.75	
2. Reserve used in current period									52,367,268.75		52,367,268.75		52,367,268.75	
(VI) Others					-32,923,493.05					-6,236,870.47	-39,160,363.52	2,566,274.41	-36,594,089.11	
IV. Ending balance of current year	3,666,280,014.00			478,506,692.86	9,161,888,666.10	718,150,457.23	-1,070,859,214.62		751,895,667.87	13,593,886,419.08	25,863,447,788.06	7,041,880,379.01	32,905,328,167.07	

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

## 8. Statement of Owner's Equity of Parent Company

Amount incurred in current period

Currency unit: RMB

### Statement of Stockholders Equity

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Current period amount										
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surplus	Undistributed profit	Total stockholders' equity
		Preference shares	Perpetual bonds	Other							
<b>I. Ending balance of previous year</b>	3,666,280,014.00			478,506,692.86	13,008,479,380.82	718,150,457.23		625,741,560.92	800,776,067.44	17,861,633,258.81	
Plus: Changes in accounting policies											
Correction of previous accounting errors											
Other											
<b>II. Beginning balance of current year</b>	3,666,280,014.00			478,506,692.86	13,008,479,380.82	718,150,457.23		625,741,560.92	800,776,067.44	17,861,633,258.81	
<b>III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")</b>	792.00			680,575,689.52	-139,851.09	765,416,280.75		4,062,148.21	-678,424,794.74	-759,342,296.85	
<b>(I) Total comprehensive income</b>									40,621,482.07	40,621,482.07	
<b>(II) Shareholders investment and capital reduction</b>	792.00			680,575,689.52	-139,851.09	765,416,280.75				-84,979,650.32	
1. Ordinary shares invested by shareholders					-147,916.45	765,416,280.75				-765,564,197.20	
2. Capital invested by holders of other equity instruments	792.00			680,575,689.52	8,065.36					680,584,546.88	
3. Amount of share-based payment that recognized in stockholders' equity											
4. Others											
<b>(III) Profit distribution</b>								4,062,148.21	-719,046,276.81	-714,984,128.60	
1. Appropriation of earned surplus								4,062,148.21	-4,062,148.21		
2. Profit distributed to shareholders									-714,984,128.60	-714,984,128.60	
3. Others											
<b>(IV) Internal carry-forward of stockholder's equity</b>											
1. Capital reserve carried over into share capital											
2. Earned surplus carried over into share capital											
3. Earned surplus carried over to cover loss											
4. Gains or losses of a defined benefit plan carried over into retained earning											
5. Other comprehensive income carried over into retained earning											
6. Others											
<b>(V) Appropriative reserve</b>											
1. Reserve withdrawn in current period											
2. Reserve used in current period											
<b>(VI) Others</b>											
<b>IV. Ending balance of current year</b>	3,666,280,806.00			1,159,082,382.38	13,008,339,529.73	1,483,566,737.98		629,803,709.13	122,351,272.70	17,102,290,961.96	

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Amount incurred in previous period

Currency unit: RMB

## Statement of Stockholders Equity(continued)

FY2022

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Last period amount										
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surplus	Undistributed profit	Total stockholders' equity
		Preference shares	Perpetual bonds	Others							
<b>I. Ending balance of previous year</b>	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
Plus: Changes in accounting policies											
Correction of previous accounting errors											
Others											
<b>II. Beginning balance of current year</b>	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
<b>III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")</b>	-15,365,393.00			-39,465.95	29,744,025.29	368,231,852.70			84,762,672.71	-327,100,245.99	-596,230,259.64
<b>(I) Total comprehensive income</b>										847,626,727.07	847,626,727.07
<b>(II) Shareholders investment and capital reduction</b>	-15,365,393.00			-39,465.95	29,744,025.29	368,231,852.70					-353,892,686.36
1. Ordinary shares invested by shareholders	-15,379,730.00				29,595,247.63	368,231,852.70					-354,016,335.07
2. Capital invested by holders of other equity instruments	14,337.00			-39,465.95	148,777.66						123,648.71
3. Amount of share-based payment that recognized in stockholders' equity											
4. Others											
<b>(III) Profit distribution</b>									84,762,672.71	-1,174,726,973.06	-1,089,964,300.35
1. Appropriation of earned surplus									84,762,672.71	-84,762,672.71	
2. Profit distributed to shareholders										-1,089,964,300.35	-1,089,964,300.35
3. Others											
<b>(IV) Internal carry-forward of stockholder's equity</b>											
1. Capital reserve carried over into share capital											
2. Earned surplus carried over into share capital											
3. Earned surplus carried over to cover loss											
4. Gains or losses of a defined benefit plan carried over into retained earning											
5. Other comprehensive income carried over into retained earning											
6. Others											
<b>(V) Appropriative reserve</b>											
1. Reserve withdrawn in current period											
2. Reserve used in current period											
<b>(VI) Others</b>											
<b>IV. Ending balance of current year</b>	3,666,280,014.00			478,506,692.86	13,008,479,380.82	718,150,457.23			625,741,560.92	800,776,067.44	17,861,633,258.81

(The attached notes to the statements are an integral part of the financial statements)

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

**Hengyi Petrochemical Co., Ltd.**  
**Notes to Financial Statements 2022**  
**(Unless otherwise specified, the currency unit is RMB)**

**I. Basic information about the Company**

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* (ZJXK[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 Equity Investment Phase I Fund (Limited Partnership), Tianjin Dinghui Yuanbo 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 TJZXY(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, three 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 2015 Annual General Meeting of Shareholders and the 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 2014 Annual General Meeting of Shareholders and the revised Articles of Association, upon the approval of China Securities Regulatory Commission with the *Reply on Approval of Hengyi Petrochemical Co., Ltd.'s Non-public Issuance of Stocks* (ZJXK [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 twenty-sixth meeting of the ninth session of the BOD 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* (ZJXK [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 Second 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. After the change, the registered capital was RMB 2,307,115,106, and the share capital was RMB 2,307,115,106.

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 three 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.

Upon approval by Shenzhen Stock Exchange (SZSE) (approval document SZS [2020] No. 1027), the Company's convertible corporate bonds amounting to RMB 2 billion were listed on Shenzhen Stock Exchange on November 16, 2020 with the bond name of Hengyi Convertible Bonds, the conversion period of which was from April 22, 2021 to October 15, 2026. Through 2021, a total of 1,639 Hengyi Convertible Bonds were converted into 14,337 Hengyi Petrochemical shares.

On July 28, 2021, in accordance with the *Proposal on Achievement of Performance Commitments and Performance Compensation Plan in 2020 through the Share Issuance for Asset Acquisition and related-party transactions*, the Company canceled 15,379,730 shares.

Through 2022, a total of 89 Hengyi Convertible Bonds were converted into 792 Hengyi Petrochemical shares. This year, after completing the conversion of 792 shares through the aforementioned "Hengyi Convertible Bonds", the registered capital of the Company was changed to RMB 3,666,280,806.00.

The unified credit code of the Company is 9145050019822966X4; Domicile: Qinzhou, Guangxi; currently headquartered at: No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province; legal representative: Qiu Yibo; as of December 31, 2022, the registered capital was RMB 3,666,280,806.00 and the share capital was RMB 3,666,280,806.00.

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

## 2. Industry Involved

The Company involves petrochemical and chemical fiber products manufacturing.

## 3. Line of Business

The approved business scope of the Company: production, processing and sales of chemical fibers, chemical raw materials (excluding hazardous chemicals); imports and exports (except the items banned and restricted under national laws and regulations).

## 4. Key Products

The Company's main products include purified terephthalic acid (PTA), polyethylene terephthalate (PET) flakes, PET bottle flakes, polyester pre-oriented yarn (POY), polyester fully drawn yarn (FDY), polyester drawn textured yarn (DTY), polyester staple fiber, paraxylene (PX), gasoline, diesel and jet fuel etc.

## 5. Statement of Changes in Line of Business, Major Changes in Equity, Major Mergers and Acquisitions of the Company

For details, please refer to "Historical Development".

## 6. The Financial Statements were approved for submission by the BOD of the Company on

April 19, 2023.

7. There are 48 subsidiaries included into the consolidated statements of the Company in 2022. For details, please refer to Note VIII “Rights and Interests in Other Subjects”. Compared with previous year, three more subsidiaries are included in and some other three subsidiaries are removed from the consolidated statements for current year. For details, please refer to Note VII “Changes in Scope of Consolidation”.

## **II. Basis for the preparation of the financial statements**

### **1. Basis for the preparation**

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 Business 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 Business Enterprises* and other relevant provisions issued and amended on and after February 15, 2006 (hereinafter collectively the “Accounting Standards for Business 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 Business 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. Impairment reserves are retained for assets following relevant provisions if any asset is impaired.

### **2. Going concern**

This financial statement is presented on a going concern basis, and the Company has going-concern ability for at least 12 months from the end of the reporting period.

## **III. Statement of compliance with the accounting standards for business enterprises**

The Financial Statements prepared by the Company are in compliance with the requirements of the Accounting Standards for Business Enterprises, truly and completely reflecting the Company's financial conditions as at December 31, 2022 and the operating results and cash flows through 2022. Furthermore, the Financial Statements of the Company have been

complied, in all material respects, with the disclosure requirements for financial statements and notes as specified in *Rules No. 15 on Compiling and Submitting Information Disclosed by Companies Offering Securities to the Public: General Provisions on Financial Reports* revised by CSRC in 2014.

#### **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 bad debt provision 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 the Accounting Standards for Business Enterprises. For details, please refer to the relevant descriptions in Note IV herein. For details, please refer to the relevant descriptions in Note IV herein. For more information concerning significant accounting judgments and estimates, refer to Note IV, 34 “Significant 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. The Company’s 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 transaction or matter where two or more than two individual enterprises merge into one report subject. Business combination is divided into combination of enterprises under the same control and combination of enterprises not under the same control.

### (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. Under a combination of enterprises under the same control, the party acquiring the controlling interests in other enterprises involved in the combination at the combination date is the acquirer and such other enterprises are the acquiree. The combination date refers to the day when the acquirer substantially acquires the controlling interests 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 enterprises not under the same control

Combination of enterprises not under the same control means that enterprises involved in combination are not controlled finally by the same party or parties before combination. Under a combination of enterprises not under the same control, the party acquiring the controlling interests in other enterprises involved in the combination at the acquisition date is the acquirer and such other enterprises are the acquiree. The acquisition date refers to the day when the acquirer substantially acquires the controlling interests of 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.

Where an acquirer acquires the acquiree's deductible temporary difference which is not recognized due to incompliance with the recognition condition for deferred income tax assets on the acquisition date, within the 12 months since acquisition date, if new or further information appears to demonstrate the existence of related situation on the acquisition date, and the economic benefits brought by the acquiree's deductible temporary difference on the acquisition date are expected to be realized, the relevant deferred tax assets are recognized and the business reputation is written off; if the business reputation is not enough for write-off, the difference is recognized as profit and loss for the period. Except for the above, the deferred tax assets as recognized relevant to the merger are included in profit and loss for the period.

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 Business Enterprises* (C.K. [2012] No. 19) and the criteria for the judgment of package deals contained in Article 51 of the Accounting Standards for Business 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 are separated from consolidated financial statements for relevant accounting treatment:

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 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).

In consolidated financial statements, the acquiree's equity held before the acquisition date is

remeasured at the fair value of such equity on the acquisition date and the difference between the fair value and the book value is included in current investment income; where the acquiree's equity held before the acquisition date involves other comprehensive income, the accounting of other comprehensive income related to the investment is on the same basis as the accounting of the related assets or liabilities disposed directly by the acquiree (that is, other comprehensive income is transferred to the investment income for the period covering the acquisition date, except for the shares by equity method proportional to changes in the net defined benefit liability or asset caused by the acquiree's remeasurement).

## **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 scope of consolidation includes the Company and all of its 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 profits 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 profits 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 Business 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: ①The transactions are done at the same time or in consideration of mutual impacts on each other; ②The transactions collectively achieve a complete business effect; ③The completion of one transaction depends on the completion of at least one of the other transactions; ④A 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, 15.2④) and “the control over a subsidiary is lost due to disposal of partial equity investment in the subsidiary or any other reason” (refer to the above paragraph for details). 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 adopts equity method for investment accounting of joint ventures, in accordance with the accounting policies as specified in Note IV. 15. (2) ② “equity-accounted long-term equity investment”.

The Company, as a party of joint operation, recognizes the assets and liabilities it is entitled to individually and recognizes at its share the assets and liabilities to which the parties of joint operation are entitled jointly; it recognizes the income from selling the share arising from joint operation to which the Company is entitled and recognizes at its shares the income from joint operation due to selling such share; it recognizes the expenses it incurs individually and

recognizes at its share the expenses arising from joint operation.

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 profits 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 Business 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 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 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 spot 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 spot 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 end of previous year is the undistributed profit at the end of previous year; the undistributed profit at the yearend 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 amounts at the end of the previous year 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 owner's 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 profits 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 profits 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 profits 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 held-for-trading financial liabilities (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.

Held-for-trading financial liabilities (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 profits 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.

② Other 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 profits 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 or retained, neither or 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. 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 reserves are provided and credit impairment losses are recognized according to the accounting policies mentioned in this section.

(1) Method for recognizing impairment reserves

Based on expected credit loss, the Company recognizes impairment reserves 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 Company 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.

(3) 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:

A serious financial difficulty occurs to the issuer or debtor;

The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

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;

The debtor will probably become bankrupt or carry out other financial reorganizations;

The issuer or the debtor's financial difficulties result in the disappearance of the active market for the financial asset;

1) 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 reserves, 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 reserves, 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.

##### ① Notes 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 and domestic letter of credit	Acceptor: banks at 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.	Confirm the expected credit rate with reference to corresponding policy of receivables

② Accounts 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
Related parties' receivables within the scope of consolidation (note)	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.

Note: "Related parties included in the scope of consolidation" refer to Hengyi Petrochemical and those companies recorded in the scope of its consolidated financial statement (the same below).

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 six (6) months (included)	0.00
7-12 months (included)	5.00
1-2 years (included)	30.00

Aging	Expected credit loss rate (%)
Within six (6) months (included)	0.00
2-3 years (included)	50.00
Over three 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 is used edit 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 For 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. Inventory**

### **(1) Classification of inventory**

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 realizable value. If the net realizable value is lower than the cost, then the inventory depreciation reserves is retained for the inventory. The inventory depreciation reserves are 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 inventory depreciation reserves are retained, the difference is reversed from the provision and recognized in current profit and loss.

### **(4) Inventory system**

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 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 for expected credit losses of contract assets, please refer to Note IV, 10 “Impairment of Financial Assets”.

### **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 Standards 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 held-for-sale asset impairment reserves are retained 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 Standards for Business Enterprises No. 42 Non-current Assets Held for Sale, Disposal Groups*, and Discontinued Operations (hereinafter referred to as “No. 42

Standard”). 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 part refer to the Company’s long-term equity investments having control, joint control or significant influence on the invested unit. 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 IV, 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 cost



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.

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 is 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 Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and the newly increased cost.

## (2) Methods for subsequent measurement 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 profits 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 profits 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 profits 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 profits 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 profits or losses from investment. However, the 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 Business Enterprises No. 20 - Business Combinations* and wholly recognized as profits 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 investment

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 profits 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 profits 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 profits 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 profits or losses, other comprehensive income and profit distributions, are carried forward in proportion upon the loss of control.

If several transactions through which the Company disposes its subsidiary's equity investment till losing the right of control belong to "package deal", such transactions shall be subject to accounting treatment as one transaction for treatment of the subsidiary's equity investment and for losing the right of control. Prior to losing the right of control, the balance between every disposal price and the book value of long-term equity investment corresponding to the disposed equities shall be confirmed as other comprehensive income. On the point of losing such right, it shall be jointly shifted into current profits and losses of losing the right of control.

#### **16. Investment real estates**

Investment real estate refers to real estate held for rental or capital increase or both purposes, including land use rights leased, land held for sale after appreciation and leased buildings, including leased land use rights, land use rights held and prepared for transfer after appreciation and leased buildings.

Investment real estates 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 houses, buildings and related land use rights.

Refer to Note IV, 22 "Impairment of Long-term Assets" for methods for depreciation test and impairment reserves 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 (%)	Yearly depreciation rate (%)
Houses & buildings	20 years, 30 years and 50 years	5.00	4.75, 4.50
			3.17, 3.00
		10.00	1.90, 1.80
Structures	10 years 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	

Category	Depreciable life (year)	Residual ratio (%)	Yearly depreciation rate (%)
Transportation equipment	5 years, 6 years and 10 years		19.00, 18.00
		5.00	15.83, 15.00
		10.00	9.50, 4.75
Office facilities and others	3 years and 5 years	5.00	31.67, 30.00
		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 reserves retention

Refer to Note IV, 22 “Impairment of Long-term Assets” for methods for depreciation test and impairment reserves retention for fixed assets.

### (4) Other description

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 benefit 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 reserves 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 impairment reserves 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 With enough supports from technical/financial and other resources to finish the development of such intangible assets, and be capable of using or selling such intangible assets;
- 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 reserves  
For detail test method and calculation method of provisions for impairment reserves of intangible assets, please refer to Note IV (22. "Impairment of Long-term Assets").

**21. Long-term deferred expenses**

Long-term deferred expenses refer to expenses that have been incurred and shall 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, right-of-use assets, 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.

If the impairment test results indicate that the recoverable amount of assets is lower than its book value, provisions for impairment reserves shall be calculated in accordance with its balance, and then 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. Disposal expenses include legal fees related to assets disposal, related taxes, carriage expenses and direct expenses for making the assets reach the marketable condition. 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. Asset impairment reserves shall be calculated and confirmed on the basis of single assets. The recoverable amount of this asset group shall be determined with such assets' group, if it is difficult to estimate the recoverable amount of single assets. Asset group is the minimum asset portfolio capable of generating cash inflow 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. Firstly, the amount of impairment losses shall be amortized to the book value of goodwill of this asset group or asset portfolio. Secondly, the book value of other assets shall be amortized in proportion based on the book value of other assets (excluding goodwill) in the asset group or asset portfolio.

Once impairment losses on above assets are confirmed, the part with recovered value cannot be rolled back in subsequent periods.

### **23. Contract liabilities**

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 shall 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 shall 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. Wherein:

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 demission welfare cannot 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 provided by the Company to its staff that conform to the defined contribution plans shall be subject to accounting treatment in accordance with the defined contribution plans. Others shall be subject to accounting treatment in accordance with the defined benefit plans.

## **25. Estimated liabilities**

Contingency-related obligation conforming to the following conditions at the same time shall be confirmed as accrued liabilities: (1) Such obligation is a current obligation undertaken by the Company; (2) Performance of this obligation will probably lead to economic interest outflow; (3) The amount of this obligation can be measured reliably.

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 contract**

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 executive 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 payments 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 payments 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 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 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 settled in equity; in other cases, the share-based payment transaction is 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) 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.

It belongs to performance within a period when satisfying any one of the following conditions. Otherwise, it belongs to performance at a time point. ① The client obtains and consumes corresponding economic benefits while the Company performs its obligations; ② The client is able to control in-process commodities or services in the process of performance by the Company; ③ Commodities or services in the process of performance by the Company have irreplaceable usage, and the Company has, within the entire contract period, the right to collect money for the part performed so far.

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. The Company shall take the following signs into consideration while judging whether the client has obtained the control right of commodity or not: ① The Company has the right of current collection over such commodity. In other words, the client is obligated to pay for this commodity currently; ② The Company has already transferred legal ownership of this commodity to the client. In other words, the client has legal ownership of this commodity; ③ The Company has already transferred this commodity to the client. In other words, the client has already occupied this commodity in real material; ④ The Company has already transferred to the client main risks and remunerations related to the ownership of this commodity. In other words, the client has already obtained main risks and remunerations related to the ownership of this commodity; ⑤ The client has already accepted this commodity; ⑥ Other signs indicating that the client has already obtained the control right of this commodity

## 2) Principles of revenue 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, PET flakes, polyester yarns, etc., and the sales shall be the fulfillment of contract performance obligation at a certain time point. In combination with the Company's actual production and management features, its internal product sales revenues shall be confirmed in accordance with the following conditions: The Company has already delivered corresponding products to the client in accordance with the contract agreement; the amount of product sales revenues has been determined already; the Company has already taken back relevant loans or obtained the receipt voucher, and relevant economic interests are likely to flow in; the product control right has already been transferred to the acquirer; product-related costs can be measured reliably. 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.

## 28. Contract cost

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

Cost incurred by performance of the contract that doesn't belong to the scope of other accounting standards (the *Accounting Standards for Business Enterprises No. 14 – Income (Revision in 2017)*) and satisfy the following conditions at the same time shall be confirmed as an asset in a form of contract performance cost: ① This cost is in direct correlation with a current or an expected contract, including direct manpower and direct material and manufacturing expenses (or similar expenses). Specify the client's cost and other costs incurred due to this contract; ② This cost increases the Company's resources used for future performance; ③ This cost can be taken back as estimated.

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. Governmental

subsidies obtained by the Company to structure or form long-term assets in other ways shall be defined as assets-related subsidies, and other governmental subsidies as income-related subsidies. If the target of a government grant is not specified in relevant government documents, the grant 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/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. Taxable income used as the basis for calculating current income tax expenses is calculated after corresponding adjustment to pre-tax accounting profits in this year in accordance with relevant tax law provisions.

#### **(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 income 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 income 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 income 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 income taxes 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**

Lease means that the Company has transferred or obtained the control right of using one or several identified assets within a certain period for the purpose of getting in return or pay the contract price. On the commencement date of a contract, the Company shall evaluate whether it is a lease contract or whether lease is included in the contract.

#### **(1) The Company as lessee**

The assets leased by the Company are mainly houses & buildings, land use right and machinery equipment.

##### **① Initial measurement**

On the commencement date of the lease term, the Company can confirm the right to use leased assets within the lease term as right-of-use assets and the current value of unpaid rentals as lease liabilities, excluding short-term lease and lease of low-value assets. While calculating the present value of lease payment, the Company adopts the interest rate implicit in lease as discount rate. However, the lessee's incremental borrowing rate shall be taken as discount rate, when it is unable to determine the interest rate implicit in lease.

##### **② Follow-up measurement**

In the same month since the start of the lease term, the Company shall calculate depreciation of right-of-use assets. When the obtainment of the ownership of leased assets can be rationally determined at the expiry of the lease term, the Company shall calculate depreciation within the residual service life of leased assets. If it is unable to determine the obtainment of the ownership of leased assets at the expiry of the lease term, the Company shall calculate depreciation within the lease term or within the residual service life of leased assets (whichever is shorter).

Interest expenses for lease liabilities in different periods within the lease term shall be calculated by the Company in accordance with fixed periodic rate. Such expenses shall be recorded into current profits and losses, or into related asset cost. Upon its occurrence, variable lease payment not measured as lease liabilities shall be recorded into current profits and losses, or into related asset cost.

In case of any change in the fixed amount of payment, in the amount payable estimated by the guarantee balance, in the index or ratio used to determine the lease payment and in the assessment results or actual right executing conditions of call option, renewal option or termination option after the commencement date of the lease term, the Company shall re-

measure lease liabilities in accordance with the present value of changed lease payment, and make corresponding adjustment to the book value of right-of-use assets. The Company shall record the residual amount into current profits and losses, when the book value of right-of-use assets has already been decreased to zero, but it is still necessary to cut down lease liabilities.

### ③ Short-term lease and lease of low-value assets

Simplified treatment method is adopted by the Company for short-term lease (the lease term since the commencement date of lease is within twelve months) and lease of low-value assets. Right-of-use assets and lease liabilities will not be confirmed. Instead, the lease payment shall be recorded, in accordance with straight-line method or other systematic and reasonable methods, into related asset cost or into current profits and losses in different periods within the lease term.

### ④ Lease change

When lease is changed and conforms to the following conditions at the same time, this lease change shall be regarded by the Company as an individual lease for accounting treatment:

- This lease change has expanded the scope of lease by increasing the use right of one or several leased assets.
- The increased price is equal to the amount of the enlarged part after being adjusted in accordance with the contract.

If lease change is not subject to accounting treatment as an individual lease (simplified method for contract changes directly caused by COVID-19), on the effective date of such lease change, the Company shall re-amortize the changed contract price, determine a new lease term, and re-measure lease liabilities in accordance with the present value calculated based on the changed lease payment and the revised discount rate.

If the lease change narrows the scope of lease or shortens the lease term, the Company shall lower the book value of right-of-use assets, and record gains from partially or completely terminated lease into current profits and losses. The Company shall make corresponding adjustment to the book value of right-of-use assets, when lease liabilities need to be re-measured due to other lease changes.

## (2) The Company as leaser

On the commencement date of lease, based on the essence of transaction, lease is divided by the Company into finance lease and operating lease. Finance lease refers to the lease that almost all risks and remunerations related to the ownership of leased assets have already been transferred in essence. Operating lease refers to other leases excluding finance lease.

