

Annual Report 2019

ANNUAL REPORT



Disclosure date: Apr. 28, 2020

Section I Important Notes, Contents and Interpretation

The Board of Directors, Supervisory Committee, directors, supervisors and senior management of Hengyi Petrochemical Co., Ltd. (hereinafter referred to as the "Company") hereby guarantee that the information presented in this Annual Report 2019 (hereinafter referred to as the "Report") is authentic, accurate and complete and free of any false records, misleading statements or material omissions, and they will bear joint and several liability for such information. The Report has been deliberated and passed at the 38th meeting of the 10th Board of Directors of the Company. All directors attended the meeting of the Board of Directors for deliberation of this annual report.

The financial report of the Report has been audited by Zhongxinghua Certified Public Accountants LLP (special general partnership) which has issued a standard unqualified audit report.

Qiu Yibo, the person in charge of the Company, Mao Ying, the person in charge of accounting work, and Wu Zhen, the person in charge of the accounting department (Accounting Officer), declare: This is to guarantee the authenticity, accuracy and integrity of the financial report in the Annual Report.

The profit distribution proposal approved by the Board of Directors is: It is planned to distribute RMB 1,136,690,189.60 cash dividends (tax-inclusive) in 2019, accounting for 35.51% of retained profits belonging to parent company's

shareholders in the 2019 consolidated statements of the Company. Taking 2,841,725,474 shares as the basis, RMB 4 (tax included) of cash dividend and 0 bonus share for every 10 shares will be distributed to all shareholders, transfer to increase 3 shares per 10 shares to all shareholders by capital reserve. If additional issue, repurchase of shares or convertible bonds converted into capital stocks of the Company before the registration date of dividend-paying equities causes the change in total share capital on the registration date of the dividend-paying equities, the Company intends to keep the distribution (increase by transferring) proportion unchanged and adjust the corresponding total share capital. The 2019 annual profit distribution plan shall be also submitted to the 2019 annual General Shareholders Meeting for deliberation and approval.

Forward-looking statements (such as future plan, development strategy, industry discussion and prospect) involved in the Report don't constitute the Company's substantive commitment to its investors and the investors shall pay attention to the investment risks. The Report describes main risks faced by the Company now and solutions in details and the investors shall view related content in "Section IV".

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Definitions

Item	Refers to	Definitions
Hengyi Petrochemical Co., Ltd., company、the Company	Refers to	Hengyi Petrochemical Co., Ltd.
exchange	Refers to	Shenzhen Stock Exchange
Hengyi Group	Refers to	Zhejiang Hengyi Group Co., Ltd.
Hengyi Petrochemical Co., Ltd.	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 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.
Taicang Yifeng	Refers to	Taicang Yifeng Chemical Fiber Co., Ltd.
Jiaxing Yipeng	Refers to	Jiaxing Yipeng Chemical Fiber Co., Ltd.
Shuangtu New Materials	Refers to	Zhejiang Shuangtu New Materials Co., Ltd.
Hangzhou Yichen	Refers to	Hangzhou Yichen Chemical Fiber Co., Ltd.
Shaoxing Hengming	Refers to	Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.
Suqian Yida	Refers to	Suqian Yida New Materials Co., Ltd.
Ningbo Hengyi Trading	Refers to	Ningbo Hengyi Trading Co., Ltd.
Hangzhou Yijing	Refers to	Hangzhou Yijing Chemical Fiber Co., Ltd.
Hengyi Caprolactam	Refers to	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
Yisheng New Materials	Refers to	Zhejiang Yisheng New Materials Co., Ltd.
China Zheshang Bank	Refers to	China Zheshang Bank Co., Ltd.
Yisheng Investment	Refers to	Dalian Yisheng Investment Co., Ltd.

Item	Refers to	Definitions
Hong Kong Tianyi	Refers to	Hong Kong Tianyi International Holding Co., Ltd.
Hengyi Investment	Refers to	Hangzhou Hengyi Investment Co., Ltd.
Hengyi Polyamide	Refers to	Zhejiang Hengyi Polyamide Co., Ltd.
Fulida Group	Refers to	Fulida Group Holding Co., Ltd.
Xinghui Chemical Fiber	Refers to	Xinghui Chemical Fiber Group Co., Ltd.
Hengyi (Brunei) PMB Petrochemical Project	Refers to	Petrochemical project invested by the Company and constructed in Brunei
PX	Refers to	Paraxylene (colorless clear liquid) used for production of plastic, polyester fiber and film
PTA	Refers to	Pure terephthalic acid
MEG	Refers to	Ethylene glycol, mainly used for production of polyester fiber, anti-freezing agent, unsaturated polyester resin, lubricant, plasticizer, non-ionic surfactant and explosive
PET and polyester	Refers to	Polyethylene glycol terephthalate-fiber-forming polymer by direct esterification continuous polycondensation with PTA and MEG as raw materials
POY	Refers to	POY (full name: PRE-ORIENTED YARN or PARTIALLY ORIENTED YARN)
FDY	Refers to	Fully drawn yarn, also called as polyester drawn yarn (full name: FULLY DRAWN YARN)
DTY	Refers to	Draw-textured yarn, also called as draw texturing yarn (full name: DRAW TEXTURED YARN)
CPL	Refers to	Caprolactam
and differentiated yarn	Refers to	Variety innovated in terms of technology or performance or having a certain characteristic which is different from conventional yarn

Item	Refers to	Definitions
RMB and RMB 10,000	Refers to	RMB yuan and RMB 10,000
Reporting period/within the reporting period/this reporting period	Refers to	from Jan. 1, 2019 to Dec. 31, 2019
Ending of the reporting period/ending of this reporting period	Refers to	As of Dec. 31, 2019

Section II Company Profile and Main Financial Indicators

I. Company Information

Stock abbreviation	Hengyi Petrochemical	Stock code	000703
Name of shares after changes (if any)	N/A		
Stock Exchange	Shenzhen Stock Exchange		
Company name in Chinese	恒逸石化股份有限公司		
Company abbreviation in Chinese	恒逸石化		
Company Name in Foreign Language (if any)	HENGYI PETROCHEMICAL CO., LTD.		
Foreign abbreviation of the Company (if any)	HYPC		
Legal Representative	Qiu Yibo		
Registered address	No. G, 7 th Floor, Haifu Mansion, No. 16 Beihai Avenue West, Beihai City, Guangxi Zhuang Autonomous Region, China		
Post code of Registered Address	536000		
Office address	Building 3, Hengyi Nan'an Mingzhu, No. 260, Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province		
Postal Code of Office Address	311215		
Website	http://www.hengyishihua.com		
E-mail	hysh@hengyi.com		

II. Contact Person and Contact Information

	Secretary of the Board	Representative of Securities Affairs
Name	Zheng Xingang	Deng Xiaolong and Chen Shasha

Contact Address	Board Office, 24 th Floor, Building 3, Nan'an Mingzhu, No. 260, Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province	Board Office, 24 th Floor, Building 3, Nan'an Mingzhu, No. 260, Shixin North 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 Locations

The Media Selected by the Company for Disclosure	<i>China Securities Journal, Securities Times, Shanghai Securities News and Securities Daily</i>
Website Designated by CSRC for Publishing Annual Report	CNINFO (http://www.cninfo.com.cn)
Location for Annual Report of the Company	Board Office of Hengyi Petrochemical Co., Ltd.

IV. Registration Change

Organization code	9145050019822966X4
Changes in Main Business Since Listing (if any)	No change
Change of Controlling Shareholders (if any)	No change

V. Other Related Information

Accounting firm Hired by the Company

Name of the accounting firm	Zhongxinghua Certified Public Accountants LLP (special general partnership)
Office address of the Accounting Firm	15th Floor, East Tower, No. 1, Fuwai Street, Xicheng District, Beijing
Name of Certified Public Accountant	Liu Hongyue and Wang Guohai

The sponsor institution hired by the Company to perform the continuous supervision in the

reporting period

□Applicable √Not applicable

The financial adviser hired by the Company to perform the continuous supervision in the reporting period

Name of Financial Adviser	Office address of Financial Adviser	Name of sponsors of Financial Adviser	Continuous supervision period
CITIC Securities Co., Ltd.	No. 48 Liangmaqiao Road, Chaoyang District, Beijing City	Mao Zongxuan and Jiang Wenhua	Jan. 2020- Dec. 2020

VI. Key Accounting Data and Financial Indicators

Whether the Company needs to retroactively adjustment or restatement of accounting data in prior years or not

√ Yes □ No

Retrospective adjustment or reason restatement

Business merger under the same control

	In 2019	In 2018		Increase/Decrease Compared with the Same Period of the Previous Year	In 2017	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating income (RMB)	79,620,543,631.74	84,947,688,333.86	88,065,815,535.96	-9.59%	65,959,511,485.73	66,733,242,136.48
Net profit attributable to the shareholders of the listed company (RMB)	3,201,348,425.33	1,962,052,783.55	1,872,494,729.34	70.97%	1,684,556,358.80	1,685,306,459.49
Net profit attributable	2,725,438,479.51	1,536,880,249.17	1,536,880,249.17	77.34%	1,588,002,050.65	1,588,002,050.65

to shareholders of the listed company after deducting non-recurring profits and losses (RMB)						
Net cash flow generated by operational activities (RMB)	-112,081,728.16	1,674,591,241.52	1,607,078,608.23	-106.97%	2,379,505,467.04	1,862,399,374.88
Basic earnings per share (RMB/share)	1.13	0.80	0.76	48.68%	0.69	0.69
Diluted earnings per share (RMB/share)	1.13	0.79	0.76	48.68%	0.69	0.69
Weighted average ROE	14.73%	13.41%	12.29%	2.44%	14.56%	14.56%
	End of 2019	End of 2018		Increase/Decrease at the End of the Current Year Compared with the End of the Previous year	End of 2017	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB)	85,230,757,616.78	59,624,677,810.44	61,834,734,496.64	37.84%	35,803,733,495.10	36,951,119,599.15
Net assets attributable to shareholders of listed company (RMB)	23,253,008,414.00	17,801,881,185.16	18,363,073,231.64	26.63%	13,774,198,891.65	13,774,948,992.34

Prompt:

1. The Company's operating income decreases by 9.59% mainly because the Company's Hengyi (Brunei) PMB Petrochemical Project goes into full operation, the polyester capacity increases as well as the Company's trade volume and PTA export quantity decrease synchronously in the reporting period, of which the PTA sales

revenue decreases by RMB 4.918 billion (year-on-year decrease: 29.99%) and the trade income decreases by RMB 14.118 billion (year-on-year decrease: 33.90%). See "Section IV Discussion and Analysis on Business Circumstance" for details.

2. Because the Company's Hengyi (Brunei) PMB Petrochemical Project went into operation at the end of 2019, the daily production expenditure increased, the product distribution was subject to L/C settlement and the L/C not expiring was included into receivables, the Company's receivables increased by RMB 4.5 billion, causing the net cash flow from the Company's operating activities decreased in comparison to that of previous years. See "Section IV Discussion and Analysis on Business Circumstance" for details.

VII. Differences in Accounting Data under Domestic and Foreign Accounting Standards

1. Differences of net profits and net assets in the financial reports disclosed according to the international accounting standards and Chinese accounting standards

There is no difference between net profits and net assets in the financial report disclosed in accordance with international accounting standards and the Chinese accounting standards in the reporting period of the Company.

2. Differences between the net profits and net assets in the financial report disclosed according to the overseas accounting standards and the Chinese accounting standards

There is no difference between the net profits and net assets in the financial report disclosed according to the overseas accounting standards and the Chinese accounting standards in the reporting period of the Company.

VIII. Key Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	22,025,886,192.47	19,703,610,932.42	20,475,258,083.43	17,415,788,423.42
Net profit attributable to the shareholders of the listed company	443,760,028.67	833,036,924.31	936,829,830.81	987,721,641.54
Net profit attributable to shareholders of listed company	411,237,818.85	660,648,535.98	828,995,924.19	824,556,200.49

after deducting non-recurring profits and losses				
Net cash flows from operating activities	-106,149,164.21	920,017,062.49	1,275,079,391.69	-2,201,029,018.13

Whether there are significant differences between above financial indexes and their total value and relevant financial indexes in the Company's revealed quarterly reports and semi-annual bulletin

☐ Yes ☒ No

IX. Non-recurring Profit and Loss Items and Their Amounts

Unit: RMB

Item	Amount in 2019	Amount in 2018	Amount in 2017	Description
Profits and losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	-1,811,565.51	2,249,652.18	-336,648.60	
Tax refund and exemption with unauthorized approval or without the formal approval document	5,957,948.27	7,979,386.68	5,466,237.13	
Government subsidies included in the current profits and losses (closely related to enterprise business, except government subsidies enjoyed in fixed amount or quantity according to uniform national standard)	420,716,519.76	102,224,764.73	26,619,457.38	
Net gains and losses of the subsidiaries under the same control and arising from the business merger since the beginning of the period to the merger date	47,338,830.48	161,261,977.54	124,828,260.78	
Profits and losses arising from contingent matters not related to the normal operation of the Company	-2,173,136.66	-118,450.84	0.00	
Except for the effective hedging related to the normal business of the Company, the profits and losses from	301,297,013.33	187,235,582.94	-157,319,455.06	

Item	Amount in 2019	Amount in 2018	Amount in 2017	Descr iption
fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities, and derivative financial liabilities, and investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's investments				
Profits and losses obtained from external entrusted loans	29,136,336.48	36,538,791.66	28,072,265.82	
Trustee fee income from entrusted operations	1,698,114.17	4,622,641.50	2,594,339.62	
Other non-operating incomes and expenses in addition to the above items	-14,994,635.24	4,640,725.70	-99,662.05	
Other items of profits and losses complying with the definition of non-recurring profits and losses	-2,065,748.97	5,731,998.98	224,828.37	
Less: Impact of income tax	139,947,035.37	137,414,288.03	-30,647,165.76	
Impact of minority equity (after-tax)	169,242,694.92	39,338,302.87	-36,607,619.69	
Total	475,909,945.82	335,614,480.17	97,304,408.84	--

For the non-recurring profit and loss items defined by the Company based on the definitions in *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profits and Losses*, and the non-recurring profit and loss items listed in *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profits and Losses* defined by the Company as recurring profit and loss, the reasons should be specified.

In the Company's reporting period, there are no items defined as recurring profit and loss, which are defined and listed as non-recurring profit and loss items in *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profits and Losses*.

Section III Corporate Business Overview

I. The Main Business of the Company during the Reporting Period

Whether the Company needs to comply with disclosure requirements of a specific industry

No

(I) Overview of main business

Hengyi Petrochemical Co., Ltd. (stock code: 000703) aims at developing into one of the advanced Chinese and leading international petrochemical industry groups, now has formed the petrochemical industry chain core businesses driven by "polyester+ polyamide" dual-wheels, with petrochemical finance, trade and logistics as growing business and differentiated fiber products and application of industrial intelligence technologies as emerging business, and thus gradually improves and enhances the multi-level and three-dimensional industry core competitiveness of "petrochemical +".

1. Overview of petrochemical and chemical fiber business

(1) One of the world leading "refining + chemical fiber" enterprises

With Hengyi (Brunei) PMB Petrochemical Project going into full operation, the Company's unique industrial layout of "crude oil and polyester & polyamide" has been gradually improved, reflecting advantages like production expansion and quality improvement of the polyester industry, comprehensive exploitation and transformation of the PTA industry as well as full operation of the refining industry, thus making its industry chain further integrated with a more balanced and internationalized business mode. Currently, as one of the world's leading enterprises with an integrated refining and chemical fiber industry chain, the Company concentrates on its main business and continuously increases investment in product R&D and industrial intelligence technologies, ranking among the best of the industry in terms of comprehensive competitive advantages for many years.

Within the reporting period, the Company's product variety has been gradually enriched and product mix further improved which has consolidated the core competitiveness of the main

businesses, improved the profitability of industry chain products and enhanced its ability to withstand market risks. The main products of the Company include petroleum products such as gasoline, diesel oil, kerosene, etc. and petrochemicals like paraxylene (PX), benzene, purified terephthalic acid (PTA) and caprolactam (CPL) and chemical fiber products like PRE-ORIENTED YARN (POY), fully drawn yarn (FDY), draw-textured yarn (DTY), polyester staple fiber, polyester (PET) chip and polyester bottle chip.

Up to the disclosure date of the Report, the design crude oil processing capacity of the Company has reached 8 million tons/year and according to disclosure, it's proposed to enhance the crude oil processing capacity by another 14 million tons/year; The holding PTA production capacity has reached 13.5 million tons/year and proposed to increase by another 6 million tons/year; Caprolactam (CPL) production capacity has reached to 400 kt/year; Polyester fiber production capacity has reached 6.35 million tons/year with a production capacity of 5.47 million tons/year for the polyester filament yarn (including POY/FDY/DTY/chip) and proposed to increase by 1.35 million tons/year; The polyester bottle chip production capacity has reached 1.5 million tons/year and proposed to increase by 500 kt/year. The scale of production capacity ranks among the best of the industry.

Within the reporting period, guided by "green manufacturing" and "circular economy", the Company continuously increases investment in product R&D, increases the share of differentiated polyester fiber products, and notably improves functional high value-added products, thus significantly enhances industrialization efficiency. Currently, it has formed three differentiated product matrix featuring green and environmental-friendly products, complex fiber products and functional products. Products like Yitaikang", Yizhu yarn, Yilong yarn, Yicai yarn, Yihui yarn, cationic chip and fiber, flame retardant chip and fiber, SPH composite elastic fibre, CEY composite filament, T3 composite filament and ECDP have been developed in full swing. Different series of fire resistant fibres such as flame retardant black yarn, flame retardant full extinction and flame retardant catio have been developed on the basis of the original fire resistant fibre products and the differentiated modified products of Yixuan series has been developed based on ECDP and well applauded by the market. Meanwhile, the Company is marketing PTT, T400 and regenerated fiber. Up to the disclosure date of the Report, the Company has become the largest enterprise in online additions of melt directly spinning and the largest manufacturer of melt directly spinning polyester

polyamide composite fibers as well as the main supplier of natural-like chemical fiber raw materials like sunday angora yarn and cotton-like materials in China.

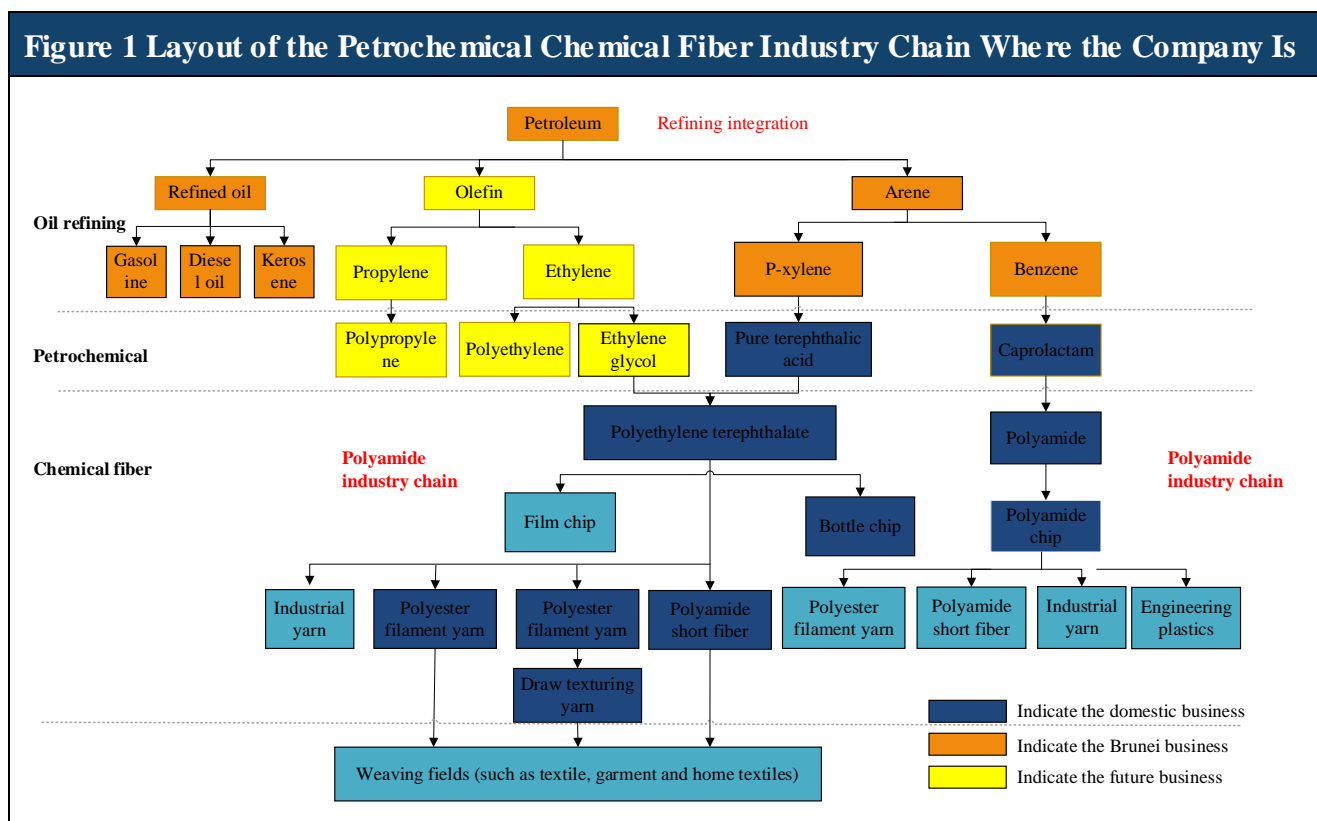
Table 1 Production Capacity of the Main Products of the Company (10,000 tons/year)

Product	Productivity
Chemicals	265
Refined oil	565
PTA	1,350
Polyester fiber	635
Polyester bottle chip	150
Caprolactam	40

Notes: Polyester fiber products cover POY, FDY, DTY, short fiber and chip products.

(2) Products produced by the Company are raw materials of all basic necessities for daily life with rigid demand

The end products of the Company mainly include petroleum products like gasoline, diesel, kerosene, etc. and polyester products such as polyester filament yarn, polyester staple fiber and bottle chip, of which the petroleum products including gasoline, diesel and kerosene, etc. will be used as energy supply for relevant equipment; The polyester filament yarns cover products like POY, FDY and DTY which are applied to shell fabrics and linings such as clothing, home textiles and decoration as well as to industrial purposes including braid, zipper, tent, automotive trim and ear thread of mask. The Company's FDY products can be used as isolation materials of protection suits to meet the increased demand of protective equipment raw materials by downstream customers. The polyester staple fiber can be widely used in spinning, non-woven and filling. The spunlace non-woven fabric can also be used as isolated layer of masks and downstream disinfecting wipes. Now, the demand for spunlace non-woven fabric increases continuously; The bottle chip is mainly used for food packaging (including coke bottle, beverage bottle, water bottle and oil bottle).



(3) Characteristics and application of the Company's main products

Table 2 Characteristics and Application of the Company's Main Products





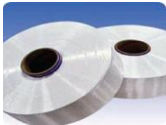





Main products	Product display	Application
PX		One hydrocarbon, colorless clear liquid and extensive use, main raw material for producing the purified terephthalic acid (PTA) and also used for synthetic plastics, drug and pesticide
Refined oil		Mainly used as fuel of various fuel oil power plants and supply of heat. Used as A fuel of automobiles, motorcycles, speedboats, helicopters, agricultures and forestry aircrafts, vehicles with diesel engines (including trains), vessels and diesel boilers
PTA		Mainly used for producing polyester products, widely used for all the aspects of national economies (such as clothing, decoration, electronics and architecture). 75% used for polyester fiber, 20% used for bottle polyester and 5% used for film polyester (mainly for civil use in the downstream)

Table 2 Characteristics and Application of the Company's Main Products

Main products	Product display	Application
POY		Used for reprocessing and production of DTY and fiber products with special styles and widely used for clothing and industry
FDY		Directly used for weaving as well as production of clothing and upholstery fabric. Widely used for clothing and industry and also used as isolation material (including protection suit)
DTY		Directly used for weaving and widely used for clothing and industry, garment materials and lining
CPL		Mainly used to produce polyamide fabric, engineering plastics and plastic film as well as widely used for industry and civilian field
Polyester staple fiber		Widely used for spinning, nonwoven and filling. The non-woven fabrics can be used as raw material of producing the mask as well as also used for downstream disinfecting wipes and disposable protective equipment
PET chip		Widely used for indirect spinning as well as producing textile raw materials (such as filament yarn and short fiber) and plastics
Polyester bottle chip		Mainly used for food packaging (including coke bottle, beverage bottle, water bottle and oil bottle)

2. Overview of "petrochemical +" business

(1) The "petrochemical + finance" business provides sustained profit for the Company

The Company's financial assets mainly refer to equities of China Zheshang Bank

("CZBank"). Up to the disclosure date of the Report, the Company holds 748,069,283 stocks of CZBank (shareholding ratio: 3.52%). The Company's controlling shareholder-Hengyi Group holds 494,655,630 stocks of CZBank, accounting for 2.33% of total stocks of CZBank.

CZBank was established formally in 2004, is one of 12 national joint-stock commercial banks approved by China Banking and Insurance Regulatory Commission, had been listed in the main board market of The Stock Exchange of Hong Kong Ltd. on Mar. 30, 2016 and got listed at Shanghai Stock Exchange on Nov. 26, 2019 and then became an "A+H" listed bank. Now, CZBank develops into a high-class commercial bank with a solid foundation, good benefits, fast growth and perfect risk control. With the completion of "A+H" layout of CZBank, its future growth and development will be accelerated. The Company further optimizes its strategic layout and continuously creates value for shareholders by growth premium of CZBank.

According to Annual Report 2019 issued by CZBank, CZBank realized the retained profits of RMB 12.925 billion belonging to shareholders in 2019, increasing by 12.48% in comparison to last year which was the highest annual performance growth rate of the past three years. The operation income is RMB 46.364 billion, increasing by 19.06% in comparison to last year; Up to the end of Dec. 2019, the total assets of CZBank reached to RMB 1,800.786 billion, increasing by 9.36% in comparison to last year; CZBank makes a new breakthrough on the road of high-quality development whose competitive strength is continuously improved.

(2) The "petrochemical + trade" business is in favor of improving product bargaining power

With integration of the Company's industry chain and continuous perfection of balanced development, the management requirement against intermediate goods (such as oil raw materials, PX, PTA and CPL) and downstream products (including polyester fiber and polyester bottle chip) is continuously increased. The Company shall effectively manage the inventory and lower the risk of industry chain price fluctuation at the same time. The Company expands the sub-regional markets at home and abroad based on refining- chemical fiber production base and advantage, energetically explores the flexible personalized customization for production and favorable complementation of raw material procurement and product sale on the basis of traditional spread trade, improves product bargaining power with many trading tools and actively gives full play to superiority of industry chain integration to lock the product difference in price and lower the product price

fluctuation risk and the cost of production and operation of the Company.

(3) The "petrochemical + logistics" business provides excellent supporting value-added services for main businesses of the Company

Up to the disclosure date of the Report, the Company's logistics business provides full distribution of raw materials and products based on main business and trade business and realizes online and offline effective fusion in the premise of Hengyi WeChat mall and marketing supply chain system as the core online and logistics business as support offline because the stock right acquisition of Dongzhan Shipping Co., Ltd. is completed. With the Hengyi (Brunei) PMB Petrochemical Project fully operating, the Company actively carries out the supporting shipping business of the Hengyi (Brunei) PMB Petrochemical Project to lower the logistics cost and accelerate the implementation of the Company's "petrochemical + logistics" industry layout.

II. Material Changes to Major Assets

1. Major changes in main assets

Major Assets	Explanation of Material Changes
Equity Assets	Mainly refer to capital increase for the joint stock company and recognition of profit and loss on investments under the equity method
Fixed Assets	Mainly refer to the Hengyi (Brunei) PMB Petrochemical Project going into operation within the reporting period
Intangible Assets	Mainly refer to the increase in intangible assets of the subsidiary-Hengyi Brunei within the reporting period
Projects under Construction	Mainly refer to the Hengyi (Brunei) PMB Petrochemical Project going into operation within the reporting period

2. Major overseas assets

Specific details of	Cause	Asset size	Location	Operation	Control measures to guarantee the	Earning	Proportion of foreign assets	If there is significant value
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assets				mode	security of assets	positi on	in the Company net assets	impairment risk
Holding subsidiaries	Oversea s investme nt	USD 5.68772 billion	Hong Kong/Bru nei/Singap ore	Self- buildi ng	Strengthening the management control of the parent company against overseas subsidiaries	Good	170.64%	No
Other information	No							

III. Core Competitiveness Analysis

Whether the Company needs to comply with disclosure requirements of specific industry

No

1. Adhere to the entity and highlight the pioneering advantages of the industrial strategy

The Company takes the lead in entering such product fields as polyester melt direct spinning, PTA and caprolactam and greatly improves industrial technology and competitiveness of above-mentioned fields by win-win cooperation in strict accordance with the strategic guideline-"consolidate, highlight and optimize the main business competitiveness". The Company takes the lead in implementing Hengyi (Brunei) PMB Petrochemical Project and seizes the development opportunity of the Southeast Asian market to achieve industrial internationalization and management pursuant to "Belt and Road" initiative; which has also contributed to its completion of vertical industry chain integration, solving raw material bottleneck issue and following the trend of supply-side structural reform. Furthermore, the Company achieves petrochemical and chemical fiber industry advantage grafting, expands the terminal capacity of chemical fiber industry and realizes high-quality development of chemical fiber through merge and acquisition.

2. The advantage of complete industry chain featuring upstream and downstream equilibrrious integration

The company has developed into a world leading enterprise with industry chain integration between "PX- polyester" and "benzene-polyamide" and is building a columnar, balanced and integrated industrial chain with "crude oil-arene-PTA- polyester" and "crude

oil-benzene-polyamide" through the construction of overseas upstream refineries, the expansion of midstream and downstream businesses in China and the implementation of differentiated development modes including acquisition and reorganization. Now, the design annual crude oil processing capacity of the Company reaches 8 million tons, PTA 13.50 million tons, polyester 7.85 million tons and caprolactam 400 kts, which has guaranteed self-sufficiency of upstream, midstream and downstream raw materials, thus achieving a balanced and coordinated development of the whole industry chain from the unique refining to PX, PTA and PET capacity matching with linkage operation at home and abroad to enhance the ability to withstand the risks of business fluctuations. Once Hengyi (Brunei) PMB Petrochemical Project Phase II is completed and goes into operation, the "ethylene+ propylene+ polypropylene" industry chain will be newly increased which will be conducive to enhancing the intensification, scale and integration level of the refining integration project in Brunei and greatly improve the competitiveness of the Company's full industry chain.

3. Scale advantage of high industrial concentration

The product market share of the Company's PTA and polyester fiber ranks the top of the industry. The PTA capacity subject to participation and holding by the Company accounted for 27.56% of national effective capacity at the end of Dec. 2019 and the polyester capacity subject to participation and holdings by the Company accounted for nearly 13.45% of national effective polyester capacity at the end of Dec. 2019 (data source: <http://www.ccf.com>). The company boasts high industrial concentration and prominent advantages of scale development. The Company always boosts investment and application of large-scale devices and energy-saving and cost-reducing technologies. The advantages of scale development promotes the stability of operating production unit and product quality and the improvement of production efficiency and greatly lowers the unit investment cost and unit energy consumption. The product unit manufacturing cost has a significant advantage among enterprises in the same industry. Meanwhile, scale procurement also gives the Company a strong bargaining power, which allows it to have a more favorable price to save procurement cost and provide a strong guarantee for the profitability of the final product.

4. Competitive advantages of the scientific research innovation

The Company focuses on R&D and application of high-end product in the polyester fiber field for a long time and has accomplished "diversification, serialization, high quality and uniqueness" of

the product structure based on three university-enterprise platforms (including "Zhejiang University -Hengyi Global Innovation Research Center", "Joint Laboratory of Donghua University and Hengyi Petrochemical" and "Joint Laboratory of Nanjing Tech University and Hengyi Petrochemical Co., Ltd."). The Company will fully carry out research and development of new products and new technologies related to the full industrial chain and realize a full-process and flexible high-tech and new product (technology) development and commercialization of research findings with leading technologies in domestic Chinese industry.

The Company centers on green manufacturing of the polyester, pays close attention to the recycling of polyester throughout its life cycle, breaks through the technical difficulties, achieves high-quality polyester recycling and produces high-performance polyester materials with biology base as raw materials on the basis of an industrial structure of "crude oil and polyester and polyamide". In chemical engineering, the Company is now developing various diol of the monomer necessary for the differentiated production of polyester for the sake of expanding the application scope of PTA. To lower the production cost, the Company also actively studies the development of three agents in current processes (including delustering agent, catalyst and additive).

5. Technical advantages of digitalized intelligent manufacturing

The Company establishes the information strategy of petrochemical+ Industrial Internet to propel the deep integration of a new generation of information and communication technology and petrochemical manufacturing industry and promote digitalized, networking and intelligent development of the chemical fiber manufacturing industry. The Company builds the full-chain and system-wide informatization integrating R&D and design, logistics and purchase, production control, operation management, professional service and marketing, realizes intelligent production, networked collaboration, customized services and digital decision-making as well as accelerates the enterprise digitalized transformation process based on innovation driving, improvement of quality and efficiency and green development as basic principle through information application, advanced manufacturing, automation and enterprise management.

In the information infrastructure field, the Company makes use of cloud computing, virtualization, 5G, bastion host and other technologies to promote the construction of industrial networking, service cluster, information security, etc. and provide technical support and security guarantee for software application layer.

In the manufacturing field, the Company independently develops the single spindle data stream system successfully to realize efficient logistics operation and automatic quality control of products in the workshop warehouse as well as process optimization, information sharing and efficiency improvement between production processes by network communications, IoT, mobile informatization, Microservice, real-time database and other technologies based on information interconnection between intelligent manufacturing device rooms (such as automatic winding, automatic packaging, intelligent external inspection, AGV trolley, robot and stereoscopic storehouse).

In the marketing service field, the Company establishes two software systems (including WeChat mall and marketing supply chain) to carry out management from the customer placing an order to the derivation of supporting supply chain financial services and from the full-process presentation of sales data to the provision of multidimensional portrait data services externally by Internet marketing and customer social experience as well as realize the data sharing of each business system, improve the efficiency of data interaction, remove barriers to the information circulation and form the closed-loop process of supply chain business (including sales, collection, arranging shipment, delivery, vehicle dispatching, shipping and invoicing) internally.

6. Management advantage of professional, young and international team helping the Company with continuous development

In addition to providing employees with competitive compensation and incentive mechanism in the industry, the Company has implemented the two-period restricted stock incentive plan and three-period employee stock ownership plan since 2015 which fully arouses the employees' working enthusiasm and strongly promotes the attraction of top talents. The establishment of the long-term development shared mechanism effectively enhances the sense of belonging and cohesion of employees and provides the talent base for the Company's long-term development.

The Company emphasizes the professional team management, has appointed young management talents cultivated internally and introduced senior management and technical personnel at home and abroad via various channels in recent years as well as has formed an international, specialized and professional management and operation team, laying a foundation for sustainable and healthy development of the Company's industry. With the continuous expansion of the Company, the Company also continuously conducts organizational structure optimization,

continuously improves the Company's organizational management and operation efficiency and gives play to the scale synergy advantage by referring to advanced organization and management experience at home and abroad.

Section IV Discussion and Analysis on Business Circumstance

I. Overview

(I) Discussion and Analysis on Business Circumstance

Hengyi Petrochemical (stock code: 000703) operates in the petrochemical and chemical fiber industry with raw material from the petroleum or the corresponding chemical after petroleum cracking like PX and benzene. The product end demand is closely related to people's daily necessities. In terms of the Company's "crude oil, polyester and polyamide" product layout, refined oil (such as gasoline, diesel and kerosene) mainly provides equipment with energy supply, such as fueling automobile, ship and aircraft; The polyester and the polyamide are mainly used as shell fabric or lining of the textile (such as clothing, beddings, curtain, sofa and tent). Therefore, key factors affecting the industry are crude oil price fluctuation, downstream demand, production capacity supply as well as matching between upstream and downstream industry chains.

1. The low oil prices oscillate in a narrow range, making for double growth of downstream polyester product demand and profit.

In general, steady or moderate rise of the oil price is in favor of the improvement of petrochemical enterprises' operating management and efficiency; On the contrary, a high requirement against production and management is put forward as the oil price continues to decline. However, the low oil prices are beneficial to petrochemical enterprises after a dramatic decline in the oil price happens. On one hand, the low oil prices are conducive to the expansion of downstream product price difference and the low product price is in favor of stimulating the growth of terminal demand so as to promote the improvement of profits; on the other hand, the low oil prices are faced with the opportunity to rise and the rise of the oil price brings industry chain stock appreciation and production load increase to stimulate demand growth.

In 2019, the global economic growth slowed down and the price of Brent crude oil futures fluctuated in the interval of USD 52-76/bucket as per the open market quotation due to the effects of such factors as Sino-US trade friction, reduction of output of OPEC and turmoil in the Middle East in partial stages. The price of the WTI crude oil futures changed within the range-USD

44/bucket to USD 67/bucket. The overall oil price was in the relatively stable interval which made for production and operation of downstream petrochemical enterprise in 2019.

The international oil price sharply declined to the lowest one in recent years, the Brent oil price declined to the lowest USD 22.06/bucket and the WTI oil price declined to the lowest USD 20.37/bucket due to the influences of global outbreak and reduction of output of OPEC not exceeding the expectation in the first quarter of 2020. The panic decline of the oil price incurred severe challenges to the downstream companies, but the petroleum still would return to the fundamentals of supply and demand in the long term and the downstream demand was expected to recover in the long run. According to the agreement about reduction of output of OPEC+ on Apr. 12, it's predicted that the oil price will gradually rise when the downstream demand rises again in the second half of 2020. The current crude oil price fluctuated at a low level. As for the downstream polyester fiber, the rigid downstream demand lasts for a long time and the cost reduction is in favor of stimulating demand growth; under the environment of fluctuations in prices of crude oil, the polyester fiber price doesn't fluctuate sharply and the current polyester fiber price is characterized by tenacity.

2. The online consumption becomes the new normal of terminal consumption with continuous positive growth of the demand

(1) The macro economy remains resilient and the domestic consumption continues to grow

According to the data from National Bureau of Statistics, China's GDP reached to RMB 99,086.5 billion with year-on-year growth of 6.1% which was ahead of the growth of the world's major economies, the growth was in the interval of 6.0%-7.0% for consecutive 20 quarters, the expected goal of the growth was achieved and the per capita gross domestic product reached to RMB 70,892 in 2019. The fundamental role of consumption in economic growth remains prominent. The total retail sales of consumer goods in 2019 reached to RMB 41,164.9 billion, increasing by 8.0% in comparison to last year nominally. The retail sales of consumer goods (except for automobile) reached to RMB 37,226 billion, increasing by 9.0%; the year-on-year growth of clothing and shoes as well as knitwear and textile reached to 2.9%. Pursuant to the data from General Administration of Customs, P.R. China, the total exports of textile and clothing in 2019 reached to USD 280.7 billion and the export markets mainly included Southeast Asia (50%), EU (17.4%) and America (16.6%)

(Data source: wind and Nanhua Futures). As per the market structure, the emerging market exports have outperformed traditional markets. In 2019, the year-on-year growth of the amount of countries and regions along the "The Belt and Road" of China exporting textile clothing increased by 3.7%, while the export amount of America, Japan and EU increased by 6.6%, 4.6% and 4.4% on year-on-year basis (data source: China National Textile And Apparel Council).

With the implementation of a series of proactive fiscal policies, such as slashing taxes and fees, superimposed e-commerce live economic stimulus and pulling effect by further expanding the domestic demand, it's predicted that China's economy will remain resilient which will further promote the industry terminal demand to maintain a healthy growth in the future.

(2) The online sale becomes the new normal of terminal consumption

With online live broadcast and big data applied to the terminal consumption field and rapidly penetrated into urban and rural areas and the rise of consumption ability of third-tier and fourth-tier cities as well as counties and townships now, a new force of online live broadcast consumption suddenly rises which strongly supports the terminal consumption and drives the high growth of terminal demand. According to the data from National Bureau of Statistics, the retail turnover of commodities (such as clothing and shoes and knitwear and textile) above the national limit reached to RMB 1351.7 billion with year-on-year growth of 2.9% in 2019. The year-on-year growth of value of retail sales of online wearing goods nationwide reached to 15.4% with double-digit good growth level continuously kept.

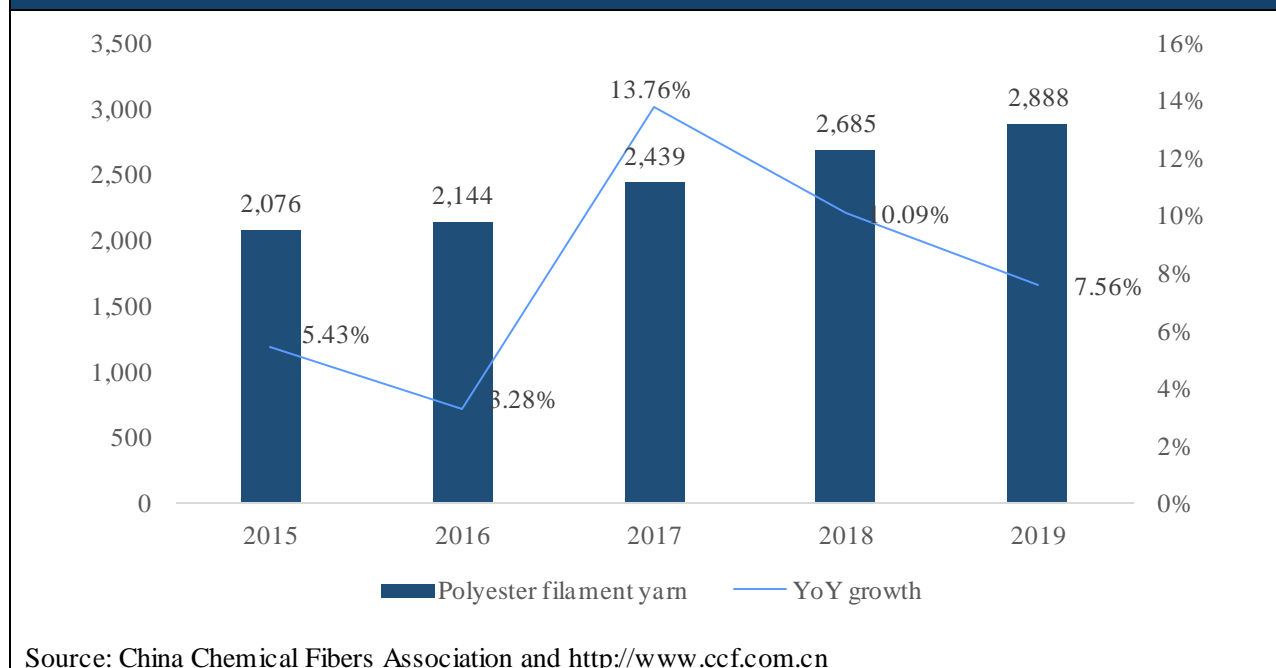
3. There is still considerable room for growth in terms of domestic demand for polyester products and demand for refined oil products in Southeast Asia

(1) Upgrading of household consumption and continuous rigid demand of polyester industry chain products

In terms of downstream requirements, the polyester fiber is mainly used for clothing, home textiles and industrial emerging applications which are closely related to population growth and per capita disposable income. Based on the data from National Bureau of Statistics, the per capita disposable income of Chinese residents was RMB 30,733, increasing by 8.9% in comparison to last year nominally in 2019 with actual increase by 5.8% after the price factor was excluded. Among them, per capita disposable income of urban residents was RMB 42,359, up 7.9% YoY. Besides the price factor, the actual increase was 5.0%. The rural per capita disposable income was RMB 16,021,

up 9.6% YoY. Besides the price factor, the actual increase was 6.2%. The national per capita consumption expenditure reached to RMB 21,559 in 2019. The per capita expenditure on clothing reached to RMB 1,338, increasing by 3.8% and accounting for 6.2% of per capita consumption expenditure. The quantity demanded of the chemical fiber products, especially medium and high grade manufactured goods will continue to expand and the per capita fiber consumption will continue to grow in the long run.

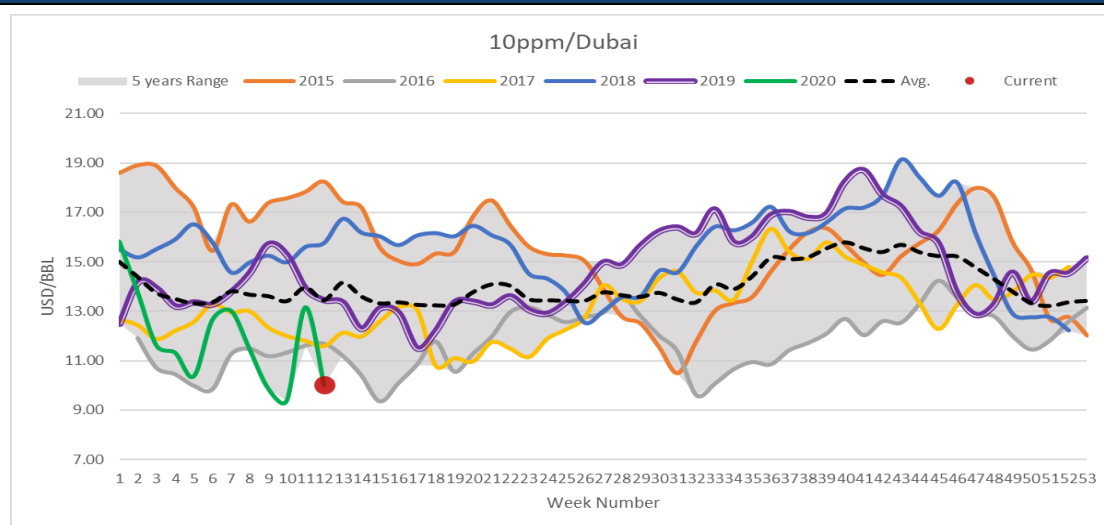
Figure 2 Growth Chart for Apparent Consumption of Chinese Polyester Filament Yarn
(unit: 0,000t)



In recent years, Chinese residents' income level and nonproductive expenditure have increased steadily and the consumption upgrade has greatly increased the demand for polyester differentiated products. The apparent consumption of the polyester fiber increased by 7.6% year on year in 2019 and the sales-output ratio of the polyester industry from Jan. 2019 to Dec. 2019 was 96.29%. Pursuant to national planning outline during the "13th Five-year Plan", the per capita income of urban and rural residents in China in 2020 will be doubled in comparison to 2010 which will be conducive to the increase in terminal consumption expenditure (including textile and garment and fashion industry).

(2) The demand for refined oil products is strong in Southeast Asia and the project in Brunei has significant regional advantages

Compared to the surplus of refined oil products in China, the Southeast Asia refined oil market gap is large. As per wind data, the petroleum refinery distillation capacity in Southeast Asian is about 0.3 billion tons and the capacity of refined oil products (such as gasoline, diesel and kerosene) is about 0.18 billion tons with yield of about 0.14 billion tons and gap of about 107 million tons. The population of Southeast Asia reaches to 0.641 billion and there is a great potential for demand growth of refined oil products. Furthermore, Southeast Asia is close to Australia and Australia needs to import refined oil with import volume of gasoline, diesel and kerosene being about 26.5 million tons/year. As for products, Southeast Asia has a shortfall of about 49 million tons/year in terms of gasoline and mainly imports from Indonesia, Malaysia and Vietnam with exporters in the main areas being Singapore and Thailand. In terms of aviation kerosene, important importers in Southeast Asia include Vietnam and other several countries without refinery plant (such as Brunei, Sri Lanka and Philippines) because every country is self-sufficient in aviation and takes trade flow as the principal thing. In terms of diesel, there is a big gap in Southeast Asia with annual gap of approximately above 47 million tons and important importers cover Vietnam, Bangladesh, Philippines, Sri Lanka, Myanmar, Indonesia and Malaysia. The IMO new standard is implemented and demand for low sulfur fuel oil increases in 2020. Singapore is a major shipping base with import volume of more than 40 million tons, partial MGO (marine diesel oil) needs to replace the bunker fuel oil and diesel imports from Southeast Asia will increase. In terms of refined oil product crack spread, the gasoline crack spread is USD 8/bucket-USD 13/bucket, the diesel crack spread is USD 13/bucket-USD 16/bucket as well as the aviation kerosene crack spread is USD 12/bucket-USD 14/bucket which is in the interval of good crack spread for a long time. The refining project of the Company in Brunei is in the Southeast Asia refined oil demand market hinterland where the product sales market is vast, the transportation is convenient and the superiority is obvious.

Figure 3 Chart of Difference in Price of Diesel Oil against Dubai in Recent Five Years

Source: Internal arrangement of the Company-Hengyi Brunei.

4. Industry chain reshaping and integrated competitiveness improvement of the industry chain

(1) The single product shifts to the vertical integration competition of industry chain

From 2019 to 2020, three private refineries (including the one of the Company) go into operation successively. With the release of PX production capacity of private refinery projects, the industry where the Company is shifts to the new competition pattern of industry chain integration from single product competition in the past, the leading listed companies expand gradually based on the advantages of vertical integration and firmly grasp the new shares of the future market demand. Because old small and medium capacity exits gradually, the market share of the leading enterprises will be further improved and the fluctuations in prices of products tends to moderate in comparison to the past.

(2) The loose supply of upstream petrochemicals is in favor of industry chain profit transferring to the polyester

The domestic PX production capacity in the global shares has increased significantly since 2019 which increased to 36.7% at the end of 2019 from 27.4% at the end of 2018. Considering although the Company's Hengyi (Brunei) PMB Petrochemical Project is classified as overseas production capacity, it still falls into Chinese investment, all the new capacities in the world are built by Chinese companies. With loose supply of PX, it's predicted that the dependence on imports of PX in China will be greatly reduced in 2020.

A round of concentrated capacity release will happen to PTA in 2020 and it's predicted that the new capacity will reach to about 11 million tons. In 2020, the PTA output growth will exceed that of polyester and the PTA will also enter the loose supply pattern. It's predicted that the MEG will newly increase by 0.53 million tons and the domestic MEG supply growth will remain high at around 20% in China in 2020. In terms of polyester fiber, the productivity growth steadily decreased from 2017 and it's predicted that the output growth will reduce to about 5% in 2020. (Data source: CCF Annual Report) The profit of industry chain will transfer from upstream to polyester after the upstream raw material end supply chain continues to expand and the growth of the superimposed polyester capacity falls after rise.

5. The polyester industry market concentration increases and the order of competition tends to be benign

The polyester filament yarn industry concentration ratio CR6 occupancy increased to about 46.22% from 32% (data source: CCF) after integration for 10 years (from 2011 to the end of 2019) and it's predicted that the CR6 market share will increase to above 60% in 2021 and the concentration ratio has been greatly increased. As per the investment plan published, the major new capacity in the industry will come from listed companies, small and medium sized polyester factories will gradually withdraw from the industry competition due to lack of investment for production expansion and ability to innovate in technology and the market concentration of the polyester industry will be further improved in the future.

With continuous improvement of leading enterprises' own competitiveness, the backward production capacity clearance in the industry is accelerated. The end demand is stabilizing, the entry threshold of the industry chain in which the Company operates is increasing, the concentration ratio of upstream, midstream and downstream industries maintains continuous improvement, the competitive order of the industries continues to improve and the development environment is becoming more benign. As one of the leading enterprises, the Company accelerates production expansion and income increase of the downstream chemical fiber business and takes the lead in enjoying the profit improvement brought by the good prosperity of the industry. With the refining project of the Company going into operation smoothly, the vertically integrated layout of the industry chain has achieved initial success and the whole competitiveness rises to a new level.

(II) Progress of the operating plan disclosed in the early stage in the reporting period

Within the reporting period, Board of Directors, management and all employees of the Company arduously strive with entrepreneurship to press ahead; with major project of "Belt and Road" initiative as the core, Hengyi (Brunei) PMB Petrochemical Project has entered full operation and overcome the last kilometer issue to achieve full industry chain integration; the Company is carrying out production expansion and quality enhancement of the polyester project and potential digging and transformation of the PTA project with high-quality development as the main line to further enhance its competitive advantages as a leading enterprise; it has increased investment in product research and development, intelligent revolution and high-tech fiber to further increase the differential fiber ratio; it has implemented quality production to promote quality and brand, optimize trade and logistics and achieve further resource sharing and industrial synergy; it has been continuously optimizing the organizational structure and improving corporate governance to unleash more endogenous driving forces. Within reporting period, the operating profit realized year-on-year growth of 92.75% by all members' effort and shareholders' value continuously improved.

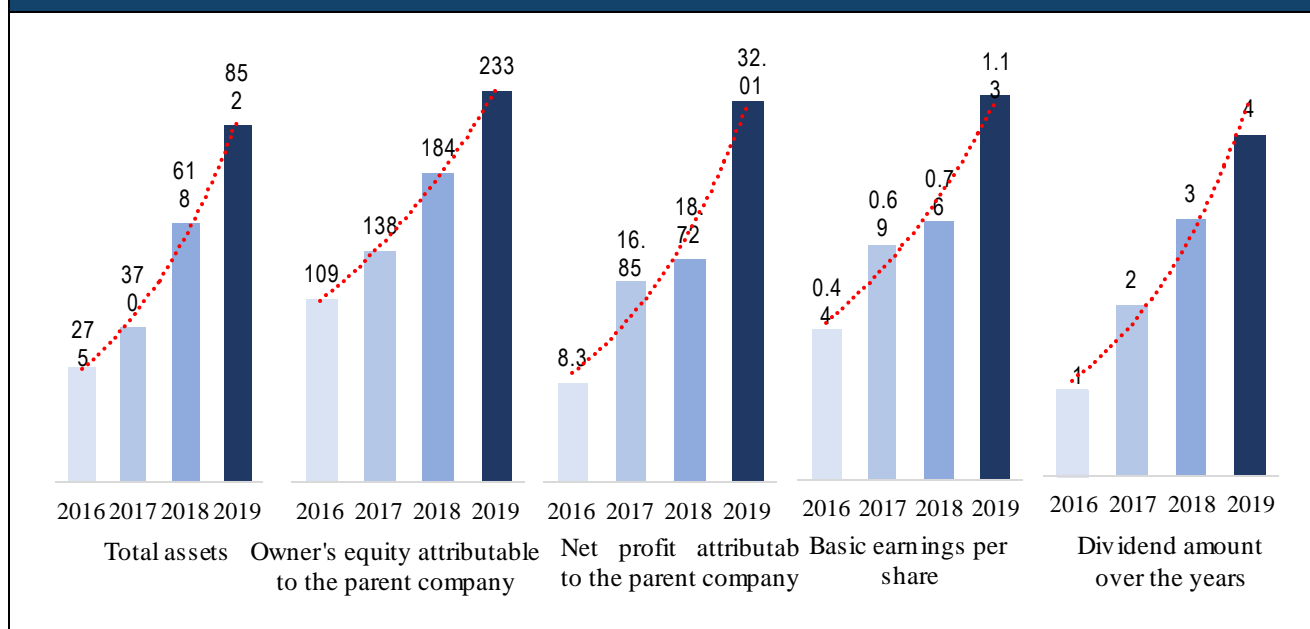
1. The net profit increases substantially and the cash dividend return is actively performed

In the reporting period, the Company realized the operating profit of RMB 4.789 billion with year-on-year growth of 92.75% and the net profit returned to parent company of RMB 3.201 billion with year-on-year growth of 70.97%. At the end of the reporting period, the Company's total assets reached to RMB 85.231 billion, increasing by 37.84% in comparison to the beginning of the year; The owner's equity attributable to the shareholders of a listed company reached to RMB 23.253 billion, increasing by 26.63% in comparison to the beginning of the year; The net asset value per share contributable to the shareholders of a listed company reached to RMB 8.18; The asset-liability ratio was 65.90% which was at a reasonably low level in the same industry.

With the reporting period, the Company implemented the 2018 plan for participation in profit and the total cash dividend reached to RMB 0.853 billion, accounting for 45.53% of the net profit attributable to the parent company of the Company in 2018. Moreover, the Company's Board of Directors deliberated and passed the 2019 plan for participation in profit (cash dividend of RMB

4.00 per 10 shares (tax-inclusive), transferring 3 shares to all shareholders for every 10 shares with capital reserve and total cash dividend of RMB 1.137 billion, accounting for 35.51% of the net profit attributable to the parent company of the Company in 2019).

Figure 4 2019 Annual Business Indicators of Hengyi Petrochemical (unit: RMB 00,000,000)



2. The coordination of production, supply and marketing is enhanced and the output and sales grow steadily

The Company's product output and sales are excellent and grow steadily during the reporting period. The output and sales of the refined oil products (holding subsidiaries- Hengyi Brunei) reached to 0.6071 million tons and 0.5493 million tons, respectively; The output and sales of chemicals reached to 0.1666 million tons and 0.1288 million tons, respectively. The output and sales of PTA products (holding subsidiary- Zhejiang Yisheng) reached to 5.0338 million tons and 5.0364 million tons, respectively; The output and sales of polyester products from the holding subsidiary reached to 5.6271 million tons and 5.5929 million tons, respectively.

Table 3 Output and Sales Volume of Main Products of the Company in 2019

Main products	Output	Sales volume	Sales in 2018	YoY growth
Refined oil	60.71	54.93	Newly-added items in 2019	
Chemicals	16.66	12.88		
PTA	503.38	503.64	495.62	1.60%
Polyester fiber	562.71	559.29	390.8	43.11%

3. The Hengyi (Brunei) PMB Petrochemical Project fully goes into operation and the international management advantage is prominent

The Company's Hengyi (Brunei) PMB Petrochemical Project has realized the whole process connection and entered full operation on Nov. 3, 2019. The Company has overcome the final kilometer issue to connect the industry chain and realize integrated operation of the whole industry chain from "crude oil" to "polyester and polyamide", which ensures safe supply of midstream and downstream raw materials from the Company's domestic production bases and the highly coordinated development of upstream, midstream and downstream businesses based on the whole industry chain, thus greatly improved the Company's industrial collaboration ability and improved the earning quality and the anti-risk capability.

Within the reporting period, the Company's Hengyi (Brunei) PMB Petrochemical Project boasts great international operation advantages with policy advantage, management advantage and technology advantage.

(1) Strongly support from China and Brunei with policy advantages of a maximum 24 years' tax preference

- Brunei enjoys a stable political environment and the project conforms to Brunei's national development strategy of Vision 2035 which can promote economic growth for countries along the "Belt and Road" Initiative;
- There is no trade barrier restriction since the project is the ASEAN free trade zone area where the import and export of products are free of tariff;
- The overall tax savings are obvious and Brunei doesn't levy individual income tax, business tax, payroll tax, production taxes and export tax. The project can enjoy a maximum 24 years' tax preference in terms of enterprise income tax;
- The project is in line with China's "Belt and Road" initiative which enables the project syndicated loans to be provided with national strategy support.

(2) Significant operating advantages including convenient crude oil procurement and smooth marketing of refined oil products)

- As an oil producer, Brunei boasts a mild climate without natural disasters and rich oil and gas resources. The country itself can provide part of crude oil to lower the logistics;
- There is great convenience in crude oil procurement and lower logistics cost since it is closer to crude oil supply and near the Singapore crude oil trading market;

- The refined oil products produced by the project are sold to Southeast Asia region where there is a strong demand arise. There is a lower logistics cost since the project location is closer to these places;
- All the chemicals are supplied to the downstream of its own industry chain to realize integrated operation of the industry chain.

(3) Technical advantages such as its supporting utilities and advanced technologies to lower the production cost

- The project is fully equipped with a coal-fired power plant, which achieves self-reliance in steam production, thus enjoying prominent cost advantages in utilities;
- The latest advanced technologies are applied to main production units like hydrocracking CCR and Parex, which has lower operating cost and high product conversion rate and lower PX production cost;
- The project has applied low temperature thermal recovery technology with waste heat reused by seawater desalination, lowering the operating cost for seawater desalination and the comprehensive energy consumption index for Parex;
- The latest flexicoking process has been applied to residual oil processing which is capable of continuous production and lowers the labor cost. The by-product fuel gas also lowers fuel costs. Comparing with traditional process, the closed production process is more environmentally friendly through harmless treatment of the residual oil;
- The liquid phase diesel hydrogenation technology has been applied which can meet 2020 new international diesel standards and lower investment and operating energy consumption.

Up to the end of the reporting period, the investment of Hengyi (Brunei) PMB Petrochemical Project totals USD 3.698 billion, of which the construction investment reaches USD 2.985 billion. Within the reporting period, the project achieves a net profit of USD 0.77 billion.

4. Promote quality improvement and efficiency of polyester and PTA based on high-quality development

Within the reporting period, the Company promoted quality improvement and efficiency of polyester, PTA and CPL based on high-quality development and provided supporting services for the current midstream and downstream products in many ways (including purchase and new construction) to enhance the industry chain development and competitive advantage. Within the

reporting period, the Company smoothly implemented production expansion and quality improvement of differentiated and functional polyester products from Jiaxing Yipeng, Suqian Yida, Hangzhou Yijing and Fujian Yijin for the sake of differentiation and intellectualization on the basis of Haining new material factory, carried out construction of 6 million tons of PTA products of Zhejiang Yisheng New Materials and realized caprolactam company "0.4 million tons/year caprolactam capacity expansion and renovation project" completed and going into operation.

Table 4 Progress of Main Projects of the Company in 2019

S/N	Project name	Investment/purchase amount (RMB 0,000)	Product type	Productivity (0,000t)	Project progress
1	Construction project of Haining New Materials	636,000	POY, FDY, chip	100	The first production line (G line) (capacity: 0.25 million tons/year) and relevant supporting engineering went into operation on Feb. 23, 2020
2	Jiaxing Yipeng differentiated functional fiber promotion and renovation project	227,220	FDY	50	Phase I of the project (0.25 million tons) went into operation on Apr. 29, 2019; Workshop D went into operation in Apr. 2020
3	Suqian Yida	35,000	Short fiber and chip	40	Successful auctioning in Apr. 2019
4	100% equities of Hangzhou Yijing	80,758	POY, FDY, chip, DTY	85	Acquisition completion in May 2019
5	0.4 million tons/year caprolactam capacity expansion and renovation project of Hengyi Caprolactam	247,885	Caprolactam	40	Having gone into operation on Aug. 8, 2019
6	Fujian Yijin project	158,770	FDY, short fiber	35	Under construction
7	PTA project of Yisheng New Materials	673,100	PTA	600	Under construction

5. Increase investment in scientific research and innovation and boost Hengyi products to be in the lead

In 2019, the Company strengthened scientific and technological innovation as well as carried

out strategic layout of scientific research, increased investment in research and development and introduction, training and reserve of high-level scientific research personnel for the sake of becoming an international first-class petrochemical technology enterprise. The Company actively explored new ideas concerning R&D and industrialization of new materials and new technologies, achieve some results in terms of new product R&D and industrialization, development platform construction, talent team building and external cooperation, established perfect process R&D framework and project management mechanism and formed the innovative R&D system from basic research, engineering development and process optimization to product application R&D and sales promotion. The Company applied 60 patents (including 49 patents for invention and 11 utility models) in 2019. 10 patents (including 5 patents for invention and 5 utility models) were authorized in 2019. In 2019, more than 100 science and technology development projects (including 2 national key research and development projects and 1 major international cooperation project of Zhejiang Province) were implemented. Up to the end of 2019, 98 patents (including 50 patents for invention and 48 utility models) of Hengyi Petrochemical and its subsidiaries were authorized; 194 patents (including 137 patents for invention and 57 utility models) were applied.

Within the reporting period, the antimony-free environmentally friendly polyester- "Yitaikang" whose proprietary intellectual property right is held by the Company was rated as outstanding industrial product of Zhejiang Province in 2019. The "antimony-free polyester melt direct spinning filament technology" won the sixth China top ten textile technology award. Within the reporting period, the Company focused on the preparation of polyester modified materials (such as degradable polyester) as well as researched and developed the high-performance polyester based on biology base as raw material (such as PEF and PTT) in terms of materials. In the meanwhile, the Company carried out in-depth research and development in the functional chemical fiber field, successfully developed the functional fiber with such properties as flame retardant droplet resistance, hygroscopic and sweat releasing, antistatitivity and keeping warm and put such functional fiber on the market. In terms of chemical engineering, the Company is developing various diol of the monomer necessary for polyester differentiated production now and researching the alternative of composite PTA based on biomass as raw material. To lower material and energy consumption in the production process, the Company develops related production process of caprolactam and hydrogen peroxide and carries out energy conservation and consumption reduction of the oil

refining equipment, too.

For the purpose of reducing process consumption and improving the material performance, the Company jointly establishes "Zhejiang University -Hengyi Global Innovation Research Center", "Joint Laboratory of Donghua University and Hengyi Petrochemical" and "Joint Laboratory of Nanjing Tech University and Hengyi Petrochemical Co., Ltd." together with Zhejiang University, Donghua University and Nanjing Tech University, successively on the basis of great opportunities for development brought by transformational disruptive technologies in such fields as function materials, industrial catalysis, synthetic biology and biomass conversion. At present, above-mentioned three university-enterprise platforms operate well. In 2019, they accumulatively signed 26 projects complying with the requirements of the Company's overall objectives of the medium-and long-term research strategy and were built into international first-class new material research and development bases by both the university and the enterprise working together and deep combination involving production, teaching and research, gathering highlands of top professionals and management talents in the fields such as new material, new technology and new equipment, high-quality personnel training bases accurately serving new fiber materials of countries and regions along "The Belt and Road" as well as demonstration areas of deep university discipline crossing and deep combination of production, teaching and research and system and mechanism innovation special zones.

6. The application of intelligent technology is increased and the intelligent production and management rises a higher level

Within the reporting period, the Company continuously increased the application of intelligent technology and accelerated intelligent manufacturing unit and intelligent production line shifting to intelligent workshop and intelligent factory construction by investment and optimization of automation and informatization on the basis of current industry. All kinds of equipment and system realized connection, interaction and collaboration via effective integration and interconnection technologies. The intelligent manufacturing led new commercial activities (such as personalized customization, collaborative manufacturing and remote operation and maintenance) as well as promoted digital transformation of the enterprise and intelligent production and operation to step onto a higher level.

Within the reporting period, the Company completed the supply chain integration project and

realized integrated management for full flow data of such service chains as WeChat mall, sales order management, logistics, park logistics, plastic tray as well as storage and delivery. As per the market demand and its development need, the Company duly conducts customized development of chemical fiber e-commerce platform- Hengyi WeChat mall which is mainly used for online line of polyester chemical fiber products and integrates supporting services (such as price inquiry, quick order placement, market information and intelligent logistics management platform (HTTMS) and financial service) whose main purpose is providing Hengyi downstream customers with new transaction service model to raise efficiency and lower cost.

To solve warehousing problems and adapt to the requirements of the modern market, the Company officially develops the intelligent warehousing system which has been put into use. The warehousing system realizes batch management and real-time dynamic management of the product inventory with bar code and provides the foundation for accurate data analysis of product inventory. The system also directly connects with enterprise SAP and provides multiple application scenario services (including PC terminal, mobile phone APP and handheld PDA), greatly improving work efficiency and accuracy of the factory workshop.

Moreover, the Company firstly pushes out the whole process intelligent logistics system in the industry and carries out direct series connection of doff, packaging and finished product stereoscopic storehouse of the system via AGV transshipment, yarn box temporary storage stereoscopic storehouse and finished product conveying line, making for multi-process handling and information processing of the silk ingot. The whole process intelligent logistics line enables the product to go to AGV transshipment external inspection area from automatic doffing, reach to the temporary warehouse of yarn box after passing the inspection and be invoked to the automatic packaging line for final packaging of the product after information confirmation in the temporary warehouse, the finished bag to enter the stereoscopic storehouse for storage after interactive confirmation of information and the final product to be sold by intelligent stereoscopic storehouse. The system realizes real automatic operation of the product whole process from getting off the production line to leaving factory. The whole process intelligent workshop logistics system carries out real-time acquisition of such information as environment, energy and equipment in the production process by smart sensing technology and narrow band internet of things (NB-IoT) all over the factory, realizes interconnection and integration of people, machines and equipment,

promotes product process optimization and quality improvement and creates the lean manufacturing collaborative process of the smart factory.

II. Main Business Analysis

1. Overview

See "I. Overview" in "Discussion and Analysis on Business Circumstance".

2. Income and Costs

(1) Operating income structure

Unit: RMB

	2019		2018		Year-on-year Increase or Decrease
	Amount	Proportion in Operating Revenue	Amount	Proportion in Operating Revenue	
Total Revenue	79,620,543,631.74	100%	88,065,815,535.96	100%	-9.59%
By Industries					
Petrochemical	14,023,110,039.95	17.61%	16,396,975,517.29	18.62%	-14.48%
Polyester	37,440,083,098.09	47.02%	29,459,852,871.75	33.45%	27.09%
Trade	27,531,233,930.85	34.58%	41,649,411,799.60	47.29%	-33.90%
Others	626,116,562.85	0.79%	559,575,347.32	0.64%	11.89%
By Product					
Refined oil	2,207,888,637.18	2.77%			
Chemicals	336,001,420.95	0.42%			
PTA	11,479,219,981.82	14.42%	16,396,975,517.29	18.62%	-29.99%
POY	13,805,634,857.67	17.34%	10,157,644,279.73	11.53%	35.91%
FDY	9,812,224,123.84	12.32%	6,984,218,045.50	7.93%	40.49%
DTY	4,173,158,372.83	5.24%	3,528,655,405.80	4.01%	18.26%
Chip	4,750,854,728.28	5.97%	5,664,878,117.28	6.43%	-16.13%
Short fiber	4,898,211,015.47	6.15%	3,124,457,023.44	3.55%	56.77%

Trade	27,531,233,930.85	34.58%	41,649,411,799.60	47.29%	-33.90%
Others	626,116,562.85	0.79%	559,575,347.32	0.64%	11.89%
By Regions					
Domestic	65,683,827,085.40	82.50%	77,110,276,463.08	87.56%	-14.82%
Overseas	13,936,716,546.34	17.50%	10,955,539,072.88	12.44%	27.21%

Remarks: The Company's operating income decreases by 9.59% mainly because the Company's Hengyi (Brunei) PMB Petrochemical Project fully goes into operation, the polyester capacity increases as well as the Company's trade volume and PTA export quantity decrease synchronously in the reporting period, of which the PTA sales revenue decreases by RMB 4.918 billion (year-on-year decrease: 29.99%) and the trade income decreases by RMB 14.118 billion (year-on-year decrease: 33.90%).

(2) Industry, product, or region accounting for more than 10% of the Company's operating revenue or profit.

Whether the Company needs to comply with disclosure requirements of specific industry

No

Unit: RMB

	Operating income	Operating costs	Gross margin	Increase/Decrease of operating Income Compared with the Same Period of Last Year	Increase/Decrease of Operating Cost over the Same Period of Last Year	Increase/Decrease of Gross Profit Compared with the Same Period of Last Year
By Industry						
Petrochemical	14,023,110,039.95	12,282,819,419.63	12.41%	-14.48%	-19.93%	5.96%
Polyester	37,440,083,098.09	34,045,358,344.72	9.07%	27.09%	25.57%	1.10%
Trade	27,531,233,930.85	27,188,124,954.14	1.25%	-33.90%	-35.08%	1.80%
Others	626,116,562.85	478,530,994.44	23.57%	11.89%	11.57%	0.22%
By Product						
Refined oil	2,207,888,637.18	1,531,975,139.11	30.61%			
Chemicals	336,001,420.95	269,672,678.96	19.74%			

PTA	11,479,219,981.82	10,481,171,601.56	8.69%	-29.99%	-31.67%	2.25%
POY	13,805,634,857.67	12,423,294,338.96	10.01%	35.91%	34.06%	1.25%
FDY	9,812,224,123.84	9,044,311,118.48	7.83%	40.49%	42.39%	-1.23%
DTY	4,173,158,372.83	3,709,865,371.66	11.10%	18.26%	16.64%	1.24%
Chip	4,750,854,728.28	4,370,312,205.32	8.01%	-16.13%	-18.58%	2.76%
Short fiber	4,898,211,015.47	4,497,575,310.30	8.18%	56.77%	52.65%	2.48%
Trade	27,531,233,930.85	27,188,124,954.14	1.25%	-33.90%	-35.08%	1.80%
Others	626,116,562.85	478,530,994.44	23.57%	11.89%	11.57%	0.22%
By Region						
Domestic	65,683,827,085.40	61,033,078,676.64	7.08%	-14.82%	-17.48%	3.00%
Overseas	13,936,716,546.34	12,961,755,036.29	7.00%	27.21%	20.04%	5.55%

In case of changes in the statistical caliber of principal business data in the reporting period, the Company will refer to the principal business data after adjustment in recent 1 year:

☐Applicable ☒Not applicable

(3) Whether the Company's physical sales income greater than the labor income

Industry Classification	Item	Unit	2019	2018	Year-on-year Increase or Decrease
Refined oil	Sales volume	t	549,300		
	Production Output	t	607,100		
	Inventory	t	57,800		
Chemicals	Sales volume	t	128,800		
	Production Output	t	166,600		
	Inventory	t	37,800		
PTA	Sales volume	t	5,036,400	4,956,200	1.62%
	Production Output	t	5,033,800	4,963,300	1.42%
	Inventory	t	16,100	18,600	-13.70%
Polyester	Sales volume	t	5,592,900	3,908,000	43.11%
	Production Output	t	5,627,100	4,000,900	40.65%
	Inventory	t	178,900	144,700	23.62%

Reasons for over 30% changes in related data on year-on-year basis

As the Company completed the purchase of Shuangtu New Materials in Dec. 2018, the polyester product of Shuangtu New Materials was increased in the reporting period and the new

capacity of two polyester companies-Suqian Yida and Jiaxing Yipeng went into operation at the same time. The scale of Company's polyester capacity increases this year, so the polyester output, sales and stock rise sharply.

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

☐Applicable ☒Not applicable

(5) Operating Cost Structure

Industry category

Unit: RMB

Industry Classification	Item	2019		2018		Year-on-year Increase or Decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Refined oil	Raw materials	1,267,816,583.44	82.76%			
Refined oil	Energy	35,530,302.02	2.32%			
Refined oil	Depreciation and others	228,628,253.65	14.92%			
Total		1,531,975,139.11	100%			
Chemicals	Raw materials	240,231,973.62	89.08%			
Chemicals	Energy	17,443,129.52	6.47%			
Chemicals	Depreciation and others	11,997,575.82	4.45%			
Total		269,672,678.96	100%			
PTA	Raw materials	9,654,704,824.15	92.11%	14,105,095,080.43	91.95%	-31.55%
PTA	Energy	223,431,486.12	2.13%	297,162,066.39	1.94%	-24.81%
PTA	Depreciation and others	603,035,291.29	5.75%	937,827,728.84	6.11%	-35.70%
Total		10,481,171,601.56	100%	15,340,084,875.66	100%	
Polyester	Raw materials	29,308,065,693.20	86.09%	22,883,961,559.24	84.40%	28.07%
Polyester	Energy	1,612,773,710.02	4.74%	1,228,587,080.05	4.53%	31.27%
Polyester	Depreciation and others	3,124,518,941.50	9.18%	3,000,832,257.05	11.07%	4.12%
Total		34,045,358,344.72	100%	27,113,380,896.34	100%	

(6) Has the scope of consolidation changed during the reporting period

In the reporting period, 34 subsidiaries of the Company were included into the consolidation scope, increasing by 5 in comparison to last year. Refer to Section XII Financial Report, Note VII

"Change in Consolidation Scope" for the detail.

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

In the reporting period, the Company added the refining plate business as well as chemicals and refined oil products because the Hengyi (Brunei) PMB Petrochemical Project fully went into operation. After going into operation, the project will complete collaborative configuration of Company assets at home and abroad, really achieve the "crude oil and polyester and polyamide" strategic target of the Company as well as gradually form a good pattern with international linkage and up and down coordinated development. The business operated by the Company will extend to the more upstream "PX, benzene and refining" from the current midstream and downstream industries- "PTA, polyester filament, polyester staple fiber, polyester bottle chip, PET chip and CPL" and the Company will take the lead in realizing the balanced development model "from crude oil refining to polyester and polyamide" in the industry, making for integrated, globalized and balanced collaborative operation of Company industries, products and assets, enhancing the Company's sustained profitability and anti-risk capability, further consolidating, enhancing and optimizing the Company's core competitiveness, promoting the sustained and steady growth of shareholders' interests and helping the Company to become a petrochemical enterprise with leading global comprehensive strength.

(8) Major Clients and Suppliers

The Company's Major Clients

Total sales amount of top five customers (RMB)	12,163,083,270.63
Proportion of the total sales amount of the top five customers to the total annual sales	15.27%
Proportion of the total sales amount of the related parties in the top five customers to the total annual sales	0.00%

Profiles of the Company's top five customers

No.	Name of Customer	Sales Amount (RMB)	Proportion to the Annual Sales
1	Company 1	3,992,534,820.03	5.01%
2	Company 2	2,401,308,634.39	3.02%
3	Company 3	2,176,481,556.13	2.73%

No.	Name of Customer	Sales Amount (RMB)	Proportion to the Annual Sales
4	Company 4	1,940,943,232.23	2.44%
5	Company 5	1,651,815,027.85	2.07%
Total	--	12,163,083,270.63	15.27%

Other Information Notes for Major Clients

☐Applicable ☒Not applicable

Major suppliers

Total Purchase Amount of Top Five Suppliers (RMB)	26,602,018,660.49
Proportion of the total purchase amount of top five suppliers to the total annual purchase amount	35.95%
Proportion of the total purchase amount of the related parties in top five suppliers to the total annual purchase amount	5.06%

Profiles of the Company's top five suppliers

No.	Supplier Name	Purchase amount (RMB)	Proportion to the total annual purchase amount
1	Company 1	14,079,875,588.08	19.03%
2	Company 2	4,916,203,524.12	6.64%
3	Company 3	3,992,526,588.85	5.40%
4	Company 4	1,957,758,468.26	2.65%
5	Company 5	1,655,654,491.18	2.24%
Total	--	26,602,018,660.49	35.95%

Other Information Notes for Major Suppliers

☐Applicable ☒Not applicable

3. Expenses

Unit: RMB

	2019	2018	Year-on-year Increase or Decrease	Statement on significant changes
Sales expenses	455,835,985.78	337,169,676.49	35.19%	Mainly because of growth of operation scale and increases in transportation expenses and sales staff salary within the reporting period
Administrative expenses	583,351,878.14	531,705,263.14	9.71%	
Financial	1,011,697,524.71	775,568,978.70	30.45%	Mainly because of expansion of financing

expenses				scale and interest expense increases of the Company during the reporting period
Research and development expenses	492,740,271.96	279,482,471.96	76.30%	Mainly because of increased investment in research and development within the reporting period

4. R&D Investment

In the reporting period, the Company actively explored new ideas about R&D and industrialization of new materials and new technologies, achieve some results in terms of R&D and industrialization of new products, R&D platform construction, talent team building and external cooperation, mainly focused on green production technology of polyester and polyamide, manufacturing technology of specialty chemicals for the industry chain, functional fiber material and the next generation of bio-based polyester material. Related R&D projects go well now, the research projects based on the futures business innovation will increase in the future and it's predicted that the research and development investment will increase to promote the sustainable development of various business of the Company.

The Company applied 60 patents (including 49 patents for invention and 11 utility models) in 2019. 10 patents (including 5 patents for invention and 5 utility models) were authorized in 2019. In 2019, more than 100 science and technology development projects (including 2 national key research and development projects and 1 major international cooperation project of Zhejiang Province) were implemented. The antimony-free environmentally friendly polyester- "Yitaikang" whose proprietary intellectual property right is held by the Company was rated as outstanding industrial product of Zhejiang Province in 2019. The "antimony-free polyester melt direct spinning filament technology" won the sixth China top ten textile technology award.

Company's R&D investment

	2019	2018	Change Ratio
Number of R&D personnel (person)	445	194	129.38%
Proportion of R&D personnel	2.69%	1.55%	1.14%
R&D investment (RMB)	496,257,572.40	279,482,471.96	77.56%
The proportion of R&D investment to operating income	0.62%	0.32%	0.30%
Capitalized R&D investment	3,517,300.44	0.00	

Proportion of capitalized R&D investment to R&D investment	0.71%	0.00%	0.71%
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The reason for the significant change in the proportion of the total amount of R&D investment to operating income compared with last year

☐Applicable ☒Not applicable

Reasons and rational explanations on the substantial change in capitalization rate of R&D investment

Within the reporting period, the Company's R&D projects entered the development stage and the Company development expenditure increased with capitalization condition met.

5. Cash flow

Unit: RMB

Item	2019	2018	Year-on-year Increase or Decrease
Subtotal of cash inflows from operational activities	87,525,072,525.52	95,766,648,246.90	-8.61%
Subtotal of cash outflows from operational activities	87,637,154,253.68	94,159,569,638.67	-6.93%
Net cash flows generated by operating activities	-112,081,728.16	1,607,078,608.23	-106.97%
Subtotal of cash inflows from investment activities	5,101,346,935.31	2,753,920,900.82	85.24%
Subtotal of cash outflows from investment activities	17,590,548,942.04	15,432,947,165.06	13.98%
Net amount of cash flow generated from investment activities	-12,489,202,006.73	-12,679,026,264.24	-1.50%
Subtotal of cash inflows from financing activities	40,526,194,049.12	46,684,362,144.77	-13.19%
Subtotal of cash outflows from financing activities	30,045,808,537.64	32,830,273,699.14	-8.48%
Net cash flow generated by financing activities	10,480,385,511.48	13,854,088,445.63	-24.35%
Net additions to balance of equivalents	-2,063,112,611.03	2,989,225,898.60	-169.02%

Description of the main factors affecting the significant changes in related data over the same period of last year

1) Because the Company's Hengyi (Brunei) PMB Petrochemical Project went into operation at the end of 2019, the daily production expenditure increased, the product distribution was subject to L/C settlement and the L/C not expiring was included into receivables, the Company's receivables increased by RMB 4.5 billion, causing the net cash flow from the Company's operating activities

decreased in comparison to that of previous years.

2) The cash inflow of investment activities increases compared to the same period last year mainly because the Company collects funds for cash management and taking back funds.

3) The net increase of cash and cash equivalent decreases in comparison to last year mainly because the Company's syndicated loan fund is used for external payment successively in the reporting period.

Reasons for the significant difference between the net cash flow generated by the Company's operating activities in the reporting period and the net profit in the current year

As for the reason why the significant variance between the cash flow of the Company's business activities within the reporting period and the net profits this year happens, refer to the supplementary information note of cash flow statement in the annual audit report of the Company.

III. Non-main Business Analysis

Unit: RMB

	Amount	Proportion in total profit	Explanation for forming reason	Sustainable or not
Return on investment	1,504,670,646.53	31.54%	Mainly because the income from investment of the joint stock company of the main business is calculated and withdrawn and the income from investment of the derivatives increases during the reporting period	Yes
Profits and losses from changes in fair value	-58,842,982.82	-1.23%	Mainly because the fair value of the foreign exchange and commodity derivatives changes at the end of the reporting period	No
Assets impairment	-20,345,690.78	-0.43%	Mainly because the Company calculates and withdraws the inventory falling price reserve	No
Non-operating income	11,699,859.55	0.25%	Mainly because the indemnity and government subsidies unrelated to the daily operation activities, etc. are received within the reporting period	No
Non-operating expenses	29,743,281.16	0.62%	Mainly because of non-business expenditures (such as donation outlay) within the reporting period	No

IV. Analysis of Assets and Liabilities

1. Significant changes in assets composition

The Company implemented the new financial instrument guidelines, new revenue criteria or new lease criteria for the first time and adjusted to execute related items of the Financial Statement at the beginning of that year from 2019

☐Applicable ☒Not applicable

Unit: RMB

	End of 2019		At the beginning of 2019		Proportion Increase and Decrease	Statement on significant changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary capital	7,439,828,837.94	8.73%	9,052,390,527.76	14.64%	-5.91%	
Accounts receivable	5,890,241,538.78	6.91%	1,378,211,622.25	2.23%	4.68%	
Inventory	9,153,238,548.05	10.74%	3,019,753,421.68	4.88%	5.86%	
Long-term equity investments	9,260,247,813.26	10.86%	7,814,086,904.50	12.64%	-1.78%	
Fixed assets	38,775,633,926.67	45.49%	13,226,265,147.50	21.39%	24.10%	
Projects under Construction	3,690,059,278.45	4.33%	17,495,259,335.87	28.29%	-23.96%	
Short-term loans	23,323,906,006.56	27.37%	13,781,002,805.01	22.29%	5.08%	
Long-term loans	12,733,302,561.13	14.94%	9,714,442,000.02	15.71%	-0.77%	

2. Assets and liabilities measured at fair value

Unit: RMB

Item Name	At the beginning of the reporting period	At the end of the reporting period
Financial assets		
Trading financial assets (excluding derivative financial assets)	122,942,670.65	149,692,516.20
Derivative financial assets	0.00	409,150,395.76
Investment in other equity instruments	0.00	600,000.00
Total	122,942,670.65	559,442,911.96
Financial liabilities		

Trading financial liabilities	10,209,921.02	1,399,903.27
Derivative financial liabilities	2,239,759.00	0.00
Total	12,449,680.02	1,399,903.27

Are there any significant changes in the measurement attributes of the Company's main assets during the reporting period

☐ Yes ☒ No

3. Restrictions on asset rights as of the end of the reporting period

Item Name	Book value at the end of the Period	Cause of Restrictions
Monetary capital	2,966,804,107.67	Security deposit
Notes receivable and receivables financing	281,155,185.63	Pledging and opening of the acceptance bill
Long-term equity investments	5,032,636,297.11	Mortgage loan
Fixed assets	1,780,351,651.00	Leaseback finance lease
Fixed assets	23,101,040,184.83	Mortgage loan
Intangible assets	674,889,765.60	Mortgage loan
Total	33,836,877,191.84	--

V Investment analysis

1. Overview

Investment in the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year	Rate of Change
3,565,393,011.36	3,020,393,011.36	18.04%

2. Significant equity investments acquired during the reporting period

Unit: RMB 10,000

Name of invested company	Main business	Investment method	Investment amount	Shareholding ratio	Source of funding	Partner	Investment duration	Product type	Progress up to the balance sheet date	Anticipated income	Investment profit and loss in current period	Whether involved in a lawsuit or not	Disclosure date (if any)	Disclosure index (if any)
Yisheng New Materials	Production and sales of petroleum products and chemical products	Capital increase	54,500	50.00%	Own funds	Ningbo Zhongjin Petrochemical Co., Ltd.	Dispos-able	Petroleum products and chemical products	Completed	0.00	52.45	No	Jul. 17, 2019	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206451916&announcementTime=2019-07-17
Total	--	--	54,500	--	--	--	--	--	--	0.00	52.45	--	--	--

3. Situation of on-going significant non-equity investment within the reporting period

Unit: RMB 10,000

Project name	Investment method	Investment of fixed assets or not	Industries involved by investment projects	Investment amount in the reporting period	Cumulative actual investing amount by the end of reporting period	Source of funding	Project progress	Anticipated income	Incomes realized within the reporting period	Reason for failing to reach design schedule and gain anticipated income	Disclosure date (if any)	Disclosure index (if any)
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Brunei PX Project Phase I	Self-building	Yes	Chemical raw material	1,067,486.10	2,579,949.32	Raising funds and self-raising	100.00%	0.00	77,056.52	Not applicable		
Construction project of Haining New Materials	Self-building	Yes	Polyester fiber	151,055.73	176,834.46	Self-finance	63.15%	0.00	Not applicable	Not applicable	May 5, 2018	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1204911150&announcementTime=2018-05-05
Upgrading and reconstruction project of differential functional fiber with an annual output of 500,000 tons	Self-building	Yes	Polyester fiber	129,352.98	159,822.00	Raising funds and self-raising	70.34%	0.00	Not applicable	Not applicable	Oct. 16, 2018	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1205506361&announcementTime=2018-10-16
Total	--	--	--	1,347,894.81	2,916,605.78	--	--	0.00	77,056.52	--	--	--

4. Financial assets at fair value

(1) Conditions of the securities investment

the Company involves no security investment in the reporting period.

(2) Derivative investment

Unit: RMB 10,000

Derivative investment type	Initial investment amount for derivative investment	Starting date	Expiry date	Investment amount at the end of the period	Proportion of investment amount at the end of the reporting period in Company's net assets at the end of the reporting period	Actual profit and loss amount during the reporting period
Forward foreign exchange contract	199,077	Nov. 2, 2018	Aug. 14, 2020	64,885	2.79%	644
Commodity derivatives	10,014	Jan. 1, 2018	Dec. 31, 2020	58,161	2.50%	34,536
Total	209,091			123,047	5.29%	35,180
Capital source of derivative investment	The Company's self-owned funds					
Litigation-related situation (if applicable)	No					
Disclosure date of the Board of Directors' announcement regarding approval of derivative investment (if any)	Jan. 24, 2019					
Disclosure date of the Board of Shareholders'	Feb. 15, 2019					

announcement regarding approval of derivative investment (if any)	
Risk analysis and control measure explanation for derivative holding a position during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk and law risk)	<p>1. Market risk: When the market changes dramatically, the Company probably can't fully lock the raw material price or product price, resulting in impairments. 2. Liquidity risks: As for the trading of commodity derivatives, the operational order can be given within the authority specified in the <i>Management System for the Trading of Commodity Derivatives</i> of the Company. In case of excessive market volatility, actual impairments may arise from mandatory liquidation caused by failure in timely supplementing the cash deposit. 3. Operational risks: Because futures and forward transaction are professional with high complexity, accidental losses may be incurred due to defects of information system or internal control. 4. Credit risks: When the drastic fluctuation which is bad for the counterparty occurs to the price, the counterparty may violate related provisions of the Contract or cancel the Contract, incurring losses to the Company. 5. Legal risks: Losses are incurred to the Company when the Contract cannot be executed properly likely because related legal systems change or the counterparty violates related counterparty's. Risk control actions adopted by the Company: The Board of Directors has deliberated and approved the <i>Management System for the Trading Business of Foreign Exchange Derivatives</i> and the <i>Management System for the Trading of Commodity Derivatives</i>, prescribing that the Company engages in derivative investment business with hedging as main purpose and speculation and arbitrage transactions forbidden. The system explicitly stipulates business operation principle, limits for examining and approving authority, internal audit process, responsible department and responsible person, information isolation measures, internal risk reporting system and risk management procedure of the Company which conforms to related requirements of the supervision department and meets actual operation requirements. The risk control measures stipulated are feasible and effective.</p>
As regards the situation of market price or fair value change of products within the reporting period of invested derivative,	<p>As regards the situation of market price or fair value change of products within the reporting period of invested derivative, during analysis of fair value of derivatives, specific use method and related assumption and parameter setting shall be disclosed.</p> <p>The Company's investment in derivatives affects the amount of current profits and losses during the reporting period. RMB 351.8 million. The Company carries out valuation of the derivative investment as per the fair value and pricing of forward</p>

during analysis of fair value of derivatives, specific use method and related assumption and parameter setting shall be disclosed.	exchange basically according to the price provided or obtained by the pricing service agency (such as bank and Reuters). The enterprise conducts measurement and confirmation of fair value monthly; The trading price of futures is the fair price.
Explanation on whether significant change happens to specific principle for accounting policy and financial accounting of the Company's derivative during the reporting period compared to last reporting period	Or the Company carries out the corresponding accounting treatment of the derivative investment business in line with related provisions and the corresponding guides of <i>Accounting Standards for Business Enterprises No. 22-Confirmation 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> from Ministry of Finance to reflect related items of balance sheet and income statement.
Independent directors' special opinions on situations of the Company's derivative investment and risk control	The derivative investment business implemented by the Company for the sake of hedging is closely related to the Company's daily operation requirements, complies with provisions of relevant laws and regulations and the Company establishes the <i>Management System for the Trading Business of Foreign Exchange Derivatives</i> and the <i>Management System for the Trading of Commodity Derivatives</i> and strengthens risk management and control, making for improving the Company's ability to withstand market risks without harm to the interests of the Company and all the shareholders.

5. Utilization of raised funds

(1) General usage of the raised funds

Unit: RMB 10,000

Capital raising year	Fund-raising methods	The total amount of the raised funds	Total amount of used raised funds in current period	Total amount of the usage raised funds input	Total amount of raised funds changing purpose within the reporting period	Total amount of accumulated raised funds with purposes changed	The proportion of total amount of accumulated raised funds with purposes changed	Total amount of raised funds not used	Use and allocation of unused raised funds	Amount of raised funds unused more than two years
2016	Stocks subject to non-public placement in 2015	376,562.33	0	377,633.81	0	0	0	253.78	Up to Dec. 31, 2019, the raised funds of RMB 2.5378 million (interest income from raised funds and financing income) temporarily deposited in the special account for raised funds of the Company were about to be used for the Hengyi (Brunei) PMB Petrochemical Project without change in raised funds	0
2019	Issue shares to buy assets and raise supporting funds	291,091.12	283,855.98	283,855.98	156,300	156,300	53.69%	8,930.13	Up to Dec. 31, 2019, the raised funds of RMB 89.3013 million temporarily deposited in the special account for raised funds of the Company were about to be used for the intelligent upgrading and renovation project and the differential chemical fiber energy-saving and cost-reducing promotion and renovation project.	0

2019	Corporate bonds	99,550	99,550	99,550						
Total	--	767,203.45	383,405.98	761,039.79	156,300	156,300	--	9,183.91	--	
Description of general usage of the raised funds										
<p>Upon approval by ZJXX [2016] No. 1320 document of China Securities Regulatory Commission and agreement by Shenzhen Stock Exchange, the Company carried out non-public placement of 316,666,666 RMB common stocks (A-share) to the investors meeting the conditions. The funds of RMB 3,799,999,992.00 were raised after the verification by Ruihua Certified Public Accounts (special general partnership). After the net amount of funds raised by the Company this time reached to RMB 3,765,623,325.33 after deduction of underwriting and recommendation expenses and related issue expenses. By Dec. 31, 2019, the Company had used raised funds of RMB 3776.3381 million, wherein: the raised fund of RMB 333.2073 million was used in 2016, the raised fund of RMB 3208.4928 million was used in 2017 and the raised fund of RMB 234.6379 million was used in 2018. The fund raised in the current period was used for the Hengyi (Brunei) PMB Petrochemical Project.</p> <p>Upon approval by ZJXX [2018] No. 1937 document of China Securities Regulatory Commission and agreement by Shenzhen Stock Exchange, the Company carried out non-public placement of 213,768,115 RMB common stocks (A-share) to the investors meeting the conditions. The funds of RMB 2,949,999,987.00 were raised after the verification by Ruihua Certified Public Accounts (special general partnership). After the net amount of actual raised funds this time reached to RMB 2,910,911,218.99 after deduction of underwriting expenses of securities traders and related issue expenses. By Dec. 31, 2019, the Company had used raised funds of RMB 2838.5598 million.</p> <p>Upon approval by ZJXX [2018] No. 2141 document of China Securities Regulatory Commission and agreement by Shenzhen Stock Exchange, the Company carried out public issues of no more than RMB 3 billion corporate bonds to qualified investors. The "19 Hengyi 01" was issued on Mar. 22, 2019. The raised fund of RMB 497.75 million after deduction of underwriting fee was used for repaying the Company's interest-bearing debt and supplementing the working capital; The "19 Hengyi 02" was issued on May 31, 2019. The raised fund of RMB 497.75 million after deduction of underwriting fee was used for repaying the Company's interest-bearing debt and supplementing the working capital.</p>										

(2) Commitment project conditions of raised funds

Unit: RMB 10,000

Commitment investment project and investment-direction of super-raised fund	Whether the projects have been changed (including partial changes)	Total commitment investment amount of raised funds	Total amount of investment after adjustment (1)	Investment amount in the reporting period	Accumulative investment amount up to the end of the period (2)	Investment progress at the end of the period (3)= (2)/(1)	Date of the project to reach the anticipated serviceable condition	Incomes realized within the reporting period	Whether it achieves expected benefits	Whether the project feasibility has greatly changed
Commitment investment projects										
Hengyi (Brunei) PMB Petrochemical Project	No	376,562.33	376,562.33	0.00	377,633.81	100.28%	Nov. 2019	Not applicable	Not applicable	No
Upgrading and reconstruction project of differential functional fiber with an annual output of 500,000 tons	No	No more than 93,500.00	93,500.00	93,647.49	93,647.49	100.16%	Partial conversion into fixed assets in May 2019	Not applicable	Not applicable	No
Intelligent upgrading and renovation project	No	Not higher than 28,170.00	28,170.00	21,815.55	21,815.55	77.44%	Not applicable	Not applicable	Not applicable	No
Differential chemical fiber energy-saving and cost-reducing promotion and renovation project	No	No more than 8,500.00	8,500.00	8,399.34	8,399.34	98.82%	May 2019	Not applicable	Not applicable	No
Upgrading and reconstruction project of environment-friendly functional fiber with an annual	Yes	No more than 141,500.00	416.05	416.05	416.05	100.00%	Not applicable	Not applicable	Not applicable	No

output of 250,000 tons										
Intelligent upgrading and renovation project	Yes	No more than 20,500.00	5,283.95	3,253.35	3,253.35	61.57%	Not applicable	Not applicable	Not applicable	No
Subtotal of committed investment project	--	668,732.33	512,432.33	127,531.78	505,165.59	--	--		--	--
Investment-direction of super-raised fund										
Not applicable										
Total	--	668,732.33	512,432.33	127,531.78	505,165.59	--	--		--	--
Conditions and main reasons about designed schedule failure or anticipated incomes (on the basis of the specific projects)	No									
Significant changes of project feasibility	Not applicable									
Super-raised fund amount, service and service progress conditions	Not applicable									
Investment project implementation sites changes of raised funds	Not applicable									
Investment project implementation methods adjustment of raised funds	Not applicable									
Advance input and replacement of raised funds investment project	Applicable									
	On Feb. 1, 2019, "the proposal about use of partial raised funds for replacement of pre-investment equity investment project self-raised funds and paid commission and relevant taxes" was deliberated and passed at the 24 th meeting of the 10 th Board of Directors of the Company, on which it's agreed to use raised funds of RMB 1,147,288,319.73 to replace pre-investment equity investment project self-raised funds and paid commission and relevant taxes. The pre-investment equity investment project									

	<p>self-raised funds reached to RMB 1,141,188,319.73; The commission and related taxes paid in advance by the Company with self-owned funds reached to RMB 6,100,000.00.</p> <p>On Jun. 18, 2019, the Company held the 30th meeting of the 10th Board of Directors on which "the proposal about using the raised funds to replace the pre-investment equity investment project self-raised funds" was deliberated and approved and it's agreed to use the raised funds of RMB 331,666,503.97 to replace the pre-investment equity investment project self-raised funds.</p>
Use of idle funds to temporarily replenish working capital	Not applicable
The amount and causes of the balances of raised funds in project implementation	Not applicable
Use and allocation of unused raised funds	Up to Dec. 31, 2019, the raised funds of RMB 89.3013 million temporarily deposited in the special account for raised funds of the Company were about to be used for the intelligent upgrading and renovation project and the differential chemical fiber energy-saving and cost-reducing promotion and renovation project.
Existing problems or other conditions during the raised funds use and disclosure	Not applicable

(3) Change project conditions of raised funds

Unit: RMB 10,000

Changed project	Corresponding original promissory project	Total amount of estimated investing and raising funds after change (1)	Actual investment amount in the reporting period	Actual accumulative investment amount up to the end of the period (2)	Investment progress at the end of the period (3)=(2)/(1)	Date of the project to reach the anticipated serviceable condition	Incomes realized within the reporting period	Whether it achieves expected benefits	Significant change happens to feasibility of changed project or not
Construction project with annual output of 1 million tons of intelligent environmental functional fibers	Promotion and renovation project and intelligent upgrading and renovation project with	75,600.00	75,600.00	75,624.20	100.03%	Not applicable	Not applicable	Not applicable	Not applicable
Purchasing 100% equities from Hangzhou Yijing Chemical Fiber Co., Ltd.	annual output of 0.25 million tons of environment-friendly functional fibers (Taicang Yifeng)	80,700.00	80,700.00	80,700.00	100%	Not applicable	Not applicable	Not applicable	Not applicable
Total	--	156,300.00	156,300.00	156,324.20	--	--		--	--
Change reasons, decision-making			To improve the service efficiency of raised funds, the Company held						

procedures and information disclosure conditions (on the basis of the specific project)	the 19th meeting of the 10th Board of Directors on which the <i>Proposal of Changing Purpose of Partial Raised Funds and Related Transaction</i> was deliberated and approved, using the raised fund for the upgrading and renovation project (Phase II) and intelligent upgrading and renovation project (Taicang Yifeng) with annual output of 0.25 million tons of environment-friendly functional fibers was cancelled and the remaining raised funds of such projects were determined to be invested to the new project on Apr. 25, 2019.
Conditions and main reasons about designed schedule failure or anticipated incomes (on the basis of the specific projects)	Not applicable
Significant changes of project feasibility after change	Not applicable

VI. Major Assets and Equity Sales

1. Major assets sales

No major assets sales in the reporting period of the Company.

2. Major equity sales

No major equity sales in the reporting period of the Company.

VII. Analysis of Major Subsidiaries and Investees

Major subsidiaries and joint-stock companies with a net profit impact of over 10%.

Unit: RMB 10,000

Company name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Hengyi Petrochemical Co., Ltd.	Subsidiary	DTY	300,000	2,982,001.2	754,556.86	3,437,185.31	79,227.25	76,131.77
Zhejiang Yisheng	Subsidiary	PTA	USD 500.4248 million	1,538,794.91	764,756.76	3,261,678.77	186,283.98	141,436.9
Ningbo Hengyi	Subsidiary	PTA	2,000	288,696.21	83,623.2	1,739,584.17	51,855.92	44,838.32

Trading								
Yisheng Investment	Joint stock company	PTA	201,800	1,638,895.09	691,197.76	3,901,448.91	131,991.83	116,523.88
Hainan Yisheng	Joint stock company	PTA	358,000	1,054,119.44	368,217.26	1,976,267.35	71,470.13	55,963.72
Hengyi Polymer	Subsidiary	PET chip, POY, etc.	28,074	321,563.61	99,032.16	474,801.52	13,936.58	13,139.93
Hengyi High-Tech	Subsidiary	PET chip, POY, etc.	275,725	1,118,128.89	491,569.11	1,182,134.72	39,921.65	38,487.03
Hengyi Caprolactam	Subsidiary	CPL	120,000	609,409.62	223,961.03	504,775.07	31,832.17	23,978.98
Hong Kong Tianyi	Subsidiary	Investment and trade	USD1509.5 million	1,332,471.53	714,125.09	176,319.38	25,028.5	25,050.01
Hengyi Brunei	Subsidiary	Refinery	USD 1 billion	3,849,378.61	768,303.78	1,016,837.15	77,184.71	77,056.52
China Zheshang Bank	Joint stock company	Financial industry	2,126,869	180,078,586.7	12,802,766.9	4,636,390.9	1,465,188.1	1,314,298.3
Jiaxing Yipeng	Subsidiary	FDY	250,000	385,836.58	256,090.88	323,627.9	9,702.35	7,069.46
Taicang Yifeng	Subsidiary	POY	77,100	226,486.32	105,160.24	267,872.59	18,416.54	13,535.1
Shuangtu New Materials	Subsidiary	POY, FDY, chip	60,000	398,203.41	191,891.47	763,231.91	30,470.6	22,700.33
Hangzhou Yijing	Subsidiary	FDY, POY, DTY and chip	100,000	239,504.46	101,173.36	513,070.7	13,398.94	10,054.15

Acquisition and disposal of subsidiaries during the reporting period

Company name	Method of acquisition and disposal of subsidiaries during the reporting period
Hangzhou Yijing Chemical Fiber Co., Ltd.	Acquisition
Hong Kong Hengyi Logistics Co., Ltd.	Establishment
Hengyi International Logistics Co., Ltd.	Establishment

Company name	Method of acquisition and disposal of subsidiaries during the reporting period
Zhejiang Yizhi Information Technology Co., Ltd.	Establishment
Haining Junboshengming Trade Co., Ltd.	Establishment

Major holding companies and joint stock companies

(1) Hengyi Petrochemical Co., Ltd.

The Company directly held 99.72% equities of Zhejiang Hengyi Petrochemical Co., Ltd. (actually holding 100% equities). The registered capital of Zhejiang Hengyi Petrochemical Co., Ltd. is RMB 3 billion and the Company's business scope is production, processing sales of chemical fiber and chemical raw material (excluding hazardous articles); export and import business operation. The elasticizing ability of the Company reaches to 0.35 million tons.

(2) Zhejiang Yisheng

The Company holds 70% shares of Zhejiang Yisheng Petrochemical Co., Ltd. by Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Zhejiang Yisheng is USD 500.4248 million and the Company's business scope is as follows: production of PTA and sales of self-manufactured products. The Company has four big PTA production lines and its actual capacity reaches to 5.5 million tons/year now.

(3) Ningbo Hengyi Trading

The Company holds 70% shares of Ningbo Hengyi Trading Co., Ltd. by Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Ningbo Hengyi is RMB 20 million and the Company's business scope is as follows: Wholesale of dangerous chemicals (bills trade) (For details of the business scope, see YLAJ (2018) 0084 *Business License of Hazardous Chemicals*) (operating within the validity period of the license). Wholesale and retail of chemical materials and products; Self-support and agent goods of export or import business of technologies (excluding goods and technologies which are limited to operate by the Company or are prohibited to import/export).

(4) Yisheng Investment

The Company holds 30% shares of Dalian Yisheng Investment Co., Ltd. by Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Yisheng Investment is RMB 2.018 billion and the Company's business scope is as follows: project investment, domestic general trade, import and

export of goods, import and export of technologies and trade agency.

(5) Hainan Yisheng

The Company holds 42.5% shares of Hainan Yisheng by Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Hainan Yisheng is RMB 3.58 billion and the Company's business scope is as follows: production and sales of PTA and PTA capacity reaches to 2 million tons/year.

(6) Hengyi Polymer

The Company holds 53.43% shares of Zhejiang Hengyi Polymer Co., Ltd. by Zhejiang Hengyi Petrochemical Co., Ltd. (actually holding 60% equities). The registered capital of Hengyi Polymer is RMB 280.74 million and the Company's business scope is production, processing and sales of PET chip, POY yarn, chemical fiber material, textile fabric and clothing. Since the Company took the lead in investing the domestic melt direct spinning production line in China in May 2001, it has the polymerizing power of 0.6 million tons now.

(7) Hengyi High-Tech

The Company holds 90.67% equities of Zhejiang Hengyi High-Tech Materials Co., Ltd. by Zhejiang Hengyi Petrochemical Co., Ltd. Hengyi High-Tech's business scope is as follows: production, processing and sales of PET chip, POY yarn, FDY yarn and chemical fiber material; operating the export business of self-manufactured products and technologies of the enterprise and import business of self-use products and technologies (except for items forbidden or restricted by national laws and regulations); other legal items not requiring approval.

(8) Hengyi Caprolactam

The Company holds 50% equities of Zhejiang Baling Hengyi Caprolactam Co., Ltd. by Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Zhejiang Baling Hengyi Caprolactam is RMB 1.2 billion and the Company's business scope is as follows: Preparing to build the project of producing downstream products and chemical materials generated from caprolactam, cyclohexane, cyclohexanone, cyclohexanol, ammonium sulfate, sodium carbonate, sulfuric acid, hydrogen peroxide and other benzene hydrogenation. The CPL capacity of the Company is 0.4 million tons/year.

(9) Hong Kong Tianyi

The Company holds 100% equities of Hong Kong Tianyi International Holding Co., Ltd. by Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Hong Kong Tianyi is USD 1.5095 billion and the Company's business scope pertains to investment and trading.

(10) Hengyi Bruneian

The Company holds 70% equities of Hengyi Industries Sdn Bhd by Hong Kong Tianyi International Holding Co., Ltd. The registered capital of Hengyi Brunei is USD 1 billion and the Company's business scope is as follows: Oil refining. After completion, the Company will get the crude oil processing design capacity of 8 million tons/year with annual production capacity of main products being 1.5 million tons of PXs, 0.5 million tons of benzenes and above 5 million tons of gasoline, diesel and kerosene products.

(11) China Zheshang Bank (CZBank)

The Company holds 748,069,283 shares of CZBank by the subsidiary - Zhejiang Hengyi Petrochemical Co., Ltd. and the indirect subsidiary-Zhejiang Hengyi High-Tech Materials Co., Ltd., accounting for 3.52% of general capital of CZBank. Business scope: Operation of financial service (refer to the approval by China Banking and Insurance Regulatory Commission for the scope). The Company was officially established in 2004 and is one of 12 national joint-stock commercial banks approved by China Banking and Insurance Regulatory Commission. CZBank got listed in the main board market of The Stock Exchange of Hong Kong Ltd. on March 30, 2016 with the stock code: 02016.HK; It got listed at Shanghai Stock Exchange on Nov. 26, 2019 with stock code: 601916.SH

(12) Jiaxing Yipeng

The Company holds 100% equities of Jiaxing Yipeng Chemical Fiber Co., Ltd. The registered capital of Jiaxing Yipeng is RMB 2.5 billion and the Company is mainly engaged in production and sales of polyester filament yarn and fiber PET chips whose main products include FDY and fiber PET chip.

(13) Taicang Yifeng

The Company holds 100% equities of Taicang Yifeng Chemical Fiber Co., Ltd. The registered capital of Taicang Yifeng is RMB 771 million and the Company is mainly engaged in production and sales of polyester filament yarn and fiber PET chips whose main products include POY and

fiber PET chip. The polyester capacity of the Company is 0.25 million tons/year now.

(14) Shuangtu New Materials

The Company holds 100% equities of Zhejiang Shuangtu New Materials Co., Ltd. The registered capital of Shuangtu New Materials is RMB 600 million and the Company is mainly engaged in production and sales of polyester filament yarn and fiber PET chips whose main products include FDY, POY and fiber PET chip. The polyester capacity of the Company is 1 million tons/year now.

(15) Hangzhou Yijing

The Company holds 100% equities of Hangzhou Yijing Chemical Fiber Co., Ltd. The registered capital of Hangzhou Yijing is RMB 1 billion and the Company is mainly engaged in production, processing and sales of PET chip, polyester silk and chemical fiber materials and its products mainly include FDY, POY and DTY. The polyester capacity of the Company is 0.85 million tons/year now.

VIII. The structured entity controlled by the Company

☐Applicable ☒Not applicable

IX. Prospects for the Future Development of the Company

(I) Development Strategy

The Company proactively adapts to the economic change, reshapes the entrepreneurial passion, strictly observes two bottom lines-legal compliance and safe production, changes the development philosophy, adheres to the direction of industrial strategy (unchanged), continues to consolidate, highlight and optimize the core competitiveness of the main business, implements intelligent manufacturing and lean production, increases scientific research and innovation to improve product quality, improves the operational efficiency, makes petrochemical chemical fiber industry chain bigger and stronger, perfects "polyester+ polyamide" dual-wheel driving industry chain and deepens the "petrochemical +" multi-level and three-dimensional industrial layout of petrochemical trade, petrochemical logistics and petrochemical finance. In 2020, the Company will further consolidate and enhance petrochemical's main competitiveness, continuously optimize the "petrochemical +"

industrial layout, realize resource sharing and industrial synergy, comprehensively enhance the comprehensive competitiveness as well as strive to become one of international first-class petrochemical industry groups.

(II) Industry Development Trend

Refer to discussion and analysis about the operation in Section IV, I, Overview (I)

(III) Prospect of business thinking of the Company in 2020

1. Promote major project construction steadily and enhance the industry chain integration competitive advantage

The Company will continuously drive the construction of polyester projects of Haining New Materials and Jiaxing Yipeng, promote the differential ratio of polyester products, increase production and efficiency of polyester products, promote the construction of the PTA project of Yisheng New Materials and the further increase of the PTA market size, enhance the discourse power of the PTA market, actively carry out the preliminary work of Hengyi (Brunei) PMB Petrochemical Project Phase II to lay a solid foundation for its early completion.

Table 5 Capacity to Be Released in 2020								
S/N	Project name				Investment amount (RMB 0,000)	Product	Productivity (0,000t)	
1	Jiaxing	Yipeng	differentiated	functional	fiber	227,220	FDY	25
	promotion and renovation project							
2	Differentiated	environment-friendly	functional	fiber		636,000	POY, FDY,	100
	construction project of Haining New Materials					chip		
3	New	functional fiber	project of Fujian Yijin		158,770	FDY and	35	
						chip		
4	Project with annual output of more than 0.5 million tons				83,600	Bottle	50	
	of multi-functional new material of Hainan Yisheng					flakes		
Total								210

Remarks: The first production line (Line G) (capacity: 0.25 million tons/year) and related auxiliary projects of the differentiated environment-friendly functional fiber construction project of Haining New Materials went into operation on Feb. 23, 2020.

2. Do a good job in production and management of all products in the industry chain and promote continuous improvement of efficiency

2020 is the first year of formal operation of Hengyi (Brunei) PMB Petrochemical Project. The general requirements are affordable operation, stable development and long-term profitability. The Company shall always put safety and environmental protection at the first place of refinery operations, continue to maintain good HSE performance and further improve and optimize plant-wide processing process as per actual operating characteristics of all units. Adhering to the principle of "market-oriented, benefit-based and production-first", the Company shall manage to control the whole process from raw materials entering the factory, product production, coordination and transferring to marketing and timely solve the contradiction among production, transport and marketing to ensure smooth execution of the production and marketing plan.

In the meanwhile, the polyester industry is in the critical period of supply-side structural reform as well as transformation and upgrading. With the further deepening of the combination between big data application and industrial production, the role of high-end technology in promoting the future development of the industry is further highlighted. The Company upholds the concept of transformation from "manufacturing" to "intelligent manufacturing", always regards enhancing the competitiveness of the industry as the core, resolutely implements the strategic plan, actively implements development and upgrading of the polyester industry, adheres to the leading cost and quality strategy, strengthens management and improves product quality by lean production, confirms market positioning and product structure, plans marketing cycle and customer introduction and expansion strategy, increases the number of quality-oriented customers, lay the role of market leader.

3. Focus on R&D innovation and promote the transformation of results

In 2020, the Company will continuously give play to the spirit of independent innovation of the enterprise R&D center, promote the construction of Haining research and development base, improve R&D "hard" conditions, focus on process simulation package development, catalyst and process optimization, energy consumption reduction of related polyester products and material consumption production process development, enhance "soft" power of technology, constantly

adjust the product structure, increase profitable product categories and product profitability, improve the polyester quality, create high-performance polyester materials, promote the contributions of green chemistry and differential polymer advanced polymer material R&D to the Company, give play to the function of linkage with universities and scientific research institutions and advantages and characteristics, participate in basic research by a variety of forms and channels, carry out scientific and technological collaboration on the front end, push application implementation on the back end, create a flexible mechanism with strong R&D power, high conversion efficiency and smooth management operation, continuously generate new results and promote the transformation of results with positive impact on back-end innovation, build the multi-agent collaborative innovation ecology of technology innovation, application demonstration, talent cultivation, mode innovation and business integration, become a subsidiary with a batch of core products and core team, ensure the synergy between R&D personnel and corporate benefit is created by stock ownership incentive, aim at the world's technological frontiers, gather global innovation resources, cultivate high-end innovation achievements and build the world-class research and development base for refining-chemical integration key generic technology and high-end chemical products based on the industrial layout.

4. Take industrial intelligence as the core and promote the full implementation of digital factories

In 2020, the Company will accelerate the construction of two intelligent factory projects of Haining New Materials and Jiaxing Yipeng based on digitization and intellectualization as the core, continuously deepen the integration of information and communication technology with chemical fiber production and intelligent manufacturing, realize the digital transformation and development of traditional industries, promote the value mining of big data in production and operation, observe production, supply and sales integration data standards, plan and construct the business data analysis decision support platform, achieve real-time and fast access to management data, promote the MES project of Haining digital factory to fully go live, realize the whole process automation of the first DTY production line with the system covering the product going to AGV transshipment external inspection area from automatic doffing, reaching to the temporary warehouse of yarn box

after passing the inspection and invoked to the automatic packaging line for final packaging of the product after information confirmation in the temporary warehouse as well as the finished bag entering the stereoscopic storehouse for storage after interactive confirmation of information and sold by intelligent stereoscopic storehouse for the sake of data docking and intelligent operation of production line and logistics supporting facilities, promote upgrading and efficiency enhance for the whole process intelligent manufacturing of the chemical fiber factory and ensure the Company's digital factory and intelligent manufacturing level rise a higher level.

The whole process logistics system carries out real-time acquisition of such information as environment, energy and equipment in the production process by smart sensing technology and Internet of things (NB-IoT) all over the factory, realizes interconnection and integration of people, machines and equipment, optimizes process and quality and creates the lean collaborative manufacturing process of the smart factory.

5. Perfect the corporate governance and improve the organization efficiency

In 2020, the Company will seize the opportunity of Board of Directors and Supervisory Committee changing to increase the intensity of organizational change, stimulate the vitality of organization and mechanism, carry forward the guiding spirit of arduously starting a business, mobilize the staff's work enthusiasm and creativity furthest and encourage employees to actively contribute to the Company, continuously carry out management structure and management system upgrade based on business development and operation management needs, actively build a young, professional and international elite team for the sake of adapting to changes, adjustments and uncertainties in the international situation, as well as enhance the strength of performance appraisal, retain innovative talents and realize the promotion of enterprise value and employee value by innovating various incentive mechanisms.

(IV) Risks and countermeasures

1. Macroeconomic risks

The Company is engaged in production and sales of petrochemical and polyester fiber products. The petrochemical and polyester chemical fiber industry is closely related to the development of the world economy and China's economy and an industry closely related to the national economy and

people's livelihood whose product price and sales are influenced by macroeconomic fluctuations and changes in supply and demand. With the acceleration of economic globalization and integration, national macro-control and the cyclical fluctuation of the world economy will affect the development of the industry. If the global growth slows or declines, the Company's business, business performance and financial condition and demand will be directly influenced.

2. Safe and environmental production risks

With the enhancement of environmental awareness and the government's environmental protection requirements becoming stricter, the Company strictly implements related laws and regulations (such as *Law on Safety in Production of the People's Republic of China* and *Environmental Protection Law of the People's Republic of China*), has been committed to safe and environmentally friendly production and earnestly fulfill its social responsibilities. There is no safe and environmental production events with significant impact since the production subject operated. With the expansion of the Company's production scale and the extension of the industry chain, how to prevent the occurrence of environmental accidents becomes the core of the Company's operation and management.

To reduce the safe and environmental production risks in the industry, the Company further implements the responsibility system for safe and environmentally friendly production by strengthening the building of institutions and institutional systems, works hard to establish a dual preventive working mechanism for hierarchical security risk control and hidden danger detection and control, enhances the safety training, increases safety investment, implements the strategy of promoting security through science and technology, promptly removes hidden dangers of safety and environmental protection and rules out all possibilities of major accidents.

3. Risks of large fluctuations in the price of crude oil

The Company is the leading enterprise of refining-chemical fiber in China and 80% cost composition of the industry chain where it is determined by upstream raw materials, while the fluctuation in the price of crude oil will result in fluctuations in prices of all products in the industry chain, aggravating the uncertainty of raw material cost and causing the increase in associated sales risk and the fluctuation of enterprise benefit. In 2020, the Company will continuously optimize the

inventory strategy, lower the adverse impact of the price fluctuation of products in the industry chain caused by the fluctuation of crude oil price on the enterprise's operation.

X. Reception Research, Communication, Interviews and Other Activities

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

Reception time	Reception mode	Reception object type	Index of basic situation of research
Feb. 19, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Feb. 19, 2019
Feb. 26, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Feb. 26, 2019
Mar. 5, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Mar. 5, 2019
Mar. 11, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Mar. 11, 2019
Mar. 12, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Mar. 12, 2019
Mar. 13, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Mar. 13, 2019
Apr. 23, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Apr. 23, 2019
Apr. 24, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Apr. 24, 2019

Reception time	Reception mode	Reception object type	Index of basic situation of research
Jun. 12, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Jun. 12, 2019
Aug. 23, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Aug. 23, 2019
Aug. 29, 2019	Telephone communication	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Aug. 29, 2019
Sep. 3, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Sep. 3, 2019
Sep. 6, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Sep. 6, 2019
Sep. 24, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Sep. 24, 2019
Oct. 18, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Oct. 18, 2019
Oct. 24, 2019	Field survey	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Oct. 24, 2019
Nov. 5, 2019	Telephone communication	Institution	Refer to Record Chart of Shenzhen Stock Exchange Irm.cninfo.com.cn Hengyi Petrochemical Investor Relation Activities on Nov. 5, 2019
Reception number			17
Reception number of institutions			336
Reception number of individuals			2
Reception number of others			0
Whether to publish, reveal or divulge undisclosed and important information			No

Section V Significant Events

I. Profit Distribution of Common Stocks and Increased Share Capital by Transferring of Capital Reserves

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

The Company specifies partial clauses regarding profit distribution decision process and profit distribution policy in the *Articles of Association* according to provisions and regulations of such documents as *Notice about Further Implementing Related Matters of the Listed Company's Cash Dividend* (ZJF[2012] No. 37) of China Securities Regulatory Commission (CSRC) and *Notice about Strengthening the Consciousness of Return To Shareholders and Improving the Bonus Mechanism* (GZJF [2012] No. 23) of China Insurance Regulatory Commission Guangxi Bureau and actual situation of the Company. In addition, the Company also formulates *The Shareholder Return Planning in the Next Three Years (2018-2020)* to better protect the reasonable return of all shareholders, further refine the terms regarding the profit distribution policy in the *Articles of Association*, increases transparency and operability of dividend distribution decisions and establishes planning and mechanism for continuous, steady and scientific returns to investors so as to ensure continuity and stability of the profit distribution policy. With the reporting period, the Company strictly observed the above profit distribution policy.

Pursuant to the 2018 annual profit distribution scheme deliberated and passed at the shareholders' meeting held by the Company on May 9, 2019, the Company distributed the cash dividend of RMB 3.00 per 10 shares (tax-inclusive) to all the shareholders without bonus share or capital accumulation fund converted to share capital based on the current general capital 2,841,725,474 shares. The Company published the *Notice about the Distribution of Annual Rights and Interests of Hengyi Petrochemical Co., Ltd. in 2018* and completed implementation on Jun. 11, 2019.

Special Notes on Cash Dividend Policies	
Whether they comply with the requirements of the Company's articles of incorporation or the resolutions of the General Meeting of Shareholders:	Yes
Whether the dividend standards and proportions are distinct and clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors performed their duties and played their due role:	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected:	Yes
Whether relevant conditions and procedures are compliant and transparent when the cash dividend policies are being adjusted or changed:	Not applicable

The Company's common stock dividends distribution plan (preplan) and capital reserve capitalization plan (preplan) in the past three years (including this reporting period)

1. The plan for profit distribution of the Company in 2017 is: Based on the general capital of the Company of 1,648,424,362 shares up to Dec. 31, 2017, the cash dividend of RMB 2 per 10 shares (tax-inclusive) was distributed without bonus share and the capital accumulation fund was converted to share capital (4 shares converted per 10 shares for all shareholders) at the same time.

2. The plan for profit distribution of the Company in 2018 is: Based on the general capital of the Company of 2,841,725,474 shares up to Apr. 17, 2019, the cash dividend of RMB 3 per 10 shares (tax-inclusive) was distributed without bonus share or capital accumulation fund was converted to share capital.

3. The plan for profit distribution of the Company in 2019 is: Based on the general capital of the Company of 2,841,725,474 shares up to Dec. 31, 2019, the cash dividend of RMB 4 per 10 shares (tax-inclusive) was distributed without bonus share and the capital accumulation fund was converted to share capital (3 shares converted per 10 shares for all shareholders) at the same time.

The Company's cash dividends for common stocks in the past three years (including the reporting period)

Unit: RMB

Bonus Year	Cash dividends amount (tax-inclusive)	Net profit attributable to common	The ratio of cash dividend amount in the net profit of the	Cash dividend amount	The proportion of cash dividend amount by other methods in
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		shareholders of the listed company in the consolidated statements of dividend year	common shareholder of the listed company in the consolidated statements	by other methods	the net profit of the common shareholder of the listed company in the consolidated statements
2019	1,136,690,189.60	3,201,348,425.33	35.51%	0.00	0.00%
2018	852,517,642.20	1,872,494,729.34	45.53%	0.00	0.00%
2017	329,684,872.40	1,685,306,459.49	19.56%	0.00	0.00%

Profitable and positive profits, which are distributed to the common shareholder of the parent company, but without common share cash dividend distribution plan within the reporting period

☐Applicable ☒Not applicable

II. Profit Distribution and Capital Reserve Converted to Share Capital in the Reporting Period

Number of bonus shares per 10 shares (shares)	0
Number of dividend payout per 10 stocks (RMB) (tax-inclusive)	4
Number of capitalized shares per 10 shares (shares)	3
Equity base in the distribution preplan (shares)	2,841,725,474
The amount of cash dividends (RMB) (including tax)	1,136,690,189.60
Amount of cash bonus in other way (such as share repurchase) (RMB)	0.00
Total cash dividend (including other way) (RMB)	1,136,690,189.60
Distributive profits (RMB)	1,141,978,902.36
The ratio of the total amount of cash dividends (including in other ways) to the total amount of profit distribution	100%
Latest cash dividend	
When the Company distributes profits during its growth period of development stage with arrangement for major capital expenditures, the minimum proportion of cash dividend in such profit distribution shall reach 20%;	
Details of the preplans on profit distribution or capitalization of capital reserves	

On the basis of attaching importance to the principle of reasonable return on investment for investors and sustainable development of the Company, the Company intended to distribute 0 bonus per 10 shares (tax-inclusive) to all the shareholders and the cash dividend of RMB 4.00 per 10 shares (tax-inclusive) based on the current general capital of the Company of 2,841,725,474 shares and the total distributed profit reached to RMB 1,136,690,189.60. Simultaneously use accumulation fund to increase share capital and increase 3 shares by transferring per 10 shares to all shareholders. The remaining undistributed profit was carried forward next year for distribution (the scheme needed to be approved at the 2019 annual shareholders' meeting of the Company).

III. Performance of Commitments

1. Commitments made by the Company's controlling shareholders, shareholders, related parties, purchasers and purchasing companies and have been fulfilled during the reporting period and those that have not been fulfilled by the end of the reporting period.

Commitments	Party making commitments	Commitment type	Content	Time	Term	Performance
Commitments as specified in the acquisition report or right changes report.	Hengyi Group and its actual controller of the Company-Qiu Jianlin	Commitment to independent operations	Promise to ensure the independence of Hengyi Group and its actual controller's affiliated enterprise as well as Company in terms of personnel, assets, finance, organization and business	Apr. 29, 2010	Long effective	No breach of promise happens to Hengyi Group and its actual controller- Qiu Jianlin so far.
		Commitment on horizontal competition	Promise not to conduct horizontal competition with the Company.			
		Commitment on related transaction	Promises to standardize the related transaction with the Company.			
		Commitment about occupation of funds	Promise not to occupy the Company's funds.			
	Hengyi Group and other parties	Other commitments	Promise that the equity adjustment of Zhejiang Yisheng and Yisheng Investment won't increase actual or potential tax burden to Hengyi Petrochemical or related subsidiaries. In the premise that this major assets restructuring is completed, the restructuring party will promise that it will timely and fully compensate any loss incurred to the Company for this reason in cash if Hengyi Petrochemical or its holding subsidiary is required to pay taxes in arrears or undergoes tax payment pursuing by the tax authority as a	Apr. 29, 2010	Long effective	The commitment is continuously effective and still being fulfilled. No breach of the

Commitments	Party making commitments	Commitment type	Content	Time	Term	Performance
			result of the above equity adjustment due to national tax policy adjustment or other reason.			promise occurs to Hengyi Group so far.
Commitments during the assets reorganization	Fulida Group; Xinghui Chemical Fiber; Hengyi Group	Other commitments	Hengyi Group, Fulida Group and Xinghui Chemical Fiber don't set the encumbrance in any form (such as pledge) against new shares obtained by the reorganization which are held by them and in the stock lockup period.	Dec. 28, 2018	Dec. 28, 2021	The commitment is continuously effect and still being fulfilled.
	Fulida Group; Xinghui Chemical Fiber	Commitment for restricted sales of stock	(1) As of the registration date of new shares, such shares shall be locked. After 12 months as of the registration date of new shares and the number of redeemable shares in the first year during the profit compensation period specified in the <i>Profit Forecast Compensation Agreement</i> (whichever is later), the restriction on sales of the rest after the redeemable shares for the sake of performing the obligation of profit compensation in line with the profit forecast compensation agreement are deducted from new shares (33.33%) partially can be cancelled. (2) As of the registration date of new shares, after 24 months and the number of redeemable shares in the first year during the profit compensation period specified in the Profit Forecast Compensation Agreement (whichever is later), the restriction on sales of the rest after the redeemable shares for the sake of performing the obligation of profit compensation in line with the profit forecast compensation agreement are deducted from new shares (33.33%) partially can be cancelled. (3) After 36 months as of the registration date of new shares and the number of redeemable shares (including redeemable share after impairment test) in the third year during the profit compensation period stipulated in the <i>Profit Forecast Compensation Agreement</i> , the restriction on sales of the rest after the redeemable shares for the sake of performing the profit compensation	Dec. 28, 2018	Dec. 28, 2021	The commitment is continuously effect and still being fulfilled.

Commitments	Party making commitments	Commitment type	Content	Time	Term	Performance
			obligation (including profit compensation obligation based on impairment test) as per the <i>Profit Forecast Compensation Agreement</i> are deducted from such new shares can be cancelled.			
	Hengyi Group	Commitment for restricted sales of stock	Within 36 months as of the date when new shares got listed and before the compensation obligation set forth in the <i>Profit Forecast Compensation Agreement</i> with respect to issue of shares to purchase assets this time signed and between the Company and the listed company is performed (whichever is later), shares of the listed company obtained by the asset purchase transaction won't be transferred.	Dec. 28, 2018	Dec. 28, 2021	The commitment is continuously effect and still being fulfilled.
Other commitments which are made for the minority shareholders.	Hainan Hengshengyuan International Tourism Development Co., Ltd.	Commitment on horizontal competition	The commitment won't incur the horizontal competition with production and sales of polyester fiber product which is one of main business of the listed company. Supplementary commitment: As of the date when the transfer transaction of 100% equities of Shanghai Hengyi Polyester Fiber Co., Ltd. was approved at the 4 th extraordinary shareholders' meeting of the Company in 2016, Shanghai Hengyi Polyester Fiber Co., Ltd. permanently shut down existing production facilities and would not participate or newly increase any field likely causing the horizontal competition with the business of the Company. At the same time, Shanghai Hengyi Polyester Fiber Co., Ltd. conducted division of its current assets to thoroughly solve such potential horizontal competition.	Mar. 21, 2016	Long effective	Hainan Hengshengyuan International Tourism Development Co., Ltd. hasn't violated the commitment so far.
Whether the commitment is fulfilled on time				Yes		
In case of failing to complete performance of the promise and exceeding the time limit, specify detailed reason for uncompleted performance and next work plan.				Not applicable		

2. The Company will make explanation for the capitals or the original profit forecast and main reasons when the Company's capitals or projects are promising to make profits and the Company is still in the profit predication period within the reporting period.

Name of profit forecast assets or projects	Forecast start time	Forecast end time	Forecasted performance in current period (RMB 0,000)	Actual performance in current period (RMB 0,000)	Causes for failing to reach the forecast (if applicable)	Disclosure date of original forecast	Disclosure index of original forecast
Jiaxing Yipeng and Taicang Yifeng	In 2018	In 2020	25,600	21,227.56	Market fluctuation	Nov. 28, 2018	<i>Report about Issuing Shares To Buy Assets and Raising Supporting Funds as Well as Related Transaction</i>
Shuangtu New Materials	In 2018	In 2020	22,500	24,816.76	Not applicable	Nov. 28, 2018	<i>Report about Issuing Shares To Buy Assets and Raising Supporting Funds as Well as Related Transaction</i>

Commitment of business performance made by the Company's shareholder and counterparty in the Annual Report

Zhejiang Hengyi Group Co., Ltd. promised the net profit achieved by Jiaxing Yipeng Chemical Fiber Co., Ltd. and Taicang Yifeng Chemical Fiber Co., Ltd. in 2019 wasn't less than RMB 256 million.

Fulida Group Holding Co., Ltd. and Xinghui Chemical Fiber Group Co., Ltd. promised that the net profit achieved by Zhejiang Shuangtu New Materials Co., Ltd. in 2019 wasn't less than RMB 225 million.

Completion of performance commitments and corresponding impact on goodwill impairment test

Zhongxinghua Certified Public Accountants LLP (special general partnership) hired by the Company audited the 2019 annual financial statements of Jiaxing Yipeng and Taicang Yifeng and issued a standard audit report without qualified audit opinion. Upon audit, the net profit achieved by Jiaxing Yipeng and Taicang Yifeng belonging to the parent company after deduction of the

non-recurring profit and loss in 2019 was RMB 212.2756 million and the cumulative completion rate was 91.27% in comparison to the counterparty's performance promise of RMB 256 million. The performance promise of Jiaxing Yipeng and Taicang Yifeng in 2019 wasn't achieved.

Zhongxinghua Certified Public Accountants LLP (special general partnership) hired by the Company audited the 2019 annual financial statements of Shuangtu New Materials and issued a standard audit report without qualified audit opinion. Upon audit, the net profit achieved by Shuangtu New Materials belonging to the parent company after deduction of the non-recurring profit and loss in 2019 was RMB 248.1676 million and the cumulative completion rate was 107.11% in comparison to the counterparty's performance promise of RMB 225 million. 2019 performance commitment of Shuangtu New Materials has been achieved Shuangtu New Materials has achieved the performance commitment without goodwill impairment risk.

IV. Non-operational Capital Occupation over Listed Companies by Controlling Shareholders and Their Related Parties

During the reporting period, there is no non-operational capital occupation over listed companies by controlling shareholders and their related parties.

V. Instructions by Board of Directors, Supervisory Committee and Independent Directors (If Any) on the Reporting Period of "Non-standard Audit Report" of the Accounting Firm

☐Applicable ☒Not applicable

VI. Compared with the Previous Annual Financial Statements, Information Note of Changes in Accounting Policies, Accounting Estimate and Accounting Methods

(1) Changes in accounting policies

① Changes of accounting policies caused by changes of Accounting Standards for Business Enterprises.

The Company prepares the 2019 Financial Statement according to the requirements of *Notice about Revising as Well as Printing and Distributing the General Corporate Financial Statement format in 2019* (CK [2019] No. 6) and *Notice about Revising as Well as Printing and Distributing*

the Consolidated Financial Statement format (Version 2019) (CK [2019] No. 16) from Ministry of Finance as well as Accounting Standards for Business Enterprises. The changes in accounting policies are subject to retroactive adjustment approach. Report items and amounts that are significantly affected by the 2018 annual financial statement are as follows:

Item	Dec. 31, 2018	Adjusted amount	Jan. 1, 2019
Trading financial assets	-	122,942,670.65	122,942,670.65
Financial assets measured at the fair value with changes included in current profits and losses	122,942,670.65	-122,942,670.65	-
Notes receivable	1,108,003,333.37	-797,769,753.05	310,233,580.32
Receivables financing	-	797,769,753.05	797,769,753.05
Other receivables	142,929,096.70	-1,023,458.33	141,905,638.37
Other current assets	1,413,726,875.69	1,023,458.33	1,414,750,334.02
Short-term loans	13,764,549,525.01	16,453,280.00	13,781,002,805.01
Trading financial liabilities	-	10,209,921.02	10,209,921.02
Financial liabilities measured at the fair value with changes included in current profits and losses	10,209,921.02	-10,209,921.02	-
Other payables	1,393,820,568.22	-172,213,284.55	1,221,607,283.67
Non-current liabilities due within one year	1,124,470,001.10	155,760,004.55	1,280,230,005.65

The use of CK [2019] No. 6 and CK [2019] No. 16 didn't affect 2018 consolidated income statement, consolidated statement of cash flow as well as parent company's balance sheet, Profit Statement and cash flow statement.

② Change of accounting policy incurred in the implementation of New Financial Instrument Standards

The Ministry of Finance issued *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017)* (CK [2017] No. 7), *Accounting Standards for Business Enterprises No. 23-- Transfer of Financial Assets (Revised in 2017)* (CK [2017] No. 8) and *Accounting Standards for Business Enterprises No. 24-- Hedge Accounting (Revised in 2017)* (CK [2017] No. 9) on Mar. 31, 2017, and issued the *Accounting Standards for Business Enterprises No. 37-- Reporting of Financial Instruments (Revised in 2017)* (CK [2017] No. 14) (the above provisions are hereinafter referred to as "New Financial Instrument

Standards" collectively) on May 2, 2017, and require enterprises listed in China should implement the New Financial Instrument Standards from Jan. 1, 2019.

The Company started to execute the above new financial instrument guidelines from Jan. 1, 2019 as per the resolution passed at the 23rd meeting of the 10th Board of Directors of the Company on Jan. 23, 2019.

All financial assets confirmed pursuant to New Financial Instrument Standards shall be measured as per the amortized cost or fair value subsequently. On the execution date of New Financial Instrument Standards, the business model of financial assets is evaluated and managed on the basis of existing fact and condition of the Company on that day and the contractual cash flow characteristics of the financial assets are evaluated on the basis of the fact and condition upon the initial recognition of financial assets. The financial assets are divided into three categories: The financial assets measured as per the amortized costs, measured as per the fair value with the change included in other comprehensive incomes, measured as per the fair value with the change included in the current profits and losses. Wherein, for the equity instrument investment measured as per the fair value with change included in other comprehensive incomes, when such financial assets carry out the derecognition, the accumulative gains or losses included in other comprehensive incomes previously will be transferred to the retained earnings from other comprehensive incomes and aren't included in the current profits and losses.

Pursuant to New Financial Instrument Standards, the Company, on the basis of expected credit loss, calculates and withdraws the impairment reserve of the financial assets measured at the amortized cost, the debt instrument investment measured at fair value with change included in other comprehensive incomes, the lease receivables, contract assets and financial guarantee contract, and confirms the credit impairment loss.

The Company prepares the comparative statement pursuant to the provisions of new financial instrument guidelines and uses the retroactive adjustment approach to adjust the presentation of related financial statements. Consolidated balance sheet items influenced and main changes and effects are as follows:

Item	Dec. 31, 2018	Adjusted amount	Jan. 1, 2019
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Trading financial assets	-	122,942,670.65	122,942,670.65
Financial assets measured at the fair value with changes included in current profits and losses	122,942,670.65	-122,942,670.65	-
Notes receivable	1,108,003,333.37	-797,769,753.05	310,233,580.32
Receivables financing	-	797,769,753.05	797,769,753.05
Trading financial liabilities	-	10,209,921.02	10,209,921.02
Financial liabilities measured at the fair value with changes included in current profits and losses	10,209,921.02	-10,209,921.02	-

The Company carried out endorsement or discount of partial bank acceptance bills, namely taking collecting contract cash flow and selling financial assets as the target in the daily fund management, thus the Company reclassified the bank acceptance bill of RMB 750,331,196.48 as financial assets calculated with fair value whose change was included into other comprehensive incomes on Jan. 1, 2019 which was presented as receivables financing. At the time point of reclassification, fair value and original book value of above-mentioned bank acceptance bill and trade acceptance were free from significant variance.

On Jan. 1, 2019, financial asset or financial liability of the Company wasn't specified as financial asset or financial liability calculated as per fair value whose change was included into current profits and losses and the previous appointment wasn't cancelled.