### ① Operating lease

The straight-line method is adopted by the Company to confirm the lease receipts as rental income in different periods within the lease term. Variable lease payment related to operating lease that is not recorded into lease receipts shall be recorded into current profits and losses upon the occurrence.

## ② Finance lease

Since the commencement date of the lease term, the Company shall confirm the amount of finance lease receivable, and derecognize finance lease assets. The amount of finance lease receivable shall be initially measured by net lease investment (sum of present value of unguaranteed balance and un-received lease receipts since the commencement date of the lease term after being discounted in accordance with the interest rate implicit in lease). In addition, interest incomes within the lease term shall be calculated and conformed in accordance with fixed periodic rate. Upon its occurrence, variable lease payment not measured as lease liabilities shall be recorded into current profits and losses, or into related asset cost.

## ③ Lease change

When operating lease is changed, the Company shall regard such change as a new lease for accounting treatment since its effective date. Receivables in advance or lease receipts receivable related to pre-change lease shall be deemed as receipts of new lease.

When finance lease is changed and conforms to the following conditions at the same time, this lease change shall be regarded by the Company as an individual lease for accounting treatment:

- This change has expanded the scope of lease by increasing the use right of one or several leased assets.
- The increased price is equal to the amount of the enlarged part after being adjusted in accordance with the contract.

If the change in finance lease is not subject to accounting treatment as an individual lease, the Company will treat the changed lease under the following circumstances:

- In case that the change takes effect since the commencement date of lease and that such lease will be classified into operating lease, the Company will, since the effective date of such lease change, take it as a new lease for accounting treatment, and take net lease investment before the effective date as the book value of leased assets.
- In case that the change takes effect since the commencement date of lease and that such lease will be classified into finance lease, the Company will perform accounting treatment in accordance with relevant provisions for contract modification or negotiation in the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*.



## 32. Other important accounting policies and accounting estimates

### (1) Discontinued operation

Discontinuing operation refers to the constituent part that satisfies one of the following conditions, that can be distinguished separately and that is disposed by the Company or divided into the held-for-sale group: ① This part represents an independent main business or an individual main business region; ② This part is part of a proposal used to deal with an independent main business or an individual main business region; ③ This part is a subsidiary obtained for exclusive 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 profits or losses from the tool will be included in the current profits and losses. If the arbitrage tool is used to hedge nonmarketable equity instrument investment (or its constituent part) measured by fair value and whose changes included in other comprehensive income, both profits and losses from the arbitrage tool shall be recorded into 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 profit 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 profits 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 profits or losses of hedging instruments, the part that is effective hedging is recognized as other comprehensive income, and the profits or losses of the ineffective part of hedging are included in the current profits and losses.

The profits 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.

### (3) Repurchase shares

The consideration and transaction expenses paid during the share repurchase reduce the shareholders' equity, which cannot 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 share capital 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

① In December 2021, the Ministry of Finance issued Interpretation *No. 15 of the Accounting Standards for Business Enterprises* (CK [2021] No.35) (hereinafter referred to as "Interpretation No. 15"), which stipulates the accounting treatment for the sale of products or by-products produced by enterprises before the fixed assets reach the intended usable state or during the R&D process, the presentation of centralized fund management, and the judgment on loss contracts. The Company held the seventeenth meeting of the eleventh session of the BOD and the twelfth meeting of the eleventh of the BOS on April 25, 2022, and respectively reviewed and approved the *Proposal on Changes in Accounting Policies*.

From January 1, 2022, the Company has been implementing the contents in "the accounting treatment for the sale of products or by-products produced by enterprises before the fixed assets reach the intended usable state or during the R&D process" and "the judgment on loss contracts". The content of "report on centralized fund management" will be implemented since the date of publication.

#### A. Accounting treatment for trial sales

Interpretation No. 15 clarified the accounting treatment and presentation for external sales of products or by-products produced by enterprises before the fixed assets reach the intended usable state or during the R&D process, and it stipulates that the net amount of trial sales revenue after offsetting related costs shall not be offset against fixed asset costs or R&D expenses. This regulation came into effect from January 1, 2022. For trial sales that occurred between the beginning of the earliest period presented in the financial statements and January 1, 2022, retrospective adjustments were made to the comparative financial statements.

The impact of changes in the accounting policy on the Company's consolidated financial statements is listed as follows:

Report item	December 31, 2021/FY2021		
	Before the retroactive adjustment	Retroactively adjusted amount	After the retroactive adjustment
Inventory	12,100,381,644.06	45,573,890.71	12,145,955,534.77
Other current assets	1,640,351,289.45	-45,573,890.71	1,594,777,398.74
Fixed assets	46,117,918,498.81	-15,188,960.10	46,102,729,538.71
Construction in progress	3,896,282,585.50	-20,694,577.71	3,875,588,007.79
Deferred income tax assets	123,507,368.56	1,032,428.07	124,539,796.63
Capital reserve	9,165,586,160.07	-3,697,493.97	9,161,888,666.10
Undistributed profit	13,623,601,273.27	-29,714,854.19	13,593,886,419.08
Minority stockholders' equity	7,043,319,140.59	-1,438,761.58	7,041,880,379.01
Operating income	128,979,539,693.27	687,392,101.99	129,666,931,795.26
Operating cost	121,608,031,299.09	719,145,927.54	122,327,177,226.63
Assets impairment loss	-146,977,289.85	-4,129,712.26	-151,107,002.11
Income tax expenses	344,590,446.03	-1,032,428.07	343,558,017.96
Cash received from the sales of goods and the rendering of labor services	135,429,689,619.36	776,753,075.25	136,206,442,694.61
Cash payments for goods purchased and labor services received	124,636,768,649.57	811,103,455.41	125,447,872,104.98
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	6,007,146,711.00	-34,350,380.16	5,972,796,330.84

Changes in the accounting policy have no impacts on the financial statements of the parent company.

#### B. Judgment on loss contracts

Interpretation No. 15 clarifies that the "cost for performing the contract" considered by

enterprises when determining whether the contract constitutes a loss contract shall include both the incremental cost for performing the contract and the allocation amount of other costs directly related to the performance of the contract. This regulation came into effect from January 1, 2022, and was implemented for contracts that had not fulfilled all obligations by January 1, 2022. According to the accumulative impacts, retroactive adjustments were made to the retained earnings and other related financial statement items at the beginning of the year of the implementation date, without adjustments to the comparative financial statement data for the previous period.

The implementation of this regulation has no impacts on the Company's financial statements.

② In November 2022, the Ministry of Finance issued Interpretation *No. 16 of the Accounting Standards for Business Enterprises* (CK [2022] No. 31, hereinafter referred to as "Interpretation No. 16"), which stipulated the accounting treatment for the deferred income tax that is related to assets and liabilities generated from individual transactions and are not applicable to initial recognition exemption, the accounting treatment for the income tax impact of the dividend related to financial instruments classified as equity instruments by issuers, and the accounting treatment of enterprises modifying cash-settled share-based payments to equity-settled share-based payments.

A. Accounting treatment for the deferred income tax that is related to assets and liabilities generated from individual transactions and is not applicable to initial recognition exemption Interpretation No. 16 stipulates that for individual transactions generated from non-business combinations, and those that do not affect accounting profits or taxable income (or deductible losses) and those of which the initial recognition of assets and liabilities leads to individual transactions that generate equal taxable temporary differences and deductible temporary differences (including leasing transactions where the lessee initially recognizes the lease liabilities on the lease term start date and includes it in the right-of-use assets, as well as transactions where the expected liability is recognized and included in the relevant asset cost due to the abandonment obligation of fixed assets), the provisions of Article 11 (2) and Article 13 of the *Accounting Standards for Business Enterprises No. 18 - Income Tax* regarding exemption from initial recognition of deferred income tax liabilities and deferred income tax assets are not applicable. For the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in the transaction, the enterprise shall recognize the corresponding deferred income tax liabilities and deferred income tax assets at the time of the transaction in accordance with relevant provisions such as the *Accounting Standards for Business Enterprises No. 18 - Income Tax*.

This regulation came into effect on January 1, 2023, allowing enterprises to implement it in advance from the year of publication. For individual transactions that apply this interpretation between the beginning of the earliest period presented in the financial statements in which this interpretation is first implemented and the date of implementation of this interpretation, enterprises shall make adjustments in accordance with the provisions of this interpretation. For the lease liabilities and right-of-use assets recognized as a result of individual transactions to which this interpretation applies at the beginning of the financial statement presentation for the first time, as well as the estimated liabilities and corresponding assets related to the disposal obligation recognized, which generate taxable temporary differences and deductible temporary differences, the enterprise shall comply with the provisions of this interpretation and the *Accounting Standards for Business Enterprises No. 18- Income Tax*, adjust the cumulative impact amount to present the initial retained earnings and other related financial statement items for the earliest period presented in the financial statements. The Company started the implementation of this accounting policy from January 1, 2022.

The implementation of this regulation by the Company in 2022 has no impacts on the Company's financial statements.

B. Accounting treatment for the income tax impact of the dividend related to financial instruments classified as equity instruments by issuers

Interpretation No. 16 stipulates that for financial instruments classified as equity instruments by the issuer in accordance with the *Accounting Standards for Business Enterprises No. 37- Presentation of Financial Instruments* and other regulations (such as perpetual bonds classified as equity instruments), if the relevant dividend expenses are deducted before the enterprise's income tax in accordance with relevant tax policies, the enterprise shall recognize the income tax impact related to the dividends when recognizing the payable dividends. The income tax impact of the dividend is usually more directly related to past transactions or events that generate distributable profits. Enterprises shall include the income tax impact of the dividend in current period's profit or loss or owner's equity (including other comprehensive income items) in a manner consistent with the accounting treatment used in past transactions or events that generate distributable profits. For transactions or events where the distributed profits come from previous profits and losses, the income tax impact of the dividend shall be included in the current profits and losses; for transactions or events where the distributed profits come from previously recognized owners' equity, the income tax impact of the dividend shall be included in the owner's equity item.

This regulation came into effect from the date of promulgation. For the relevant dividends

payable occur between January 1, 2022 and the implementation date, adjustments were made in accordance with this regulation; for those occurring before January 1, 2022 and the relevant financial instruments had not been derecognized as at January 1, 2022, retrospective adjustments were made.

The implementation of this regulation has no impacts on the Company's financial statements.

#### C. Accounting treatment of enterprises modifying cash-settled share-based payments to equity-settled share-based payments

Interpretation No. 16 stipulates that if an enterprise modifies the terms and conditions of a cash-settled share-based payment agreement to become an equity-settled share-based payment, on the date of modification, the enterprise shall measure the equity-settled share-based payment at fair value on the date of granting the equity instruments, record the acquired services in the capital reserve, and derecognize the recognized liabilities of the cash-settled share-based payment on the date of modification, with the difference between the two included in the current profit and loss.

This regulation shall come into effect from the date of promulgation. For the above-mentioned transactions newly added to this interpretation from January 1, 2022 to the date of implementation of this interpretation, enterprises shall make adjustments in accordance with the provisions of this interpretation. For the transactions mentioned in this interpretation that occurred before January 1, 2022 and were not processed in accordance with the above regulations, the enterprise shall make adjustments to the retained earnings and other related financial statement items according to the accumulative impact as at January 1, 2022, without adjustments to the information of comparable periods.

The implementation of this regulation has no impacts on the Company's financial statements.

#### (2) Accounting estimate change

In this reporting period, there is no accounting estimate change in the Company.

### **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 of the book value 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

① Identification of leases

When identifying whether it is a lease contract or whether lease is included in a contract, the Company needs to evaluate whether an identified asset exists and that the client has controlled the use right of such asset within a certain period. During such evaluation, it needs to consider the nature of assets, substantial right of substitution, whether the client has the right to obtain almost all economic interests generated by use of such assets in this period, and whether the client is able to dominate the use of such assets.

② Classification of leases

As the leaser, the Company classified leases into operating lease and financing. 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.

③ Lease liabilities

As the lessee, the Company initially measures the lease liabilities in accordance with the present value of unpaid lease payment on the commencement date of the lease term. While measuring the present value of lease payment, the Company estimates the applied discount rate and the lease term of contract containing renewal or termination option. While evaluating the lease term, the Company comprehensively considers all facts and circumstances related to economic benefit from the Company's execution of its option, including expected changes in the facts and circumstances between the commencement date of the lease term and the date of option execution. Different judgments and estimates may influence the recognition of lease liabilities and right-of-use assets, and thus influence profits and losses in subsequent periods.

(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 depreciation reserves

The Company measures the cost and the net realizable value following the accounting policies related to inventories and retains inventory depreciation reserves that is obsolete or moving slowly or whose cost is higher than its realizable net value. Inventory impairment is determined on the basis of the assessment of the saleability and net realizable 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 depreciation reserves 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) Impairment reserves for 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, right-of-use 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 profits 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 Category	Specific Tax Rate
Value-added tax	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 surcharge
Education surcharge	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%, 18.5%, 17%, 16.5%, 15%, 5% and 2.5% 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%, 20% and 15%
Hong Kong Tianyi International Holding Co., Ltd. Good Park 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.	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 5% from 2022 to 2026.
Hengyi Industries Sdn. Bhd.	18.5%
Hengyi International Logistics Co., Ltd. Hengyi Petrochemical International Co., Ltd.	17%

## 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 Hengyi Petrochemical Research Institute Co., Ltd. (hereinafter referred to as the "Institute"), 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 on December 24, 2022, 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 the Institute are taxed at a reduced enterprise income rate of 15% from January 1, 2022 to December 31, 2024.

(3) On December 1, 2020, the Company's wholly-owned subsidiaries - Jiaxing Yipeng Chemical Fiber Co., Ltd. (hereinafter referred to as "Jiaxing Yipeng"), Zhejiang Shuangtu New Materials Co., Ltd. (hereinafter referred to as "Zhejiang Shuangtu") and Hangzhou Yijing Chemical Fiber Co., Ltd. (hereinafter referred to as "Hangzhou Yijing"), obtained the *High-tech Enterprise Certificate* jointly issued by Science Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, State Taxation Administration, and were therefore confirmed as high-tech enterprise with the period of validity as three (3) 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, 2022.

(4) 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.

(5) In accordance with relevant provisions in the *Notice of the Ministry of Finance and SAT about Implementing Inclusive Tax Relief Policy for Small and Micro Businesses* (CS No. 13 [2019]) and the *Notice of the Ministry of Finance and SAT about Implementing Favorable Income Tax Policy for Small and Micro Businesses and Individual Businesses* (Notice of the Ministry of Finance and SAT No. 12 [2021]), for the part of annual incomes taxable exceeding RMB 1 million in small-sized meager-profit enterprises, taxable income shall be paid by the rate of 12.5%, and enterprise income tax paid by the rate of 20%. For the part of annual incomes taxable between RMB 1 million and RMB 3 million, taxable income shall be paid by the rate of 25%, and enterprise income tax paid by the rate of 20%. The 2.5% preferential enterprise income tax rate is applicable to the Company's wholly-owned subsidiaries – Zhejiang Yizhi Information Technology Co., Ltd. in current year.

(6) 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 on December 31, 2021, Hengyi Industries International Pte. Ltd. was endowed with Approved Global Trading Company Status and it will enjoy the applicable preferential enterprise income tax rate of 5% from 2022 to 2026.

(7) The standard corporate income tax rate in Singapore is 17%, but the first 10,000 Singapore dollars of taxable income can enjoy 75% tax relief, and the taxable income of 10,001~190,000 Singapore dollars can enjoy 50% tax relief. The wholly-owned subsidiaries of the Company, Hengyi International Logistics Co., Ltd. and Hengyi Petrochemical International Co., Ltd., enjoy this preference.

(8) As Brunei PMB Petrochemical Project meets corresponding conditions for “Pioneer Enterprise”, Hengyi Industries Sdn. Bhd. (a holding subsidiary of the Company) may enjoy tax preference for 11 years: exemption of corporate income tax and imported apparatus & imported raw material tax.

(9) 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. Hengyi Limited enjoys a preferential policy of 100% reduction in land use tax and 30% reduction in property tax, and Hangzhou Yijing enjoys a preferential policy of 100% reduction in land use tax.

(10) In accordance with the *Decision of the State Council about Modifying the ‘Interim Regulations of the People’s Republic of China on the Use Tax of Urban Land’* and Article 7 of Decree of the State Council No. 483: When it is necessary for reduction as it is really difficult for the taxpayer to pay land use tax, the case shall be reported to SAT for approval after being reviewed by provincial, autonomous and municipal tax authorities. From January 1 to December 31, 2022, Haining Hengyi New Materials Co., Ltd. (a wholly-owned subsidiary of the Company) may enjoy a preferential policy of 50% reduction in land use tax for difficulties. From January 1 to December 31, 2022, Jiaxing Yipeng (a wholly-owned subsidiary of the Company) and Shaoxing Shengong Packaging Co., Ltd. (a holding subsidiary of the Company) may enjoy a preferential policy of 80% reduction in land use tax for difficulties. From January 1 to December 31, 2022, Zhejiang Shuangtu (a wholly-owned subsidiary of the Company) and Zhejiang Hengyi High-Tech Materials (a holding subsidiary of the Company) may enjoy a preferential policy of 100% reduction in land use tax for difficulties.

(11) In accordance with Article 6 of the *Interim Regulations of the People’s Republic of China on Property Tax* (GF No. 90 [1986]): when it is really difficult for the taxpayer to pay relevant taxes, upon the decision made by provincial, autonomous and municipal people’s governments,

property tax may be reduced or exempted on a periodic basis. From January 1 to December 31, 2022, Zhejiang Shuangtu (a wholly-owned subsidiary of the Company) may enjoy a preferential policy: reduce 100% property taxes.

(12) In accordance with the *Implementation Suggestions of Zhejiang Provincial Tax Service, State Taxation Administration about Implementing the Decision of Provincial Party Committee for Promoting Entrepreneurship-based Enrichment and Innovation-based Provincial Strength* (ZDSF No. 1 [2008]), within one to three years since the date of establishment of new high-tech enterprises and chain supermarkets, property tax, city and town land use tax and special funds for water conservancy construction may be exempted upon the approval by local taxation bureau. Hangzhou Yijing (a wholly-owned subsidiary of the Company) may be exempted from property tax in 2022.

(13) In *Notice of the Finance Department of Guangxi Zhuang Autonomous Region on Clarifying the Preferential Policies for Local Water Conservancy Construction Funds* (GCG [2022] No.1) issued by the Finance Department of Guangxi Zhuang Autonomous Region, Article 2 stipulates: From January 1, 2022 to December 31, 2022, enterprises registered in China (Guangxi) Pilot Free Trade Zone (including Nanning, Qinzhou Port, and Chongzuo area) and engaged in legitimate operations are exempt from local water conservancy construction funds. The Company and its wholly-owned subsidiary Guangxi Hengyi Shunqi Trading Co., Ltd. enjoy this preferential policy.

(14) According to *Notice of Ministry of Finance, State Taxation Administration, and the Ministry of Veteran Affairs on Further Supporting Entrepreneurship and Employment of Self-employed Retired Soldiers Through Preferential Tax Policy* (ZS [2019] No. 21), the Polymer Company, Hengyi High-Tech Materials and Zhejiang Shuangtu may have value-added tax, urban maintenance and construction tax, education surcharges, local education surcharges and enterprise income tax deducted sequentially based on the actual number of retired soldiers and a quota of RMB 9,000 per person per year within three years from the month of signing the labor contract and paying social insurance premiums provided that they recruit self-employed retired soldiers, and sign labor contracts with them for a period longer than one year and pay social insurance premiums for them in accordance with the law.

## **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 "end of the period" refers to December 31, 2022, the "end of previous year" refers to December 31, 2021, the "current period" refers to 2022, and the

"previous period" refers to 2021.

### 1. Monetary funds

Item	Ending balance	Ending balance of previous year
Cash on hand	1,118,679.20	1,296,711.32
Bank deposit	11,793,245,385.08	9,581,462,709.95
Other monetary funds	5,564,111,474.22	4,739,957,372.55
<b>Total</b>	<b>17,358,475,538.50</b>	<b>14,322,716,793.82</b>
Wherein: The total amount of funds deposited abroad	4,521,667,307.86	2,841,363,553.38

Note: As of December 31, 2022, the monetary capital that the Company's right to use was restricted was RMB 4,424,405,925.47, including RMB 2,466,706,685.89 of L/C guarantee deposit, RMB 1,757,049,826.23 of acceptance bill deposit, RMB 50,018,853.56 of L/G deposit, RMB 58,189.75 of collection for bill pledge, RMB 25,169,796.00 of judicially frozen fund, RMB 115,396,976.82 of futures deposit, and RMB 10,005,597.22 of other restricted funds.

### 2. Held-for-trading financial assets

Item	Ending balance	Ending balance of previous year
Financial assets measured at fair value through profit and loss	251,021,508.33	388,958,054.67
Wherein: Debt instrument investment	0.00	0.00
Equity instrument investment	0.00	0.00
Derivative financial assets	251,021,508.33	388,958,054.67
Others	0.00	0.00
Specified as financial assets measured by fair value and whose changes included in current profits and losses	0.00	0.00
<b>Total</b>	<b>251,021,508.33</b>	<b>388,958,054.67</b>
Wherein: Portion reclassified to other non-current financial assets	0.00	0.00

### 3. Derivative financial assets



Item	Ending balance	Ending balance of previous year
Foreign exchange derivatives	0.00	0.00
Commodity derivatives	1,872,460.80	0.00
Total:	1,872,460.80	0.00

Note: The derivative financial assets at the yearend are the future exchange derivatives that are designated and are effective hedging instruments.

#### Cash-flow hedge:

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 is reasonable, if the hedge ratio of hedging relationship is the same as the hedge ratio set from the perspective of risk management.

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 is reasonable, if the hedge ratio of hedging relationship is the same as the hedge ratio set from the perspective of risk management.

In this year, an amount of RMB -4,627,201.60 was recorded into stockholders' equity as cash-flow hedge reserves in the Company. Details are described as follows:

Item	Current-period Quantity
Total gains of fair value recorded into stockholders' equity	-32,287,505.91
Minus: Deferred income tax from the gains of fair value	-1,511,985.87
Minus: Other comprehensive income is reclassified into current profit and loss	-24,245,656.05
Minus: Deferred income tax reclassified into current profit and loss	-80,424.00
Minus: Assigned to Minority Shareholders after Tax	-1,983,086.39
Net profits from cash-flow hedge	-4,627,201.60

**4. Notes receivable****(1) Classified presentation of notes receivable**

Item	Ending balance	Ending balance of previous year
Bank acceptance bills	246,560,954.07	258,014,878.86
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Subtotal	246,560,954.07	258,014,878.86
Minus: Provision for bad debts	0.00	0.00
Total	246,560,954.07	258,014,878.86

**(2) Pledged notes receivable at the end of the year**

Item	Amounts pledged at the end of period
Bank acceptance bills	53,822,104.39

(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	753,032,485.93	0.00

(4) Notes converted to accounts receivable at the yearend due to the non-performance of the drawer

There are not notes converted to accounts receivable at the yearend due to the non-performance of the drawer.