A. Correlation Table for Classification and Calculation of Financial Assets before and after the First Exercise Date

a. Effects on the Consolidated Financial Statement

Dec. 31, 2018 (before change)			Jan. 1, 2019 (after change)		
Item	Category	Book value	Item	Category	Book value
Monetary capital	Amortized cost	9,052,390,527.76	Monetary capital	Amortized cost	9,052,390,527.76
Financial assets measured at the fair value with changes included in current profits and losses	Measured at fair value and included in current profits and losses	122,942,670.65	Trading financial assets	Measured at fair value and included in current profits and losses	122,942,670.65

			Notes receivable	Amortized cost	310,233,580.32
Notes receivable	Amortized cost	1,108,003,333.37	Receivables financing	Measured at fair value with change included in other comprehensive incomes	797,769,753.05
Accounts receivable	Amortized cost	1,378,211,622.25	Accounts receivable	Amortized cost	1,378,211,622.25
Other receivables	Amortized cost	142,929,096.70	Other receivables	Amortized cost	141,905,638.37
Long-term receivables	Amortized cost	159,437,743.33	Long-term receivables	Amortized cost	159,437,743.33

b. No influence on the parent company's statement.

B. On the first execution date, the book value of the original financial asset is adjusted to the adjustment table of the book value of the new financial asset classified and measured according to the new financial instrument standards

a. Effects on the consolidated statement

Item	Dec. 31, 2018 (Before change)	Reclassification	Re-meas urement	Jan. 1, 2019 (After change)
Amortized cost				
Notes receivable	1,108,003,333.37			
Minus: Transfer-out to the receivables financing		797,769,753.05		
Re-measurement: Expected credit impairment provisions			0.00	
Balance by new financial instrument standard				310,233,580.32
Measured at the fair value with changes included in current profits and losses				
Financial assets measured at the fair value with changes included in current profits and losses (original criterion)	122,942,670.65			
Minus: Transfer into trading financial assets		122,942,670.65		

Balance by new financial instrument standard				0.00
Trading financial assets	—			
Plus: Financial assets measured at fair value and whose changes are included in the current profits and losses (original standards)		122,942,670.65		
Balance by new financial instrument standard				122,942,670.65
Measured at fair value with change included in other comprehensive incomes:				
Receivables financing	—			
Transfer-in from notes receivable		797,769,753.05		
Re-measurement: Re-measured as per fair value			0.00	
Re-measurement: Expected credit impairment provisions			0.00	
Balance by new financial instrument standard				797,769,753.05

b. No influence on the parent company's statement.

C. Execution of the new financial instrument guidelines has no major impact on confirmation and calculation of loss provisions of the Company on Dec. 31, 2018.

(2) Changes of accounting estimates

There is no change matter in accounting estimates of the Company in current reporting period.

VII. Explanations on the Retroactive Restatement of Any Significant Accounting Errors during the Reporting Period

During the reporting period, there are no significant accounting error corrections that need to be retrospectively restated.

VIII. Changes in the Scope of Consolidated Financial Statements Compared with the Previous Year's Financial Report

34 subsidiaries of the Company were included into the consolidation scope in 2019. See Note IX "Equity in Other Entities" in the Section XII Financial Report for the details. The number of

subsidiaries of the Company included into the consolidation scope increases by 5 this year in comparison to last year. See Note VII "Changes in Consolidation Scope" in Section XII Financial Report for details.

IX. Appointment and Dismissal of the Accounting Firm

Currently appointed accounting firms

Name of the domestic accounting firm	Zhongxinghua Certified Public Accountants LLP (special general partnership)
Remuneration to domestic accounting firm (RMB 0,000)	300
Continuous years of audit service by domestic accounting firm	1
Certified public accountant name of domestic accounting firm	Liu Hongyue and Wang Guohai
Continuous years of audit service of certified public accountant in domestic accounting firm	1
Name of overseas accounting firm (if any)	No
Overseas accounting firm remuneration (RMB 0,000) (if any)	0
Continuous years of overseas accounting firm audit service (if any)	No
Certified public accountant name of overseas accounting firm (if any)	No
Continuous years of audit service of certified public accountant in overseas accounting firm (if any)	No

Whether to reappoint accounting firms for current period

☒ Yes ☐ No

Whether the accounting firm is changed during the audit period

☒ Yes ☐ No

Whether the accounting firm is changed according to the approval procedure

☒ Yes ☐ No

Detailed description about replacement and change of the accounting firm

The Company changed the accounting firm in 2019 upon careful screening, adjustment and consideration in line with the business and future development audit needs. The Company carried out communication about changing the accounting firm with Ruihua Certified Public Accounts

(special general partnership) in advance and Ruihua Certified Public Accounts (special general partnership) knew such change and confirmed it had no objection. Upon proposal by the audit committee of Board of Directors, the Company hired Zhongxinghua Certified Public Accountants LLP (special general partnership) as 2019 financial report audit institution and internal control audit institution of the Company with employment term of one year and remuneration being RMB 3 million and RMB 0.55 million, respectively.

The above proposal was deliberated and passed at the 37th meeting of the 10th Board of Directors of the Company on Mar. 6, 2020 and approved at the 2nd extraordinary shareholders' meeting of the Company in 2020 on Mar. 23, 2020.

Situation of employing internal control audit accounting firm, financial adviser or sponsor

Within the reporting period, the Company hired Zhongxinghua Certified Public Accountants LLP (special general partnership) as internal control audit institution and the internal control audit fee was RMB 0.55 million which hadn't been paid.

Within the reporting period, the Company hired CITIC Securities Co., Ltd. as independent financial adviser and principal underwriter of the project for the sake of issuing shares to purchase assets and raising supporting funds and paid RMB 34.575 million.

Within the reporting period, the Company hired CITIC Securities Co., Ltd. as sponsor institution and principal underwriter for the sake of public issue of convertible corporate bonds and hadn't made payment.

X. Suspension of Listing and Termination of Listing after Disclosure of the Annual Report

☐Applicable ☒Not applicable

XI. Bankruptcy and restructuring

No such case as bankruptcy and reorganization related event during the reporting period.

XII. Significant Lawsuits and Arbitrations

Basic situation of lawsuit (arbitration)	Amount involving in the case (RMB 0,000)	Whether estimated liabilities are formed	Lawsuit (arbitration) progress	Trial result and influence of lawsuit (arbitration) hearing result	Execution situation of judgment on lawsuit (arbitration)	Disclosure date	Disclosure index
On Nov. 18, 2014, the issuer's holding subsidiary- Zhejiang Hengyi Polymer Co., Ltd. (the first plaintiff) and Zhejiang Hengyi Petrochemical Co., Ltd. (the second plaintiff) filed a lawsuit to People's Court of Hangzhou Xiaoshan District, prosecuted Zhejiang Thermal Power Construction Company (renamed as China Energy Engineering Group Zhejiang Thermal Power Construction Co., Ltd. on Dec. 23, 2014, the first defendant) and its sub-contractor-Nantong Bincheng Power Transmission and Distribution Engineering Co., Ltd. (the second defendant) caused equipment damage, product obsolescence and loss of resuming production due to production halts arising from major accidents in the	RMB 44.8176 million and interests during the related period	No	The lawsuit was settled by conciliation at the moment of retrial	Polymer Company shall refund the compensation of RMB 1 million and RMB 6015094.68 interests (including double interest during the period of delayed performance) (RMB 7015094.68 in total) to China Energy Engineering Group Zhejiang Thermal Power	1. According to Hangzhou Intermediate People's Court (2018) Z 01 MZ No. 4147 civil judgment, People's Court of Hangzhou Xiaoshan District deducted the executive payment of RMB 35,345,780.5 (including compensation of RMB 29,228,259.82, interest of RMB 5,892,335.99, debt interest of RMB 122,758.69 during the period of delayed performance and execution fees of RMB 102,426) from the bank account of China	Mar. 28, 2015	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1200755595&announcementTime=2015-03-28

construction process and required them to compensate total amount of various losses (RMB 44.8176 million) and interests during the related period of the first plaintiff and the second plaintiff.				Construction Co., Ltd. within 2 weeks after the reconciliation agreement took effect.	Energy Engineering Group Zhejiang Thermal Power Construction Co., Ltd. on Mar. 8, 2019.		
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XIII. Penalties and Rectification

No such case as penalty and rectification during the reporting period.

XIV. Integrity of the Company, Its Controlling Shareholder and Actual Controller

Within the reporting period, the Company and its controlling shareholders and actual controllers did not have circumstances in which they are failing to perform the effective judgment and failure to paying off large amount of debt at expiration, etc.

XV. Implementation of the Company's Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentive Measures

1. Progress of the first equity incentive plan of the Company

S/N	Date	Announcement title	Indexes
1	Aug. 30, 2019	<i>Announcement about Unlocking Condition Achievements in the 4th Unlocking Period of the First Restricted Stock Incentive Plan</i> (announcement number: 2019-103)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206730447&announcementTime=2019-08-30
2	Sep. 4,	<i>Suggestive Announcement about Cancelling the Restricted</i>	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206730447&announcementTime=2019-08-30

	2019	<i>Sale on the Market Circulation of Restricted Stocks in the 4th Unlocking Period of the First Restricted Stock Incentive Plan</i> (announcement number: 2019-109)	ckCode=000703&announcementId=1206884536&announcementTime=2019-09-04
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2. Progress of the second equity incentive plan of the Company

S/N	Date	Announcement title	Indexes
1	Jun. 19, 2019	<i>Announcement about Unlocking Condition Achievements in the 2nd Unlocking Period of the Second Restricted Stock Incentive Plan</i> (announcement number: 2019-082)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206365289&announcementTime=2019-06-19
2	Jun. 26, 2019	<i>Suggestive Announcement about Cancelling the Restricted Sale on the Market Circulation of Restricted Stocks in the 2nd Unlocking Period of the Second Restricted Stock Incentive Plan</i> (announcement number: 2019-087)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206395743&announcementTime=2019-06-26

3. Progress of the 3rd employee stock ownership plan of the Company

S/N	Date	Announcement title	Indexes
1	Nov. 2, 2019	<i>Suggestive Announcement about the Expiration of the Lockup Period of the 3rd Employee Stock Ownership Plan</i> (announcement number: 2019-128)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1207060242&announcementTime=2019-11-02

XVI. Significant Related Transactions

1. Related transaction relating to daily operations

Parties of related transaction	Association relationship	Type of related transaction	Contents of related transaction	Pricing principle of related transaction	Price of related transaction	Amount of related transaction (RMB 0,000)	Proportion accounting for the similar transaction amount	Approved transaction amount (RMB 0,000)	Whether it has exceeded the approved amount.	Settlement method of related transaction	Similar transaction market price possibly obtained
Yisheng Dahua	Associates	Purchase goods	PTA	Market price	Market price	374,336	14.97%	450,000	No	Bill/ready money	Market price
		Sell goods	PX	Market price	Market price	0	0.00%	25,000	No	Bill/ready money	Market price
Hainan Yisheng	Associates	Purchase goods	PTA	Market price	Market price	70,608	2.82%	120,000	No	Bill/ready money	Market price
		Sell goods	MEG	Market price	Market price	0	0.00%	15,000	No	Bill/ready money	Market price
		Sell goods	PX	Market price	Market price	16,724	6.87%	25,000	No	Bill/ready money	Market price
		Provide labor service	Cargo transportation	Market price	Market price	5,827	21.82%	5,000	Yes	Bill/ready money	Market price
Huixinzhi shi	Associates	Accept labor services	Intelligent manufacturing	Market price	Market price	0	100.00%	1,500	No	Bill/ready money	Market price
Hengyi	Joint ventures	Purchase	Steam	Market	Market	8,956	100.00%	8,500	Yes	Bill/ready	Market

Caprolactam		goods		price	price					money	price
		Purchase goods	Scraps	Market price	Market price	333	100.00%	500	No	Bill/ready money	Market price
		Purchase goods	Electric power transmission	Market price	Market price	30,002	100.00%	32,000	No	Bill/ready money	Market price
		Sell goods	Energy products	Market price	Market price	47,178	90.17%	45,000	Yes	Bill/ready money	Market price
		Sell goods	Benzene	Market price	Market price	1,500	0.00%	95,000	No	Bill/ready money	Market price
		Provide labor service	Cargo transportation	Market price	Market price	1,689	6.33%	2,000	No	Bill/ready money	Market price
		Provide labor service	Maintenance services	Market price	Market price	1,443	5.40%	2,600	No	Bill/ready money	Market price
Hengyi Polyamide	Holding subsidiary of final parent company	Provide labor service	Cargo transportation	Market price	Market price	803	3.01%	800	Yes	Bill/ready money	Market price
Hangzhou Yijing	Holding subsidiary of final parent company	Purchase goods	Polyester products	Market price	Market price	23,205	15.46%	39,000	No	Bill/ready money	Market price
		Provide labor service	Consigned processing	Market price	Market price	168	100.00%	2,500	No	Bill/ready money	Market price
		Provide labor service	Cargo transportation	Market price	Market price	2,521	9.44%	2,300	Yes	Bill/ready money	Market price
		Sell goods	PTA	Market price	Market price	0	0.00%	141,000	No	Bill/ready money	Market price

		Sell goods	Energy products	Market price	Market price	2,770	5.29%	3,300	No	Bill/ready money	Market price
		Sell goods	Auxiliary materials	Market price	Market price	895	38.41%	1,200	No	Bill/ready money	Market price
		Sell goods	Packaging materials	Market price	Market price	2,634	47.87%	4,600	No	Bill/ready money	Market price
		Sell goods	Polyester products	Market price	Market price	4,102	0.11%	3,800	Yes	Bill/ready money	Market price
Shaoxing Hengming	Associated company of final parent company	Purchase goods	Polyester products	Market price	Market price	121,592	81.02%	180,000	No	Bill/ready money	Market price
		Sell goods	Polyester products	Market price	Market price	2,584	0.07%	3,000	No	Bill/ready money	Market price
		Sell goods	Machine accessories	Market price	Market price	17	50.28%	250	No	Bill/ready money	Market price
		Sell goods	Auxiliary materials	Market price	Market price	1,749	75.05%	1,400	Yes	Bill/ready money	Market price
		Sell goods	Energy products	Market price	Market price	4,820	9.21%	5,000	No	Bill/ready money	Market price
		Sell goods	Packaging materials	Market price	Market price	226	4.11%	300	No	Bill/ready money	Market price
		Provide labor service	Cargo transportation	Market price	Market price	3,703	13.87%	4,000	No	Bill/ready money	Market price
		Provide labor service	Consigned processing	Market price	Market price	0	0.00%	450	No	Bill/ready money	Market price
		Provide labor	Warehousing service	Market price	Market price	398	35.34%	850	No	Bill/ready money	Market price

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		service									
Hangzhou Yichen	Holding subsidiary of final parent company	Purchase goods	Polyester products	Market price	Market price	117	0.08%	4,000	No	Bill/ready money	Market price
		Sell goods	PTA	Market price	Market price	274	0.01%	600	No	Bill/ready money	Market price
		Provide labor service	Cargo transport service	Market price	Market price	1,304	4.88%	700	Yes	Bill/ready money	Market price
Total				--	--	732,480	--	1,226,150	--	--	--
Disclose date and index				Jan. 24, 2019, CNINFO (http://www.cninfo.com.cn) Announcement regarding predicted 2019 daily related transaction amount (announcement number: 2019-005)							
Details of bulk sales return				No							
Anticipate the total amount of the daily related transactions to be made in the current period in categories, and the actual performance within the reporting period (if any)				The above related transaction is in favor of using superior resources of the Company and important related party to ensure stable supply of important raw materials and steady continuous supply of electric power and other auxiliary materials, broaden the marketing channel of the Company's downstream products and realize the Company's attempt to manage upstream products as well as consolidation and upgrading of industry chain integration optimization.							
The reason for big difference between the transaction price and market reference price (if applicable)				The related transaction between the Company and the above related party is closely related to the Company's daily operation whose pricing basis is the market price or the price confirmed by supervision department. Such related transaction is subject to the principle of justice, fairness and publicity and doesn't harm the interests of the Company and minority shareholders. The main business of the Company won't significantly depend on the related party due to the above related transaction or affect the Company's independence but has a positive effect on the Company's financial condition and business performance in the current period and in the future.							

Remarks: The above related transaction, Hangzhou Yijing was included into the consolidation scope in May 2019, so the transaction with the Company won't be included into scope of related transactions as of Jun. 2019.

2. Related transaction caused by asset or stock rights acquisition and sale

Affiliated transactions relating to the assets or equity acquisition and sales do not occur at the end of reporting period.

3. Related transaction of common foreign investment

Com mon invest ors	Association relationship	Name of the investe d enterpri ses	Main business of the invested enterprises	Registered capital of the invested enterprise (RMB 0,000)	Total assets of the invested enterprise (RMB 0,000)	Net assets of the invested enterprise (RMB 0,000)	Net profit of the invested enterprise (RMB 0,000)
Yishe ng Inves tment	The Company's Deputy Chairman-Mr. Fang Xianhui serves as Chairman of Hainan Yisheng at the same time	Hainan Yishen g	Production and sales of chemical products such as PTA and polyester bottle chip	358,000	1,054,119.44	368,217.26	55,963.72
Progress of significant project under construction of invested enterprise (if any)					No		

4. Related dealings of creditor and debt

There are no affiliated dealings of creditor and debt during the reporting period.

5. Other significant related transaction

Within the reporting period, the Company purchased 100% equities of Hangzhou Yijing Chemical Fiber Co., Ltd. held by the Company's controlling shareholder- Hengyi Group in cash. The project was deliberated by the Board of Directors, Supervisory Committee and shareholders' meeting of the Company and now the transaction matter is completed.

Relevant disclosure websites queries about significant related transaction temporary report

Name of temporary announcement	Temporary announcement disclosure date	Disclosure website name of temporary announcement
<i>Announcement about Changing the Purpose of Partial Raised Funds and Related Transaction</i>	Apr. 26, 2019	CNINFO http://www.cninfo.com.cn

XVII. Major Contracts and Their Performance Condition**1. Trusteeship, contracting and lease condition****(1) Trusteeship condition**

The company involves no trusteeship in the reporting period.

(2) Contracting condition

The company involves no contracting in the reporting period.

(3) Lease condition

The company involves no leasing in the reporting period.

2. Significant guarantee

(1) Guarantee condition

Unit: RMB 10,000

Foreign guarantee condition of the Company and its subsidiaries (excluding the guaranty towards subsidiaries)								
Name of guaranteed object	Disclosure date of announcement related to the guaranteed amount	Amount guaranteed	Actual occurring date (signing date of the agreement)	Actual amount guaranteed	Guarantee type	Guarantee period	Fulfilled or not	Whether it is guaranteed by related parties
Approved total foreign guaranteed amount within the reporting period (A1)		0		Actual total foreign guaranteed amount occurred within the reporting period (A2)		0		
Approved total foreign guaranteed amount at the end of the reporting period (A3)		0		Total balance of foreign guarantee at the end of the reporting period (A4)		0		
The Company's guarantee towards subsidiaries								
Name of guaranteed object	Disclosure date of announcement related to the guaranteed amount	Amount guaranteed	Actual occurring date (signing date of the agreement)	Actual amount guaranteed	Guarantee type	Guarantee period	Fulfilled or not	Whether it is guaranteed by related parties
Hengyi Petrochemical Co., Ltd.	Jan. 22, 2018	15,000.00	Jan. 4, 2019	15,000.00	General guaranty	Jan. 3, 2019 to Jan. 17, 2020	No	Yes
	Jan. 23, 2019	26,400.00	Mar. 11, 2019	26,400.00	General guaranty	Mar. 11, 2019 to Jul. 24, 2020	No	Yes

	Jan. 23, 2019	67,785.98	Mar. 27, 2019	67,785.98	General guaranty	Mar. 27, 2019 to Jun. 2, 2020	No	Yes
Hengyi Polymer	Jan. 22, 2018	7,200.00	Jan. 7, 2019	4,320.00	General guaranty	Jan. 7, 2019 to Jan. 9, 2020	No	Yes
	Jan. 23, 2019	26,700.00	Aug. 12, 2019	16,020.00	General guaranty	Aug. 12, 2019 to Dec. 6, 2020	No	Yes
	Jan. 22, 2018	2,800.00	Jan. 7, 2019	1,680.00	General guaranty	Jan. 7, 2019 to Jan. 7, 2020	Yes	Yes
	Jan. 23, 2019	33,034.95	Jul. 15, 2019	19,820.97	General guaranty	Jul. 15, 2019 to Dec. 19, 2020	No	Yes
Hengyi High-Tech	Jan. 23, 2019	14,410.32	Jun. 28, 2019	14,410.32	General guaranty	Jun. 28, 2019 to Feb. 19, 2020	Yes	Yes
	Jan. 22, 2018	5,000.00	Jan. 16, 2019	5,000.00	General guaranty	Jan. 16, 2019 to Jan. 14, 2020	No	Yes
	Jan. 23, 2019	63,400.00	Mar. 11, 2019	63,400.00	General guaranty	Mar. 11, 2019 to Dec. 12, 2020	No	Yes
	Jan. 23, 2019	7,726.60	Sep. 27, 2019	7,726.60	General guaranty	Sep. 27, 2019 to Feb. 19, 2020	No	Yes
	Jan. 22, 2018	39,950.00	Dec. 6, 2018	39,950.00	General	Dec. 6, 2018 to Oct. 10,	No	Yes

					guaranty	2021		
	Jan. 23, 2019	71,029.95	Sep. 12, 2019	71,029.95	General guaranty	Sep. 12, 2019 to Dec. 16, 2020	No	Yes
Zhejiang Yisheng	Jan. 23, 2019	9,000.00	Mar. 1, 2019	6,300.00	General guaranty	Mar. 1, 2019 to Mar. 1, 2020	Yes	Yes
	Jan. 23, 2019	20,000.00	Jun. 20, 2019	14,000.00	General guaranty	Jun. 20, 2019 to Jul. 5, 2020	No	Yes
	Jan. 23, 2019	7,846.17	Nov. 26, 2019	5,492.32	General guaranty	Nov. 26, 2019 to Jun. 30, 2020	No	Yes
Ningbo Hengyi Industrial	Jan. 23, 2019	12,699.00	May 28, 2019	12,699.00	General guaranty	May 28, 2019 to Nov. 22, 2019	Yes	Yes
	Jan. 23, 2019	12,700.00	Nov. 25, 2019	12,700.00	General guaranty	Nov. 25, 2019 to May 22, 2020	No	Yes
Jiaxing Yipeng	Jan. 23, 2019	10,000.00	Apr. 30, 2019	10,000.00	General guaranty	Apr. 30, 2019 to Dec. 31, 2019	Yes	Yes
Jiaxing Yipeng	Jan. 23, 2019	10,000.00	Dec. 11, 2019	10,000.00	General guaranty	Dec. 11, 2019 to Oct. 18, 2020	No	Yes
Jiaxing Yipeng	Jan. 23, 2019	2,940.00	Nov. 25, 2019	2,940.00	General guaranty	Nov. 25, 2019 to May 25, 2020	No	Yes

Suqian Yida	Jan. 23, 2019	2,100.00	Apr. 16, 2019	2,100.00	General guaranty	Apr. 16, 2019 to Dec. 31, 2019	Yes	Yes
Suqian Yida	Jan. 23, 2019	4,900.00	Oct. 30, 2019	4,900.00	General guaranty	Oct. 30, 2019 to Jan. 30, 2020	No	Yes
Suqian Yida	Jan. 23, 2019	18,900.00	Apr. 16, 2019	18,900.00	General guaranty	Apr. 16, 2019 to Apr. 10, 2024	No	Yes
Taicang Yifeng	Jan. 23, 2019	2,000.00	Jul. 24, 2019	2,000.00	General guaranty	Jul. 24, 2019 to Jan. 10, 2020	No	Yes
Shuangtu New Materials	Jan. 23, 2019	40,320.00	May 10, 2019	40,320.00	General guaranty	May 10, 2019 to Aug. 10, 2020	No	Yes
	Jan. 23, 2019	10,000.00	Dec. 3, 2019	10,000.00	General guaranty	Dec. 3, 2019 to Jun. 2, 2020	No	Yes
Fujian Yijin	Jan. 23, 2019	2,999.50	Dec. 18, 2019	1,949.68	General guaranty	Dec. 18, 2019 to Jun. 18, 2020	No	Yes
	Jan. 23, 2019	10,800.00	Oct. 8, 2019	26,208.00	General guaranty	Oct. 8, 2019 to Oct. 10, 2022	No	Yes
Approved total guaranteed amount to subsidiary within the reporting period (B1)		1,420,000		Actual total guaranteed amount occurred to subsidiary within the reporting period (B2)		493,102.81		

Approved total guaranteed amount towards the subsidiaries at the end of the reporting period (B3)		1,420,000		Total guarantee balance towards subsidiaries at the end of the reporting period (B4)		485,863.49		
The subsidiaries' guarantee towards subsidiaries								
Name of guaranteed object	Disclosure date of announcement related to the guaranteed amount	Amount guaranteed	Actual occurring date (signing date of the agreement)	Actual amount guaranteed	Guarantee type	Guarantee period	Fulfilled or not	Whether it is guaranteed by related parties
Hengyi Petrochemical Co., Ltd.	Jan. 23, 2019	3,348.58	Jul. 19, 2019	2,344.01	General guaranty	Jul. 19, 2019 to Oct. 17, 2019	Yes	Yes
	Jan. 23, 2019	14,953.95	Sep. 25, 2019	14,953.95	General guaranty	Sep. 25, 2019 to Mar. 23, 2020	No	Yes
	Jan. 23, 2019	17,435.09	Oct. 31, 2019	12,204.56	General guaranty	Oct. 31, 2019 to Nov. 13, 2021	No	Yes
Hengyi Polymer	Jan. 23, 2019	21,455.00	Jul. 24, 2019	21,455.00	General guaranty	Jul. 24, 2019 to Apr. 28, 2020	No	Yes
	Jan. 23, 2019	800	Dec. 17, 2019	800	General guaranty	Dec. 17, 2019 to Jun. 7, 2020	No	Yes
Hengyi High-Tech	Jan. 23, 2019	23,625.58	Apr. 1, 2019	16,537.91	General guaranty	Apr. 1, 2019 to Dec. 18, 2019	Yes	Yes
	Jan. 23, 2019	1,472.00	Aug. 22, 2019	883.2	General	Aug. 22, 2019 to Dec. 5,	Yes	Yes

					guaranty	2019		
	Jan. 23, 2019	4,327.45	May 13, 2019	4,327.45	General guaranty	May 13, 2019 to Aug. 11, 2019	Yes	Yes
	Jan. 22, 2018	10,000.00	Jan. 18, 2019	10,000.00	General guaranty	Jan. 18, 2019 to Jan. 17, 2020	Yes	Yes
	Jan. 23, 2019	12,784.20	Nov. 20, 2019	8,948.94	General guaranty	Nov. 20, 2019 to Dec. 12, 2020	No	Yes
	Jan. 23, 2019	25,937.50	Jul. 11, 2019	25,937.50	General guaranty	Jul. 11, 2019 to Jun. 4, 2020	No	Yes
	Jan. 23, 2019	1,000.00	Sep. 17, 2019	700	General guaranty	Sep. 17, 2019 to Mar. 16, 2020	No	Yes
	Jan. 23, 2019	15,000.00	Dec. 31, 2019	15,000.00	General guaranty	Dec. 31, 2019 to Jan. 30, 2021	No	Yes
Zhejiang Yisheng	Jan. 23, 2019	10,000.00	Mar. 27, 2019	10,000.00	General guaranty	Mar. 27, 2019 to Apr. 28, 2020	Yes	Yes
	Jan. 23, 2019	39,000.00	Apr. 29, 2019	39,000.00	General guaranty	Apr. 29, 2019 to Aug. 1, 2020	No	Yes
	Jan. 23, 2019	21,829.00	Jul. 18, 2019	21,829.00	General guaranty	Jul. 18, 2019 to Mar. 19, 2020	No	Yes

Haining New Materials	Jan. 23, 2019	46,456.40	Sep. 16, 2019	46,456.40	General guaranty	Sep. 16, 2019 to Dec. 20, 2029	No	Yes
Hong Kong Tianyi	Jan. 23, 2019	18,139.03	May 2, 2019	18,139.03	General guaranty	May 2, 2019 to Feb. 24, 2020	Yes	Yes
	Jan. 23, 2019	3,851.05	Dec. 17, 2019	3,851.05	General guaranty	Dec. 17, 2019 to May 18, 2020	No	Yes
Hengyi Brunei	Jan. 23, 2019	28,536.56	Sep. 12, 2019	28,536.56	General guaranty	Sep. 12, 2019 to Dec. 11, 2019	Yes	Yes
	Jan. 23, 2019	28,640.06	Dec. 10, 2019	28,640.06	General guaranty	Dec. 10, 2019 to Mar. 9, 2020	No	Yes
Approved total guaranteed amount to subsidiary within the reporting period (C1)		980,000		Actual total guaranteed amount occurred to subsidiary within the reporting period (C2)		330,544.62		
Approved total guaranteed amount towards the subsidiaries at the end of the reporting period (C3)		980,000		Total guarantee balance towards subsidiaries at the end of the reporting period (C4)		239,776.46		
Total amount guaranteed of the Company (namely the total of the first three items)								
Approved total guaranteed amount in the reporting period (A1+B1+C1)		2,400,000		Total actual guaranteed amount during the reporting period (A2+B2+C2)		823,647.43		
Approved total guaranteed amount at the end of the reporting period (A3+B3+C3)		2,400,000		Actual total guaranteed balance at the end of reporting		725,639.96		

		period (A4+B4+C4)	
Proportion of the actual total guaranteed amount (that is A4+B4+C4) in the Company's net assets			31.21%
Wherein:			
Total guaranteed balances towards shareholders, actual controllers and related parties (D)			0
Guaranteed balances provided for guaranteed objects with a liability rate of assets of over 70% directly or indirectly (E)			221,678.79
Excess of total guaranteed amount over 50% of net assets (F)			0
The aforementioned total guaranteed amount of three items (D+E+F)			221,678.79
Description about obligation under bond having occurred or joint and several liability for satisfaction likely borne during the reporting period for the guarantee not expiring (if any)			No
Descriptions for external guarantee provided against the established procedures (if any)			No

Specific description for using the composite guarantee situation

Notes: The Company and its subsidiary provided the guarantee limit of USD 1.75 billion or equivalent overseas RMB for the syndicated loan of Company's holding subsidiary- Hengyi Brunei. Refer to *Announcement about the Holding Subsidiary- Hengyi Industries Sdn Bhd Providing the Guarantee* (announcement number: 2017-136) disclosed by the Company via CNINFO (<http://www.cninfo.com.cn>) on Nov. 18, 2017 for the detail.

Up to the disclosure date of the Report, the Company provided the guarantee of USD 380 million for the working capital loans of Hengyi Brunei. As for the specific items of USD 300 million guarantee, refer to *Announcement about Newly Increasing the Guarantee Limit for the Holding Subsidiary in 2019* (announcement number: 2019-117) disclosed by the Company via CNINFO (<http://www.cninfo.com.cn>) on Sep. 19, 2019; As for the specific item of the USD 80 million loan guarantee, refer to *Announcement about Confirming the Guarantee Provided by the Company To the Holding Subsidiary and the Amount of Mutual Insurance between Holding Subsidiaries in 2020* (announcement number: 2020-006) disclosed by the Company via CNINFO (<http://www.cninfo.com.cn>) on Jan. 17, 2020.

(2) Conditions of foreign guarantee breaking the regulations

The Company is involved no foreign guarantee breaking the regulations during the reporting period.

3. Situation of cash assets management by others entrusted

(1) Entrusted finance management

Unit: RMB 10,000

Specific type	Source of entrusted financial fund	Accrual of trust investment	Unexpired balance	Not recovered overdue amount
Bank financial products	Temporarily idle raised funds of the Company	240,000	0	0
Total		240,000	0	0

Specific circumstance regarding high risk-entrusted financing with single significant amount or low safety, poor liquidity and no breakeven

☐Applicable ☒Not applicable

Expected uncollectable principal or other situation likely incurring impairment occurs to the entrusted financing

☐Applicable ☒Not applicable

(2) Conditions of entrust loan conditions

Entrust loans within the reporting period

Unit: RMB 10,000

Total accrual of entrusted loans	Source of entrusted loan fund	Unexpired balance	Not recovered overdue amount
158,000	Own funds	60,000	0

Specific circumstance regarding high risk-entrusted loans with single significant amount or low safety, poor liquidity and no breakeven

Unit: RMB 10,000

Loan object	Type of the loan object	Loan interest rate	Loan amount	Source of funding	Starting date	Expiry date	Expected earnings (if any)	Actual profit and loss amount during the reporting period	Actual recovery of profits and losses during the reporting period	Amount of impairment reserves of calculation and withdrawal (if any)	Whether through legal procedures or not	Whether there will be any loan planning in the future	Matter overview and related query index (if any)
Hainan Yisheng Company	Joint stock company	4.785%	52,000	Own funds	Nov. 13, 2019	Dec. 4, 2020		2,904.60	2,929.43	0	Yes	Yes	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206730438&announcementTime=2019-08-30
Yisheng New Materials	Joint ventures	4.785%	8,000	Own funds	Dec. 23, 2019	Dec. 22, 2020		9.03	0.00	0	Yes	Yes	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206933537&announcementTime=2019-09-19
Total			60,000	--	--	--		2,913.63	--	0	--	--	--

Expected uncollectable principal or other situation likely incurring impairment occurs to the entrusted loans

□Applicable √Not applicable

4. Other significant contracts

The company involves no other significant contract in the reporting period.

XVIII. Social Responsibility Condition

1. As for fulfillment of social responsibility, see the report about social responsibility for details.

2. Performance of social responsibility of targeted poverty alleviation

(1) Targeted poverty alleviation planning

Under the guidance of the spirits of such documents as *Notice about Printing and Distributing the Poverty Alleviation Plan during the Period of "13th Five-year Plan" from the State Council* and *Opinions of China Securities Regulatory Commission (CSRC) on Playing the Role of the Capital Market to Serve the National Poverty Alleviation Strategy*, the Company actively responds to related requirements of completing partner assistance for poverty alleviation from Zhejiang Provincial Party Committee and The People's Government of Zhejiang Province; and also to the eastern and western poverty alleviation collaboration initiated by Ningbo Municipal Party Committee and Ningbo Municipal People's Government, makes overall arrangements, conducts targeted poverty alleviation, actively fulfills its social responsibility of listed companies and participates in national targeted poverty alleviation.

(2) Summary of annual targeted poverty alleviation

1) In 2019, the Company was confirmed to be the pairing unit of targeted poverty alleviation by Jilin Wangqing Beier Technology Co., Ltd. and signed "Yanbian State agricultural featured product intensive processing project" with Wangqing County People's Government pursuant to the arrangement for eastern and western poverty alleviation collaboration by Ningbo Municipal Party Committee and Ningbo Municipal People's Government. The main task was constructing the constant temperature warehouse (2,500m²) and purchasing supporting facilities (such as refrigeration and product testing equipment) with annual fine packing of 2,500 ton of edible mushrooms. The construction period is from Jul. 2019 to Jul. 2020.

2) The company actively responds to related requirements of completing partner assistance for poverty alleviation from the Zhejiang Provincial Party Committee and The People's Government of Zhejiang Province, fulfills the social responsibility and donates RMB 2 million to Mawu Village, Kaihua County for accurate assistance. Wherein: RMB 0.4 million is used to support Mawu Village to prepare the overall planning for rural revitalization, confirming overall positioning, industrial layout, village appearance renovation, etc. of Mawu Village; RMB 1.4 million is used to support the construction of the village culture hall to provide villagers with an activity place for enriching cultural life and gathering strength; RMB 0.2 million is used to plant the nectar source forest to support 55 low-income households in Mawu Village to breed the apis cerana. The project can increase income of about 1,800 for each low-income farmer annually.

(3) Effects of targeted poverty alleviation

Indicator	Measuring unit	Quantity / performances
I. General Condition	--	--
Wherein: 1. Fund	RMB 0,000	700
II. Investment for Subentry	--	--
8. Social poverty alleviation	--	--
Wherein: 8.1 Eastern and western poverty alleviation collaboration investment amount	RMB 0,000	500
8.2 Fixed-point poverty alleviation investment amount	RMB 0,000	200
8.3 Investment amount of public welfare fund for poverty alleviation	RMB 0,000	

(4) Follow-up targeted poverty alleviation plan

The Company will continuously participate in almsgiving for the needy, proactively interact with local government for public welfare, give full play to the role of the Company as a leader in local enterprises, give back to the community duly and build harmonious development environment.

3. Relevant situation of environmental protection

Whether the listed company and its subsidiaries belong to key pollution discharge units published by the Department of Environmental Protection

Within the reporting period, the Company implemented related laws and regulations (including *Environmental Protection Law of the People's Republic of China*, *Atmospheric Pollution Prevention Law of the People's Republic of China*, *Water Pollution Prevention and Control Law of the People's Republic of China* and *Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China*). The Company continued to attach great importance to environmental protection, actively responded to China's nation-wide three-year action plan to fight air pollution", continuously deepened the environmental management, governed "waste gas, waste water and waste residue" as per high standard and strict requirement and walk the road of sustainable development. Especially, the important subsidiaries-key pollutant discharging units published by the environmental protection administration continuously increased investment, actively carried out renovation and promotion of environmentally protective facilities and ensured the emission reached the standard. The specific circumstance is as follows:

Name of the Company or the subsidiary	Name of main pollutant and specific pollutant	Emission method	Number of emission ports	Distribution of emission ports	Emission concentration	Implemented emission standards	Total amount of emission	Rated total amount of emission	Excessive emissions
Zhejiang Yisheng	COD	Emission after processing	1	Sewage station	44.85mg/L	GB31570	277.81 tons	1214.36 tons	Reach the standard
	Ammonia nitrogen	Emission after processing	1	Sewage station	0.51mg/L	GB31570	2.65 tons	17.35 tons	Reach the standard
	SO ₂	Emission after processing	2	Boiler island	13.83mg/m ³	GB31570	77.09 tons	197.45 tons	Reach the standard
	NO _x	Emission after	2	Boiler island	24.76mg/m ³	GB31570	142.28 tons	859.17	Reach the

Name of the Company or the subsidiary	Name of main pollutant and specific pollutant	Emission method	Number of emission ports	Distribution of emission ports	Emission concentration	Implemented emission standards	Total amount of emission	Rated total amount of emission	Excessive emissions
		processing						tons	standard
	Smoke dust	Emission after processing	2	Boiler island	2.43mg/m ³	GB31570	13.69 tons	426.11 tons	Reach the standard
Hainan Yisheng	SO ₂	Emission after processing	2	Boiler island	79.27/103.96mg/m ³	GB13223、GB13271	385.52 tons	600 tons	Reach the standard
	NO _x	Emission after processing	2	Boiler island	40.97/211.68mg/m ³	GB13223、GB13271	522.86 tons	850 tons	Reach the standard
	Smoke dust	Emission after processing	2	Boiler island	4.8/8.87mg/m ³	GB13223、GB13271	27.91 tons	214.5 tons	Reach the standard
	COD	Emission after processing	1	Sewage station	33.12mg/L	GB31572	136.37 tons	224.59 tons	Reach the standard
	Ammonia nitrogen	Emission after processing	1	Sewage station	0.34mg/L	GB31572	1.31 tons	17.35 tons	Reach the standard
Yisheng Dahua	NO _x	Emission after processing	2	In the factory	/	GB13223、GB31570	/	/	Reach the standard
	COD	Emission after processing	2	In the factory	67.92mg/L	GB8978	591.35 tons	/	Reach the standard
	Ammonia nitrogen	Emission after processing	2	In the factory	0.43mg/L	GB8978	3.62 tons	/	Reach the standard
Hengyi Caprolactam	Smoke dust	Emission after processing	1	Power station	0.74mg/m ³	DB3301/T0250-2018	6.63 tons	/	Reach the standard
	SO ₂	Emission after processing	1	Power station	3.35mg/m ³	DB3301/T0250-2018	29.99 tons	368.87 tons	Reach the standard

Name of the Company or the subsidiary	Name of main pollutant and specific pollutant	Emission method	Number of emission ports	Distribution of emission ports	Emission concentration	Implemented emission standards	Total amount of emission	Rated total amount of emission	Excessive emissions
	NO _x	Emission after processing	1	Power station	42.68mg/m ³	DB3301/T0250-2018	368.87 tons	482.08 tons	Reach the standard
	Mercury and its compounds	Emission after processing	1	Power station	0.00002mg/m ³	DB3301/T0250-2018	/	/	Reach the standard
	Ringelman emittance	Emission after processing	1	Power station	<1 级	DB3301/T0250-2018	/	/	Reach the standard
	PH	Emission after processing	1	Sewage treatment station	8.15	GB31571-2015	/	/	Reach the standard
	COD	Emission after processing	1	Sewage treatment station	138.25mg/L	GB31571-2015	92.54 tons	127.51 tons	Reach the standard
	Ammonia nitrogen	Emission after processing	1	Sewage treatment station	0.55mg/L	GB31571-2015	4.63 tons	6.376 tons	Reach the standard
	Total phosphorus	Emission after processing	1	Sewage treatment station	1.82mg/L	DB33-887-2013	/	/	Reach the standard
Hengyi High-Tech	Smoke dust	Emission after processing	3	Thermal coal station	6.32/5.13/4.64mg/m ³	DB3301/T0250-2018	11.007 tons	/	Reach the standard
	SO ₂	Emission after processing	3	Thermal coal station	4.93/7.63/8.67mg/m ³	DB3301/T0250-2018	17.196 tons	61.4 tons	Reach the standard
	NO _x	Emission after processing	3	Thermal	68.37/72.10/63.30mg/m ³	DB3301/T0250-2018	117.558 tons	181.21	Reach the

Name of the Company or the subsidiary	Name of main pollutant and specific pollutant	Emission method	Number of emission ports	Distribution of emission ports	Emission concentration	Implemented emission standards	Total amount of emission	Rated total amount of emission	Excessive emissions
		processing		coal station				tons	standard
	COD	Emission after processing	1	Sewage treatment station	16.30mg/L	GB31572-2015	0.256 tons	3.68 tons	Reach the standard
	Ammonia nitrogen	Emission after processing	1	Sewage treatment station	0.55mg/L	GB31572-2015	0.0063 tons	0.15 tons	Reach the standard
Hengyi Polymer	Smoke dust	Emission after processing	3	Thermal coal station	4.81/11.19/13.11mg/m ³	DB3301/T0250-2018	4.536 tons	/	Reach the standard
	SO ₂	Emission after processing	3	Thermal coal station	20.71/13.76/13.56/mg/m ³	DB3301/T0250-2018	7.996 tons	29.22 tons	Reach the standard
	NO _x	Emission after processing	3	Thermal coal station	120.91/120.56/117.37mg/m ³	DB3301/T0250-2018	56.78 tons	87.67 tons	Reach the standard
	COD	Emission after processing	1	Sewage station	11.23mg/L	GB31572-2015	0.339 tons	34.5 tons	Reach the standard
Hangzhou Yijing	Smoke dust	Emission after processing	1	Thermal coal station	1.81mg/m ³	DB3301/T0250-2018	2.24 tons	/	Reach the standard
	SO ₂	Emission after processing	1	Thermal coal station	9.745mg/m ³	DB3301/T0250-2018	11.97 tons	33.8 tons	Reach the standard
	NO _x	Emission after processing	1	Thermal coal station	52.938mg/m ³	DB3301/T0250-2018	64.86 tons	101.3 tons	Reach the standard
	PH	Emission after processing	1	Sewage treatment	7.8	GB31572-2015	/	/	Reach the standard

Name of the Company or the subsidiary	Name of main pollutant and specific pollutant	Emission method	Number of emission ports	Distribution of emission ports	Emission concentration	Implemented emission standards	Total amount of emission	Rated total amount of emission	Excessive emissions
				station					
	COD	Emission after processing	1	Sewage treatment station	61.551mg/L	GB31572-2015	0.96 tons	44 tons	Reach the standard
	Ammonia nitrogen	Emission after processing	1	Sewage treatment station	4.362mg/L	GB31572-2015	0.069 tons	3.08 tons	Reach the standard
Shuangtu New Materials	Smoke dust	Emission after processing	2	Thermal coal station	4.5/3.9mg/m ³	DB3301/T0250-2018	6.287 tons	/	Reach the standard
	SO ₂	Emission after processing	2	Thermal coal station	13.66/16.2mg/m ³	DB3301/T0250-2018	22.349 tons	111 tons	Reach the standard
	NO _x	Emission after processing	2	Thermal coal station	100.64/92.36mg/m ³	DB3301/T0250-2018	144.453 tons	168 tons	Reach the standard

Construction and operation of pollution prevention facilities

The control measures for waste gas, waste water, solid waste and noise are designed, constructed and put into use together with main units in strict accordance with requirements of the environmental impact assessment which run well now. Pursuant to other regulation requirements put forward by the department of environmental protection, some pollution control facilities are newly added which further raise the level of environmental governance by the device.

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

The construction project of the Company passes the environmental impact assessment and other administrative licensing for environmental protection successively or related work is being conducted.

Emergency plan for environmental emergencies

1. *Contingency Plan for Environmental Emergencies of Zhejiang Yisheng Petrochemical Co., Ltd.* was revised and passed the expert review in Jul. 2017 and officially released and implemented on Jul. 18, 2017;

2. In Jul. 2017, Hainan Yisheng carried out editing and revision of the Company's *Contingency Plan for Environmental Emergencies* and submitted it to Bureau of Ecological and Environmental Protection of Yangpu Economic Development Zone for filing anew in accordance with the requirements of *Measures for the Administration of the Filing of Emergency Plans for Environmental Emergencies of Enterprises and Institutions* and *Measures for Emergency Management of Environmental Emergencies*. A comprehensive drill (including environmental contingency planning) was organized on Mar. 30, 2018.

3. Revision, review and filing at the local environmental protection department of *Comprehensive Contingency Plan for Environmental Emergencies of Yisheng Dahua Petrochemical Co., Ltd.*, *Special Contingency Plan for Environmental Emergencies of Yisheng Dahua Petrochemical Co., Ltd.*, *Environmental Risk Assessment Report of Environmental Emergencies of Yisheng Dahua Petrochemical Co., Ltd.* and *Report about Emergency Resource Investigation of Environmental Emergencies of Yisheng Dahua Petrochemical Co., Ltd.* were completed in Apr.

2017.

4. The filing of *Contingency Plan for Environmental Emergencies of Zhejiang Baling Hengyi Caprolactam Co., Ltd.* at the local environmental protection department was completed in Jul. 2019.

5. Revision, review and filing at the local environmental protection department of the *Contingency Plan for Environmental Emergencies of Zhejiang Hengyi High-Tech Materials Co., Ltd.* were completed in Mar. 2019.

6. Revision, review and filing at the local environmental protection department of the *Contingency Plan for Environmental Emergencies of Zhejiang Hengyi Polymer Co., Ltd.* were completed in Sep. 2018.

7. Revision, review and filing at the local environmental protection department of the *Contingency Plan for Environmental Emergencies of Hangzhou Yijing Chemical Fiber Co., Ltd.* were completed in Mar. 2019.

8. Revision, review and filing at the local environmental protection department of the *Contingency Plan for Environmental Emergencies of Zhejiang Shuangtu New Materials Co., Ltd.* were completed in Oct. 2019.

9. Revision, review and filing at the local environmental protection department of the *Special Contingency Plan for Environmental Emergencies of Yisheng Dahua Petrochemical Co., Ltd.* were completed in Apr. 2017.

Environmental self-monitoring program

The Company and the subsidiaries establish a self-monitoring scheme for the environment to ensure all pollutants are subject to up-to-standard discharge and reasonable disposal in strict accordance with the requirements of laws and regulations and entrust a third-party monitoring unit to carry out regular monitoring in strict accordance with environmental laws, regulations and related provisions of China and local governments.

Other information about the environment that shall be disclosed.

The environmental information which shall be disclosed has been disclosed as required.

Other information on environmental protection

The Company and the subsidiaries attach great importance to environmental protection and

make a great decision on environmental protection by the Company on a regular or irregular basis. The Company establishes the HSE Management Committee to carry out comprehensive supervision and administration of the Company's HSE work; each subsidiary sets the full-time environmental protection department to take charge of daily comprehensive management, supervision and inspection. The Company establishes a strict monitoring system and entrusts the environmental management and monitoring department to monitor plant-wide water, air, sound and slag and master the pollution dynamic.

XIX. Explanations for Other Major Matters

Within the reporting period, the Company carried out disclosure via CNINFO (<http://www.cninfo.com.cn>) as per big issues stipulated in *Securities Law* and *Measures for the Administration of Information Disclosure of Listed Companies*. The detail is as follows:

S/N	Date of announcement	Announcement title	Indexes
1	Feb. 2, 2019	Announcement about the Implementation Completion of the Plan of Controlling Shareholders Increasing Their Shares of the Company	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1205821750&announcementTime=2019-02-02
2	Feb. 22, 2019	Report about Issue of Shares Subject To Private Placement of Issuing Shares to Purchase Assets and Raise Supporting Funds and Related Transaction as Well as Listed Company Statement	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1205844981&announcementTime=2019-02-22
3	Apr. 18, 2019	Announcement about 2018 Performance Commitment Completion of the Company Issuing Shares To Purchase Assets and Related Transaction from Hengyi Petrochemical Co., Ltd.	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206048380&announcementTime=2019-04-18
4	Apr. 26, 2019	Plan for Public Issue of A-share Convertible Bonds	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206102718&announcementTime=2019-04-26

S/N	Date of announcement	Announcement title	Indexes
5	Jun. 21, 2019	Announcement about the Acceptance of the Application for Public Issue of A-share Convertible Bonds by China Securities Regulatory Commission (CSRC)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206374935&announcementTime=2019-06-21
6	Oct. 18, 2019	Announcement about the Reply To the Feedback of Application Document for Convertible Bonds	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206991625&announcementTime=2019-10-18

XX. Important Matters of Subsidiaries

S/N	Date of announcement	Announcement title	Indexes
1	Apr. 10, 2019	Announcement about Successful Asset Auction by the Wholly-owned Subsidiary (announcement number: 2019-038)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206002555&announcementTime=2019-04-10
2	Apr. 26, 2019	Assets Appraisal Report about the Company Intending To Purchase the Market Value of Assets and Liabilities Audited by Hangzhou Yijing Chemical Fiber Co., Ltd. Involved by 100% Equities of Hangzhou Yijing Chemical Fiber Co., Ltd.	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206102708&announcementTime=2019-04-26
3	Apr. 30, 2019	Announcement about the Promotion and Renovation Project with Annual Output of 0.5 Million Tons of Differentiated Functional Fibers Going into Operation (announcement number: 2019-066)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206160709&announcementTime=2019-04-30
4	Aug. 9, 2019	Announcement about the Capacity Expansion and Renovation Project with Annual Output of 0.4 Million Tons of Caprolactams (announcement number: 2019-095)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000703&announcementId=1206506204&announcementTime=2019-08-09
5	Sep. 19, 2019	Announcement about the Engineering with Annual	http://www.cninfo.com.cn/new/disclosure

S/N	Date of announcement	Announcement title	Indexes
		Output of 6 Million Tons PTAs Invested by the Participation Subsidiary-Yisheng New Materials (announcement number: 2019-115)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206933536&announcementTime=2019-09-19
6	Oct. 14, 2019	Announcement about Obtaining the Approval from CSRC for IPO of the Participation Subsidiary-CZBank (announcement number: 2019-123)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1206979140&announcementTime=2019-10-14
7	Nov. 4, 2019	Announcement about Hengyi (Brunei) PMB Petrochemical Project Going into Full Operation (announcement number: 2019-130)	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1207060916&announcementTime=2019-11-04

Section VI Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: Share

	Before this change		Increase or decrease of this change (+, -)					After this change	
	Quantity	Proportion	New issue of shares	Share donation	Provident fund converted into share capital	Others	Subtotal	Quantity	Proportion
I. Shares with conditions of restriction on sales	354,361,753	13.48%	213,768,115	0	0	-7,196,000	206,572,115	560,933,868	19.74%
3. Other domestic shareholdings	354,361,753	13.48%	213,768,115			-7,196,000	206,572,115	560,933,868	19.74%
Wherein: Shares held by the domestic legal person	320,842,253	12.21%	213,768,115				213,768,115	534,610,368	18.81%
Shareholding by domestic natural persons	33,519,500	1.27%				-7,196,000	-7,196,000	26,323,500	0.93%
II. Shares with no conditions of restriction on sales	2,273,595,606	86.52%				7,196,000	7,196,000	2,280,791,606	80.26%

1. RMB common shares	2,273,595,606	86.52%				7,196,000	7,196,000	2,280,791,606	80.26%
III. The Sum of Shares	2,627,957,359	100.00%	213,768,115	0	0	0	213,768,115	2,841,725,474	100.00%

Reasons for change in shares

(1) In Feb. 2019, the shares subject to private placement of issuing shares to purchase assets and raise supporting funds by the Company and related transaction got listed. The number of new shares subject to private placement this time reached to 213,768,115.

(2) In Jun. 2019, the restricted sale on the market circulation of restricted stocks of the Company in the 2nd unlocking period of the 2nd restricted stock incentive plan was cancelled. The number of shares with restriction on sales cancelled this time reached to 11,739,000.

(3) In Sep. 2019, the restricted sale on the market circulation of restricted stocks of the Company in the 4th unlocking period of the 1st restricted stock incentive plan was cancelled. The number of shares with restriction on sales cancelled this time reached to 3,920,000.

Approval of change in shares

(1) The Company received the *Official Reply about Approving Hengyi Petrochemical Co., Ltd. Issuing Shares to Zhejiang Hengyi Group Co., Ltd., etc. for Purchasing Assets and Raising Supporting Funds* (ZJXK [2018] No. 1937) from China Securities Regulatory Commission on Nov. 27, 2018.

(2) The *Proposal about the Unlocking Condition Achievement of the 2nd Unlocking Period of the 2nd Restricted Stock Incentive Plan* was deliberated and passed at the 30th meeting of the 10th Board of Directors of the Company held on Jun. 18, 2019, on which it's agreed that 11,739,000 restricted stocks of 49 incentive objects of the Company in the 2nd unlocking period of the 2nd restricted stock incentive plan were unlocked as per provisions.

(3) The *Proposal about the Unlocking Condition Achievement of the 4th Unlocking Period of the 1st Restricted Stock Incentive Plan* was deliberated and passed at the 33th meeting of the 10th Board of Directors of the Company held on Aug. 29, 2019, on which it's agreed that 3,920,000 restricted stocks of 14 incentive objects of the Company in the 4th unlocking period of the 1st restricted stock incentive plan were unlocked as per provisions.

Ownership transfer of change in shares

(1) On Feb. 25, 2019, 213,768,115 new shares for raising supporting funds by shares subject to private placement of the Company raising shares to purchase assets and raise supporting funds and related transaction got listed.

(2) On Jun. 26, 2019, the Company issued the *Suggestive Announcement about Cancelling the Restricted Sale on the Market Circulation of Restricted Stocks in the 2nd Unlocking Period of the 2nd Restricted Stock Incentive Plan* (announcement number: 2019-087) and handled 11,739,000 restricted shares of 49 incentive objects of the Company in the 2nd unlocking period of the 2nd restricted stock incentive plan at China Securities Depository and Clearing Co., Ltd Shenzhen Branch.

(3) On Sep. 4, 2019, the Company issued the *Suggestive Announcement about Cancelling the Restricted Sale on the Market Circulation of Restricted Stocks in the 4th Unlocking Period of the 1st Restricted Stock Incentive Plan* (announcement number: 2019-109) and handled 3,920,000 restricted shares of 14 incentive objects of the Company in the 4th unlocking period of the 1st restricted stock incentive plan at China Securities Depository and Clearing Co., Ltd Shenzhen Branch.

Progress of the share repurchase

☐Applicable ☒Not applicable

Progress of reducing the repurchase shares by centralized competitive bidding

☐Applicable ☒Not applicable

The influence of the change in stocks in basic earnings per share of last year and the recent issuance, diluted earnings per share, net asset value per share belonging to the Company's common shareholders and other financial indexes

☐Applicable ☒Not applicable

Other contents whose disclosure is necessary in the opinion of the Company or required by securities regulator

☐Applicable ☒Not applicable

2. Changes in restricted stocks

Unit: Share

Name of shareholders	Quantity of restricted stocks at the beginning of the period	Quantity of restricted stocks cancelled in current period	Quantity of restricted stocks increased in current period	Quantity of restricted stocks at the end of the period	Reasons for restriction on sales	Date of lifting the trading restrictions
Zhejiang Hengyi Group Co., Ltd.	170,592,433	0	0	170,592,433	New shares of issuing shares to purchase assets and related transaction	Dec. 28, 2021
Fulida Group Holding Co., Ltd.	75,124,910	0	0	75,124,910		Jan. 3, 2020
Xinghui Chemical Fiber Group Co., Ltd.	75,124,910	0	0	75,124,910		
Tianjin Xinxiang Business Management Partnership (Limited Partnership)	0	0	21,739,130	21,739,130	Shares subject to private placement of issuing shares to purchase assets and raise supporting funds and related transaction	Feb. 25, 2020
Hua'An Financial Insurance Asset Management Co. Ltd.-ICBC-No. 8 aggregate asset management product with stable increased profits of Hua'An Financial Insurance Asset Management Co. Ltd.	0	0	21,380,434	21,380,434		
Beixin Ruifeng Fund Management Co., Ltd.-Hangzhou Cuiya Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Shaoxia No. 2 single asset management plan	0	0	3,623,188	3,623,188		
Hua'An Financial Insurance Asset Management Co. Ltd.-ICBC-No. 9 aggregate asset management product with stable increased profits of Hua'An Financial Insurance Asset Management Co. Ltd.	0	0	21,380,434	21,380,434		
Beixin Ruifeng Fund Management Co., Ltd.-Hangzhou Qingyu Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Bairui	0	0	7,246,376	7,246,376		

No. 78 single asset management plan						
Beixin Ruifeng Fund Management Co., Ltd.-China Fortune International Trust · Zhixuan No. 51 collective fund trust plan-Beixin Ruifeng Fund China Fortune Zhixuan No. 51 single asset management plan	0	0	21,739,130	21,739,130		
Beixin Ruifeng Fund Management Co., Ltd.-Hangzhou Shangju Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Guangjie No. 1 single asset management plan	0	0	9,275,362	9,275,362		
Beixin Ruifeng Fund Management Co., Ltd.-CITIC Financing Huiying Series Zhixuan Tiantiankuaiche financing product-Beixin Ruifeng Fund CITIC No. 1 single asset management plan	0	0	40,355,077	40,355,077		
Beixin Ruifeng Fund Management Co., Ltd.-Hangzhou Yuting Investment Management Partnership (Limited Partnership)-Beixin Ruifeng Fund Shaoxia No. 3 single asset management plan	0	0	2,173,913	2,173,913		
Beixin Ruifeng Assets Management Co., Ltd.-China Bohai Bank 2018 Botai No. 2 open RMB non-breakeven non-fixed income financing product-Beixin Ruifeng Assets Bohai No. 1 single asset management plan	0	0	21,376,811	21,376,811		
Xinyuan Assets Management Co., Ltd.-"Chuangying" portfolio investment financing product 170720-Xinyuan Assets Xinmeihua No. 358 single asset management plan	0	0	43,478,260	43,478,260		
Total	320,842,253	0	213,768,115	534,610,368	-	-

Continued

Name of shareholders	Quantity of restricted stocks at the	Quantity of restricted stocks cancelled	Quantity of restricted stocks increased	Quantity of restricted stocks at the end of the period	Reasons for restriction on sales	Date of lifting the trading restrictions
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	beginning of the period	in current period	in current period			
Qiu Yibo	350,000	350,000	0	0	Locking after the stock incentive plan for restricted stocks is granted	The first grant date is Aug. 25, 2015 with unlocking in four phases as per 25%, 25%, 25% and 25% within the next 48 months.
Fang Xianshui	1,225,000	1,225,000	0	0		The first grant date is Jun. 12, 2017 with unlocking in three phases based on 40%, 30% and 30% within the next 36 months.
Lou Xiang	2,646,000	1,323,000	0	1,323,000		
Ni Defeng	2,597,000	1,421,000	0	1,176,000		
Wang Songlin	2,471,000	1,358,000	0	1,113,000		
Chen Liancai	1,680,000	840,000	0	840,000		
Zheng Xingang	1,344,000	672,000	0	672,000		
Zhao Donghua	252,000	126,000	0	126,000		
Wu Zhong	84,000	42,000	0	42,000		
Other 24 restricted stock incentive plan incentive objects	14,749,000	8,302,000	0	6,447,000		
Total	27,398,000	15,659,000	0	11,739,000	-	-

II. Securities Issuance and Listing

1. Securities issuance (excluding preferred stocks) with Within the reporting period

Unit: Share, RMB /piece, RMB 000,000,000, currency: RMB

Name of stock and its derivative securities	Issued date	Issuing price (or interest rate)	Distribution number	Listing date	Quantity approved to be listed and transacted	Expiry date of transaction	Disclosure index	Disclosure date
Stock								
Shares subject to private placement of issuing shares to purchase assets and raise supporting funds and related transaction	Apr. 3, 2018	13.80	213,768,115	Feb. 25, 2019	213,768,115		CNINFO (http://www.cninfo.com.cn): Report about Issue of Shares Subject To Private Placement of Issuing Shares to Purchase Assets and Raise Supporting Funds and Related Transaction as Well as Listed Company Statement	Feb. 22, 2019
Convertible bonds, convertible bonds separately transacted and other derivative securities of corporate bonds								
19 Hengyi 01	Mar. 22, 2019	6.38%	5	Apr. 9, 2019	5	Mar. 26, 2022	CNINFO (http://www.cninfo.com.cn): Announcement about the Result of Public Issue of Corporate Bonds (Phase I) To Qualified Investors in 2019 (announcement number: 2019-034)	Mar. 26, 2019
19 Hengyi 02	May 31, 2019	6.50%	5	Jun. 17, 2019	5	Jun. 04, 2022	CNINFO (http://www.cninfo.com.cn): Announcement about the Result of Public Issue of Corporate Bonds (Phase II) To Qualified Investors in 2019 (announcement number: 2019-077)	Jun. 4, 2019

Description of securities issuance (excluding preferred stocks) with Within the reporting period

1. Shares subject to private placement of issuing shares to purchase assets and raise supporting funds and related transaction: Within the reporting period, the Company issued shares to 6 specified objects by private placement, the issue price was RMB 13.80/share and the number of shares issued reached to 213,768,115. The transaction scheme was deliberated and passed at the 9th meeting of the 10th Board of Directors, the 10th meeting of the 10th Board of Directors and the 14th meeting of the 10th Board of Directors of the Company, deliberated and passed by the resolution at the 4th extraordinary shareholders' meeting of the Company in 2018 and appeared on the market on Feb. 25, 2019.

2. Corporate bonds: Within the reporting period, the Company issued "19 Hengyi 01" and "19 Hengyi 02" corporate bonds of RMB 1 billion and their value dates were Mar. 26, 2019 and Jun. 4, 2019. As for bonds issued by the Company, refer to "Section X Corporate Bonds" in the Report.

2. Description for Company's total shares, change in Company's shareholder structure as well as changes in Company's assets and liability composition

As for shares subject to private placement of issuing shares to purchase assets and raise supporting funds by the Company and related transaction within the reporting period, the sum of shares increased to 2,841,725,474 on the disclosure date of the Report from 2,627,957,359 at the beginning of the period.

3. Situation of existing internal employee stocks

☐Applicable ☒Not applicable

III. Shareholders and Actual Controllers

1. Number of shareholders and shareholding situation of the Company

Unit: Share

Total number of shareholders at the end of 2019			21,313		Total number of shareholders on Mar. 31, 2020			24,111	
Shareholding situation regarding shareholders holding more than 5% of stocks or top 10 shareholders									
Name of shareholders	Nature of shareholder	Shareholding ratio	Amount of holding shares at the end of the reporting period	Increase or decrease within the reporting period	Shareholding quantity with limited conditions of sale	Shareholding quantity with unlimited conditions of sale	Pledge or frozen situation		
							Stock status	Quantity	
Zhejiang Hengyi Group Co., Ltd.	Domestic non-state-owned legal person outside territory	41.06%	1,166,854,744	173,000	170,592,433	996,262,311	Pledge	869,116,202	
Hangzhou Hengyi Investment Co., Ltd.	Domestic non-state-owned legal person outside territory	6.94%	197,183,098	0	0	197,183,098			
Chang'an International Trust Co., Ltd.-Chang'an Trust- Hengyi Petrochemical's the third employee stock ownership collective fund trust plan	Others	3.13%	88,988,495	0	0	88,988,495			
Fulida Group Holding Co., Ltd.	Domestic non-state-owned	2.64%	75,124,910	0	75,124,910	0	Freeze	23,860,000	

	legal person outside territory							
Xinghui Chemical Fiber Group Co., Ltd.	Domestic non-state-owned legal person outside territory	2.64%	75,124,910	0	75,124,910	0		
Nanhua Fund- CZBank-Nanhua Fund Xinhua No. 1 asset management plan	Others	2.57%	73,022,284	0	0	73,022,284		
TTCO Trust Corporation Limited -TTCO Trust-Hongjing No. 19 collective fund trust plan	Others	1.62%	45,999,944	0	0	45,999,944		
Xinyuan Assets Management Co., Ltd.-"Chuangying" portfolio investment financing product 170720-Xinyuan Assets Xinmeihua No. 358 single asset management plan	Others	1.53%	43,478,260	43,478,260	43,478,260	0		
CR Trust-CR Trust ·Huaying No. 6 single fund trust	Others	1.52%	43,221,608	0	0	43,221,608		
Beixin Ruifeng Fund Management Co., Ltd.-CITIC Financing Huiying Series Zhixuan Tiantiankuaiche financing product-Beixin Ruifeng Fund CITIC No. 1 single asset management plan	Others	1.42%	40,355,077	40,355,077	40,355,077	0		
Strategic investors or general legal persons become top-10 shareholders due to right issue (if any) (refer to Note 3)			No					
Description of associated relationships or concerted action of the above shareholders			Among top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is the holding subsidiary of Hengyi Group. Up to the disclosure date of the Report, the Company's controlling shareholder- Hengyi Group and its persons acting in concert pledged 869,116,202 corporate stocks, accounting for 63.72% stocks held by them, of which					

	671,257,326 stocks (accounting for 49.21% of stocks held by them) were used as credit enhancement guarantee for the Company's controlling shareholder providing Hengyi Brunei with USD 1.75 billion or equivalent offshore RMB project loan. The above pledge wasn't related to stock buy-in obligation without risk of closeout.
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Shareholding situation regarding top 10 shareholders without restricted conditions		
Name of shareholders	Quantity of stocks without restricted conditions held at the end of reporting period	Stock class
Zhejiang Hengyi Group Co., Ltd.	996,262,311	Common share (in RMB)
Hangzhou Hengyi Investment Co., Ltd.	197,183,098	Common share (in RMB)
Chang'an International Trust Co., Ltd.-Chang'an Trust- Hengyi Petrochemical's the third employee stock ownership collective fund trust plan	88,988,495	Common share (in RMB)
Nanhua Fund- CZBank-Nanhua Fund Xinhua No. 1 asset management plan	73,022,284	Common share (in RMB)
TTCO Trust Corporation Limited -TTCO Trust-Hongjing No. 19 collective fund trust plan	45,999,944	Common share (in RMB)
CR Trust-CR Trust ·Huaying No. 6 single fund trust	43,221,608	Common share (in RMB)
Horizon Asset- CZBank-Horizon Asset-Hupan No. 1 asset management plan	39,899,398	Common share (in RMB)
AVIC Trust-AVIC Trust ·Tianqi [2017] No. 299 Hengyi Petrochemical employee stock ownership collective fund trust plan	38,937,177	Common share (in RMB)
Jinan Tianshun Investment Partnership (Limited Partnership)	37,874,145	Common share (in RMB)
101 portfolio of the national social security fund	27,444,260	Common share (in RMB)
Description for relationship or concerted action between top 10 common stock shareholders without restricted conditions as well as between top 10 common stock shareholders without restricted conditions and top 10 shareholders	Among top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is the holding subsidiary of Hengyi Group.	
Situation description of shareholders participating in securities margin trading business among top 10 common share shareholders (if any) (see Note 4)	The Company's shareholder- Zhejiang Hengyi Group Co., Ltd. held 1,137,268,447 stocks by ordinary securities account and 29,586,297 stocks via account for customer credit trading secured securities of CITIC Securities Co., Ltd. (1,166,854,744 stocks in total).	

Whether top 10 common shareholders and top 10 common shareholders without restricted conditions in the Company carry out agreed repurchase transaction within the reporting period

The top 10 common shareholders and top 10 common shareholders without restricted conditions in the Company fail to carry out agreed repurchase transaction within the reporting period

2. Controlling shareholder of the Company

Nature of controlling shareholder: Natural person controlling

Type of controlling shareholder: Legal person

Name of controlling shareholder	Legal representative/ heads of units	Date of establishment	Organization code	Main businesses
Hengyi Group	Qiu Jianlin	Oct. 18, 1994	91330109143586141L	Industrial investment as well as production and sales of textile raw materials and product
Equity of other domestic and overseas listed companies with holding or participation by the controlling shareholder with Within the reporting period	Up to the disclosure date of the Report, Hengyi Group now holds 494,655,630 stocks of CZBank Co., Ltd. (stock code: 601916.SH, 02016.HK), accounting for 2.33% of general capital.			

Change in the controlling shareholder with Within the reporting period

the Company's controlling shareholder doesn't change within the reporting period.