**5. Accounts receivable****(1) Disclosure by aging**

Aging	Ending balance	Ending balance of previous year
Within 1 year	6,857,378,133.02	6,436,739,812.92
Wherein: Within 6 months	6,853,588,160.54	6,436,207,144.59
7-12 months	3,789,972.48	532,668.33

Aging	Ending balance	Ending balance of previous year
1-2 years	918,708.38	168,352.34
2-3 years	163,835.86	8,532,277.40
Over three years	8,510,212.00	336,665.16
Subtotal	6,866,970,889.26	6,445,777,107.82
Minus: Provision for bad debts	9,057,241.04	8,935,048.94
Total	6,857,913,648.22	6,436,842,058.88

## (2) Presented based on bad debt reserve provision method

Category	Ending balance				
	Book Balance		Provision for bad debts		Book Value
	Amount	Proportion (%)	Amount	Allotment rate (%)	
Accounts receivable with single provision for bad debt	8,510,212.00	0.12	8,510,212.00	100.00	0.00
Wherein: Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	0.12	8,510,212.00	100.00	0.00
Receivables with bad debt provision made as per different groups	6,858,460,677.26	99.88	547,029.04	0.01	6,857,913,648.22
Wherein: This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	6,858,460,677.26	99.88	547,029.04	0.01	6,857,913,648.22
Total	6,866,970,889.26	100.00	9,057,241.04	0.13	6,857,913,648.22

(Continued)

Category	Ending balance of previous 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	0.13	8,510,212.00	100.00	0.00
Wherein: Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	0.13	8,510,212.00	100.00	0.00
Receivables with bad debt provision made as per different groups	6,437,266,895.82	99.87	424,836.94	0.01	6,436,842,058.88
Wherein: This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	6,437,266,895.82	99.87	424,836.94	0.01	6,436,842,058.88
Total	6,445,777,107.82	100.00	8,935,048.94	0.14	6,436,842,058.88

## ① Accounts receivable with single provision for bad debt

Accounts Receivable (by Unit)	Ending balance			
	Book balance	Bad debt provision	Allotment rate	Reason for provision
Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	8,510,212.00	100%	Expected to be less likely to be recovered

## ② Accounts receivable with bad debt provision made based on aging combination in the combination

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Allotment rate (%)
Within 6 months	6,853,588,160.54	0.00	0.00
7-12 months	3,789,972.48	189,498.62	5.00
1-2 years	918,708.38	275,612.50	30.00
2-3 years	163,835.86	81,917.92	50.00
Over three years	0.00	0.00	0.00

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Allotment rate (%)
Total	6,858,460,677.26	547,029.04	—

**(3) Bad debt preparation**

Category	Ending balance of previous year	Amount of changes in 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
This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	424,836.94	470,701.26	11,844.00	336,665.16	547,029.04
Total	8,935,048.94	470,701.26	11,844.00	336,665.16	9,057,241.04

**(4) The top five ending amounts (totals by borrower) of accounts receivable**

The top five ending amounts (totals by borrower) of the Company's accounts receivable amounted to RMB 3,556,408,361.50 in total, accounting for 51.79% 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) Classified presentation of receivables financing**

Item	Ending balance	Ending balance of previous year
Notes receivable	129,579,710.85	487,553,057.15
Accounts receivable	0.00	0.00
Total	129,579,710.85	487,553,057.15

**(2) Changes of increase or decrease of financing of receivables in current period and changes in fair value thereof**

Item	Ending balance of previous year	Changes in current period	Ending balance
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	Cost	Changes of fair value	Cost	Changes of fair value	Cost	Changes of fair value
Notes receivable	487,553,057.15	0.00	-357,973,346.30	0.00	129,579,710.85	0.00
Accounts receivable	0.00	0.00	0.00	0.00	0.00	0.00
Total	487,553,057.15	0.00	-357,973,346.30	0.00	129,579,710.85	0.00

(3) 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	2,716,097,809.54	0.00

#### (4) Other description

During the current period, the Company discounted bank acceptance bills of RMB 3,927,622,490.56 (RMB 5,810,104,744.10 in the previous year) under the financing of receivables to banks. Main risks (e.g. interest rate risk) and remunerations related to these bank acceptance bills have been transferred to the bank. Therefore, the Company shall derecognize discounted immature bank acceptance bills. 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, 2022, the cashed but not mature banker's acceptance was RMB 2,163,654,777.55 in total (RMB 3,032,977,371.34 on December 31, 2021).

## 7. Advance payment

### (1) Presentation of advance payment based on aging

Aging	Ending balance		Ending balance of previous year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,750,732,277.13	97.65	2,325,038,241.09	98.46
1-2 years	23,433,483.12	1.31	30,708,837.83	1.30
2-3 years	12,874,502.42	0.72	5,275,977.46	0.22
Over three years	5,656,584.18	0.32	505,198.15	0.02

Aging	Ending balance		Ending balance of previous year	
	Amount	Proportion (%)	Amount	Proportion (%)
Total	1,792,696,846.85	100.00	2,361,528,254.53	100.00

**(2) Important advance payment with aging >1 year**

At the end of the term, there is no important advance payment with aging >1 year in the Company.

**(3) Advance payment with top five ending balance collected by object of prepayment**

The top five ending amounts (totals by prepayment objects) of the Company's advance payments amounted to RMB 943,319,263.86, accounting for 52.62% in the total balance of prepayments at the year-end balance.

**8. Other receivables**

Item	Ending balance	Ending balance of previous year
Interests receivable	0.00	0.00
Dividends receivable	0.00	344,500,000.00
Other receivables	133,782,632.86	139,715,755.18
Total	133,782,632.86	484,215,755.18

**(1) Dividends receivable**

Investee	Ending balance	Ending balance of previous year
Hainan Yisheng Petrochemical Co., Ltd.	0.00	265,000,000.00
Dalian Yisheng Investment Co., Ltd.	0.00	79,500,000.00
Subtotal	0.00	344,500,000.00
Minus: Bad debt provision	0.00	0.00
Total	0.00	344,500,000.00

**(2) Other receivables**

## ① Disclosure by aging

Aging	Ending balance	Ending balance of previous year
Within 1 year	85,330,016.44	62,871,587.51
1-2 years	2,625,100.78	45,350,003.33
2-3 years	18,718,506.81	9,240,923.00
Over three years	59,126,527.96	53,364,478.08
Subtotal	165,800,151.99	170,826,991.92
Minus: Bad debt provision	32,017,519.13	31,111,236.74
Total	133,782,632.86	139,715,755.18

## ② Classification based on nature of fund

Nature of account	Ending balance	Ending balance of previous year
Receivables and payables such as advances from entities beyond the scope of consolidation	27,054,550.51	35,211,893.21
Combination of tax refunds receivable and other government subsidies	18,364,333.51	37,132,620.00
Portfolio of deposits and security	62,664,839.19	39,807,477.55
Employee loan and petty cash	6,311,098.39	5,670,232.02
Other groups	51,405,330.39	53,004,769.14
Subtotal	165,800,151.99	170,826,991.92
Minus: Bad debt provision	32,017,519.13	31,111,236.74
Total	133,782,632.86	139,715,755.18

## ③ Accrual of bad debt reserves

	Stage 1	Stage 2	Stage 3	Total
Bad debt provision	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 occurred has occurred)	
Ending balance of previous	4,523,491.65	341,700.00	26,246,045.09	31,111,236.74



Bad debt provision	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 occurred has occurred)	
year				
Book balance of other receivables at the end of the previous year:				
- Transferred to Stage 2	0.00	--	--	0.00
- Transferred to Stage 3	0.00	0.00	--	0.00
- Transferred back to Stage 2	--	--	0.00	0.00
- Transferred back to Stage 1	--	0.00	0.00	0.00
Provision in current period	1,490,069.79	79,625.60	0.00	1,569,695.39
Roll-back in current period	663,413.00	0.00	0.00	663,413.00
Write-off in current period	0.00	0.00	0.00	0.00
Cancellation after verification in current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Ending balance	5,350,148.44	421,325.60	26,246,045.09	32,017,519.13

## ④ Situation of bad debt reserves

Category	Ending balance of previous year	Amount of changes in current period			Ending balance
		Provision	Amount recovered or written back	Write-off or Cancellation after Verification and Others	
Receivables and payables such as advances from entities beyond the scope of consolidation	1,056,356.78	21,720.49	266,440.77	0.00	811,636.50

Portfolio of deposits and security	2,321,248.93	1,429,728.50	296,761.91	0.00	3,454,215.52
Employee loan and petty cash	169,640.81	86,272.40	66,584.92	0.00	189,328.29
Other groups	27,563,990.22	31,974.00	33,625.40	0.00	27,562,338.82
Total	31,111,236.74	1,569,695.39	663,413.00	0.00	32,017,519.13

## ⑤ Other receivables with top five ending balance collected by debtor

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the year ended (%)	Bad debt provision Ending balance
Baiduri Bank Berhad	Margin	54,567,641.00	Within 1 year	32.91	2,728,382.05
Wang XX	Claim for indemnity	26,243,545.09	Over three years	15.83	26,243,545.09
Fulida Group and Xinghui Chemical Fiber Group Co., Ltd.	Compensation	23,586,685.13	Over three years	14.23	1,179,334.26
Tax Bureau of Xiaoshan District	Tax returns	15,405,733.51	Within 1 year	9.29	0.00
Sinotrans (B) Sdn. Bhd.	Receivables and payables	4,331,307.12	≤2 years Over three years	2.61	129,939.21
Total	—	124,134,911.85	—	74.87	30,281,200.61

Note: The relevant description on balance formation of the Company's "other receivables - Wang" and full provision for bad debts at the end of current period can be found in Note XII.1 (1).

## ⑥ Accounts receivable involving government grants

Name of organization	Name of government grants	Ending balance	Aging at the end of the period	Time, amount and basis of estimated collection
Tax Bureau of Xiaoshan District	Value-added tax refund	15,405,733.51	Within 1 year	February 15, 2023
Xiaoshan District Bureau of Economic and Information	Headquarters regress	2,958,600.00	Within 1	May 1, 2023

Name of organization	Name of government grants	Ending balance	Aging at the end of the period	Time, amount and basis of estimated collection
Tax Bureau of Xiaoshan District	Value-added tax refund	15,405,733.51	Within 1 year	February 15, 2023
Technology	subsidies		year	
Total	—	18,364,333.51	—	—

Note: “The balance RMB 15,405,733.51 of value-added tax refund was totally received before February 15, 2023.

## 9. Inventory

### (1) Classification of inventory

Item	Ending balance		
	Book balance	Inventory depreciation reserves/Impairment reserves for contract performance cost	Book value
Materials in transit	2,167,614,674.66	0.00	2,167,614,674.66
Raw materials	4,761,057,332.22	50,978,954.18	4,710,078,378.04
Goods in process	1,289,739,172.39	89,318,021.98	1,200,421,150.41
Commodity stocks	6,222,986,720.67	227,434,527.33	5,995,552,193.34
Project construction	9,818,174.73	0.00	9,818,174.73
Total	14,451,216,074.67	367,731,503.49	14,083,484,571.18

(Continued)

Item	Ending balance of previous year		
	Book balance	Inventory depreciation reserves/Impairment reserves for contract performance cost	Book value
Materials in transit	1,731,750,808.56	4,065,527.08	1,727,685,281.48
Raw materials	4,375,371,606.99	11,834,022.08	4,363,537,584.91
Goods in process	1,117,706,067.47	5,826,212.07	1,111,879,855.40

Item	Ending balance of previous year		
	Book balance	Inventory depreciation reserves/Impairment reserves for contract performance cost	Book value
Commodity stocks	5,057,408,304.21	116,161,441.71	4,941,246,862.50
Project construction	1,605,950.48	0.00	1,605,950.48
Total	12,283,842,737.71	137,887,202.94	12,145,955,534.77

**(2) Inventory depreciation reserves**

Item	Ending balance of previous year	Increase in current period		Decrease in current period		Ending balance
		Provision	Others	Write-back or write-off	Others	
Materials in transit	4,065,527.08	0.00	0.00	4,065,527.08	0.00	0.00
Raw materials	11,834,022.08	50,230,584.53	748,369.65	11,834,022.08	0.00	50,978,954.18
Goods in process	5,826,212.07	86,393,812.27	3,228,894.26	6,130,896.62	0.00	89,318,021.98
Commodity stocks	116,161,441.71	225,057,017.21	2,558,122.39	116,342,053.98	0.00	227,434,527.33
Total	137,887,202.94	361,681,414.01	6,535,386.30	138,372,499.76	0.00	367,731,503.49

Note: The reason for the Company's re-sell inventory depreciation reserves in 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	Ending balance of previous year	Remarks
Long-term receivables mature within one year	0.00	115,233,477.61	Please refer to Note VI. 12. for details.

**11. Other current assets**

Item	Ending balance	Ending balance of previous year
Unamortized expense	180,672,280.12	170,334,722.91
Input tax retained	217,586,355.91	293,635,460.12
Excess tax paid	9,688,362.57	50,171,578.66

Item	Ending balance	Ending balance of previous year
Input tax to be certified	313,718,497.07	859,364.43
Principal and interest of entrusted loan	989,433,904.99	1,079,576,125.83
Others	133,431.20	200,146.79
Total	1,711,232,831.86	1,594,777,398.74

## 12. Long-term receivables

### Long-term accounts receivable

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment Reserve	Book value
Financing lease	172,869,347.67	0.00	172,869,347.67	115,233,477.61	0.00	115,233,477.61
Wherein: Unrealized financing income	-66,418,901.96	0.00	-66,418,901.96	-52,145,883.55	0.00	-52,145,883.55
Long-term deposits	3,613,154.11	0.00	3,613,154.11	3,307,639.58	0.00	3,307,639.58
Minus: Portion due within one year (Notes VI. 10)	0.00	0.00	0.00	115,233,477.61	0.00	115,233,477.61
Total	176,482,501.78	0.00	176,482,501.78	3,307,639.58	0.00	3,307,639.58

## 13. Long-term equity investments

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment Reserve	Book value
Investments in joint ventures and associates	12,831,505,320.53	0.00	12,831,505,320.53	12,085,626,559.38	0.00	12,085,626,559.38

### Investments in joint ventures and associates

Investee	Ending balance of previous year	Changes of increase or decrease in current period				
		Additional investment	Negative investment	Investment profits and losses recognized under the equity method Investment profits and losses	Other comprehensive income adjustment	Changes in other equity
<b>I. Joint ventures</b>						
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	1,319,719,520.62	0.00	0.00	-175,859,390.73	0.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	2,748,764,205.65	0.00	0.00	521,043,246.22	34,297,818.99	0.00
Haining Hengqi Environmental Protection Technology Co., Ltd.	0.00	3,000,000.00	2,986,703.89	-13,296.11	0.00	0.00
Subtotal	4,068,483,726.27	3,000,000.00	2,986,703.89	345,170,559.38	34,297,818.99	0.00
<b>II. Associated companies</b>						
Dalian Yisheng Investment Co., Ltd.	1,876,736,059.44	0.00	0.00	127,094,005.96	22,278,108.11	0.00
Hangzhou Jingxin Supply Chain Management Co., Ltd.	134,119,750.25	0.00	134,774,809.93	655,059.68	0.00	0.00
China Zheshang Bank Co., Ltd.	4,349,899,221.89	0.00	0.00	435,222,754.92	57,516,800.00	9,539,200.00
Ningbo Jinhou Industry Investment Co., Ltd.	14,291,804.11	0.00	0.00	-37,178.87	0.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	1,494,961,748.42	0.00	0.00	-93,353,326.07	-195,347.78	0.00
Dongzhan Shipping Co., Ltd.	147,134,249.00	0.00	0.00	9,784,806.02	-33,143.94	0.00
Subtotal	8,017,142,833.11	0.00	134,774,809.93	479,366,121.64	79,566,416.39	9,539,200.00
Total	12,085,626,559.38	3,000,000.00	137,761,513.82	824,536,681.02	113,864,235.38	9,539,200.00

(Continued)

Investee	Changes of increase or decrease in current period			Ending balance	Impairment reserves Ending balance
	Announcement of release Cash dividend or profit	Provisions for impairment reserves	Others		
<b>I. Joint ventures</b>					
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	67,299,841.43	0.00	0.00	1,076,560,288.46	0.00
Hainan Yisheng Petrochemical Co., Ltd.	0.00	0.00	0.00	3,304,105,270.86	0.00
Haining Hengqi Environmental Protection Technology Co., Ltd.	0.00	0.00	0.00	0.00	0.00
Subtotal	67,299,841.43	0.00	0.00	4,380,665,559.32	0.00
<b>II. Associated companies</b>					
Dalian Yisheng Investment Co., Ltd.	0.00	0.00	0.00	2,026,108,173.51	0.00
Hangzhou Jingxin Supply Chain Management Co., Ltd.	0.00	0.00	0.00	0.00	0.00
China Zheshang Bank Co., Ltd.	0.00	0.00	0.00	4,852,177,976.81	0.00
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,254,625.24	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	0.00	0.00	1,401,413,074.57	0.00
Dongzhan Shipping Co., Ltd.	0.00	0.00	0.00	156,885,911.08	0.00
Subtotal	0.00	0.00	0.00	8,450,839,761.21	0.00
<b>Total</b>	<b>67,299,841.43</b>	<b>0.00</b>	<b>0.00</b>	<b>12,831,505,320.53</b>	<b>0.00</b>

#### 14. Other equity instrument investments

##### (1) Investment in other equity instruments

Item	Ending balance	Ending balance of previous year
Zhejiang Hengchuang Advanced Functional Fiber Innovation Center Co., Ltd.	600,000.00	600,000.00
Jiangsu New Horizon Advanced Functional Fiber Innovation Center Co., Ltd.	5,000,000.00	5,000,000.00

Item	Ending balance	Ending balance of previous year
Total	5,600,000.00	5,600,000.00

**15. Fixed assets**

Item	Ending balance	Ending balance of previous year
Fixed assets	47,462,032,827.08	46,072,017,947.83
Liquidation of fixed assets	4,428,849.55	30,711,590.88
Total	47,466,461,676.63	46,102,729,538.71

**(1) Fixed assets****① Information of fixed assets**

Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
I. Original book value						
1. Ending balance (previous year)	11,746,241,517.22	1,359,891,066.38	47,818,422,523.06	310,074,288.75	253,589,965.55	61,488,219,360.96
2. Increase in current period	1,076,085,965.72	39,841,765.24	3,437,845,726.37	46,437,940.33	77,410,161.34	4,677,621,559.00
(1) Acquisition	55,933,568.79	149,372.99	46,200,482.05	36,699,481.70	16,999,710.54	155,982,616.07
(2) In-progress construction roll-in	422,110,451.27	39,682,373.26	1,744,974,410.40	2,071,615.56	54,766,359.89	2,263,605,210.38
(3) Conversion of foreign currency statements	598,041,945.66	10,018.99	1,646,670,833.92	7,666,843.07	5,644,090.91	2,258,033,732.55
(4) Others	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current period	9,059,229.71	278,529.56	82,863,298.07	8,416,242.83	364,420.98	100,981,721.15
(1) Disposal or retirement	9,059,229.71	278,529.56	48,871,515.80	8,416,242.83	173,151.02	66,798,668.92
(2) Roll into in-progress construction	0.00	0.00	26,333,459.58	0.00	0.00	26,333,459.58
(3) Conversion of foreign currency statements	0.00	0.00	0.00	0.00	191,269.96	191,269.96
(4) Others	0.00	0.00	7,658,322.69	0.00	0.00	7,658,322.69



Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
4. Balance at the end of current year	12,813,268,253.23	1,399,454,302.06	51,173,404,951.36	348,095,986.25	330,635,705.91	66,064,859,198.81
<b>II. Accumulated depreciation</b>						
1. Ending balance (previous year)	1,203,549,293.66	624,378,786.50	13,328,518,331.87	114,398,422.73	145,356,578.37	15,416,201,413.13
2. Increase in current period	358,670,877.52	77,638,021.06	2,687,673,630.57	55,556,071.82	45,071,923.23	3,224,610,524.20
(1) Provision	328,584,300.19	77,634,069.23	2,563,190,312.47	52,188,749.75	42,054,676.41	3,063,652,108.05
(2) Conversion of foreign currency statements	30,086,577.33	3,951.83	124,483,318.10	3,367,322.07	3,017,246.82	160,958,416.15
(3) Others	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current period	3,139,541.98	112,456.30	31,242,351.23	6,850,681.75	277,526.01	41,622,557.27
(1) Disposal or retirement	3,139,541.98	112,456.30	24,130,445.80	6,850,681.75	122,618.53	34,355,744.36
(2) Roll into in-progress construction	0.00	0.00	6,105,399.91	0.00	0.00	6,105,399.91
(3) Conversion of foreign currency statements	0.00	0.00	0.00	0.00	154,907.48	154,907.48
(4) Others	0.00	0.00	1,006,505.52	0.00	0.00	1,006,505.52
4. Balance at the end of current year	1,559,080,629.20	701,904,351.26	15,984,949,611.21	163,103,812.80	190,150,975.59	18,599,189,380.06
<b>III. Impairment reserves</b>						
1. Ending balance (previous year)	0.00	0.00	0.00	0.00	0.00	0.00
2. Increase in current period	0.00	0.00	3,636,991.67	0.00	0.00	3,636,991.67
(1) Provision	0.00	0.00	3,636,991.67	0.00	0.00	3,636,991.67
3. Decrease in current period	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. Balance at the end of current year	0.00	0.00	3,636,991.67	0.00	0.00	3,636,991.67

Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
IV. Book value						
1. Book value at the end of this year	11,254,187,624.03	697,549,950.80	35,184,818,348.48	184,992,173.45	140,484,730.32	47,462,032,827.08
2. Book value at the end of the previous year	10,542,692,223.56	735,512,279.88	34,489,904,191.19	195,675,866.02	108,233,387.18	46,072,017,947.83

## ② Temporarily idle fixed assets

Item	Original Book Value	Accumulated depreciation	Impairment reserves	Book value
Houses and buildings	8,670,425.29	503,644.34	0.00	8,166,780.95
Structures	0.00	0.00	0.00	0.00
Machinery equipment	45,143,510.44	24,062,433.73	3,636,991.67	17,444,085.04
Transportation facilities	0.00	0.00	0.00	0.00
Office facilities and others	0.00	0.00	0.00	0.00
Total	53,813,935.73	24,566,078.07	3,636,991.67	25,610,865.99

## ③ Situation of fixed assets with uncompleted certificate of title

Item	Book value	Reasons for failure to complete relevant affairs of property right certificate
Real estate of Haining Hengyi New Materials Co., Ltd.	1,459,490,961.20	In process
Real estate of Fujian Yijin Chemical Fiber Co., Ltd.	187,642,422.69	In process
Real estate of Haining Hengyi Thermal Power Co., Ltd.	183,606,691.10	In process
Real estate of Jiaxing Yipeng Chemical Fiber Co., Ltd.	436,497,520.35	In process
Real estate of Taicang Yifeng Chemical Fiber Co., Ltd.	16,208,937.48	Property obtained by auction, under transaction
Real estate of Zhejiang Shuangtu New Materials Co., Ltd.	7,794,158.73	Makeshift house

Real estate of Suqian Yida New Materials Co., Ltd.	2,112,597.89	In process
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## (2) Liquidation of fixed assets

Item	Ending balance	Ending balance of previous year
Machinery equipment	4,428,849.55	30,711,590.88

**16. Construction in progress**

Item	Ending balance	Ending balance of previous year
Construction in progress	3,608,062,223.99	3,769,242,612.01
Engineering materials	143,827,176.95	106,345,395.78
Total	3,751,889,400.94	3,875,588,007.79

**(1) In-process construction**

## ① Situation of in-process construction

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment reserves	Book value
Phase II of the refining- petrochemical project in Brunei	2,217,273,317.70	0.00	2,217,273,317.70	1,548,872,381.35	0.00	1,548,872,381.35
Haining New Materials Construction Project	49,503,959.30	0.00	49,503,959.30	1,755,641,933.05	0.00	1,755,641,933.05
Suqian Yida Expansion Project (Phase II)	521,514,887.05	0.00	521,514,887.05	129,640,869.78	0.00	129,640,869.78
The project of centralized heating for Suqian Yida Project	365,207,528.09	0.00	365,207,528.09	135,725,175.25	0.00	135,725,175.25
Guangxi Jijun Project (Phase I)	143,465,895.02	0.00	143,465,895.02	21,345,635.27	0.00	21,345,635.27
The boiler project of Zhejiang Shuangtu New Materials Co., Ltd.	77,784,628.37	0.00	77,784,628.37	0.00	0.00	0.00
Heat transfer oil boiler renovation project of Zhejiang Hengyi High- Tech Materials Co., Ltd.	60,407,803.61	0.00	60,407,803.61	453,921.84	0.00	453,921.84

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment reserves	Book value
3,000tpa caprolactam gas phase rearrangement and crystallization pilot-scale project	0.00	0.00	0.00	31,419,297.29	0.00	31,419,297.29
Other projects	172,904,204.85	0.00	172,904,204.85	146,143,398.18	0.00	146,143,398.18
Total	3,608,062,223.99	0.00	3,608,062,223.99	3,769,242,612.01	0.00	3,769,242,612.01

## ② Changes of major construction projects in progress in current period

Project name	Budget (RMB 10,000)	Ending balance of previous year	Increase in current period Amount	Amount of transferred into fixed assets in current period	Other decrease in current period	Ending balance
Phase II of the refining-petrochemical project in Brunei	\$1,365,389.00	1,548,872,381.35	508,247,308.49	0.00	-160,153,627.86	2,217,273,317.70
Haining New Materials Construction Project	892,500.00	1,755,641,933.05	138,530,140.90	1,844,668,114.65	0.00	49,503,959.30
Suqian Yida Expansion Project (Phase II)	385,000.00	129,640,869.78	391,874,017.27	0.00	0.00	521,514,887.05
The project of centralized heating for Suqian Yida Project	65,000.00	135,725,175.25	411,300,565.70	181,818,212.86	0.00	365,207,528.09
Guangxi Jijin Project (Phase I)	1,054,737.57	21,345,635.27	122,120,259.75	0.00	0.00	143,465,895.02
The boiler project of Zhejiang Shuangtu New Materials Co., Ltd.	8,850.00	0.00	77,784,628.37	0.00	0.00	77,784,628.37
Heat transfer oil boiler renovation project of Zhejiang Hengyi High-Tech Materials Co., Ltd.	7,100.00	453,921.84	59,953,881.77	0.00	0.00	60,407,803.61
3,000tpa caprolactam gas phase rearrangement and crystallization pilot-scale project	4,100.00	31,419,297.29	9,432,550.06	40,851,847.35	0.00	0.00
Other projects	--	146,143,398.18	222,882,559.27	196,267,035.52	-145,282.92	172,904,204.85
Total	--	3,769,242,612.01	1,942,125,911.58	2,263,605,210.38	-160,298,910.78	3,608,062,223.99

(Continued)

Project name	Proportion of project accumulated investment in budget (%)	Progress of Works (%) Project progress	Interest capitalization accumulative amount	Wherein: Interest for the current period Capitalized amount	Capitalization rate of interest in current period (%)	Sources of funds
Phase II of the refining-petrochemical project in Brunei	2.35	2.35%	0.00	0.00	--	Self-raised funds
Haining New Materials Construction Project	102.76	99.42%	344,624,923.13	355,674.61	5.33	Self-raised funds and loans Raised fund
Suqian Yida Expansion Project (Phase II)	13.71	30.00%	18,409,929.39	10,814,601.58	4.90	Self-raised funds and loans Raised fund
The project of centralized heating for Suqian Yida Project	84.16	95.00%	0.00	0.00	--	Self-raised funds
Guangxi Jijin Project (Phase I)	1.36	1.36%	0.00	0.00	--	Self-raised funds
The boiler project of Zhejiang Shuangtu New Materials Co., Ltd.	87.89	90.00%	0.00	0.00	--	Self-raised funds
Heat transfer oil boiler renovation project of Zhejiang Hengyi High-Tech Materials Co., Ltd.	83.80	85.00%	0.00	0.00	--	Self-raised funds
3,000tpa caprolactam gas phase rearrangement and crystallization pilot-scale project	99.64	100.00%	0.00	0.00	--	Self-raised funds
Other projects	--	--	0.00	0.00	--	Self-raised funds
Total	--	--	363,034,852.52	11,170,276.19	--	--

**(2) Engineering materials**

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Special materials	137,253,622.03	0.00	137,253,622.03	99,653,889.72	0.00	99,653,889.72
Special equipment	6,573,554.92	0.00	6,573,554.92	6,691,506.06	0.00	6,691,506.06

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Total	143,827,176.95	0.00	143,827,176.95	106,345,395.78	0.00	106,345,395.78

**17. Right-of-use assets**

Item	Houses and buildings	Machinery equipment	Land use right	Total
<b>I. Original book value</b>				
1. Ending balance (previous year)	66,732,473.78	0.00	379,883,382.51	446,615,856.29
2. Increase in current period	25,060,750.66	0.00	35,088,433.27	60,149,183.93
(1) Increase in rental income	21,948,079.26	0.00	0.00	21,948,079.26
(2) Conversion of foreign currency statements	3,112,671.40	0.00	35,088,433.27	38,201,104.67
3. Decrease in current period	24,365,543.92	0.00	0.00	24,365,543.92
(1) Decrease due to contract expiration	24,365,543.92	0.00	0.00	24,365,543.92
(2) Conversion of foreign currency statements	0.00	0.00	0.00	0.00
4. Balance at the end of current year	67,427,680.52	0.00	414,971,815.78	482,399,496.30
<b>II. Accumulated depreciation</b>				
1. Ending balance (previous year)	21,624,466.03	0.00	13,958,740.93	35,583,206.96
2. Increase in current period	24,662,219.84	0.00	16,516,950.18	41,179,170.02
(1) Provision	23,036,845.03	0.00	14,710,103.79	37,746,948.82
(2) Conversion of foreign currency statements	1,625,374.81	0.00	1,806,846.39	3,432,221.20
3. Decrease in current period	24,365,543.92	0.00	0.00	24,365,543.92
(1) Decrease due to contract expiration	24,365,543.92	0.00	0.00	24,365,543.92

Item	Houses and buildings	Machinery equipment	Land use right	Total
(2) Conversion of foreign currency statements	0.00	0.00	0.00	0.00
4. Balance at the end of current year	21,921,141.95	0.00	30,475,691.11	52,396,833.06
<b>III. Impairment reserves</b>				
1. Ending balance (previous year)	0.00	0.00	0.00	0.00
2. Increase in current period	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
4. Balance at the end of current year	0.00	0.00	0.00	0.00
<b>IV. Book value</b>				
1. Book value at the end of this year	45,506,538.57	0.00	384,496,124.67	430,002,663.24
2. Book value at the end of the previous year	45,108,007.75	0.00	365,924,641.58	411,032,649.33

## 18. Intangible assets

### (1) Situation of intangible assets

Item	Land use right	Patent	Trademark	Software and others	Total
<b>I. Original book value</b>					
1. Ending balance (previous year)	1,838,686,027.98	617,565,886.45	19,740.00	144,887,818.28	2,601,159,472.71
2. Increase in current period	1,059,925,171.73	41,456,215.57	0.00	25,702,291.89	1,127,083,679.19
(1) Acquisition	1,059,925,171.73	2,986,096.00	0.00	21,280,812.05	1,084,192,079.78
(2) Internal R&D	0.00	9,445,222.43	0.00	0.00	9,445,222.43

Item	Land use right	Patent	Trademark	Software and others	Total
(3) Conversion of foreign currency statements	0.00	29,024,897.14	0.00	4,421,479.84	33,446,376.98
3. Decrease in current period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Others	0.00	0.00	0.00	0.00	0.00
4. Balance at the end of current year	2,898,611,199.71	659,022,102.02	19,740.00	170,590,110.17	3,728,243,151.90
<b>II. Accumulated amortization</b>					
1. Ending balance (previous year)	226,718,599.05	370,133,209.21	16,920.00	69,408,014.49	666,276,742.75
2. Increase in current period	67,236,026.41	41,249,595.19	2,820.00	15,784,916.83	124,273,358.43
(1) Provision	67,236,026.41	34,040,970.67	2,820.00	14,548,912.21	115,828,729.29
(2) Others	0.00	7,208,624.52	0.00	1,236,004.62	8,444,629.14
3. Decrease in current period	0.00	837,655.24	0.00	0.00	837,655.24
(1) Disposal	0.00	837,655.24	0.00	0.00	837,655.24
(2) Conversion of foreign currency statements	0.00	0.00	0.00	0.00	0.00
4. Balance at the end of current year	293,954,625.46	410,545,149.16	19,740.00	85,192,931.32	789,712,445.94
<b>III. Impairment reserves</b>					
1. Ending balance (previous year)	0.00	0.00	0.00	0.00	0.00
2. Increase in current period	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00



Item	Land use right	Patent	Trademark	Software and others	Total
3. Decrease in current period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Balance at the end of current year	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Book value at the end of this year	2,604,656,574.25	248,476,952.86	0.00	85,397,178.85	2,938,530,705.96
2. Book value at the end of the previous year	1,611,967,428.93	247,432,677.24	2,820.00	75,479,803.79	1,934,882,729.96

## (2) Situation of important individual intangible assets

Item	Book value at the end of the period	Remaining amortization period
Land use right of Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd.	1,035,570,510.84	469.00
Land use right of Zhejiang Shuangtu New Materials Co., Ltd.	181,956,040.34	464.00
Land use right of Guangxi Hengyi New Materials Co., Ltd.	160,143,196.34	572.00
Land use right of Guangxi Hengyi New Materials Co., Ltd.	39,823,814.10	575.00
Land use right of Jiaxing Yipeng Chemical Fiber Co., Ltd.	139,821,788.81	374.00
Land use right of Hangzhou Yitong New Materials Co., Ltd.	137,802,754.65	583.00
Land use right of Hangzhou Yitong New Materials Co., Ltd.	128,937,700.33	571.00
Land use right of Haining Hengyi New Materials Co., Ltd.	76,389,934.50	586.00
Land use right of Haining Hengyi New Materials Co., Ltd.	63,508,134.36	542.00

Land use right of Haining Hengyi New Materials Co., Ltd.	21,475,500.00	556.00
Land use right of Fujian Yijin Chemical Fiber Co., Ltd.	64,297,261.76	422.00
Patent license of Hengyi Industries Bdn.	144,224,536.99	83.00
Patent license of Hengyi Industries Bdn.	54,077,554.15	83.00

## (3) Situation of intangible assets with limited ownership or use right

Item	Book value at the end of the period	Amortization amount in current period	Reason for restriction
Land use right	781,320,192.43	10,789,190.44	Mortgage loan
Software	15,360.38	3,169.81	Finance lease guarantees
Total	781,335,552.81	10,792,360.25	--

## 19. Development expenditure

Item	Ending balance of previous year	Increase in current period		Decrease in current period		Ending balance
		Internal development expenditures	Others	Recognized as Intangible assets	Transferred to current profit and loss	
Henglan Technology's PTT Industrialization Research & Development Project	9,445,222.43	0.00	0.00	9,445,222.43	0.00	0.00
Research and application development of bio-based PTT elastic shape memory fiber series	1,819,730.30	1,182,773.62	0.00	0.00	0.00	3,002,503.92
3,000t/a caprolactam gas phase rearrangement and crystallization project	0.00	18,340,465.12	0.00	0.00	0.00	18,340,465.12
Development of differentiated new flame-retardant products	38,579.16	0.00	0.00	0.00	0.00	38,579.16
Total	11,303,531.89	19,523,238.74	0.00	9,445,222.43	0.00	21,381,548.20

## 20. Business reputation

## (1) Original book value of goodwill

Name or formation of investee	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
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goodwill matters		Business combination	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, with an amount of RMB 2,105 million, the Company purchased all stocks of Zhejiang Shuangtu New Materials Co., Ltd., and amortized the merger prices in accordance with relevant accounting standards. On the combination date, the fair value is RMB 1,883,134,400 for the acquiree's net identifiable assets. As a result, an amount of RMB 221,865,600 goodwill is formed in the consolidated accounting statement.

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 1,956,231,800 based on the consolidated financial statement as on December 31, 2022 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 on December 31, 2021 was RMB 2,031,000,000, and no impairment occurred. Details are as follows:

Currency unit: RMB 10,000

Item	Book amount of consolidated statements
Fixed assets	145,671.91
Construction in progress	7,805.38
Intangible assets	19,897.90
Long-term unamortized expenses	61.43
Goodwill recognized in consolidated statements	22,186.56
<b>Subtotal of book value of asset groups containing goodwill</b>	<b>195,623.18</b>
Vale of goodwill not recognized as attributable to minority shareholders' equity	0.00
<b>Total adjusted book value of asset groups containing goodwill</b>	<b>195,623.18</b>

Item	Book amount of consolidated statements
<b>Present value (recoverable amount) of the estimated future cash flow of the asset group</b>	<b>203,100.00</b>

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 HYZXPBZ [2023] No. A01-0016 Asset Appraisal Report issued by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. on April 12, 2023 was used.

The recoverable amount of the asset groups above is determined according to the present value of the expected future cash flow. Based on its current operating conditions, business characteristics and market supply & demand and upon an overall analysis and consideration of various factors such as residual service life of main assets included in the asset group, the acquirer is estimated to enter a stable period in 2027. Therefore, the predictive period is determined from January 2023 to December 2027 (five years in total), and the discount rate of 11.29% is adopted.

Important assumptions for goodwill impairment test:

- ① Assumption of orderly transaction: Orderly transaction refers to the transaction that related assets or liabilities have usual marketing activities within a period of time prior to the measurement date.
- ② Assumption of open market: It means that assets can be traded freely in the fully competitive market, and that its price depends on independent buyer's and seller's value judgment under certain market supply and demand conditions. It is an assumption about the conditions of the target assets market and about the influence of assets under relatively complete market conditions.
- ③ Going concern assumption: Assume no unforeseeable factor leading to a failure to continue operations, when the entrusted asset group is continuously operated in accordance with the current situation, purpose, usage mode and management level on the base date;
- ④ No significant change in the existing editions of applicable national laws & regulations and macro-economic situation; No unforeseeable significant change in external economic environment (e.g. interest rate, exchange rate, tax base & rate and policy collection expenses);
- ⑤ Assume that the Company's current business model can be continuously maintained in the future, and predict the future cash flow of assets based on current asset conditions, excluding the prediction of the future cash flow related to restructuring or modification that will probably occur in the future and that has not been promised yet;
- ⑥ Assume that cash inflow and outflow of the asset group occur in the middle of the year

after the assessment base date.

⑦ Assume that the management of the acquired party after the assessment base date is responsible, stable, and capable of assuming their positions.

## 21. Long-term deferred expenses

Item	Ending balance of previous year	Increase in current period	Amortization amount in current period	Other decreases in amount	Ending balance
Renovation costs	768,433.23	980,000.00	466,164.72	-18,188.41	1,300,456.92
Exterior wall coating	817,023.44	0.00	817,023.44	0.00	0.00
Workshop reinforcement	275,405.41	0.00	275,405.41	0.00	0.00
Storage tank use right transfer fees	761,752.46	0.00	147,435.96	0.00	614,316.50
Catalyst	445,620,377.38	57,188,192.15	105,970,589.71	-38,020,080.78	434,858,060.60
Others	18,753,438.56	5,343,775.02	16,396,005.07	742,224.86	6,958,983.65
Total	466,996,430.48	63,511,967.17	124,072,624.31	-37,296,044.33	443,731,817.67

## 22. Deferred income tax assets/deferred income tax liabilities

### (1) Details of deferred income tax assets

Item	Ending balance		Ending balance of previous year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment loss on credit assets	36,951,677.06	5,636,084.44	37,453,702.79	5,761,347.25
Asset impairment reserves	73,251,230.47	15,843,906.01	141,881,525.64	29,940,480.75
Changes in fair value of held-for-trading financial assets	28,824,109.33	7,206,027.34	2,752,654.17	688,163.54
Unrealized profits arising from intra-group trading	0.00	0.00	29,235,837.12	7,308,959.28

Item	Ending balance		Ending balance of previous year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Accrued expenses	159,529.55	23,929.43	213,630.54	32,044.58
Deferred income	91,704,353.43	15,346,671.75	102,310,974.76	16,486,593.90
Deductible losses	1,467,199,781.25	306,067,338.31	256,991,133.33	64,247,783.33
Cash-flow hedging	6,047,943.46	1,511,985.87	297,696.00	74,424.00
Differences in right-of-use assets	51,720.35	12,930.09	0.00	0.00
Total	1,704,190,344.90	351,648,873.24	571,137,154.35	124,539,796.63

## (2) Details of deferred income tax liabilities

Item	Ending balance		Ending balance of previous year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Appreciation of assets appraisal for business merger not under the same control	296,207,939.40	44,431,190.91	326,354,000.73	48,953,100.11
Changes in fair value of held-for-trading financial assets	25,596,501.91	4,572,763.08	12,825,770.08	3,206,442.52
Deduction differences of fixed assets before one-off income tax	131,540,806.43	30,811,846.42	146,811,742.93	34,358,354.01
Unrealized profits arising from intra-group trading	9,344,733.79	2,336,183.45	0.00	0.00
Total	462,689,981.53	82,151,983.86	485,991,513.74	86,517,896.64

## (3) Details of unconfirmed deferred income tax assets

Item	Ending balance	Ending balance of previous year
Deductible temporary difference	166,691,372.86	15,553,769.45

Item	Ending balance	Ending balance of previous year
Deductible losses	2,404,898,394.41	1,015,129,215.36
Total	2,571,589,767.27	1,030,682,984.81

(4) Deductible losses of unconfirmed deferred income tax assets will be mature in the following years:

Year	Ending balance	Ending balance of previous year
2022	--	9,878,721.42
2023	76,870,143.05	127,251,885.07
2024	145,795,018.28	162,170,932.41
2025	161,153,678.35	194,792,129.27
2026	506,572,258.86	521,035,547.19
2027	1,514,507,295.87	--
Total	2,404,898,394.41	1,015,129,215.36

### 23. Other non-current assets

Item	Ending balance	Ending balance of previous year
Payment for long-term assets	756,296,579.88	1,669,998,308.04
Prepayment of dumping right transfer fees	0.00	2,152,324.64
Taxes for right-of-use assets	2,268,330.25	2,335,045.86
Others	512,002.80	304,950.00
Total	759,076,912.93	1,674,790,628.54

### 24. Short-term borrowings

(1) Classification of short-term loans

Item	Ending balance	Ending balance of previous year
Pledge loan	13,158,605,565.69	13,328,541,060.00
Mortgage loan	1,464,969,222.65	2,355,437,939.49

Item	Ending balance	Ending balance of previous year
Guarantee loan	20,146,414,778.93	16,660,351,966.72
Fiduciary loan	3,018,789,487.46	1,383,344,685.85
Loan interest	87,054,283.36	51,019,025.18
Total	37,875,833,338.09	33,778,694,677.24

Note: For asset classes and amounts of mortgaged loans, please refer to Note VI. 67.

For detail category and amount of assets pledged for loan, please refer to Notes VI (67).

### 25. Held-for-trading financial liabilities

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Held-for-trading financial liabilities	1,670,361.85	41,547,937.87	21,864,747.39	21,353,552.33
Wherein: Issued bonds held for trading	0.00	0.00	0.00	0.00
Derivative financial liabilities	1,670,361.85	41,547,937.87	21,864,747.39	21,353,552.33
Others	0.00	0.00	0.00	0.00
Specified as financial liabilities measured by fair value and whose changes included in current profits and losses	0.00	0.00	0.00	0.00
Total	1,670,361.85	41,547,937.87	21,864,747.39	21,353,552.33

### 26. Derivative financial liabilities

Item	Ending balance	Ending balance of previous year
Foreign exchange derivatives	8,555,804.28	297,696.00
Commodity derivatives	33,056,054.03	23,407,744.98
Total	41,611,858.31	23,705,440.98

### 27. Notes payable

Category	Ending balance	Ending balance of previous year
Commercial acceptance bills	0.00	0.00
Bank acceptance bills	117,879,321.16	440,900,000.00



Category	Ending balance	Ending balance of previous year
Domestic letter of credit	697,290,000.00	0.00
Total	815,169,321.16	440,900,000.00

## 28. Accounts payable

### (1) Presentation of accounts payable

Item	Ending balance	Ending balance of previous year
Within 1 year	8,480,378,889.22	8,777,122,209.14
1-2 years	651,432,866.93	360,995,063.03
2-3 years	142,063,217.20	853,087,925.13
Over three years	494,603,002.86	19,802,520.14
Total	9,768,477,976.21	10,011,007,717.44

### (2) Important accounts payable with >1 year aging

Item	Ending balance	Reasons for outstanding or carry over
China Sinogy Electric Engineering Co., Ltd.	162,533,025.24	Warranty has not expired.
China Chemical Engineering Second Construction Corporation (Brunei Branch)	106,481,911.32	Warranty has not expired.
CSCPE(B) SDNBHD	58,805,206.60	Warranty has not expired.
China National Chemical Engineering Third Construction Co., Ltd. (Brunei Branch)	92,247,237.94	Warranty has not expired.
Nanjing Chemical Construction Co., Ltd. (Brunei Branch)	91,198,059.19	Warranty has not expired.
Total	511,265,440.29	—

## 29. Contract liabilities

### (1) Situation of contract liabilities

Item	Ending balance	Ending balance of previous year
Precollection of unperformed contract price	1,080,383,448.03	1,904,820,796.20

Item	Ending balance	Ending balance of previous year
Minus: Those included in other current liabilities (Note VI. 34.)	90,760,675.06	180,919,015.28
Total	989,622,772.97	1,723,901,780.92

(2) There were no significant changes in the book value in current period.

### 30. Payroll payable

#### (1) Presentation of payroll payable

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
I. Short-term remuneration	308,151,517.88	2,518,901,848.57	2,664,760,562.55	162,292,803.90
II. Post-employment benefits - defined contribution plans	3,311,351.64	126,966,443.32	101,283,563.79	28,994,231.17
III. Termination benefits	0.00	608,792.75	608,792.75	0.00
IV. Other benefits due within one year	0.00	0.00	0.00	0.00
Total	311,462,869.52	2,646,477,084.64	2,766,652,919.09	191,287,035.07

#### (2) Presentation of short-term salaries

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
1. Wage, bonus, allowances and subsidies	298,619,004.75	2,297,281,609.50	2,437,406,048.44	158,494,565.81
2. Employee welfare expenses	1,558,783.82	88,575,689.42	90,014,841.60	119,631.64
3. Social insurance charges	1,292,603.87	78,211,633.97	77,390,156.14	2,114,081.70
Wherein: Medical insurance	1,262,032.56	73,216,895.84	73,687,754.57	791,173.83
Industrial injury insurance premiums	30,571.31	4,311,100.68	3,018,764.12	1,322,907.87
Birth insurance premiums	0.00	683,637.45	683,637.45	0.00
4. Housing fund	283,376.68	40,563,223.68	40,816,564.22	30,036.14
5. Labor union dues and personnel education fund	6,397,748.76	14,269,692.00	19,132,952.15	1,534,488.61

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
6. Short-term compensated 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	308,151,517.88	2,518,901,848.57	2,664,760,562.55	162,292,803.90

## (3) Presentation of defined contribution plans

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
1. Basic endowment insurance	3,236,899.23	122,999,549.36	98,178,953.73	28,057,494.86
2. Unemployment insurance expenses	74,452.41	3,966,893.96	3,104,610.06	936,736.31
3. Enterprise annuities	0.00	0.00	0.00	0.00
Total	3,311,351.64	126,966,443.32	101,283,563.79	28,994,231.17

**31. Tax payable**

Item	Ending balance	Ending balance of previous year
Value-added tax	254,514,471.42	705,004,834.17
Enterprise income tax	36,531,077.86	108,956,677.95
Urban maintenance and construction tax	7,138,301.48	43,186,920.36
Education surcharge	3,098,068.34	18,535,812.25
Land use tax	12,211,062.04	10,069,167.57
Property tax	38,615,251.06	30,075,843.64
Special funds for water conservancy construction	0.00	402,705.79
Individual income tax	1,559,102.94	1,775,884.69
Stamp tax	33,277,197.35	6,938,813.73

Item	Ending balance	Ending balance of previous year
Local education surcharge	2,065,378.90	12,356,058.55
Disabled security fund	104,544.00	53,136.00
Others	196,274.22	1,008,926.96
Total	389,310,729.61	938,364,781.66

**32. Other payables**

Item	Ending balance	Ending balance of previous year
Interests payable	0.00	0.00
Dividends payable	0.00	169,500,759.38
Other payables	235,619,327.94	258,670,038.54
Total	235,619,327.94	428,170,797.92

**(1) Dividends payable**

Item	Ending balance	Ending balance of previous year
Common stock dividends	0.00	759.38
Dividends paid by subsidiary to minority shareholders	0.00	169,500,000.00
Total	0.00	169,500,759.38

**(2) Other payables**

## ① Listed by nature of amount

Item	Ending balance	Ending balance of previous year
Receivables and payables	11,926,223.68	7,096,248.66
Deposit and security fund	169,136,880.99	138,103,829.71
Unliquidated expense funds	30,272,834.48	91,205,577.81
Agency fund	15,407,171.39	20,451,297.80
Others	8,876,217.40	1,813,084.56
Total	235,619,327.94	258,670,038.54

## ② Listed by aging

Item	Ending balance	Ending balance of previous year
Within 1 year	175,682,069.17	210,669,131.56
1-2 years	31,986,148.62	27,219,847.22
2-3 years	10,759,047.41	9,183,180.26
Over three years	17,192,062.74	11,597,879.50
Total	235,619,327.94	258,670,038.54

③ Significant accounts payable with aging exceeding 1 year

Item	Ending balance	Reasons for outstanding or carry over
Hangzhou Huifeng Chemical Fiber Co., Ltd.	11,468,665.84	Margin
Employee stock ownership	2,792,780.33	Incomplete settlement
Yousheng Village, Yaqian Town, Xiaoshan City	2,136,825.00	Incomplete settlement
Zhejiang Dongxing Fire Engineering Co., Ltd.	1,400,000.00	Incomplete settlement
Total	17,798,271.17	---

**33. Non-current liabilities due within one year**

Item	Ending balance	Ending balance of previous year
Long-term loans and interests mature within one year (Notes VI. 35)	5,278,621,966.80	3,818,951,287.70
Bonds payable and interests mature within one year (Notes VI. 36)	6,828,015.61	51,033,160.10
Lease liabilities mature within one year (Notes VI. 37)	12,747,561.17	10,209,931.72
Long-term payables and interests mature within one year (Notes VI. 38)	1,235,137,137.26	654,324,945.69
Total	6,533,334,680.84	4,534,519,325.21

**34. Other current liabilities**

Item	Ending balance	Ending balance of previous year
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Taxes of items for write-off	90,760,675.06	180,919,015.28
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**35. Long-term borrowings**

Item	Ending balance	Ending balance of previous year
Pledge loan	128,357,577.99	83,489,791.50
Mortgage loan	12,774,621,309.20	12,275,719,140.06
Guarantee loan	8,343,813,035.68	7,426,177,456.63
Fiduciary loan	75,000,000.00	0.00
Interests payable	63,970,080.28	29,794,585.82
Minus: Long-term loans and interests due within one year (Notes VI, 33)	5,278,621,966.80	3,818,951,287.70
Total	16,107,140,036.35	15,996,229,686.31

Note: For asset classes and amounts of mortgaged loans, please refer to Note VI. 67.