3. Actual controller and persons acting in concert of the Company

Nature of actual controller: Domestic natural person

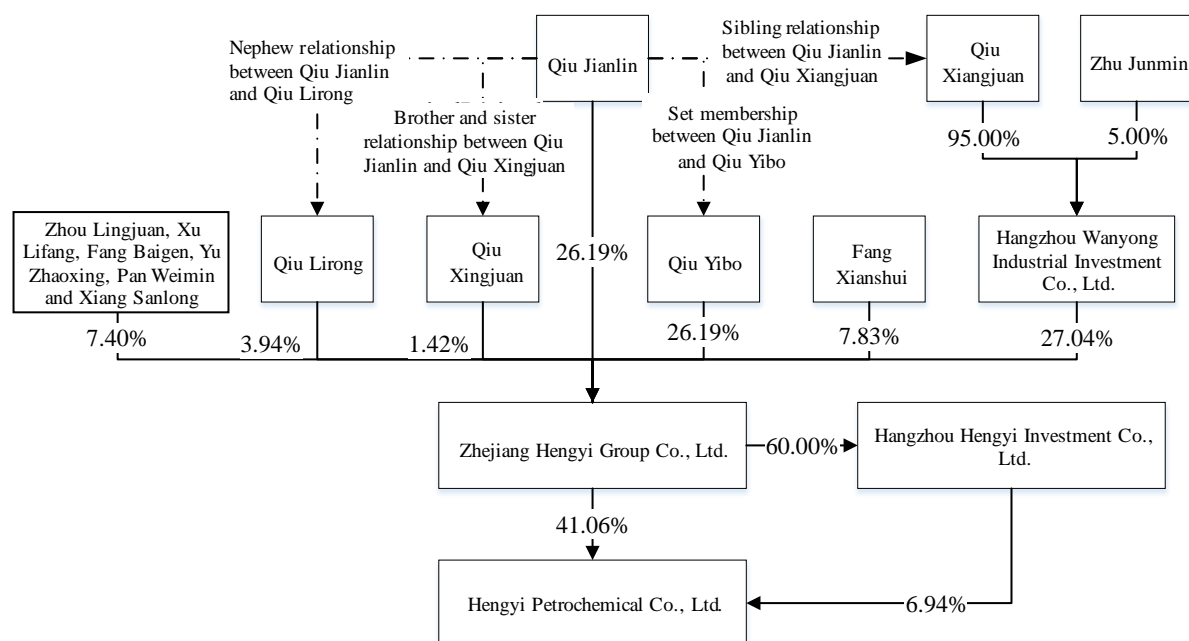
Type of actual controller: Natural person

Name of actual controller	Relationship with the actual controllers	Nationality	Whether right of residence in other country or region is gained
Qiu Jianlin	In person	China	No
Primary occupation and position	Since 1994, Mr. Qiu Jianlin has been serving as Chairman of Zhejiang Hengyi Group Co., Ltd. He also holds other social posts (such as Vice Chairman of CCFA).		
Domestic and overseas listed companies held once in the past ten years	Up to the disclosure date of the Report, Mr. Qiu Jianlin was the actual controller of Hengyi Group which directly held 41.06% shares of the Company and 6.94% shares of the Company by Hengyi Group's holding subsidiary (60% Hengyi Investment shares held by Hengyi Group), thus Mr. Qiu Jianlin was actual controller of the Company		

Change in actual controller within the reporting period

No change in actual controller of the Company in the reporting period.

A block diagram of the property right and control relationship between the Company and the actual controller



Notes: Up to the disclosure date of the Report, Qiu Jianlin held 26.19% equities of Hengyi Group, actually controlled 84.77% equities of Hengyi Group by concerted action arrangement with

his family member(s) (Qiu Jianlin signed the *Agreement of Concerted Action* with Hangzhou Wanyong Industrial Investment Co., Ltd., Qiu Xiangjuan, Qiu Yibo, Qiu Lirong and Qiu Xingjuan on Feb. 8, 2018. The Agreement is continuously effective as well as Wanyong Industrial controlled by Qiu Xiangjuan as per the Agreement, Qiu Yibo, Qiu Lirong and Qiu Xingjuan are Qiu Jianlin's persons acting in concert with four shareholders holding 27.04%, 26.19%, 3.94% and 1.42% equities of Hengyi Group). Hengyi Group directly holds 41.06% shares of Hengyi Petrochemical and 6.94% shares of Hengyi Petrochemical by the holding subsidiary-Hengyi Investment (48.00% shares of Hengyi Petrochemical in total). Qiu Jianlin is still the actual controller of the listed company.

Actual controller controls the Company by virtue of trust or other assets management method

☐Applicable ☒Not applicable

4. Legal person shareholders holding over 10% equities

☐Applicable ☒Not applicable

5. Share restriction and reduction of share regarding controlling shareholder, actual controller, restructuring party and other commitment subject

☐Applicable ☒Not applicable

Section VII Information of Preferred Shares

The Company has no preferred stocks in the reporting period.

Section VIII Convertible Corporate Bonds

Within the reporting period, the Company intended to issue A-share convertible bonds (total scale: RMB 2 billion) for the construction project of Haining New Materials with annual output of 1 million tons of intelligent environmental functional fibers. The above matter had been deliberated and passed at the 29th meeting of the 10th Board of Directors, the 22th meeting of the 10th Supervisory Committee and the 2018 shareholders' meeting of the Company. Up to the disclosure date of the Report, such matter had been approved at the 31th working conference of the 18th Issuance Examination Committee of China Securities Regulatory Commission (hereinafter referred to as CSRC) in 2020 and got the official document from China Securities Regulatory Commission (CSRC). The specific progress is as follows:

Time	Matter progress
Apr. 25, 2019	Disclosure the <i>Plan for Public Issue of A-share Convertible Bonds</i>
Jun. 19, 2019	Acceptance of the Application for Public Issue of A-share Convertible Bonds by China Securities Regulatory Commission (CSRC)
Sep. 18, 2019	Receiving the <i>Notice about One-time Feedback for the Administrative Licensing Project of China Securities Regulatory Commission (CSRC)</i> from China Securities Regulatory Commission (CSRC)
Mar. 13, 2020	Being deliberated and passed at the 31 th working conference of the 18 th Issuance Examination Committee of China Securities Regulatory Commission (CSRC) in 2020
Mar. 31, 2020	Receiving the <i>Official Reply about Approving the Public Issue of Convertible Corporate Bonds by Hengyi Petrochemical Co., Ltd.</i> from China Securities Regulatory Commission (CSRC)

Section IX Directors, Supervisors, Senior Management and Employees

I. Shareholding Changes by Directors, Supervisors and Senior Management

Name	Post	Position status	Sex	Age	Starting date of tenure	Ending date of tenure	Number of shares held at the beginning of the period (shares)	Number of shares increased in the period (shares)	Number of shares decreased in the period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)
Qiu Yibo	Chairman	Current position	Male	33	May 15, 2015	Aug. 25, 2020	1,050,000	0	0	0	1,050,000
Fang Xianshui	Vice Chairman	Current position	Male	56	May 16, 2011	Aug. 25, 2020	3,675,000	0	0	0	3,675,000
Lou Xiang	Director, President	Current position	Male	41	Aug. 25, 2017	Aug. 25, 2020	4,410,000	0	0	0	4,410,000
Ni Defeng	Director	Current position	Male	42	Aug. 25, 2017	Aug. 25, 2020	4,655,000	0	0	0	4,655,000

Name	Post	Position status	Sex	Age	Starting date of tenure	Ending date of tenure	Number of shares held at the beginning of the period (shares)	Number of shares increased in the period (shares)	Number of shares decreased in the period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)
Wang Songlin	Director, Standing Vice President	Current position	Male	50	May 16, 2011	Aug. 25, 2020	4,445,000	0	0	0	4,445,000
Chen Liancai	Director, Vice President	Current position	Male	53	Aug. 25, 2017	Aug. 25, 2020	2,800,000	0	0	0	2,800,000
Zhu Junmin	Vice President	Resigned	Male	48	May 3, 2013	Aug. 28, 2020	2,625,000	0	0	0	2,625,000
Zhu Juzhen	Chief Financial Officer (CFO)	Resigned	Female	57	Jun. 25, 2012	Jan. 11, 2019	1,470,000	0	0	0	1,470,000
Zheng Xingang	Secretary of the Board of Directors	Current position	Male	41	Aug. 28, 2017	Aug. 28, 2020	2,240,000	0	0	0	2,240,000
Total	-	-	-	-	-	-	27,370,000	0	0	0	27,370,000

II. Changes of the Directors, Supervisors and Senior Management Personnel

Name	Position held	Type	Date	Causes
Zhu Juzhen	Chief Financial Officer (CFO)	Resigned	Jan. 11, 2019	Personal reasons
Mao Ying	Chief Financial Officer (CFO)	Appointment	Jan. 11, 2019	Election by Board of Directors
Zhu Junmin	Vice President	Resigned	Jun. 3, 2019	Personal reasons

III. Positions

Professional background, major work experiences and current main responsibilities in the Company of the current directors, supervisors, and senior management

1. Directors

Qiu Yibo, male, born in Dec. 1987, bachelor's degree, worked in Sinopec Chemical Commercial Holding Company Limited Chemical Sales Co., Ltd. Branch and served as Hengyi Petrochemical Co., Ltd. Investment Management Department Manager and Hengyi Petrochemical Co., Ltd. Deputy Chairman and Vice President as well as now act as Chairman of Hengyi Petrochemical Co., Ltd., Executive Director of Ningbo Jinhou Industry Investment Co., Ltd and Hangzhou Yibo Investment Management Co., Ltd. and Director of Zhejiang Xianfeng Data Technology Co., Ltd., Fujian Yijin Chemical Fiber Co., Ltd., Zhejiang Hengyi Group Co., Ltd. and Shanghai Dongzhan Shipping Co., Ltd.

Fang Xianshui, male, born in Mar. 1964, bachelor's degree, Senior Economist and production management experience in the chemical fiber industry for more than 30 years, served as General Manager of Hangzhou Hengyi Industrial Corporation, Hangzhou Hengyi Chemical Fiber Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. and Chairman of Hengyi Petrochemical Co., Ltd. as well as now act as Deputy Chairman of Hengyi Petrochemical Co., Ltd., Director of Zhejiang Hengyi Group Co., Ltd., Executive Director and CEO of Zhejiang Hengyi Petrochemical Co., Ltd., Chairman of Zhejiang Hengyi Polymer Co., Ltd. and Zhejiang Yisheng Petrochemical Co., Ltd., Executive Director of Zhejiang Hengyi High-Tech Materials Co., Ltd., Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd., Hong Kong Tianyi International Holding Co., Ltd., Good Park

International Holdings Limited and Yisheng Dahua Petrochemical Co., Ltd., Executive Director of Hainan Yisheng Trading Co., Ltd and Zhejiang Yixin Chemical Fiber Co., Ltd., Executive Director and CEO of Ningbo Hengyi Engineering Management Co., Ltd., Chairman of Hainan Yisheng Petrochemical Co., Ltd., Executive Director of Ningbo Hengyi Industrial Co., Ltd., Executive Director and CEO of Zhejiang Hengyi Petrochemical Sales Co., Ltd., Chairman of Ningbo Hengyi Trading Co., Ltd., Director of Hong Kong Yisheng Co., Ltd., Executive Director of Shanghai Hengyi Polyester Fiber Co., Ltd., Chairman of Zhejiang Hengyi International Trade Co., Ltd., Director of Fujian Yijin Chemical Fiber Co., Ltd., Zhejiang Yisheng New Materials Co., Ltd. and Zhejiang Hengyi Polyamide Co., Ltd., Executive Director of Zhejiang Hengkai Energy Co., Ltd. and Director of Zhejiang Shuangtu New Materials Co., Ltd., Haining Hengyi New Materials Co., Ltd. and Dalian Yisheng Investment Co., Ltd.

Lou Xiang, male, born in Mar. 1979, Master of Business Administration and Certified Public Accountant, served as Manager Assistant of Pan-China Certified Public Accountants, Deputy General Manager of Hengyi Petrochemical Co., Ltd. and Standing Vice President of Zhejiang Hengyi Group Co., Ltd. and now act as Director and CEO of Hengyi Petrochemical Co., Ltd., Director of Zhejiang Hengyi Polymer Co., Ltd., Fujian Yijin Chemical Fiber Co., Ltd., Zhejiang Baling Hengyi Caprolactam Co., Ltd., Suqian Yida New Materials Co., Ltd. and Zhejiang Hengyi International Trade Co., Ltd., Executive Director and CEO of Zhejiang Hengyi Energy Co., Ltd., Director of Zhejiang Hengyi Group Co., Ltd. and Zhejiang Hengyi Engineering Management Co., Ltd., Chairman of Zhejiang Hengyi Polyamide Co., Ltd. and Hangzhou Hengyi Investment Co., Ltd., Director of Haining Hengyi New Materials Co., Ltd., Executive Director of Hangzhou Xinjunruikang Trade Co., Ltd. and Director of Hangzhou Xiaoshan Junboshengming Engineering Technology Co., Ltd.

Ni Defeng, male, born in Jan. 1978, doctoral degree, has over ten years of financial and investment work experience. He once acted as the Auditor of Pan-China Certified Public Accountants, Manager of the Finance Department, Manager of the Investment Development Department, Assistant President of Zhejiang Hengyi Group Co., Ltd. and Investment Director of Hengyi Petrochemical Co., Ltd. Now he is the Director of Hengyi Petrochemical Co., Ltd., Director

of Zhejiang Xianfeng Data Technology Co., Ltd., Director and President of Zhejiang Hengyi Group Co., Ltd., Director of Hangzhou Hengyi Investment Co., Ltd., Director of Zhejiang Hengyi Polyamide Co., Ltd., Director of Lanping Qingdianwan Zinc Industry Co., Ltd., Director of Hainan Hengshengyuan International Tourism Development Co., Ltd., Executive Director of Hangzhou Jinglin Asset Management Co., Ltd., Executive Director of Hangzhou Jinyi Industry Co., Ltd., and Director of Dalian Yishengyuan Real Estate Co., Ltd.

Wang Songlin, male, born in Apr. 1970, master's degree, has over 20 years of practicing experience in the petrochemical and chemical fiber industry. He once acted as the Deputy Division Chief of China Textile Planning Institute of Construction, Office Director of China National Chemical Fiber Corporation, General Manager of CCFEI and General Manager of Beijing Cotton Outlook Company. Now he is the Director and Standing Vice President of Hengyi Petrochemical Co., Ltd., Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd., Chairman and President of Haining Hengyi New Materials Co., Ltd. and Executive Director of Haining Hengyi Thermal Power Co., Ltd.

Chen Liancai, male, born in Jun. 1967, bachelor's degree, is a Senior Engineer and has over 20 years of petrochemical practicing experience. He once acted as the General Manager of Sinopec Zhenhai Refining Branch, Deputy General Manager of GD Sinopec Ningxia Energy Chemical Industry Co., Ltd. and General Manager of Sinopec Great Wall Energy and Chemical (Ningxia) Co., Ltd. (Sinopec Ningxia). Now he is the CEO of Hengyi Industries Sdn Bhd.

2. Independent Directors

Chen Sanlian, male, born in Nov. 1964, bachelor's degree of law, is a public figure without party affiliation. He once acted as a cadre of the Lawyer Administration Office of the Justice Department of Zhejiang Province, Associate Editor of periodical office *Lawyer and the Legal System*, lawyer of No. 5 Law Firm of Zhejiang Union Law Firm and Deputy Secretary General of Lawyers Association of Zhejiang. Now he is the Secretary General of Lawyers Association of Zhejiang, Independent Director of Hengyi Petrochemical Co., Ltd., Independent Director of Calxon Group, Tony-tech, Zheshang Development and Zhejiang Humanities Landscape Co., Ltd. Concurrently, He is the Counselor of the People's Government of Zhejiang Province, CPPCC

Member of the 11th CPPCC of Zhejiang Province, Special Inspector of the Political and Legal Affairs Commission of Zhejiang Provincial Party Committee of the Communist Party of China, People's Supervisor of People's Procuratorate of Zhejiang Province, Visiting Professor of Zhejiang University of Technology Law School.

Yang Liuyong, male, Han Ethnicity, Tongxiang City of Zhejiang Province, born in 1964, is a Finance Professor of Zhejiang University and Deputy Dean of the Academy of Financial Research of Zhejiang University. He joined the Communist Party of China in 1984 and started to work in 1987. From 1980 to 1984, he studied the Agricultural Economics in Zhejiang University. From 1984 to 1987, he studied for the master's degree of agricultural economics in Zhejiang University. Since 1987, he has been acted as the Finance Professor of Zhejiang University (wherein, he studied for the doctoral degree of Agricultural Economics and Management in Zhejiang University from 1996 to 2001).

Yang Baizhang, Chinese nationality, male, born in Jul. 1957, college degree, Professor-level Senior Accountant, is the Vice Chairman of Zhejiang Association of CFO. He once acted as the Manager of Finance Department of Transfar Group Co., Ltd. Now he is the Independent Director of Hengyi Petrochemical Co., Ltd. as well as the Director, CFO and Vice President of Transfar Group Co., Ltd.

3. Senior Executives

Lou Jianchang, male, born in Nov. 1962, master's degree of Engineering of China University of Petroleum (Beijing), MBA of University of Houston, is a Professor-level Senior Engineer. He once acted as the Deputy Chief Despatcher of the Dispatching Center of Sinopec Yanshan Petrochemical Company as well as the Deputy Factory Director and Factory Director of the Refinery Factory of Sinopec Yanshan Petrochemical Company; Deputy General Manager of Sinopec Yanshan Petrochemical Company; Deputy Director of the Material Equipment Department of Sinopec and the Deputy General Manager of Sinopec International Business Co., Ltd. Now he is the Vice President of Hengyi Petrochemical Co., Ltd.

Mao Ying, female, born in Feb. 1981, bachelor's degree, is a Senior Economist. She once acted as the Assistant President of Hengyi Petrochemical Co., Ltd. and CFO of Hengyi Industries Sdn

Bhd. Now she is the Vice President and CFO of Hengyi Petrochemical Co., Ltd.

Zhao Donghua, male, born in Feb. 1985, master's degree of Law of Zhejiang University, is an Intermediate Economist. He once acted as the Securities Affairs Representative of Hengyi Petrochemical Co., Ltd., Vice Manager of the Legal Affairs Department, General Manager Assistant of the Marketing Center, General Manager of Zhejiang Hengyi Petrochemical Sales Co., Ltd. and Vice President of Hengyi Petrochemical Co., Ltd.

Wu Zhong, male, born in Jul. 1989, has a bachelor's degree of Law of Zhejiang Gongshang University. He once acted as the Deputy General Manager of Zhejiang Hengyi Petrochemical Sales Co., Ltd., General Manager of Ningbo Hengyi Industrial Co., Ltd. and Vice President of Hengyi Petrochemical Co., Ltd.

Zheng Xingang, male, born in Dec. 1979, bachelor's degree of Huazhong University of Science and Technology, master's degree of Wuhan University, EMBA of Fudan University, is a senior economist and has over ten years of investment and financing work experience. He once acted as the Vice Manager of the Capital Operation Department of Hengyi Petrochemical Co., Ltd., Vice Manager of the Investment Development Department and the Office Director of the Board of Directors. Now he is the Secretary of the Board of Directors and Assistant President of Hengyi Petrochemical Co., Ltd.

4. Supervisors

Wang Tieming, male, born in Feb. 1963, is a Senior Economist. He once acted as the Deputy General Manager of Zhejiang Hengyi Real Estate Development Co., Ltd., Deputy General Manager of Shanghai Hengyi Polyester Fiber Co., Ltd., General Manager of the Comprehensive Management Center of Zhejiang Hengyi Group Co., Ltd., General Manager Assistant and General Manager of the Comprehensive Management Center of Zhejiang Hengyi Petrochemical Co., Ltd. Now he is the Assistant President of Zhejiang Hengyi Petrochemical Co., Ltd., Supervisor of Zhejiang Hengyi Petrochemical Co., Ltd., Supervisor of Hainan Hengshengyuan International Tourism Development Co., Ltd., Executive Director and CEO of Zhejiang Hengyi Real Estate Development Co., Ltd. and Chairman of Shanghai Hengyi Textile Material Development Co., Ltd.

Gong Yanhong, female, born in Dec. 1970, bachelor's degree, has over 20 years of financial

work experience. She once acted as the Accountant of Zhejiang Hengyi Polymer Co., Ltd., Chief Accountant of Zhejiang Hengyi Petrochemical Co., Ltd., Finance Manager of Shanghai Hengyi Polyester Fiber Co., Ltd., Vice Manager of the Financial Management Department of Hengyi Petrochemical Co., Ltd. and Manager of the Finance Department of Zhejiang Hengyi Petrochemical Co., Ltd. Now she is the CFO of Hainan Yisheng Petrochemical Co., Ltd. and the Supervisor of Yisheng Dahua Petrochemical Co., Ltd.

Li Yue, female, born in 1984, Chinese Nationality, does not have a permanent overseas residence right. She, graduated from Jiangxi University of Finance and Economics with a bachelor's degree, is an accountant. She once acted as the Chief Accountant of Zhejiang Hengyi Group Co., Ltd. Now she is the Chief Accountant of Hengyi Petrochemical Co., Ltd. and Supervisor of Ningbo Borongda Investment Management Co., Ltd.

Position in the shareholder unit

Name	Name	Position held	Starting date of tenure	Whether remuneration and allowance have been received at the shareholder unit
Fang Xianshui	Zhejiang Hengyi Group Co., Ltd.	Director	Oct. 18, 1994	No
Ni Defeng	Zhejiang Hengyi Group Co., Ltd.	Director and President	Sep. 26, 2017	Yes
Ni Defeng	Hangzhou Hengyi Investment Co., Ltd.	Director	Dec. 28, 2016	Yes
Lou Xiang	Zhejiang Hengyi Group Co., Ltd.	Director	Sep. 26, 2017	No
Qiu Yibo	Zhejiang Hengyi Group Co., Ltd.	Director	Sep. 26, 2017	No
Lou Xiang	Hangzhou Hengyi Investment Co., Ltd.	Chairman	Dec. 28, 2016	No
Position in the shareholder unit			No	

Position in the other units

Name	Unit name	Position held	Starting date of tenure	Whether remuneration and allowance have been received at the other units
Fang Xianshui	Zhejiang Hengyi Petrochemical Co., Ltd.	Executive Director and CEO	Jul. 26, 2004	No
Fang Xianshui	Zhejiang Hengyi Polymer Co., Ltd.	Chairman	May 18, 2015	No
Fang Xianshui	Zhejiang Yixin Chemical Fiber Co., Ltd.	Executive Director	Jul. 26, 2017	No
Fang Xianshui	Zhejiang Yisheng Petrochemical Co., Ltd.	Chairman	May 8, 2015	No
Fang Xianshui	Zhejiang Hengyi High-Tech Materials Co., Ltd.	Executive Director	Oct. 15, 2007	No
Fang Xianshui	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	Dec. 25, 2014	No
Fang Xianshui	Ningbo Hengyi Engineering Management Co., Ltd.	Executive Director and CEO	Nov. 27, 2014	No
Fang Xianshui	Yisheng Dahua Petrochemical Co., Ltd.	Director	Apr. 29, 2006	No
Fang Xianshui	Hainan Yisheng Petrochemical Co., Ltd.	Chairman	Jun. 23, 2014	No
Fang Xianshui	Hong Kong Tianyi International Holding Co., Ltd.	Director	Sep. 17, 2009	No
Fang Xianshui	Good Park International Holdings Limited	Director	Sep. 17, 2009	No
Fang Xianshui	Ningbo Hengyi Industrial Co., Ltd.	Executive Director	Jun. 7, 2011	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Sales Co., Ltd.	Executive Director and CEO	Jul. 24, 2017	No

Name	Unit name	Position held	Starting date of tenure	Whether remuneration and allowance have been received at the other units
Fang Xianshui	Ningbo Hengyi Trading Co., Ltd.	Chairman	May 8, 2015	No
Fang Xianshui	Hainan Yisheng Trading Co., Ltd.	Executive Director	Aug. 14, 2014	No
Fang Xianshui	Hong Kong Yisheng Co., Ltd.	Director	Jun. 27, 2014	No
Fang Xianshui	Shanghai Hengyi Polyester Fiber Co., Ltd.	Executive Director	May 14, 2015	No
Fang Xianshui	Zhejiang Hengyi International Trade Co., Ltd.	Chairman	Dec. 6, 2017	No
Fang Xianshui	Fujian Yijin Chemical Fiber Co., Ltd.	Director	Jan. 26, 2018	No
Fang Xianshui	Zhejiang Yisheng New Materials Co., Ltd.	Director	Nov. 27, 2017	No
Fang Xianshui	Zhejiang Hengyi Polyamide Co., Ltd.	Director	Aug. 12, 2013	No
Fang Xianshui	Zhejiang Hengkai Energy Co., Ltd.	Executive Director	Dec. 18, 2017	No
Fang Xianshui	Zhejiang Shuangtu New Materials Co., Ltd	Executive Director	Dec. 7, 2018	No
Fang Xianshui	Haining Hengyi New Materials Co., Ltd.	Director	Nov. 13, 2019	No
Fang Xianshui	Dalian Yisheng Investment Co., Ltd.	Director	Dec. 18, 2009	No
Qiu Yibo	Ningbo Jinhou Industry Investment Co., Ltd.	Executive Director	May 3, 2016	No
Qiu Yibo	Hangzhou Yibo Investment Management Co., Ltd.	Executive Director	Mar. 17, 2016	No

Name	Unit name	Position held	Starting date of tenure	Whether remuneration and allowance have been received at the other units
Qiu Yibo	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	Jun. 7, 2016	No
Qiu Yibo	Fujian Yijin Chemical Fiber Co., Ltd.	Director	Jan. 26, 2018	No
Qiu Yibo	Dongzhan Shipping Co., Ltd.	Director	Nov. 30, 2017	No
Lou Xiang	Zhejiang Hengyi Polymer Co., Ltd.	Director	Jun. 11, 2015	No
Lou Xiang	Fujian Yijin Chemical Fiber Co., Ltd.	Director	Jan. 26, 2018	No
Lou Xiang	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	Dec. 30, 2010	No
Lou Xiang	Suqian Yida New Materials Co., Ltd.	Executive Director	Jan. 19, 2018	No
Lou Xiang	Zhejiang Hengyi International Trade Co., Ltd.	Director	Dec. 6, 2017	No
Lou Xiang	Zhejiang Hengyi Energy Co., Ltd.	Executive Director	Dec. 11, 2014	No
Lou Xiang	Zhejiang Hengyi Engineering Management Co., Ltd.	Director	Mar. 1, 2018	No
Lou Xiang	Zhejiang Hengyi Polyamide Co., Ltd.	Chairman	Jan. 27, 2015	No
Lou Xiang	Hangzhou Xinjunruikang Trade Co., Ltd.	Executive Director	Dec. 12, 2018	No
Lou Xiang	Hangzhou Xiaoshan Junboshengming Engineering Technoloy Co., Ltd.	Executive Director	Oct. 17, 2018	No
Lou Xiang	Haining Hengyi New Materials Co., Ltd.	Director	Jun. 29, 2018	No
Ni Defeng	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	Jun. 7, 2016	No
Ni Defeng	Zhejiang Hengyi Polyamide Co., Ltd.	Director	Jan. 27, 2015	No
Ni Defeng	Lanping Qingdianwan Zinc Industry Co., Ltd.	Director	Jan. 16, 2006	No
Ni Defeng	Hangzhou Jinglin Asset Management Co., Ltd.	Executive Director	Mar. 12, 2018	No

Name	Unit name	Position held	Starting date of tenure	Whether remuneration and allowance have been received at the other units
Ni Defeng	Dalian Yishengyuan Real Estate Co., Ltd.	Director	Mar. 29, 2018	No
Ni Defeng	Hangzhou Jinyi Industry Co., Ltd.	Executive Director	Sep. 30, 2019	No
Ni Defeng	Hainan Hengshengyuan International Tourism Development Co., Ltd.	Director	Feb. 26, 2018	No
Wang Songlin	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	Dec. 25, 2014	No
Wang Songlin	Haining Hengyi New Materials Co., Ltd.	Chairman	Sep. 4, 2017	No
Wang Songlin	Haining Hengyi Thermal Power Co., Ltd.	Executive Director	Sep. 13, 2017	No
Gong Yanhong	Yisheng Dahua Petrochemical Co., Ltd.	Supervisor	Feb. 28, 2015	No
Wang Tieming	Zhejiang Hengyi Petrochemical Co., Ltd.	Supervisor	Jul. 26, 2004	No
Wang Tieming	Hainan Hengshengyuan International Tourism Development Co., Ltd.	Supervisor	Jan. 8, 2010	No
Wang Tieming	Shanghai Hengyi Textile Material Development Co., Ltd.	Chairman	Mar. 16, 2005	No
Li Yue	Ningbo Borongda Investment Management Co., Ltd.	Supervisor	Jan. 5, 2016	No

Punishment against directors, supervisors and senior management personnel who work for the Company now or have left their post within the reporting period by securities' regulator in recent three years

☐Applicable ☒Not applicable

IV. Remuneration of the Directors, Supervisors and Senior Management

Decision-making process, confirmation basis and actual payment of remuneration of directors, supervisors and senior management personnel

Salaries of directors, supervisors and senior management personnel of the Company are based on performance assessment as stipulated in the Company's *System for Administration of Remuneration and Performance Appraisal of Senior Executives* (approved through review on the 3rd meeting of the 8th Board of Directors). According to the Company's relevant provision, 2019 annual salaries (the total amount including the basic salary, bonus, allowance, subsidy, employee services and benefits, insurance fees, provident fund and other forms of pre-tax paid-up remuneration paid by the Company) of directors, supervisors and senior management personnel whose salaries were paid by the Company were paid by the Board of Directors according to the Company's operation condition, relevant personnel's position, performance assessment scheme, etc. Within the reporting period, salaries of the Company's directors, supervisors and senior management personnel have been paid monthly.

It was approved through review on the first meeting of the 8th Board of Directors on May 16, 2011 and the second temporary shareholders' meeting on Jun. 8, 2011 that the allowance standard of Independent Director was RMB 100,000 / person / year (tax-inclusive) and would be paid monthly.

Remuneration of company's directors, supervisors and senior management in the reporting period of the Company.

Unit: ten thousand RMB

Name	Position	Sex	Age	Status	Total amount of pre-tax remuneration from the Company	Whether the remuneration is gained from the related party of the Company
Qiu Yibo	Chairman	Male	33	Current position	141.38	No
Fang Xianshui	Vice Chairman	Male	56	Current position	142.90	No
Lou Xiang	Director, President	Male	41	Current	139.42	No

Name	Position	Sex	Age	Status	Total amount of pre-tax remuneration from the Company	Whether the remuneration is gained from the related party of the Company
				position		
Ni Defeng	Director	Male	42	Current position	-	Yes
Wang Songlin	Director, Vice President	Male	50	Current position	130.92	No
Chen Liancai	Director, Vice President	Male	53	Current position	158.08	No
Chen Sanlian	Independent Director	Male	56	Current position	10.00	No
Yang Baizhang	Independent Director	Male	63	Current position	10.00	No
Yang Liuyong	Independent Director	Male	56	Current position	10.00	No
Lou Jianchang	Vice President	Male	58	Current position	143.50	No
Mao Ying	Vice President, CFO	Female	39	Current position	78.84	No
Zhu Juzhen	Chief Financial Officer (CFO)	Female	57	Quit	118.66	No
Zhu Junmin	Vice President	Male	48	Quit	47.38	No
Zheng Xingang	Secretary of the Board of Directors	Male	41	Current position	71.99	No
Wang Tieming	Supervisor	Male	57	Current position	72.26	No
Gong Yanhong	Supervisor	Female	50	Current position	-	Yes
Li Yue	Supervisor	Female	35	Current position	22.11	No
Total	-	-	-	-	1,297.44	-

Situation of equity incentive against company's Directors, Senior Management Personnel within the reporting period

☐Applicable ☒Not applicable

V. Situation of the Company Employee

1. Quantity of employees, major composition as well as educational status

Quantity of employees on active duty in the parent company (person)	11
Quantity of employees on active duty in the main subsidiaries (person)	16,546
Total quantity of employees on active duty (person)	16,557
Total quantity of employees gaining the remuneration in the current period (person)	16,557
The quantity of retired workers whose expenses shall be undertaken by parent company and main subsidiaries (person)	109
Professional composition	
Professional composition category	The number of persons of professional composition (person)
Production Personnel	13,994
Sales Personnel	294
Technical Personnel	1,557
Financial Personnel	148
Administration Personnel	564
Total	16,557
Educational background	
Education degree category	Quantity (person)
Master's Degree and above	281
Bachelor's Degree	1,753
College Degree and below	14,523
Total	16,557

2. Remuneration policy

The company applies the labor contract system and signs labor contract with all the employees according to the *Labor Law*, *Labor Contract Law* and relevant labor laws and regulations. The

company strictly applies the national employment system, labor protection system and social security system and pays social insurance for employees, takes corresponding security guarantee actions and creates a good and safe production environment for employees according to national provisions. The company establishes an effective salary stimulation system relating to its Financial Personnel, Administrative Personnel, Technicians, Production Personnel and Marketing Personnel and gives them corresponding performance rewards according to the performance assessment of the Company, departments and individuals.

3. Training plan

The company establishes Hengyi Enterprise University according to the need of production and operation as well as talent training, which aims to forge the university into a competitive enterprise university to support the global development of Hengyi. The University is the power center and bearing platform of organizational development, talent cultivation, technological accumulation and enterprise reform of the Hengyi. Hengyi University applies "blue-collar" series of talent projects and establishes hierarchical talent teams; attaches importance to continuous improvement, post skill evaluation and on-the-job further education to enhance employees' professional skills and efficiency. The company formulates different training plans for different types of employees, organizes internal training and external training as scheduled, pays special attention to post skill training and requires that personnel of special posts and hazardous chemical operators should hold a qualification certificate when taking a post, safe ensuring production and normal operation. The company also offers targeted training to cultivate technicians and business backbones to improve their business abilities.

4. Labor service outsourcing condition

☐Applicable ☒Not applicable

Section X Corporate Governance

I. Basic Situation on Corporate Governance

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

1. Shareholders and General Shareholders Meetings

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

2. Controlling Shareholders and the Company

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

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

3. Directors and the Board of Directors

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

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

4. Supervisors and the Supervisory Committee

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

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

5. Interested Parties

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

6. Information Disclosure and Transparency

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

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

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

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

The company operates in strict accordance with the *Company Law* and its articles of association, keeps perfecting its sound corporate governance structure, and is completely separated from its controlling shareholders in such aspects as business, personnel, assets, institution and financial

affairs, with independent and complete business and independent operation capacity.

III. Horizontal Competition

☐ Applicable ☒ Not Applicable

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

1. The shareholders' meetings for this reporting period

Conference Session	Conference Type	Percentage of Investors Involved	Date of meeting	Date of disclosure	Disclosure index
First Interim Shareholders' General Meeting in 2019	Extraordinary General Meeting	52.07%	January 3, 2019	January 4, 2019	<i>Announcement on Resolution of the First Extraordinary General Meeting of 2019</i> (Announcement No.: 2019-001) on CNINF (www.cninfo.com.cn)
Second Interim Shareholders' General Meeting in 2019	Extraordinary General Meeting	57.76%	February 14, 2019	February 15, 2019	<i>Announcement on Resolution of the Second Extraordinary General Meeting of 2019</i> (Announcement No.: 2019-022) on CNINF (www.cninfo.com.cn)
2018 Annual General Meeting	Annual General Meeting	62.53%	May 9, 2019	May 10, 2019	<i>Announcement on Resolution of the 2018 Annual General Meeting</i> (Announcement No.: 2019-071) on CNINF (www.cninfo.com.cn)
Third Interim Shareholders' General Meeting in 2019	Extraordinary General Meeting	53.98%	September 16, 2019	September 17, 2019	<i>Announcement on Resolution of the Third Extraordinary General Meeting of 2019</i> (Announcement No.: 2019-112) on CNINF (www.cninfo.com.cn)
Fourth Interim Shareholders' General Meeting in 2019	Extraordinary General Meeting	48.50%	October 10, 2019	October 11, 2019	<i>Announcement on Resolution of the Fourth Extraordinary General Meeting of 2019</i> (Announcement No.: 2019-022) on CNINF (www.cninfo.com.cn)

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

☐ Applicable ☒ Not Applicable

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

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

Attendance of independent directors at the Board Meetings and the General Shareholders Meetings							
Name of Independent Director	Number of board meetings to attend during the reporting period	Number of on-site attendance of board meetings	Number of attendance of board meetings by means of telecommunications	Number of attendance of board meetings by trustees	Number of absence at board meetings	Whether absent from board meetings in person for two consecutive times	Number of attendance of General Shareholders Meetings
Chen Sanlian	14	3	11	0	0	No	1
Yang Baizhang	14	3	11	0	0	No	1
Yang Liuyong	14	3	11	0	0	No	1

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

Not Applicable

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

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

3. Other information on independent directors' performance of duties

Whether independent directors' suggestions to the Company are accepted

☒ Yes ☐ No

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

During the reporting period, in strict accordance with the relevant laws and regulations such as the *Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Main Board*, the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, and the *Guiding Opinions on Establishing the Independent Director System in Listed Companies*, as well as the Company's articles of association, the independent directors of the Company attended the board meetings and the General Shareholders Meetings, earnestly performed their duties, and put forward constructive opinions or suggestions on the development policy of the Company. Based on various specifications and requirements put forward by independent directors at the board meetings, the Company summarized and sorted out meeting minutes, sent them irregularly to all directors,

supervisors, senior executives and persons in charge of relevant matters, and tracked the progress of the matters in time, so as to effectively release, track and get feedback on the opinions of independent directors. At the board meetings, the Company's relevant persons in charge reported to independent directors on the operation, financial conditions, etc. of the Company during the corresponding period, and other members of the Board of Directors as well as management members received the inquiries from independent directors. The independent directors offered advice and suggestions on the improvement of the Company's operation and management, and reviewed and issued opinions of independent directors on such major issues as related party transaction, stock ownership incentive, employee stock ownership plan, corporate bonds, and assets purchase & fund raising by issuance of shares, which effectively ensured the fairness and objectivity of the Board of Directors' decisions and protected the overall interests of the Company and the legitimate rights and interests of minority shareholders. The independent directors actively participated in the Company's management meetings, gave risk warning for problems in operation and management of the Company in a timely manner, and provided professional training for senior executives of the Company with their expertise, playing a positive role in the standard operation and sound development of the Company.

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

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

1. Performance of duties of audit committee

During the reporting period, the audit committee of the Board of Directors actively performed its duties, and held four meetings in total. In terms of internal audit, the audit committee looked into the implementation of the audit work plan of the internal audit department and checked the audit results; in terms of financial report, the audit committee actively communicated with the Company's accounting department and external auditing institutions, and inspected the Company's financial systems and specifications and the preparation process of financial report to ensure the accuracy and integrity of the Company's financial report; in terms of internal control, the audit committee

unanimously agreed that the Company had established a relatively adequate internal control organization, and the internal control department of the Company, in strict accordance with relevant internal control systems and specifications, fully carried out the internal control test process, effectively prevented and controlled the Company's internal control defects, and improved the Company's internal control level.

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

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

3. Performance of duties of strategy and investment committee

The strategy and investment committee of the Board of Directors of the Company consists of four directors, with Mr. Fang Xianshui, Deputy Chairman of the Company, acting as chairman. During the reporting period, all members of the strategy and investment committee performed their duties with due diligence, and completed their work.

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

4. Performance of duties of risk control committee

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

It effectively ensured the fairness and objectivity of the Board of Directors' decisions and protected the overall interests of the Company and the legitimate rights and interests of minority shareholders. The independent directors actively participated in the Company's management meetings, gave risk warning for problems in operation and management of the Company in a timely

manner, and provided professional training for senior executives of the Company with their expertise, playing a positive role in the standard operation and sound development of the Company.

VII. Work of the Supervisory Committee

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

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

VIII. Evaluation and Incentive Mechanisms for Senior Management

In accordance with the *System for Administration of Remuneration and Performance Appraisal of Senior Executives* and other relevant regulations, the comprehensive appraisal of senior executives of the Company was conducted on the basis of the economic indicators and integrated management of business operation, as well as the annual business plan and the duties and objectives of senior executives, and the annual salary distribution of senior executives was determined according to the appraisal results.

IX. Internal Control Assessment Report

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

☐ Yes ☒ No

2. Internal Control Self-evaluation Report

Disclosure date of full text of Internal Control Evaluation Report	April 28, 2020	
Disclosure index of full text of Internal Control Evaluation Report	http://www.cninfo.com.cn	
Proportion of total assets included in the evaluation scope to that of the Company's consolidated financial statements	100.00%	
Proportion of operating revenue included in the evaluation to that of the Company's consolidated financial statements	100.00%	
Defect Identification Standard		
Category	Financial Report	Non-financial Report

Qualitative Standard	<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 democratic decision-making process exists but is not adequate; ② general errors caused by decision-making process; ③ violation of internal rules and regulations, resulting in losses; ④ serious loss of business personnel in key positions; ⑤ negative news in the media, involving local areas; ⑥ defects in important business systems; ⑦ failure to rectify significant or general internal control defects. (3) Identification standard of general defects: ① low efficiency of decision-making process; ② violation of internal rules and regulations without losses; ③ serious loss of business personnel in general positions; ④ negative news in the media, with little impact; ⑤ defects in general business systems; ⑥ failure to rectify general defects; ⑦ other defects</p>	<p>(1) Major defects: The negative news about the safety, environmental protection, social responsibility, practice ethics and operation of the enterprise has been spread all over the country, has been specially investigated by the government or regulatory agencies, and has caused continuous special reports by the public media. As a result, the enterprise has adverse events such as capital loan and recovery, suspension or revocation of administrative license, pledge of assets, and a large number of claims (occurrence of level-I mass disturbance). (2) Significant defects: The negative news about the safety, environmental protection, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-II mass disturbance). (3) General defects: The negative news about the safety, environmental protection, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-III or level-IV mass disturbance)</p>
Quantitative Standard	<p>(1) Major defects: The overall impact level is higher than the importance level (1% of the audited net assets of the previous year). (2) Significant defects: 0.2% of the audited net assets of the previous year < overall 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.</p>	<p>(1) Major defects: direct financial loss: RMB 50 million or above; personnel health and safety impact: death of more than 10 people, or serious injury of more than 50 people. (2) Significant defects: direct financial loss: RMB 10 million (including) to RMB 50 million; personnel health and safety impact: death of more than 3 (including) but less than 10 people, or serious injury of more than 10 (including) but less than 50 people. (3) General defects: direct financial loss: less than RMB 10 million; personnel health and safety impact: death of less than 3 people, or serious injury of less than 10 people.</p>
Number of major defects in		0

financial report (piece)	
Number of major defects in non-financial report (piece)	0
Number of significant defects in financial report (piece)	0
Number of significant defects in non-financial report (piece)	0

X. Internal Control Audit Report

Deliberations Paragraph in the Internal Control Audit Report	
In our opinion, HENGYI PETROCHEMICAL CO., LTD. maintained effective internal control, in all material respects, in accordance with the <i>Basic Norms for Enterprise Internal Control</i> and relevant regulations at December 31, 2019.	
Disclosure of Internal Control Audit Report	Disclosure
Date of full-text disclosure for Internal Control Audit Report	April 28, 2020
Full-text disclosure index for the Internal Control Audit Report	CNINFO (http://www.cninfo.com.cn)
Opinion type in the Internal Control Audit Report	Standard unqualified opinion
Whether there are major defects in the non-financial report	No

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

☐ Yes ☒ No

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

☒ Yes ☐ No

Section XI Corporate Bonds

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

Yes

I. Basic Information about Corporate Bonds

Name of bond	Short name	Code	Date of issue	Maturity date	Balance (RMB 10,000)	Interest rate	Payment method of principal and interest
“Belt and Road” corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2018	18 Hengyi R1	112653.SZ	3/2/2018	3/5/2021	15,350.50	5.95%	Simple interest calculated per year, without compound interest. Simple interest paid per year, without compound interest.
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2018 (1st series)	18 Hengyi 01	112660.SZ	03/19/2018	3/22/2021	64,031.80	5.95%	
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2018 (2nd series)	18 Hengyi 02	112681.SZ	4/16/2018	4/19/2021	103,138.70	5.00%	
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2019 (1st series)	19 Hengyi 01	112883.SZ	3/22/2019	3/26/2022	50,000	6.38%	
Corporate bond publicly issued to eligible investors by Hengyi Petrochemical Co., Ltd. in 2019 (2nd series)	19 Hengyi 02	112910.SZ	5/31/2019	6/4/2022	50,000	6.50%	

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

	<p>March 5, 2020, the arrival date of the repurchase funds.</p> <p>2. On February 7, 2020, February 10, 2020 and February 11, 2020, respectively, the Company disclosed the first, the second and the third suggestive announcements on the adjustment of the nominal interest and the exercise method of investor's put option on "18 Hengyi 01". Within the period for application for exercising the put option (January 16, 2020 to January 20, 2020), an investor may sell all or part of "18 Hengyi R1" bond it holds back to the Company at the price of RMB 100 for each bond. According to the data provided by China Securities Depository and Clearing Co., Ltd Shenzhen Branch, 3,596,820 bonds of "18 Hengyi 01" were repurchased at the total price of RMB 384,068,439.60. After this repurchase, 6,403,180 bonds, valuing RMB 640,318,000.00 (excluding interest), are not repurchased. The principal of and interest on repurchased "18 Hengyi 01" were fully paid to the account designated by China Securities Depository and Clearing Co., Ltd Shenzhen Branch and were transferred to investors' capital accounts on March 23, 2020, the arrival date of the repurchase funds.</p> <p>3. On March 05, 2020, March 06, 2020 and March 09, 2020, respectively, the Company disclosed the first, the second and the third suggestive announcements on the adjustment of the nominal interest and the exercise method of investor's put option on "18 Hengyi 02". Within the period for application for exercising the put option (March 6, 2020 to March 10, 2020), an investor may sell all or part of "18 Hengyi 02" bond it holds back to the Company at the price of RMB 100 for each bond. According to the data provided by China Securities Depository and Clearing Co., Ltd Shenzhen Branch, 4,686,130 bonds of "18 Hengyi 02" were repurchased at the total price of RMB 498,744,815.90. After this repurchase, 10,313,870 bonds, valuing RMB 1,031,387,000 (excluding interest), are not repurchased. The principal of and interest on repurchased "18 Hengyi 02" were fully paid to the account designated by China Securities Depository and Clearing Co., Ltd Shenzhen Branch and were transferred to investors' capital accounts on April 20, 2020, the arrival date of the repurchase funds.</p> <p>Each of "19 Hengyi 01", "19 Hengyi 02", and "20 Hengyi 01" provides the Company with an option to adjust the nominal interest rate, and the investor with a put option, effective at the end of the second year. The issue date of this report comes earlier than the exercise date, and</p>
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	therefore the said option clauses have not been executed.
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II. Information on Bond Trustee and Credit Rating Institution

18 Hengyi R1, 18 Hengyi 01, 18 Hengyi 02

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

19 Hengyi 01, 19 Hengyi 02, 20 Hengyi 01

Bond trustee:							
Name	CITIC Securities Co., Ltd.	Office address:	22F CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing	Contact	Xu Rui, Xu Lin	Contact No.	010-60838888
The credit rating institution that follows up and rates the corporate bonds in the reporting period							
Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.			Office address:	K-22, Room 103, Building A, 1555 Kongjiang Road, Yangpu District, Shanghai		
In case of any change during the reporting period of the bond trustee or the credit rating institution hired by the Company, the causes, procedures and impact on investors' interests of such change (if applicable)					Not Applicable		

III. Use of Funds Raised through Issuance of Corporate Bond

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

IV. Corporate Bond Rating

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

Short name	Credit rating of the issuer:	Rating outlook:	Credit rating of this bond:	Credit rating notice	Latest date of rating	Date of disclosure
18 Hengyi R1	AA+	Stable	AA+	[Brilliance Follow-up Rating (2019) 100062]	June 18, 2019	June 18, 2019
18 Hengyi 01	AA+	Stable	AA+			
18 Hengyi 02	AA+	Stable	AA+			
19 Hengyi 01	AA+	Stable	AA+			
19 Hengyi 02	AA+	Stable	AA+	[Brilliance	May 17, 2019	May 29,

				Bond Rating (2019) 010487]	(new-issue rating)	2019
20 Hengyi 01	AA+	Stable	AA+	[Brilliance Bond Rating (2020) 010220]	February 26, 2020 (new-issue rating)	March 9, 2020

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

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

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

As of the issue date of this report, “18 Hengyi R1”, “18 Hengyi 01”, “18 Hengyi 02”, “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01” have remained the same as the agreement and commitment in their respective prospectuses in terms credit enhancement mechanism, debt service plan and other debt service guarantee measures, and no changes have been made in these aspects.

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

1. Credit enhancement mechanism

No security is established

2. Debt service plan

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

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

Debt servicing costs will mainly rely on cash flow from daily operating activities of the

Company. In the reporting period, the Company's financial structure remained robust, and the stable cash inflow provided strong guarantee for the payment of the principal of and interest on the corporate bonds. The debt service guarantee measures remained unchanged in the reporting period, as committed in the prospectuses.

As of the date this report is issued, the interest for the current year on "18 Hengyi R1", "18 Hengyi 01", "18 Hengyi 02", "19 Hengyi 01" has been fully and timely paid, and the interest payment and redemption periods of "19 Hengyi 02" and "20 Hengyi 01" have not started.

3. Guarantee measures

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

4. Other credit enhancement measures

None.

5. Special accounts for debt service

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

VI. Bondholder Meetings in Report Period

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

VII. Duty Performance by Bond Trustee in Report Period

Since the issuance of "18 Hengyi R1", "18 Hengyi 01" and "18 Hengyi 02" and till the issue

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

On February 2, 2019, the Company disclosed "Guosen Securities Co., Ltd.'s Report on Temporary Trusteeship Management of Hengyi Petrochemical Co., Ltd.'s Accumulative New Debts in 2018" (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company's accumulative new debts as of December 31, 2018 and some other information.

On June 22, 2019, the Company disclosed "Guosen Securities Co., Ltd.'s Report on Temporary Trusteeship of Hengyi Petrochemical Co., Ltd.'s Accumulative New Debts in the Current Year That Exceeded 20% of Its Net Assets at the End of Last Year" (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company's accumulative new debts as of May 31, 2019 and some other information.

On November 16, 2019, the Company disclosed "Guosen Securities Co., Ltd.'s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.'s Major Issues concerning Corporate Bonds" (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company's accumulative new debts as of October 31, 2019 and some other information.

On January 16, 2020, the Company disclosed "Guosen Securities Co., Ltd.'s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.'s Major Issues Concerning Corporate Bonds" (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company's accumulative new debts as of December 31, 2019 and some other information.

On January 16, 2020, the Company disclosed "Guosen Securities Co., Ltd.'s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.'s Major Issues Concerning Corporate Bonds" (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company's election of chairman and deputy chairmen.

On March 09, 2020, the Company disclosed “Guosen Securities Co., Ltd.’s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.’s Major Issues Concerning Corporate Bonds” (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company’s replacement of accounting firm.

On April 15, 2020, the Company disclosed “Guosen Securities Co., Ltd.’s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.’s Major Issues Concerning Corporate Bonds” (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company’s accumulative new debts as of March 31, 2020 and some other information.

Since the issuance of “19 Hengyi 01”, “19 Hengyi 02” and “20 Hengyi 01” and till the issue date of this report, CITIC Securities Co., Ltd., the bond trustee, has, in strict accordance with related laws and regulations and the Bond Trusteeship Agreement, been continuously following up and supervising the Company’s credit, use of funds raised through issuance of corporate bonds, implementation of debt service guarantee measures, etc., and urging the Company to perform its obligations prescribed in the prospectuses. It has been actively performing its functions as the bond trustee, protecting legitimate rights and interests of bondholders.

On June 22, 2019, the Company disclosed “CITIC Securities Co., Ltd.’s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.’s Major Issues Concerning Corporate Bonds” (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company’s accumulative new debts as of May 31, 2019 and some other information.

On November 16, 2019, the Company disclosed “CITIC Securities Co., Ltd.’s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.’s Major Issues Concerning Corporate Bonds” (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company’s accumulative new debts as of October 31, 2019 and some other information.

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some other information.

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On April 15, 2020, the Company disclosed “CITIC Securities Co., Ltd.’s Provisional Report on Trusteeship Management of Hengyi Petrochemical Co., Ltd.’s Major Issues Concerning Corporate Bonds” (<http://www.szse.cn/disclosure/bond/notice/index.html>) on Shenzhen Stock Exchange, which disclosed the Company’s accumulative new debts as of March 31, 2020 and some other information.

The trustee shall announce to the market the trusteeship management reports for the previous year before each June 30 on the stock exchange’s website, as required by laws, regulations and the prospectuses.

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

Unit: ten thousand RMB

Item	2019	2018	YOY change rate
EBITDA	729,800.51	424,495.99	71.92%
Current Ratio	70.29%	68.53%	1.76%
Debt Asset ratio	65.90%	63.08%	2.82%
Quick ratio	46.33%	56.48%	-10.15%
EBITDA/total debt	0.13	0.12	0.01
Times interest earned ratio	3.76	3.62	3.87%
Times interest earned (cash basis)	1.37	3.50	-60.86%
Times interest earned ratio (EBITDA basis)	4.22	4.46	-5.38%
Loan repayment rate	100.00%	100.00%	0.00%
Interest coverage	100.00%	100.00%	0.00%

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

The above changes in accounting data and financial indicators mainly result from the Company's expansion of business scale. In the reporting period, the Company issued corporate bonds and drew project loans to satisfy its demand for daily working capital and project capital, thus increasing the debt ratio and interest expenses of this period and causing noticeable change in times interest earned ratio (cash basis).

IX. Interest Payment and Redemption of Other Bonds and DFIs in Report Period

This company has not issued any other bonds or debt financial instruments (DFI), and therefore no interest payment or redemption of other bonds or DFIs was involved.

X. Granting & Use of Bank Credit and Repayment of Bank Loans in Report Period

The credit status of the Company was good, without any bad loan record. The company had established a stable long-term credit service relationship with major commercial banks, which secured powerful indirect financing capacity. As of December 31, 2019, the Company and its subsidiaries included in the consolidated statements had been granted a total credit line of RMB 65.882 billion by financial institutions, including RMB 24.504 billion unused.

XI. Implementation of Agreements and Commitments of Prospectuses in Report Period

The company strictly observed the agreements and commitments of the prospectuses, and no event occurred to cause great impact on investor's interests.

XII. Major Events in Report Period

Please refer to "IXX. Explanations for Other Major Matters" in "Section V Important Matters" of this report.

XIII. Whether Corporate Bonds Have a Warrantor

☐ Yes ☒ No

Section XII Financial Report

I. Audit Report

audit opinion type	Standard Unqualified Opinion
Signing date of the audit report	Apr. 26, 2020
Name of audit institution	Zhongxinghua Certified Public Accountants LLP (special general partnership)
Document number of the audit report	ZXHS Zi (2020) No. 011318
Name of Certified Public Accountant	Liu Hongyue, Wang Guohai

Audit Report

ZXHS Zi (2020) No. 011318

To the shareholders of Hengyi Petrochemical Co., Ltd.:

I. opinion

We have audited the Financial Statements of Hengyi Petrochemical Co., Ltd. (hereinafter referred to as "Hengyi Petrochemical Company"), including the consolidated Balance Sheet and that of the parent company as of Dec. 31, 2019, consolidated Profit Statement and that of the parent company, consolidated Cash Flow Statement and that of the parent company, consolidated statement of changes in shareholders' equities and that of the parent company and Notes to Financial Statements in 2019.

In our opinions, the attached Financial Statements are prepared in accordance with the provisions of Accounting Standards for Business Enterprises in all material respects and present fairly Hengyi Petrochemical Company's consolidated and parent company's financial position as on Dec. 31, 2019 and consolidated and parent company operating results and cash flows of 2019.

II. Basis for our opinion

We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Our responsibilities under those standards are further described in the audit report's "Certified Public Accountant's responsibilities for the audit of the Financial Statements". We are independent of Hengyi Petrochemical Company in accordance with the Code of Professional Conduct and Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. 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 matter means the matter that we consider as most important for auditing the Financial Statements of the current period according to our professional judgments. Taking audit of the complete Financial Statements and formation of opinions as the background to deal with these matters, we will not give any comment on these matters separately. We confirm that the following items are the key audit matters which shall be provided in the audit report.

(I) Net realizable value of inventories

1. Matter description

See relevant accounting policies in Financial Statement Note IV, 12 "inventory" and Note IV, 31 (3) "inventory falling price reserve".

As stated in the Financial Statement Note VI, 6, inventories mainly include arene, refined oil, polyester silk, PTA and raw materials of the above products. By Dec. 31, 2019, the book balance of inventories had been RMB 9,173.5842 million, the falling price reserve had been RMB20.3457 million, and the book value had been RMB 9,153.2385 million.

On the balance sheet date, inventories shall be measured with the lower one between cost and net realizable value, and inventory falling price reserves are accrued according to the difference between a single inventory costs and the net realizable value. On the basis of considering inventories, the management of Hengyi Petrochemical Company determines the estimated selling price according to the market selling price of the same or similar products and the future market trend, and determines the net realizable value of inventories based on the estimated selling price minus estimated costs to be incurred after production completion, estimated sale expense and

relevant taxes and fees.

Since a large amount of inventories is involved, the calculation of determining the net realizable value of inventories is complex, and major judgment of the management is involved, we determine the net realizable value of inventories as a key audit matter.

2. Countermeasures of audit

With respect to the net realizable value of inventories, the main audit procedures we apply mainly include:

(1) Know, evaluate and test the effectiveness of the management as well as internal control design and operation regarding net realizable value of inventories;

(2) Supervise inventory taking to check the actual condition of inventories;

(3) Access the calculation sheet of net realizable value of products, carry out inventory impairment testing, inspect whether relevant accounting policies are implemented, inspect prediction of net realizable value of inventories and the actual operating results of previous years and evaluate the accuracy of previous prediction of the management.

(4) Retrieve the public market price information of products whose domestic public market selling price can be accessed, and compare such information with the predicted selling price. According to the calculated and withdrawn price falling reserve inventories sold after preparation of the balance sheet, the actual selling price and the predicted selling price are compared to evaluate the reasonability of assumptions and data used by the management during testing to recheck the accuracy of net realizable value of inventories;

(5) Through comparison of historical similar type of raw materials and the cost to be incurred before product completion, the reasonability of the management's predicted cost to be incurred is evaluated;

(6) Through comparison of historical sale expenses of similar type of products, the reasonability of the management's predicted product selling expenses is evaluated;

(7) The reporting and disclosure of net realizable value of inventories in Financial Statements are inspected.

(II) Measurement of fixed assets and projects in progress

1. Matter description

See disclosure of relevant accounting policies in Financial Statement Note IV, 16 "fixed assets" and IV, 17 "projects in progress" and IV, 31 (6) "depreciation and amortization".

By Dec. 31, 2019, the book value of fixed assets of Hengyi Petrochemical Company had been RMB 38,775.6339 million which was mainly used for purchasing machinery for producing arene, refined oil, polyester silk, PTA and construction of workshop. Such fixed assets were included into account when they meet the predicted serviceable condition and depreciated with the straight line method according to their predicted service life.

By Dec. 31, 2019, the book balance of projects in progress of Hengyi Petrochemical Company had been RMB 3,690.0593 million which was mainly used for the one million ton intelligent environment-friendly functional fiber construction project. Actually incurred costs of projects in progress of Hengyi Petrochemical Company include construction costs, installation costs, borrowing expenses meeting capitalization conditions and other necessary expenses incurred for realizing the predicted serviceable condition of the projects in progress (including project design, supervision and cost consulting, etc.). The management's judgment of the following aspects will have impacts on the book value of fixed assets and projects in progress as well as fixed asset depreciation policies, including: determine which expenditures meet the capitalization conditions, determine the time point of projects in progress's conversion into fixed assets and commencement of calculation and withdrawal of depreciation; estimate the economic serviceable time limit and salvage value of the corresponding fixed assets.

Since evaluation of the book value of fixed assets and projects in progress involve major judgment of the management, and its proportion in the consolidated Financial Statement is relatively large, we determine measurement and identification of fixed assets and projects in progress as a key audit matter.

2. Countermeasures of audit

For measurement of fixed assets and projects in progress, our audit procedures mainly include:

(1) Know, evaluate and test the effectiveness of key internal control design and operation

relating to fixed assets and projects in progress determined by the management;

(2) Carry out spot inspection of input of newly added projects in progress of this year to judge whether the input can meet capitalization conditions. For example, inspect the significant amount of construction and installation costs newly added this year, inspect relevant project contracts and compare the actual payment amount with the invoices and payment vouchers;

(3) Access the borrowing contract and combine the input situation of projects in progress, inspect the evaluation and capitalization time point of borrowing used for purchase of assets which are deemed as that they can meet capitalization conditions as well as the integrity and accuracy of the amount.

(4) Investigate the project construction site, know and evaluate the project progress and check the book value.

(5) Carry out spot inspection of approval procedures of newly converted fixed assets of the current period, carry out on-site inventory take to check the accuracy of time of conversion into fixed assets;

(6) Evaluate the reasonability of accounting estimation relating to fixed assets.

(7) Inspect reporting and disclosure of fixed assets and projects in progress in Financial Statements.

IV Other information

The management of Hengyi Petrochemical Company (hereinafter referred to as the management) is responsible for other information. Other information includes the information contained Annual Report 2019 of Hengyi Petrochemical Company, but excludes Financial Statements and our audit report.

Our audit opinion on the Financial Statements does not cover other information, and we do not publish authentication conclusions in any form for other information.

Based on our audit of Financial Statements, we are responsible for reading other information, and considering that whether there is a material inconsistency or possible material misstatement between other information and Financial Statements or what we have learned during the audit process.

Based on what we have done, we shall report this fact if we determine that there are material

misstatements in other information. In this aspect, we have nothing to report.

V Responsibilities of the Management and Governance for Financial Statements

The Management is responsible for preparing Financial Statements in accordance with provisions of Accounting Standards for Business Enterprises to realize a fair presentation of financial conditions, and also for designing, implementing as well as maintaining necessary internal control to avoid the material misstatements in the Financial Statements caused by fraud or mistakes.

During preparing Financial Statements, the management layer is responsible for assessing going-concern capacity of Hengyi Petrochemical Company, disclosing matters related to continuous operation (if applicable) and applying the going-concern assumption, unless the management layer is planning to liquidate Hengyi Petrochemical Company and terminate operation, or has no other realistic choice.

The governance is responsible for supervising the financial reporting process of Hengyi Petrochemical Company.

VI Responsibilities of Certified Public Accountant for the Financial Statement Audit

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement due to fraud or error, and to issue an audit report that includes audit opinions. Reasonable assurance is of high level, but is not a guarantee that an audit conducted in accordance with auditing standard will always find a material misstatement when it exists. Misstatements may be caused by fraud or error. If it is reasonably expected that the misstatement alone or aggregated may affect the financial decision made by the Financial Statement user based on the Financial Statements, the misstatement is generally considered to be significant.

During the process of audit in line with auditing standards, we have adopted professional judgment and kept professional skepticism all the time. Meanwhile, we also perform the following work:

(1) To identify and assess material misstatement risks of the Financial Statement caused by fraud or errors, design and implement audit procedures to deal with these risks, and obtain adequate, proper audit evidence as the basis for expressing audit opinion. The risk of failure to find a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override internal controls.

(2) Know about the internal controls related to audit to design adequate audit procedures.

(3) To evaluate the appropriateness of the accounting policies adopted by the management

layer and the reasonability of accounting estimation and related disclosure.

(4) To draw a conclusion about the appropriateness of the management layer's using the going-concern assumption. At the same time, based on the audit evidence obtained, it can be concluded that whether a material uncertainty exists related to matters or conditions that may cast significant doubt on the Hengyi Petrochemical Company's ability to continue going-concern. If we conclude that there is a material uncertainty, the auditing standards require us to draw the statement users' attention in our audit report about the related disclosures in the Financial Statements; if such disclosures are inadequate, we should present all opinions. Our conclusions are based on the information obtained up to the date of the audit report. However, future matters or circumstances may lead to failure of going-concern of Hengyi Petrochemical Company.

(5) Evaluate general reporting, structure and content of Financial Statement, and evaluate whether Financial Statement can fairly reflect relevant transactions and matters.

(6) Obtain sufficient and appropriate audit evidence for the financial information in the entity or business activities of Hengyi Petrochemical Company to make audit opinions on the Financial Statement. We are responsible for guiding, supervising and implementing group audit. We assume full responsibility for the audit opinion.

We communicate with the Governance regarding the audit scope, schedule, significant audit findings and other matters, including any significant deficiencies in internal control that we identify during the audit.

We have also provided statements to the governance about compliance with professional ethics requirements in terms of independence, and have communicated with the governance on all relationships and other matters that may be reasonably considered to affect our independence, and relative precautionary measure (if applicable).

Among the matters that we have communicated with the governance, we have recognized items which are most important for the audit of the Financial Statements in the current period, so as to form the key audit matters. We have stated these matters in the audit report, unless public disclosure of these matters is prohibited by the law and regulations or, in rare cases, if it is reasonably anticipated that negative consequences arising from the communication of certain matters in the audit report surpass the benefit from the public interest, then we determine that these matters shall not be communicated in the audit report.

Zhongxinghua Certified Public Accountants LLP	Chinese CPA:
(special general partnership)	(Project partners)
Beijing ·China	Chinese CPA:

Apr. 26, 2020

Consolidated Balance Sheet

December 31, 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Ending balance	Beginning balance	Balance at the end of last year
Current assets:			
Monetary capital	7,439,828,837.94	9,052,390,527.76	9,014,152,443.07
Settlement reserves			
Loans to banks and other financial institutions			
Financial assets held for trading	149,692,516.20	122,942,670.65	
Financial assets at fair value through profit or loss			122,942,670.65
Derivative financial assets	409,150,395.76		
Notes receivable	728,006,603.36	310,233,580.32	1,034,960,534.00
Accounts receivable	5,890,241,538.78	1,378,211,622.25	1,377,476,016.66
Accounts receivable financing	442,981,896.97	797,769,753.05	
Advance payments	639,205,988.61	943,882,598.77	844,223,007.79
Insurance premiums receivable			
Accounts receivable for reinsurance			
Reserves receivable for reinsurance contract			
Other receivables	406,488,464.91	141,905,638.37	142,218,483.08
Of which: Interests receivable			1,023,458.33
Dividend receivable	194,194,087.61		
Buying back the sale of financial assets			
Inventories	9,153,238,548.05	3,019,753,421.68	2,757,779,249.52
Contract assets			
Assets held for sale			
Non-current assets due within one year	4,389,768.36	2,305,155.61	2,305,155.61
Other current assets	1,589,780,410.40	1,414,750,334.02	1,227,977,561.91
Total current assets	26,853,004,969.34	17,184,145,302.48	16,524,035,122.29
Non-current assets:			
Loans offered and advances			
Debt investments			
Financial assets available for sale			
Other debt investments			
Held-to-maturity investments			
Long-term accounts receivable	229,565,480.84	159,437,743.33	132,858,543.55
Long-term equity investments	9,260,247,813.26	7,814,086,904.50	7,814,086,904.50
Other equity instruments investment	600,000.00		
Other non-current financial assets			
Investment real estates			
Fixed assets	38,775,633,926.67	13,226,265,147.50	11,985,228,934.24
Construction in progress	3,690,059,278.45	17,495,259,335.87	17,418,758,090.66
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	1,557,629,077.91	1,140,095,055.80	1,006,220,489.91
Development expenditure	3,517,300.44		
Goodwill	221,865,586.69	221,865,586.69	221,865,586.69
Long-term deferred expenses	672,941,486.88	16,229,441.54	16,229,441.54
Deferred income tax assets	151,968,156.12	204,489,907.34	173,883,911.56
Other non-current assets	3,813,724,540.18	4,372,860,071.59	4,331,510,785.50
Total non-current assets	58,377,752,647.44	44,650,589,194.16	43,100,642,688.15
Total assets	85,230,757,616.78	61,834,734,496.64	59,624,677,810.44

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Consolidated Balance Sheet

December 31, 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Ending balance	Beginning balance	Balance at the end of last year
Current liabilities:			
Short-term loans	23,323,906,006.56	13,781,002,805.01	13,722,539,445.01
Loans from the Central Bank			
Loans from other banks			
Financial liabilities held for trading	1,399,903.27	10,209,921.02	
Financial liabilities at fair value through profit or loss			10,209,921.02
Derivative financial liabilities		2,239,759.00	2,239,759.00
Notes payable	2,250,294,707.08	3,095,544,363.07	3,040,544,363.07
Accounts payable	9,658,629,880.14	4,714,943,800.85	4,641,672,101.16
Accounts received in advance	596,087,260.62	547,301,880.74	503,386,047.45
Contract liabilities			
Assets sold under agreements to repurchase			
Customer bank deposits and due to banks and other financial institutions			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Wages payable	344,069,770.27	162,931,797.73	145,111,204.77
Taxes and dues payable	315,538,106.52	260,905,671.69	258,715,727.73
Other payables	236,244,100.76	1,221,607,283.67	467,935,317.31
Of which: interests payable			172,213,284.55
Dividends payable	38,250,759.38	80,000,759.38	80,000,759.38
Handling charges and commission payable			
Payable reinsurance			
Liabilities available for sale			
Non-current liabilities due within one year	1,506,007,634.42	1,280,230,005.65	1,004,170,080.67
Other current liabilities			
Total current liabilities	38,232,177,369.64	25,076,917,288.43	23,796,523,967.19
Non-current liabilities:			
Reserves for insurance contracts			
Long-term loans	12,733,302,561.13	9,714,442,000.02	9,467,642,000.02
Bonds payable	3,989,762,031.71	2,988,354,527.85	2,988,354,527.85
Of which: preferred stock			
Perpetual bond			
Lease liabilities			
Long-term accounts payable	883,441,367.14	987,585,147.52	888,478,383.52
Long-term wages payable			
Estimated liabilities	2,645,266.16	433,932.50	433,932.50
Deferred income	198,911,445.22	88,873,174.41	66,308,619.93
Deferred income tax liabilities	127,067,875.20	150,207,489.82	150,207,489.82
Other non-current liabilities			
Total non-current liabilities	17,935,130,546.56	13,929,896,272.12	13,561,424,953.64
Total liabilities	56,167,307,916.20	39,006,813,560.55	37,357,948,920.83
Shareholders' equity			
Paid-in capital (or capital stock)	2,841,725,474.00	2,627,957,359.00	2,627,957,359.00
Other equity instruments			
Of which: preferred stock			
Perpetual bond			
Capital reserves	9,992,771,354.69	7,919,543,059.77	7,269,543,059.77
Less: treasury stock	55,450,720.00	125,771,720.00	125,771,720.00
Other comprehensive income	335,623,308.63	100,082,637.81	100,082,637.81
Special reserves			
Surplus reserves	559,247,505.53	483,115,739.87	483,115,739.87
General risk provisions			
Undistributed profits	9,579,091,491.15	7,358,146,155.19	7,446,954,108.71
Total owner's equity attributable to parent company	23,253,008,414.00	18,363,073,231.64	17,801,881,185.16
*Minority interest	5,810,441,286.58	4,464,847,704.45	4,464,847,704.45
Total shareholders' equity	29,063,449,700.58	22,827,920,936.09	22,266,728,889.61
Total liabilities and shareholder's equity	85,230,757,616.78	61,834,734,496.64	59,624,677,810.44

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Consolidated Income Statement

From January to February 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
I. Gross revenue	79,620,543,631.74	88,065,815,535.96
Of which: operating income	79,620,543,631.74	88,065,815,535.96
Interest income		
Earned premium		
Handling charges and commission income		
II. Total operating cost	76,723,600,072.62	86,796,865,482.96
Of which: operating cost	73,994,833,712.93	84,762,872,415.50
Interest expense		
Handling charges and commission expenditure		
Surrender value		
Net amount of compensation payout		
Withdrawal for net amount of reserves for reinsurance contract		
Policy dividend expense		
Reinsurance premium		
Taxes and surcharges	185,140,699.10	110,066,677.17
Selling expense	455,835,985.78	337,169,676.49
Administration costs	583,351,878.14	531,705,263.14
Research and development expenditure	492,740,271.96	279,482,471.96
Financial expenses	1,011,697,524.71	775,568,978.70
of which: interest expenses	1,027,006,241.84	655,468,751.56
Interest income	149,594,194.71	100,895,316.35
Add: other income	475,316,277.37	150,124,731.84
Investment income (loss to be marked by "-")	1,504,670,646.53	1,095,805,361.76
Of which: investment income from joint ventures and associates	1,086,988,500.99	997,092,991.51
Gains on the de-recognition of financial assets measured at amortized cost (loss to be marked by "-")		
Exchange earnings (loss to be marked by "-")		
Gains on net exposure hedges (loss to be marked by "-")		
Gains from the changes in fair value (loss to be marked by "-")	-58,842,982.82	107,695,606.99
Loss on credit impairment (loss is shown by "-")	-10,176,307.20	
Asset impairment loss (loss is shown by "-")	-20,345,690.78	-139,281,344.38
Gains from the disposal of assets (loss to be marked by "-")	1,543,684.20	1,295,608.39
III. Operating profit (loss to be marked by "-")	4,789,109,186.42	2,484,590,017.60
Add: non-operating income	11,699,859.55	19,651,628.17
Less: non-operating expense	29,743,281.16	5,044,079.32
IV. Total profit (loss to be marked by "-")	4,771,065,764.81	2,499,197,566.45
Less: income tax expense	750,383,712.26	345,333,984.50
V. Net profit (net loss to be marked by "-")	4,020,682,052.55	2,153,863,581.95
(I) Classified by continuing operations		
1. Net profit of continuing operations (net loss to be marked by "-")	4,020,682,052.55	2,153,992,179.28
2. Net profit of discontinued operations (net loss to be marked by "-")		-128,597.33
(II) Classified by ownership attribution		
1. Net profit attributable to the owners of parent company	3,201,348,425.33	1,872,494,729.34
2. Minority interest income	819,333,627.22	281,368,852.61
VI. Net after-tax of other comprehensive income	330,650,510.31	464,417,414.75
Net after-tax of other comprehensive income attributable to the shareholders of parent company	239,474,532.17	360,700,072.66
(i) Other comprehensive income items which cannot be classified as profit or loss in succeeding accounting period		
1. Changes due to remeasurement of the net liabilities or net assets under the defined benefit plan		
2. Share in other comprehensive income that will not be reclassified into profit and loss in investee under equity method		
3. Changes in the fair value of investment in other equity instruments		
4. Changes in fair value resulting from the credit risk of the Company		
5. Others		
(ii) Other comprehensive income items which will be classified as profit or loss in succeeding accounting period	239,474,532.17	360,700,072.66
1. Other comprehensive income from convertible gains and losses under the equity method	41,930,752.69	57,852,113.40
2. Changes in the fair value of other debt investments		
3. Profit and loss from changes of fair value of financial assets available for sale		
4. Amount of financial assets reclassified into other comprehensive income		
5. Held-to-maturity investment reclassified into available-for-sale financial assets		
6. Provision for credit impairment of other debt investment		
7. Cash flow hedges	108,757,841.33	56,761,599.93
8. Differences arising from translation of foreign current statements	88,785,938.15	246,086,359.33
9. Others		
Net after-tax of other comprehensive income attributable to the minority shareholders	91,175,978.14	103,717,342.09
VII. Total comprehensive income	4,351,332,562.86	2,618,280,996.70
Total comprehensive income of the shareholders attributable to parent company	3,440,822,957.50	2,233,194,802.00
Total comprehensive income attributable to minority shareholders	910,509,605.36	385,086,194.70
VIII. Earnings per share:		
(i) Basic earnings per share	1.13	0.76
(ii) Diluted earnings per share	1.13	0.76

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Consolidated Cash Flow Statement

December 31, 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year	Amount year-on-year
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering labor services	85,608,267,111.66	95,217,179,787.65
Net increase in deposits from customers and interbank		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash premiums received from original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets held for trading		
Cash received from interests, handling charges and commissions		
Net increase in borrowings from other banks		
Net increase in repurchase business fund		
Refunds of taxes received	662,041,823.18	210,156,630.32
Cash received from other related operating activities	1,254,763,590.68	339,311,828.93
Sub-total of cash inflows from operating activities	87,525,072,525.52	95,766,648,246.90
Cash paid for purchasing goods or receiving labor services	83,383,536,300.14	91,415,716,812.49
Net increase in loans and advances to customers		
Net increase in deposits in the Central Bank and other banks		
Cash paid for original insurance indemnity		
Net increase in lending to other companies		
Cash paid for interests, handling charges and commission		
Cash paid for policy dividend		
Cash paid to and for employees	1,498,496,720.19	1,097,814,172.87
Taxes and fees paid	1,749,850,910.44	1,003,822,889.60
Cash paid for other related operating activities	1,005,270,322.91	642,215,763.71
Sub-total of cash outflows from operating activities	87,637,154,253.68	94,159,569,638.67
Net cash flow from operating activities	-112,081,728.16	1,607,078,608.23
II. Cash flow from investing activities:		
Cash received from the disposal of investments	4,644,938,837.78	1,113,150,766.38
Cash received from return on investments	342,853,197.41	259,459,007.47
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	4,915,884.62	18,842,576.50
Net cash received from the disposal of subsidiaries and other business entities		
Cash received from other related investing activities	108,639,015.50	1,362,468,550.47
Sub-total of cash inflows from investing activities	5,101,346,935.31	2,753,920,900.82
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets	11,312,302,264.49	12,738,220,474.52
Cash paid for investments	6,198,444,997.55	1,392,969,064.44
Net increase in pledged loan		
Net cash paid for acquisition of subsidiaries and other business entities		
Cash paid for other related investing activities	79,801,680.00	1,301,757,626.10
Sub-total of cash outflows from investing activities	17,590,548,942.04	15,432,947,165.06
Net cash flow from investing activities	-12,489,202,006.73	-12,679,026,264.24
III. Cash flow from financing activities		
Cash received from investors	4,427,624,987.11	3,194,959,173.58
Of which: cash received from minority shareholders by subsidiaries	514,700,000.00	209,959,173.58
Cash received from obtaining loans	30,279,457,278.04	27,509,695,411.83
Cash received from other related financing activities	5,819,111,783.97	15,979,707,559.36
Sub-total of cash inflows from financing activities	40,526,194,049.12	46,684,362,144.77
Cash paid for repayment of debts	19,879,080,400.10	15,893,610,920.39
Cash paid for dividends, profits distribution or interest repayment	2,503,033,651.79	1,157,126,149.12
Of which: dividends & profits paid to minority shareholders by subsidiaries		
Cash paid for other related financing activities	7,663,694,485.75	15,779,536,629.63
Sub-total of cash outflows from financing activities	30,045,808,537.64	32,830,273,699.14
Net cash flow from financing activities	10,480,385,511.48	13,854,088,445.63
IV. Effect of exchange rate changes on cash and cash equivalents	57,785,612.38	207,085,108.98
V. Net increase in cash and cash equivalents	-2,063,112,611.03	2,989,225,898.60
Add: balance of cash and cash equivalents at the beginning of the period	6,536,137,341.30	3,546,911,442.70
VI. Balance of cash and cash equivalents at the end of the period	4,473,024,730.27	6,536,137,341.30

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Consolidated Statement of Changes in Shareholder' s Equity

Prepared by: Hengyi Petrochemical Co., Ltd.

December 31, 2019

Currency Unit: Yuan

Item	Amount incurred in current year														
	Owner' s equity attributable to parent company													Minority equity	Total owner' s equity
	Capital stock	Other equity			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotal		
		Pr ef er red sto ck	Pe r p et ual bo nd	Ot he rs											
Line No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
I. Balance at the end of prior year	2,627,957,359.00				7,919,543,059.77	125,771,720.00	100,082,637.81		483,115,739.87		7,358,146,155.19		18,363,073,231.64	4,464,847,704.45	22,827,920,936.09
Add: changes in accounting policy															
Correction of prior period errors															
Combination of businesses under common control															
Others															
II. Balance at the beginning of current year	2,627,957,359.00				7,919,543,059.77	125,771,720.00	100,082,637.81		483,115,739.87		7,358,146,155.19		18,363,073,231.64	4,464,847,704.45	22,827,920,936.09
III. Increase/decrease in current year	213,768,115.00				2,073,228,294.92	-70,321,000.00	235,540,670.82		76,131,765.66		2,220,945,335.96		4,889,935,182.36	1,345,593,582.13	6,235,528,764.49
(i) Total comprehensive income							239,474,532.17				3,201,348,425.33		3,440,822,957.50	910,509,605.36	4,351,332,562.86
(ii) Capital invested by shareholders and capital reduction	213,768,115.00				2,953,782,364.53	-70,321,000.00							3,237,871,479.53	296,876,424.04	3,534,747,903.57
1. Ordinary shares invested by shareholders	213,768,115.00				2,922,196,468.70								3,135,964,583.70	296,876,424.04	3,432,841,007.74
2. Capital invested by holders of other equity instruments															
3. Amount paid in stock & included in shareholders' equity					31,585,895.83	-70,321,000.00							101,906,895.83		101,906,895.83
4. Others															
(iii) Profit distribution									76,131,765.66		-928,141,506.06		-852,009,740.40	-38,250,000.00	-890,259,740.40
1. Appropriation to surplus reserves									76,131,765.66		-76,131,765.66				
2. General risk provisions withheld															
3. Distribution to owners (or shareholders)											-852,009,740.40		-852,009,740.40	-38,250,000.00	-890,259,740.40
4. Others															
(iv) Internal carry-forward of owner' s equity															
1. Capital reserve transferred to paid-in capital (or capital stock)															
2. Surplus reserve transferred to paid-in capital (or capital stock)															
3. Surplus reserve for making up losses															
4. Others															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(v) Special reserves															
1. Withdrawal in current year								56,346,557.41					56,346,557.41		56,346,557.41
2. Use in current year								56,346,557.41					56,346,557.41		56,346,557.41
(vi) Others					-880,554,069.61		-3,933,861.35				-52,261,583.31		-936,749,514.27	176,457,552.73	-760,291,961.54
IV. Balance at the end of current year	2,841,725,474.00				9,992,771,354.69	55,450,720.00	335,623,308.63		559,247,505.53		9,579,091,491.15		23,253,008,414.00	5,810,441,286.58	29,063,449,700.58

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Consolidated Statement of Changes in Shareholder' s Equity

Prepared by: Hengyi Petrochemical Co., Ltd.

December 31, 2019

Currency Unit: Yuan

Item	Amount year-on-year														Minority equity	Total owner' s equity
	Owner' s equity attributable to parent company															
	Capital stock	Other equity			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Undistributed profits	Others	Subtotal			
		Pr ef er red sto ck	Pe r p et ual bo nd	Ot he rs												
I. Balance at the end of prior year	1,648,424,362.00				6,218,682,401.30	219,727,500.00	-260,617,434.85		364,530,679.86		6,022,906,383.34		13,774,198,891.65	3,884,868,707.62	17,659,067,599.27	
Add: changes in accounting policy																
Correction of prior period errors																
Combination of businesses under common control					650,000,000.00						750,100.69		650,750,100.69		650,750,100.69	
Others																
II. Balance at the beginning of current year	1,648,424,362.00				6,868,682,401.30	219,727,500.00	-260,617,434.85		364,530,679.86		6,023,656,484.03		14,424,948,992.34	3,884,868,707.62	18,309,817,699.96	
III. Increase/decrease in current year	979,532,997.00				1,050,860,658.47	-93,955,780.00	360,700,072.66		118,585,060.01		1,334,489,671.16		3,938,124,239.30	579,978,996.83	4,518,103,236.13	
(i) Total comprehensive income							360,700,072.66				1,872,494,729.34		2,233,194,802.00	385,086,194.70	2,618,280,996.70	
(ii) Capital invested by shareholders and capital reduction	320,163,253.00				4,246,915,909.74	-93,955,780.00							4,661,034,942.74	274,892,802.13	4,935,927,744.87	
1. Ordinary shares invested by shareholders	320,842,253.00				4,167,061,064.74								4,487,903,317.74	274,892,802.13	4,762,796,119.87	
2. Capital invested by holders of other equity instruments																
3. Amount paid in stock & included in shareholders' equity	-679,000.00				79,854,845.00	-93,955,780.00							173,131,625.00		173,131,625.00	
4. Others																
(iii) Profit distribution									118,585,060.01		-538,269,932.41		-419,684,872.40	-80,000,000.00	-499,684,872.40	
1. Appropriation to surplus reserves									118,585,060.01		-118,585,060.01					
2. General risk provisions withheld																
3. Distribution to owners (or shareholders)											-419,684,872.40		-419,684,872.40	-80,000,000.00	-499,684,872.40	
4. Others																
(iv) Internal carry-forward of owner' s equity	659,369,744.00				-659,369,744.00											
1. Capital reserve transferred to paid-in capital (or capital stock)	659,369,744.00				-659,369,744.00											
2. Surplus reserve transferred to paid-in capital (or capital stock)																
3. Surplus reserve for making up losses																
4. Others																
5. Other comprehensive income transferred to retained earnings																
6. Others																
(V) Withholding and using of Special reserve																
1. Special reserve withheld								46,756,135.80					46,756,135.80		46,756,135.80	
2. Special reserve used								46,756,135.80					46,756,135.80		46,756,135.80	
(vi) Others					-2,536,685,507.27						264,874.23		-2,536,420,633.04		-2,536,420,633.04	
IV. Balance at the end of current	2,627,957,359.00				7,919,543,059.77	125,771,720.00	100,082,637.81		483,115,739.87		7,358,146,155.19		18,363,073,231.64	4,464,847,704.45	22,827,920,936.09	

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Parent Company' s Balance Sheet

December 31, 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Ending balance	Beginning balance	Balance at the end of last year
Current assets:			
Monetary capital	26,078,403.11	3,042,159.84	3,042,159.84
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Accounts receivable financing			
Advance payments			
Other receivables	6,830,966,888.92	4,251,943,692.79	4,251,943,692.79
Of which: Interests receivable			
Dividend receivable	1,555,000,000.00	1,130,000,000.00	1,130,000,000.00
Inventories			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	2,241,163.69	355,430.33	355,430.33
Total current assets	6,859,286,455.72	4,255,341,282.96	4,255,341,282.96
Non-current assets:			
Debt investments			
Financial assets available for sale			
Other debt investments			
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	15,519,677,445.03	13,739,985,508.66	13,739,985,508.66
Other equity instruments investment			
Other non-current financial assets			
Investment real estates			
Fixed assets	649.40	649.40	649.40
Construction in progress			
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets	15,519,678,094.43	13,739,986,158.06	13,739,986,158.06
Total assets	22,378,964,550.15	17,995,327,441.02	17,995,327,441.02

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Parent Company' s Balance Sheet

December 31, 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Ending balance	Beginning balance	Balance at the end of last year
Current liabilities:			
Short-term loans			
Financial liabilities held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Accounts received in advance			
Contract liabilities			
Wages payable	215,439.69	790,697.81	790,697.81
Taxes and dues payable	94,343.42	6,016,322.64	6,016,322.64
Other payables	58,206,847.35	125,958,483.44	265,370,983.41
Of which: interests payable			139,412,499.97
Dividends payable	759.38	759.38	759.38
Liabilities available for sale			
Non-current liabilities due within one year	179,587,499.88	139,412,499.97	
Other current liabilities			
Total current liabilities	238,104,130.34	272,178,003.86	272,178,003.86
Non-current liabilities:			
Long-term loans			
Bonds payable	3,989,762,031.71	2,988,354,527.85	2,988,354,527.85
Of which: preferred stock			
Perpetual bond			
Lease liabilities			
Long-term accounts payable			
Long-term wages payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities	3,989,762,031.71	2,988,354,527.85	2,988,354,527.85
Total liabilities	4,227,866,162.05	3,260,532,531.71	3,260,532,531.71
Owner's equity:			
Capital stock	2,841,725,474.00	2,627,957,359.00	2,627,957,359.00
Other equity instruments			
Of which: preferred stock			
Perpetual bond			
Capital reserves	13,806,467,773.69	11,082,812,360.12	11,082,812,360.12
Less: treasury stock	55,450,720.00	125,771,720.00	125,771,720.00
Other comprehensive income			
Special reserves			
Surplus reserves	416,376,958.05	290,320,088.99	290,320,088.99
Undistributed profit	1,141,978,902.36	859,476,821.20	859,476,821.20
Total owner' s equity	18,151,098,388.10	14,734,794,909.31	14,734,794,909.31
Total liabilities and shareholder' s equity	22,378,964,550.15	17,995,327,441.02	17,995,327,441.02

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Parent Company' s Income Statement

From January to February 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
I. Operating income	60,019,034.19	7,451,724.14
Less: operating cost	58,256,351.09	7,408,724.14
Taxes and surcharges	40,701.76	5,997.04
Selling expense		
Administration costs	27,585,827.42	62,873,684.61
Research and development expenditure		
Financial expenses	-942,809.46	-5,203,271.98
of which: interest expenses	242,682,503.77	142,767,027.82
Interest income	243,646,931.09	147,820,821.53
Add: other income	1,004,798.52	
Investment income (loss to be marked by "-")	1,283,621,936.37	599,706,324.23
Of which: investment income from joint ventures and associates	-308,063.63	-293,675.77
Gains on the de-recognition of financial assets measured at amortized cost (loss to be marked by "-")		
Gains on net exposure hedges (loss to be marked by "-")		
Gains from the changes in fair value (loss to be marked by "-")		
Loss on credit impairment (loss is shown by "-")	863,818.05	
Asset impairment loss (loss is shown by "-")		-692,254.44
Gains from the disposal of assets (loss to be marked by "-")		
II. Operating profit (loss to be marked by "-")	1,260,569,516.32	541,380,660.12
Add: non-operating income		
Less: non-operating expense	825.70	
III. Total profit (loss to be marked by "-")	1,260,568,690.62	541,380,660.12
Less: income tax expense		
IV. Net profit (net loss to be marked by "-")	1,260,568,690.62	541,380,660.12
(i) Net profit of continuing operations (net loss to be marked by "-")	1,260,568,690.62	541,380,660.12
(ii) Net profit of discontinued operations (net loss to be marked by "-")		
V. Net after-tax of other comprehensive income		
(i) Other comprehensive income items which cannot be classified as profit or loss in succeeding accounting period		
1. Changes due to remeasurement of the net liabilities or net assets under the defined benefit plan		
2. Share in other comprehensive income that will not be reclassified into profit and loss in investee under equity method		
3. Changes in the fair value of investment in other equity instruments		
4. Changes in fair value resulting from the credit risk of the Company		
5. Others		
(ii) Other comprehensive income items which will be classified as profit or loss in succeeding accounting period		
1. Other comprehensive income from convertible gains and losses under the equity method		
2. Changes in the fair value of other debt investments		
3. Profit and loss from changes of fair value of financial assets available for sale		
4. Amount of financial assets reclassified into other comprehensive income		
5. Held-to-maturity investment reclassified into available-for sale financial assets		
6. Provision for credit impairment of other debt investment		
7. Cash flow hedge reserve		
8. Differences arising from translation of foreign current statements		
9. Others		
VI. Total comprehensive income	1,260,568,690.62	541,380,660.12
VII. Earnings per share		
(i) Basic earnings per share	-	-
(ii) Diluted earnings per share	-	-

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Parent Company' s Cash Flow Statement

December 31, 2019

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering labor services	68,845,000.00	8,644,000.00
Refunds of taxes received		
Cash received from other related operating activities	551,845,344.88	5,765,030.13
Sub-total of cash inflows from operating activities	620,690,344.88	14,409,030.13
Cash paid for purchasing goods or receiving labor services	66,827,500.00	8,594,120.00
Cash paid to and for employees	2,319,935.16	1,969,126.05
Taxes and fees paid	804,744.33	7,705.60
Cash paid for other related operating activities	6,237,546.77	115,519,978.59
Sub-total of cash outflows from operating activities	76,189,726.26	126,090,930.24
Net cash flow from operating activities	544,500,618.62	-111,681,900.11
II. Cash flow from investing activities:		
Cash received from the disposal of investments	2,100,000,000.00	
Cash received from return on investments	858,930,000.00	520,000,000.00
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from the disposal of subsidiaries and other business entities		
Cash received from other related investing activities	241,906,384.73	147,820,821.53
Sub-total of cash inflows from investing activities	3,200,836,384.73	667,820,821.53
Cash paid for acquisition or construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investments	3,880,000,000.00	213,500,000.00
Net cash paid for acquisition of subsidiaries and other business entities		
Cash paid for other related investing activities	2,699,640,014.17	2,985,000,000.00
Sub-total of cash outflows from investing activities	6,579,640,014.17	3,198,500,000.00
Net cash flow from investing activities	-3,378,803,629.44	-2,530,679,178.47
III. Cash flow from financing activities		
Cash received from investors	3,912,924,987.11	2,985,000,000.00
Cash received from obtaining loans		
Cash received from other related financing activities		
Sub-total of cash inflows from financing activities	3,912,924,987.11	2,985,000,000.00
Cash paid for repayment of debts		
Cash paid for dividends, profits distribution or interest repayment	1,054,519,622.12	329,684,872.40
Cash paid for other related financing activities	1,066,110.90	12,495,046.79
Sub-total of cash outflows from financing activities	1,055,585,733.02	342,179,919.19
Net cash flow from financing activities	2,857,339,254.09	2,642,820,080.81
IV. Effect of exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	23,036,243.27	459,002.23
Add: balance of cash and cash equivalents at the beginning of the period	3,042,159.84	2,583,157.61
VI. Balance of cash and cash equivalents at the end of the period	26,078,403.11	3,042,159.84

Representative:

Chief Accountant:

Head of Accounting |

Statement of Changes in Shareholder' s Equity

Prepared by: Hengyi Petrochemical Co., Ltd.

December 31, 2019

Currency Unit: Yuan

Item	Capital stock	Other equity			Amount incurred in current year							Total owner' s equity
		Preferred stock	Perpetual bond	Others	Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Others	
I. Balance at the end of prior year	2,627,957,359.00				11,082,812,360.12	125,771,720.00			290,320,088.99	859,476,821.20		14,734,794,909.31
Add: changes in accounting policy												
Correction of prior period errors												
Others												
II. Balance at the beginning of current year	2,627,957,359.00				11,082,812,360.12	125,771,720.00			290,320,088.99	859,476,821.20		14,734,794,909.31
III. Increase/decrease in current year	213,768,115.00				2,723,655,413.57	-70,321,000.00			126,056,869.06	282,502,081.16		3,416,303,478.79
(i) Total comprehensive income										1,260,568,690.62		1,260,568,690.62
(ii) Capital invested by shareholders and capital reduction	213,768,115.00				2,723,655,413.57	-70,321,000.00						3,007,744,528.57
1. Ordinary shares invested by shareholders	213,768,115.00				2,704,372,892.74							2,918,141,007.74
2. Capital invested by holders of other equity instruments												
3. Amount paid in stock & included in shareholders' equity					19,282,520.83	-70,321,000.00						89,603,520.83
4. Others												
(iii) Profit distribution									126,056,869.06	-978,066,609.46		-852,009,740.40
1. Appropriation to surplus reserves									126,056,869.06	-126,056,869.06		
2. Distribution to owners (or shareholders)										-852,009,740.40		-852,009,740.40
3. Others												
(iv) Internal carry-forward of owner' s equity												
1. Capital reserve transferred to paid-in capital (or capital stock)												
2. Surplus reserve transferred to paid-in capital (or capital stock)												
3. Surplus reserve for making up losses												
4. Carrying over of changes or defined benefit plans into retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(v) Special reserve withheld & used												
1. Special reserve withheld												
2. Special reserve used												
(vi) Others												
IV. Balance at the end of current year	2,841,725,474.00				13,806,467,773.69	55,450,720.00			416,376,958.05	1,141,978,902.36		18,151,098,388.10

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Statement of Changes in Shareholder' s Equity

Prepared by: Hengyi Petrochemical Co., Ltd.

December 31, 2019

Currency Unit: Yuan

Item	Capital stock	Other equity			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Others	Total owner' s equity
		Preferred stock	Perpetual bond	Others								
I. Balance at the end of prior year	1,648,424,362.00					219,727,500.00			236,182,022.98	701,919,099.49		2,366,797,984.47
Add: changes in accounting policy					7,965,164,010.93							7,965,164,010.93
Correction of prior period errors												
Others												
II. Balance at the beginning of current year	1,648,424,362.00				7,965,164,010.93	219,727,500.00			236,182,022.98	701,919,099.49		10,331,961,995.40
III. Increase/decrease in current year	979,532,997.00				3,117,648,349.19	-93,955,780.00			54,138,066.01	157,557,721.71		4,402,832,913.91
(i) Total comprehensive income										541,380,660.12		541,380,660.12
(ii) Capital invested by shareholders and capital reduction	320,163,253.00				4,283,120,289.74	-93,955,780.00						4,697,239,322.74
1. Ordinary shares invested by shareholders	320,842,253.00				4,164,597,694.74							4,485,439,947.74
2. Capital invested by holders of other equity instruments												
3. Amount paid in stock & included in shareholders' equity	-679,000.00				118,522,595.00	-93,955,780.00						211,799,375.00
4. Others												
(iii) Profit distribution									54,138,066.01	-383,822,938.41		-329,684,872.40
1. Appropriation to surplus reserves									54,138,066.01	-54,138,066.01		
2. Distribution to owners (or shareholders)										-329,684,872.40		-329,684,872.40
3. Others												
(iv) Internal carry-forward of owner' s equity	659,369,744.00				-659,369,744.00							
1. Capital reserve transferred to paid-in capital (or capital stock)	659,369,744.00				-659,369,744.00							
2. Surplus reserve transferred to paid-in capital (or capital stock)												
3. Surplus reserve for making up losses												
4. Carrying over of changes or defined benefit plans into retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Withholding and using of Special reserve												
1. Special reserve withheld												
2. Special reserve used												
(vi) Others					-506,102,196.55							-506,102,196.55
IV. Balance at the end of current year	2,627,957,359.00				11,082,812,360.12	125,771,720.00			290,320,088.99	859,476,821.20		14,734,794,909.31

Legal Representative:

Chief Accountant:

Head of Accounting Firm:

Hengyi Petrochemical Co., Ltd.

Notes to Financial Statements in 2019

(Unless otherwise stated, the monetary unit is RMB Yuan)

I. Basic Information of the Company

1. Development history

Shijiguanghua Technology Co., Ltd. (hereinafter referred to as "Shijiguanghua"), was renamed Hengyi Petrochemical Co., Ltd. (hereinafter referred to as "the Company" or "Company") on Jun. 1, 2011 through industrial and commercial registration. The company was founded by shareholders on Dec. 14, 1989 and was approved to be established by the Economic System Reform Committee of Guangxi Zhuang Autonomous Region (GTG [1990] No. 3) on Feb. 10, 1990. The company was listed in Shenzhen Stock Exchange on Mar. 28, 1997 (stock code: 000703). Now the stock is short for "Hengyi Petrochemical".

With the approve of China Securities Regulatory Commission on Apr. 15, 2011 (*Reply Regarding Approval for Sales of Major Assets of Shijiguanghua Technology Co., Ltd. and Its Issuing of Stock Buying Assets to Zhejiang Hengyi Group Co., Ltd.* (ZJXK [2011] No. 540)), the Company sold all assets and debts to Henan Huicheng Investment Co., Ltd. (hereinafter referred to as "Henan Huicheng"), and the employer of all the employees of the Company was changed as Henan Huicheng which paid the consideration in cash. The company issued 432,883,813 equities to buy 100% equities of Zhejiang Hengyi Petrochemical Co., Ltd. (hereinafter referred to as Hengyi Limited) by Zhejiang Hengyi Group Co., Ltd., Tianjin CDH Equity Investment Phase I Fund (limited partnership) and Tianjin Dinghui Yuanbo Equity Investment Fund (limited partnership); Meanwhile, Henan Huicheng transferred its 12,237,050 equities of Shijiguanghua to Zhejiang Hengyi Group Co., Ltd. (hereinafter referred to as Hengyi Group) in the way of agreement. And Hengyi Group paid the consideration in cash.

On Apr. 27, 2011, Pan-China Zhengxin verified capitals of this major asset restructuring and purchase assets with issued equities and issued *Asset Verification Report* (TJZXY (2011) Z Zi No. 020057) to verify 432,883,813 equities issued.

According to the resolution of shareholders' meeting in 2011 and modified Articles of Association of the Company, based on the Company's original total share capital of RMB 576,793,813.00, three bonus shares were presented to shareholders for each ten shares. Meanwhile, seven shares of capital reserves were presented to shareholders for each ten shares. the Company increased registered capital of RMB 576,793,813.00. The increase by transferring was made on Mar. 27, 2012. The registered capital after alteration was RMB 1,153,587,626.00.

According to the resolution of the shareholders' meeting in 2015 and provisions of the Articles of Association after revision, the Company carried out the first phase of the restricted stock incentive plan in 2015 in the way of restricted stocks. 15 shareholders were given the restricted stocks at the first time of incentive. 11.7 million restricted stocks were given to incentive objects in the way of targeted issuing. The par value per share was RMB 1. The company increased registered capital of RMB 11,700,000.00. Registered capital after alteration was RMB 1,165,287,626.00.

According to the resolution of the shareholders' meeting of the Company in 2014 and provisions of the Articles of Association after modification, with the approval of China Securities Regulatory Commission (*Reply Regarding Approval for Non-public Issuing of Stocks of Hengyi Petrochemical Co., Ltd.* (ZJXK [2015] No. 2085)), the Company issued 140,845,070 common stocks (A-share) in RMB in the way of non-public issuing in 2015. The par value per share was RMB 1. the Company increased registered capital of RMB 140,845,070.00. Registered capital after alteration was RMB 1,306,132,696.00.

According to the resolution of the 26th meeting of the 9th Board of Directors in 2016 and the provisions of the Articles of Association after modification, the Company bought back 25% of restricted shares held by incentive objects who had not met the unlocking conditions of the first unlocking term, that was 2,925,000 restricted shares. the Company decreased registered capital of RMB 2,925,000.00. The registered capital after alteration was RMB 1,303,207,696.00.

According to the resolution of the shareholders' meeting of the Company in 2015 and provisions of the Articles of Association after modification, with the approval of China Securities Regulatory Commission (*Reply Regarding Approval for Non-public Issuing of Stocks of Hengyi Petrochemical Co., Ltd.* (ZJXK [2016] No. 1320)), the Company issued 316,666,666 common stocks (A-share) in RMB in the way of non-public issuing in 2015. The par value per share was RMB 1. the Company increased registered capital of RMB 316,666,666.00. Registered capital after alteration was RMB 1,619,874,362.00.

According to the resolution of the second temporary shareholders' meeting in 2017 and provisions of the Articles of Association after revision, the Company carried out the second phase of the restricted stock incentive plan in 2017 in the way of restricted stocks. 50 shareholders were given the restricted stocks incentive. 28.55 million restricted stocks were given to incentive objects in the way of targeted issuing. The par value per share was RMB 1. The company increased registered capital of RMB 28,550,000.00. Registered capital after alteration was RMB 1,648,424,362.00.

According to the resolution of the shareholders' meeting in 2017 and provisions of the Articles of Association after modification, based on the Company's original total share capital of RMB

1,648,424,362, four bonus shares were presented to shareholders for each ten shares. The company finished share presentation registration on May 24, 2018. The company increased registered capital of RMB 659,369,744, and the registered capital after alteration was RMB 2,307,794,106.00.

In Oct. 2018, for demission of restricted share incentive objects, the Company bought back 679,000 log-out restricted shares. The company reduced registered capital (share capital) of RMB 679,000.00. The registered capital after alteration was RMB 2,307,115,106.00, and the share capital was RMB 2,307,115,106.00.

In Dec. 2018, the Company issued 170,592,433 shares to Zhejiang Hengyi Group Co., Ltd. (hereinafter referred to as "Hengyi Group") and issued 75,124,910 shares to Fulida Group Holding Co., Ltd. (hereinafter referred to as "Fulida Group") and issued 75,124,910 shares to Xinghui Chemical Fiber Group Co., Ltd. (hereinafter referred to as "Xinghui Chemical Fiber Group") to purchase relevant assets. The company's registered capital after alteration was RMB 2,627,957,359.00, and the share capital was RMB 2,627,957,359.00.

In Jan. 2019, the Company issued 213,768,115 shares to six investors respectively in the way of non-public issuing to raise supporting funds. The registered capital after alteration was RMB 2,841,725,474.00. And the share capital was RMB 2,841,725,474.00.

The unified social credit code of the Company is: 9145050019822966X4; Address: Beihai City of Guangxi Province, current location of the headquarters: No. 260 Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province; Legal representative: Qiu Yibo; By Dec. 31, 2019, the registered capital had been RMB 2,841,725,474.00, and the share capital was RMB 2,841,725,474.00.

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

2. Industry

The company is engaged in the petrochemical and chemical fiber product manufacturing industry.

3. Business scope

The Company's business scope approved: Production, processing and marketing of chemical fiber, chemical raw material (excluding dangerous products; import & export business (excluding items prohibited and restricted by national laws and regulations)

4. Main products

The company is mainly engaged in PTA, PET chip, polyester bottle chip, POY, FDY, DTY, polyester staple fiber, PX, gasoline, diesel, aviation kerosene, etc.

5. Please see the content of Development History for changes of main business, major change, major merger and restructuring of equities of the Company during reporting period.

6. The Financial Statements have been approved by the Board of Directors of the Company on Apr. 26, 2020.

7. 34 subsidiaries of the Company were included into the consolidation scope in 2019. See Note VIII "Equity in Other Entities" for the details. The number of subsidiaries of the Company included into the consolidation scope increases by 5 this year in comparison to last year. See Note VII "Changes in Consolidation Scope" for details.

II. Preparation Basis of Financial Statements

1. Preparation basis

The Financial Statements of the Company are based on the assumption of going-concern and are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* (promulgated by Decree No. 33 of the Ministry of Finance and Decree No. 76 of the Ministry of Finance) issued by the Ministry of Finance on the basis of actual transactions and matters, 42 specific accounting standards, the application guidelines for corporate accounting standards, the interpretation of accounting standards for business enterprises and other relevant regulations issued and revised by the Ministry of Finance on Feb. 15, 2006 (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises") and *No. 15 General Rules for the Preparation of Financial Reports - Rules for the Information Disclosure of Companies Publicly Issuing Securities* (revised in 2014) of the China Securities Regulatory Commission.

According to the relevant provisions of Accounting Standards for Business Enterprises, the Company's financial accounting is based on accrual system. Except for certain financial instruments, the measurement of Financial Statement is based on historical costs. For non-current assets held-for-sales, valuation is done as per the lower amount between the amount that the fair value subtracts the estimated cost and the original book value complying with held-for-sales conditions. In case of the impairment of assets, the corresponding depreciation reserve will be accrued in accordance with the relevant regulations.

III. Declaration of Compliance with Accounting Standards for Business Enterprises

The Financial Statements prepared by the Company comply with requirement of Accounting Standards for Business Enterprises, and truly and completely reflect financial situations of the Company on Dec. 31, 2019, as well as the related information about operating results and cash flow of 2019. In addition, the Company's Financial Statement is in accordance with the related *Financial Statement and note in Publicly Issued Securities Company Information Disclosure Rules No.15-The General Rules for Financial Report* revised in 2014 of the China Securities Regulatory Commission

in all major aspects.

IV. Significant accounting policies and accounting estimates

According to the actual production and operation characteristics and provisions of Accounting Standards for Business Enterprises, the Company and its subsidiaries have formulated several specific accounting policies and accounting estimate regarding calculation and withdrawal of receivable bad debt reserve, depreciation of fixed assets, amortization of intangible assets, income confirmation and other transactions and matters. See the Note IV and relevant scanning documents for details. As for the instructions of major accounting judgment and estimation instructions made by the management, please refer to Note IV, 31 "major accounting judgment and estimation".

1. Accounting period

The accounting period of the Company is divided into annual period and interim period; an interim period refers to a reporting period which is shorter than a whole accounting year. The fiscal year of the Company adopts the calendar year, that is, from Jan. 1 to Dec. 31 every year.

2. Business period

The normal operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents of the Company. The Company takes 12 months as an operating cycle and uses it as a standard for classifying the liquidity of assets and liabilities.

3. Recording currency

RMB is the currency in the primary economic environments in which the Company and its domestic subsidiaries are operated. The Company and its domestic subsidiaries regard RMB as the recording currency. Overseas subsidiaries of the Company use USD as its recording currency based on the main economic environment in the place of operation. The currency adopted by the Company in preparing the Financial Statements is in RMB.

4. Accounting treatment method for business merger under the same control and under the different control

Business merger refers to the transaction or matters of two or more separate enterprises combining into a reporting entity. Business merger is divided into the business merger under the same control and business merger under the different control.

(1) The business merger under the same control

If enterprise involved with merger are under the final control of the same party or same multiple parties before and after merger, and for a non-temporary period, then it belongs to a business merger under the same control. For business merger under the same control, the parties which have obtained the control rights for other merger enterprises on the merger date will be considered as the merging party, and other participating enterprises are the merged party. The

merger date refers to the day when the merging party actually obtains the control rights of the merged party.

The assets and liabilities obtained by merging party shall be measured on the basis of book value of the merged party on the merger date. The capital reserve (share capital premium) shall be adjusted according to the difference between the net assets book value obtained by the merging party and the paid combination consideration book value (or the total face value of the issued shares); the retained earnings will be adjusted as long as capital reserve (share capital premium) is insufficient to be offset.

The merging party's direct expenses incurred from business merger shall be included into the current profits and losses at the time of occurrence.

(2) The business merger under the different control

If enterprise involved with merger is not under the final control of the same party or same multiple parties before and after merger, then it belongs to a business merger under the different control. For business merger under the different control, the parties which have obtained the control rights for other merger enterprises on the purchase date will be considered as the purchasing party, and other participating enterprises are the purchased party. The purchase date refers to the day when the purchasing party obtains the control right over the purchased party.

As for business merger under different control, the merger costs include the assets paid by the purchasing party, the liabilities accrued and assumed, as well as the fair value of the equity security issued for obtaining purchased party's control right on the purchase date; the intermediary fees, such as auditing, legal service and evaluation and consulting, and other related management fees for the business merger shall be included into the current profits and losses at the time of occurrence. The transaction expenses in issuing equity securities or liability securities which are deemed as merger consideration by the purchasing party shall be included in the initial confirmation amount of equity or liability securities. Contingent consideration involved shall be included into the merger cost according to the fair value at the purchase date; if new or further proofs appearing within 12 months after the purchase date show that the contingent consideration needs to be adjusted, the combination goodwill shall be adjusted correspondingly. The merger costs incurred by the purchasing party and the identifiable net assets acquired in the merger shall be measured at the fair value on the purchase date. If the merger cost is larger than difference of the fair value share of the purchased party's identifiable net assets obtained on the purchase date during merger, it shall be confirmed as goodwill. If the merger cost is lower than the fair value share of the purchased party's identifiable net assets obtained during merging, the measurement of the identifiable assets of the purchased party obtained, liabilities or fair value of contingent liabilities and the merger costs shall be

reviewed firstly. If the merger cost is still lower than the fair value share of the purchased party's identifiable net assets obtained during merger, the difference shall be included into the current profits and losses.

If the deductible temporary difference of the purchased party gained by purchasing party fails to be confirmed on the purchase date due to the inconformity of the recognition condition of deferred income taxes assets, and in case new or further information obtained indicates that the relevant conditions on the purchase date have existed within 12 months after the purchase date, and it is predicted that the economic benefits brought by the purchased party from deductible temporary differences can be realized on the purchase date, relevant deferred income taxes assets shall be confirmed, at the same time, the goodwill shall be reduced; if the goodwill is insufficient for offset, the differential part shall be confirmed as the current profits and losses; Except for above conditions, in case the deferred income tax assets are confirmed to be related to the business merger, they shall be included into the current profits and losses.

As for the business merger under different control realized step by step through multiple transactions, judge whether the multiple transactions belong to the "package deal" according to *No. 5 Notice About Printing and Issuing Accounting Standards for Business Enterprises Explanation in Ministry of Finance* (CK [2012] No. 19) and the judgment standard (refer to the Note IV, 5 (2)) about "package deal" in Article 51 of the *Accounting Standards for Business Enterprises No. 33 --Consolidated Financial Statement*. In case of belonging to "package deal", the accounting treatment shall be conducted with the reference of the above descriptions of the part and Note IV, 14 "long-term equity investment"; for those not belonging to "package deal", distinguish the individual Financial Statement and consolidated Financial Statement to conduct relevant accounting treatment:

The sum of book value of the purchased party's equity investment held prior to the purchase date and the newly investment cost on the purchase date in the Individual Financial Statement shall be regarded as the initial investment cost of such investment; If the purchased party's equity held prior to the purchase date involves other comprehensive incomes, the same basis shall be adopted that the purchased party directly disposes relevant asset or liabilities with other comprehensive incomes related to conduct the accounting treatment when handling the investment (namely, except the variable corresponding share incurred due to defined benefit plan net liability or net assets measured again by the purchased party according to the equity method, other shares shall be transferred in current investment income).

In the Consolidated Financial Statements, the equity of the purchased party held before the purchase date shall be re-measured according to the fair value of the equity on the purchase date, and the difference between the fair value and the book value shall be included in the current

investment income; If the purchased party's equity held prior to the purchase date involves other comprehensive incomes, the same basis shall be adopted that the purchased party directly disposes relevant asset or liabilities with other comprehensive incomes related to conduct the accounting treatment (namely, except the variable corresponding share incurred due to defined benefit plan net liability or net assets measured again by the purchased party according to the equity method, other shares shall be transferred into current investment income of purchase date).

5. Preparation method of consolidated Financial State ments

(1) Determination principles of consolidated Financial Statement

The consolidation scope of the consolidated Financial Statement shall depend on the control. Control means that the Company may control an investee and may participate in relevant activities of the investee to enjoy variable return and also is able to use the right for the investee to influence its amount of returns. The consolidation scope shall cover the Company and all subsidiaries. The subsidiary refers to the entity under the Company's control.

The Company will re-evaluate if the change in the relevant facts and circumstances leads to the change of the relevant elements involved in the above definition of control.

(2) Preparation method of the consolidated Financial Statement

From the date of obtaining actual control right of the subsidiaries' net assets and production operation decision, the Company will begin to bring it into the merge scope; similarly, it will not be included in the consolidation scope from the date when the Company loses its actual control right. As for the disposed subsidiaries, the operating results and cash flow before disposal date have been properly included into the consolidated profit statement and consolidated cash flow statement; as for subsidiaries disposed in the current period, the opening balance of the consolidated balance sheets will not be adjusted. As for the increased subsidiaries through the business merger under different control, its operating results and cash flow after the purchase date have been properly included in the consolidated profit statement and consolidated cash flow statement, and the opening balance and contrast balance of the consolidated Financial Statement shall not be adjusted. As for the increased subsidiaries through business merger under the same control and the merged party under consolidation by merger, the operating results and cash flow from the beginning of the current period of the merge to the date of merge have been properly included into the Consolidated Profit Statement and the Consolidated Statement of Cash Flow, and the contrast balance of the Consolidated Financial Statement shall be adjusted simultaneously.

In case the subsidiaries and the Company take different accounting policies or accounting periods when preparing the Consolidated Financial Statements, the necessary adjustment shall be made to the subsidiaries' Financial Statements according to the Company's accounting policy and

accounting period. For the subsidiaries that are obtained the business merger under the different control, the Financial Statements will be adjusted on the basis of the fair value of the identifiable net assets on the acquisition date.

All significant current balances, transactions and unrealized profits of the Company will be offset when the consolidated Financial Statement is prepared.

For the shareholder's equity and current net profits and losses of the subsidiaries that do not belong to the part owned by the Company, they will be separately listed in the shareholders' equity and net profits in the consolidated Financial Statement as the minority equity and profits and losses which belong to the minority shareholders. Meanwhile, the minority shareholders' equities in the current net profits and losses of the subsidiaries will be listed in the "minority shareholders' profits and losses" under the net profit items in the Consolidated Profit Statement. In case the losses of the subsidiaries shared by minority shareholders exceed the share that shall be enjoyed by minority shareholders in the subsidiaries' shareholders' equities at the beginning of period, they shall be offset with minority equity.

If the control right to original subsidiaries has been lost due to the disposal of partial equity investments or other reasons, for the remaining equities, the re-measurement shall be conducted based on the fair value on the day of losing the control right. The difference between the sum of the acquired consideration from the equity disposal and fair value of residual equities, deducting the shares of net assets of subsidiaries that shall be shared and continuously calculated from the purchase date based on the original shareholding proportion, it shall be included into the investment incomes of the current period when the control right is lost. Other comprehensive incomes related to the equity investment of original subsidiaries shall adopt the same foundation with purchased party directly disposing related assets or liabilities for accounting treatment when losing control right (namely, except the change caused by original subsidiaries' re-measurement of net liabilities or net assets of defined benefit plan, others are transferred to the current investment incomes). Thereafter, the residual equity of this part shall be further measured in accordance with Accounting Standards for *Business Enterprises No. 2--Long-Term Equity Investment* or Accounting Standards for *Business Enterprises No. 22 - Confirmation and Measurement of Financial Instruments*. As for details, please refer to Note IV, 14 "long-term equity investment" or Notes IV, 9 "financial instruments".

If the Company disposes the equity investment of subsidiaries step by step via multiple transactions until losing the control right, it is necessary to distinguish whether transactions for disposal to the equity investment of subsidiaries until losing the control right belong to the package deal. When the disposal of the articles, conditions and the economic impact of various transactions for the equity investment of the subsidiaries is subject to one or more of the following conditions, it

generally indicates that it shall conduct accounting treatment by taking the multiple transaction matters as a package deal: ① These transactions are considered to be concluded at the same time or made in the case of considering mutual influence; ② These transactions as a whole can reach a complete business result; ③ The occurrence of a transaction depends on the occurrence of at least one other transaction; ④ One transaction alone is not economical, but when being considered together with other transactions, it is economical. If it is not package deal, every transaction will be conducted by the accounting treatment according to the following suitable principles, namely, "partially dispose the long-term equity investment of subsidiaries when the control right is not lost" (See Note IV, 14, (2), ④) and "lose the control right for the original subsidiaries due to disposal of partial equity investment or other reasons" (see previous paragraph for details). If the disposal of transactions on subsidiaries' equity investments until loss of control power is a package deal, they are regarded as a transaction that disposes of the subsidiary and loses the control power; However, the balance between the disposal price and the subsidiaries' net asset shares enjoyed corresponding to disposing investment before losing of control right shall be recognized as other comprehensive incomes in the Consolidated Financial Statement, which will be transferred into the current profits and losses of the period losing the control right when the control right is lost.

6. Classification of joint-operation arrangement and accounting treatment method of joint operation

The joint-operation arrangement refers to arrangement jointly controlled by two or more participants. The Company divides the joint-operation arrangement into joint operations and joint ventures according to the right enjoyed and the obligation borne in the joint-operation arrangement. Joint operation refers to the joint-operation arrangement that the Company can arrange related assets and assume the liabilities related to such arrangement. Joint ventures refer to the joint-operation arrangement that the Company only has the right of net assets in such arrangement.

The company adopts the equity method to calculate the investment of the joint ventures, and disposes according to the accounting policy in the "long-term equity investment calculated according to the equity method" in the Note IV, 14 (2) ②.

As the joint venture, the Company confirms joint operation, the assets solely held by the Company and the liabilities solely borne by the Company, and jointly owned assets and jointly borne liabilities according to the Company's share; recognize the revenue generated from the sales of the output shares from joint operation that shall be enjoyed by the Company; recognize the revenue generated from the joint operation due to sales as per the Company's share; Recognize the expenses incurred independently and expenses incurred from joint operation as per the share of the Company.

When the Company invests or sells asset to the joint operation (the assets don't constitute business, the same below) as joint venture, or when buying assets from the date of joint operation, the Company only confirms the part belonging to other participants in the loss and benefit incurred by the transaction before the assets are sold to a third party. If the assets impairment loss which conforms to the regulations in the *Accounting Standards for Business Enterprises No. 8-- Asset Impairment* happens, as for the conditions that the Company invests or sells assets to the joint operation, the Company shall confirm the loss in full. As for the conditions that the Company purchases the asset from the date of joint operation, the Company confirms the impairment according to the share borne.

7. Confirmation standards of cash and cash equivalents

The cash and cash equivalents of the Company include cash on hand, deposit used for payment at any time, and the Company's short-term (generally expire within three months from the acquisition date) and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of value change.

8. Foreign currency business and foreign currency statement conversion

(1) Conversion method for foreign currency transactions

The foreign currencies in the Company's foreign currency transactions are converted into the amount of recording currency according to the spot rate on the transaction day of beginning of current month (generally it refers to the middle rate of foreign exchange rate on that day published by the People's Bank of China, the same below) during initial confirmation, while the foreign currencies in the foreign currency exchange business or the transaction matters involving foreign currency exchange of the Company are converted into the amount of recording currency according to the exchange rate actually used.

(2) Conversion method for monetary items and nonmonetary items in the foreign currency transactions

For the balance sheet date, the spot rate on the balance sheet date will be adopted in the conversion of the monetary items of foreign currency. The exchange differences produced by this, except: ① The balance of exchange caused by special foreign currency loan related to acquiring and constructing assets which meet capitalization conditions is disposed on the principle of the capitalization of borrowing expense; ② Hedging tool's exchange balance of an effective hedging used as an offshore operation net investment is included into other comprehensive incomes and is recognized as current profits and losses until net investments are disposed; And ③ The foreign currency monetary project available for sales, in addition that the currency translation difference arising from the change of other book balance in addition to amortized cost is included in other

comprehensive incomes, is included in current profits and losses.

If the Consolidated Financial Statement compilation and merger involve the overseas business, and there are foreign currency monetary items that actually form the net investment to the overseas business, the exchange differences incurred due to the exchange rate movement are included into other comprehensive incomes; When disposing overseas business, it shall be transferred into the disposal current profits and losses.

For foreign currency non-monetary items measured by historical cost shall be still measured by amount of recording currency converted by spot rate on date of transaction occurrence. For foreign currency non-monetary items measured by fair value, the spot rate on date of fair value determination will be used for conversion. The difference between the converted recording currency amount and the original recording currency amount will be treated as the changes in fair value (including changes in exchange rate) and included in the current profits and losses or other comprehensive incomes.

(3) Conversion method of the foreign currency Financial Statement

If the Consolidated Financial Statement compilation and merger involve the overseas business, and there are foreign currency monetary items that actually form the net investment to the overseas business, the exchange differences incurred due to the exchange rate movement are confirmed into other comprehensive incomes as "converted difference in foreign currency statements /translation reserve"; When disposing overseas business, it shall be included into the disposal current profits and losses.

The foreign currency Financial Statement of overseas operation is converted to RMB statement with the following method: Assets and liability items in the balance sheet are converted at the spot exchange rate on the balance sheet date. as for the shareholders' equities items, except the "undistributed profits", other items shall be converted by the spot rate on the day of occurrence. Incomes and expense items in the Profit Statement are converted at the current period weighted intermediate rate on the transaction date. Undistributed profits at the beginning of the year is the year-end undistributed profit after conversion of last year; the undistributed profits at the end of the year is calculated and listed according to the profit distribution of each project after conversion; The balance of the total amount among the asset items and liabilities items and shareholders' equities items after conversion is recognized as foreign currency statement conversion balance and is recognized as other comprehensive incomes. In case of oversea operation disposal and the loss of controlling position, the translation reserve related to this oversea operation and presented under the shareholders' equity in the balance sheet is transferred wholly or according to the disposal ratio of the oversea operation into the disposal of current profits and losses.

The foreign currency cash flow is converted with the weighted average exchange rate on the occurrence date of cash flow. The effect of changes in the exchange rate on cash is reported separately in the cash flow statement as an adjustment item.

The beginning amount and actual amount of last year shall be presented according to the amount after conversion of Financial Statement of last year.

In case of loss of control power of foreign operation due to disposal of the Company's entire owners' equity in foreign operation, or the disposal of part of the equity investment or other reasons, the translation reserve listed in the shareholders' equities items in the balance sheet, related to the foreign operation and attributable to foreign currency conversion balance of the owners' equity of the parent company shall be totally converted into the disposal current profits and losses.

In case of the decrease of the ratio of overseas business, but no loss of control power due to disposal of part of the equity investment or other reasons, the translation balance related to the disposal of part of related currency in the overseas business shall be attributable to the minority shareholders' equities, and not converted into the current profits and losses. In case of disposal of part of the equity of the associates or joint ventures in the overseas operation, the translation balance related to the overseas operation shall be converted into the disposal of current profits and losses based on the ratio to dispose overseas business.

9. Financial instruments

Please confirm financial assets or financial liabilities when the Company becomes one party in the financial instrument contract.

(1) Classification, confirmation and measurement of financial assets

According to business mode of financial asset management and contract cash flow characteristics of financial assets, the Company divides financial assets into: Financial assets at amortized cost; Financial assets measured at the fair value with changes included in other comprehensive incomes; Financial assets measured at the fair value with changes included in current profits and losses.

Financial assets shall be measured at the fair value at the initial recognition. For the financial assets measured by fair value and changes of which are included in current profits and losses, the related transaction expenses shall be directly counted into the profits and losses in the current period; For other financial assets, the related transaction expenses thereof shall be recorded in the initial recognition amount. As for Accounts receivable or bill receivable produced from promoting products or labor service provision, excluding or taking no account of the accounts receivable and notes receivable of significant financing components, the Company takes amount of consideration anticipated to be collected as initial recognition amount.

① Financial assets at amortized cost

The business mode of the Company to manage the financial assets measured by the amortized costs targets at collecting the contractual cash flow. What's more, the contractual cash flow characteristics of the financial assets are consistent with the basic lending arrangement, that is, the cash flow generated in the specific date is the payment of the interest based on the principal and outstanding principal amount. This kind of financial assets of the Company shall be subsequently measured based on the amortized cost and effective interest method, and the gains or losses arising from the amortization, impairment shall be included in current profits and losses.

② Financial assets measured at the fair value with changes included in other comprehensive incomes

Business mode for managing financial assets of the Company takes contract cash flow collected as target and selling as the target and contract cash flow characteristics of such financial assets are consistent with basic lending arrangements. The company calculates such financial assets as per fair value whose change is included into other comprehensive incomes, but impairment loss or gain, exchange gain or loss and interest income calculated as per actual interest rate method are included into the current profits and losses.

Furthermore, the Company designates partial non-tradable equity vehicle investment as the financial asset measured with fair value whose change is included into other comprehensive incomes. The company includes the related dividend income of such financial assets into the current profits and losses with the change in fair value included into other comprehensive incomes. At the time of derecognition of such financial assets, accumulated gains or losses included into other comprehensive incomes before will be shifted to retained earnings from other comprehensive incomes but not included into the current profits and losses.

③ Financial assets measured at the fair value with changes included in current profits and losses

The company classifies financial assets except for above-mentioned financial assets measured with amortized cost and financial assets measured with fair value whose change is included into other comprehensive incomes into financial assets measured at the fair value with its changes included into the current profits and losses. Furthermore, at the time of the initial recognition, to eliminate or significantly reduce the accounting mismatch, the Company specifies partial financial assets as the financial assets measured at the fair value and changes of which are included into the current profits and losses. For such financial assets, the Company adopts the fair value for the subsequent measurement, and the changes in fair value are included in current profits and losses.

(2) Classification, confirmation and measurement of financial liabilities

The financial liabilities of the Company are classified by the measurement of the fair value and the change in fair value shall be included in its financial liabilities and other financial liabilities in the current profits and losses at the stage of initial recognition. As for the financial liabilities that are measured by fair value and whose variations are included into the current profits and losses, the relevant transaction expenses shall be directly included into the current profits and losses; As for other categories of financial liabilities, the relevant transaction expenses shall be included into the initial confirmation amount.

① Financial liabilities measured at the fair value with changes included in current profits and losses

Financial liabilities measured at fair value and whose changes are included in current profits and losses include trading financial liabilities (containing derivatives falling in financial liabilities) and those financial liabilities measured at fair value and whose changes are included in current profits and losses at the time of initial recognition.

Trading financial liabilities (including derivatives falling into financial liabilities) are subject to subsequent measurement as per fair value. Except for being related to hedge accounting, the change in fair value is included into current profits and losses.

For the financial liabilities measured at fair value and with its change included into the current profits and losses, the change of such liability's fair value arising from changes in the Company's own credit risk is included in other comprehensive incomes. And when the liability is derecognized, the accumulative change amount of its fair value arising from the change of own credit risk included into other comprehensive incomes is transferred to the retained earnings. The changes of the remaining fair value are included in the current profits and losses. If the treatment of change effects in own credit risk of such financial liabilities in the above method may cause or expand the accounting mismatching in the profits and losses, the Company will include all gains or losses (including the amount influenced due to the changes in own credit risk of the enterprise) of such financial liabilities into the current profits and losses.

② Other financial liabilities

Other financial liabilities except for those formed due to transfer of financial assets failing to comply with derecognition condition or continuously getting involved in transferred financial assets and financial guarantee contract are classified into financial liabilities measured with amortized cost and subject to subsequent measurement based on amortized cost. Gains or losses generated from derecognition or amortization are included into the current profits and losses.

(3) Recognition basis and measurement method of financial assets transfer

The derecognition shall be made for financial assets in case of satisfying one of the following

conditions: ① The contractual rights which will charge the financial assets' cash flow will be terminated; ② The financial assets have been transferred, and the Company has transferred almost all the risks and rewards of ownership of financial assets to the transferee; ③ The financial assets have been transferred, and although the enterprise neither transfers nor reserves almost all the risks and remunerations of ownership of financial assets, but it waives the control on the financial assets.

If the enterprise neither transfers nor reserves almost all the risks and remunerations of ownership of financial assets, and does not waive the control on the financial assets, it shall recognize relevant financial assets as per the degree of its continued involvement in the transferred financial assets and confirm relevant liabilities accordingly. The degree of the continued involvement in the transferred financial assets refers to the level of risk encountered by the enterprise due to the changes in financial asset value.

If the whole transfer of financial assets can satisfy the derecognition conditions, the balance between the book value of the transferred financial assets and the sum between consideration obtained by transfer and the accumulative changes in fair value that are included in other comprehensive incomes originally shall be included in the current profits and losses.

When the partial transfer of financial assets can satisfy the derecognition conditions, the book value of the transferred financial assets shall be amortized according to the relative fair value between the derecognition and failing in derecognition, and the balance between the sum of the consideration obtained from the transfer and the accumulative changes in the fair value which shall be apportioned to the derecognition part and included in other comprehensive incomes, and the amortized carrying amount mentioned above shall be included in the current profits and losses.

The company will confirm whether the almost all risks and remunerations about the ownership of the financial assets have been transferred for the sales of the financial assets in the recourse right way or transfer of the held financial assets endorsement. When almost all risks and remunerations about the financial asset ownership have been transferred to the transferee, the derecognition will be conducted for such financial asset; Almost all risks and remunerations about financial asset ownership are reserved, no derecognition will be conducted for such financial asset; If almost all risks and remunerations about the financial asset ownership have not been transferred or retained, whether the enterprise retains the control of the asset shall be judged and the accounting treatment shall be conducted according to the above-mentioned principles.

(4) Derecognition of financial liabilities

In case of current obligation of financial liabilities (or partial financial liabilities) being terminated, derecognition of such financial liabilities (or partial financial liabilities) is conducted by the Company. If the Company (borrower) signs an agreement with the lender to replace original

financial liabilities with new ones and contract terms of new financial liabilities are different from those of original financial liabilities, derecognition of original financial liabilities and recognition of new financial liabilities shall be conducted. In case of material alteration of contract terms of original financial liabilities (partial financial liabilities) by the Company, derecognition of original financial liabilities and recognition of new financial liabilities as per modified terms shall be conducted.

In case of derecognition of financial liabilities (partial financial liabilities), the Company includes the balance between its book value and payment consideration (including non-cash assets transferred out or borne liabilities) into the current profits and losses.

(5) Offset of financial assets and financial liabilities

When the Company has the legal right to offset the confirmed financial assets and financial liabilities and is entitled to perform the aforesaid legal right at the present, and meanwhile when the Company intends to settle or sell off the financial assets and pay off the financial liabilities by the net amount, the financial assets and financial liabilities shall be presented in the balance sheet with the amount after the mutual offset. Besides, the financial assets and financial liabilities are listed in the balance sheet respectively and are not offset with each other.

(6) Determination methods of fair value of financial assets and financial liabilities

The fair value refers to the price received by the market participant for selling one asset or the price that shall be paid for transferring one liability in the ordered transaction on the date of measurement. The fair value of the financial instruments that exist in the active market shall be confirmed by the quotation in the active market by the Company. The quotations in the active market refer to the prices, which are easily available from the exchanges, brokers, industry associations, pricing service institutions, etc. at a fixed term, and represent the price of market transactions actually occurring in the fair dealing. If there is no active market for financial instruments, the Company uses the valuation techniques to determine its fair value. The valuation technique includes prices adopted by the parties who are familiar with the condition and willing to conduct the transaction in the latest market transaction, the current fair value referring to other substantially same financial instruments, the discounted cash flow method and the option pricing models, etc. In valuation, the Company adopts applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability characteristics considered in relevant asset or liability transactions of market participators and prioritizes the applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

(7) Equity instruments

Equity instrument refers to the contract which can prove the holding the residual equity of the Company in the assets after deducting all liabilities. Issuance (including refunding), repurchase, selling or writing off of instrument by the Company is regarded as handling of changes in equity and transaction expenses related to equity transaction are deducted from the equity. The Company does not confirm the fair value change of equity instruments.

In case of the equity instrument of the Company distributing dividends during the period of existence duration (including "interest" produced from the tool classified into equity instrument), profit distribution processing will be deemed.

10. Impairment of financial assets

Financial assets with impairment loss confirmed by the Company are financial assets measured with amortized cost, debt instrument investment measured as per fair value whose change is included into other comprehensive incomes, mainly including notes receivable, accounts receivable, other receivables, creditors' investment, other creditors' investment and long-term receivables. Moreover, as for partial financial guarantee contract, it's necessary to calculate and withdraw impairment provision and recognize credit impairment losses pursuant to accounting policy set forth in this part.

(1) Recognition method of provision for impairment

The above items are accrued for impairment provision and credit impairment losses by the Company in accordance with applicable expected credit loss measure methods (general or simplified) based on the expected credit loss.

Credit impairment refers to the difference between all contractual cash flows discounted as per the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company, namely, the present value of a shortage of cash. Wherein, the purchased or underlying financial assets with credit impairment of the Company shall be discounted as per effective interest rate based on credit adjustment.

The general method for measuring expected credit impairment is as follows. The Company evaluates whether credit risk of financial assets has remarkably increased after initial recognition on each balance sheet date. In case of credit risk having remarkably increased after initial recognition, the Company will measure provisions for loss as per the amount equivalent to the expected credit loss in the whole duration; In case of credit risk failing to remarkably increase after initial recognition, the Company will measure provisions for loss as per the amount equivalent to the expected credit impairment in the next 12 months. At the time of evaluating expected credit impairment, the Company considers all reasonable and well-founded information, including

forward-looking information.

For the financial instrument with a lower credit risk on the balance sheet date, the Company assumes that its credit risks have not increased significantly since the initial recognition, and measures the loss provisions according to the expected credit impairments of the future 12 months.

(2) Standard for judging whether credit risk has remarkably increased after initial recognition.

In case that probability of default of one financial asset confirmed on the balance sheet date in the expected duration is obviously higher than that confirmed at the moment of initial recognition in the expected duration, it means credit risk of such financial asset remarkably increases. The changes of default risk within the next 12 months are adopted by the Company other than special cases as reasonable estimate in the entire duration, ensuring whether the credit risk has increased significantly since the initial recognition.

Usually, if it is overdue for more than 30 days, the Company believes that the credit risk of the financial instrument has increased significantly, unless it is sufficiently proved that the credit risk of the financial instrument has not increased significantly since the initial confirmation.

When evaluating whether the credit risk will significantly increase, the Company mainly considers the following factors:

- 1) Whether the actual operation results or predictions of the debtor change significantly;
- 2) Whether significant adverse changes happen to the supervision, economic or technical environments of the debtor;
- 3) Whether the value of guaranty mortgaged or the quality of warranty or credit enhancement provided by the third party change significantly. Such change predictions will reduce the debtor's economic motive of repaying as stipulated in the contract or affect the default probability;
- 4) Whether the predicted performance and repayment behaviors of the debtor change significantly;
- 5) Whether the Company's credit management methods of financial tools change.

On the balance sheet date, if the Company judges that the credit risk of a financial tool is low, the Company assumes that the credit risk of this financial tool has not significantly increased since initial confirmation. If the default risk of this financial tool is low, the borrower's capacity of performing its cash flow obligation as stipulated in the contract is strong, and the borrower's capacity of performing its cash obligation as stipulated in the contract may not reduce, even though adverse changes happen to the economic trend and operation environment within a long term, it will be deemed that this financial tool's credit risk is low.

(3) Judgment criteria of financial assets with credit impairment involved

When it is predicted that one or several adverse impacts will happen to the future cash flow of a financial asset, this financial asset will become the financial asset with credit impairment involved. The evidences of credit impairment which has happened to a financial asset include the following observable information:

- 1) Severe financial difficulties occur to the issuer or the debtor;
- 2) The debtor breaches the contract, for example, fail or delay to pay interests and principal, etc.);
- 3) Considering economy or contract regarding financial difficulties of the debtor, the creditor provides the debtor with concessions which will not be made by the creditor in any other cases;
- 4) The debtor will probably become bankrupt or carry out other financial restructuring;
- 5) The issuer or debtor faces financial difficulties, which leads to that the active market of this financial asset disappear;
- 6) The debtor may purchase or create a financial asset at a big discount which reflects the fact of credit impairment.

Credit impairment of a financial asset may be caused by the combined action of several events rather than an individual identifiable event.

(4) Combinatorial method of appraising future credit risk based on combination

The Company appraises the credit risk of the financial asset item of significantly different credit risks, such as: Receivable payment from the related parties; Receivables disputed with the opposite side or involving litigation or arbitration; There have been obvious signs showing that the debtor possibly is not able to perform the repayment obligations of receivable amounts, etc.

In addition to credit risk evaluation of a single financial asset, the Company divides financial assets into different groups based on common risk characteristics which include: financial tool type, credit risk rating, account age combination, etc. The credit risks are evaluated on the basis of combinations.

(5) Accountant arrangement method of financial asset impairment

The expected credit impairments of all kinds of financial assets are calculated by the Company at the end of the duration. If the estimated credit impairment is greater than the carrying amount of the current impairment provision, the difference is recognized as impairment loss; If not, it is recognized as impairment profits.

(6) Test method of credit impairment of all kinds of financial assets

For notes receivable, account receivables and receivable financing formed based on daily operation activities, such as commodity marketing, provision of labor service and so on, no matter

major financing is involved, the Company measures the impairment reserve according to the predicted credit impairment during the whole duration.

① Notes receivable

The notes receivable is divided into different combinations based on its credit risk characteristics by the Company:

Item	Basis for portfolio determination	Methods for measurement of predicted credit impairment
Bank acceptance bill and domestic L/C	The acceptor is a bank with a small credit risk	If the Company thinks that a fund is of a low credit risk, the predicted credit impairment of this fund will not be identified.
Commercial acceptance bill	Ages of accounts receivable acts as credit risk characteristic	Confirm the predicted credit rate by referring to the receivable policies

② Accounts receivable

The accounts receivables other than individual credit risk assessment are divided into different combinations based on their credit risk characteristics:

Item	Basis for portfolio determination	Methods for measurement of predicted credit impairment
Associated funds within the consolidation scope of receivables	This combination involves receivables of affiliated parties within the combination scope of receivables with a low credit risk	If the Company thinks that a fund is of a low credit risk, the predicted credit impairment of this fund will not be identified.
Receivables from third party	Ages of accounts receivable of the combination acts as credit risk characteristic	Referring to the historical credit impairment lessons and in combination with the current condition and prediction of future economic conditions, the comparison table of predicted credit impairment rate within the account age of receivables and the whole duration is prepared to calculate predicted credit impairment.

Comparison table of the predicted credit impairment rate within the account age of receivables - combination of credit risk characteristics and the whole duration:

Age	Expected credit impairment rate (%)
Within 6 months (inclusive)	0.00
7-12 (inclusive) months	5.00
1-2 (inclusive) years	30.00
2-3 (inclusive) years	50.00
More than 3 years	100.00

③ Other receivables

The impairment loss is measured by the Company in accordance with the amount of expected credit impairment equivalent to that within the next 12 months or the entire duration based on whether the credit risk of other receivables has increased significantly since the initial recognition. The other accounts receivables other than individual credit risk assessment are divided into different combinations based on their credit risk characteristics:

Item	Basis for portfolio determination	Methods for measurement of predicted credit impairment
Associated receivables and payables within the consolidation scope	The nature of other receivables is taken as the credit risk characteristic	Calculate the predicted credit impairment based on the exposure at default and the predicted credit impairment rate within the future 12 months or the whole duration, by referring to the historical credit impairment lessons and in combination with the current condition and prediction of future economic conditions.
Payment on behalf of others and other receivables and payables outside the consolidation scope		
Combination of consumption tax receivable and export tax rebate		
Combination of receivable returned taxes and other government subsidies		
Combination of guarantee deposit and security deposit		
Employee borrowings and reserves		
Other combinations		

④ For other financial assets which are not measured with the above methods, the Company measures their impairment losses with the amount of predicted credit impairment within the future 12 months or the whole duration according to the fact that whether their credit risk has significantly increased after the initial confirmation.