For detail category and amount of assets pledged for loan, please refer to Notes VI (67).

**36. Bonds payable****(1) Bonds payable**

Item	Ending balance	Ending balance of previous year
Corporate bonds	4,061,538,995.85	2,612,404,203.28

**(2) Increase/decrease in bonds payable (excluding other financial instruments divided into financial liabilities, such as preferred stock and perpetual bond)**

Bond name	Nominal Value	Date of issue	Bond Deadline	Issue Amount	Ending balance of previous year
Corporate bonds (20Hengyi01)	1,000,000,000.00	2020-03-13	3 年	995,500,000.00	1,047,489,284.54
Hengyi Convertible Bond 127022	2,000,000,000.00	2020-10-16	6 年	1,508,831,199.68	1,615,948,078.84
Hengyi Convertible Bond 127067	3,000,000,000.00	2022-07-21	6 年	2,303,101,412.70	0.00
Subtotal	6,000,000,000.00	--	--	4,807,432,612.38	2,663,437,363.38

Bond name	Nominal Value	Date of issue	Bond Deadline	Issue Amount	Ending balance of previous year
Minus: Partial year-end balance due within one year (Note VI. 33)	--	--	--	--	51,033,160.10
Total	6,000,000,000.00	--	--	4,807,432,612.38	2,612,404,203.28

(Continued)

Bond name	Issuance in current period	Accrued interest at face value	Discounted amortization	Repayment or stock conversion in current period	Interest paid in current period	Ending balance
Corporate bonds (20Hengyi01)	0.00	9,853,837.48	-1,594,048.72	999,189,000.00	58,900,000.00	848,170.74
Hengyi Convertible Bond 127022	0.00	9,029,330.83	-88,920,607.02	7,310.05	7,999,312.80	1,705,891,393.84
Hengyi Convertible Bond 127067	2,303,101,412.70	3,000,000.00	-55,526,034.18	0.00	0.00	2,361,627,446.88
Subtotal	2,303,101,412.70	21,883,168.31	146,040,689.92	999,196,310.05	66,899,312.80	4,068,367,011.46
Minus: Partial year-end balance due within one year (Note VI. 33)	--	--	--	--	--	6,828,015.61
Total	2,303,101,412.70	21,883,168.31	146,040,689.92	999,196,310.05	66,899,312.80	4,061,538,995.85

**37. Lease liabilities**

Item	Ending balance of previous year	Increase in current period			Decrease in current period	Ending balance
		New Lease	Interest for the current period	Others		
Land use right	362,979,372.62	9,163,663.00	0.00	47,229,045.37	-7,385,295.89	426,757,376.88
Buildings	27,376,082.39	12,784,416.33	107,673.47	-10,886,564.28	12,106,045.33	17,275,562.58
Minus: Lease liabilities due within one year (Note VI. 33.)	10,209,931.72	--	--	--	--	12,747,561.17
Total	380,145,523.29	21,948,079.33	107,673.47	36,342,481.09	4,720,749.44	431,285,378.29

**38. Long-term payables**

Item	Ending balance	Ending balance of previous year
Long-term payables	1,433,381,038.10	952,254,861.09
Special payables	0.00	0.00
Total	1,433,381,038.10	952,254,861.09

**(1) Long-term payables**

Item	Ending balance	Ending balance of previous year
Financing lease payable	2,668,518,175.36	1,606,579,806.78
Minus: Partial balance due within one year (Note VI. 33.)	1,235,137,137.26	654,324,945.69
Total	1,433,381,038.10	952,254,861.09

**39. Estimated liabilities**

Item	Ending balance of previous year	Ending balance	Reason
Pending action	213,630.54	360,508.08	See Notes XII, 1 for detail.

**40. Deferred income**

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance	Reason
Government grants	203,804,991.72	44,774,409.45	17,382,373.75	231,197,027.42	Assets-related
Government grants	3,842,635.23	5,356,350.00	1,982,904.60	7,216,080.63	Income-related
Total	207,647,626.95	50,130,759.45	19,365,278.35	238,413,108.05	

Items involving governmental subsidies:



Subsidized Items	Ending balance of previous year	Amount of new subsidies for the current period	Amount included in non-operating income in current period	Amount included in other income in current period	Other changes	Ending balance	Assets-related/Income-related
Development, modification and corresponding industrialization projects	3,842,635.23	5,356,350.00	0.00	1,982,904.60	0.00	7,216,080.63	Income-related
Special rewards for significant industry projects	32,786,092.49	6,130,500.00	0.00	2,129,799.42	0.00	36,786,793.07	Assets-related
Subsidies for boiler cleaner transformation	10,143,915.56	0.00	0.00	1,560,602.39	0.00	8,583,313.17	Assets-related
Subsidies for automation projects	3,895,375.77	1,658,600.00	0.00	710,096.32	0.00	4,843,879.45	Assets-related
Functional fiber technological transformation projects	34,838,770.82	10,000,000.00	0.00	4,600,138.91	0.00	40,238,631.91	Assets-related
Fixed assets refund	223,183.70	0.00	0.00	223,183.70	0.00	0.00	Assets-related
Technological transformation projects in manufacturing enterprises	19,456,716.58	26,771,976.12	0.00	5,296,988.92	0.00	40,931,703.78	Assets-related
Special equipment subsidies	6,322,580.65	0.00	0.00	677,419.36	0.00	5,645,161.29	Assets-related
Industrial robot projects	1,159,889.50	0.00	0.00	124,194.72	0.00	1,035,694.78	Assets-related
Internet digital factory projects	287,341.68	0.00	0.00	28,033.34	0.00	259,308.34	Assets-related
Land compensation	94,500,000.00	0.00	0.00	2,000,000.00	0.00	92,500,000.00	Assets-related
Others	191,124.97	213,333.33	0.00	31,916.67	0.00	372,541.63	Assets-related
Total	207,647,626.95	50,130,759.45	0.00	19,365,278.35	0.00	238,413,108.05	--

#### 41. Share capital

Item	Ending balance of previous year	Increase/decrease in current period (+, -)					Ending balance
		Issue of new shares	Bonus shares	Capital reserve converted into share capital	Others	Subtotal	
Sum of shares	3,666,280,014.00	0.00	0.00	0.00	792.00	792.00	3,666,280,806.00

Note: The share conversion period of “Hengyi Convertible Bonds” (bond code: 127022) is from April 22, 2021 to October 15, 2026. In 2022, totally 89 “Hengyi Convertible Bonds” were transferred, converted into 792 shares of “Hengyi Petrochemical”. An amount of RMB 792.00 share capital is increased in the Company. At the same time, an amount of RMB 8,065.36 capital reserve – capital premium is increased.

#### 42. Other equity instruments

Outstanding Financial Instruments	Ending balance of previous year		Increase in current period		Decrease in current period		Ending balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Equity part of convertible corporate bonds	19,998,361	478,506,692.86	30,000,000	680,577,832.58	89	2,143.06	49,998,272	1,159,082,382.38

Note: For the equity part of convertible corporate bonds decreased in current period, please refer to Note VI. 41.

#### 43. Capital reserve

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Capital premiums	11,351,646,479.39	8,065.36	147,916.45	11,351,506,628.30
Other capital reserves	139,543,291.32	8,934,905.23	45,985.84	148,432,210.71
Capital reserves generated by simulation of shareholding structure and quantity	-2,329,301,104.61	0.00	0.00	-2,329,301,104.61
Total	9,161,888,666.10	8,942,970.59	193,902.29	9,170,637,734.40

Note 1: An amount of RMB 8,065.36 is increased for capital reserves - capital premiums. Please refer to Note VI. 41 for details.

Note 2: In current period, capital reserves - capital premiums are decreased by an amount of RMB 147,916.45, due to the reduction in commission charges resulted from stock repurchase.

Note 3: In current period, capital reserve - others are increased by RMB 8,934,905.23, due to the increase in other capital reserves of the associated enterprise China Zheshang Bank Co., Ltd. The capital reserves of the Company are increased by RMB8,934,905.23 according to the equity method.

Note 4: In current period, capital reserves - others are decreased by an amount of RMB 45,985.84, due to the compromise between Zhejiang Shuangtu and the litigation-related client before being purchased by the Company. The compromise reduced the losses of Shuangtu Company, and such losses shall be confirmed as capital reserve in the consolidated statement.

#### 44. Treasury stock

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Stock repurchase via centralized bidding	718,150,457.23	765,416,280.75	0.00	1,483,566,737.98

Note: In this reporting period, the Company has increased an amount of RMB 765,416,280.75 treasury stock by means of centralized bidding.

#### 45. Other comprehensive income

Item	At end of the previous year Balance	Amount incurred in current period					Ending Balance
		Amount incurred before income tax for the current period	Minus: Recorded into other comprehensive income in the earlier stage and rolled into current profits and losses	Minus: Income tax expenses	Assigned to Parent Company after tax	Assigned to minority shareholders after tax	
I. Other comprehensive income that cannot be re-classified into profit and loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wherein: Re-measurement profits or losses of a defined benefit plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income cannot be recognized in profit and loss by equity law	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Item	At end of the previous year Balance	Amount incurred in current period					Ending Balance
		Amount incurred before income tax for the current period	Minus: Recorded into other comprehensive income in the earlier stage and rolled into current profits and losses	Minus: Income tax expenses	Assigned to Parent Company after tax	Assigned to minority shareholders after tax	
II. Other comprehensive income to be re-classified into profit and loss	1,070,859,214.62	1,448,198,495.28	-24,165,232.05	1,511,985.87	1,451,779,958.81	22,095,754.39	380,920,744.19
Wherein: Other comprehensive income can be recognized in profit and loss under equity method	23,310,920.81	113,864,235.38	0.00	0.00	99,931,282.10	13,932,953.28	123,242,202.91
Effective part of cash-flow hedge profits and losses	-16,915,662.44	-32,287,505.91	-24,165,232.05	1,511,985.87	-4,627,201.60	-1,983,086.39	-21,542,864.04
Exchange differences from translation of financial statements	1,077,254,472.99	1,366,621,765.81	0.00	0.00	1,356,475,878.31	10,145,887.50	279,221,405.32
Total (other comprehensive income)	1,070,859,214.62	1,448,198,495.28	-24,165,232.05	1,511,985.87	1,451,779,958.81	22,095,754.39	380,920,744.19

#### 46. Appropriative reserve

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Production safety expenses	0.00	66,593,026.55	66,593,026.55	0.00

Note: Both increase and decrease in special reserves in this reporting period are calculated and utilized production safety expenses.

#### 47. Earned surplus

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Legal surplus	751,895,667.87	29,805,951.31	0.00	781,701,619.18

Note: In accordance with the *Company Law* and the Articles of Association of the Company, the Company shall withdraw legal surplus by 10% of its net profits. Legal surplus will not be withdrawn any more, when its accumulated amount reaches over 50% of the Company's registered capital.

#### 48. Undistributed profit

Item	Current Period	Prior Period
Undistributed profits at the end of previous year before adjustment	13,623,601,273.27	11,403,002,797.32
Total amount of undistributed profits at the end of the previous year after adjustment (+/-)	-29,714,854.19	0.00
Undistributed profits at the end of the previous year after adjustment	13,593,886,419.08	11,403,002,797.32
Plus: Net profits assigned to the parent company's shareholders in current period	-1,079,547,699.72	3,378,328,289.28
Minus: Legal surplus withdrawal	29,805,951.31	91,243,496.70
Withdrawal of any legal surplus	0.00	0.00
Withdrawal of common risk reserves	0.00	0.00
Common stock dividends payable	714,984,128.60	1,089,964,300.35
Dividends transferred to capital	0.00	0.00
Plus: Others	2,088,871.47	-6,236,870.47
Undistributed profits at the end of the period	11,771,637,510.92	13,593,886,419.08

#### 49. Operating income and operating cost

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Main business	151,033,877,489.07	147,658,124,585.52	128,869,822,896.67	121,736,466,612.66
Other businesses	1,016,397,455.57	857,385,936.86	797,108,898.59	590,710,613.97

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Total	152,050,274,944.64	148,515,510,522.38	129,666,931,795.26	122,327,177,226.63

**50. Tax and associate charge**

Item	Amount incurred in current period	Amount incurred in previous period
Consumption tax	2,281,758.47	2,787,152.86
Urban maintenance and construction tax	34,209,769.24	65,590,454.61
Education surcharge	14,778,808.23	28,203,251.69
Property tax	45,934,982.23	31,798,198.04
Land use tax	20,656,922.96	14,992,349.39
Vehicle and vessel use tax	132,337.88	94,474.69
Stamp tax	96,476,768.46	57,703,181.07
Local education surcharge	9,852,512.83	18,900,490.23
Water conservancy construction funds	107,209.29	3,473,198.38
Others	2,062,042.91	2,605,294.11
Total	226,493,112.50	226,148,045.07

Note: For detail payment standard for various taxes and surcharges, please refer to Note V. "Taxes".

**51. Selling expenses**

Item	Amount incurred in current period	Amount incurred in previous period
Import & export charges	80,703,510.03	77,772,150.15
Staff Salaries	105,863,328.67	102,828,797.93
Insurance	18,242,399.53	1,099,472.73
Storage charges	6,890,273.57	17,059,401.49
Business entertainment	1,386,492.92	1,619,634.71

Item	Amount incurred in current period	Amount incurred in previous period
Travel expenses	3,588,383.56	3,350,338.43
Vehicle expenses	1,704,177.86	1,559,735.76
Rental expenses	1,024,141.89	800.00
Office expenses	1,098,049.00	1,096,892.62
Handling charges	3,629,779.27	3,338,845.67
Agency fees	1,073,079.70	2,113,272.34
Others	22,240,133.81	16,242,042.21
Total	247,443,749.81	228,081,384.04

**52. Administration expenses**

Item	Amount incurred in current period	Amount incurred in previous period
Staff Salaries	380,611,106.77	383,637,195.81
Intangible assets amortization cost	44,717,399.78	42,033,555.98
Fixed assets depreciation expenses	264,912,054.87	233,237,775.08
Business entertainment	7,534,601.57	8,440,639.17
Vehicle expenses	14,199,552.08	13,840,430.78
Environmental expenditure	14,099,876.20	14,482,753.74
Office expenses	12,719,117.63	12,242,075.43
Agency fees	23,525,506.07	26,294,122.66
Travel expenses	9,618,696.43	12,128,511.44
Rental expenses	31,059,048.43	66,463,358.90
Repair charges	104,455,800.29	117,276,476.32
Premiums for property insurance	30,266,565.27	31,318,221.28
Transportation and storage fees	64,342,751.65	50,588,101.98
Others	82,924,906.66	75,284,439.96

Item	Amount incurred in current period	Amount incurred in previous period
Total	1,084,986,983.70	1,087,267,658.53

**53. R&D expenses**

Item	Amount incurred in current period	Amount incurred in previous period
Direct investment cost	422,987,682.39	533,064,525.62
Staff Salaries	138,713,533.15	88,592,180.79
Depreciation expenses	45,568,357.41	22,475,912.22
Technical development cost	20,972,568.77	6,552,285.65
Other expenses	40,463,886.85	36,295,313.70
Total	668,706,028.57	686,980,217.98

**54. Financial expenses**

Item	Amount incurred in current period	Amount incurred in previous period
Interest expense	2,682,684,624.12	2,098,777,291.01
Minus: Interest income	193,688,404.54	166,560,838.30
Profit or loss on exchange	-66,292,681.05	-26,965,852.84
Bank charges	364,993,956.67	228,325,949.07
Total	2,787,697,495.20	2,133,576,548.94

**55. Other incomes**

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Governmental subsidies related to daily enterprise activities	234,911,502.58	330,605,860.76	179,160,942.58
Return of withhold individual income tax commission charges	1,330,974.63	1,658,393.07	0.00
Total	236,242,477.21	332,264,253.83	179,160,942.58

Governmental subsidies related to daily enterprise activities are described in detail as follows:



Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period	Assets-related/ Income-related
Assets-related subsidies	17,382,373.75	15,136,473.43	17,382,373.75	Assets-related
Income-related deferred income	1,982,904.60	35,564.77	1,982,904.60	Income-related
“Head Goose” policy support rewards	7,657,500.00	40,558,800.00	7,657,500.00	Income-related
Rewards for high-tech enterprise	300,000.00	630,000.00	300,000.00	Income-related
Environmental protection subsidies	121,900.00	17,771,700.00	121,900.00	Income-related
Rewards for infrastructure	181,422.20	18,053,400.00	181,422.20	Income-related
Subsidies for merger and reorganization of enterprises	0.00	5,000,000.00	0.00	Income-related
Subsidies for scientific and technological innovation	66,800,000.00	93,325,163.22	66,800,000.00	Income-related
Rewards for trade companies	11,386,675.00	18,527,895.20	11,386,675.00	Income-related
Subsidies for high-quality enterprise management	0.00	900,000.00	0.00	Income-related
Rewards for issuance of enterprise bonds	0.00	2,000,000.00	0.00	Income-related
Tax refund	58,170,985.10	53,583,569.78	2,420,425.10	Income-related
Employment-related subsidies	14,697,824.54	5,775,947.22	14,697,824.54	Income-related
Policy support funds	-7,673,592.73	38,965,364.85	-7,673,592.73	Income-related
Intelligent manufacturing funds	1,100,000.00	90,000.00	1,100,000.00	Income-related
Headquarters regress subsidies	2,958,600.00	13,665,500.00	2,958,600.00	Income-related
Special funds for promotion of industrial structure adjustment	34,050,000.00	0.00	34,050,000.00	Income-related
Rewards for manufacturing enterprises	1,470,000.00	0.00	1,470,000.00	Income-related
Working capital subsidy	15,575,600.00	0.00	15,575,600.00	Income-related

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period	Assets-related/ Income-related
Investment promotion	1,500,000.00	0.00	1,500,000.00	Income-related
Others	7,249,310.12	6,586,482.29	7,249,310.12	Income-related
Total	234,911,502.58	330,605,860.76	179,160,942.58	--

Note: For government subsidies related to assets and deferred income related to income, please refer to Note VI. 40. Deferred Income for details.

### 56. Investment income

Item	Amount incurred in current period	Amount incurred in previous period
Income from long-term equity investment checked with equity method	823,499,882.13	625,843,764.66
Investment income generated by disposal of long-term equity investment	159,238,486.18	5,800,392.52
Investment income generated by disposal of held-for-trading financial assets	-237,478,291.99	437,755,991.43
Total	745,260,076.32	1,069,400,148.61

### 57. Income from fair value changes

Source of income from fair value changes	Amount incurred in current period	Amount incurred in previous period
Financial assets measured at fair value through profit and loss	-165,711,256.97	45,191,254.26
Wherein: Income from fair value change generated by derivative financial instruments	-165,711,256.97	45,191,254.26
Financial liabilities measured by fair value and whose changes included in current profits and losses	-41,547,937.87	-1,039,942.85
Hedging business	-4,177,289.52	-1,179,643.73
Total	-211,436,484.36	42,971,667.68

### 58. Credit impairment losses

Item	Amount incurred in current period	Amount incurred in previous period
Bad debt loss on receivables	-454,388.44	553,207.17
Bad debt loss on other receivables	-647,397.13	-470,449.11
Total	-1,101,785.57	82,758.06

**59. Assets impairment loss**

Item	Amount incurred in current period	Amount incurred in previous period
Loss on inventory depreciation	-361,681,414.01	-137,994,128.08
Loss on impairment of fixed assets	-6,996,027.02	-13,112,874.03
Total	-368,677,441.03	-151,107,002.11

**60. Income from assets disposal**

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Profits or losses from disposal of fixed assets	-23,661,125.27	-16,639,589.77	-23,661,125.27
Gains or losses from disposal of intangible assets	0.00	17,953.45	0.00
Total	-23,661,125.27	-16,621,636.32	-23,661,125.27

**61. Non-operating income**

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Gains from damage and scrapping of non-current assets	0.00	6,027.52	0.00
Wherein: Fixed assets	0.00	6,027.52	0.00
Intangible assets	0.00	0.00	0.00

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Governmental subsidies irrelevant to daily enterprise activities	710,041.57	668,904.68	710,041.57
Income from indemnities and fines	6,654,298.45	8,419,939.76	6,654,298.45
Non-payable current accounts	1,331,685.07	18,342,279.33	1,331,685.07
Others	6,247,228.14	4,590,072.98	6,247,228.14
Total	14,943,253.23	32,027,224.27	14,943,253.23

Governmental subsidies are described in detail as follows:

Subsidized Items	Amount incurred in current period	Amount incurred in previous period	Assets-related /Income-related
IRAS Jobs Support Scheme COVID19	601,143.99	568,096.34	Income-related
Others	108,897.58	100,808.34	Income-related
Total	710,041.57	668,904.68	--

## 62. Non-operating expenses

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Loss on damage and scrapping of non-current assets	6,640,525.86	1,719,238.76	6,640,525.86
Wherein: Fixed assets	6,640,525.86	1,719,238.76	6,640,525.86
Intangible assets	0.00	0.00	0.00
Expenditure of donation	6,922,110.90	16,325,574.78	6,922,110.90
Overdue fine and fine	3,654,114.74	911,181.49	3,654,114.74
Abnormal loss	0.00	244,316.31	0.00

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Others	3,044,839.29	511,786.27	3,044,839.29
Total	20,261,590.79	19,712,097.61	20,261,590.79

### 63. Income tax expenses

#### (1) Table of income tax expenses

Item	Amount incurred in current period	Amount incurred in previous period
Income tax expenses in current period	45,178,553.83	367,901,689.65
Deferred income tax expenses	-230,035,312.37	-24,343,671.69
Total	-184,856,758.54	343,558,017.96

#### (2) Accounting profit and income tax expense adjustment process

Item	Amount incurred in current period
Total profits	-1,109,255,567.78
Income tax expenses calculated by legal/applicable tax rate	-277,313,891.95
Influence of subsidiary applicable to different tax rates	-96,762,965.05
Influence of adjustment to income tax in previous periods	-7,627,257.76
Influence of nontaxable income	-104,052,702.36
Influence of non-deductible cost, expense and loss	-6,415,962.35
Influence of deductible loss on the use of previously unconfirmed deferred income tax assets	-26,137,235.23
Influence of deductible temporary difference or deductible loss on unconfirmed deferred income tax assets in current period	374,785,149.58
Change in the balance of deferred income tax assets/ liabilities due to tax rate adjustment	0.00
Influence of weighted deduction cost, expense and other items allowed to deduct by tax law	-49,898,280.36

Item	Amount incurred in current period
Others	8,566,386.94
Income tax expenses	-184,856,758.54

**64. Other comprehensive income**

See Notes VI. 45 for detail.

**65. Items in cash flow statement****(1) Reception of other cash related to business activities**

Item	Amount incurred in current period	Amount incurred in previous period
Receivables and payables	1,739,551.19	32,860,194.35
Margin and deposit	144,266,262.60	15,225,395.26
Government grants	249,608,718.75	328,935,252.74
Interest income	130,714,288.20	150,359,760.74
Indemnities and fines	6,333,085.21	8,419,939.76
Judicial freezing	10,503,440.47	7,336,220.00
Bank bill margin	5,572,609.84	0.00
L/G deposit	32,068,223.09	0.00
Others	6,302,301.71	11,441,776.27
Total	587,108,481.06	554,578,539.12

**(2) Payment of other cash related to business activities**

Item	Amount incurred in current period	Amount incurred in previous period
Receivables and payables	24,310,168.76	50,990,396.24
Office expenses	11,770,134.03	13,338,968.05
Import & export charges	97,966,065.18	77,410,944.06
Bank charges	265,497,302.14	224,690,871.29
Business entertainment	6,936,808.59	10,060,273.88

Item	Amount incurred in current period	Amount incurred in previous period
Vehicle expenses	18,316,260.47	15,400,166.54
Environmental expenditure	11,778,965.14	14,482,753.74
Margin and deposit	86,429,498.96	95,747,559.13
Operating license fee	10,376,076.19	11,025,525.45
Agency fee	29,280,458.44	24,425,724.39
Travel expenses	13,168,292.46	15,478,849.87
Rental expenses	26,120,029.25	66,464,158.90
Frozen fund	25,169,796.00	9,596,271.15
Repair charges	105,146,816.30	117,276,476.32
Insurance	43,564,927.95	31,318,221.28
Transportation, storage and handling charges	54,051,957.63	72,085,821.87
Expenditure of donation	6,813,000.00	16,325,574.78
Others	85,815,740.71	81,900,679.08
Total	922,512,298.20	948,019,236.02

## (3) Reception of other cash related to investment activities

Item	Amount incurred in current period	Amount incurred in previous period
Income from consigned loan and interest on capital lending by related parties	51,574,324.99	52,406,117.49
Futures margin recovery	47,083,441.68	0.00
L/G margin recovery	276,000,000.00	0.00
Total	374,657,766.67	52,406,117.49

## (4) Payment of other cash related to investment activities

Item	Amount incurred in current period	Amount incurred in previous period
L/G deposit	0.00	276,000,000.00

Item	Amount incurred in current period	Amount incurred in previous period
Net cash received by disposal of subsidiary (negative)	100,000.00	14,354,735.85
Futures margin recovery	31,048,462.70	0.00
Others	424.19	0.00
Total	31,148,886.89	290,354,735.85

## (5) Reception of other cash related to financing activities

Item	Amount incurred in current period	Amount incurred in previous period
Withdrawal of monetary funds pledged for financing	1,019,866,989.49	977,985,563.01
Collection of financing leaseback	2,075,000,000.00	1,300,000,000.00
Interbank borrowing from Hengyi Group	4,133,189,471.00	3,369,661,700.09
Others	16,000,000.00	14,314,978.66
Total	7,244,056,460.49	5,661,962,241.76

## (6) Payment of other cash related to financing activities

Item	Amount incurred in current period	Amount incurred in previous period
Monetary funds pledged for financing	1,593,104,467.79	1,322,103,655.96
Repayment of loan principal and interest of Hengyi Group	4,126,142,959.89	3,369,661,700.09
Stock repurchase	765,564,197.20	368,331,313.73
Rental expenses and commission charges paid for financing leaseback	1,126,017,003.66	854,479,952.84
Lease margin for financing leaseback	116,500,000.00	3,347,897.56
Loan commission	101,642,305.39	10,290,077.78
Rental expenses paid for lease liabilities	29,061,128.46	35,555,412.10
Others	1,426,000.00	1,930,000.00
Total	7,859,458,062.39	5,965,700,010.06

**66. Further information about cash flow statements**

## (1) Further information about cash flow statement



Further Information	Amount incurred in current period	Amount incurred in previous period
<b>1. Adjust net profit to operating cash flow:</b>		
Net profit	-924,398,809.24	3,923,448,012.52
Plus: Asset impairment reserves	368,677,441.03	151,107,002.11
Impairment loss on credit assets	1,101,785.57	-82,758.06
Depreciation of fixed assets	3,057,365,476.37	2,751,016,476.25
Depreciation of right-of-use assets	37,746,948.82	35,985,260.79
Amortization of intangible assets	80,585,704.09	75,354,585.36
Amortization of long-term deferred expenses	109,624,239.00	91,023,892.22
Loss on disposal of fixed assets, intangible assets and other long-term assets (income listed with “-”)	23,661,125.27	16,621,636.32
Loss on scrapping of fixed assets (income listed with “-”)	6,640,525.86	1,713,211.24
Loss on fair value change (income listed with “-”)	211,436,484.36	-42,971,667.68
Financial cost (income listed with “-”)	2,623,127,122.84	1,688,684,989.15
Investment losses (income listed with “-”)	-745,260,076.32	-1,069,400,148.61
Decrease in deferred income tax assets (increase listed with “+”)	-225,671,514.74	-1,489,805.99
Increase in deferred income tax liabilities (decrease listed with “-”)	-4,365,912.78	-22,853,865.70
Decrease in inventory (increase listed with “-”)	-1,704,647,587.22	-2,563,833,223.07
Decrease in operating receivables (increase listed with “-”)	993,927,177.80	-3,700,168,580.54
Increase in operating payables (decrease listed with “-”)	-1,263,321,017.94	6,392,922,234.48
Others	59,304,370.59	-6,556,111.39
Net cash flow from operating activities	2,705,533,483.36	7,720,521,139.40
<b>2. Significant investment and financing activities involving no cash receipt and payment:</b>		
Conversion of debt into capital	0.00	0.00

Further Information	Amount incurred in current period	Amount incurred in previous period
Convertible corporate bonds mature within one year	0.00	0.00
Fixed assets under financing lease	0.00	0.00
<b>3. Net changes in cash and cash equivalents:</b>		
Ending balance of cash	12,934,069,613.03	10,244,736,951.84
Minus: Cash balance at the end of previous year	10,244,736,951.84	7,186,325,948.17
Plus: Ending balance of cash equivalents	0.00	0.00
Minus: Cash equivalent balance at the end of previous year	0.00	0.00
Net increase in cash and cash equivalents	2,689,332,661.19	3,058,411,003.67

## (2) Net cash on subsidiary disposal received in current period

Item	Amount
Cash or cash equivalents on subsidiary disposal received in current period	0.00
Wherein: Haining Hengqi Environmental Protection Technology Co., Ltd.	0.00
Minus: Cash and cash equivalents held by subsidiary on the date of losing control right	100,000.00
Wherein: Haining Hengqi Environmental Protection Technology Co., Ltd.	100,000.00
Net cash received by subsidiary disposal	-100,000.00

Note: The above amount has been reclassified as “other cash payments relating to investment activities”.

## (3) Composition of cash and cash equivalents

Item	Ending balance	Ending balance of previous year
I. Cash	12,934,069,613.03	10,244,736,951.84
Wherein: Cash on hand	1,118,679.20	1,296,711.32
Bank deposit payable at any time	11,714,153,408.04	9,525,027,347.46
Other monetary fund payable at any time	1,218,797,525.79	718,412,893.06

Item	Ending balance	Ending balance of previous year
Payable due from Central Bank	0.00	0.00
Deposits in other banks	0.00	0.00
Due from banks	0.00	0.00
II. Cash Equivalents	0.00	0.00
Wherein: Bond investments mature within three months	0.00	0.00
III. Ending balance of cash and cash equivalents	12,934,069,613.03	10,244,736,951.84
Wherein: Cash and cash equivalents used by the parent company or group subsidiaries under certain limitation	0.00	0.00

#### 67. Assets with limited ownership or use right

Item	Book value at the end of the period	Reason for restriction
Monetary funds	4,399,233,129.47	Margin
Monetary funds	25,172,796.00	Judicial freezing
Notes receivable	53,822,104.39	Pledge to open acceptance bills
Long-term equity investments	5,928,738,265.27	Mortgage loan
Fixed assets	3,804,170,108.15	Leaseback financing lease
Fixed assets	18,130,631,539.37	Mortgage loan
Intangible assets	781,320,192.43	Mortgage loan
Intangible assets	15,360.38	Finance lease guarantees
Inventory	2,550,641,487.83	Mortgage loan
Total	35,673,744,983.29	--

#### 68. Monetary items in foreign currency

##### (1) Monetary items in foreign currency

Item	Ending balance in foreign currency	Exchange rate for conversion	Ending balance (converted into RMB)
Monetary funds			
Wherein: HKD	71,184.17	0.8933	63,588.75
USD	581,686,909.13	6.9646	4,051,216,647.33
EUR	14,106.93	7.4229	104,714.33
BND	8,184,622.74	5.1831	42,421,718.12
SGD	1,079,043.74	5.1831	5,592,791.61
Accounts receivable			
Wherein: USD	817,630,221.72	6.9646	5,694,467,455.57
BND	54,599,853.33	5.1831	282,996,499.79
Other receivables			
Wherein: USD	8,028,333.81	6.9646	55,914,133.65
BND	3,631,010.18	5.1831	18,819,888.86
SGD	262,311.75	5.1831	1,359,588.03
Long-term receivables			
Wherein: USD	518,788.46	6.9646	3,613,154.11
Short-term loans			
Wherein: USD	1,493,172,376.69	6.9646	10,399,348,334.67
BND	177,944,666.40	5.1831	922,305,000.42
Accounts payable			

Item	Ending balance in foreign currency	Exchange rate for conversion	Ending balance (converted into RMB)
Wherein: USD	1,116,259,414.13	6.9646	7,774,300,315.96
EUR	4,269,988.96	7.4229	31,695,701.04
BND	4,823,807.10	5.1831	25,002,274.58
<b>Other payables</b>			
Wherein: USD	4,323,553.62	6.9646	30,111,821.54
BND	1,935,823.58	5.1831	10,033,567.20
<b>Non-current liabilities due within one year</b>			
Wherein: USD	251,125,031.52	6.9646	1,748,985,394.53
EUR	14,017,262.00	7.4229	104,048,734.10
BND	1,334,939.91	5.1831	6,919,127.05
SGD	932,206.71	5.1831	4,831,720.60
<b>Lease liabilities</b>			
Wherein: BND	81,899,040.00	5.1831	424,490,914.22
SGD	473,138.35	5.1831	2,452,323.38
<b>Long-term payables</b>			
Wherein: USD	1,897,602.19	6.9646	13,216,040.21
<b>Long-term loans</b>			
Wherein: USD	1,326,310,000.00	6.9646	9,237,218,626.00

Item	Ending balance in foreign currency	Exchange rate for conversion	Ending balance (converted into RMB)
EUR	85,770,545.00	7.4229	636,666,178.48

## 69. Hedging

Please refer to Notes VI (3. Notes to derivative financial assets).

## 70. Government grants

### (1) Basic information about governmental subsidies

Category	Amount	Reported Item	Amount recorded into current profits and losses
Income-related subsidies used to compensate for related costs or losses incurred	215,546,224.23	Other incomes	215,546,224.23
	710,041.57	Non-operating income	710,041.57
Income-related subsidies used to compensate for related costs or losses in subsequent periods	9,198,985.23	Deferred income	1,982,904.60
Assets-related subsidies	248,579,401.17	Deferred income	17,382,373.75
Total	474,034,652.20		235,621,544.15

### (2) Return of government subsidies

Category	Amount	Reported Item
Financial support by Meishan Bonded Port Area to Ningbo Hengyi Trading	10,210,000.00	Refund calculated according to the paid value-added tax and income tax in 2021

## VII. Consolidation scope changes

### 1. Business merger under the same control

In current period, there is no business merger under the same control in the Company.

### 2. Combination of enterprises not under the same control

In current period, there is no combination of enterprises not under the same control in the Company.

### 3. Disposal of Subsidiary

#### (1) Control right lost by single disposal of subsidiary investment

Name of subsidiary	Equity disposal price	Equity disposal proportion (%)	Equity disposal mode	Control right losing time-point	Basis for determination of control right losing time-point	Balance between disposal price and the subsidiary's net asset shares at the level of consolidated statements corresponding to disposal investment
Haining Hengqi Environmental Protection Technology Co., Ltd.	0.00	50.00	Transfer	May 5, 2022	Completion of shareholding rights transfer	0.00

(Continued)

Name of subsidiary	Proportion of residual equities on the control right losing date (%)	Book value of residual equities on the control right losing date	Fair value of residual equities on the control right losing date	Gains or Losses on Remeasurement of Residual Equities by Fair Value	Determination method and main assumption of fair value of residual equities on the control right losing date	Amount of other comprehensive income (related to original subsidiary equity investment) shifted into investment profits and losses
Haining Hengqi Environmental Protection Technology Co., Ltd.	50.00	0.00	0.00	0.00	Trading price agreed	0.00

#### 4. Consolidation Scope Change due to Other Reasons

The Company has invested three (5) subsidiaries this year as follows:

Guangxi Hengyi New Materials Co., Ltd., a subsidiary of the Company, invested and established Guangxi Free Trade Zone Yihai Port Co., Ltd., holding 66% of the shares.

Zhejiang Hengyi Petrochemical Research Institute Co., Ltd., a subsidiary of the Company, invested and established Hangzhou Lanxing Chemical Fiber Oil Co., Ltd., holding 80% of the shares.

Zhejiang Hengyi Logistics Co., Ltd., a subsidiary of the Company, invested and established Lianyungang Junbo Shengda Logistics Co., Ltd., holding 100% of the shares.

Suqian Yida New Materials Co., Ltd., a subsidiary of the Company, invested and established Suqian Hengyuan Thermal Energy Co., Ltd., holding 100% of the shares.

Suqian Yida New Materials Co., Ltd., a subsidiary of the Company, invested and established Suqian Huida Port Co., Ltd., holding 100% of the shares.

In this reporting period, therefore, above three holding subsidiaries recorded into the scope of consolidation are increased in the Company.

#### 5. Information about original subsidiaries no longer consolidated in current period

Former name of subsidiary	Domicile	Nature of business	Shareholding ratio of parent company (%)	Proportion of parent company's voting rights (%)	Reason for derecognition of subsidiary
Haining Hengqi Environmental Protection Technology Co., Ltd.	Haining City	Wastewater recovery and treatment	100.00	100.00	Losing control right

Continued

Former name of subsidiary	Total assets on the disposal date	Total liabilities on the disposal date	Owner's equity on the disposal date	Total Assets at the end of the previous year	Total Liabilities at the end of the previous year	Owner's equity at the end of the previous year
Haining Hengqi Environmental Protection Technology Co., Ltd.	100,000.00	100,000.00	0.00	0.00	0.00	0.00

Continued

Former name of subsidiary	Income from the end of the previous year to the disposal date	Total cost from the end of the previous year to the disposal date	Net profit from the end of the previous year to the disposal date
Haining Hengqi Environmental Protection Technology Co., Ltd.	0.00	0.00	0.00

## VIII. Equities in other subjects

### 1. Equities in subsidiaries

#### (1) Composition of enterprise group

Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
Zhejiang Hengyi Petrochemical Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Establishment or investment
Zhejiang Hengyi Polymer Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	60.00	Business merger under the same control
Zhejiang Yisheng Petrochemical Co., Ltd.	Ningbo City	Ningbo City	Manufacturing of petrochemical products	0.00	70.00	Business merger under the same control
Zhejiang Yixin Chemical Fiber Co., Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	0.00	70.00	Establishment or investment



Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
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	Commerce and trade	0.00	70.00	Establishment or investment
Hong Kong Tianyi International Holding Co., Ltd.	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or investment
Good Park 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	Business merger under the same control
Ningbo Hengyi Engineering Management Co., Ltd.	Ningbo City	Ningbo City	Engineering management	0.00	70.00	Business merger under the same control
Hengyi Industry International Co., Ltd.	Singapore	Singapore	Commerce and trade	0.00	70.00	Establishment or investment
Hengyi Petrochemical International Co., Ltd. (Singapore)	Singapore	Singapore	Commerce and trade	0.00	100.00	Establishment or investment
Zhejiang Hengyi Petrochemical Sales Co., Ltd.	Hangzhou City	Hangzhou City	Commerce and 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 Thermal Power Co., Ltd.	Haining City	Haining City	Electricity & heat production and supply	0.00	90.00	Establishment or investment
Suqian Yida New Materials Co., Ltd.	Suqian City	Suqian City	Manufacturing of chemical fiber products	0.00	91.00	Establishment or investment
Fujian Yijin Chemical Fiber Co., Ltd.	Quanzhou City, Fujian Province	Quanzhou City, Fujian Province	Manufacturing of chemical fiber products	0.00	90.00	Establishment or investment
Shaoxing Shengong Packaging Co., Ltd.	Shaoxing City	Shaoxing City	Wrappage production and	0.00	51.00	Establishment or investment

Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
			processing			
Zhejiang Hengyi Logistics Co., Ltd.	Hangzhou City	Hangzhou City	Logistics transportation	0.00	100.00	Business merger under the same control
Zhejiang Hengyi International Trade Co., Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	100.00	0.00	Establishment or investment
Zhejiang Hengkai Energy Co., Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	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 Hengyi Petrochemical Research Institute 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	Business merger under the same control
Taicang Yifeng Chemical Fiber Co., Ltd.	Taicang City	Taicang City	Manufacturing of chemical fiber products	100.00	0.00	Business merger under the same control
Zhejiang Shuangtu New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Business merger not under the same control
Hangzhou Yijing Chemical Fiber Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	100.00	Business merger under the same 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 IT service industry	0.00	100.00	Establishment or investment
Haining Junbo Shengming Trading Co., Ltd.	Haining City	Haining City	Commerce and trade	0.00	100.00	Establishment or investment
Hangzhou Yitong New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	60.00	Establishment or investment
Shaoxing Hengyi Logistics Co., Ltd.	Shaoxing City	Shaoxing City	Logistics transportation	0.00	100.00	Establishment or investment

Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
Guangxi Hengyi Environmental Technology Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Science and technology service	0.00	100.00	Establishment or investment
Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd.	Hangzhou City	Hangzhou City	Commercial service industry	0.00	75.00	Establishment or investment
Hainan Hengjing Trading Co., Ltd.	Hainan Province	Hainan Province	Commerce and trade	0.00	100.00	Establishment or investment
Guangxi Hengyi Shunqi Trading Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Commerce and trade	0.00	100.00	Establishment or investment
Haining Lantai New Materials Co., Ltd.	Haining City	Haining City	Manufacturing of chemical fiber products	0.00	74.00	Establishment or investment
Jiaxing Hengyu Trading Co., Ltd.	Jiaxing City	Jiaxing City	Commerce and trade	0.00	100.00	Establishment or investment
Guangxi Hengyi New Materials Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Manufacturing of chemical fiber products	0.00	100.00	Merger of enterprises under the same control
Zhejiang Xiaoyi Supply Chain Management Co., Ltd. (Zhejiang Xiaoyi Supply Chain Management Co., Ltd.)	Hangzhou City	Hangzhou City	Commercial service industry	0.00	100.00	Establishment or investment
Ningbo Shengmao Trading Co., Ltd.	Ningbo City	Ningbo City	Commerce and trade	0.00	70.00	Establishment or investment
Suqian Hengyuan Thermal Energy Co., Ltd.	Suqian City	Suqian City	Electricity & heat production and supply	0.00	100.00	Establishment or investment
Suqian Huida Port Co., Ltd.	Suqian City	Suqian City	Water transportation industry	0.00	100.00	Establishment or investment
Guangxi Free Trade Zone Yihai Port Co., Ltd.	Qinzhou City	Qinzhou City	Water transportation industry	0.00	66.00	Establishment or investment
Hangzhou Lanxing Chemical Fiber Oiling Agent Co., Ltd.	Hangzhou City	Hangzhou City	Wholesale business	0.00	80.00	Establishment or investment
Lianyungang Junbo Shengda Logistics Co., Ltd.	Lianyungang City	Lianyungang City	Road transportation industry	0.00	100.00	Establishment or investment

## (2) Important non-wholly owned subsidiaries

Name of subsidiary	Minority shareholders' shareholding ratio (%)	Profits and losses assigned to minority shareholder in current period	Dividends distributed to minority shareholder in current period	Balance of minority shareholders' equities at the end of current period
Ningbo Hengyi Trading Co., Ltd.	30.00	27,814,486.29	0.00	190,821,667.38
Zhejiang Hengyi Polymer Co., Ltd.	40.00	-13,726,592.77	10,000,000.00	359,285,374.40
Zhejiang Yisheng Petrochemical Co., Ltd.	30.00	-51,581,261.64	0.00	2,745,782,373.09
Hengyi Industries Sdn. Bhd.	30.00	199,857,756.26	35,361,222.00	3,004,030,202.46
Zhejiang Hengyi High-Tech Materials Co., Ltd.	9.33	1,662,426.37	56,486,111.11	413,945,232.64

(3) Main Financial Information about Important Non-wholly Owned Subsidiaries  
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.	28,711.46	345,016.16	373,727.61	296,896.09	0.00	296,896.09
Zhejiang Hengyi Polymer Co., Ltd.	225,211.27	71,718.48	296,929.74	206,821.00	287.40	207,108.40
Zhejiang Yisheng Petrochemical Co., Ltd.	1,517,642.10	359,313.47	1,876,955.57	910,110.02	73,350.86	983,460.88
Hengyi Industries Sdn. Bhd.	1,868,714.56	2,807,143.74	4,675,858.29	2,536,416.94	1,138,641.20	3,675,058.14
Zhejiang Hengyi High-Tech Materials Co., Ltd.	536,774.05	535,109.86	1,071,883.91	569,560.33	58,652.38	628,212.70

(Continued)

Name of subsidiary	Ending balance of previous year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	55,810.48	289,585.73	345,396.21	281,265.96	0.00	281,265.96
Zhejiang Hengyi Polymer Co., Ltd.	221,425.25	71,922.42	293,347.67	197,246.45	348.23	197,594.68
Zhejiang Yisheng Petrochemical Co., Ltd.	1,392,502.93	401,523.04	1,794,025.97	790,186.03	90,707.08	880,893.11

Name of subsidiary	Ending balance of previous year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hengyi Industries Sdn. Bhd.	1,449,167.73	2,604,312.88	4,053,480.61	2,272,381.31	931,734.37	3,204,115.68
Zhejiang Hengyi High-Tech Materials Co., Ltd.	740,333.77	518,504.88	1,258,838.65	682,879.60	78,080.15	760,959.75

(Continued)

Name of subsidiary	Amount incurred in current period				Balance of previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Ningbo Hengyi Trading Co., Ltd.	1,148,454.08	9,271.50	12,701.28	30,454.43	1,332,702.94	22,957.05	23,059.95	87,274.06
Zhejiang Hengyi Polymer Co., Ltd.	380,707.73	-3,431.65	-3,431.65	-28,627.14	381,008.64	10,951.88	10,951.88	81,745.69
Zhejiang Yisheng Petrochemical Co., Ltd.	2,138,615.21	17,193.75	-19,638.17	106,204.81	3,030,842.32	38,267.28	41,610.31	29,567.27
Hengyi Industries Sdn. Bhd.	5,631,775.07	65,336.76	139,648.15	323,556.31	3,594,810.02	124,738.48	115,121.98	337,126.12
Zhejiang Hengyi High-Tech Materials Co., Ltd.	977,880.38	1,781.81	5,687.07	75,702.98	1,325,913.87	34,108.85	40,493.31	138,091.97

## 2. Transactions that still control subsidiaries despite of change in the shares of owner's equity in the subsidiary

In 2022, Hengyi Limited, a subsidiary of the Company, contributed a total of RMB 1.07 billion to its subsidiary Suqian Yida New Materials Co., Ltd. (hereinafter referred to as "Suqian Yida"). Suqian Industrial Development Fund (limited partnership), another shareholder of Suqian Yida, did not increase the capital in equal proportion. After the capital increase, the paid-in capital of Suqian Yida was up to RMB 1.85 billion, and the proportion of equity held by Hengyi Limited in Suqian Yida increased from 88.42% to 91%.

## 3. Equities in cooperative enterprise or associated enterprise

(1) Important cooperative enterprises or associated enterprises

Name of cooperative enterprise or associated enterprise	Main place of business	Domicile	Nature of business	Shareholding ratio (%)		Accountant arrangement method for investment in cooperative enterprise or associated enterprise
				Direct	Indirect	
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Xiaoshan	Xiaoshan	Chemical raw materials and chemical products manufacturing industry	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	Chemical raw materials and chemical products manufacturing industry	0.00	50.00	Equity method
China Zheshang Bank Co., Ltd.	Hangzhou	Hangzhou	Finance	0.00	3.52	Equity method
Zhejiang Yisheng New Materials Co., Ltd.	Ningbo	Ningbo	Chemical raw materials and chemical products manufacturing industry	0.00	49.00	Equity method

Note: The Company holds 3.52% stocks of China Zheshang Bank Co., Ltd., and sent a representative to CZB's BOD. The Company enjoys substantial right of participation in decision making. The Company may exert significant impact on CZB by such representative's participating into CZB's financial and business policy formulation.