11. Receivables financing

The notes receivable and accounts receivable, classified to fair value measurement and changes included in other comprehensive incomes, are listed as receivables financing with a term of less than one year (including one year) from the acquisition; that with a term of more than one year from the acquisition is listed as other debt investment. See Note IV, 9 "financial tools" and Note IV, 10 "impairment of financial assets" for relevant accounting policies.

12. Inventory

(1) Inventory classification

Inventory of the Company refers to finished products or commodities hold in daily activities for sale, goods in process, the materials and supplies consumed in the production process or the labor service process, Inventories include several large categories, such as materials in transit, raw

materials, goods in process, inventory commodities, etc.

(2) Price calculation methods for obtaining and delivering the inventories

The inventory will be priced by actual cost when it is obtained, and inventory costs include purchase costs, processing costs and other costs. Accounting should be carried out with the weighted average method when obtaining and delivering inventories; where daily accounting of inventories is priced based on the planned cost, at the time of carry-over of material cost variance at the end of year, planned cost is adjusted to actual cost.

(3) Confirmation for the net realizable value of inventories and counting & withdrawing method for falling price reserve of inventory

The net realizable value refers to the amount derived by deducting the cost to be occurred, estimated selling price and relative taxes until the completion date from the estimated sales price of inventory in daily activities. When the net realizable value of inventories is determined, the obtained conclusive evidence is taken as the basis and the purposes for holding inventories and influence of matters after the balance sheet date shall be considered.

On the balance sheet date, the inventory shall be calculated by the lower one between the cost and net realizable value. When the net realizable value is lower than cost, inventory falling price reserve will be withdrawn. The inventory falling price reserves shall be withdrawn by the balance of the cost of the single inventory which is higher than its net realizable value.

In case the factors impacting the inventory value written off previously is eliminated after the inventory falling price reserve is withdrawn, which causes that the net realizable value is higher than the book value, it shall be recovered from the inventory falling price reserve withdrawn previously and the recovered amount shall be included in current profits and losses.

(4) Inventory system of inventory

The perpetual inventory system is employed in the Company.

(5) Amortization method of low priced and easily worn articles and package materials

Equal-split amortization method will be used for the price calculation of low-value consumables; Packaging materials shall adopt equal-split amortization method.

13. Held-for-sales assets and disposal group

If the Company collects the book value mainly through selling (including substantially commercial non-monetary assets exchange, similarly hereinafter) rather than continuously use a non-current asset or disposal group, the non-current asset or disposal group shall be divided into held-for-sales. Specific standard refers to meeting the following conditions at the same time: One non-current asset or disposal group can be immediately sold under the current situation pursuant to the convention for selling such asset or disposal group in the similar transactions; The company has

made a resolution about sale plan and get the commitment of purchase confirmed; It's predicted that selling will be completed within one year. Wherein, the disposal group refers to one group of assets as a whole disposed by selling or in other way in a transaction as well as liabilities directly related to such assets and transferred in the process of such transaction. In case of asset group where the disposal group is or asset group portfolio apportioning the goodwill obtained from business merger as per *No. 8 Accounting Standards for Business Enterprises-Impairment of Asset*, such disposal group shall include goodwill apportioned to disposal group.

If there are non-current assets and disposal groups purchased under agreements to resell during initial measurement or on the balance sheet day based on remeasurement of the Company, if the book value is higher than the net amount by deducting the selling expenses with the fair value, the book value shall be written down and be equal to the net amount by deducting the selling expenses with the fair value. The write-down amount shall be confirmed as the loss of depreciation of assets and shall be included into the current profits and losses. At the same time, the impairment reserve of the held-for-sales assets should be calculated and withdrawn. For the disposal group, deduct the book value of the business reputation in the disposal group with the asset impairment loss confirmed, then deduct the book value of each non-current asset in the disposal group conforming to the measurement regulations of *Accounting Standards for Business Enterprises No. 42-Held-for-sales Non-current, Disposal Group and Discontinued Operation* (hereinafter referred to as "the Standard for Held-for-sales"). For the disposal group of held-for-sales, if the net amount after deducting the selling expenses from the fair value on the subsequent balance sheet date increases, the previous write-down amount shall be recovered and shall be reversed from the confirmed amount of asset impairments amount of the non-current as per the measuring regulation of the Standard for held-for-sales after being classified into the category of held-for-sales. The reverse amount shall be included into the current profits and losses, and the book value shall be added as per the proportion of the book value of each non-current asset in the disposal group applicable to the Standard for held-for-sales, except for the goodwill; The goodwill book value deducted and the asset impairments of the non-current assets applicable to the measurement regulations of the standard for held-for-sales before its confirmation of being classified into the category purchased and under agreements to resell shall not be reversed.

Depreciation or amortization in the held-for-sales non-current assets or the non-current assets in the disposal group shall not be accrued. Interests of liabilities and other expenses in the disposal group purchased and under agreements to resell shall be confirmed continuously.

When the non-current assets or the disposal groups do not continue to be divided into the held-for-sales category because they do not meet the division conditions for the held-for-sales

category or the non-current assets are removed from the held-for-sales groups, the lower as follows shall be measured: (1) The amount of the book value before they are divided into the held-for-sales category adjusted according to the depreciation, amortization or impairment which should be confirmed in the condition of assuming they are not divided into the held-for-sales category; (2) Recoverable amount.

14. Long-term equity investments

The long-term equity investment mentioned in this part refers to the long-term equity investment of which the Company has control right, joint control right or significant influence on the invested entity. The Company does not have long-term equity investments of controlling, common controlling or significant effects in the invested unit. As for check of financial assets measured at the fair value with its changes included into the current profits and losses, if such assets are not transactional, the Company may specify these capitals as financial assets which are calculated based on the fair value and whose changes are included into other comprehensive incomes at the time of initial confirmation. Relevant accounting policies can be seen in Note IV, 9 Financial tools.

Joint control means that the joint control of the Company for certain arrangement in accordance with relevant agreements; activities relevant to the arrangement cannot be decided until obtaining the unanimous approval of participants sharing the control right. The significant impact refers to that the Company has the right to participate in the decision-making of financial and business policy of the invested entity, but can't control or jointly control together with other parties the preparation of these policies.

(1) Determination of investment cost

For the long-term equity investment acquired through the business merger under the same control, the shares of the merged party's book value of shareholder's equity in the final controlling party's consolidated Financial Statement obtained on the merger date shall act as the initial investment cost of long-term equity investment. The capital reserves shall be adjusted according to the difference between the initial investment cost of long-term equity investment and cash paid, non-cash assets transferred as well as the book value of assumed debts. In case that the capital reserves are not enough for offsetting, the retained incomes shall be adjusted. In the case of issued equity securities treated as consolidation consideration, share of book value of shareholder's equity of merged party in a Consolidated Financial Statement of the final controlling party is regarded as initial investment cost of long-term equity investments on the merger date; capital reserves shall be adjusted in accordance with taking total nominal value of issued share as share capital, the balance between the initial investment cost of long-term equity investments and total book value of issued

shares; In case that the capital reserves are not enough for offsetting, the retained incomes shall be adjusted. The equity of the merged party obtained step by step through several transactions, which finally forms business merger under the same control, shall be handled separately according to whether it belongs to "package deal": if it belongs to "package deal", each transaction is regarded as a transaction that obtain control right in accounting treatment. If it does not belong to the "package deal", on the merger date, the shares of the merged party's book value of shareholder's equity in the final controlling party's Consolidated Financial Statement to be enjoyed shall be regarded as the initial investment cost of the long-term equity investment; the capital reserves shall be adjusted in accordance with the difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the combination plus that of the newly-paid consideration of shares further obtained on the merger date. In case that the capital reserves are not enough for offsetting, the retained incomes shall be adjusted. For other comprehensive incomes of the equity investment held before the merger date due to the accounting by the equity method or recognized as the available-for-sale financial assets, the accounting treatment shall not be done temporarily.

The long-term equity investment obtained from the business merger under the different control shall be used as the initial investment cost of long-term equity investment according to the merger cost on the purchase date. The merger cost includes the sum of assets paid by the purchasing party, liabilities incurred or assumed, and fair value of issued equity securities. The equity of the purchased party obtained step by step through several transactions, which finally forms business merger under the different control, shall be handled separately according to whether it belongs to "package deal": if it belongs to "package deal", each transaction is regarded as a transaction that obtain control right in accounting treatment. If it does not belong to "package deal", it shall take the sum of the book value of the original equity investment held by purchased party and the newly investment cost as the initial investment cost of the long-term equity investment that is accounted by cost method. If the originally held equity is accounted by the equity method, other relevant comprehensive incomes shall not be conducted with accounting treatment temporarily. If the originally held equity investment is the available-for-sale financial assets, the difference between its fair value and book value, as well as the accumulated fair value changes that are included into other comprehensive incomes originally shall be transferred into the current profits and losses.

The audit, legal service, evaluation consultation fees and other intermediary fees as well as other relevant management fees of the merging party or purchasing party due to the business merger shall be recorded into the current profits and losses at the time of occurrence.

The initial measurement of other equity investments except for the long-term equity

investment formed by the business merger shall be carried out according to the costs; in consideration of the different acquisition modes of long-term equity investment, such costs shall be determined respectively by the cash purchase price actually paid by the Company, the fair value of equity securities issued by the Company, value agreed in the investment contract or agreement, the fair value or original book value of assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment, etc. The expenses, taxes and other necessary expenditures directly related to the acquisition of the long-term equity investment shall also be included in the investment cost. If the significant influence or joint control is implemented on the investee due to the additional investment, but it does not constitute the control, the long-term equity investment cost is the sum of fair value of the originally held equity investment determined according to *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and newly investment cost.

(2) Methods for the subsequent measurement and the profit and loss confirmation

The long-term equity investment implementing the joint control (except constituting the joint operators) or significant impact upon the invested unit adopts the equity method for accounting. Besides, the Company's Financial Statement adopts the cost method to account the long-term equity investment that can be controlled by the investee.

① Long-term equity investment accounted by cost method

When the cost method is adopted for the accounting, the long-term equity investment shall be valued according to the initial investment cost and the cost of long-term equity investment shall be adjusted by additional or recovering of the investment. The current investment income shall be recognized by the cash dividends or profits announced and issued by the investee, except for the actual price paid when the investment is obtained or the cash dividends or profits which have been declared but not issued in the consideration.

② Long-term equity investment accounted by equity method

When the equity method is used for the accounting, and the initial investment cost of the long-term equity investment is more than the fair value share of the investee's identifiable net assets which shall be enjoyed at the time of the investment, the initial investment cost of the long-term equity investment may not be adjusted; in case that the initial investment cost is less than the attributable share of the fair value of the investee's net identifiable assets, the balance shall be included in current profits and losses and the cost of the long-term equity investment shall be adjusted.

Under the equity method, in accordance with the net profit and loss that shall be enjoyed or shared and other comprehensive incomes realized by the invested unit, the investment income and

other comprehensive incomes are determined respectively, and meanwhile the book value of the long-term equity investment shall be adjusted; the part to be enjoyed shall be calculated according to the profit or cash dividend declared to be distributed by the invested entity, and the book value of the long-term equity investment shall be reduced; for the change of owner's equity of the investee except the net profit and loss, other comprehensive incomes and distribution of profits, the book value of long-term equity investment shall be adjusted and included in the capital reserve. When the enjoyed shares of the net profit and loss of the investee are recognized, the net profits of the investee shall be determined after the adjustment on the basis of the fair value of all identifiable assets of the investee during the investment. If the accounting policy and accounting period adopted by the investee are different from those adopted by the Company, the Financial Statements of the investee shall be adjusted in accordance with the accounting policy and accounting period of the Company to recognize the investment income and other comprehensive incomes. For transactions between the Company and associates or joint ventures, if the assets launched or sold do not constitute the business, the unrealized internal trading gains and losses shall be offset according to the proportion owned by the Company, and the investment gains and losses shall be confirmed on this basis. However, for the unrealized loss arising from the internal transaction between the Company and the invested unit, if such transaction loss is defined as the impairment loss of the transferred assets, the offset shall be not made. If the assets invested by the Company to the joint ventures or associates constitute business, and the investor thereupon obtains the long-term equity investment but fails to obtain the control right, the fair value of business launched is taken as the initial investment cost of newly long-term equity investment, and the difference between the initial investment cost and book value of business launched will be included in current profits and losses in full. If the assets sold by the Company to the associates or joint ventures constitute the business, the difference between the consideration acquired and the book value of business shall be fully recorded in the current profits and losses. If the Company's assets purchased from the associates or joint ventures constitute business, accounting treatment shall be conducted in accordance with the provisions of the *Accounting Standards for Business Enterprises No. 20 -- Business Merger*, fully recognize the gains or losses related to the transaction.

When the net loss of the investee that shall be shared is recognized, it shall be limited to writing off the book value of long-term equity investment and other long-term equity constituting the net investment in the invested company to the zero. Besides, if the Company is responsible for bearing the additional impairment for the investee, the estimated liabilities will be recognized according to the estimated obligation that shall be assumed and included in the current investment impairment. If the investee realizes the net profit in the subsequent period, the Company will

recover the recognition of income shared amount after the income shared amount offsets the unrecognized loss shared amount.

As for the long-term equity investment of the associates and joint ventures that has been held by the Company before the implementation of new accounting standards for the first time, if there is equity investment debit balance related to the investment, it shall be included in current profits and losses according to original residual maturity and straight-line amortization amount.

③ Acquisition of the minority equity

When compiling the Consolidated Financial Statements, the Company shall adjust the capital reserve due to the balance between the newly-increased long-term equity investment from the purchase of the minority holding and the net asset shares enjoyed according to the newly-increased shareholding proportion of the subsidiaries continuously calculated from the purchase date (or the merger date); in case that the capital reserve is not sufficient to offset, the Company shall adjust the retained incomes.

④ Disposal of the long-term equity investment

The parent company partially disposes the long-term equity investment of the subsidiaries in the case of not losing the control rights in Consolidated Financial Statement. The balance between disposal price and subsidiaries' net assets enjoyed corresponding to the disposal of long-term equity investment will be included into the shareholders' equities; Supposing that the parent company loses the control right for the subsidiaries due to the partial disposal of the long-term equity investment for the subsidiaries, please take actions according to the related accounting policy as specified in the Note IV, 5, (2) "Preparation Method for Consolidated Financial Statement".

As for the disposal of the long-term equity investment under other circumstances, the balance between the book value of the disposed equity and the actually-obtained price shall be included in current profits and losses.

For the long-term equity investment accounted by the equity method, if the residual equity after the disposal shall still be accounted by the equity method, upon the disposal, the parts of the other comprehensive incomes that are originally included into the shareholders' equities shall have the accounting treatment on the same basis of the invested unit's directly disposing the relevant assets or liabilities according to the corresponding proportion. However, the other owners' equity which is recognized based on the changes in other investee's owners' equities shall be carried down in the current profits and losses according to the related proportion, except for the net profit and loss, other comprehensive incomes and profit distribution.

For the long-term equity investment accounted with the cost method, if the residual equities after disposal are still accounted with the cost method, other comprehensive incomes confirmed due

to adopting the equity method for accounting or adopting the financial instrument recognition and measurement standards for accounting before obtaining control of the invested company, it shall be conducted with accounting treatment on the same basis of the invested company's directly disposal of the relevant assets or liabilities, and it shall be carried down to current profits and losses according to the related proportion; Except for the net profit and loss, other comprehensive incomes and profit distribution, the changes in other owners' equities in the investee's net assets which are accounted and recognized by the equity method shall be carried down in the current profits and losses according to the related proportion.

If the Company loses control of the invested company due to the disposal of partial equity investment, and the remaining equity after disposal may exert common control or significant influence on the invested company while preparing Individual Financial Statements, equity method will be adopted for accounting, and it will be accounted with equity method which is same as that when obtaining and adjusted; if the residual equities after disposal cannot implement the common control or exert significant influence on the investee, the relevant provisions in respect of the financial instrument recognition and measurement standards shall be referenced for the accounting treatment, and the balance between the fair value and book value shall be included in current profits and losses on the date of losing control. Prior to the Company acquires the control of the investee, for other comprehensive incomes confirmed due to adopting the equity method for accounting or confirmation with financial instruments and accounting as per the measurement standards, when the control of the investee is lost, the accounting treatment shall be conducted on the same basis of the investee's direct disposal of the relevant assets or liabilities; the changes in the other owners' equity of the investee's net assets other than the net profits and losses, other comprehensive incomes and profit distribution calculated and confirmed by the equity method shall be settled and transferred to the current profits and losses according to the proportion. Among which, if the residual equity after the disposal is calculated by the equity method, other comprehensive incomes and other owners' equities shall be carried forward according to the proportion; if the remaining equity after disposal is to be conducted with accounting treatment in accordance with the recognition of financial instruments and measurement standards, other comprehensive incomes and other owners' equities shall be carried forward.

If the Company loses the joint control or significant influence on the invested unit due to disposing partial equity investment, the residual equity after disposal shall be accounted according to the financial instrument recognition and measurement standards. The balance between the fair value and book value shall be included in current profits and losses on the date of losing joint control or significant influence. As for other comprehensive incomes as recognized when the

original equity investment is accounted with the equity method, it shall be subject to the accounting treatment on the same basis of the assets or liabilities which are directly disposed by the invested company when the equity method is abandoned. The owners' equity which is recognized by the investee due to the changes in other owners' equity, except for net profit and loss, other comprehensive incomes and profit distribution, will be reckoned in the current investment incomes when the equity method is abandoned.

The Company will take the multiple transactions to dispose the subsidiaries' equity investment step by step until lose its control right. When the above-mentioned transactions belong to the package deal, the transactions will be subject to the accounting treatment as an equity investment of subsidiaries and transaction which has lost the control right. The balance between the disposal amount and the corresponding book value of long-term equity investment will be recognized as the other comprehensive incomes before losing the control right, which will be reckoned in the current profits and losses when the control right is lost.

15. Investment real estate

The investment real estate refers to the real estate that is held to earn the rental and/or for the purpose of capital appreciation. Including rented land use right, holding land use right after that may later transfer when its value adds, rented buildings, etc.

The investment real estate is initially measured based on the cost. If economic benefits related to subsequent expenditures concerning investment real estate are likely to flow into the enterprise and the cost can be reliably measured, it shall be included into the cost of investment real estate. Other subsequent expenditures shall be recorded into the current profits and losses at the time of occurrence.

The Company conducts subsequent measurement for investment real estate with cost model and performs depreciation or amortization according to the policy in conformity to the building or land use right.

See the impairment test method and the calculation and withdrawing method of impairment reserve of investment real estate in Note IV, 21 "long-term asset impairment" for details.

When property for private use or inventory are transferred into investment real estate, or when investment ones into ones for private use, take the book value before the transfer as the entry value hereafter.

In case that the purpose of investment real estate is changed as self-use, the investment real estate shall be converted into fixed assets or intangible assets since the date of change. In case that the purpose of the self-use property is changed as earning rent or capital gain, fixed assets or intangible assets shall be converted into investment real estate since the date of the change. If it is

converted to the investment real estate measured with cost model, the book value before conversion will be used as the entry value after conversion.

If an investment real estate is disposed, or if it withdraws permanently from use and it is predicted that no economic benefits will be obtained from the disposal, this investment real estate shall be derecognized. The amount left after deducting book value and relevant taxes and charges from the disposal revenue obtained from the sale, transfer, abandonment or damage of the investment real estate shall be included in current profits and losses.

16. Fixed assets

(1) Recognition conditions for fixed assets

Fixed assets refer to the tangible asset held for producing products, providing labor service, renting or operating management, with service life exceeding one fiscal year. The fixed assets can be confirmed only when the relevant economic interests are possible to flow into the Company and its costs can be measured reliably. The initial measurement of fixed assets shall be carried out according to the cost and considering the expected influence of the discard expenses.

(2) Depreciation method for the various fixed assets

Depreciation of fixed assets of the Company can be accrued within the service life by adopting the straight-line depreciation from the next month when they reach the expected serviceable condition. The service life, expected net salvage value and annual depreciation rate of fixed assets are as follows:

Category	Depreciation period (Year)	Salvage value rate (%)	Annual depreciation rate (%)
Houses and buildings	20 years, 30 years, 50 years?	5.00	4.75, 4.50
		10.00	3.17, 3.00
			1.90, 1.80
Structures	10 years, 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	
Transport equipment	5 years	5.00	19.00
		10.00	18.00
Office equipment and others	5 years	5.00	19.00
		10.00	18.00

The expected net salvage value refers to the amount that the Company may obtain from the disposal of fixed assets after deducting the expected disposal expenses at the expiration of its

expected service life and under state when the service life is nearly expired.

(3) Impairment test method and counting and withdrawing method of the impairment reserve of fixed assets

See the impairment test method and the calculation and withdrawing method of impairment reserve of fixed asset in Note IV, 21 "long-term asset impairment" for details.

(4) Identification basis and valuation method of fixed assets under financing lease

Financing lease is the lease of transferring all the risks and remunerations related to asset ownership substantially, and its ownership may be, or may not be transferred ultimately. Fixed asset under financing lease is calculated and withdrawn for leasing asset depreciation according to the policy in conformity to that of the fixed asset for private use. If the ownership of the leasing asset can be reasonably confirmed on the lease term expiry, the accrual depreciation shall be conducted within the service life of the lease asset; if not, the accrual depreciation shall be conducted within the shorter of two periods, namely the lease term and the service life of lease asset.

(5) Other explanations

The subsequent expenditures related to fixed asset shall be included in fixed asset cost, and the confirmation of the book value of the substitution part shall be derecognized if economic benefits related to such fixed asset may flow in and its cost can be reliably measured. Other subsequent expenditures except for this shall be recorded into the current profits and losses at the time of occurrence.

When the fixed asset is under disposal state or it is estimated that no economic interests can be produced through usage or disposal, the confirmation of such fixed asset shall be derecognized. The balance difference of amount left after deducting book value and relevant taxes and charges from the disposal revenue obtained from the sale, transfer, abandonment or damage of the fixed asset shall be included in current profits and losses.

The Company shall review the service life, expected net salvage value and depreciation method of the fixed assets at least by the end of the year. In case of any change, it shall be deemed as changes in accounting estimate.

17. Projects in progress

The cost of projects in progress shall be confirmed as per actual engineering expenditures, including various engineering expenditures under construction, capitalized borrowing costs for making the engineering reach the expected serviceable condition, and other relevant costs, etc. Projects in progress shall be transferred to the fixed assets when it reaches the expected serviceable condition.

See the impairment test method and the calculation and withdrawing method of impairment

reserve of projects in progress in Note IV, 21 "long-term asset impairment" for details.

18. Loan expenses

Borrowing expenses include interest on borrowing, amortization of discounts or premiums, auxiliary costs and exchange differences arising from foreign currency borrowings, etc. For the borrowing expense generated from the acquisition and construction or production that can be directly attributable to the assets that meet capitalization conditions, the capitalization shall be started when the asset expenditure or the borrowing expense has incurred, or the acquisition and construction or production activities necessary for making the assets available for expected serviceable or marketable state have been started. Capitalization shall be stopped when the assets under acquisition and construction or production that meet capitalization conditions reach the expected serviceable condition or marketable condition. Other borrowing expenses are recognized as expenses in the current period.

The amount after the actual interest expense generated from the specific borrowing deducting the interest income from the unused loan funds deposited in the bank or investment revenue obtained from the temporary investment in the current period can be capitalized. For the general borrowing, the capitalized amount will be determined after the weighted average of excessive part of accumulative asset expenditures compared to the asset expenditure of special borrowing multiplied by the capitalization rate of the general borrowing occupied. The capitalization rate is determined based on the weighted average interest rate of general borrowing.

In the capitalization period, all exchange differences of special foreign currency borrowings shall be capitalized. Exchange difference of general foreign currency borrowing shall be recorded into the current profits and losses.

Assets meeting capitalization conditions refer to the fixed asset, investment real estate, inventory and other assets which can reach the expected serviceable state or marketable state after quite a long time of acquisition and construction or production.

If assets meeting capitalization conditions are interrupted abnormally in the process of acquisition and construction or production, and the interruption lasts for more than 3 months, the capitalization of borrowing expense shall be suspended till the asset acquisition and construction or production restarts.

19. Intangible assets

(1) Intangible assets

Intangible assets refer to identifiable non-monetary assets possessed or controlled by the Company without physical form.

The initial measurement of intangible assets shall be conducted according to its costs.

Expenditures related to intangible assets shall be included into cost of intangible assets if the relevant economic benefits may flow in the Company and its cost can be reliably measured. Other item expenditures except for this shall be recorded into the current profits and losses at the time of occurrence.

Land usage right acquired is usually calculated as an intangible asset. As for buildings such as self-developed and constructed workshops, the related land usage right expenditure and construction cost of the buildings shall be calculated as intangible asset and fixed asset respectively. As for purchased houses and buildings, the related prices are distributed between land usage right and the buildings. If it is difficult to distribute them reasonably, all of them shall be disposed as fixed asset.

As for intangible asset with a limited service life, the accumulative amount after deducting the estimated net salvage value and the withdrawn impairment reserves with original value since the serviceable date, it is amortized with the straight line method within the estimated service life. Intangible assets with an indefinite service life shall not be amortized.

At the end of the period, the service life and the amortization method for intangible asset with the finite service life shall be reviewed. In case of any change, it shall be treated as changes in the accounting estimate. In addition, the service life of the intangible asset with uncertain service life shall be reviewed. If it is proved that its time limit of economic benefits brought by the intangible assets for the enterprise can be predictable, its service life shall be estimated and amortization shall be made according to the amortization policy for intangible asset with finite service life.

(2) Research and development expenditure

The expenditures of the Company's internal research and development items consist of expenditures in the research stage and expenditures in the development stage.

Expenditure in research stage shall be recorded into the current profits and losses at the time of occurrence.

When the expenditures in the development stage meet the following conditions at the same time, such assets shall be recognized as intangible assets; otherwise, the expenditures in the development stage, which cannot satisfy the following conditions, shall be recorded into the current profits and losses:

- ① Complete the intangible assets in order that there is technical feasibility in enabling the intangible assets to have the possibility to be used or sold;
- ② Have the intent to complete the intangible assets and use or sell it;
- ③ The modes of intangible assets generating economic benefits include proving that the market of product produced by the intangible assets or the market of intangible assets itself exists;

the usefulness of the intangible assets shall be demonstrated if being used internally;

④ Have sufficient technical, financial and other resources to complete the development of the intangible assets and have the ability to use or sell the intangible assets;

⑤ Expenditure in development stage for the intangible assets can be reliably measured.

In case the expenditures in the research stage and development stage cannot be distinguished, the research and development expenditure occurred shall be recorded into the current profits and losses.

(3) Impairment test method and counting and withdrawing method of the impairment reserve of intangible asset

See the impairment test method and the calculation and withdrawing method of impairment reserve of intangible asset in Note IV, 21 "long-term asset impairment" for details.

20. Long-term unamortized expenses

Long-term unamortized expenses refer to various expenses with more than one year of amortization term that has been made by this company and shall be borne in the reporting period and all periods in the future. Long-term amortized expenses should be included into the account according to the actual expenditure, and amortization during the predicted benefiting term should be carried out with the straight line method.

21. Impairment of long-term assets

As for fixed assets, projects in progress, intangible assets with a limited service life, investment real estate measured with cost model, non-current assets and non-financial assets such as the long-term equity investment on subsidiaries, joint ventures and associates, the Company judges whether there is a sign of impairment on the balance sheet date. If there are signs of impairment, the recoverable amount shall be estimated and impairment test shall be carried out. Business reputation, intangible assets with uncertain service life and intangible assets that have not reached the serviceable condition, whether there is any sign of impairment, shall be subject to impairment test every year.

If the impairment test result shows that the recoverable amount of assets is lower than the book value thereof, impairment provision shall be accrued according to the difference and included in impairment losses. The recoverable amount shall be the higher one between the net amount after the fair value of the assets deducting the disposal expenses and the expected present value of the future cash flow of the assets. The fair value of the asset is determined according to the price in the sales agreement in the fair transaction; If there is no sales agreement but there is an active market of assets, the fair value is determined according to buyer's price of the asset; If there is no sales agreement and active market of assets, the fair value of assets shall be estimated based on the best

information gotten. The disposal expenses include the legal expenses related to the asset disposal, relevant taxes, carriage expenses as well as the direct expenses for achieving the marketable state status. The present value of the expected future cash flow of assets shall be determined by the discounted amount with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous usage and final disposal of assets. The asset impairment provision shall be calculated and recognized on the basis of the single asset. If it is hard to assess the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined according to the asset group including the assets. Asset group refers to the minimum asset combination that is capable of generating cash inflow independently.

For the business reputation separately listed in the Financial Statements, during the impairment test, the book value of business reputation shall be apportioned to the asset group or asset group combination expected to be benefited from the synergistic effect of business merger. If the test results show that the recoverable amount of the asset group or asset group combination containing the apportioned business reputation is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss firstly offsets the book value of business reputation apportioned to the asset group or asset group combination, and then offsets the book value of other assets in proportion according to the proportion of the book value other than business reputation in the asset group or asset group combination.

Once the above-mentioned asset impairment losses are recognized, the part of which can be recovered shall not be reserved in subsequent periods.

22. Employee remuneration

Employee remuneration of the Company mainly includes short-term remuneration, welfare after departure, dismissal welfare and other long-term employee welfare. Wherein:

Short-term remuneration mainly includes salary, bonus, allowance and subsidy, employee benefits expenses, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing accumulation fund, labor union expenditure, personnel education fund, non-monetary benefits, etc. During the accounting period in which the Company's employees provide services for the Company, actual short-term employee remuneration incurred shall be recognized as the liabilities and included in current profits and losses or relevant asset costs. Among which, the non-monetary benefits shall be measured at fair value.

Post-employment benefit mainly includes basic endowment insurance, unemployment insurance, annuity, etc. Plan of welfare after demission includes the defined deposit plan. In case that the defined contribution plan is adopted, corresponding amount which shall be deposited will be included in the related asset costs or current profits and losses at the time of occurrence.

Labor relation with employees shall be cancelled before the employee's labor contract expires, or suggestion on giving compensation shall be proposed for the purpose of encouraging employees to voluntarily accept downsizing; when the Company cannot unilaterally withdraw demission welfare provided for cancellation of labor relation plan or downsizing suggestion and on the date when the Company confirms the cost related to recombination involving payment of demission welfares, whichever is the earlier, the employee remuneration liabilities caused by demission welfares shall be recognized and included in current profits and losses. However, if it is expected that the demission welfare cannot be fully paid within twelve months after the annual reporting period is over, it shall be handled according to other long-term employee remuneration.

The same principle for demission welfares described above should be adopted for the plan of early retirement of employee. Staff salaries and social insurance premium to be paid by the Company to the early retired employee from the date of stopping providing services to the date of normal retirement are included in current profits and losses (demission welfare) if the estimated liability recognition conditions are met.

In case other long-term employees' benefits provided by the Company to employees meeting defined contribution plan, accounting treatment shall be done based on defined contribution plan, in addition, accounting treatment shall be done pursuant to defined benefit plan.

23. Estimated liabilities

If the obligation related to contingent matters satisfies the following conditions at the same time, the Company shall recognize it as the estimated liabilities: (1) The obligation is a current obligation of the Company; (2) It is likely to cause outflow of economic benefit as a result of performance of the obligation; (3) The amount of the obligation can be measured reliably.

On the balance sheet date, consider the risks, uncertainty, time value of money and other factors related to contingent matters, conduct measurement for estimated liabilities subject to the optimal estimate value of expenses needed for the fulfillment of the related existing responsibilities.

If all or part of the expenditure necessary for paying off estimated liabilities is compensated by the third party, the compensation amount shall be confirmed separately as asset when confirming it may be recovered. Confirmed compensation amount shall not exceed the book value of anticipation liabilities.

(1) Loss contract

The loss contract refers to a contract whose performance of the contractual obligations will inevitably incur costs in excess of the expected economic benefits. When an enforceable contract becomes a loss contract, for which the liability can conform to the aforesaid estimated liabilities confirmation conditions, confirm the part the estimated losses of the contract surpass the confirmed

impairment loss (if any) of the subject asset in the contract as estimated liability.

(2) Restructuring obligations

Determine the estimated liabilities amount according to the direct expenditures related with the restructuring which has detailed, formal and publicly stated restructuring plan and which are in line with the confirmation conditions of the aforesaid estimated liabilities.

24. Stock payment

(1) Accounting treatment of share payment

A share-based payment is a transaction that grants the equity instruments or assumes a liability determined on the basis of the equity instruments in order to obtain services from employees or other parties. Share-based payments are divided into equity-settled share-based payments and cash-settled share-based payments.

① Payment of shares settled in equity

Equity-settled share-based payments in exchange for services provided by employees are measured at the fair value with the equity instruments granted to the employees at the grant date. The amount of the fair value is included in the relevant cost based on the best estimate of the number of vesting equity instruments in the waiting period, based on the best estimate of the number of vesting equity instruments in case of completing the service within the waiting period or meeting the required performance conditions; when the vesting right is granted immediately after the grant, the relevant costs or expenses calculated by straight line method are included in the grant date, and the capital reserves shall be increased accordingly.

On each balance sheet date during the waiting period, the Company makes the best estimate based on the latest information such as the change in the number of employees with vesting rights, and corrects the number of equity instruments that are expected to be vested. The impact of the above estimates is included in the current related costs or expenses, and the capital reserves shall be adjusted accordingly.

In the case of equity-settled share-based payments in exchange for other parties' services, if the fair value of other parties' services can be reliably measured, the fair value of other parties' services is measured at the fair value on the date of acquisition; if the fair value of other parties' services cannot be reliably measured, but the fair value of equity instruments can be measured reliably, it shall be measured at the fair value of the equity instrument on the acquisition date, and is included in the relevant cost or expense, and increases the shareholders' equities accordingly.

② Payment of shares settled in cash

The cash-settled share-based payment is measured at the fair value of the liabilities determined by the Company based on shares or other equity instruments. If the vesting right is granted

immediately after the grant, the relevant costs or expenses are included in the grant date, and the liabilities are increased accordingly; If the service within the waiting period must be completed or the required performance conditions are met, the fair value of the liabilities assumed by the Company is based on the best estimate of the vesting rights on each balance sheet date of the waiting period. The services obtained in the current period are included in the cost or expense, and the liabilities are increased accordingly.

The fair value of the liability is re-measured at the balance sheet date and the balance sheet date before the settlement of the related liabilities, and the change is included in the current profits and losses.

(2) Related accounting treatment of modification and termination of share payment plans

When the Company modifies the share-based payment plan, if the modification increases the fair value of the equity instruments granted, the increase in the fair value of the equity instruments is recognized accordingly. The increase of the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification on the modification day. If the modification reduces the total fair value of the share-based payment or adopts other methods that are not conducive to the employee, the service obtained will continue to be accounted for, as if the change has never occurred, unless the Company cancels some or all of the equity instruments granted.

During the waiting period, if the granted equity instrument is cancelled, the Company will cancel the granted equity instrument as an accelerated exercise, and the amount to be recognized in the remaining waiting period will be immediately included in the current profits and losses, and the capital reserves shall be recognized at the same time. If the employee or other party can choose to meet the non-vesting conditions but fails to meet in the waiting period, the Company will treat it as a cancellation of the equity instrument.

(3) Accounting treatments of the share payment transactions involving the Company and the shareholders or actual controllers of the Company

For share-based payment transaction involving the Company or the Company's shareholders or actual controller, if either settlement enterprise or enterprise accepting service is inside the Company or outside the Company, the accounting treatment shall be conducted in the Consolidated Financial Statements according to the following regulations:

① Where the settlement enterprise makes calculation by its own equity instruments, the share payment transaction shall be treated as the equity-settled share-based payment; In addition to this, as a cash-settled share-based processing.

If the settlement enterprise is an investor of a service enterprise, it shall be recognized as the long-term equity investment of the service enterprise according to the fair value of the equity instrument at the grant date or the fair value of the liability to be assumed, and the capital reserves (other capital reserves) or liabilities shall be recognized.

②If the enterprise accepting service has no settlement obligation or it grants its own equity instrument to the enterprise employees, such share-based payment transaction shall be taken as the equity-settled share-based payment treatment; If the enterprise accepting service has settlement obligations and it grants not its own equity instrument to the enterprise employees, such share-based payment transaction shall be taken as the cash-settled share-based payment treatment.

The share-based payment transactions between the enterprises within the Company, if the acceptance services enterprise and the settlement enterprise are not the same enterprise, and the confirmation and measurement of the share-based payment transaction in the Individual Financial Statements of the acceptance service enterprise and the settlement enterprise shall be compared with the above principles.

25. Income

(1) Income of good sales

When the main risks and rewards of the commodity ownership have been transferred to the buyer, neither the continuous management right usually associated with the ownership nor the effective control over the sold goods has been retained, the income amount can be reliably measured, the relevant economic benefits are likely to flow into the enterprise, and the relevant costs incurred or to be incurred can be reliably measured, the implementation of income from the commodity sales shall be recognized. According to the actual production and operation characteristics, the Company confirms incomes of commodities which are sold at home when they are shipped, confirms incomes of commodities which are exported at the time of customs declaration of such commodities and confirms income of commodities involved in international trades of the Company's overseas subsidiaries according to the commodity risk transfer time as stipulated in contracts.

(2) Income from rendering labor services

Under the condition that the result of the provision of service transaction can be estimated reliably, the income from providing labor service shall be recognized according to the percentage-of-completion method on the balance sheet date. Confirm completion schedule of labor services transaction: percentage of already provided labor services and should provide the total amount of labor services.

The result of the labor service transaction can be estimated reliably, which means that it can

meet the following requirements simultaneously: ① The amount of revenue can be measured in a reliable way. ② The related economic benefits are likely to flow into the enterprise; ③ The completion degree of the transaction can be determined reliably; ④ The costs incurred or to be incurred in the transaction can be measured reliably.

If the result of the provision of service transaction cannot be estimated reliably, the revenue from provision of labor service shall be recognized according to the amount of labor cost incurred and expected to be compensated, and the incurred labor cost shall be regarded as the current expense. If it is expected that the incurred labor service cost cannot be compensated, the revenue will not be recognized.

If contracts or agreements signed by the Company with other companies includes sales of commodity and provision of labor service, and sales of goods and labor provision cannot be distinguished and separately calculated, then these two parts shall be dealt with separately. If sales of goods and labor service cannot be distinguished, or can be distinguished but not separately measured, the contract shall be handled as sales goods fully.

(3) Royalty income

According to relevant contracts or agreements, revenue is recognized on the accrual basis.

(4) Interest income

It shall be measured and confirmed in accordance with the time for which the Company's monetary capital is used by others and the actual interest rate.

26. Government subsidies

Government subsidies mean the monetary or non-monetary assets obtained free of charge by the Company from the government, excluding the capital invested by the government as the owner of the Company. Government subsidies consist of the government subsidies pertinent of assets and government grants pertinent to income. The government subsidies that are obtained by the Company used for purchasing or acquisition and construction, or forming the long-term assets by other ways, which are confirmed the government subsidies related to assets; Other government subsidies shall be defined as the government subsidies related to earnings. If the government document does not clear the subsidy object, the subsidies will be divided based on the following modes into government subsidies related to earnings and government subsidies related to assets: (1) If the particular project of the subsidies is clear in the government document, make a division according to the relative proportion of expense amount of the formed assets in the budget of the particular project and the expense amount included in the cost, review the division ratio at each balance sheet date and make changes if necessary; (2) In the government documents, for general terms only for the purpose without specifying the particular item, it will be used as the government

subsidies related to earning. If the government subsidies are monetary asset, it will be measured at the received amount or the amount receivable. If the government subsidies are non-monetary assets, it shall be measured by the fair value. If the fair value cannot be reliably acquired, it shall be measured in accordance with the nominal amount. The government subsidies measured by the nominal amount shall be directly recorded into the current profits and losses.

When the Company actually received the government subsidies, it shall be recognized and measured as the actual measured amount. However, when there are certain evidence indicate that enable to receive the financial support funds which conforms with the relevant conditions of the financial support policy at the end of the duration, then measure as the receivable amount. The government subsidies measured as the receivable amount shall comply with the following conditions: (1) The amount of the receivable subsidy has been recognized by the competent government department, or may be reasonably calculated according to the relevant provisions of the formally published financial fund management method, and the estimated amount is free of significant uncertainty; (2) The bases are the initiatively published financial support project and its financial fund management method in accordance with the regulations of *Regulations on Opening Government Information* released officially by local Ministry of Finance, and this management method shall be favorable to the public (any enterprise qualified can apply), not just to the specified companies; (3) The relevant subsidy official documents have definite undertaking of the appropriate period, and the appropriate of this fund shall be safeguarded by the relevant financial budget, therefore the receiving of the fund in the specified period can be ensured; (4) Other relevant conditions that should be satisfied (if any) based on the specific circumstances of the Company and the subsidy matters.

If the government subsidies related to assets are recognized as deferred income and are recorded into the current profits and losses by installments in a reasonable and systematic way within the service life of underlying assets. The government subsidies related to income, using to compensate the relevant expenses or impairments in the later period shall recognized as the deferred income and recorded into the current profits and losses in the period of confirming the related expenses or impairments. The government grant used for compensating the occurred costs or impairments shall be directly recorded into the current profits and losses.

At the same time, for the government subsidies related to assets and profits at the same time, respective accounting treatment shall be carried out for different parts. For those hard to be differentiated, it shall be taken as government subsidies related to revenue as a whole.

The government subsidies related to daily activities of the Company shall be included in other incomes, or used for offset related costs according to the economic business nature. Government subsidies unrelated to daily activities shall be included in the non-operating profits.

If the government subsidies confirmed needs to be returned and there is the deferred earnings balance concerned, the book balance of relevant deferred earnings shall be offset against, but the excessive part shall be included into current profits and losses; Government subsidies belonging to other situations shall be directly included in the current profits and losses.

27. Deferred income tax assets/ deferred income tax liabilities

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current period and previous periods shall be measured by the expected amount of income tax payable (or returnable) calculated in accordance with the provisions of the tax law. The taxable income on which the current income tax expense is calculated shall be calculated after the corresponding adjustment of the pre-tax accounting profit of the current year in accordance with the relevant tax law.

(2) Deferred income tax assets and deferred income tax liabilities

The difference between the book value of some assets and liabilities and their tax bases, and the temporary difference caused by the difference between the book value of the items that are not recognized as assets and liabilities but whose tax bases can be determined according to the tax law, shall be used to recognize deferred income tax assets and deferred income tax liabilities with the balance sheet liability method.

For taxable temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither business merger nor affect accounting profit and taxable income (or deductible loss) and are related to the initial recognition of business reputation when it occurs, the relevant deferred income tax liabilities shall not be recognized. In addition, for taxable temporary differences related to the investments of subsidiaries, associates and joint ventures, if the Company can control the time of reversal of the temporary differences, and the temporary differences are likely not to be reversed in the foreseeable future, the relevant deferred income tax liabilities shall not be recognized. Except for the above exceptions, the Company shall recognize all other deferred income tax liabilities incurred in the taxable temporary differences.

For deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither business merger nor affect accounting profit and taxable income (or deductible loss) when it occurs, the relevant deferred income tax assets shall not be recognized. In addition, for the deductible temporary differences related to the investment of

subsidiaries, associates and joint ventures, if the temporary differences are not likely to be reversed in the foreseeable future, or it is not likely to obtain the taxable income used to offset the deductible temporary differences in the future, the relevant deferred income tax assets shall not be recognized. Except for the above exceptions, the Company shall recognize the deferred income tax assets arising from other deductible temporary differences to the extent that taxable income is likely to be obtained for deducting the deductible temporary differences.

For deductible losses and tax deductions that can be carried down in subsequent years, the corresponding deferred income tax assets shall be recognized with the limit of the future taxable income which is likely to be obtained for deducting the deductible losses and tax deduction.

Deferred income tax assets and deferred income tax liabilities shall be calculated on the balance sheet date based on the applicable tax rate during the period of expected recovery of relevant assets or clearing off relevant liabilities according to tax laws.

On the balance sheet date, it is required to recheck the book value of the deferred income tax assets. If sufficient taxable income is not likely to be obtained for deducting the interest of deferred income tax assets in the future, the book value of deferred income tax assets shall be written down. Such write-off amount shall be subsequently switched back when it becomes probable that sufficient taxable income will be available.

(3) Income tax expenses

The income tax expenses comprise the current income tax and deferred income tax.

Moreover, the other current income tax and deferred income tax expenses or earnings shall be recorded into the current profits and losses, except for book value of business reputation which is adjusted on the basis of the deferred income tax caused by the business merger, and that the current income tax and the deferred income taxes related to other comprehensive incomes or transaction or matters of direct recording in the shareholders' equities are included in other comprehensive incomes or shareholders' equities.

(4) Countervail of income tax

When it has the legal rights of settlement based on the net amount and it intends to make settlement based on net amount, obtain assets or offset liabilities simultaneously, the Company's current tax assets and current income tax liabilities shall be reported based on the net amount after offsetting.

With the legal rights of settling the current tax assets and current income tax liabilities based on the net amount, and the deferred tax assets and deferred income tax liabilities are related to income tax levied to the same subject of tax payment by the same tax collection and administration department or are related to different subjects of tax payment, but in each important period of

deferred income tax assets and liabilities reverse in the future, and when the involved subjects of tax payment intend to settle the current income tax assets and liabilities based on the net amount or obtain assets and pay off the liabilities at the same time, the Company's deferred tax assets and deferred tax liabilities shall be reported after offsetting.

28. Leasing

Financing lease is the lease of transferring all the risks and remunerations related to asset ownership substantially, and its ownership may be, or may not be transferred ultimately. The operating lease refers to a lease other than financing lease.

(1) The Company will record the operating lease business as the lessee

The rental payment of operating lease during each period within the lease term will be included in the relevant asset costs or current profits and losses according to the straight line method. The initial direct costs shall be included in the current profits and losses. The contingent rental shall be included in the current profits and losses when it actually occurred.

(2) The Company will record the operating lease business as the lessor

The rental income of operating lease during each period within the lease term will be recognized as the current profits and losses according to the straight line method. For the initial direct costs with larger amount shall be capitalized when it occurs and be included in the current profits and losses according to the same basic installment of recognized rental income in the entire lease term; Other initial direct costs with smaller amount will be included in the current profits and losses when it occurs. The contingent rental shall be included in the current profits and losses when it actually occurred.

(3) The Company will record the financing lease business as the lessee

Since the beginning date of the lease term, the lower one of the fair value of the leased asset and the present value of the minimum leasing payments shall be regarded as the entry value of the leased assets, the amount of the minimum leasing payments will be regarded as the entry value of long-term payable, and the balance between them will be regarded as unconfirmed financing charges. In addition, the initial direct costs directly attributable to the leased item incurred during the negotiation about lease and signing of the leasing contract shall be included in the leased asset value. The balance of the minimum leasing payment deducting unrecognized financial charges is respectively presented as the long-term liability and the long-term liability due within one year.

The financial expenses of the current period calculated and recognized with unconfirmed financial expenses by the effective interest method in the lease term. The contingent rental shall be included in the current profits and losses when it actually occurred.

(4) The Company will record the financing lease business as the lessor

At the beginning date of the lease term, the sum of the minimum lease receipts on the lease beginning date and the initial direct costs will be recognized as the entry value of the financing lease outlay receivable, and the unguaranteed residual value shall be recorded at the same time; The difference between the sum of the minimum lease receipts, initial direct costs and unguaranteed residual value and the sum of its present value is recognized as unrealized financing income. The balance of financing lease outlay receivable after deducting unrealized financing income is presented as long-term debt and long-term debt due within one year respectively.

The financial incomes of the current period calculated and recognized with unrealized financial incomes by the effective interest method in the lease term. The contingent rental shall be included in the current profits and losses when it actually occurred.

29. Other significant accounting policies and accounting estimates

(1) Discontinued operations

Discontinued operations refer to a constituent part of assets which can meet one of the following conditions, can be individually distinguished and have been disposed by the Company or categorized as held-for-sales assets: ① Such constituent part represents a kind of independent main business or a main separate operation region; ② Such constituent part is one part of a relevant plan proposed to dispose one independent main business or one independent main business region; ③ Such constituent part is a subsidiary obtained specially for resale.

See accounting treatment methods of discontinued operation in Note IV, 13 "held-for-sales assets and disposal group".

(2) Hedge accounting

Some financial instruments are used as hedging tools by the Company to avoid certain risks. For those hedges meeting requirements specified, the Company will deal with them by hedge accounting method. Hedging of the Company includes fair value hedging, cash flow hedging and hedging of net investment in overseas operations. The hedge for foreign exchange risk of firm commitment is used as cash flow or fair value hedge by the Company.

The hedging tool and the hedged item are formally specified by the Company at the beginning of hedge with written documents about the hedging relationship, risk management strategy and risk management objectives. In addition, the hedge effectiveness will be assessed continuously by the Company from the beginning of hedge.

(1) Fair value hedges

The gains or losses from the hedging tool specified as fair value hedge with qualification is recorded in the current profits and losses. Otherwise, the gains and losses generated by hedging tools from non-tradable equity instruments (or their components) with fair value measurement and

changes included in other comprehensive incomes are recorded in other comprehensive earning. The gains or losses formed from the hedging risks of the hedged item should be included into current profits and losses and the book value of hedged item should be adjusted simultaneously. If the hedged item is measured at fair value, the gains or losses of the hedged item due to the hedged risk do not need to adjust the book value of the hedged item, and the relevant gains and losses are included in the current profits and losses or other comprehensive incomes.

The hedge accounting is terminated when the hedging relationship is revoked by the Company, the hedging tool is expired or sold, the contract is terminated or exercised, or the condition is out of qualification.

(2) Cash flow hedging

For hedging tools which are specified as cash flow hedging and meet conditions, the gains or losses of the effective hedging part of such hedging tools are taken as the cash flow hedging reserve which is included into other comprehensive incomes, and those of the ineffective hedging part are included into the current profits and losses.

If predicted transactions make the Company confirm one non-financial asset or non-financial liability, or the predicted transactions of non-financial asset or non-financial liability form a confirmation commitment suitable for fair value hedging accounting, the Company transfers out the cash flow hedging reserve confirmed in other comprehensive incomes and includes it into the initial confirmation amount of such an asset or liability. For other cash flow hedging, the Company transfers out cash flow hedging reserve confirmed in other comprehensive incomes and includes it into the current profits and losses during the same period when the hedged predicted cash flow affects profits and losses.

If all or partial net losses predicted to be included into other comprehensive incomes cannot be made up, the part which cannot be made up should be transferred out and included into the current profits and losses.

When the Company stops to use hedging accounting for cash flow hedging, accumulated cash flow hedging reserves which have been included into other comprehensive incomes will be reserved if it is predicted that cash flow will still occur in the future and will be transferred out from other comprehensive incomes and included into current profits and losses if it is predicted that cash flow will not occur in the future.

(3) Hedges of the net investment in an overseas business

Hedging of net investment of overseas operations is calculated with the similar method as cash flow hedging. In gains or losses of hedging tools, the gains or losses of the effective hedging part should be confirmed as other comprehensive incomes, and those of the ineffective hedging part

should be included into current profits and losses.

Gains and losses which have been included into other comprehensive incomes should be transferred out from other comprehensive incomes and included into current profits and losses at the time of disposal of overseas operations.

(4) Buy-back of shares

Consideration and transaction costs paid in share repurchase reduce shareholders' equity. When buying back, transferring or cancelling shares in the Company, no gains or losses are recognized.

The transfer of treasury stock shall be credited to the capital reserve on the basis of the difference between the amount actually received and the carrying amount of the treasury stock. Write off surplus reserves and undistributed profits if capital reserves are insufficient to offset. Cancelling of treasury stocks can reduce share capital in par with face value and number of write-out stocks. The capital reserve is offset based on the difference between book balance and face value of cancelled treasury stocks. Offset surplus reserves and undistributed profits if capital reserves are insufficient to offset.

30. Change of significant accounting policies and accounting estimates

(1) Changes in accounting policies

① Changes of accounting policies caused by changes of Accounting Standards for Business Enterprises.

The Company prepares the 2019 Financial Statement according to the requirements of *Notice about Revising as Well as Printing and Distributing the General Corporate Financial Statement format in 2019* (CK [2019] No. 6) and *Notice about Revising as Well as Printing and Distributing the Consolidated Financial Statement format (Version 2019)* (CK [2019] No. 16) from Ministry of Finance as well as Accounting Standards for Business Enterprises. The changes in accounting policies are subject to retroactive adjustment approach. Report items and amounts that are significantly affected by the 2018 annual financial statement are as follows:

Item	Dec. 31, 2018	Adjusted amount	Jan. 1, 2019
Trading financial assets	-	122,942,670.65	122,942,670.65
Financial assets measured at the fair value with changes included in current profits and losses	122,942,670.65	-122,942,670.65	-
Notes receivable	1,108,003,333.37	-797,769,753.05	310,233,580.32
Receivables financing	-	797,769,753.05	797,769,753.05
Other receivables	142,929,096.70	-1,023,458.33	141,905,638.37
Other current assets	1,413,726,875.69	1,023,458.33	1,414,750,334.02
Short-term loans	13,764,549,525.01	16,453,280.00	13,781,002,805.01

Item	Dec. 31, 2018	Adjusted amount	Jan. 1, 2019
Trading financial liabilities	-	10,209,921.02	10,209,921.02
Financial liabilities measured at the fair value with changes included in current profits and losses	10,209,921.02	-10,209,921.02	-
Other payables	1,393,820,568.22	-172,213,284.55	1,221,607,283.67
Non-current liabilities due within one year	1,124,470,001.10	155,760,004.55	1,280,230,005.65

Notes: The balances on Dec. 31, 2018 in the above table are balances after adjustment based on following up Preliminary Financial Statements of the business merger under the same control and Hangzhou Yijing Chemical Fiber Co., Ltd.

The use of CK [2019] No. 6 and CK [2019] No. 16 didn't affect 2018 consolidated income statement, consolidated statement of cash flow as well as parent company's balance sheet, Profit Statement and cash flow statement.

② Change of accounting policy incurred in the implementation of New Financial Instrument Standards;

The Ministry of Finance issued *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017)* (CK [2017] No. 7), *Accounting Standards for Business Enterprises No. 23-- Transfer of Financial Assets (Revised in 2017)* (CK [2017] No. 8) and *Accounting Standards for Business Enterprises No. 24-- Hedge Accounting (Revised in 2017)* (CK [2017] No. 9) on Mar. 31, 2017, and issued the *Accounting Standards for Business Enterprises No. 37-- Reporting of Financial Instruments (Revised in 2017)* (CK [2017] No. 14) (the above provisions are hereinafter referred to as "New Financial Instrument Standards" collectively) on May 2, 2017, and require enterprises listed in China should implement the New Financial Instrument Standards from Jan. 1, 2019.

The Company started to execute the above new financial instrument guidelines from Jan. 1, 2019 as per the resolution passed at the 23rd meeting of the 10th Board of Directors of the Company on Jan. 23, 2019.

All financial assets confirmed pursuant to New Financial Instrument Standards shall be measured as per the amortized cost or fair value subsequently. On the execution date of New Financial Instrument Standards, the business model of financial assets is evaluated and managed on the basis of existing fact and condition of the Company on that day and the contractual cash flow characteristics of the financial assets are evaluated on the basis of the fact and condition upon the initial recognition of financial assets. The financial assets are divided into three categories: The financial assets measured as per the amortized costs, measured as per the fair value with the change included in other comprehensive incomes, measured as per the fair value with the change included

in the current profits and losses. Wherein, for the equity instrument investment measured as per the fair value with change included in other comprehensive incomes, when such financial assets carry out the derecognition, the accumulative gains or losses included in other comprehensive incomes previously will be transferred to the retained earnings from other comprehensive incomes and aren't included in the current profits and losses.

Pursuant to New Financial Instrument Standards, the Company, on the basis of expected credit loss, calculates and withdraws the impairment reserve of the financial assets measured at the amortized cost, the debt instrument investment measured at fair value with change included in other comprehensive incomes, the lease receivables, contract assets and financial guarantee contract, and confirms the credit impairment loss.

The Company prepares the comparative statement pursuant to the provisions of new financial instrument guidelines and uses the retroactive adjustment approach to adjust the presentation of related financial statements. Consolidated balance sheet items influenced and main changes and effects are as follows:

Item	Dec. 31, 2018	Adjusted amount	Jan. 1, 2019
Trading financial assets	-	122,942,670.65	122,942,670.65
Financial assets measured at the fair value with changes included in current profits and losses	122,942,670.65	-122,942,670.65	-
Notes receivable	1,108,003,333.37	-797,769,753.05	310,233,580.32
Receivables financing	-	797,769,753.05	797,769,753.05
Trading financial liabilities	-	10,209,921.02	10,209,921.02
Financial liabilities measured at the fair value with changes included in current profits and losses	10,209,921.02	-10,209,921.02	-

Notes: The balances on Dec. 31, 2018 in the above table are balances after adjustment based on following up Preliminary Financial Statements of the business merger under the same control and Hangzhou Yijing Chemical Fiber Co., Ltd.

The Company carried out endorsement or discount of partial bank acceptance bills, namely taking collecting contract cash flow and selling financial assets as the target in the daily fund management, thus the Company reclassified the bank acceptance bill of RMB 797,769,753.05 as financial assets calculated with fair value whose change was included into other comprehensive incomes on Jan. 1, 2019 which was presented as receivables financing. At the time point of reclassification, fair value and original book value of above-mentioned bank acceptance bill and trade acceptance were free from significant variance.

On Jan. 1, 2019, financial asset or financial liability of the Company wasn't specified as

financial asset or financial liability calculated as per fair value whose change was included into current profits and losses and the previous appointment wasn't cancelled.

A. Correlation Table for Classification and Calculation of Financial Assets before and after the First Exercise Date

a. Effects on the Consolidated Financial Statement

b. Dec. 31, 2018 (before change)			Jan. 1, 2019 (after change)		
Item	Category	Book value	Item	Category	Book value
Monetary capital	Amortized cost	9,052,390,527.76	Monetary capital	Amortized cost	9,052,390,527.76
Financial assets measured at the fair value with changes included in current profits and losses	Measured at fair value and included in current profits and losses	122,942,670.65	Trading financial assets	Measured at fair value and included in current profits and losses	122,942,670.65
Notes receivable	Amortized cost	1,108,003,333.37	Notes receivable	Amortized cost	310,233,580.32
			Receivables financing	Measured at fair value with change included in other comprehensive incomes	797,769,753.05
Accounts receivable	Amortized cost	1,378,211,622.25	Accounts receivable	Amortized cost	1,378,211,622.25
Other receivables	Amortized cost	142,929,096.70	Other receivables	Amortized cost	141,905,638.37
Long-term receivables	Amortized cost	159,437,743.33	Long-term receivables	Amortized cost	159,437,743.33

Notes: The balances on Dec. 31, 2018 in the above table are balances after adjustment based on following up Preliminary Financial Statements of the business merger under the same control and Hangzhou Yijing Chemical Fiber Co., Ltd.

b. No influence on the parent company's statement.

B. On the first execution date, the book value of the original financial asset is adjusted to the adjustment table of the book value of the new financial asset classified and measured according to the new financial instrument standards

a. Effects on the consolidated statement

Item	Dec. 31, 2018 (before change)	Reclassification	Re-meas urement	Jan. 1, 2019 (after change)
Amortized cost:				
Notes receivable	1,108,003,333.3			

Item	Dec. 31, 2018 (before change)	Reclassification	Re-meas urement	Jan. 1, 2019 (after change)
	7			
Minus: Transfer-out to the receivables financing		797,769,753.05		
Re-measurement: Expected credit impairment provisions			0.00	
Balance by new financial instrument standard				310,233,580.32
Measured at the fair value with changes included in current profits and losses:				
Financial assets measured at the fair value with changes included in current profits and losses (original criterion)	122,942,670.65			
Minus: Transfer into trading financial assets		122,942,670.65		
Balance by new financial instrument standard				0.00
Trading financial assets	--			
Plus: Financial assets measured at fair value and whose changes are included in the current profits and losses (original standards)		122,942,670.65		
Balance by new financial instrument standard				122,942,670.65
Measured at fair value with change included in other comprehensive incomes:				
Receivables financing	--			
Transfer-in from notes receivable		797,769,753.05		
Re-measurement: Re-measured as per fair value			0.00	
Re-measurement: Expected credit impairment provisions			0.00	
Balance by new financial instrument standard				797,769,753.05

Notes: The balances on Dec. 31, 2018 in the above table are balances after adjustment based on following up Preliminary Financial Statements of the business merger under the same control and Hangzhou Yijing Chemical Fiber Co., Ltd.

b. No influence on the parent company's statement.

C. Execution of the new financial instrument guidelines has no major impact on confirmation and calculation of loss provisions of the Company on Dec. 31, 2018.

(2) Changes of accounting estimates

There is no change matter in accounting estimates of the Company in current reporting period.

31. Judgement and estimation of significant accounting

During the process of using accounting policy, due to the uncertainty in operating activities, the Company should judge, estimate and assume the book value of statement project which may not be metered accurately. Such judgments, estimations and assumptions are based on the historical experience of the Management of the Company and considerations of other relevant factors. These judgments, estimates and assumptions will influence the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results resulted from the uncertainties of all these estimations might be different from the current estimations of the Management of the Company, so that major adjustments shall be conducted to the assets or the book amount of liabilities that will be influenced in the future.

The company regularly reviews the above judgments, assumptions and estimations on the basis of going-concern. If the changes of accounting estimate only influence current period, the influence number will be recognized during the changing period. If it influences the current period and future period, the influenced amount will be recognized in the current period and future period.

On the balance sheet date, the important fields that the Company should conduct judgment, estimation and assumption to the item amount of Financial Statements are shown as follows:

(1) Classification of lease

The company classified the lease to operating lease and financing lease according to *Accounting Standards for Business Enterprises No. 21 - Lease*. Upon classification, the management level should analyze and judge whether all risks and remunerations related to the ownership of leased assets are transferred to the lessee materially or whether the Company has assumed all risks and remunerations related to the ownership of leased assets materially.

(2) Calculation and withdrawing of bad-debt reserves

The company measures the bad-debt losses in the allowance method according to the accounting policy of receivables. The impairment of receivables shall be based on evaluating the returnability of receivables. The appraisal of impairment in receivables requires the judgment and estimate of the Management. The difference of actual results and original estimates will influence the book value of receivables and the counting and withdrawing or restitution of bad debt reserves of receivables in the period when the estimates are changed.

(3) Inventory falling price reserves

The company measures the cost and net realizable value (which is lower) according to the inventory counting policy. The inventory falling price reserves will be withdrawn as for the old and unsalable inventory with cost higher than the net realizable value. The inventory impairment and net realizable value shall be based on evaluating the salability and net realizable value of inventory. The identification of inventory impairment requires the management to make a judgment and an estimate after obtaining authentic evidence and on the basis of considering the inventory purpose and the influence of matters after the balance sheet date. The difference of actual results and original estimates will influence the book value of inventory and the counting and withdrawing or restitution of inventory falling price reserve in the period when the estimates are changed.

(4) Fair values of financial instruments

As for the financial instruments without the active transaction market, the Company determines the fair value through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. Upon valuation, the Company shall estimate the future cash flow, the credit market, market volatility and relevance, and select the proper discount rate. These relevant assumptions are uncertain, and the change will influence the fair value of financial instruments.

(5) Long-term asset impairment reserve

The Company judged non-current assets except the financial assets on the balance sheet date to confirm that whether there is impairment signs or not. For intangible assets with uncertain service life, we also do the impairment test when impairment signs exist, besides the annual impairment test. For non-current assets except financial assets, when there are signs indicating book amount couldn't be withdrawn, impairment test shall be done.

The impairment occurred when the book value of assets or asset group is higher than the recoverable amount, namely the net amount of fair value minus the disposal expenses or the present value of expected future cash flow (which is higher).

The net amount of fair value mined disposal expenses is determined by deducting the incremental cost which directly belongs to the asset disposal referring to the prices of sale agreements of similar assets in fair transaction or the observable market price.

When predicting present value of the future cash flow, it's necessary to make a major judgment to yield and selling price of such asset (or asset group), relevant operating cost and discount rate used when calculating present value and so on. When estimating recoverable amount, the Company will adopt all related data which can be obtained, including such predictions for related yield, selling price and relevant operating cost given based on rational and supportable assumption.

The company tests whether the impairment occurs to goodwill at least once a year. It is

required to anticipate the present value of future cash flow of asset group or asset combination with goodwill. When predicting the present value of future cash flow, the Company should anticipate the cash flow generated from the future asset group or the asset combination portfolio, and select the proper discount rate to determine the present value of future cash flow.

(6) Depreciation and amortization

The company will withdraw the depreciation and amortization according to the straight line method within the service life after considering the salvage values of investment property, fixed asset and intangible asset. The Company regularly reviews the service life to determine the amount of depreciation and amortization expenses which are included into each reporting period. The service life is confirmed by the Company according to previous experience of the same kind of assets, combining predicted technology updating. In case past estimation has changed a lot, depreciation and amortization expense shall be adjusted during the future period.

(7) Deferred income tax assets

If taxable profit is enough to deduct the losses, the Company recognizes the deferred income tax assets regarding the unused tax losses. The Management of the Company is required to utilize large amounts of judgment to estimate the time and the amount of taxable profit incurred in the future, combining tax planning strategy, to recognize the amount of deferred income tax assets.

(8) Income tax

In the normal operation activities of the Company, there is an uncertainty in the final tax treatment and calculation of some transactions. The pre-tax charge of some items requires the approval of tax component authority. If there are differences between the final confirmation result and original estimate amount of these tax matters, such differences will influence the current income tax and deferred income tax in final confirmation period.

(9) Estimated liabilities

The company will estimate, count and withdraw the corresponding reserves of the product quality assurance, accrued contract losses and liquidated damages for delay in delivery, etc. according to the contract clauses, existing knowledge and historical experiences. In the circumstance that such contingent matters has turned into a current obligation, and performance of this current obligation is in all probability to lead the economic interest to flow out of the Company, the Company shall recognize contingent matters in accordance with the best estimate of the necessary expenditures for the performance of the relevant current obligations as the estimated liabilities. The recognition and measurement of estimated liabilities largely depend on the judgment of the management. In the judgment process, the Company should evaluate the relevant risks and uncertainty of such contingent matters and the time value of money and other factors.

Wherein, the Company shall undertake the estimated liabilities for the after-sales quality maintenance commitment provided to the customers upon selling, maintaining and reforming the products which have been sold. At the time of estimated liabilities, the recent maintenance experience data of the Company has been taken into consideration, however the recent maintenance experience data might be unable to reflect the maintenance situation in the future. Any increasing or decreasing of this reserve might influence the profits and losses in the future years.

(10) Measurement of fair value

Some assets and liabilities of the Company will be measured at fair value in the Financial Statements. The Company will apply available and observable market data during estimating the fair value of some assets and liabilities. If the input value in Level 1 is not available, the Company will entrust a third qualified appraiser for the estimation. Related information of the appraisal technology and input value during the process of confirming the fair value of various assets and liabilities shall be disclosed in Note X.

V. Taxes

1. Main tax categories and tax rates

Tax type	Specific tax rates
Value added tax (VAT)	Assessable income calculate the output tax as the tax rate of 16%, 13%, 10%, 9% and 6%, and calculate the VAT as the balance after deduction of currently permitted input VAT.
Urban maintenance and construction tax	Calculating and levying according to 7%, 5% of the actual paid turnover tax
Surcharges for education	Calculating and levying according to 3% of the actual paid turnover tax
Surcharges for local education	Calculating and levying according to 2% of the actual paid turnover tax
Enterprise income tax	Calculate and levy according to 25%, 15%, 16.5%, 17% and 18.5% of the taxable income.

In the case of marketing for which VAT should be paid or in the case of import of cargos by the Company, the applicable tax rates during Jan.-Mar. 2019 were 16% and 10%. According to provisions of *Announcement about Deepening Relevant Policies on VAT Reform of the Ministry of Finance, State Taxation Administration and General Administration of Customs* (announcement of the Ministry of Finance, State Taxation Administration and General Administration of Customs [2019] No. 39), the applicable tax rates have been changed as 13% and 9% since Apr. 1, 2019.

The Company involves taxpayers of different enterprise income tax rates. The specific situation is shown as bellow:

Names of taxpaying bodies	Income tax rate
Domestic subsidiaries	25% and 15%
Hong Kong Tianyi International Holding Co., Ltd.	16.5%
Good Park International Holdings Limited	For offshore trades, offshore profit tax exemption
Hong Kong Yisheng Petrochemical Investment Co., Ltd.	can be applied for.
Hengyi Industries International Pte Ltd. Hengyi Petrochemical International Co., Ltd.	The income tax within SGD 100,000 (inclusive) of the total profit amount was exempted in the first three years after the Company was established; For SGD 100,000-300,000 of the profits, 50% of the income tax is exempted; For profits above SGD 300,000, 17% income tax is levied.
Hengyi Industries Sdn Bhd	18.5%

2. Tax preference and approval

(1) According to *Measures for Management of VAT Preferential Policies on Promoting Employment of the Disabled* (announcement of the State Taxation Administration [2016] No. 33), the Company's holding subsidiary - Zhejiang Hengyi Polymer Co., Ltd. (hereinafter referred to as "Polymer Company") enjoys the preferential policy on immediate levy and refund of VAT, for the subsidiary provides jobs for the disabled.

(2) According to the document (ZZBF [2018] No. 99) issued by the general office of the People's Government of Zhejiang Province, from Jan. 1, 2018 to Dec. 31, 2019, the differential exemption rate of urban land use tax of type-A and type-B enterprises was improved. The exemption rate of type-A enterprises was 100%, and that of type-B enterprises was 80%. Zhejiang Hengyi Petrochemical Co., Ltd. and Polymer Company, the Company's subsidiaries, enjoy 100% exemption.