(2) Main financial information about important cooperative enterprises

Currency unit: RMB 10,000

Item	Ending balance/ amount in current period		Balance at end of the previous year/ amount in previous period	
	Caprolactam	Hainan Yisheng	Caprolactam	Hainan Yisheng
Current assets	173,189.83	515,284.65	180,585.16	569,269.63
Wherein: Cash and cash equivalents	14,264.69	101,655.70	16,799.78	83,224.96
Non-current assets	600,320.82	719,282.44	520,779.04	576,141.87

Item	Ending balance/ amount in current period		Balance at end of the previous year/ amount in previous period	
	Caprolactam	Hainan Yisheng	Caprolactam	Hainan Yisheng
Total assets	773,510.65	1,234,567.09	701,364.20	1,145,411.50
Current liabilities	475,101.61	416,670.21	381,545.90	580,110.26
Non-current liabilities	86,968.64	175,299.13	58,417.43	83,564.34
Total liabilities	562,070.25	591,969.34	439,963.33	663,674.60
Minority stockholders' equity	148.50	0.00	0.00	0.00
Stockholders' equity attributable to parent company	211,291.90	642,597.75	261,400.87	481,736.89
Net assets calculated by shareholding ratio	105,645.95	321,298.87	130,700.43	265,868.45
Adjusting events	0.00	0.00	0.00	0.00
- Goodwill	0.00	0.00	0.00	0.00
- Unrealized profit of internal transaction	0.00	-622.08	0.00	-725.76
- Others	2,010.08	9,733.73	2,010.08	9,733.73
Book value of equity investment in cooperative enterprise	107,656.03	330,410.53	132,710.51	274,876.42
Fair value of cooperative enterprise equity investment with public offer	--	--	--	--
Operating income	753,035.72	2,271,698.29	788,167.12	1,680,459.55
Financial expenses	10,420.14	9,078.70	11,763.95	18,707.82
Income tax expenses	-13,253.96	18,135.43	10,721.31	3,215.56
Net profit	-35,158.38	104,001.29	32,438.83	34,217.72
Net profits of discontinuing operation	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	6,859.56	0.00	-205.86
Total comprehensive income	-35,158.38	110,860.85	32,438.83	34,011.86

Item	Ending balance/ amount in current period		Balance at end of the previous year/ amount in previous period	
	Caprolactam	Hainan Yisheng	Caprolactam	Hainan Yisheng
Dividends from cooperative enterprise received this year	6,729.98	0.00	5,414.50	5,250.00

## (3) Main financial information about important associated enterprises

Currency unit: RMB 10,000

Item	Ending balance/ amount in current period			Balance at end of the previous year/ amount in previous period		
	Yisheng Investment	Yisheng New Materials	China Zheshang Bank	Yisheng Investment	Yisheng New Materials	China Zheshang Bank
Current assets	786,301.63	317,543.60	-	771,555.31	270,105.44	-
Non-current assets	967,092.10	911,354.19	-	890,924.47	887,130.26	-
Total assets	1,753,393.73	1,228,897.79	262,193,000.00	1,662,479.78	1,157,235.71	228,672,300.00
Current liabilities	902,013.51	782,318.59	-	838,736.64	546,549.00	-
Non-current liabilities	87,726.34	160,576.27	-	108,767.35	305,592.48	-
Total liabilities	989,739.85	942,894.85	245,600,000.00	947,503.99	852,141.47	211,984,000.00
Minority stockholders' equity	106,599.31	0.00	299,700.00	107,711.92	0.00	271,400.00
Stockholders' equity attributable to parent company	657,054.57	286,002.94	16,293,300.00	607,263.87	305,094.23	16,416,900.00
Net assets calculated by shareholding ratio	197,116.37	140,141.44	573,524.16	182,179.16	149,496.17	577,874.88
Adjusting events	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 of internal transaction	0.00	0.00	0.00	0.00	0.00	0.00
- Others	5,494.45	-0.13	-88,306.09	5,494.45	0.00	-142,884.69



Item	Ending balance/ amount in current period			Balance at end of the previous year/ amount in previous period		
	Yisheng Investment	Yisheng New Materials	China Zheshang Bank	Yisheng Investment	Yisheng New Materials	China Zheshang Bank
Book value of equity investment in associated enterprise	202,610.82	140,141.31	485,217.80	187,673.61	149,496.17	434,989.92
Fair value of associated enterprise equity investment with public offer	-	-	219,932.37	-	-	261,824.25
Operating income	2,974,782.89	3,370,855.32	6,108,500.00	2,940,215.69	748,476.21	5,447,100.00
Net profit	40,524.44	25,199.76	1,398,900.00	-51,297.63	27.46	1,291,600.00
Net profits of discontinuing operation	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income	8,153.65	-39.87	163,400.00	7.82	-	29,600.00
Total comprehensive income	48,678.09	-25,239.62	1,562,300.00	-51,289.81	27.46	1,321,200.00
Dividends from associated enterprise received this year	0.00	0.00	0.00	1,575.00	0.00	12,043.92

## (4) Summary of financial information about unimportant associated enterprises

Currency unit: RMB 10,000

Item	Ending balance/ amount in current period	Balance at end of the previous year/ amount in previous period
Associated enterprise:		
Total book value of investment	17,114.05	29,554.58
Total (calculated by shareholding ratio)		
- Net profit	974.76	729.12
- Other comprehensive income	-3.31	0.00
- Total comprehensive income	971.45	729.12

(5) Excess losses in cooperative enterprise or associated enterprise

By the end of December 31, 2022, no excess loss takes place in the Company's cooperative enterprises and associated enterprises.

(6) Unconfirmed commitment related to cooperative enterprise investment

By the end of December 31, 2022, there is no unconfirmed commitment related to cooperative enterprise investment in the Company.

(7) Contingent liabilities related to cooperative enterprise or associated enterprise investment

By the end of December 31, 2022, there is no contingent liability related to cooperative enterprise or associated enterprise investment in the Company.

**4. Equities in structural subjects excluded in the scope of consolidated financial statement**

In the Company, there is no equity in structural subject excluded in the scope of consolidated financial statement.

**IX. Risks related to financial instruments**

The Company's main financial instruments include monetary capital, financial assets measured by fair value and whose changes included in current profits and losses, loan, accounts receivable and accounts payable. For detail description of different financial instruments, please refer to related items in Note VI. Risks related to these financial instruments and corresponding risk management policies taken by the Company to mitigate such risks are described in detail as follows. The Company's management shall manage and monitor these risk exposures, so as to control above risks within a limited scope.

Sensitivity analysis techniques are used by the Company to analyze probable influence of rational and probable changes in risk variables on current profit and loss or stockholders' equity. Risk variables seldom change separately. Correlation between different variables will have great effect on the final influence amount of a risk variable. Therefore, the following contents are stated upon the assumption that change of every variable takes place independently.

**(I) Risk management objective and policy**

The Company's risk management objective is to appropriately balance risk and income, minimize adverse impact of risk on the Company's business performance, and maximize benefits of its stockholders and other equity investors. Based on this risk management objective, the Company's basic strategy for the risk management is to determine and analyze different risks, set up an appropriate risk tolerance baseline for risk management, supervise various risks in time and reliably, and control all risks within a limited scope.

**1. risk****(1) Foreign exchange risk**

Foreign exchange risk refers to the risk of loss generated by fluctuations in exchange rate. The Company's foreign exchange risk is mainly correlated with USD and BND. Except the Company's several subsidiaries that purchase and sell in USD, other main business activities of the Company shall be settled in RMB. On December 31, 2022, most assets and liabilities of the Company are of RMB balance (excluding the following assets or liabilities in USD and BND). Foreign exchange risk generated by assets and liabilities in such foreign currency may influence the Company's business performance.

Item	Ending balance		Balance at the end of previous year	
	USD	BND	USD	BND
Cash and cash equivalents	581,686,909.13	8,184,622.74	547,247,784.70	27,826,214.79
Accounts receivable	817,630,221.72	54,599,853.33	840,996,762.49	22,453,475.80
Other receivables	8,028,333.81	3,631,010.18	6,236,866.48	4,584,383.96
Long-term receivables	518,788.46	0.00	518,788.46	0.00
Short-term loans	1,493,172,376.69	177,944,666.40	1,227,099,050.80	51,695,100.00
Accounts payable	1,116,259,414.13	4,823,807.10	1,154,481,981.82	10,642,043.33
Other payables	4,323,553.62	1,935,823.58	201,240.96	593,591.35
Non-current liabilities due within one year	251,125,031.52	1,334,939.91	119,955,234.38	1,212,324.09
Long-term loans	1,326,310,000.00	0.00	943,120,000.00	0.00
Long-term payables	1,897,602.19	0.00	4,086,552.93	0.00
Lease liabilities	0.00	81,899,040.00	0.00	80,360,757.05

The Company pays close attention to the influence of exchange rate fluctuations on its foreign exchange risk. In accordance with relevant provisions, the Company shall not be engaged in any transaction of foreign exchange derivatives for the purpose of speculation. Based on normal production and management, all foreign exchange derivatives transactions shall depend on specific business, so as to avoid and prevent corresponding exchange rate or interest rate

risks.

Foreign exchange risk sensitivity analysis:

The Company's foreign exchange risk is mainly correlated with changes in the exchange rate between USD & BND and RMB. The following table shows sensitivity analysis upon the assumption of 1% exchange rate change between foreign currency and RMB related to the Company. In the process of sensitivity analysis made by the management, 1% increase or decrease is deemed as rational reflection of probable exchange rate change scope. On the basis of above assumption, under the circumstance that other variables are maintained unchanged, the influence of probable rational changes in exchange rate on current profit & loss and stockholders' equity (before tax) is shown as follows:

Item	Fluctuation in Exchange Rate	Influence on Current Profit & Loss and Stockholders' Equity (Before Tax)	
		Current Period	Previous Period
Monetary assets (USD)		98,052,113.77	88,941,027.89
Monetary liabilities (USD)	Appreciation of RMB by 1%	-292,031,805.33	-219,894,326.49
Net influence		-193,979,691.55	-130,953,298.60
Monetary assets (USD)		-98,052,113.77	-88,941,027.89
Monetary liabilities (USD)	Depreciation of RMB by 1%	292,031,805.33	219,894,326.49
Net influence		193,979,691.55	130,953,298.60
Monetary assets (BND)		3,442,381.07	2,588,432.17
Monetary liabilities (BND)	Appreciation of RMB by 1%	-13,887,508.83	-6,817,545.53
Net influence		-10,445,127.77	-4,229,113.35
Monetary assets (BND)		-3,442,381.07	-2,588,432.17
Monetary liabilities (BND)	Depreciation of RMB by 1%	13,887,508.83	6,817,545.53
Net influence		10,445,127.77	4,229,113.35

## (2) Interest rate risk – cash-flow change risk

The Company's risk at fair value change of financial instruments caused by interest rate change mainly comes from: When the financial market interest rate is at a downward trend, the Company cannot enjoy cost saving for fixed-rate loans that are brought by interest-rate reduction. On the contrary, cost will be increased for its loans at floating interest rates due to

rate hiking when the financial market interest rate is at an upward trend. The Company's short-term loans and mid-and-long-term loans account for approximately 50% of its liabilities with interest respectively. Moreover, interest is at a fixed rate for most short-term loans, and floating interest rates for mid-and-long-term loans. According to the Company's management, therefore, the Company's interest rate risk – fair value change risk is insignificant under the current tendency of interest rate change in macroscopic financial market. At present, there is no interest rate hedging policy in the Company.

Interest rate risk sensitivity analysis:

Interest rate risk sensitivity shall be analyzed upon the following assumption: influence of market interest rate changes on interest income or expense of financial instruments at variable interest rates. For short-term loans, sensitivity analysis shall be based on continuously circulating borrowing of such loan in an integral accounting year. During sensitivity analysis by the management, increase/ decrease in 50 base points will be deemed as reasonable reflection on the feasible range of interest rate change. On the basis of above assumption, under the circumstance that other variables are maintained unchanged and that the interest rate is increased/decreased by 50 base points, probably rational interest rate changes may have the following influence on current profit & loss and stockholders' equity (before tax):

Item	Interest rate change	Profit increase in current period	Profit decrease in current period
Short-term loans and mid-and-long-term liabilities at fixed interest rate	Increase in every 50 base points at an upward trend of interest rate	206,308,392.66	—
Short-term loans and mid-and-long-term liabilities at fixed interest rate	Decrease in every 50 base points at a downward trend of interest rate	—	206,308,392.66
Mid-and-long-term liabilities at floating interest rates	Increase in every 50 base points at an upward trend of interest rate	—	102,767,945.78
Mid-and-long-term liabilities at floating interest rates	Decrease in every 50 base points at a downward trend of interest rate	102,767,945.78	—

### (3) Other price risks

The Company's investments classified into held-for-trading financial assets shall be measured by fair value on the balance sheet. Therefore, the Company undertakes the risk of related assets price variation. The Company has established an investment management department, in which

members are assigned to closely monitor the price variation of investment products. In consideration of the necessity of futures investment and relevant features of leverage risk, the Company's BOD authorized the president to set up a futures leading group, and authorized this group to take charge of the Company's futures. In addition, the Company also formulated the train of thought of futures, specified to establish a futures trading group in the Investment Management Department (responsible for organization and implementation of transaction in accordance with decisions made by the futures trading group), specified to establish a futures settlement group in the Financial Management Department (responsible for such works as funds management, accounting treatment, transaction confirmation and settlement management), and specified to establish a futures supervision group in the Auditing Department (responsible for futures trading risk management & control and periodic review for transaction behaviors). In order to strengthen its internal control over futures and to effectively prevent and relieve probable risks in the transaction process, the Company also formulated the *Futures Business Management System*, requiring all futures business participants to operate in strict accordance with related provisions and processes. All personnel participating into futures business in the Company have received special training, and have an adequate understanding of corresponding features and risks of futures involved. According to the Company's directors, therefore, its price risk has been mitigated already.

## **2. Credit risks**

Credit risk refers to the risk of financial loss on the other party as one party of financial instruments fails to perform its obligations. The Company's credit risk mainly comes from bank deposit and receivables. In order to control above risk, the Company took the following measures.

In order to lower its credit risk, the Company established a group for determination of credit limit and for credit approval. The policy of payment before delivery is adopted for unapproved clients. In addition, the Company shall also review on every balance sheet date recovery of every single receivable, making sure to withdraw adequate bad debt reserves for unrecyclable funds. According to the Company's management, therefore, its credit risk has been reduced substantially.

The Company's working capital is saved in the bank at high credit rating. Therefore, its working capital is at relatively low credit risk.

## **3. Liquidity risks**

According to the Company's management, adequate cash and cash equivalents shall be prepared to monitor liquidity risk, so as to meet the Company's operation needs and to lower

the influence from cash flow fluctuations. The Company's management shall monitor the use of bank loans and make sure to abide by the loan agreement.

The Company takes bank loan as the main source of funding. On December 31, 2022, the Company's available credit line is RMB 32.156 billion (RMB 26.901 billion on December 31, 2021).

Based on maturity of undiscounted residual contract obligations, the Company's financial assets and financial liabilities are analyzed as follows:

Item	Within 6 months	7-12 months	1-3 Years	Over three years
Non-derivative financial assets and liabilities:				
Notes receivable	242,510,954.07	4,050,000.00	0.00	0.00
Short-term loans	27,161,545,541.06	10,714,287,797.03	0.00	0.00
Notes payable	458,995,000.00	356,174,321.16	0.00	0.00
Long-term loans mature within one year	2,626,499,359.55	2,652,122,607.25	0.00	0.00
Long-term loans	0.00	0.00	8,315,260,128.94	7,791,879,907.41
Accounts receivable financing	114,419,710.85	15,160,000.00	0.00	0.00
Derivative financial assets and liabilities:				
Forward foreign exchange contract	6,943,975.24	-2,419,304.03	0.00	0.00
Futures contract	183,625,602.03	1,778,285.25	0.00	0.00

Note: For the maturity of the Company's other undiscounted financial assets and liabilities, please refer to corresponding items in Note VI to the financial statement for details.

## (II) Transfer of financial assets

### 1. Financial assets transferred but not derecognized integrally

This year, it is unnecessary for the Company to disclose financial assets transferred but not derecognized integrally.

### 2. Transferred financial assets derecognized integrally already but still involving the assignor

In current period, the Company accumulatively discounted an amount of RMB

4,632,637,495.03 bank acceptance bills (RMB 6,435,173,167.33 in 2021). Main risks (e.g. interest rate risk) and remunerations related to these bank acceptance bills have been transferred to the bank. Therefore, the Company shall derecognize discounted immature bank acceptance bills. 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, 2022, the cashed but not mature banker's acceptance was RMB 2,384,694,492.22 in total (RMB 3,504,143,937.29 on December 31, 2021).

## X. Disclosure of fair value

### 1. Ending fair value of assets and liabilities measured at fair value

Item	Ending Fair Value			
	The first-tier fair value measurement	The second-tier fair value measurement	The third-tier fair value measurement	Total
I. Continuous fair value measurement				
(I) Held-for-trading financial assets	251,021,508.33	0.00	0.00	251,021,508.33
1. Financial assets measured by fair value and whose changes included in current profits and losses	251,021,508.33	0.00	0.00	251,021,508.33
(1) Debt instrument investment	0.00	0.00	0.00	0.00
(2) Equity instrument investment	0.00	0.00	0.00	0.00
(3) Derivative financial assets	251,021,508.33	0.00	0.00	251,021,508.33
2. Specified as financial assets measured by fair value and whose changes included in current profits and losses	0.00	0.00	0.00	0.00
(1) Debt instrument investment	0.00	0.00	0.00	0.00
(2) Equity instrument investment	0.00	0.00	0.00	0.00
(II) Derivative financial assets	1,872,460.80	0.00	0.00	1,872,460.80
(III) Held-for-trading financial liabilities	21,353,552.33	0.00	0.00	21,353,552.33
Wherein: Issued bonds held for trading	0.00	0.00	0.00	0.00



Item	Ending Fair Value			
	The first-tier fair value measurement	The second-tier fair value measurement	The third-tier fair value measurement	Total
Derivative financial liabilities	21,353,552.33	0.00	0.00	21,353,552.33
Others	0.00	0.00	0.00	0.00
(IV) Derivative financial liabilities	41,611,858.31	0.00	0.00	41,611,858.31

## 2. Determination basis for market price of continuous and non-continuous first-tier fair value measurement items

The Company's continuous first-tier fair value measurement items mainly include its derivative financial instruments with an active market that can obtain unadjusted offer of the same assets or liabilities in the active market.

## XI. Related parties and related-party transaction

### 1. Information about the Company's parent company

Name of parent company	Domicile	Nature of business	Registered capital	Shareholding ratio of the parent company in the Company (%)	Percentage of the parent company's voting rights in the Company (%)
Zhejiang Hengyi Group Co., Ltd.	Hangzhou	Investment and trade	RMB 51.8 million	40.61	47.60

Note: The Company's ultimate controller is Qiu Jianlin.

### 2. Information about the Company's subsidiaries

For detail information, please refer to Notes VIII (1. Equities in Subsidiary).

### 3. Information about the Company's cooperative and associated enterprises

Name of cooperative enterprise or associated enterprise	Main place of business	Domicile	Nature of business	Shareholding ratio (%)		Accountant Arrangement Method for Investment in Cooperative Enterprise or Associated Enterprise
				Direct	Indirect	

Ningbo Jinhou Industry Investment Co., Ltd.	Hangzhou	Ningbo	Investment and consulting	25.00	0.00	Equity method
Dongzhan Shipping Co., Ltd.	Zhoushan	Zhoushan	Water transportation industry	0.00	30.00	Equity method

For important cooperative and associated enterprises of the Company, please refer to Notes VIII (3. Equities in Cooperative or Associated Enterprise).

#### 4. Information about other related parties

Name of Other Related Party	Relationship between Other Related Parties and the Company
Zhejiang Hengyi Polyamide 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.	Associated company of ultimate parent company
Haining Yixin Logistics Co., Ltd.	Wholly-owned subsidiary of the associated enterprise
Zhejiang Rongtong Chemical Fiber New Materials Co., Ltd.	Holding subsidiary of the associated enterprise
Yisheng Dahua Petrochemical Co., Ltd.	Holding subsidiary of the associated enterprise
Hong Kong Yisheng Dahua Co., Ltd.	Holding subsidiary of the associated enterprise
Hong Kong Yisheng Co., Ltd.	Wholly-owned subsidiary of the joint venture
Zhejiang Rongyi Trading Co., Ltd.	Wholly-owned subsidiary of the associated enterprise
Hangzhou Bayi Energy Co., Ltd.	Holding subsidiary of the joint venture
Haining Hengqi Environmental Protection Technology Co., Ltd.	Joint venture of ultimate parent company
Zhejiang Hengyi Energy Co., Ltd.	A holding subsidiary of the ultimate parent company
Xin Heng Rong (HK) Limited	Wholly-owned subsidiary of the joint venture

#### 5. Information about related-party transaction

(1) Related-party transaction of commodity purchase & sale and labor provision & reception

① Information about commodity purchase / labor reception

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Hainan Yisheng Petrochemical Co., Ltd.	Procurement of goods	16,318,689.67	162,724,539.89
Yisheng Dahua Petrochemical Co., Ltd.	Procurement of goods	2,690,904,003.22	3,736,570,569.02
Yisheng Dahua Petrochemical Co., Ltd.	Labor reception	504.72	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Procurement of goods	329,558,085.16	395,843,216.27
Zhejiang Hengyi Polyamide Co., Ltd.	Procurement of goods	24,605,115.88	0.00
Hangzhou Yichen Chemical Fiber Co., Ltd.	Procurement of goods	10,048,586.90	16,168,663.69
Zhejiang Yisheng New Materials Co., Ltd.	Procurement of goods	15,096,435,470.51	2,118,416,389.92
Haining Yixin Logistics Co., Ltd.	Labor reception	0.00	8,924,840.50
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Procurement of goods	6,987,350,219.75	4,398,340,883.38
Zhejiang Rongyi Trading Co., Ltd.	Procurement of goods	671,415,929.18	0.00
Hangzhou Bayi Energy Co., Ltd.	Procurement of goods	169,237,789.57	0.00
Haining Hengqi Environmental Protection Technology Co., Ltd.	Procurement of goods	95,751.42	0.00

② Information about commodity sale/ labor provision

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Sales of goods	950,423,022.45	1,335,024,533.02
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Labor provision	29,951,315.01	41,807,660.81
Hainan Yisheng Petrochemical Co., Ltd.	Sales of goods	2,380,871,191.28	1,125,429,557.32

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Hainan Yisheng Petrochemical Co., Ltd.	Labor provision	6,389,568.19	55,779.82
Zhejiang Hengyi Polyamide Co., Ltd.	Sales of goods	13,117,614.46	4,266,819.10
Zhejiang Hengyi Polyamide Co., Ltd.	Labor provision	7,565,474.40	7,442,086.17
Yisheng Dahua Petrochemical Co., Ltd.	Labor provision	488,210.40	21,702.83
Yisheng Dahua Petrochemical Co., Ltd.	Sales of goods	71,433,479.86	85,171,783.96
Hangzhou Yichen Chemical Fiber Co., Ltd.	Labor provision	21,485,237.51	22,936,669.38
Hangzhou Yichen Chemical Fiber Co., Ltd.	Sales of goods	4,807,243.81	3,011,757.35
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Sales of goods	403,795,638.58	242,895,119.50
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Labor provision	93,638,375.93	45,497,278.60
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Trademark use license fee	8,905,990.74	5,728,849.96
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Patent royalty	747,910.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	Sales of goods	2,755,482,514.25	716,350,522.64
Zhejiang Yisheng New Materials Co., Ltd.	Labor provision	62,385,809.22	10,810,130.56
Zhejiang Rongtong Chemical Fiber New Materials Co., Ltd.	Sales of goods	-212,389.39	0.00
Hangzhou Bayi Energy Co., Ltd.	Sales of goods	897,671,146.13	0.00
Haining Hengqi Environmental Protection Technology Co., Ltd.	Sales of goods	3,339,460.36	0.00

## (2) Information about related trusteeship management/ mandatory management

The Company as trustee

Name of the Client	Name of the Trustee	Type of Entrusted Assets	Starting Date of Entrustment	Custody fee recognized in current period
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	Entrustment of operation	July 25, 2018	1,698,113.19

Note: Zhejiang Hengyi Petrochemical Co., Ltd. (a subsidiary of the Company) is entrusted to provide management advisory services to the production and operating activities of Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd. However, the former will not undertake any business risk of the client. The termination date of entrust is the date of completion when the client is purchased by the Company or the Company's non-related parties.

### (3) Information about related-party lease

#### ① The Company as lessee

Name of lessor	Category of leased assets	Rental expenses recognized in current period	Rental expenses confirmed in the previous year
Hangzhou Yichen Chemical Fiber Co., Ltd.	Warehouse	661,447.12	196,243.04
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Property	0.00	69,314.29
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Property	12,495.41	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd. (Note)	Property	1,280,000.00	0.00

Note: On January 1, 2021, the Company signed a house-leasing contract with Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd., with the lease term from January 1, 2021 to December 31, 2023 and annual rentals of RMB 1.28 million.