(3) Zhejiang Hengyi High-Tech Materials Co., Ltd. (hereinafter referred to as "Hengyi High-Tech Materials") and Zhejiang Henglan Science & Technology Co., Ltd. (hereinafter referred to as "Henglan Company"), the Company's subsidiaries, obtained the *High-tech Enterprise Certificate* issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, State Taxation Administration on Dec. 4, 2019 and was rated as a high-tech enterprise (valid term of three years). According to provisions of *Enterprise Income Tax Law of People's Republic of China* and *Regulations on the Implementation of Enterprise Income Tax Law of the People's Republic of China*, Hengyi High-Tech and Henglan Company enjoy the exemption of 15% enterprise income tax from Jan. 11, 2019 to Dec. 31, 2021.

(4) Hengyi Industries Sdn Bhd, the holding subsidiary of the Company, can enjoy 11 years of tax exemption (including its income tax as well as the import tax of imported machinery and raw materials), for its Hengyi (Brunei) PMB Petrochemical Project can meet the conditions of "pioneer enterprise".

(5) According to the provision of Article 100 of *Regulations on the Implementation of Enterprise Income Tax Law of the People's Republic of China*: tax credit as mentioned in Article 34 of the Enterprise Income Tax Law refers to that, if an enterprise purchases and actually uses environmental protection, energy saving and safety production equipment as stipulated in *Directory of Income Tax Preference of Environmental Protection Dedicated Equipment Enterprises*, *Directory of Income Tax Preference of Energy-saving and Water-saving Dedicated Equipment Enterprises* and *Directory of Income Tax Preference of Safety Production Dedicated Equipment Enterprises*, 10% of the investment amount of such dedicated equipment can be exempted from the enterprise's payable tax of the current year. If the amount of the payable tax of the current year is less than the exemption amount, such exemption can be offset in the later 5 taxable years. Hengyi High-tech's enterprise income tax exemption amount is equal to 10% of the investment amount of environmental protection, energy & water saving and safety production dedicated equipment it purchases.

(6) According to the provision of *Notice of the Third Tax Division of Zhejiang Local Taxation Bureau on Revising the Internal Control Caliber in the Reduction and Exemption Policy of Urban Land Use Tax in Real Estate Tax* (ZDSSB [2016] No. 15) and spirit of ZDSSB [2016] No. 15, proper reduction and exemption can be provided for taxpayers which suffer from severe losses in the industry encouraged and supported by the country and face difficulties in paying real estate tax. Hangzhou Yijing Chemical Fiber Co., Ltd. (hereinafter referred to as "Yijing Company"), a subsidiary of the Company, enjoys the preferential policy of real estate tax reduction and exemption.

(7) On Mar. 15, 2019, Hengyi Industries International Pte Ltd., a holding company of the Company, was approved to join Singapore GTP. According to the reply document, Hengyi Industries International Pte Ltd. will enjoy the preferential enterprise income tax rate (10%) for three consecutive years (from 2019 to 2021).

VI. Notes on Items of Consolidated Financial Statement

The following note items (including principal item note of Financial Statements of the Company), except otherwise particularly specified, "the beginning of the year" is Jan. 1, 2019, "the end of the year" is Dec. 31, 2019 and "the end of last year" is Dec. 31, 2018; "The current year"

refers to 2019 and "last year" refers to 2018.

1. Monetary capital

Item	Year-ending balance	Year-beginning balance
Cash on hand	2,279,461.41	642,518.80
Bank deposit	3,820,727,898.14	6,278,123,854.11
Other monetary capitals	3,616,821,478.39	2,773,624,154.85
Total	7,439,828,837.94	9,052,390,527.76
Wherein: The total amount of payments deposited overseas	1,553,988,373.09	948,331,680.23

Notes: By Dec. 31, 2019, the monetary capital for which the Company's right to use is restricted had been RMB 2,966,804,107.67, including L/C guarantee deposit of RMB 753,148,862.63, acceptance bill guarantee deposit of RMB 2,039,436,530.13, L/G guarantee deposit of RMB 25,060,249.19, bill pledge collection fund of RMB 18,500,881.92, judicial freeze fund of RMB 10,525,468.59, and other restricted funds of RMB 120,132,115.21.

2. Trading financial assets

Item	Year-ending balance
Financial assets measured at the fair value with changes included in current profits and losses	149,692,516.20
Wherein: Investment in debt instrument	0.00
Investment in equity instrument	0.00
Derivative financial assets	149,692,516.20
Others	0.00
Be specified as financial assets measured at the fair value with changes included in current profits and losses	0.00
Total	149,692,516.20
Wherein: Part reclassified to other illiquid financial assets	0.00

3. Financial assets measured at the fair value with changes included in current profits and losses

Item	Year-ending balance of last year
Trading financial assets	122,942,670.65
Wherein: Investment in debt instrument	2,052,800.00
Investment in equity instrument	0.00
Derivative financial assets	120,889,870.65
Others	0.00
Be specified as financial assets measured at the fair value with changes included in current profits and losses	0.00

Item	Year-ending balance of last year
Total	122,942,670.65

4. Derivative financial assets

Item	Year-ending balance	Year-beginning balance
Derivative financial instruments	409,150,395.76	0.00

Notes: Ending derivative financial assets are derivative tools which are designated and are effective hedging tools.

(1) Cash flow hedging:

To hedge probable cash flow change risks relating to commodity price in product sales, the Company will hold a series of hedging tools which are used for sales of predicted commodities as specified in commodity futures and paper contracts. Underlying assets which are designated as hedging tools in commodity futures and paper contracts and hedged predicted sale commodities have an economic relationship. The hedging ratio is the same as that set from the risk management perspective. The hedging ratio is reasonable.

In this fiscal year of the Company, the amount of cash flow hedging reserve included into shareholder equities is RMB 109,790,202.10. Details are shown as follows:

Item	Amount in the current period
The total amount of gains of fair value included into shareholder equities	156,478,011.22
Deferred income tax generated from gains of fair value	-1,952,640.00
Reclassified into current profits and losses from other comprehensive incomes	-2,239,759.00
Deferred income tax reclassified into current profits and losses	-559,939.75
Belonging to minority shareholders after tax	50,320,268.37
Net profit of cash flow hedging	109,790,202.10

5. Notes receivable

(1) Categorized items of notes receivable

Item	Year-ending balance	Year-beginning balance
Bank acceptance bill	728,006,603.36	310,233,580.32
Commercial acceptance bill	0.00	0.00
Domestic letter of credit (L/C)	0.00	0.00
Sub-total	728,006,603.36	310,233,580.32
Minus: Bad debt reserves	0.00	0.00
Total	728,006,603.36	310,233,580.32

(2) Pledged notes receivable at the end of the year

Item	Pledged amount at the end of the year
------	---------------------------------------

Item	Pledged amount at the end of the year
Bank acceptance bill	118,160,098.05
Commercial acceptance bill	0.00
Domestic letter of credit (L/C)	0.00
Total	118,160,098.05

(3) Notes receivable which have been endorsed or discounted at the end of the year and were not due on the balance sheet date

Item	Derecognized amounts at the end of the year	Non-derecognized amounts at the end of the year
Bank acceptance bill	2,514,397,318.71	0.00
Commercial acceptance bill	0.00	0.00
Domestic letter of credit (L/C)	0.00	0.00
Total	2,514,397,318.71	0.00

(4) The notes which were converted to accounts receivable due to the drawer's failure of performance at the end of the year.

The Company has no notes being transferred to account receivable due to the drawer's failure to perform the contract at the end of the year.

6. Accounts receivable

(1) Disclosure as per account age

Age	Year-ending balance
Within 1 year	5,898,731,247.43
Wherein: Within 6 months	5,897,452,251.37
7-12 months	1,278,996.06
1-2 years	120,647.36
2-3 years	0.00
More than 3 years	336,665.16
Sub-total	5,899,188,559.95
Minus: Bad debt reserves	8,947,021.17
Total	5,890,241,538.78

(2) Categorized items of bad debt provision method

Category	Year-ending balance				
	Book balance		Bad debt reserves		Book value
	Amount	Proportion	Amount	Withdrawal	
		(%)		ratio (%)	
Account receivables of withdrawing bad debt	8,510,212.00	0.14	8,510,212.00	100.00	0.00

Category	Year-ending balance				Book value
	Book balance		Bad debt reserves		
	Amount	Proportion (%)	Amount	Withdrawal ratio (%)	
provision of single amount					
Wherein: Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	0.14	8,510,212.00	100.00	0.00
Account receivables of withdrawing bad debt provision of combination amount	5,890,678,347.95	99.86	436,809.17	0.01	5,890,241,538.78
Wherein: Ages of accounts receivable acts as credit risk characteristic	5,890,678,347.95	99.86	436,809.17	0.01	5,890,241,538.78
Total	5,899,188,559.95	100.00	8,947,021.17	0.15	5,890,241,538.78

(Continued)

Category	Year-beginning balance				Book value
	Book balance		Bad debt reserves		
	Amount	Proportion (%)	Amount	Withdrawal ratio (%)	
Receivables with significant single amount and separately withdrawn bad debt provision	0.00	0.00	0.00	0.00	0.00
Receivables withdrawn bad debt reserve in accordance with the credit risk characteristic portfolio	1,379,978,003.47	100.00	1,766,381.22	0.13	1,378,211,622.25
Receivables with non-significant single amount but separately withdrawn bad debt provision	0.00	0.00	0.00	0.00	0.00
Total	1,379,978,003.47	100.00	1,766,381.22	0.13	1,378,211,622.25

① Account receivables of withdrawing bad debt provision of single amount at the end of the year

Receivables (in unit)	Year-ending balance			
	Book balance	Bad debt reserves	Withdrawal proportion	Withdrawal reason
Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	8,510,212.00	100.00%	It is predicted that the possibility of recyclability is small.

② In the combination, the receivables withdrawn for bad debt provision based on the aging analysis method

Age	Year-ending balance		
	Accounts receivable	Bad debt reserves	Withdrawal ratio (%)

Age	Year-ending balance		
	Accounts receivable	Bad debt reserves	Withdrawal ratio (%)
Within 6 months	5,888,942,039.37	0.00	-
7-12 months	1,278,996.06	63,949.80	5.00
1-2 years	120,647.36	36,194.21	30.00
2-3 years	0.00	0.00	0.00
More than 3 years	336,665.16	336,665.16	100.00
Total	5,890,678,347.95	436,809.17	0.01

(3) Information on bad debt reserves

Category	Year-beginning balance	Changes in accounts in this year			Year-ending balance
		Calculation and withdrawal	Recovery or reverse	Witting-off or cancel after verification	
Account receivables of withdrawing bad debt provision of single amount	0.00	8,510,212.00	0.00	0.00	8,510,212.00
The receivables withdrawn for bad debt provision based on the aging analysis method	1,766,381.22	37,790.00	1,331,505.00	35,857.05	436,809.17
Total	1,766,381.22	8,548,002.00	1,331,505.00	35,857.05	8,947,021.17

(4) Receivables of the top five among year-ending balance collected by debtor

The Company's top five accounts receivable by the debtor amounted to RMB 3,509,082,257.58 in total, accounting for 59.48% of the year-ending balance of accounts receivable, and the year-ending balance of the provision for bad debts was RMB 0.00.

7. Receivables financing

(1) Categorized items of receivable financing

Item	Year-ending balance		
	Cost	Fair value changes	Fair value
Notes receivable	442,981,896.97	0.00	442,981,896.97
Accounts receivable	0.00	0.00	0.00
Total	442,981,896.97	0.00	442,981,896.97

(2) Pledged fund receivable financing at the end of the year

Item	Pledged amount at the end of the year
Bank acceptance bill	162,995,087.58
Commercial acceptance bill	0.00
Domestic letter of credit (L/C)	0.00

Item	Pledged amount at the end of the year
Total	162,995,087.58

(3) Amounts receivable financing which have been endorsed or discounted at the end of the year and were not due on the balance sheet date

Item	Derecognized amounts at the end of the year	Non-derecognized amounts at the end of the year
Bank acceptance bill	4,930,775,925.37	0.00
Commercial acceptance bill	0.00	0.00
Domestic letter of credit (L/C)	0.00	0.00
Total	4,930,775,925.37	0.00

(4) Other explanations

In this year, the total discounted bank acceptance bills are paid by the Company to the bank are RMB 4,574,723,760.80 (last year: RMB 2,317,512,143.98). Since main risks and remunerations relating to these bank acceptance bills (such as interest rate risk) have been transferred to banks, the Company derecognizes premature bank acceptance bills which have been discounted. According to the discount agreement, if the bank acceptance bill is mature but fails to be accepted, the bank is entitled to require the Company to pay the unsettled balance. Therefore, the Company also investigated the discounted bank acceptance bills. By Dec. 31, 2019, discounted but immature bank acceptance bills had been RMB 1,864,896,260.32 (Dec. 31, 2018: RMB 1,079,641,332.73).

8. Advance payment

(1) Advance payment list by account age

Age	Year-ending balance		Year-beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	634,753,441.64	99.31	938,188,300.58	99.40
1-2 years	3,416,432.89	0.53	4,278,340.06	0.45
2-3 years	501,954.80	0.08	181,881.92	0.02
More than 3 years	534,159.28	0.08	1,234,076.21	0.13
Total	639,205,988.61	100.00	943,882,598.77	100.00

(2) Important advance payments with account age more than 1 year

The Company has no important advance payment with account aging exceeding one year at the end of the year.

(3) Prepayment of the top five among year-ending balance collected by prepayment object

The Company's top five prepayment object's total prepayment year-ending balance amounted to RMB 240,302,546.46, accounting for 37.59% in the total balance of prepayments

at the year-ending balance.

9. Other receivables

Item	Year-ending balance	Year-beginning balance
Interests receivable	0.00	0.00
Dividends receivable	194,194,087.61	0.00
Other receivables	212,294,377.30	141,905,638.37
Total	406,488,464.91	141,905,638.37

(1) Dividends receivable

Invested unit	Year-ending balance	Year-beginning balance
Hainan Yisheng Petrochemical Co., Ltd.	127,500,000.00	0.00
Dalian Yisheng Investment Co., Ltd.	38,250,000.00	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	28,444,087.61	0.00
Sub-total	194,194,087.61	0.00
Minus: Bad debt reserves	0.00	0.00
Total	194,194,087.61	0.00

(2) Other receivables

① Disclosure by account age

Age	Year-ending balance
Within 1 year	175,638,005.62
1-2 years	61,298,689.59
2-3 years	4,638,827.45
More than 3 years	1,022,337.27
Sub-total	242,597,859.93
Minus: Bad debt reserves	30,303,482.63
Total	212,294,377.30

② Classification by the nature of funds

Nature of payment	Year-ending balance	Year-beginning balance
Payment on behalf of others and other receivables and payables outside the consolidation scope	18,031,721.11	51,414,100.35
Combination of consumption tax receivable and export tax rebate	0.00	12,660,383.41
Combination of receivable returned taxes and other government subsidies	144,919,980.00	9,358,560.00
Combination of guarantee deposit and security deposit	10,047,663.87	9,543,576.10
Employee borrowings and reserves	5,107,590.62	2,097,487.11

Other combinations	64,490,904.33	84,158,905.26
Sub-total	242,597,859.93	169,233,012.23
Minus: Bad debt reserves	30,303,482.63	27,327,373.86
Total	212,294,377.30	141,905,638.37

③ Withdrawal situations of bad debt reserve

Bad debt reserves	Phase I	Phase II	Phase III	Total
	Expected credit impairment in the next 12 months	Expected credit loss during the duration (credit impairment has not occurred)	Expected credit loss during the duration (credit impairment has occurred)	
Balance on Jan. 1, 2019	2,296,630.68	616,240.00	24,414,503.18	27,327,373.86
Other receivable book balances of this year on Jan. 1, 2019:				
--Transferred to Phase II	0.00	--	--	0.00
--Transferred to Phase III	0.00	0.00	--	0.00
--Returned to Phase II	--	--	0.00	0.00
--Returned to Phase I	--	0.00	0.00	0.00
Calculation and withdrawal amount of the current year	2,548,435.37	17,760.00	2,138,041.91	4,704,237.28
Restitution of the current year	1,725,568.51	2,560.00	0.00	1,728,128.51
Witting-off of the current year	0.00	0.00	0.00	0.00
Cancellation after verification of the current year	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Year-ending balance	3,119,497.54	631,440.00	26,552,545.09	30,303,482.63

④ Information on bad debt reserves

Category	Year-beginning balance	Changes in accounts in this year			Year-ending balance
		Calculation and withdrawal	Recovery or reverse	Witting-off or cancel after verification	
Payment on behalf of others and other receivables and payables outside the consolidation scope	98,013.88	456,953.06	5,609.05	0.00	549,357.89
Combination of consumption tax receivable and export tax rebate	0.00	0.00	0.00	0.00	0.00

Combination of receivable returned taxes	0.00	0.00	0.00	0.00	0.00
Combination of guarantee deposit and security deposit	2,614,853.26	116,221.88	1,574,175.07	0.00	1,156,900.07
Employee borrowings and reserves	45,973.25	98,339.01	4,323.51	0.00	139,988.75
Other combinations	24,568,533.47	4,032,723.33	144,020.88	0.00	28,457,235.92
Total	27,327,373.86	4,704,237.28	1,728,128.51	0.00	30,303,482.63

⑤ Other receivables situation of the top five among year-ending balance collected by the debtor

Unit name	Nature of payment	Year-ending balance	Account age	Proportion in total year-ending balance of other receivables (%)	Bad debt reserves Year-ending balance
Fulida Group Holding Co., Ltd., Xinghui Chemical Fiber Group Co., Ltd.	Compensation	37,399,023.25	Within 1 year, 1-2 years	15.42	1,869,951.16
Wang XX	Claim settlements	26,243,545.09	1-2 years	10.82	26,243,545.09
Hangzhou Xiaoshan Economic and Information Bureau	Government subsidies	135,818,700.00	Within 6 months	55.99	0.00
Hangzhou Xiaoshan Tax Bureau	Tax refund	9,101,280.00	Within 6 months	3.75	0.00
Sahid & CSEEC Sdn Bhd	Advance money for another	6,654,832.70	Within 1 year, 1-2 years	2.74	199,644.98
Total	--	215,217,381.04	-	88.72	28,313,141.23

Note 1: See Note XIII, 2 for details of formation of amounts of "other receivables - Mr. Wang" and full-amount accrual bad debt provision of the Company at the end of 2019.

⑥ Receivables involving government subsidies

Unit name	Government subsidies project name	Year-ending balance	Year-end account age	Predicted collecting time, amount and evidence
Hangzhou Xiaoshan Economic and Information Bureau	2019 returned subsidy fund of the headquarters	135,818,700.00	Within 6 months	By the end of Mar. 2020
Hangzhou Xiaoshan Tax Bureau	Returned amount of VAT	9,101,280.00	Within 6 months	By the end of May 2020
Total	--	144,919,980.00	--	--

Notes: "2019 returned subsidy fund of the headquarters" had been fully recovered before Apr. 1, 2020.

10. Inventory**(1) Inventory classification**

Item	Year-ending balance		
	Book balance	Falling price reserves	Book value
Materials in transit	4,039,224,970.82	338,489.60	4,038,886,481.22
Raw materials	2,459,717,421.55	699,838.76	2,459,017,582.79
Goods in process	933,548,159.78	0.00	933,548,159.78
Inventory goods	1,726,755,117.02	19,307,362.42	1,707,447,754.60
Project construction	14,338,569.66	0.00	14,338,569.66
Total	9,173,584,238.83	20,345,690.78	9,153,238,548.05

(Continued)

Item	Year-beginning balance		
	Book balance	Falling price reserves	Book value
Materials in transit	142,567,878.00	0.00	142,567,878.00
Raw materials	1,453,958,940.63	32,181,706.07	1,421,777,234.56
Goods in process	147,670,814.73	817,610.87	146,853,203.86
Inventory goods	1,413,057,710.42	104,502,605.16	1,308,555,105.26
Project construction	0.00	0.00	0.00
Total	3,157,255,343.78	137,501,922.10	3,019,753,421.68

(2) Inventory falling price reserves

Item	Year-beginning balance	Increased amount in the current year		Decreased amount in the current year		Year-ending balance
		Calculation and withdrawal	Others	Restitution or write-off	Others	
Materials in transit	0.00	338,489.60	0.00	0.00	0.00	338,489.60
Raw materials	32,181,706.07	699,838.76	0.00	32,181,706.07	0.00	699,838.76
Goods in process	817,610.87	0.00	0.00	817,610.87	0.00	0.00
Inventory goods	104,502,605.16	19,307,362.42	0.00	104,502,605.16	0.00	19,307,362.42
Total	137,501,922.10	20,345,690.78	0.00	137,501,922.10	0.00	20,345,690.78

Notes: The company's sale of inventory falling price reserves in this year is because of the sale of inventories which have been included into accrual inventory falling price reserves.

11. Non-current assets due within one year

Item	Year-ending balance	Year-beginning balance	Remarks
Long-term receivables due within one year	4,389,768.36	2,305,155.61	See Note VI, 13 for details

12. Other current assets

Item	Year-ending balance	Year-beginning balance
Unamortized expenses	106,167,297.81	86,021,260.76
Excess input tax paid	850,870,478.90	487,955,373.55
Excessive tax paid	31,886,650.36	91,388,985.28
Input tax to be certified	0.00	24,936,085.68
Entrusted loans	600,855,983.33	701,023,458.33
Estimated net realizable value of pilot products	0.00	23,425,170.42
Total	1,589,780,410.40	1,414,750,334.02

13. Long-term receivables

Conditions of long-term account receivables

Item	Year-ending balance			Year-beginning balance		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment Reserve	Book value
Financing lease amount	233,955,249.20	0.00	233,955,249.20	161,742,898.94	0.00	161,742,898.94
Wherein: Unrealized revenues of financing	-43,765,551.02	0.00	-43,765,551.02	-29,957,101.06	0.00	-29,957,101.06
Minus: Part due within one year (Note VI, 11)	4,389,768.36	0.00	4,389,768.36	2,305,155.61	0.00	2,305,155.61
Total	229,565,480.84	0.00	229,565,480.84	159,437,743.33	0.00	159,437,743.33

14. Long-term equity investments

Invested unit	Year-beginning balance	Increase-decrease change in the current year				
		Additional investment	Negative investment	Profits and losses on investments confirmed by equity method	Adjustments of other comprehensive incomes	Changes in other equities
I. Joint Ventures						
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	1,123,455,149.11	0.00	0.00	119,894,878.65	0.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	305,043,910.16	545,000,000.00	0.00	524,521.10	0.00	0.00
Sub-total	1,428,499,059.27	545,000,000.00	0.00	120,419,399.75	0.00	0.00
II. Associates						
Dalian Yisheng Investment Co., Ltd.	1,529,709,982.82	0.00	0.00	306,805,298.12	3,220,552.93	0.00
Hainan Yisheng Petrochemical Co., Ltd.	1,433,090,888.93	0.00	0.00	238,882,606.15	11,118,653.37	0.00
China Zheshang Bank Co., Ltd.	3,401,149,006.11	0.00	0.00	423,590,860.66	30,927,142.40	37,063,347.79
Ningbo Jinhou Industry Investment Co., Ltd.	14,716,990.68	0.00	0.00	-308,063.63	0.00	0.00

Invested unit	Year-beginning balance	Increase-decrease change in the current year				
		Additional investment	Negative investment	Profits and losses on investments confirmed by equity method	Adjustments of other comprehensive incomes	Changes in other equities
Hangzhou Huixinzishi Technology Co., Ltd.	6,920,976.69	0.00	0.00	-1,364,801.17	0.00	0.00
Sub-total	6,385,587,845.23	0.00	0.00	967,605,900.13	45,266,348.70	37,063,347.79
Total	7,814,086,904.50	545,000,000.00	0.00	1,088,025,299.88	45,266,348.70	37,063,347.79

(Continued)

Invested unit	Increase-decrease change in the current year			Year-ending balance	Impairment reserve Year-ending balance
	Cash dividends or profits declared to be distributed	Withdrawn impairment reserve	Others		
I. Joint Ventures					
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	103,444,087.61	0.00	0.00	1,139,905,940.15	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	0.00	0.00	850,568,431.26	0.00
Sub-total	103,444,087.61	0.00	0.00	1,990,474,371.41	0.00
II. Associates					
Dalian Yisheng Investment Co., Ltd.	38,250,000.00	0.00	0.00	1,801,485,833.87	0.00
Hainan Yisheng Petrochemical Co., Ltd.	127,500,000.00	0.00	0.00	1,555,592,148.45	0.00
China Zheshang Bank Co., Ltd.	0.00	0.00	0.00	3,892,730,356.96	0.00
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,408,927.05	0.00
Hangzhou Huixinzishi Technology Co., Ltd.	0.00	0.00	0.00	5,556,175.52	0.00
Sub-total	165,750,000.00	0.00	0.00	7,269,773,441.85	0.00
Total	269,194,087.61	0.00	0.00	9,260,247,813.26	0.00

15. Investment in other equity instruments

(1) Other equity instrument investment situation

Item	Year-ending balance
Zhejiang Hengchuang Advanced Function Fiber Innovation Center Co., Ltd.	600,000.00

16. Fixed assets

Item	Year-ending balance	Year-beginning balance
Fixed assets	38,775,633,926.67	13,226,265,147.50
Disposal of fixed assets	0.00	0.00
Total	38,775,633,926.67	13,226,265,147.50

(1) Fixed assets

① Situations of fixed assets

Item	Houses and buildings	Structures	Machinery equipment	Transport equipment	Office equipment and others	Total
I. Original Book Value						
1. Year-beginning balance	2,815,636,292.32	1,110,562,511.95	17,622,194,696.53	168,737,589.66	143,541,115.42	21,860,672,205.88
2. Increased amount in the current year	7,452,226,444.89	38,222,561.05	19,477,527,303.40	38,604,498.13	22,664,657.61	27,029,245,465.08
(1) Acquisition	144,520,031.44	1,414,577.12	27,855,253.69	33,851,636.36	21,240,673.47	228,882,172.08
(2) Transfer-in from projects in progress	7,307,706,413.45	36,810,778.58	19,449,672,049.71	4,767,828.75	755,155.68	26,799,712,226.17
(3) Changes in merger scope	0.00	0.00	0.00	0.00	0.00	0.00
(4) Others	0.00	-2,794.65	0.00	-14,966.98	668,828.46	651,066.83
3. Decreased amount in the current year	1,685,230.80	463,189.29	39,010,676.93	13,140,542.56	1,466,050.71	55,765,690.29
(1) Disposal or scrapping	1,685,230.80	463,189.29	39,010,676.93	13,140,542.56	1,466,050.71	55,765,690.29
(2) Changes in merger scope	0.00	0.00	0.00	0.00	0.00	0.00
(3) Transferred into projects in progress	0.00	0.00	0.00	0.00	0.00	0.00
(4) Others	0.00	0.00	0.00	0.00	0.00	0.00
4. Year-ending balance	10,266,177,506.41	1,148,321,883.71	37,060,711,323.00	194,201,545.23	164,739,722.32	48,834,151,980.67
II. Accumulated Depreciation						
1. Year-beginning balance	585,823,060.90	397,694,822.07	7,472,389,589.67	99,866,718.31	78,632,867.43	8,634,407,058.38
2. Increased amount in the current year	109,095,645.37	59,737,054.66	1,242,922,261.32	17,649,889.75	16,294,554.41	1,445,699,405.51
(1) Calculation and withdrawal	108,962,427.73	59,736,606.58	1,242,357,155.01	17,746,668.38	15,924,645.80	1,444,727,503.50

Item	Houses and buildings	Structures	Machinery equipment	Transport equipment	Office equipment and others	Total
(2) Changes in merger scope	0.00	0.00	0.00	0.00	0.00	0.00
(3) Others	133,217.64	448.08	565,106.31	-96,778.63	369,908.61	971,902.01
3. Decreased amount in the current year	816,934.34	52,973.27	7,244,469.41	12,238,008.92	1,236,023.95	21,588,409.89
(1) Disposal or scrapping	816,934.34	52,973.27	7,244,469.41	12,238,008.92	1,236,023.95	21,588,409.89
(2) Changes in merger scope	0.00	0.00	0.00	0.00	0.00	0.00
(3) Transferred into projects in progress	0.00	0.00	0.00	0.00	0.00	0.00
4. Year-ending balance	694,101,771.93	457,378,903.46	8,708,067,381.58	105,278,599.14	93,691,397.89	10,058,518,054.00
III. Impairment Reserve						
1. Year-beginning balance	0.00	0.00	0.00	0.00	0.00	0.00
2. Increased amount in the current year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Calculation and withdrawal	0.00	0.00	0.00	0.00	0.00	0.00
3. Decreased amount in the current year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal or scrapping	0.00	0.00	0.00	0.00	0.00	0.00
4. Year-ending balance	0.00	0.00	0.00	0.00	0.00	0.00
IV. Book Value						
1. Book value at the end of the year	9,572,075,734.48	690,942,980.25	28,352,643,941.42	88,922,946.09	71,048,324.43	38,775,633,926.67
2. Book value at the beginning of	2,229,813,231.42	712,867,689.88	10,149,805,106.86	68,870,871.35	64,908,247.99	13,226,265,147.50

Item	Houses and buildings	Structures	Machinery equipment	Transport equipment	Office equipment and others	Total
the year						

② Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Impairment reserve	Book value	Remarks
Houses and buildings	0.00	0.00	0.00	0.00	
Structures	278,529.56	59,535.70	0.00	218,993.86	
Machinery equipment	29,347,718.79	7,621,939.76	0.00	21,725,779.03	
Transportation facilities	0.00	0.00	0.00	0.00	
Office equipment and others	0.00	0.00	0.00	0.00	
Total	29,626,248.35	7,681,475.46	0.00	21,944,772.89	

③ The conditions about fixed assets without a property right certificate

Item	Book value	Reasons for failing to obtain property ownership certificate
Integrated water supply station workshop	2,964,880.35	The property acquired by auction is being handled
110KVA transformer substation	2,249,946.97	The property acquired by auction is being handled
Power station workshop	2,441,673.18	The property acquired by auction is being handled
Raw and auxiliary materials No. 5 warehouse (PTZ warehouse)	5,521,657.15	To be reconstructed
Finished products warehouse	2,319,504.68	To be reconstructed
Fire water supply station	4,655,321.45	Supporting and auxiliary facilities
110KV transformer substation	3,765,722.12	Supporting and auxiliary facilities
Dormitory 2# building	2,005,682.20	The property acquired by auction is being handled
Dormitory 4# building	2,632,917.87	The property acquired by auction is being handled
Dormitory 3# building	2,411,659.49	The property acquired by auction is being handled
Phase II polyester slurry preparation workshop	2,897,557.22	The property acquired by auction is being handled
Phase II polyester building	5,102,114.06	The property acquired by auction is being handled
Spinning CD workshop	61,844,084.18	The property acquired by auction is being handled
Phase I newly-built thermal coal station	7,534,745.57	The property acquired by auction is being handled
False twisting workshop II - DTY intelligent workshop	55,377,660.48	The property acquired by auction is being handled
DTY intelligent stereoscopic warehouse	17,650,592.24	The property acquired by auction is being handled
Other properties	18,585,270.37	The property acquired by auction is being handled

17. Projects in progress

Item	Year-ending balance	Year-beginning balance
Projects in progress	3,437,675,023.76	16,425,907,884.24
Engineering materials	252,384,254.69	1,069,351,451.63
Total	3,690,059,278.45	17,495,259,335.87

(1) Projects in progress**① Situation of projects in progress**

Item	Year-ending balance			Year-beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
PIA Project	482,055,552.72	0.00	482,055,552.72	363,615,553.17	0.00	363,615,553.17
Brunei PX Project Phase I	0.00	0.00	0.00	15,124,632,214.51	0.00	15,124,632,214.51
Construction project of Haining New Materials	1,768,344,567.98	0.00	1,768,344,567.98	257,787,261.17	0.00	257,787,261.17
Haining Jianshan Industrial Park cogeneration project	419,125,628.96	0.00	419,125,628.96	80,965,943.90	0.00	80,965,943.90
Fujian Yijin project	51,172,203.07	0.00	51,172,203.07	9,721,591.36	0.00	9,721,591.36
Differential chemical fiber energy-saving and cost-reducing promotion and renovation project	0.00	0.00	0.00	40,662,662.81	0.00	40,662,662.81
Upgrading and reconstruction project of differential functional fiber with an annual output of 500,000 tons	414,122,083.64	0.00	414,122,083.64	304,690,266.76	0.00	304,690,266.76
Other projects	302,854,987.39	0.00	302,854,987.39	243,832,390.56	0.00	243,832,390.56
Total	3,437,675,023.76	0.00	3,437,675,023.76	16,425,907,884.24	0.00	16,425,907,884.24

② Changed conditions of major projects in progress in this year

Project name	Budget (RMB 0,000)	Year-beginning balance	Increased amount in the current year	Fixed assets amount transferred in the current year	Other decreased amounts in the current year	Year-ending balance
PIA Project	35,085.00	363,615,553.17	118,439,999.55	0.00	0.00	482,055,552.72
Brunei PX Project Phase I	\$344,488.00	15,124,632,214.51	10,674,861,002.02	24,761,230,069.98	1,038,263,146.55	0.00
Construction project of Haining New Materials	636,000.00	257,787,261.17	1,510,557,306.81	0.00	0.00	1,768,344,567.98

Project name	Budget (RMB 0,000)	Year-beginning balance	Increased amount in the current year	Fixed assets amount transferred in the current year	Other decreased amounts in the current year	Year-ending balance
Haining Jianshan Industrial Park cogeneration project	83,299.00	80,965,943.90	338,159,685.06	0.00	0.00	419,125,628.96
Fujian Yijin project	15,740.00	9,721,591.36	95,223,362.62	53,772,750.91	0.00	51,172,203.07
Differential chemical fiber energy-saving and cost-reducing promotion and renovation project	8,500.00	40,662,662.81	40,169,266.77	80,831,929.58	0.00	0.00
Upgrading and reconstruction project of differential functional fiber with an annual output of 500,000 tons	227,220.00	304,690,266.76	1,293,529,762.70	1,184,097,945.82	0.00	414,122,083.64
Other projects	--	243,832,390.56	778,802,126.71	719,779,529.88	0.00	302,854,987.39
Total	--	16,425,907,884.24	14,849,742,512.24	26,799,712,226.17	1,038,263,146.55	3,437,675,023.76

(Continued)

Project name	Proportion of the project's cumulative investment in budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Wherein: Interest capitalization amount in the current year	Current year interest capitalization rate (%)	Source of funding
PIA Project	34.00	34.00	2,384,081.29	2,384,081.29	2.01	Self-finance and borrowing
Brunei PX Project Phase I	107.36	100.00	916,796,015.99	639,947,953.48	5.59	Self-finance and borrowing
Construction project of Haining New Materials	63.15	63.15	32,378,584.37	32,172,056.85	4.92	Self-finance and borrowing
Haining Jianshan Industrial Park cogeneration project	79.17	79.17	10,164,909.84	10,091,356.84	5.07	Self-finance and borrowing
Fujian Yijin project	67.00	67.00	1,908,977.49	1,908,977.49	4.79	Self-finance and borrowing
Differential chemical fiber energy-saving and cost-reducing promotion and renovation project	125.15	100.00	0.00	0.00	-	Self-finance

Project name	Proportion of the project's cumulative investment in budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Wherein: Interest capitalization amount in the current year	Current year interest capitalization rate (%)	Source of funding
Upgrading and reconstruction project of differential functional fiber with an annual output of 500,000 tons	70.34	70.34	24,995,655.39	11,081,472.23	7.47	Self-finance and borrowing
Other projects			27,689,421.01	5,212,281.22		
Total			1,016,317,645.38	702,798,179.40		

(2) Project materials

Item	Year-ending balance			Year-beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Special materials	211,770,885.95	0.00	211,770,885.95	1,069,063,287.08	0.00	1,069,063,287.08
Special equipment	40,613,368.74	0.00	40,613,368.74	288,164.55	0.00	288,164.55
Total	252,384,254.69	0.00	252,384,254.69	1,069,351,451.63	0.00	1,069,351,451.63

18. Intangible assets

(1) Intangible assets condition

Item	Land use right	Patent right	Trademark	Software and others	Total
I. Original Book Value					
1. Year-beginning balance	1,223,979,827.14	304,466,500.00	19,740.00	69,999,299.96	1,598,465,367.10
2. Increased amount in the current year	79,864,174.52	345,576,219.74	0.00	38,181,556.96	463,621,951.22
(1) Acquisition	79,864,174.52	345,576,219.74	0.00	37,818,708.09	463,259,102.35
(2) Internal R&D	0.00	0.00	0.00	0.00	0.00
(3) Increase in business merger	0.00	0.00	0.00	0.00	0.00
(4) Investor input	0.00	0.00	0.00	0.00	0.00
(5) Foreign currency conversion	0.00	0.00	0.00	362,848.87	362,848.87
3. Decreased amount in the current year	95,743.37	0.00	0.00	38,207.55	133,950.92
(1) Disposition	95,743.37	0.00	0.00	38,207.55	133,950.92
(2) Foreign currency conversion	0.00	0.00	0.00	0.00	0.00
4. Year-ending balance	1,303,748,258.29	650,042,719.74	19,740.00	108,142,649.37	2,061,953,367.40
II. Accumulated Amortization					
1. Year-beginning balance	130,799,809.21	304,466,500.00	3,483.36	23,100,518.73	458,370,311.30
2. Increased amount in the current year	31,954,730.00	2,868,273.70	4,976.64	11,189,977.88	46,017,958.22
(1) Calculation and withdrawal	31,954,730.00	2,833,654.76	4,976.64	10,979,628.41	45,772,989.81

Item	Land use right	Patent right	Trademark	Software and others	Total
(2) Changes in merger scope	0.00	0.00	0.00	0.00	0.00
(3) Foreign currency conversion	0.00	34,618.94	0.00	210,349.47	244,968.41
3. Decreased amount in the current year	63,980.03	0.00	0.00	0.00	63,980.03
(1) Disposition	63,980.03	0.00	0.00	0.00	63,980.03
(2) Others	0.00	0.00	0.00	0.00	0.00
4. Year-ending balance	162,690,559.18	307,334,773.70	8,460.00	34,290,496.61	504,324,289.49
III. Impairment Reserve					
1. Year-beginning balance	0.00	0.00	0.00	0.00	0.00
2. Increased amount in the current year	0.00	0.00	0.00	0.00	0.00
(1) Calculation and withdrawal	0.00	0.00	0.00	0.00	0.00
3. Decreased amount in the current year	0.00	0.00	0.00	0.00	0.00
(1) Disposition	0.00	0.00	0.00	0.00	0.00
4. Year-ending balance	0.00	0.00	0.00	0.00	0.00
IV. Book Value	0.00	0.00	0.00	0.00	0.00
1. Book value at the end of the year	1,141,057,699.11	342,707,946.04	11,280.00	73,852,152.76	1,557,629,077.91
2. Book value at the beginning of the year	1,093,180,017.93	0.00	16,256.64	46,898,781.23	1,140,095,055.80

(2) Situations about important single-item intangible asset

Item	Book value at the end of the year	Remaining amortization duration (month)
Land use right of Zhejiang Hengyi High-Tech Materials Co., Ltd.	49,662,826.10	461.00
Patent licensing of Hengyi Industries Sdn Bhd	79,185,668.97	119.00
Patent licensing of Hengyi Industries Sdn Bhd	202,737,736.71	119.00
Land use right of Haining Hengyi New Materials Co., Ltd.	74,038,786.84	578.00
Land use right of Ningbo Hengyi Logistics Co., Ltd.	53,171,617.22	511.00
Land use right of Taicang Yifeng Chemical Fiber Co., Ltd.	53,543,046.90	498.00
Land use right of Zhejiang Shuangtu New Materials Co., Ltd.	209,116,007.39	500.00
Land use right of Fujian Yijin Chemical Fiber Co., Ltd.	69,730,833.17	458.00
Land use right of Jiaxing Yipeng Chemical Fiber Co., Ltd.	153,280,570.61	410.00

(3) Situations of intangible assets whose ownership or use right is restricted

Item	Book value at the end of the year	Amortization amount in current year	Reasons for limitation
Land use right	674,889,765.60	17,976,197.89	Mortgage loan

19. Development expenditures

Item	Year-begin	Increase in the current year	Decrease in the current year	Year-ending
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	ning balance	Internal development expenses	Others	Recognized as intangible assets	Transfer to current profits and losses	balance
PTT R&D industrialization project of Henglan Science & Technology	0.00	3,517,300.44	0.00	0.00	0.00	3,517,300.44

20. Goodwill

(1) Original book value of goodwill

Name of the invested unit and matters forming goodwill	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
		Resulted from business merger	Disposal	
Zhejiang Shuangtu New Materials Co., Ltd	221,865,586.69	0.00	0.00	221,865,586.69

(2) Goodwill impairment test process

In Nov. 2018, the Company issued shares with the consideration of RMB 2,105 million to purchase 100% equities of Zhejiang Shuangtu New Materials Co., Ltd. (hereinafter referred to as Shuangtu Company), carried out amortization of merger consideration according to provisions of the accounting code. On the merger date, the purchased party's identifiable net assets' fair value was RMB 1,883.1344 million, so the goodwill became RMB 221.8656 million in the consolidated accounting statement.

In this year, the Company evaluated the recoverable amount of goodwill and carried out impairment tests for asset groups relating to goodwill. During the goodwill impairment test process, the Company determined the asset constitution of asset groups relating to goodwill reflected in the Company's consolidated accounting statement and the book value which was RMB 2,411.2367 million according to the consolidated accounting statement on Dec. 31, 2019 and the asset and operation condition of the merged party Shuangtu Company. Upon the impairment test, the predicted future cash flow's present value of this goodwill and relevant asset groups on Dec. 31, 2019 was RMB 2,464.2939 million, proving that no impairment was incurred. Details are as follows:

Unit: RMB 10,000

Item	Book amount of consolidated statement
Fixed assets	196,818.05
Projects in progress	304.66
Intangible assets	21,708.83
Long-term unamortized expenses	105.66
Goodwill recognized in consolidated statements	22,186.56

Item	Book amount of consolidated statement
Subtotal of book value of goodwill asset group	241,123.76
The value of goodwill not recognized as belonging to minority shareholders	0.00
Including the adjusted book value of goodwill asset group	241,123.76
The present value (recoverable amount) of the asset group's estimated future cash flows	246,429.39

Notes: The prediction of the present value (recoverable amount) of future cash flow of the above asset group referred to the evaluation result of asset evaluation report (ZLPB Zi [2020] No. 612) issued by China United Assets Appraisal Group Co., Ltd. on Apr. 16, 2020.

The recoverable amount of the above asset group was determined according to the present value of predicted future cash flow. The future cash flow was determined based on the profit forecast from 2020 to 2024 approved by the management. It was assumed that the future cash flow of the asset group after 2025 was the same as that of 2024, and a discount rate of 15.07% was applied.

Important assumption conditions of goodwill impairment test:

① No significant changes happen to current macroeconomic, financial and industrial policies as well as other related policies of China;

② No significant changes happen to the social and economic environments of the Company as well as policies on tax levy and tax rate within the future operation period;

③ The Company's asset scale, composition, structure of main business and products, composition of incomes and costs, marketing strategies and cost control can develop as planned and forecasted by the Company;

④ Contracts signed by the Company keep valid and can be fulfilled;

⑤ It was assumed in this impairment test that equipment and relevant assets could be used reasonably, and no shutdown maintenance caused by their improper use was considered;

⑥ It was assumed that the future price fluctuation of main materials (PTA and MEG) is the same as that of products.

21. Long-term unamortized expenses

Item	Year-beginning balance	Increased amount in the current year	Amortization amount in current year	Other decreased amounts	Year-ending balance
Decoration fee	7,117,256.61	0.00	4,124,298.22	18,964.95	2,973,993.44
Exterior wall coating works	63,889.06	1,412,844.04	210,168.37	0.00	1,266,564.73
Workshop reinforcement works	1,377,027.01	0.00	367,207.21	0.00	1,009,819.80
Rental fees	1,691,666.59	0.00	483,333.32	0.00	1,208,333.27
Others	5,979,602.27	4,110,000.00	3,164,128.68	-60,283.53	6,985,757.12

Item	Year-beginning balance	Increased amount in the current year	Amortization amount in current year	Other decreased amounts	Year-ending balance
Catalyst	0.00	668,906,679.07	9,296,089.63	113,570.92	659,497,018.52
Total	16,229,441.54	674,429,523.11	17,645,225.43	72,252.34	672,941,486.88

22. Deferred income tax assets/ deferred income tax liabilities

(1) Details of deferred income tax assets without offset

Item	Year-ending balance		Year-beginning balance	
	Deductible temporary Difference	Deferred income tax assets	Deductible temporary Difference	Deferred income tax assets
Credit impairment loss	39,159,696.42	9,584,045.96	0.00	0.00
Asset impairment provision	20,345,690.78	4,086,183.59	156,743,074.69	36,761,579.81
Fair value changes of trading financial assets	18,508,184.39	4,778,062.35	0.00	0.00
Unrealized profits of internal transaction	108,481,550.28	27,120,387.57	23,583,528.74	5,895,882.19
Accrued expenses	2,211,333.66	552,833.42	0.00	0.00
Deferred incomes	79,871,224.02	19,824,851.74	62,926,919.40	15,578,229.85
Deductible losses	336,276,605.91	84,069,151.49	582,777,102.98	145,694,275.74
Cash flow hedging	13,017,600.00	1,952,640.00	2,239,759.00	559,939.75
Total	617,871,885.46	151,968,156.12	828,270,384.81	204,489,907.34

(2) Details of deferred income tax liabilities without offset

Item	Year-ending balance		Year-beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Estimated appreciation of assets of business merger under the different control	399,780,561.04	99,945,140.27	417,727,808.16	104,431,952.03
Fair value changes of trading financial assets	0.00	0.00	53,304,819.90	11,391,625.27
Difference before one-time income tax deduction for fixed assets	108,490,940.06	27,122,734.93	137,535,650.06	34,383,912.52
Total	508,271,501.10	127,067,875.20	608,568,278.12	150,207,489.82

(3) Details about unrecognized deferred income tax assets

Item	Year-ending balance	Year-beginning balance
Deductible temporary differences	19,373,328.22	58,816,558.04
Deductible losses	522,947,999.94	313,061,842.85

Item	Year-ending balance	Year-beginning balance
Total	542,321,328.16	371,878,400.89

(4) Deductible losses of unconfirmed deferred income tax assets shall expire in the following years

Year	Year-ending balance	Year-beginning balance
2019	--	12,591,806.30
2020	9,055,754.78	28,046,986.36
2021	50,772,045.66	25,847,561.64
2022	33,007,681.86	35,515,529.53
2023	251,186,681.12	211,059,959.02
2024	178,925,836.52	--
Total	522,947,999.94	313,061,842.85

23. Other non-current assets

Item	Year-ending balance	Year-beginning balance
Prepaid project equipment fund	3,796,569,779.95	4,359,140,728.96
Advance payment for transfer of emission rights	10,961,977.73	10,961,977.73
Others	6,192,782.50	2,757,364.90
Total	3,813,724,540.18	4,372,860,071.59

24. Short-term loans

(1) Classification of short-term loans

Item	Year-ending balance	Year-beginning balance
Mortgage loan	8,623,348,275.08	4,107,386,820.00
Mortgage loan	2,919,310,000.00	4,258,600,000.00
Guaranteed loan	11,549,999,620.90	5,398,562,705.01
Credit loan	208,295,861.55	0.00
Loan interest	22,952,249.03	16,453,280.00
Total	23,323,906,006.56	13,781,002,805.01

Notes: For the type and amount of mortgage assets of mortgage loans, refer to Note VI, 65.

For the type and amount of pledge assets of mortgage loans, refer to Note VI, 65.

25. Trading financial liabilities

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
Trading financial liabilities	10,209,921.02	1,399,903.27	10,209,921.02	1,399,903.27
Wherein: Issued trading bonds	0.00	0.00	0.00	0.00
Derivative financial liabilities	10,209,921.02	1,399,903.27	10,209,921.02	1,399,903.27

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
Others	0.00	0.00	0.00	0.00
Be specified as financial liabilities measured at the fair value with changes included in current profits and losses	0.00	0.00	0.00	0.00
Total	10,209,921.02	1,399,903.27	10,209,921.02	1,399,903.27

26. Financial liabilities measured at the fair value with changes included in current profits and losses

Item	Year-ending balance of last year
Trading financial liabilities	10,209,921.02
Wherein: Issued trading bonds	0.00
Derivative financial liabilities	10,209,921.02
Others	0.00
Be specified as financial liabilities measured at the fair value with changes included in current profits and losses	0.00
Total	10,209,921.02

27. Derivative financial liabilities

Item	Year-ending balance	Year-beginning balance
Forward foreign exchange derivatives	0.00	2,239,759.00

28. Notes payable

Type	Year-ending balance	Year-beginning balance
Bank acceptance bill	1,278,572,207.08	1,638,002,963.07
Domestic letter of credit (L/C)	971,722,500.00	1,457,541,400.00
Total	2,250,294,707.08	3,095,544,363.07

29. Accounts payable

(1) List of account payable

Item	Year-ending balance	Year-beginning balance
Within 1 year	9,585,813,194.91	4,684,505,221.96
1-2 years	54,016,044.40	15,155,903.14
2-3 years	7,349,394.36	6,563,341.69
More than 3 years	11,451,246.47	8,719,334.06
Total	9,658,629,880.14	4,714,943,800.85

(2) Important payable payments with account age more than 1 year

Item	Year-ending balance	Reason for outstanding or carry forward
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Hangzhou Huixinzhi Technology Co., Ltd.	6,576,697.25	Unsettled and before the payback expiry
Hangzhou SIASUN Robot & Automation Co., Ltd.	3,390,000.00	Before the warranty expiry
Zhejiang Tuna Corporation	4,304,000.00	Unliquidated
Bay Environmental Technology (Beijing) Corp.	8,849,990.58	Unliquidated
Total	23,120,687.83	--

30. Advance payment

(1) Presentation of advance receipt

Item	Year-ending balance	Year-beginning balance
Within 1 year	561,874,711.40	543,500,863.63
1-2 years	31,467,549.24	3,610,508.89
2-3 years	2,594,233.19	67,719.66
More than 3 years	150,766.79	122,788.56
Total	596,087,260.62	547,301,880.74

(2) Important advance payments with account age more than 1 year

Item	Year-ending balance	Reason for outstanding or carry forward
Shaoxing Lianrong Textile Co., Ltd.	1,199,520.00	Involved in litigation
Yiwu Zijing Clothing Co., Ltd.	21,409,110.00	Involved in litigation
Hangzhou Junlin Textile Co., Ltd.	1,679,188.57	Involved in litigation
Total	24,287,818.57	--

Notes: See Note XIII, 2 for detailed descriptions of relevant litigation matters.

31. Employee remuneration payables

(1) Presentation of employee remuneration payable

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
I. Short-term Remuneration	159,245,642.82	2,099,472,704.74	1,917,612,152.35	341,106,195.21
II. Welfare after Departure	3,686,154.91	91,550,437.74	92,273,017.59	2,963,575.06
Defined Contribution Plan				
III. Dismissal Welfare	0.00	430,575.10	430,575.10	0.00
IV. Other Benefits Due within One Year	0.00	0.00	0.00	0.00
Total	162,931,797.73	2,191,453,717.58	2,010,315,745.04	344,069,770.27

(2) Presentation of short-term employee remuneration

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
1. Salary, bonus, allowance and subsidy	151,903,572.24	1,876,251,110.87	1,699,702,643.07	328,452,040.04
2. Employee services and benefits	0.00	86,664,280.72	86,664,280.72	0.00

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
3. Social insurance charges	2,425,703.75	66,331,346.58	67,110,206.91	1,646,843.42
Wherein: Medical insurance expense	1,890,479.18	57,326,497.29	57,799,204.14	1,417,772.30
Industrial injury insurance expense	282,446.60	3,229,230.02	3,474,671.08	37,005.54
Birth insurance premium	252,777.97	5,775,619.27	5,836,331.69	192,065.55
4. Housing provident fund	0.00	42,652,292.92	41,760,321.57	891,971.35
5. Labor union dues and employee education funds	4,916,366.83	27,572,603.60	22,373,630.03	10,115,340.40
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	1,070.05	1,070.05	0.00
Total	159,245,642.82	2,099,472,704.74	1,917,612,152.35	341,106,195.21

(3) Presentation of defined withdrawal plan

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
1. Basic pension insurance	3,576,396.33	88,172,413.13	88,862,544.07	2,886,265.39
2. Unemployment insurance premium	109,758.58	3,378,024.61	3,410,473.52	77,309.67
3. Enterprise annuity payment	0.00	0.00	0.00	0.00
Total	3,686,154.91	91,550,437.74	92,273,017.59	2,963,575.06

32. Taxes payable

Item	Year-ending balance	Year-beginning balance
Value added tax (VAT)	51,456,001.00	76,907,944.77
Enterprise income tax	214,774,318.58	147,318,804.34
Urban maintenance and construction tax	3,933,259.13	3,771,218.67
Surcharges for education	1,716,934.27	1,617,697.04
Land use tax	12,232,209.40	5,368,725.50
Real estate tax	24,666,900.84	12,767,209.06
Individual income tax	1,341,941.21	7,867,719.73
Stamp duty	3,619,939.70	3,760,732.71
Surcharges for local education	1,143,445.11	1,077,247.44
Security for the disabled	219,444.49	159,280.99
Others	433,712.79	289,091.44
Total	315,538,106.52	260,905,671.69

33. Other payables

Item	Year-ending balance	Year-beginning balance
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Item	Year-ending balance	Year-beginning balance
Interests payable	0.00	0.00
Dividends payable	38,250,759.38	80,000,759.38
Other payables	197,993,341.38	1,141,606,524.29
Total	236,244,100.76	1,221,607,283.67

(1) Dividends payable

Item	Year-ending balance	Year-beginning balance
Ordinary share dividend	759.38	759.38
Dividends payable by subsidiaries to minority shareholders	38,250,000.00	80,000,000.00
Total	38,250,759.38	80,000,759.38

(2) Other payable**① List as per the nature of payment**

Item	Year-ending balance	Year-beginning balance
Intercourse funds	9,823,407.60	927,971,749.21
Deposit and guarantee deposit	84,305,935.72	65,540,924.99
Fund of unsettled expenses	28,582,313.96	20,332,220.79
Equity incentive buyback obligation	55,450,720.00	125,771,720.00
Receipts under custody	179,115.43	0.00
Others	19,651,848.67	1,989,909.30
Total	197,993,341.38	1,141,606,524.29

② List as per account age

Item	Year-ending balance	Year-beginning balance
Within 1 year	111,860,545.15	988,871,670.66
1-2 years	15,446,777.82	124,497,721.78
2-3 years	59,015,418.54	1,339,431.87
More than 3 years	11,670,599.87	26,897,699.98
Total	197,993,341.38	1,141,606,524.29

③ Important other payables with account age more than 1 year

Item	Year-ending balance	Reason for outstanding or carry forward
Zhejiang Yasha Decoration Co., Ltd	5,195,500.00	Unliquidated
Equity incentive buyback obligation	55,450,720.00	Equity incentive not unlocked
Total	60,646,220.00	--

34. Non-current liabilities due within one year

Item	Year-ending balance	Year-beginning balance
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Mature long-term loans and interests within 1 year (Note VI, 35)	651,999,161.28	529,429,110.71
Mature bonds payable and interests within 1 year (Note VI, 36)	179,587,499.88	139,412,499.97
Mature long-term payables and interests within 1 year (Note VI, 37)	674,420,973.26	611,388,394.97
Total	1,506,007,634.42	1,280,230,005.65

35. Long-term loans

Item	Year-ending balance	Year-beginning balance
Mortgage loan	12,591,548,759.98	10,113,084,000.02
Guaranteed loan	773,564,066.31	114,000,000.00
Interests payable	20,188,896.12	16,787,110.71
Minus: Mature long-term loans within 1 year (Note VI, 34)	651,999,161.28	529,429,110.71
Total	12,733,302,561.13	9,714,442,000.02

Notes: For the type and amount of mortgage assets of mortgage loans, refer to Note VI, 65.

For the type and amount of pledge assets of mortgage loans, refer to Note VI, 65.

36. Bonds payable

(1) Bonds payable

Item	Year-ending balance	Year-beginning balance
Corporate bonds	3,989,762,031.71	2,988,354,527.85

(2) Decrease and increase of bonds payable (excluding other financial instruments divided as financial liabilities, such as preferred share, perpetual bond).

Name of bond	Face value	Issued date	Maturity of bond	Issuing amount	Year-beginning balance
One Belt and Road" Corporate Bonds	500,000,000.00	Mar. 22, 2018	3 years	497,500,000.00	522,363,340.61
Corporate bond (the first issue)	1,000,000,000.00	Mar. 22, 2018	3 years	995,000,000.00	1,047,041,029.51
Corporate bond (the second issue)	1,500,000,000.00	Apr. 19, 2018	3 years	1,492,500,000.00	1,558,362,657.70
Corporate bond (19 Hengyi 01)	500,000,000.00	Mar. 26, 2019	3 years	497,750,000.00	0.00
Corporate bond (19 Hengyi 02)	500,000,000.00	Jun. 4, 2019	3 years	497,750,000.00	0.00
Sub-total	4,000,000,000.00	--	--	3,980,500,000.00	3,127,767,027.82
Minus: Year-ending balance of bond which will be mature within one year (Note VI, 34)					139,412,499.97
Total	4,000,000,000.00	--	--	3,980,500,000.00	2,988,354,527.85

(Continued)

Name of bond	Amount issued of current year	Withdraw interest based on face value	Amortization of premium and discount	Repayment of current year	Paid interest current year	Year-ending balance
One Belt and Road" Corporate	0.00	32,349,999.96	849,124.74	0.00	32,350,000.00	523,212,465.31

Name of bond	Amount issued of current year	Withdraw interest based on face value	Amortization of premium and discount	Repayment of current year	Paid interest current year	Year-ending balance
Bonds						
Corporate bond (the first issue)	0.00	67,800,000.00	1,687,754.98	0.00	67,800,000.00	1,048,728,784.49
Corporate bond (the second issue)	0.00	96,450,000.00	2,476,729.09	0.00	96,450,000.00	1,560,839,386.79
Corporate bond (19 Hengyi 1)	497,750,000.00	23,924,999.97	536,272.00	0.00	0.00	522,211,271.97
Corporate bond (19 Hengyi 2)	497,750,000.00	16,249,999.98	357,623.05	0.00	0.00	514,357,623.03
Sub-total	995,500,000.00	236,774,999.91	5,907,503.86	0.00	196,600,000.00	4,169,349,531.59
Minus: Year-ending balance of bond which will be mature within one year (Note VI, 34)						179,587,499.88
Total	995,500,000.00	236,774,999.91	5,907,503.86	0.00	196,600,000.00	3,989,762,031.71

37. Long-term payables

Item	Year-ending balance	Year-beginning balance
Long-term payables	883,441,367.14	987,585,147.52
Special payables	0.00	0.00
Total	883,441,367.14	987,585,147.52

(1) Long-term payables

Item	Ending balance	Year-beginning balance
Financial leasing outlay payable	1,557,862,340.40	1,598,973,542.49
Minus: Part due within one year (Note VI, 34)	674,420,973.26	611,388,394.97
Total	883,441,367.14	987,585,147.52

38. Estimated liabilities

Item	Year-beginning balance	Year-ending balance	Cause
Pending litigation	433,932.50	2,645,266.16	See Note XIII, 2 for details

39. Deferred incomes

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance	Cause
Government subsidies	88,873,174.41	121,477,300.00	11,439,029.19	198,911,445.22	Related to assets

Items involving government subsidies:

Subsidy items	Year-beginning	Newly	Non-opera	Other	Other	Year-ending	Related
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	balance	increased subsidy amount in the current year	ting income in the current year	income amounts included in current year	changes	balance	to assets/in comes
Tax refund of fixed assets	8,257,797.03	0.00	0.00	2,678,204.42	0.00	5,579,592.61	Related to assets
Revitalization in key industries and technological transformation within central budget for infrastructure capital	2,750,000.00	0.00	0.00	600,000.00	0.00	2,150,000.00	Related to assets
2013 industry revitalization and technological transformation project	10,583,333.25	0.00	0.00	1,587,500.00	0.00	8,995,833.25	Related to assets
Functional fiber technological transformation project (annual output of 20,000t)	1,121,119.70	0.00	0.00	151,162.20	0.00	969,957.50	Related to assets
Functional fiber technological transformation project (annual output of 45,000t)	2,314,630.03	0.00	0.00	298,667.16	0.00	2,015,962.87	Related to assets
Pollution source automatic monitoring subsidy project	2,187,500.00	0.00	0.00	170,707.37	0.00	2,016,792.63	Related to assets
Major industry projects dedicated incentive fund	38,827,364.92	0.00	0.00	2,013,757.45	0.00	36,813,607.47	Related to assets
Subsidy for waste water system	38,500.00	0.00	0.00	3,500.03	0.00	34,999.97	Related to assets
Subsidy for waste gas system	228,375.00	0.00	0.00	21,750.00	0.00	206,625.00	Related to assets
Land compensation for Haining New Materials	0.00	100,000,000.00	0.00	0.00	1,500,000.00	98,500,000.00	Related to assets
The first batch of key technological	22,564,554.48	0.00	0.00	2,066,982.08	0.00	20,497,572.40	Related to assets

transformation capital of 2018 - differential chemical fiber technological transformation project (annual output of 0.4 million t)							
The second batch of intelligent manufacturing assisting capital of 2018 at the district level - differential chemical fiber technological transformation project (annual output of 0.4 million) - DTY intelligent manufacturing workshop (annual output of 67,000t)	0.00	20,000,000.00	0.00	277,777.78	0.00	19,722,222.22	Related to assets
The first batch of industrial robot purchase assisting capital of 2018	0.00	925,700.00	0.00	65,190.14	0.00	860,509.86	Related to assets
The second batch of industrial robot purchase assisting capital of 2018	0.00	551,600.00	0.00	3,830.56	0.00	547,769.44	Related to assets
Total	88,873,174.41	121,477,300.00	0.00	9,939,029.19	1,500,000.00	198,911,445.22	

40. Share capital

Item	Year-beginning balance	Increase-decrease amount of current year (+, -)					Year-ending balance
		New issue of shares	Share donation	Provident fund converted into share capital	Others	Subtotal	
Total shares	2,627,957,359.00	213,768,115.00	0.00	0.00	0.00	213,768,115.00	2,841,725,474.00

Notes: According to resolution of the 9th meeting of the 10th Board of Directors of the Company on Mar. 15, 2018, resolution of the 14th meeting of the 10th Board of Directors on May 4, 2018, resolution of the 20th meeting of the 10th Board of Directors on Oct. 15, 2018 and resolution

of the 4th temporary shareholders' meeting on May 21, 2018 and with the approval of *Approval Reply to Share Issuing of Hengyi Petrochemical Co., Ltd. to Zhejiang Hengyi Group Co., Ltd. and Other Companies To Purchase Assets and Raise Supporting Capitals* (ZJXK [2018] No. 1937) issued by China Securities Regulatory Commission, the Company was approved to raise supporting capital of no more than RMB 3 billion in the way of non-public issuing of shares. In this time of non-public issuing of shares, 213,768,115 common shares (par value per share of RMB 1, price per share of RMB 13.80/share) in RMB were issued on Jan. 30, 2019. Capital premium generated was RMB 2,699,242,468.21.

41. Capital reserves

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
Capital premium	10,027,623,755.81	2,922,196,468.70	927,262,108.07	12,022,558,116.44
Other capital reserves	221,220,408.57	78,293,934.29	0.00	299,514,342.86
Simulation of equity structure and amount and capital reserve generated	-2,329,301,104.61	0.00	0.00	-2,329,301,104.61
Total	7,919,543,059.77	3,000,490,402.99	927,262,108.07	9,992,771,354.69

Note 1: See Note VI - 40 for details of capital premium of supporting capitals raised by non-public issuing of shares.

Note 2: On Dec. 31, 2019, the Company carried out optimal estimation of the quantity of vesting equity instruments of the first phase and the second phase of restricted stock incentive plan, corrected the quantity of stock options with predicted vesting, included services obtained within the current period into relevant expense and capital reserves according to the fair value on the restricted share authorization date. Upon estimation, the share payment cost of 2019 was RMB 31,585,895.83, corresponding to an increase of "capital reserve - other capital reserve" of RMB 31,585,895.83.

Note 3: In 2019, merger of companies under the same control happened to the Company, beginning capital reserve of RMB 650,000,000.00 was added, corresponding to offset of such a part of capital reserve in this issue; In addition, capital reserve of RMB 198,469,123.04 was decreased on the merger date to make up the difference between initial investment costs of long-term equity investment and net book asset of the merged party, and capital reserve of RMB -41,469,123.04 was decreased for recovering the retained earnings of the merged party realized before business merger.

42. Treasury share

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
Inventory shares relating to responsible buyback of restricted shares	125,771,720.00	0.00	70,321,000.00	55,450,720.00

Note 1: On Jun. 18, 2019, the Company unlocked incentive objects' 30% restricted shares meeting the unlocking conditions of the second unlocking phase in the second phase of restricted stock incentive plan, that is 11,739,000 (after ex-right) restricted shares, corresponding to a decrease of inventory shares of RMB 55,341,000.00.

Note 2: On Aug. 29, 2019, the Company unlocked incentive objects' 25% restricted shares meeting the unlocking conditions of the fourth unlocking phase in the first phase of restricted stock incentive plan, that is 3,920,000 (after ex-right) restricted shares, corresponding to a decrease of inventory shares of RMB 14,980,000.00.

43. Other comprehensive incomes

Item	At the beginning of the year Balance	Accrual in the current year					At the end of the year Balance
		Current year Pre-income tax accrual	Minus: Current transfer-in profits and losses included into other comprehensive incomes in the prior period	Minus: Income tax expenses	Belong to parent company after tax	Belonging to minority shareholders after tax	
I. Other Comprehensive Incomes that Cannot Be Reclassified into Profits and Losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Wherein:							
Re-measurement of changed amount in the defined benefit plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive incomes that cannot be transferred into profit and loss under the equity method	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other Comprehensive Incomes that Can Be Reclassified into	100,082,637.81	327,018,051.06	-1,679,819.25	1,952,640.00	235,540,670.82	95,109,839.49	335,623,308.63

Item	At the beginning of the year Balance	Accrual in the current year					At the end of the year Balance
		Current year Pre-income tax accrual	Minus: Current transfer-in profits and losses included into other comprehensive incomes in the prior period	Minus: Income tax expenses	Belong to parent company after tax	Belonging to minority shareholders after tax	
Profits and Losses							
Wherein: Other comprehensive incomes that can be transferred into profit and loss under the equity method	36,691,999.64	45,266,348.70	0.00	0.00	36,964,530.57	8,301,818.13	73,656,530.21
Changes in fair value gains and losses of available-for-sale financial asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Held-to-maturity investment profits and losses that may be reclassified as available-for-sale financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective part of profit and loss in cash flow hedging	-1,175,873.48	156,478,011.22	-1,679,819.25	1,952,640.00	109,790,202.10	50,320,268.37	108,614,328.62
Translation balance of foreign currency Financial Statement	64,566,511.65	125,273,691.14	0.00	0.00	88,785,938.15	36,487,752.99	153,352,449.80
Total of other comprehensive incomes	100,082,637.81	327,018,051.06	-1,679,819.25	1,952,640.00	235,540,670.82	95,109,839.49	335,623,308.63

44. Special reserves

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
Safety production cost	0.00	56,346,557.41	56,346,557.41	0.00

Notes: Reserve increase and decrease within this reporting period involve calculated and withdrawn safety production expenses.

45. Surplus reserves

Item	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance
Statutory surplus reserves	483,115,739.87	76,131,765.66	0.00	559,247,505.53

Notes: According to the provisions of *Company Law* and Articles of Association of the Company, the Company shall withdraw the statutory surplus reserve according to the 10% of net profit. The accumulated amount to the Company's statutory surplus reserve cannot be waived once the surplus reserves therein exceeds 50% of the Company's registered capital.

46. Undistributed profits

Item	Current year	Last year
Undistributed profits before at the end of last year before adjustment	7,358,146,155.19	6,023,656,484.03
Adjustment of the undistributed profits at the beginning of the year (increase+, decrease-)	0.00	0.00
Undistributed profits at the beginning and end of the year after adjustment	7,358,146,155.19	6,023,656,484.03
Plus: Net profits attributable to the parent company shareholders this year	3,201,348,425.33	1,872,494,729.34
Minus: Withdrawal of statutory surplus reserves	76,131,765.66	118,585,060.01
Withdrawal of any surplus reserves	0.00	0.00
Withdraw of general risk reserves	0.00	0.00
Common stock dividends payable	852,009,740.40	419,684,872.40
Common stock dividends transferred to share capital	0.00	0.00
Plus: Others	-52,261,583.31	264,874.23
Undistributed profit at the end of the year	9,579,091,491.15	7,358,146,155.19

47. Operating revenue and costs

Item	Accrual in the current year		Accrual in last year	
	Income	Cost	Income	Cost
Main business	78,994,427,068.89	73,516,302,718.49	87,506,240,188.64	84,333,955,581.40
Other businesses	626,116,562.85	478,530,994.44	559,575,347.32	428,916,834.10
Total	79,620,543,631.74	73,994,833,712.93	88,065,815,535.96	84,762,872,415.50

48. Taxes and surcharges

Item	Accrual in the current year	Accrual in last year
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Item	Accrual in the current year	Accrual in last year
Consumption tax	739,383.34	5,067.11
Urban maintenance and construction tax	59,857,919.21	27,464,660.01
Surcharges for education	25,854,989.49	11,996,854.63
Real estate tax	28,776,229.56	14,624,526.03
Land use tax	13,190,509.79	12,268,685.73
Vehicle and vessel use tax	85,915.97	103,505.90
Stamp duty	38,139,424.50	34,743,011.33
Surcharges for local education	16,948,846.22	7,623,060.08
Others	1,547,481.02	1,237,306.35
Total	185,140,699.10	110,066,677.17

Notes: See Note V, Tax Item for calculating standard of taxes and surcharges.