#### ② The Company as the leaser

Name of the lessee	Category of leased assets	Rental expenses recognized in current period	Rental expenses confirmed in the previous year
Haining Hengqi Environmental Protection Technology Co., Ltd.	Premises	596,003.52	0.00

Name of the lessee	Category of leased assets	Rental expenses recognized in current period	Rental expenses confirmed in the previous year
Zhejiang Hengyi Polyamide Co., Ltd.	Property	4,000.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	Property	1,419,145.21	0.00
Zhejiang Yisheng New Materials Co., Ltd.	Property	1,015,495.53	0.00

## (4) Information about related-party guarantee

## ① The Company as guarantor

Warrantee	Amount guaranteed (RMB 10,000)	Starting date of guarantee	Maturity date of guarantee	Guarantee finished or not
Hainan Yisheng Petrochemical Co., Ltd.	35,114.17	July 5, 2022	April 24, 2023	No

## ② The Company as the warrantee

Guarantor	Warrantee	Amount (RMB 10,000)	Borrowing date	Repayment date	Mortgage provided by the Company or not	Guarantee finished or not
Zhejiang Hengyi Group Co., Ltd.	Haining Hengyi New Materials Co., Ltd.	90,000.00	2022-5-13	2023-12-20	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	8,800.00	2022-7-1	2023-6-30	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	46,000.00	2022-6-29	2023-9-6	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Petrochemical Co., Ltd.	50,000.00	2022-4-22	2023-12-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Petrochemical Co., Ltd.	9,996.00	2022-12-15	2023-6-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	105,000.00	2022-3-18	2023-7-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	\$30,683.37	2022-8-17	2023-6-7	No	No
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Hengyi Industries Sdn. Bhd.	334,560.00	2018-8-23	2030-8-22	No	No
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Hengyi Industries Sdn. Bhd.	\$87,312.00	2018-8-23	2030-8-22	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industry International Co., Ltd.	\$9,031.20	2022-9-26	2023-5-8	No	No
Zhejiang Hengyi Group Co., Ltd.	Jiaying Yipeng Chemical Fiber Co., Ltd.	30,000.00	2022-8-26	2023-9-2	No	No
Zhejiang Hengyi Group Co., Ltd.	Ningbo Hengyi Trading Co., Ltd.	41,985.00	2022-9-2	2023-11-30	No	No

Guarantor	Warrantee	Amount (RMB 10,000)	Borrowing date	Repayment date	Mortgage provided by the Company or not	Guarant ee finished or not
Zhejiang Hengyi Group Co., Ltd.	Suqian Yida New Materials Co., Ltd.	5,000.00	2022-3-10	2023-3-6	No	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fiber Co., Ltd.	48,810.00	2022-7-18	2023-12-7	No	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fiber Co., Ltd.	10,000.00	2022-9-14	2023-9-26	No	No
Zhejiang Hengyi Group Co., Ltd.	Hong Kong Tianyi International Holding Co., Ltd.	\$1,843.00	2022-6-28	2024-6-27	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	66,908.00	2021-11-11	2024-11-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	10,000.00	2022-11-18	2023-11-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	10,000.00	2022-8-24	2023-8-24	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	40,000.00	2022-6-8	2023-7-26	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	1,000.00	2015-12-30	2023-12-29	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	130,200.00	2022-8-22	2023-10-8	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	10,000.00	2022-2-11	2023-11-18	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	16,975.00	2022-9-6	2023-9-6	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	347,750.00	2021-2-24	2025-11-9	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	12,579.00	2022-9-27	2023-6-12	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	\$9,809.01	2022-3-31	2023-4-27	No	No
Zhejiang Hengyi Group Co., Ltd.	Haining Hengyi New Materials Co., Ltd.	190,284.69	2020-1-14	2024-12-30	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	24,050.00	2022-4-29	2025-8-10	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	\$400.00	2019-6-25	2024-9-25	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Jiaxing Yipeng Chemical Fiber Co., Ltd.	88,433.33	2022-4-15	2026-11-11	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	67,225.45	2021-3-8	2025-2-22	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	35,200.00	2022-1-28	2025-2-20	Yes	No

Guarantor	Warrantee	Amount (RMB 10,000)	Borrowing date	Repayment date	Mortgage provided by the Company or not	Guarantee finished or not
Zhejiang Hengyi Group Co., Ltd. and Shaoxing Shengong Machinery Manufacturing Co., Ltd.	Shaoxing Shengong Packaging Co., Ltd.	5,800.00	2022-11-9	2023-12-7	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Zhejiang Southeast Space Frame Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	5,000.00	2022-8-23	2023-8-23	No	No
Zhejiang Hengyi Group Co., Ltd. and Zhejiang Southeast Space Frame Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	14,992.50	2022-11-15	2023-5-25	No	No

## (5) Related-party lending

Related party	Lending amount	Start date	Maturity date	Notes
<b>Borrowing:</b>				
Zhejiang Hengyi Group Co., Ltd.	4,133,189,471.00	--	--	Among temporary working capital supplemented by Hengyi Group to the Company, remaining RMB 7,355,322.62 has not been returned.
<b>Lending:</b>				
Zhejiang Yisheng Materials Co., Ltd.	New 1,078,000,000.00	2021/1/5	2022/12/20	Entrusted loan, lending rate: 4.785%
Zhejiang Yisheng Materials Co., Ltd.	New 988,000,000.00	2022/1/27	2023/12/30	Entrusted loan, lending rate: 4.785%

## (6) Information about related-party assets transfer and debt restructuring

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Transferred assets	0.00	25,530.26
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Transferred assets	0.00	187,609.38
Zhejiang Hengyi Energy Co., Ltd.	Asset transfer	3,000,000.00	0.00

## (7) Remunerations for key management personnel

Item	Amount incurred in current period	Amount incurred in previous period
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Remunerations for key management personnel	RMB 12.4958 million	RMB 12.4958 million
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## (8) Other related-party transactions

Through paper transaction with Hong Kong Yisheng Co., Ltd. and Hong Kong Yisheng Dahua Co., Ltd., the Company realized total losses of USD 9,302,200.00 and USD 9,302,200.00 in current period.

Through paper transaction with Xin Heng Rong (HK) Limited, the Company realized the total income of USD 16,438,510.00 in current period.

By the end of December 31, 2022, the Company's and its subsidiaries' balance of deposits is RMB 3,679,800 in its related party, namely China Zheshang Bank Co., Ltd. The amount of commercial draft discounted but immature at the end of the term is RMB 51 million.

**6. Related parties' receivables and payables**

## (1) Receivables

Project name	Ending balance		Ending balance of previous year	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Notes receivable:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	527,200.00	0.00	2,713,741.00	0.00
Total	527,200.00	0.00	2,713,741.00	0.00
Accounts receivable:				
Hainan Yisheng Petrochemical Co., Ltd.	140,711,918.33	0.00	226,858,886.34	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	49,142.00	0.00	6,917,468.74	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	0.00	0.00	12,828,512.13	0.00
Zhejiang Yisheng New Materials Co., Ltd.	1,106,890.13	0.00	8,759,499.90	0.00
Total	141,867,950.46	0.00	255,364,367.11	0.00
Advance payment:				

Project name	Ending balance		Ending balance of previous year	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	5,525.28	0.00	10,064.34	0.00
Zhejiang Rongtong Chemical Fiber New Materials Co., Ltd.	0.00	0.00	15,306,150.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	0.00	141,341,842.00	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	0.00	0.00	821.27	0.00
Total	5,525.28	0.00	156,658,877.61	0.00
Dividends receivable:				
Dalian Yisheng Investment Co., Ltd.	0.00	0.00	79,500,000.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	0.00	0.00	265,000,000.00	0.00
Total	0.00	0.00	344,500,000.00	0.00
Other current assets:				
Zhejiang Yisheng New Materials Co., Ltd.	989,433,904.99	0.00	1,079,576,125.83	0.00
Total	989,433,904.99	0.00	1,079,576,125.83	0.00

## (2) Payables

Project name	Ending balance	Ending balance of previous year
Accounts payable:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	9,887,234.54	32,465,816.85
Hangzhou Yichen Chemical Fiber Co., Ltd.	0.00	569,077.20
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	3,705,778.85	32,629,365.25

Project name	Ending balance	Ending balance of previous year
Hong Kong Yisheng Dahua Co., Ltd.	0.00	28,498,358.89
Hong Kong Yisheng Co., Ltd.	0.00	28,498,358.89
Zhejiang Yisheng New Materials Co., Ltd.	6,305,312.50	0.00
Hangzhou Bayi Energy Co., Ltd.	1,065,580.38	0.00
Total	20,963,906.27	122,660,977.08
Contractual liabilities and other current liabilities:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	0.00	64,356,669.84
Hangzhou Bayi Energy Co., Ltd.	493,849.41	0.00
Zhejiang Yisheng New Materials Co., Ltd.	52,067,253.14	14,170,289.00
Total	52,561,102.55	78,526,958.84
Other payables:		
Zhejiang Hengyi Group Co., Ltd.	7,355,322.62	0.00
Total	7,355,322.62	0.00
Non-current liabilities mature within one year:		
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	1,119,181.06	1,174,311.93
Total	1,119,181.06	1,174,311.93
Lease liabilities:		
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	0.00	1,011,507.59
Total	0.00	1,011,507.59

## XII. Commitments and Contingencies

## 1. Contingencies

(1) Contingent liabilities formed by pending action arbitration and its financial influence

① Criminal case of Wang XX and related civil action cases in Zhejiang Shuangtu

Since October 21, 2018, Zhejiang Shuangtu has received the notice from more than ten clients (including Haiyan Yixiao Knitting New Materials Co., Ltd.). After the payment, the clients never received goods delivered by Zhejiang Shuangtu, and could not get contact with Wang XX. For the reason of the failure of Zhejiang Shuangtu to deliver after their payment, Haiyan Yixiao Knitting New Materials Co., Ltd., Tonglu Yueheng Knitting Clothing Co., Ltd. and Yiwu Zijing Clothing Co., Ltd. submitted a case to the court.

According to its self-inspection, Zhejiang Shuangtu has already received the payment of above clients for goods, and finished related activities (including delivery and issuance of sales invoice) as per the sales order. All clients failing to receive the goods were handled by Wang XX, a salesman in Zhejiang Shuangtu. Then, the clients could not get contact with Wang XX. On November 11, 2018, Zhejiang Shuangtu reported the case to the criminal investigation brigade subordinate to Dajiangdong Industry Cluster District Suboffice of Hangzhou Public Security Bureau. The case has been accepted already. On April 13, 2019, Zhejiang Shuangtu received a notice from the public security organ: Wang XX was arrested.

Both the three civil cases related to Wang XX and the contract dispute case with Haiyan Yixiao Knitting New Materials Co., Ltd. were opened to a court session on December 3, 2018. The court has not made a judgment yet. As Wang XX's criminal case is involved, Tonglu Yueheng Knitting Clothing Co., Ltd. positively withdrew the contract dispute case, and would decide how to solve after the criminal case was handled. For the contract dispute case with Yiwu Zijing Clothing Co., Ltd., Zhejiang Shuangtu has submitted corresponding answer brief and evidence materials to the court. The court will open a court session later. For the contract dispute case with Haiyan Yixiao Knitting New Materials Co., Ltd., the court froze RMB 300,000 deposits of Zhejiang Shuangtu.

In 2018, based on the information in the client's letter of notice (including quantity of goods not received), Zhejiang Shuangtu deducted an amount of RMB 26,201,814.47 from its revenues, recorded corresponding freight cost (i.e. RMB 24,105,503.18) into "other receivables – Wang XX", and withdrew bad debt losses in full amount. Based on the receiving time and amount, Zhejiang Shuangtu also withdrew an amount of RMB 433,932.50 accrued liabilities by bank lending rates in corresponding period.

On May 17, 2019, Wang XX was arrested by law. On January 22, 2020, the People's Procuratorate of Hangzhou Xiaoshan District initiated a public prosecution to the People's

Court of Hangzhou Xiaoshan District on the charge of post occupation and contract swindling. The case was accepted. Due to epidemic and other reasons, the court has not determined the date yet. According to the amount involving duty-related crime as found in the indictment by the People's Procuratorate of Hangzhou Xiaoshan District, Zhejiang Shuangtu deducted an amount of RMB 2,414,257.32 from its revenues, and recorded corresponding freight cost (i.e. RMB 2,138,041.91) into "other receivables – Wang XX", and confirmed anticipated losses in full amount. Based on the receiving time and amount, Zhejiang Shuangtu also withdrew an amount of RMB 1,573,136.66 accrued liabilities by bank lending rates in corresponding period. According to the *Agreement on Stock Issuance for Assets Purchase* and subsequent agreements signed by and between the Company and the former shareholders of Zhejiang Shuangtu (namely Fulida Group and Xinghui Chemical Fiber Group Co., Ltd.), Fulida Group and Xinghui Chemical Fiber Group Co., Ltd. promise and agree to assume joint and several liabilities to the Company and Zhejiang Shuangtu with respect to all losses on Zhejiang Shuangtu and the Company caused by the disputed case prior to December 7, 2018 (included). Therefore, above event will have no significant influence on the Company and Zhejiang Shuangtu.

On July 20, 2020, the People's Court of Hangzhou Xiaoshan District issued a paper of sentence to judge: (1) The Defendant Wang XX is sentenced to jail for 13 years for duty encroachment and for eleven (11) years and six (6) months for contract swindling, and also fined for RMB 150,000. Upon a combined punishment, Wang XX is sentenced to 18-year imprisonment, and fined RMB 150,000. (2) The Defendant Wang XX is ordered to return and compensate for economic losses to related units and the victim.

After the criminal case of Wang XX was judged, the cases deemed as duty encroachment of related victims were also heard, judged and/or compromised. By the end of the issue date of this report, 11 out of 13 victims from duty encroachment affirmed by the court have been judged, compromised and settled. A total amount of RMB 936,800 is involved in other two unsettled cases.

For the reason of compromise with some victims in 2021 and 2022, the actual repayment of Zhejiang Shuangtu is smaller than the amount of money involved in the case as affirmed by the court. Based on the actual expenditures to the settled case, the Company has reduced RMB 8,555,800 and RMB 54,100 compensation receivable to the two former shareholders of Zhejiang Shuangtu, namely Fulida Group and Xinghui Chemical Fiber Group Co., Ltd. respectively.

② Arbitration Case for EPC Contract Dispute with COOEC International Co., Limited

Hengyi Industries Sdn. Bhd. (hereinafter referred to as Hengyi Brunei or Respondent), a subsidiary of the Company, has received China International Economic and Trade Arbitration Commission's *Notice on Defense of EPC Contract Dispute Case No. P20220470*. COOEC International Co., Limited (hereinafter referred to as CNOOC International or Applicant) has submitted an arbitration application to China International Economic and Trade Arbitration Commission for disputes arising from the settlement of *Hengyi (Brunei) PMB Petrochemical Project Single Point Mooring and Submarine Pipeline EPC* signed with Hengyi Brunei. The main arbitration requests of CNOOC International Company involved the total amount of RMB 116,758,196.47 from twelve claims, including payment or refund of project progress payment, quality assurance deposit, costs incurred due to contract changes, as well as the losses and corresponding interest and other expenses caused by the respondent during the construction. The Company categorized and summarized the above arbitration requests and provided defense opinions. In addition, the Company proposes arbitration counterclaims, such as bearing corresponding compensation for delayed construction period losses due to the serious delay in the manufacturing, delivery and installation progress of key equipment by CNOOC, resulting in the completion of the project far behind the original contract date. The case was heard at Zhejiang Branch of China International Economic and Trade Arbitration Commission on July 18, 2022 and March 23, 2023, respectively. As of the disclosure date of this report, the arbitration case has not yet been adjudicated.

③ Dispute over the sales contract with Hainan Guomao Industrial Co., Ltd.

On December 28, 2022, Zhejiang Hengyi Petrochemical Sales Co., Ltd. (hereinafter referred to as Hengyi Sales or Defendant), a subsidiary of the Company, received the subpoena of No. (2022) Zhejiang 0109 MC 19111 from the People's Court of Hangzhou Xiaoshan District: Hainan Guomao Industrial Co., Ltd. (hereinafter referred to as Hainan Guomao or plaintiff) has filed a lawsuit to terminate five contracts with Hengyi Sales, requiring Hengyi Sales to return the payment of RMB 29,468,547.72 paid by Hainan Guomao, pay the interest calculated from the plaintiff's payment date to the actual performance date based on the above amount according to three times of the market interest rate for one-year loans publicized by National Interbank Funding Center during the same period and bear the litigation costs of the case. In February 2023, Zhejiang Yilanwen Technology Co., Ltd. was added as the third party to the case. On March 27, 2023, the People's Court of Hangzhou Xiaoshan District tried the case. As of the disclosure date of this report, the case is still in the trial stage.

(2) By the end of December 31, 2022, the Company's debt guarantee is shown as follows:

Currency unit: RMB 10,000

Guarantor	Warrantee	Guaranty Style	Amount Guaranteed	Maturity date of guarantee
Hengyi Petrochemical Co., Ltd.	Hainan Yisheng Petrochemical Co., Ltd.	Credit guarantee	35,114.17	2023-4-24

### XIII. Events after the balance sheet date

By the end of the issue date of this financial report, the Company has no events after the balance sheet date to be disclosed this year.

### XIV. Other important events

#### 1. Correction to prior period errors

There were no prior period error corrections that need to be disclosed by the Company during this year.

#### 2. Segment information

Segmental management is not implemented in the Company. Therefore, there is no reporting segment.

#### 3. Other important events

There were no other important events that need to be disclosed by the Company during this year.

### XV. Notes to main items in the company's financial statements

#### 1. Other receivables

Item	Ending balance	Ending balance of previous year
Interests receivable	0.00	0.00
Dividends receivable	425,000,000.00	1,169,772,962.00
Other receivables	5,601,278,001.08	3,571,633,385.78
Total	6,026,278,001.08	4,741,406,347.78

#### (1) Dividends receivable

Project (or Invested Unit)	Ending balance	Ending balance of previous year
Zhejiang Hengyi Petrochemical Co., Ltd.	425,000,000.00	1,079,772,962.00

Project (or Invested Unit)	Ending balance	Ending balance of previous year
Jiaxing Yipeng Chemical Fiber Co., Ltd.	0.00	15,000,000.00
Taicang Yifeng Chemical Fiber Co., Ltd.	0.00	35,000,000.00
Zhejiang Shuangtu New Materials Co., Ltd.	0.00	40,000,000.00
Subtotal	425,000,000.00	1,169,772,962.00
Minus: Bad debt provision	0.00	0.00
Total	425,000,000.00	1,169,772,962.00

**(2) Other receivables**

## ① Disclosure by aging

Aging	Ending balance	Ending balance of previous year
Within 1 year	2,093,805,561.80	19,585,865.33
1-2 years	200,000.00	1,260,741,815.63
2-3 years	1,255,406,748.63	2,291,315,704.82
Over three years	2,251,878,190.65	2,500.00
Subtotal	5,601,290,501.08	3,571,645,885.78
Minus: Bad debt provision	12,500.00	12,500.00
Total	5,601,278,001.08	3,571,633,385.78

## ② Classification based on nature of fund

Nature of account	Ending balance	Ending balance of previous year
Related party funds within the scope of consolidation	5,601,088,001.08	3,571,443,385.78
Portfolio of deposits and security	202,500.00	202,500.00
Subtotal	5,601,290,501.08	3,571,645,885.78
Minus: Bad debt provision	12,500.00	12,500.00
Total	5,601,278,001.08	3,571,633,385.78



## ③ Accrual of bad debt reserves

Bad debt provision	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 occurred has occurred)	
Ending balance of previous year	10,000.00	0.00	2,500.00	12,500.00
Book balance of other receivables at the end of the previous year:				
- Transferred to Stage 2	0.00	--	--	0.00
- Transferred to Stage 3	0.00	0.00	--	0.00
- Transferred back to Stage 2	--	--	0.00	0.00
- Transferred back to Stage 1	--	0.00	0.00	0.00
Provision in current period	0.00	0.00	0.00	0.00
Withdrawal or Roll-back in current period	0.00	0.00	0.00	0.00
Write-off or cancellation after verification in current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Ending balance	10,000.00	0.00	2,500.00	12,500.00

## ④ Situation of bad debt reserves

Category	Ending balance of previous year	Amount of changes in 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 tax refunds receivable and other government subsidies	0.00	0.00	0.00	0.00	0.00
Portfolio of deposits and security	12,500.00	0.00	0.00	0.00	12,500.00
Employee loan and petty cash	0.00	0.00	0.00	0.00	0.00
Other groups	0.00	0.00	0.00	0.00	0.00
Total	12,500.00	0.00	0.00	0.00	12,500.00

## ⑤ Other receivables with top five ending balance collected by debtor

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the year ended (%)	Bad debt provision Ending balance
Zhejiang Hengyi Petrochemical Co., Ltd.	Related receivables and payables	,398,210,001.08	Within 1 year 2-3 years Over three years	96.37	0.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	Related receivables and payables	101,700,000.00	Over three years	1.82	0.00
Suqian Yida New Materials Co., Ltd.	Related receivables and payables	101,178,000.00	Within 1 year 2-3 years	1.81	0.00

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the year ended (%)	Bad debt provision Ending balance
Total	--	,601,088,001.08	--	100.00	0.00

## 2. Long-term equity investment

### (1) Classification of long-term equity investment

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment Reserve	Book value
Investment in subsidiaries	15,931,768,517.98	0.00	15,931,768,517.98	15,917,768,517.98	0.00	15,917,768,517.98
Investments in joint ventures and associates	14,254,625.24	0.00	14,254,625.24	14,291,804.11	0.00	14,291,804.11
Total	15,946,023,143.22	0.00	15,946,023,143.22	15,932,060,322.09	0.00	15,932,060,322.09

### (2) Investment in subsidiaries

Investee	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance	Provision for impairment reserves in current period	Ending Balance of impairment reserves
Zhejiang Hengyi Petrochemical Co., Ltd.	9,372,870,750.00	10,000,000.00	0.00	9,382,870,750.00	0.00	0.00
Zhejiang Hengyi International Trade Co., Ltd.	300,000,000.00	0.00	0.00	300,000,000.00	0.00	0.00
Zhejiang Hengyi Engineering Management Co., Ltd.	196,000,000.00	4,000,000.00	0.00	200,000,000.00	0.00	0.00
Zhejiang Hengyi Petrochemical Research Institute Co., Ltd.	160,000,000.00	0.00	0.00	160,000,000.00	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
Jiaxing Yipeng Chemical Fiber Co., Ltd.	2,886,198,482.98	0.00	0.00	2,886,198,482.98	0.00	0.00

Investee	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance	Provision for impairment reserves in current period	Ending Balance of impairment reserves
Taicang Yifeng Chemical Fiber Co., Ltd.	897,699,306.80	0.00	0.00	897,699,306.80	0.00	0.00
Total	15,917,768,517.98	14,000,000.00	0.00	15,931,768,517.98	0.00	0.00

**(3) Investment in associated and cooperative enterprises**

Investee	Ending balance of previous year	Changes of increase or decrease in current period				
		Additional investment	Negative investment	Profits and losses on investments confirmed by equity method	Other comprehensive income adjustment	Other Equity Changes
Associated enterprises						
Ningbo Jinhou Industry Investment Co., Ltd.	14,291,804.11	0.00	0.00	-37,178.87	0.00	0.00

(Continued)

Investee	Changes of increase or decrease in current period			Ending balance	Ending balance of impairment reserves
	Cash dividends or profits declared to distribute	Provisions for impairment reserves	Others		
Associated enterprises					
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,254,625.24	0.00

**3. Operating income and operating cost**

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Main business	1,437,239,380.54	1,413,310,442.21	3,707,241,002.32	3,572,734,835.29
Other businesses	0.00	0.00	188,679.25	0.00
Total	1,437,239,380.54	1,413,310,442.21	3,707,429,681.57	3,572,734,835.29

**4. Investment income**

Item	Amount incurred in current period	Amount incurred in previous period
Income from long-term equity investment checked with cost method	0.00	744,772,962.00
Income from long-term equity investment checked with equity method	-37,178.87	26,702.76
Total	-37,178.87	744,799,664.76

## XVI. Further information

### 1. List of non-recurring profits and losses in this year

Item	Amount
Profits and losses from disposal of non-current assets	128,936,835.05
Tax returns and reduction upon unauthorized approval, or without official document of approval or accidental	24,841,218.44
Governmental subsidies recorded into current profits and losses, but closely related to the Company's normal business, in compliance with relevant national policy provisions, excluding governmental subsidies continuously enjoyed in certain standard quota or in fixed quantify	179,870,984.15
Subsidiaries' net current profits and losses (from the end of year to the combination date) generated by business merger under the same control	0.00
Profit or loss from contingencies irrelevant to normal business operations of the Company	0.00
Except effective hedging business related to the Company's normal business, changes in fair value recognized in profit or loss due to held-for-trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities as well as investment income obtained by disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other equity investments.	-448,914,776.35
Roll-back of impairment reserves of accounts receivable subject to separate impairment testing	0.00
Profits or losses from entrusted loans	48,520,852.95
Income from custodian fees obtained from entrusted operation	1,698,113.19
Other non-operating income and expense in addition to the above	612,146.73
Other profit or loss items that meet the definition of non-recurring profit and loss	17,898,857.26

Item	Amount
Subtotal	-46,535,768.58
Income tax influence amount	91,691,403.61
Influenced amount of the minority shareholders' equity (after-tax)	-151,013,993.42
Total	12,786,821.23

Note: "+" in the column of non-recurring profit and loss stands for earnings or income, and "-" for loss or expenditure.

Non-recurring profits and losses shall be confirmed by the Company in accordance with relevant provisions in the *Explanatory Announcement No.1 on Information Disclosure for Companies That Offer Securities to the Public – Non-recurring Profits and Losses* (ZJKGG No. 43 [2008]).

## 2. Return on equity and earnings per share

Profits in reporting period	Weighted average return on net assets (%) Rate of return (%)	Earnings per Share	
		Basic earnings per share	Diluted EPS
Net profits assigned to the Company's common shareholders	-4.31	-0.30	-0.30
Net profits assigned to common shareholders after deduction of non-recurring profits and losses	-4.36	-0.30	-0.30

Note: Due to the anti-dilution caused by the convertible corporate bonds in this period, the diluted earnings per share are determined based on the basic earnings per share.

Hengyi Petrochemical Co., Ltd.

President: Qiu Yibo

April 20, 2023