49. Sales expenses

Item	Accrual in the current year	Accrual in last year
Transportation fees	287,238,464.56	207,061,084.38
Import and export fees	14,112,141.18	15,547,961.51
Employee remuneration	106,116,142.88	58,237,305.39
Transportation premium	4,167,047.84	4,071,100.55
Storage fees	11,265,981.52	28,009,106.94
Business entertainment fees	1,841,741.38	2,058,775.78
Travel fees	7,585,453.12	5,048,036.14
Vehicle fees	1,044,731.77	1,594,598.22
Rental fees	2,366,968.17	1,161,263.03
Office fees	1,296,787.01	1,123,040.89
Handling fees	6,342,651.87	5,242,105.99
Others	12,457,874.48	8,015,297.67
Total	455,835,985.78	337,169,676.49

50. Administrative fees

Item	Accrual in the current year	Accrual in last year
Employee remuneration	354,806,855.56	314,056,087.61
Amortization expense of intangible assets	30,419,072.08	31,599,706.98
Fixed asset depreciation expenses	54,679,441.36	38,778,128.44
Business entertainment fees	6,623,777.30	7,600,487.02
Vehicle fees	10,287,128.69	11,461,550.12
Environmental protection fees	12,280,420.34	8,777,708.57

Item	Accrual in the current year	Accrual in last year
Office fees	11,613,948.55	11,833,883.01
Intermediary organ expenses	13,395,457.02	27,962,670.90
Factory shutdown losses	2,691,012.11	4,122,593.17
Travel fees	8,231,142.22	9,113,964.00
Rental fees	18,154,915.16	21,716,341.03
Demission welfare	933,965.69	1,539,496.77
Decoration fee	4,090,370.09	6,732,467.35
Others	55,144,371.97	36,410,178.17
Total	583,351,878.14	531,705,263.14

51. Research and development expenses

Item	Accrual in the current year	Accrual in last year
Direct input expenses	283,464,492.03	234,430,141.65
Employee remuneration	77,361,355.81	28,075,069.02
Depreciation expenses	16,220,031.68	16,634,432.40
Technology innovation expenses	37,236,839.44	0.00
Other expenses	78,457,553.00	342,828.89
Total	492,740,271.96	279,482,471.96

52. Financial expenses

Item	Accrual in the current year	Accrual in last year
Interest expenditure	1,027,006,241.84	655,468,751.56
Minus: Interest income	149,594,194.71	100,895,316.35
Exchange gains and losses	31,115,541.83	146,973,306.71
Bank charges	100,497,309.11	72,727,499.77
Others	2,672,626.64	1,294,737.01
Total	1,011,697,524.71	775,568,978.70

53. Other incomes

Item	Accrual in the current year	Accrual in last year	Amount accounted in non-recurring profits and losses of the current year
Government subsidies relevant to daily enterprise activities	475,243,984.43	149,860,207.17	419,993,104.43
Return of handling fee for withholding personal income tax	72,292.94	264,524.67	72,292.94
Total	475,316,277.37	150,124,731.84	420,065,397.37

Wherein, details about government subsidies relating to daily activities of enterprises are shown as below:

Item	Accrual in the current year	Accrual in last year	Amount accounted in non-recurring profits and losses of the current year	Related to assets/incomes
Government subsidies related to assets	9,939,029.19	7,936,537.27	9,939,029.19	Related to assets
Corporate bond issuance reward	1,000,000.00	0.00	1,000,000.00	Related to incomes
Ningbo Meishan fiscal support fund	81,710,000.00	7,430,000.00	81,710,000.00	Related to incomes
Modern trade fiscal subsidy	1,274,900.00	0.00	1,274,900.00	Related to incomes
Support fund for excellent management of enterprise	24,712,000.00	13,799,000.00	24,712,000.00	Related to incomes
Subsidy for post stabilization	3,241,157.15	1,285,895.65	3,241,157.15	Related to incomes
Special funds for scientific and technological development	1,200,000.00	0.00	1,200,000.00	Related to incomes
Economic support fund of the headquarters	1,516,200.00	246,800.00	1,516,200.00	Related to incomes
Investment subsidy	3,700,000.00	0.00	3,700,000.00	Related to incomes
Environmental protection subsidy income	6,296,300.00	1,020,000.00	6,296,300.00	Related to incomes
Intelligent manufacturing support fund	12,549,410.00	0.00	12,549,410.00	Related to incomes
Returned social insurance premium	29,964,923.48	0.00	29,964,923.48	Related to incomes
Foreign trade support fund	15,206,430.93	232,400.00	15,206,430.93	Related to incomes
Returned VAT	55,270,580.10	56,569,440.00	19,700.10	Related to incomes
Longteng enterprise income	34,760,000.00	0.00	34,760,000.00	Related to incomes
Reward for targeted increase of output of industrial enterprise	1,500,000.00	0.00	1,500,000.00	Related to incomes
Circulating transformation subsidy	147,300.00	3,024,800.00	147,300.00	Related to incomes
Sales volume improvement subsidy	42,443,900.00	21,688,300.00	42,443,900.00	Related to incomes
2019 returned subsidy fund of the headquarters	135,818,700.00	0.00	135,818,700.00	Related to incomes
Return of real estate tax of troubled enterprise	1,756,184.67	0.00	1,756,184.67	Related to incomes
Fund for steady increase and transformation promotion	0.00	2,379,137.00	0.00	Related to incomes
Industry and informatization subsidy	0.00	1,500,000.00	0.00	Related to incomes
Fund for industry structure adjustment	0.00	26,590,000.00	0.00	Related to incomes
Hangzhou 2017 key industry investment project support fund	0.00	2,308,500.00	0.00	Related to incomes
Others	11,236,968.91	3,849,397.25	11,236,968.91	Related to incomes
Total	475,243,984.43	149,860,207.17	419,993,104.43	--

Notes: See details of asset related government subsidies in Note VI, Notes to items of consolidated financial statement 39 - deferred incomes.

54. Return on investment

Item	Accrual in the current year	Accrual in last year
Long-term equity investment income calculated by equity method	1,086,988,500.99	997,092,991.51
Investment revenue from disposal of financial assets measured at the fair value with its changes included into the current profits and losses	—	98,502,854.78
Investment income obtained from disposal of tradable financial assets	408,510,501.70	—
Investment income of financial products	9,171,643.84	209,515.47
Total	1,504,670,646.53	1,095,805,361.76

55. Incomes from changes in fair value

Source of revenues from fair value changes	Accrual in the current year	Accrual in last year
Financial assets measured at the fair value with changes included in current profits and losses	-57,665,599.55	33,977,850.06
Wherein: Income from changes in fair value produced by derivative financial instruments	-57,612,799.55	33,975,050.06
Financial liabilities measured at the fair value with changes included in current profits and losses	-1,399,903.27	54,545,362.63
Hedging business	222,520.00	19,172,394.30
Total	-58,842,982.82	107,695,606.99

56. Credit impairment loss

Item	Accrual in the current year
Bad debt loss of accounts receivable	-7,212,019.91
Bad debt loss of other accounts receivable	-2,964,287.29
Total	-10,176,307.20

57. Asset impairment losses

Item	Accrual in the current year	Accrual in last year
Bad debt loss	—	-1,779,422.28
Losses on inventory depreciation	-20,345,690.78	-137,501,922.10
Total	-20,345,690.78	-139,281,344.38

58. Income from asset disposal

Item	Accrual in the current year	Accrual in last year	Amount accounted in non-recurring profits and losses of the current year
Gains or losses on disposal of fixed assets	1,543,684.20	1,295,608.39	1,543,684.20

59. Non-operating income

Item	Accrual in the current year	Accrual in last year	Amount accounted in non-recurring profits and losses of the current year
Profits from damage and scrap of non-current assets	879,955.30	36,811.55	879,955.30
Wherein: Fixed assets	879,955.30	36,811.55	879,955.30
Intangible assets	0.00	0.00	0.00
Government subsidies irrelevant to daily enterprise activities	2,479,600.00	12,544,500.00	2,479,600.00
Indemnity and fine incomes	2,624,761.68	2,717,369.36	2,624,761.68
Others	5,715,542.57	4,352,947.26	5,715,542.57
Total	11,699,859.55	19,651,628.17	11,699,859.55

Wherein, details of government subsidies are as follows:

Subsidy items	Accrual in the current year	Accrual in last year	Related to assets/profits
Investment promotion subsidy	2,323,600.00	0.00	Related to incomes
Financial rewards	0.00	12,210,000.00	Related to incomes
Others	156,000.00	334,500.00	Related to incomes
Total	2,479,600.00	12,544,500.00	

60. Non-operating expenses

Item	Accrual in the current year	Accrual in last year	Amount accounted in non-recurring profits and losses of the current year
Losses from damage and scrap of non-current assets	4,235,205.01	1,782,190.34	4,235,205.01
Wherein: Fixed assets	4,235,205.01	1,782,190.34	4,235,205.01
Intangible assets	0.00	0.00	0.00
Liquidated damages expenditure	13,538,103.19	0.00	13,538,103.19
Expenditure of external donation	7,325,000.00	395,000.00	7,325,000.00
Overdue fine and fine	426,868.22	564,452.54	426,868.22
Material abandonment loss	0.00	874,731.91	0.00
Others	4,218,104.74	1,427,704.53	4,218,104.74
Total	29,743,281.16	5,044,079.32	29,743,281.16

61. Income tax expenses

(1) Income Tax Expenses Table

Item	Accrual in the current year	Accrual in last year
Income tax expenses in the current period	722,823,772.31	357,863,668.25
Deferred income tax expense	27,559,939.95	-12,529,683.75

Item	Accrual in the current year	Accrual in last year
Total	750,383,712.26	345,333,984.50

(2) Adjustment process of accounting profit and income tax expenses

Item	Accrual in the current year
Total profits	4,771,065,764.81
Income tax expenses at statutory/applicable tax rate	1,192,766,441.20
Influence of subsidiaries' application of different tax rates	-242,935,817.94
Influence of income tax before the adjustment	904,244.57
Influence of non-taxable income	-224,857,211.53
Influence of non-deductible costs, expenses and losses	5,376,047.34
Influence from use of the deductible loss in unrecognized deferred income tax assets in the prior period	-7,886,830.76
Impact of the deductible temporary difference or the deductible loss of deferred income tax assets in the current period	71,769,937.83
Changes of deferred income tax assets/ liabilities balance caused by adjustment of the tax rate	0.00
Take into consideration of impacts of deduction of costs, expenses and other items for which the tax law allows to be deducted	-41,841,725.68
Others	-2,911,372.77
Income tax expenses	750,383,712.26

62. Other comprehensive incomes

See Note VI, 43 for details.

63. Items of cash flow statement

(1) Other cash received related to operating activities

Item	Accrual in the current year	Accrual in last year
Intercourse funds	408,307,405.30	60,586,249.93
Cash deposit and deposit	306,833,295.30	85,898,005.88
Government subsidies	396,808,447.53	122,409,086.97
Interest income	82,234,799.71	57,474,172.99
Indemnity and fine	40,678,600.84	5,017,249.49
Others	7,837,782.00	7,927,063.67
Judicial freezing	12,063,260.00	0.00
Total	1,254,763,590.68	339,311,828.93

(2) Other cash paid related to operating activities

Item	Accrual in the current year	Accrual in last year
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Item	Accrual in the current year	Accrual in last year
Intercourse funds	364,117,361.34	78,623,554.21
Transportation fees	37,110,229.43	186,543,521.52
Import and export fees	14,107,520.40	15,566,238.12
Bank charges	81,303,349.58	60,705,458.40
Business entertainment fees	9,377,228.14	9,406,970.54
Vehicle fees	15,950,925.53	13,058,516.78
Environmental protection fees	9,434,786.21	4,602,185.26
Security deposit	280,521,099.73	72,455,841.90
Transportation premium	5,479,202.43	4,313,155.99
Storage fees	10,305,368.18	29,518,966.99
Agency fees	17,736,843.14	30,146,293.48
Travel fees	16,324,152.38	13,963,952.65
Rental fees	36,436,179.51	37,558,533.65
Judicial freezing amount	4,362,940.59	16,948,700.00
Decoration fee	90,359.45	6,497,390.87
Others	102,612,776.87	62,306,483.35
Total	1,005,270,322.91	642,215,763.71

(3) Other cash received related to investment activities

Item	Accrual in the current year	Accrual in last year
Received borrowing repaid by Hengyi Group	0.00	581,757,626.10
Received borrowing repaid by Hainan Yisheng	0.00	720,000,000.00
Interest income of entrusted loans and borrowings of affiliated parties	28,595,691.66	40,409,112.78
Net cash paid for acquiring subsidiaries and other business units	0.00	16,777,369.59
Recovery of future guarantee deposit	79,801,680.00	0.00
Others	241,643.84	3,524,442.00
Total	108,639,015.50	1,362,468,550.47

(4) Other cash paid related to investment activities

Item	Accrual in the current year	Accrual in last year
Futures margin	79,801,680.00	0.00
Lending of Hengyi Group	0.00	581,757,626.10
Lending of Hainan Yisheng	0.00	720,000,000.00
Total	79,801,680.00	1,301,757,626.10

(5) Other cash received related to financing activities

Item	Accrual in the current year	Accrual in last year
Recovery of monetary capital pledged for financing	304,452,606.17	123,984,642.69
Recovery fund of financing-based leaseback	1,196,520,000.00	1,616,239,833.34
Borrowing of Hengyi Group	4,318,029,097.80	14,239,483,083.33
Others	110,080.00	0.00
Total	5,819,111,783.97	15,979,707,559.36

(6) Other cash paid related to financing activities

Item	Accrual in the current year	Accrual in last year
Monetary capital pledged for financing	1,052,032,389.74	1,012,469,765.18
Repayment of the principal and interest of borrowings of Hengyi	5,038,148,374.77	14,468,724,741.06
Restricted stock repurchase	0.00	2,935,030.00
Rental fee paid for financing-based leaseback	1,282,555,605.37	234,443,595.87
Rent handling fee for financing-based leaseback	2,820,000.00	40,694,727.00
Rent security deposit for financing-based leaseback	34,400,000.00	0.00
Handling fee of loan	47,383,720.97	0.00
Share related expenses accrued	1,066,110.90	9,560,016.79
Repayment of borrowing of Hengming	200,000,000.00	0.00
Others	5,288,284.00	10,708,753.73
Total	7,663,694,485.75	15,779,536,629.63

64. Supplementary materials of cash flow statement

(1) Supplementary materials of cash flow statement

Supplementary materials	Amount of the current year	Amount of the last year
1. Adjust the net profit into the cash flow of operating activities:		
Net profit	4,020,682,052.55	2,153,863,581.95
Plus: Asset impairment provision	20,345,690.78	139,281,344.38
Credit impairment loss	10,176,307.20	0.00
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	1,444,727,503.50	1,053,644,134.12
Amortization of intangible assets	38,526,350.10	33,443,275.12
Amortization of long-term deferred expenses	16,679,225.43	3,206,172.48
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is indicated by "-")	-1,543,684.20	-1,295,608.39
Scrap loss of fixed assets (income is expressed with "-")	3,355,249.71	1,745,378.79
Loss on changes in fair value (income is expressed with "-")	58,842,982.82	-107,695,606.99

Supplementary materials	Amount of the current year	Amount of the last year
Financial expenses (income is expressed with "-")	987,661,917.78	699,325,347.96
Loss of investment (income is expressed with " —")	-1,504,670,646.53	-1,095,805,361.76
Decrease in deferred income tax assets (increase is expressed with "-")	53,914,451.47	-50,566,378.30
Increase in deferred income tax liabilities (decrease is expressed with "-")	-23,139,614.62	38,285,995.13
Decrease in inventories (increase is expressed with "-")	-6,082,546,523.71	-227,219,168.01
Decrease in operating receivables (increase is expressed with "-")	-4,666,491,715.22	-156,495,445.53
Increase in operating payables (decrease is expressed with "-")	5,359,472,777.79	-969,416,915.88
Others	151,925,946.99	92,777,863.16
Net cash flows from operating activities	-112,081,728.16	1,607,078,608.23
2. Major investment and financing activities not involving cash receipts and expenditures:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Year-ending balance of cash	4,473,024,730.27	6,536,137,341.30
Minus: Year-beginning balance of cash	6,536,137,341.30	3,546,911,442.70
Plus: Year-ending balance of cash equivalents		
Minus: Year-beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-2,063,112,611.03	2,989,225,898.60

(2) The constitution of cash and cash equivalent

Item	Year-ending balance	Year-beginning balance
I. Cash	4,473,024,730.27	6,536,137,341.30
Wherein: Cash on hand	2,279,461.41	117,675,545.17
Bank deposits available for payment at any time	3,816,448,403.42	6,154,384,723.04
Other monetary capitals for payment at any time	654,296,865.44	264,077,073.09
Deposit in the central bank available for payment	0.00	0.00
Due from banks	0.00	0.00
Loans from banks	0.00	0.00
II. Cash Equivalents	0.00	0.00
Wherein: Bond investments maturing within three months	0.00	0.00
III. Balance of Cash and Cash Equivalents at the End of the Year	4,473,024,730.27	6,536,137,341.30
Wherein: use of restricted cash and cash equivalents by	0.00	0.00

Item	Year-ending balance	Year-beginning balance
parent company or subsidiaries within the Company		

65. Assets with ownership and used right restricted

Item	Book value at the end of the year	Reasons for limitation
Monetary capital	2,956,278,639.08	Security deposit
Monetary capital	10,525,468.59	Judicial freezing
Notes receivable and receivables financing	281,155,185.63	Pledging and opening of the acceptance bill
Long-term equity investments	5,032,636,297.11	Mortgage loan
Fixed assets	1,780,351,651.00	Leaseback finance lease
Fixed assets	23,101,040,184.83	Mortgage loan
Intangible assets	674,889,765.60	Mortgage loan
Total	33,836,877,191.84	--

66. Foreign currency monetary items**(1) Monetary items of foreign currency**

Item	Year-end foreign currency balance	Conversion rate	Year-end conversion RMB balance
Monetary capital			
Wherein: USD	272,473,370.08	6.9762	1,900,828,688.78
EUR	10,592.68	7.8155	82,787.09
HKD	71,621.48	0.8957	64,154.53
BND	2,168,288.48	5.1739	11,218,507.77
SGD	479,531.65	5.1739	2,481,048.81
Accounts receivable			
Wherein: USD	852,672,243.94	6.9762	5,948,412,108.54
BND	1,195,207.71	5.1739	6,183,885.17
Other receivables			
Wherein: USD	60,608,150.13	6.9762	422,814,576.94
BND	3,872,007.78	5.1739	20,033,381.06
SGD	213,602.15	5.1739	1,105,156.16
Short-term loans			
Wherein: USD	1,229,209,378.59	6.9762	8,575,210,466.92
Accounts payable			

Item	Year-end foreign currency balance	Conversion rate	Year-end conversion RMB balance
Wherein: USD	695,461,169.37	6.9762	4,851,676,209.94
BND	2,751,356.79	5.1739	14,235,244.90
EUR	22,710,626.66	7.8155	177,495,218.77
Other payables			
Wherein: USD	781,115,996.18	6.9762	5,449,221,412.54
BND	1,210,564.77	5.1739	6,263,341.07
Long-term loans			
Wherein: USD	1,657,512,508.24	6.9762	11,563,138,760.00
EUR	59,441,375.00	7.8155	464,564,066.31

67. Hedging

Please refer to Note VI, 4 Note to derivative financial asset items.

68. Government subsidies

(1) Basic information of government subsidies

Type	Amount	Listed and reported items	Amount included in the current profits and losses
Government subsidies related to income and used to compensate for related costs or losses incurred by the enterprises	465,304,955.24	Other incomes	465,304,955.24
	2,479,600.00	Non-operating income	2,479,600.00
Government subsidies related to income and used to compensate for related costs or losses of the enterprises in the future	0.00	Deferred incomes	0.00
Government subsidies related to assets	210,350,474.41	Deferred incomes	9,939,029.19
Total	678,135,029.65		477,723,584.43

VII. Changes on Consolidation Scope

1. Business merger under the same control

(1) Business merger under the same control occurring during the current period

Name of the merged party	Equity proportion acquired in business merger (%)	Base for constituting business merger under unitary control	Merger date	Basis for the determination of the merger date
Hangzhou Yijing Chemical Fiber Co., Ltd.	100.00	Under same control of Hengyi Group	Apr. 30, 2019	Actual closing date

(Continued)

Name of the merged party	Incomes of the merged party from the year beginning of merger to the merger date	Net profits of the merged party from the year beginning of merger to the merger date	Compare the income of merged party	Compare net profits of merged party
Hangzhou Yijing Chemical Fiber Co., Ltd.	1,710,558,148.87	47,338,830.48	4,523,357,911.69	-89,558,054.21

(2) Merger costs

Merger costs	Hangzhou Yijing Chemical Fiber Co., Ltd.
- Cash	807,000,000.00

(3) Book values of assets and liabilities of merged party on merger date

Item	Hangzhou Yijing Chemical Fiber Co., Ltd.	
	Merger date	Year end of the last year
Assets:		
Monetary capital	86,728,370.43	38,238,084.69
Notes receivable	182,871,626.47	73,042,799.37
Accounts receivable	92,653,407.43	16,240,730.62
Inventory	329,021,231.56	261,974,172.16
Fixed assets	1,212,471,423.97	1,241,036,213.26
Projects in progress	103,643,640.22	76,501,245.21
Intangible assets	132,089,691.92	133,874,565.89
Deferred income tax assets	19,182,009.83	30,605,995.78
Other assets	394,204,517.04	362,769,914.11
Total assets	2,552,865,918.87	2,234,283,721.09
Liabilities:		
Short-term loans	0.00	10,080.00
Notes payable	172,000,000.00	97,000,000.00
Accounts payable	330,512,271.94	88,776,824.72
Long-term loans	246,800,000.00	246,800,000.00
Long-term payables	74,496,470.84	99,106,764.00
Deferred incomes	22,564,554.48	22,564,554.48
Other liabilities	1,097,961,744.65	1,118,833,451.41
Total liabilities	1,944,335,041.91	1,673,091,674.61
Net assets	608,530,876.96	561,192,046.48
Minus: Minority shareholders' equities	0.00	0.00

Item	Hangzhou Yijing Chemical Fiber Co., Ltd.	
	Merger date	Year end of the last year
Net assets obtained	608,530,876.96	561,192,046.48

2. Change of consolidation scope for other reasons

In this year, the Company invested establishment of the following four subsidiaries. Specific situations are shown as below:

(1) In 2019, Zhejiang Hengyi Logistics Co., Ltd., a subsidiary of the Company, established wholly-owned subsidiary - Hong Kong Hengyi Logistics Co., Ltd. By Dec. 31, 2019, the Company had not contributed to this company;

(2) In 2019, Hong Kong Hengyi Logistics Co., Ltd., a subsidiary of the Company, established wholly-owned subsidiary - Hengyi International Logistics Co., Ltd. By Dec. 31, 2019, the Company had not contributed to this company;

(3) In 2019, Zhejiang Hengyi Petrochemical Co., Ltd. invested RMB 2,500,000.00 to establish a wholly-owned subsidiary - Zhejiang Yizhi Information Technology Co., Ltd.;

(4) In 2019, Haining Hengyi New Materials Co., Ltd. invested RMB 100,000.00 to establish a wholly-owned subsidiary Haining Junboshengming Trade Co., Ltd.

So, the above four holding subsidiaries are included into the merger scope of the Company this year.

VIII. Equities in Other Subjects

1. Equity in subsidiaries

(1) Constitution of enterprise group

Subsidiary name	Main business place	Registration place	Business nature	Shareholding ratio (%)		Acquisition mode
				Direct	Indirect	
Zhejiang Hengyi Petrochemical Co., Ltd.	Hangzhou City	Hangzhou City	Chemical fiber product manufacturing	100.00	0.00	Establishment or investment
Zhejiang Hengyi Polymer Co., Ltd.	Hangzhou City	Hangzhou City	Chemical fiber product manufacturing	0.00	60.00	Business merger under the same control
Zhejiang Yisheng Petrochemical Co., Ltd.	Ningbo City	Ningbo City	Petrochemical product manufacturing	0.00	70.00	Business merger under the same control
Zhejiang Yixin Chemical Fiber Co., Ltd.	Hangzhou City	Hangzhou City	Commerce industry	0.00	70.00	Establishment or investment
Hong Kong Yisheng Petrochemical Investment Co., Ltd.	Hong Kong	Hong Kong	Trade, consultation	0.00	70.00	Establishment or investment
Zhejiang Hengyi High-Tech Materials Co., Ltd.	Hangzhou City	Hangzhou City	Chemical fiber product manufacturing	0.00	90.67	Establishment or investment

Subsidiary name	Main business place	Registration place	Business nature	Shareholding ratio (%)		Acquisition mode
				Direct	Indirect	
Ningbo Hengyi Trading Co., Ltd.	Ningbo City	Ningbo City	Commerce industry	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 Holdings Limited	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or investment
Hengyi Industries Sdn Bhd	Brunei	Brunei	Petrochemical product manufacturing	0.00	70.00	Business merger under the same control
Ningbo Hengyi Engineering Management Co., Ltd.	Ningbo City	Ningbo City	Project management	0.00	70.00	Business merger under the same control
Hengyi Industries International Pte Ltd.	Singapore	Singapore	Commerce industry	0.00	70.00	Establishment or investment
Hengyi Petrochemical International Co., Ltd. (Singapore)	Singapore	Singapore	Commerce industry	0.00	100.00	Establishment or investment
Zhejiang Hengyi Petrochemical Sales Co., Ltd.	Hangzhou City	Hangzhou City	Trade	0.00	100.00	Establishment or investment
Haining Hengyi New Materials Co., Ltd.	Haining City	Haining City	Chemical fiber product manufacturing	0.00	100.00	Establishment or investment
Haining Hengyi Thermal Power Co., Ltd.	Haining City	Haining City	Electricity, heat energy production and supply industry	0.00	90.00	Establishment or investment
Suqian Yida New Materials Co., Ltd.	Suqian City	Suqian City	Chemical fiber product manufacturing	0.00	100.00	Establishment or investment
Fujian Yijin Chemical Fiber Co., Ltd.	Quanzhou, Fujian	Quanzhou, Fujian	Chemical fiber product manufacturing	0.00	65.00	Establishment or investment
Shaoxing Shengong Packaging Co., Ltd.	Shaoxing City	Shaoxing City	Production and processing of packaging materials	0.00	51.00	Establishment or investment
Zhejiang Hengyi Logistics Co., Ltd.	Hangzhou City	Hangzhou City	Logistics transportation	0.00	100.00	Business merger under the same control
Ningbo Hengyi Logistics Co., Ltd.	Ningbo City	Ningbo City	Logistics transportation	0.00	100.00	Business merger under the same control
Zhejiang Hengyi International Trade Co., Ltd.	Hangzhou City	Hangzhou City	Commerce industry	100.00	0.00	Establishment or investment
Ningbo Hengyi Industrial Co., Ltd.	Ningbo City	Ningbo City	Commerce industry	0.00	100.00	Establishment or investment
Zhejiang Hengkai Energy Co., Ltd.	Hangzhou City	Hangzhou City	Commerce industry	0.00	60.00	Establishment or investment

Subsidiary name	Main business place	Registration place	Business nature	Shareholding ratio (%)		Acquisition mode
				Direct	Indirect	
Zhejiang Hengyi Engineering Management Co., Ltd.	Hangzhou City	Hangzhou City	Project management	100.00	0.00	Establishment or investment
Zhejiang Henglan Science & Technology Co., Ltd.	Hangzhou City	Hangzhou City	Chemical fiber product manufacturing	100.00	0.00	Establishment or investment
Jiaxing Yipeng Chemical Fiber Co., Ltd.	Jiaxing City	Jiaxing City	Chemical fiber product manufacturing	100.00	0.00	Business merger under the same control
Taicang Yifeng Chemical Fiber Co., Ltd.	Taicang City	Taicang City	Chemical fiber product manufacturing	100.00	0.00	Business merger under the same control
Zhejiang Shuangtu New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Chemical fiber product manufacturing	100.00	0.00	Business merger under the different control
Hangzhou Yijing Chemical Fiber Co., Ltd.	Hangzhou City	Hangzhou City	Chemical fiber product manufacturing	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 information technology services	0.00	100.00	Establishment or investment
Haining Junboshengming Trade Co., Ltd.	Haining City	Haining City	Commerce industry	0.00	100.00	Establishment or investment

(2) Important non-wholly owned subsidiaries

Subsidiary name	Shareholding ratio of minority shareholders (%)	Profits and losses belonging to minority shareholders in the current period	Dividend allocated to minority shareholder in the current period	Equity balance of minority shareholders at the end of the period
Ningbo Hengyi Trading Co., Ltd.	30.00	134,514,973.97	38,250,000.00	211,196,699.84
Zhejiang Hengyi Polymer Co., Ltd.	40.00	52,559,723.28	0.00	364,128,629.47
Zhejiang Yisheng Petrochemical Co., Ltd.	30.00	424,310,692.53	0.00	2,359,568,574.09
Hengyi Industries Sdn Bhd	30.00	202,734,045.54	0.00	2,276,475,821.70
Zhejiang Hengyi High-Tech Materials Co., Ltd.	9.33	-	-	458,633,976.79

(3) Main financial information of important non-wholly owned subsidiary

Unit: RMB 10,000

Subsidiary name	Ending balance					
	Current assets	Non-current asset	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	118,220.32	170,475.89	288,696.21	205,073.01	0.00	205,073.01
Zhejiang Hengyi Polymer Co., Ltd.	281,712.36	39,851.26	321,563.61	222,149.98	381.48	222,531.46

Subsidiary name	Ending balance					
Zhejiang Yisheng Petrochemical Co., Ltd.	1,068,370.20	470,424.71	1,538,794.91	773,480.19	557.96	774,038.15
Hengyi Industries Sdn Bhd	1,241,036.43	2,608,342.18	3,849,378.61	1,919,063.01	1,162,011.83	3,081,074.84
Zhejiang Hengyi High-Tech Materials Co., Ltd.	577,835.80	540,293.09	1,118,128.89	609,665.28	16,894.51	626,559.78

(Continued)

Subsidiary name	Year-ending balance of last year					
	Current asset	Non-current asset	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	57,912.18	158,333.16	216,245.34	165,822.33	0.00	165,822.33
Zhejiang Hengyi Polymer Co., Ltd.	235,142.14	44,174.40	279,316.54	192,929.38	494.93	193,424.31
Zhejiang Yisheng Petrochemical Co., Ltd.	920,808.66	499,693.22	1,420,501.88	796,347.66	1,134.88	797,482.54
Hengyi Industries Sdn Bhd	342,009.18	1,838,329.81	2,180,338.99	651,468.13	866,603.20	1,518,071.33
Zhejiang Hengyi High-Tech Materials Co., Ltd.	-	-	-	-	-	-

(Continued)

Subsidiary name	Amount of the current period				Amount of last period			
	Operating income	Net profit	Total comprehensive incomes	Cash flow from operating activities	Operating income	Net profit	Total comprehensive incomes	Cash flow from operating activities
Ningbo Hengyi Trading Co., Ltd.	1,739,584.17	44,838.32	45,950.19	-6,869.55	1,983,871.89	23,742.41	22,888.82	14,374.99
Zhejiang Hengyi Polymer Co., Ltd.	474,801.52	13,139.93	13,139.93	65,058.81	470,571.63	9,991.79	9,991.79	13,576.17
Zhejiang Yisheng Petrochemical Co., Ltd.	3,261,678.77	141,436.90	141,737.42	37,449.76	3,701,156.26	64,918.85	67,641.22	-11,808.72
Hengyi Industries Sdn Bhd	1,016,837.15	77,056.52	105,143.62	-239,080.35	763,184.58	-9,757.05	22,946.61	-14,634.97
Zhejiang Hengyi High-Tech Materials Co., Ltd.	1,182,134.72	38,487.03	39,480.41	72,660.61	-	-	-	-

2. Transactions caused changes of the Owners' equities share in subsidiaries, but the subsidiaries are still under control

On Dec. 30, 2019, BOC Financial Assets Investment Co., Ltd. (hereinafter referred to as "BOC Investment Company") contributed RMB 500,000.00 to Hengyi High-Tech Materials, a subsidiary of the Company, and increased the registered capital of Hengyi High-Tech Materials by RMB 257,250,000. After such capital increase, BOC Investment Company holds 9.33% equity in Hengyi High-Tech Materials. After the capital increase, BOC Investment Company should enjoy the net

asset of Hengyi High-Tech Materials according to its shareholding ratio in accordance with relevant capital increase agreements.

3. Equity in joint ventures or associates

(1) Major joint ventures or associates

Names of joint ventures or associates	Main business place	Registration place	Business nature	Shareholding ratio (%)		The accounting treatment method of the investment to joint ventures or associates
				Direct	Indirect	
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Xiaoshan	Xiaoshan	Chemical fiber product manufacturing	0.00	50.00	Equity method
Dalian Yisheng Investment Co., Ltd.	Dalian	Dalian	Trade and investment	0.00	30.00	Equity method
Hainan Yisheng Petrochemical Co., Ltd.	Hainan	Hainan	Production and sales, and import & export	0.00	42.50	Equity method
China Zheshang Bank Co., Ltd.	Hangzhou	Hangzhou	Financial industry	0.00	3.52	Equity method
Ningbo Jinhou Industry Investment Co., Ltd.	Hangzhou	Ningbo	Investment and consultation	25.00	0.00	Equity method
Zhejiang Yisheng New Materials Co., Ltd.	Ningbo	Ningbo	Chemical raw materials and chemical product manufacturing industry	0.00	50.00	Equity method
Hangzhou Huixinzhishi Technology Co., Ltd.	Hangzhou	Hangzhou	Software and information technology services	0.00	30.00	Equity method

Note 1: the Company holds 3.52% of the shares of CZBank, and has appointed a representative on the Board of Directors of this company, who shall be entitled to substantial rights of participation and decision-making. The Company can exert significant influence on the formulation of financial and operating policies of CZBank by way of participating through such representative.

(2) Main financial information of important joint ventures

Item	Year-ending balance/accrual of the current year	Year-beginning balance/accrual of last year
	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
Current asset	1,310,639,379.21	1,514,846,662.06
Wherein: Cash and cash equivalents	89,504,828.65	123,363,125.40
Non-current asset	4,783,456,861.87	3,730,894,238.52
Total assets	6,094,096,241.08	5,245,740,900.58

Item	Year-ending balance/accrual of the current year	Year-beginning balance/accrual of last year
	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
Current liabilities	3,355,528,855.04	2,595,582,208.82
Non-current liabilities	498,957,087.01	443,449,974.81
Total liabilities	3,854,485,942.05	3,039,032,183.63
Minority shareholders' equities	0.00	0.00
Equities attributable to shareholders' equity of parent company	2,239,610,299.03	2,206,708,716.95
Share of net assets calculated by shareholding ratio	1,119,805,149.52	1,103,354,358.48
Adjusted matters	0.00	0.00
- Goodwill	0.00	0.00
- Unrealized profits of internal transaction	0.00	0.00
- Others	20,100,790.61	20,100,790.61
Book value of the equity investment for the joint ventures	1,139,905,940.15	1,123,455,149.11
Fair value of the equity investment in the joint ventures with public offerings	0.00	0.00
Operating income	5,047,750,726.47	5,179,026,474.45
Financial expenses	87,671,729.17	101,492,492.13
Income tax expenses	75,477,468.63	108,916,967.66
Net profit	239,789,757.30	332,759,158.87
Net profit from discontinued operation	0.00	0.00
Other comprehensive incomes	0.00	0.00
Total comprehensive incomes	239,789,757.30	332,759,158.87
Dividends received from joint ventures in the current year	75,000,000.00	0.00

(3) Main financial information of important associates

Unit: RMB 10,000

Item	Year-ending balance/accrual of the current year			Year-beginning balance/accrual of last year		
	Yisheng	Hainan	China	Yisheng	Hainan	China
	Investment	Yisheng	Zheshang Bank	Investment	Yisheng	Zheshang Bank
Current asset	726,570.27	458,958.73	-	482,801.30	526,001.35	--

Item	Year-ending balance/accrual of the current year			Year-beginning balance/accrual of last year		
	Yisheng	Hainan	China	Yisheng	Hainan	China
	Investment	Yisheng	Zheshang Bank	Investment	Yisheng	Zheshang Bank
Non-current asset	912,324.81	595,160.71	-	832,689.67	605,776.11	--
Total assets	1,638,895.09	1,054,119.44	180,078,586.70	1,315,490.97	1,131,777.47	164,669,474.40
Current liabilities	936,694.90	636,727.61	-	618,241.48	724,138.02	--
Non-current liabilities	11,002.42	49,174.57	-	110,892.14	68,002.07	--
Total liabilities	947,697.32	685,902.18	167,275,819.80	729,133.62	792,140.08	154,424,620.70
Minority shareholders' equities	109,017.31	0.00	178,125.80	94,768.84	0.00	156,303.90
Equities attributable to shareholders' equity of parent company	582,180.46	368,217.26	12,624,641.10	491,588.51	339,637.38	10,088,549.80
Share of net assets calculated by shareholding ratio	174,654.14	156,492.33	444,387.37	147,476.55	144,345.89	402,533.14
Adjusted matters	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 profits of internal transaction	0.00	-933.12	0.00	0.00	-1,036.80	0.00
- Others	5,494.45	0.00	-55,114.33	5,494.45	0.00	-62,418.24
Book value of the equity investment for the associates	180,148.58	155,559.21	389,273.04	152,971.00	143,309.09	340,114.90
Fair value of the equity investment in the associates with public offerings	0.00	0.00	10,166,437.17	0.00	0.00	8,161,351.89
Operating income	3,901,448.91	1,976,267.35	4,636,390.90	4,810,629.79	2,243,546.00	3,894,309.20
Net profit	116,523.88	55,963.72	1,314,298.30	80,811.88	45,659.79	1,156,033.70
Net profit from discontinued operation	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive incomes	0.00	2,616.15	87,861.20	-1,212.80	-2,008.43	168,670.70
Total comprehensive incomes	117,590.42	58,579.87	1,402,159.50	79,599.08	43,651.36	1,324,704.40
Dividends received from associates this year	0.00	0.00	0.00	0.00	0.00	12,717.18

(4) Summary financial information of unimportant joint ventures and associates

Unit: RMB 10,000

Item	Year-ending balance/accrual of the current year	Year-beginning balance/accrual of last year
Joint ventures:		
Total investment book value	85,056.84	30,504.39
Total amount of the following items calculated according to the shareholding ratio		
- Net profit	52.45	9.68
- Other comprehensive incomes	0.00	0.00
- Total comprehensive incomes	52.45	9.68
Associates:		
Total investment book value	1,996.51	2,163.80
Total amount of the following items calculated according to the shareholding ratio	0.00	0.00
- Net profit	-167.29	-8.37
- Other comprehensive incomes	0.00	0.00
- Total comprehensive incomes	-167.29	-8.37

(5) Excess deficits of joint ventures or associates

As of Dec. 31, 2019, the joint ventures and associates of the Company have not incurred any excess losses.

(6) Unconfirmed commitment related to the investment of joint ventures

As of Dec. 31, 2019, the Company has not made any unrecognized commitments related to the investment of its joint ventures.

(7) Contingent liabilities related to the investment of joint ventures or associates

As of Dec. 31, 2019, the Company has not incurred any contingent liabilities related to the investment of its joint ventures or associates.

4. Equity of structuring entity not incorporated into the scope of Consolidated Financial Statement

The Company has no equity of structuring entity not incorporated into the scope of Consolidated Financial Statement.

IX. Risks Related to Financial Instruments

The financial instruments of the Company mainly include monetary capital, financial asset calculated by fair value with its changes included in the current profits and losses, available-for-sale financial asset, loan, receivables and payables, etc. The details of these financial instruments are

presented in the relevant items of Note VI. Risks related to these financial instruments, and risk management policies the Company has adopted to reduce these risks are described as follows. The company management manages and monitors the risk exposure in order to ensure the above risks to be controlled in a limited scope.

The Company takes the sensitivity analysis techniques to analyze the reasonable risk variables and probable changes towards current profits and losses shareholders' equity. Since any risk variables rarely change in isolation, and the correlation between the variables has a significant effect on the final impact of the change in a risk variable, therefore, the following content is under the assumption that the change of each variable was conducted under the condition of the independent.

(I) Risk management objectives and policies

The goal of the Company's risk management is to strike a balance between risks and benefits, minimize the negative impact of the risks on the Company's operating results, and maximize the interests of shareholders and other equity investors. Based on this risk management goal, the basic strategy of the Company's risk management is to identify and evaluate various risks in this industry, set up appropriate limit of risk tolerance, conduct risk management, and supervise various risks in a timely and reliable way to control risks within the limited range.

1. Market risk

(1) Foreign exchange risks

Foreign exchange risk refers to the risk of causing impairments due to exchange rate movement. The foreign exchange risks of the Company are mainly related to the USD and BND. Apart from procurement and sales in the USD by several subsidiaries of the Company, other main business activities of the Company are priced and settled in RMB. The assets and liabilities of the Company are the balance in RMB except for the balance of USD and BND on Dec. 31, 2019. The foreign exchange risk from assets and liability of this kind of foreign currency balance may have an effect on its business performance of the Company.

Item	Amount of the end of the year		Amount at beginning of the year	
	USD	BND	USD	BND
Cash and cash equivalents	272,473,370.08	2,168,288.48	348,065,851.63	3,201,102.52
Accounts receivable	852,672,243.94	1,195,207.71	51,546,793.14	0.00
Other receivables	60,608,150.13	3,872,007.78	333,321.94	8,983,386.56
Accounts payable	695,461,169.37	2,751,356.79	135,017,233.97	0.00
Other payables	781,115,996.18	1,210,564.77	272,395.81	1,736,639.23
Short-term loans	1,229,209,378.59	0.00	645,753,489.19	0.00
Non-current liabilities due	0.00	0.00	10,000,000.00	0.00

Item	Amount of the end of the year		Amount at beginning of the year	
	USD	BND	USD	BND
within one year				
Long-term loans	1,657,512,508.24	0.00	760,000,000.00	0.00

The Company pays close attention to the influence of exchange rate movement on the foreign exchange risk of the Company, and stipulates that the Company should not engage in the transactions of foreign exchange derivatives for speculative purposes. All transactions of foreign exchange derivatives should be based on normal production and business operation, and rely on specific business, with the purpose of avoiding and preventing exchange rate or interest rate risks.

Sensitivity analysis of foreign exchange risk:

The foreign exchange risks of the Company are mainly related to changes in the exchange rates of the USD and Euro against RMB. The table below shows the sensitivity analysis under the assumption that the exchange rate of foreign currency related to the Company against RMB changed by 1%. When the management conducts the sensitivity analysis, the change of increasing or decreasing by 1% is considered to reasonably reflect the possible range of exchange rate change. Based on the above assumptions, if other variables remain the same, the pre-tax impacts of possible reasonable exchange rate changes on the current profits and losses and the shareholders' equities are as follows:

Item	Exchange rate change	Pre-tax influence on the current profits and losses and shareholders' equity	
		Current year	Last year
Monetary assets (USD)	1 % of appreciation against RMB	82,720,554.09	27,449,091.59
Monetary liabilities (USD)		-304,392,468.49	-106,451,191.34
Influenced net amount		-221,671,914.40	-79,002,099.75
Monetary assets (USD)	1 % of depreciation against RMB	-82,720,554.09	-27,449,091.59
Monetary liabilities (USD)		304,392,468.49	106,451,191.34
Influenced net amount		221,671,914.40	79,002,099.75
Monetary assets (BND)	1 % of appreciation against RMB	374,357.74	609,979.89
Monetary liabilities (BND)		-204,985.86	-86,939.63
Influenced net amount		169,371.88	523,040.26
Monetary assets (BND)	1 % of depreciation against RMB	-374,357.74	-609,979.89
Monetary liabilities (BND)		204,985.86	86,939.63
Influenced net amount		-169,371.88	-523,040.26

(2) Interest rate risk-- cash flow changes risk

The risk of changes in fair value of financial instruments of the Company due to interest rate

change mainly comes from the fact that when the money market rate is in an environment of downward trend, the loan of the Company with a fixed interest rate will not enjoy the cost savings brought about by interest-rate cut; in contrast, when the money market rate is in an environment of upward trend, the loan of the Company with a floating interest rate will increase the cost due to interest-rate hike. Since the medium-to-long term loans and short-to-medium term loans account separately account for about fifty percent of the interest-bearing loans of the Company, and short-term loans mostly bear fixed interest rates while medium-to-long term debts mostly bear floating interest rates, the management of the Company believes that the interest rate risk and the risk of changes in fair value are not significant under the current trend of changes in macro money market rate. At present, the Company has no interest rate hedging policy.

Sensitivity analysis of interest rate risk:

The sensitivity analysis of interest rate risk is based on the assumption that changes in market interest rate will affect the interest incomes or expenses of financial instruments with variable interest rates. For short-term loans, the sensitivity analysis is based on the assumption that such loans will continue to be circulated in a complete fiscal year. In addition, when the management conducts the sensitivity analysis, the change of increasing or decreasing by 50 base points is considered to reasonably reflect the possible range of interest rate change. Based on the above assumptions, if other variables remain the same, the pre-tax impacts of possible reasonable interest rate changes under increase / decrease of 50 base points on the current profits and losses and the shareholders' equities are as follows:

Item	Interest rate change	Profit increased this year	Profit decreased this year
Short-term loans and medium-to-long term debts with fixed interest rates	Upward trend of interest rate, for every increase of 50 base points	118,001,948.11	--
Short-term loans and medium-to-long term debts with fixed interest rates	Downward trend of interest rate, for every decrease of 50 base points	--	118,001,948.11
Medium-to-long term debts with floating interest rates	Upward trend of interest rate, for every increase of 50 base points	--	58,980,492.07
Medium-to-long term debts with floating interest rates	Downward trend of interest rate, for every decrease of 50 base points	58,980,492.07	--

(3) Other price risk

The investment classified as the trading financial assets held by the Company shall be measured according to the fair value on the balance sheet date. Hence, the Company bears the risk of price changes in related assets. The Company has set up an internal investment management section, with designated members closely monitoring the price change of investment products. In view of the necessity for investment in futures and the characteristics of leverage risk, the Board of

Directors of the Company has authorized the Chairman to form a futures leading group, and authorized the futures leading group to be in charge of futures business of the Company, formulate the working ideas of futures business, and clearly set up the futures trading team within the Investment Management Department to be responsible for organizing and implementing transactions according to the decisions made by the futures leading group, the futures settlement team within the Financial Management Department to be responsible for the fund management, accounting treatment, trade confirmation and settlement of the futures business, and the futures supervision team within the Audit Department to be responsible for risk management and control of futures trading and periodic review of trading behaviors. In addition, to strengthen the internal control of futures business, effectively prevent and resolve various risks potentially existing in the execution and implementation of transactions, the Company has developed *Futures Business Management System*, which requires the personnel involved in futures business to strictly implement relevant regulations and procedures. The personnel of the Company engaged in futures business have received special skill training, and fully understand the characteristics and risks the futures business involved. Therefore, directors of the Company think that the price risks to the Company have been alleviated.

2. Credit risk

Credit risks refer to the risks that one party of financial instrument does not perform obligations so that the other party encounters financial impairments. The company's credit risk is mainly from bank deposits and accounts receivable. In order to control the above related risks, the Company has taken the following measures.

In order to reduce the credit risk, the Company has set up a team to determine the credit limit and conduct credit approval, and the cash-on-delivery policy is adopted for unapproved customers. In addition, the Company will review collection situation of all receivables on every balance sheet date to guarantee to withdraw enough bad-debt provisions for funds that cannot be collected. Therefore, the management layer of the Company thinks credit risk undertaken by the Company has been reduced significantly.

Current fund of the Company is deposited in bank whose credit rate is relatively high. Therefore, credit risk of current fund is relatively low.

3. Liquidity risk

In managing the liquidity risk, the Company, in order to meet the managing demand of the Company, shall keep and supervise enough cash and cash equivalent which approved by the management level. At the same time, they shall decrease the influence of the fluctuation of cash flow. The company's management monitors the using of bank borrowings and guarantees to abide

by the loan agreement.

The company sets the bank loans as the main fund source. On Dec. 31, 2019, the available bank credit line of the Company was RMB 24.503 billion, and RMB 22.399 billion on Dec. 31, 2018.

According to the deadline of the undiscounted remaining contract obligations, the financial assets and financial liabilities held by the Company are analyzed as follows:

Item	Within 6 months	7-12 months	1-3 years	More than 3 years
Non-derivative financial assets and liabilities:				
Notes receivable	406,671,569.68	321,335,033.68	0.00	0.00
Short-term loans	12,178,804,874.78	11,145,101,131.78	0.00	0.00
Notes payable	1,936,232,707.08	314,062,000.00	0.00	0.00
Long-term loans due within one year	276,211,161.28	348,279,000.00	0.00	0.00
Long-term loans	0.00	0.00	1,876,299,999.98	10,884,511,561.15
Receivables financing	398,634,768.08	44,347,128.89	0.00	0.00
Derivative financial assets and liabilities:	0.00	0.00	0.00	0.00
Forward foreign exchange contract	209,897.36	1,555,216.66	0.00	0.00
Futures and spot contracts	532,737,022.62	22,940,872.05	0.00	0.00

Notes: the maturity information of other undiscounted financial assets and financial liabilities held by the Company is detailed in the corresponding items of Note VI to the Financial Statement.

(II) Transfer of financial assets

1. Financial assets transferred but not totally derecognized

For the current year, the Company has no financial assets that are transferred but not totally derecognized to be disclosed.

2. Transferred financial assets totally derecognized but in which the transferor continues to be involved

In this year, the total discounted bank acceptance bills are paid by the Company to the bank are RMB 4,574,723,760.80 (last year: RMB 2,317,512,143.98) Since main risks and remunerations relating to these bank acceptance bills (such as interest rate risk) have been transferred to banks, the Company derecognizes premature bank acceptance bills which have been discounted. According to the discount agreement, if the bank acceptance bill is mature but fails to be accepted, the bank is entitled to require the Company to pay the unsettled balance. Therefore, the Company also investigated the discounted bank acceptance bills. By Dec. 31, 2019, discounted but immature bank acceptance bills had been RMB 1,864,896,260.32 (Dec. 31, 2018: RMB 1,079,641,332.73).

X. Disclosure of Fair Value

1. Year-end fair value of assets and liabilities measured by fair value

Item	Fair value at the end of the year			Total
	Fair value measurement of the first level	Fair value measurement of the second level	Fair value measurement of the third level	
I. Continuous Fair Value Measurement				
(I) Trading financial assets	149,692,516.20	0.00	0.00	149,692,516.20
1. Financial assets measured at the fair value with changes included in current profits and losses	149,692,516.20	0.00	0.00	149,692,516.20
(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	149,692,516.20	0.00	0.00	149,692,516.20
2. Be specified as financial assets measured at the fair value with 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	409,150,395.76	0.00	0.00	409,150,395.76
(III) Trading financial liabilities	1,399,903.27	0.00	0.00	1,399,903.27
Wherein: Issued trading bonds	0.00	0.00	0.00	0.00
Derivative financial liabilities	1,399,903.27	0.00	0.00	1,399,903.27
Others	0.00	0.00	0.00	0.00

2. Basis of determining the market price of continuous and non-continuous first level fair value measurement project

The Company mainly holds derivative financial instruments for the first-tier fair value measurement items, which have active markets and can obtain the unadjusted quotations for the same assets or liabilities in the active markets.

XI. Related Parties and Related Transactions**1. Parent company condition of the Company**

Parent company	Registration place	Business nature	Registered capital	Shareholding ratio (%) of the parent company to the Company	Voting right ratio (%) of the parent company to the Company
Zhejiang Hengyi Group Co., Ltd.	Hangzhou	Investment and trade	RMB 51.8 million	41.06	48.00

Notes: the final controlling party of the Company is Qiu Jianlin.

2. Subsidiaries condition of the Company

See Note VIII, 1 equity in subsidiaries for details.

3. Conditions of the Company's joint ventures and associates

As for important joint ventures or associates of the Company, please see Note VIII, 3 equity of joint ventures or associates for details.

4. Conditions of other related parties

Names of other affiliated parties	Relationship of other related parties with the Company
Hangzhou Hengyi Investment Co., Ltd.	Corporate shareholders holding more than 5% of shares in the Company, and wholly-owned subsidiaries of the parent company
Zhejiang Hengyi Polyamide Co., Ltd.	Holding subsidiary of final parent company
Hengyi (Japan) Co., Ltd.	Holding subsidiary of final parent company
Hangzhou Yichen Chemical Fiber Co., Ltd.	Holding subsidiary of final parent company
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Associated company of final parent company
Zhejiang Rongtong Chemical Fiber New Materials Co., Ltd.	Holding subsidiaries of the associates
Yisheng Dahua Petrochemical Co., Ltd.	Holding subsidiaries of the associates
Hong Kong Yisheng Dahua Co., Ltd.	Holding subsidiaries of the associates
Hong Kong Yisheng Co., Ltd.	Wholly-owned subsidiaries of the associates
Hangzhou Wanyong Industrial Investment Co., Ltd.	The associated natural person serves as a Senior Executive
Ningbo Qingshi Chemical Terminal Co., Ltd.	The associated natural person serves as a Senior Executive
Hangzhou Yibo Investment Management Co., Ltd.	Companies controlled by the associated natural person
Zhejiang Hengyi Real Estate Development Co., Ltd.	The associated natural person serves as a Senior Executive

5. Situation of related-party transaction

(1) Related transaction about the purchase and sale of commodities and the supply and acceptance of the labor services

① Goods procurement / receiving labor service condition

Related parties	Contents of related transaction	Accrual in the current year	Accrual in last year
-----------------	---------------------------------	-----------------------------	----------------------

Related parties	Contents of related transaction	Accrual in the current year	Accrual in last year
Hainan Yisheng Petrochemical Co., Ltd.	Purchase goods	707,144,849.70	474,679,691.60
Yisheng Dahua Petrochemical Co., Ltd.	Purchase goods	3,742,056,138.64	3,897,618,059.13
Yisheng Dahua Petrochemical Co., Ltd.	Accept labor services	463,250.00	455,742.92
Hangzhou Huixinzishi Technology Co., Ltd.	Accept labor services	0.00	2,821,062.63
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Purchase goods	394,461,794.88	380,482,913.35
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Accept labor services	0.00	1,495,490.77
Zhejiang Hengyi Polyamide Co., Ltd.	Purchase goods	21,653.99	5,169.15
Ningbo Qingshi Chemical Terminal Co., Ltd.	Accept labor services	62,873,091.10	52,803,811.42
Hangzhou Yichen Chemical Fiber Co., Ltd.	Purchase goods	1,169,225.66	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Accept services	3,980,917.42	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Purchase goods	1,261,644,792.24	19,677,841.77
Zhejiang Hengyi Group Co., Ltd.	Purchase goods	0.00	1,400,833.33

② Situation of sales of goods/labor services' supply

Related parties	Contents of related transaction	Accrual in the current year	Accrual in last year
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Sell goods	486,960,795.87	364,977,480.26
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Provide service	31,319,840.06	22,446,863.59
Hainan Yisheng Petrochemical Co., Ltd.	Sell goods	167,237,590.77	339,750,146.93
Hainan Yisheng Petrochemical Co., Ltd.	Provide service	58,272,787.10	50,137,316.53
Zhejiang Hengyi Polyamide Co., Ltd.	Sell goods	2,658,544.26	3,092,868.10
Zhejiang Hengyi Polyamide Co., Ltd.	Provide service	8,853,956.48	9,932,083.21
Hengyi (Japan) Co., Ltd.	Sell goods	0.00	1,548,063.00
Hangzhou Hengyi Investment Co., Ltd.	Sell goods	11,686,888.04	0.00
Yisheng Dahua Petrochemical Co., Ltd.	Provide service	20,537.74	633,995.28
Yisheng Dahua Petrochemical Co., Ltd.	Sell goods	17,681,415.93	15,008,405.17
Hangzhou Yichen Chemical Fiber Co., Ltd.	Provide service	13,041,287.52	0.00
Hangzhou Yichen Chemical Fiber Co., Ltd.	Sell goods	3,068,169.24	0.00
Hangzhou Wanyong Industrial Investment Co., Ltd.	Provide labor service	0.00	147,154.22
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Sell goods	95,173,107.23	44,394,061.96
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Provide labor service	38,513,321.22	6,947,121.71
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Trademark licensing fees	4,837,273.39	684,024.81

(2) Associated trustee/trustor management

The company acts as the trustor

Name of the trustor	Name of the trustee	Type of entrusted assets	Starting date of entrustment	Trustee fee recognized this year
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Name of the trustor	Name of the trustee	Type of entrusted assets	Starting date of entrustment	Trustee fee recognized this year
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	Business entrustment	Jul. 25, 2018	1,698,114.17

Notes: Zhejiang Hengyi Petrochemical Co., Ltd., a subsidiary of the Company, is entrusted by Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd. to provide management consulting services for its production and operation activities, without assuming any business risks of the trustor. The termination date of entrustment is when the trustor is acquired by the Company or its non-affiliated parties.

(3) Related lease condition

① The company acts as the lessor

Name of the lessee	Type of lease asset	Confirmed lease revenue in the current period	Confirmed lease revenue in the last period
Hangzhou Yibo Investment Management Co., Ltd.	Real estate	209,090.91	0.00

② The company acts as the lessee

Name of the lessor	Type of lease asset	Rental fee recognized this year	Rental fee recognized last year
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Real estate	258,095.24	0.00
Zhejiang Hengyi Real Estate Development Co., Ltd.	Real estate	1,333,333.34	1,400,000.00

(4) Affiliated guarantees situation

① The company acts as the guarantor

By Dec. 31, 2019, the Company has no associated guarantee as a guarantor.

② The company is the secured party

Guarantor	Secured party	Amount (RMB 0,000)	Borrowing date	Repayment date	Whether the Company provides mortgage	If the guarantee has been performed
Hengyi Petrochemical Co., Ltd. Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	\$17,000.00	2019-10-28	2020-10-27	No	No
Hengyi Petrochemical Co., Ltd. Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	\$13,000.00	2019-10-31	2020-10-30	No	No
Zhejiang Hengyi Group Co., Ltd. / Qiu Jianlin	Hengyi Industries Sdn Bhd	\$106,980.00	Aug. 23, 2018 to Sep. 11, 2019	Mar. 12, 2026 to Aug. 22, 2030	Yes	No
Zhejiang Hengyi Group Co., Ltd. / Qiu Jianlin	Hengyi Industries Sdn Bhd	410,000.00	Aug. 23, 2018 to Apr. 30, 2019	Aug. 22, 2030	Yes	No

Guarantor	Secured party	Amount (RMB 0,000)	Borrowing date	Repayment date	Whether the Company provides mortgage	If the guarantee has been performed
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	105,000.00	2019-11-29	2020-11-29	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn Bhd	\$1,000.00	2019-6-21	2024-9-25	Yes	No
Xinghui Chemical Fiber Group Co., Ltd. / Zhejiang Hengyi Real Estate Development Co., Ltd. / Zhejiang Hengyi High-Tech Materials Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	7,500.00	2019-7-24	2020-1-23	Yes	No
Zhejiang Hengyi Real Estate Development Co., Ltd. / Zhejiang Hengyi High-Tech Materials Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	21,700.00	2019-7-17	2020-4-3	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	\$4,000.00	2019-4-19	2020-10-22	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	8,000.00	2016-3-14	2023-3-13	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	19,950.00	2019-7-17	2020-11-21	No	No
Zhejiang Hengyi Group Co., Ltd.	Hong Kong Tianyi International Holding Co., Ltd.	\$13,000.00	2019-12-9	2020-12-9	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hong Kong Tianyi International Holding Co., Ltd.	\$461.94	2019-12-18	2020-5-4	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	10,000.00	2019-10-16	2020-4-24	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	\$3,000.00	2019-12-9	2020-12-8	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	10,000.00	2019-11-27	2020-11-16	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	71,255.00	2019-1-18	2020-11-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	12,000.00	2015-12-30	2023-12-19	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	19,995.00	2019-9-12	2020-12-17	No	No
Zhejiang Hengyi Group Co., Ltd. / Zhejiang Dongnan Grid Group	Zhejiang Hengyi Petrochemical Co., Ltd.	7,980.00	2019-11-18	2020-5-18	No	No

Guarantor	Secured party	Amount (RMB 0,000)	Borrowing date	Repayment date	Whether the Company provides mortgage	If the guarantee has been performed
Co., Ltd.						
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd	6,975.79	2019-7-25	2019-3-25	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd	10,000.00	2019-4-1	2020-12-17	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd	10,800.00	2019-5-9	2022-5-9	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	\$1,300.00	2019-10-21	2020-1-21	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	180,000.00	2019-3-5	2020-11-26	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	30,773.85	2019-9-30	2020-5-29	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	20,000.00	2019-12-19	2020-3-12	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	43,800.00	2019-9-20	2020-9-5	No	No
Zhejiang Hengyi Group Co., Ltd.	Taichang Yifeng Chemical Fiber Co., Ltd.	32,000.00	2019-4-4	2020-9-16	No	No
Zhejiang Hengyi Group Co., Ltd.	Taichang Yifeng Chemical Fiber Co., Ltd.	28,800.00	2017-11-9	2022-11-8	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Taichang Yifeng Chemical Fiber Co., Ltd.	24,950.00	2019-8-8	2020-8-14	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	24,000.00	2019-8-14	2020-7-24	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	34,440.00	2019-12-9	2022-12-10	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Suqian Yida Niew Materials Co., Ltd.	11,760.00	2019-11-26	2022-11-20	Yes	No

Notes: the financing business under guarantee includes bank loans and unexpired commercial papers issued by the Company, among which the commercial papers of RMB 2260.6 million have been transferred to the "short-term loans" in the Consolidated Financial Statement because the affiliated companies within the merger scope has handled discounting with the bank before the date of the balance sheet.

(5) Loan at call of affiliated parties

Related parties	Borrowed/lent amount	Start date	Expiry date	Description
Borrowing:				
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	200,000,000.00	2018-8-30	2019-3-22	Loan at call, with a loan interest rate of 7.08611%
Zhejiang Hengyi Group Co., Ltd.	2,128,025,609.94	2017-3-2	2019-12-31	The provisional working capital provided by Hengyi Group to Yijing Company has been fully returned at the end of the period
Zhejiang Hengyi Group Co., Ltd.	2,910,122,764.83	--	--	The provisional working capital provided by Hengyi Group to the Company has been fully returned at the current period
Lending:				
Hainan Yisheng Petrochemical Co., Ltd.	280,000,000.00	2019-9-29	2019-12-04	Entrusted loans, with a loan interest rate of 4.785%
Hainan Yisheng Petrochemical Co., Ltd.	520,000,000.00	2019-11-13	2020-12-4	Entrusted loans, with a loan interest rate of 4.785%
Hainan Yisheng Petrochemical Co., Ltd.	700,000,000.00	2018-10-22	2019-12-3	Entrusted loans, with a loan interest rate of 4.785%
Zhejiang Yisheng New Materials Co., Ltd.	80,000,000.00	2019-12-23	2020-12-22	Entrusted loans, with a loan interest rate of 4.785%

Notes: The funds borrowed from Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd. listed in the above table are those borrowed by the merged party to the business mergers under the same control before the merger date, and have been returned before the merger date.

(6) Asset transfer and debt restructuring of affiliated parties

Related parties	Contents of related transaction	Accrual in the current year	Accrual in last year
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Asset acceptance	130,119.82	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Asset transfer	298,964.16	0.00
Hangzhou Huixinzhishi Technology Co., Ltd.	Asset transfer	0.00	8,738,915.73
Zhejiang Hengyi Group Co., Ltd.	Asset transfer	0.00	42,735.04

(7) Remuneration of key management personnel

Item	Accrual in the current year	Accrual in last year
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Remuneration of key management personnel	RMB 12.9744 million	RMB 9.5185 million
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(8) Other related transaction

In the current year, the Company conducted paper transactions with Hong Kong Yisheng Co., Ltd. and Hong Kong Yisheng Dahua Co., Ltd., respectively, and realized a total investment income of USD 2,953,724.00 and USD 4,451,586.00 in the current period, respectively.

By Dec. 31, 2019, the Company and its subsidiaries had a deposit balance of RMB 200,689,100 in CZBank (an affiliated party); discounted bank acceptance bill that has not yet expired at the end of the period, amounting to RMB 105,000,000; issued domestic L/C that has not yet cashed upon expiration at the end of the period, amounting to RMB 100,000,000.

6. Receivables and payables of related parties**(1) Accounts receivable**

Project name	Year-ending balance		Year-beginning balance	
	Book balance	Bad debt reserves	Book balance	Bad debt reserves
Accounts receivable:				
Hong Kong Yisheng Co., Ltd.	7,106,850.27	0.00	0.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	1,154,281.98	0.00	85,740,811.38	0.00
Hong Kong Yisheng Dahua Co., Ltd.	10,709,108.81	0.00	0.00	0.00
Hangzhou Wanyong Industrial Investment Co., Ltd.	0.00	0.00	141,000.00	0.00
Total	18,970,241.06	0.00	85,881,811.38	0.00
Advance payment:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	0.00	0.00	2,020.00	0.00
Yisheng Dahua Petrochemical Co., Ltd.	0.00	0.00	24,355,530.77	0.00
Zhejiang Rongtong Chemical Fiber New Materials Co., Ltd.	943,940.00	0.00	0.00	0.00
Total	943,940.00	0.00	24,357,550.77	0.00
Other receivables:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	0.00	0.00	300,000.00	0.00
Total	0.00	0.00	300,000.00	0.00
Dividends receivable:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	28,444,087.61	0.00	0.00	0.00
Dalian Yisheng Investment Co., Ltd.	38,250,000.00	0.00	0.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	127,500,000.00	0.00	0.00	0.00
Total	194,194,087.61	0.00	0.00	0.00

(2) Accounts payable

Project name	Year-ending balance	Year-beginning balance
Accounts payable:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	331,922.92	14,559.55
Hangzhou Yichen Chemical Fiber Co., Ltd.	1,213,470.00	0.00
Zhejiang Hengyi Polyamide Co., Ltd.	10,344.08	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	19,523,227.72	6,577,962.86
Hangzhou Huixinzishi Technology Co., Ltd.	5,625,073.25	8,870,575.00
Ningbo Qingshi Chemical Terminal Co., Ltd.	10,920,679.93	11,160,102.38
Total	37,624,717.90	26,623,199.79
Advance payment:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	1,801,612.46	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	0.00	1,837,734.25
Zhejiang Hengyi Polyamide Co., Ltd.	147,360.00	205,500.00
Total	1,948,972.46	2,043,234.25
Other payables:		
Hangzhou Huixinzishi Technology Co., Ltd.	0.00	620.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	3,145,068.00	200,000,000.00
Zhejiang Hengyi Group Co., Ltd.	0.00	720,119,276.97
Total	3,145,068.00	920,119,896.97

XII. Share-based Payments

1. Payment of the first issue of shares

Item	Relevant contents
Total amount of all equity instruments granted by the Company in the current year	0.00
Total amount of all equity instruments exercised by the Company in the current year	3,920,000.00
Total amount of all ineffective equity instruments of the Company in the current year	0.00
Scope of exercise price of outlying stock option at the end of year and remaining contract term	—
Scope of exercise price of other equity instruments at the end of year and remaining contract term	—

In 2015, the Company implemented the first phase of restricted stock incentive plan (hereinafter referred to as "this plan" or "this incentive plan"), which takes Aug. 25, 2015 as the grant date, and grants 11,700,000 restricted stocks with a par value per share of RMB 1 and granting price of RMB 5.35 to 15 incentive objects by way of targeted issuing.

This plan is valid for 5 years from the date of granting the restricted stocks. The locking period for the restricted stocks granted by this incentive plan is 12 months from the date of granting. The unlocking schedule of the restricted stocks granted is shown in the table below:

Unlocking arrangement	Unlocking time	The proportion of unlocking stocks to restricted stocks
First unlocking	From the first trading day after 12 months from the date of first grant to the date of the last trading day within 24 months from the date of first grant	25%
Second unlocking	From the first trading day after 24 months from the date of first grant to the date of the last trading day within 36 months from the date of first grant	25%
Third unlocking	From the last trading day within 36 months after the first granting date to the last trading day within 48 months after the first granting date	25%
Fourth unlocking	From the first trading day after 48 months from the date of first grant to the date of the last trading day within 60 months from the date of first grant	25%

This incentive plan is an equity instrument with performance evaluation conditions. Since the Company fails to meet the requirement that "the net profit attributable to shareholders of listed companies and the net profit attributable to shareholders of listed companies after deduction of non-recurring profits and losses in the lock-up period shall not be lower than the average level of the first three fiscal years before the granting date and shall not be negative" in 2015, the unlocking conditions for the stocks of the Company in the first unlocking period are not met, and the related stocks can neither be unlocked within the first unlocking period nor be deferred to the next year. In 2016, the Company has repurchased and cancelled 25% of restricted stocks held by the incentive objects that did not meet the unlocking conditions for the first unlocking period, i.e. 2,925,000 restricted stocks.

The *Proposal about the Unlocking Condition Achievement of the 2nd Unlocking Period of the 1st Restricted Stock Incentive Plan* was deliberated and passed at the 1st meeting of the 10th Board of Directors of the Company held on Aug. 28, 2017, on which it's agreed that 2,925,000 restricted stocks of 15 incentive objects of the Company in the 2nd unlocking period of the 1st restricted stock incentive plan were unlocked as per provisions.

On Aug. 27, 2018, the 17th session of the 10th Board of Directors audited and adopted *Proposal on the Achievement of Unlocking Conditions for the Third Unlocking Period of the First Phase of Restricted Stock Incentive Plan*, agreeing that 4,095,000 restricted stocks (after ex-right) held by 15

incentive objects of the Company in the third unlocking period of the first phase of restricted stock incentive plan are unlocked in accordance with the provisions.

The *Proposal about the Unlocking Condition Achievement of the 4th Unlocking Period of the 1st Restricted Stock Incentive Plan* was deliberated and passed at the 33rd meeting of the 10th Board of Directors of the Company held on Aug. 29, 2019, on which it's agreed that 3,920,000 (after ex-right) restricted stocks of 14 incentive objects of the Company in the 4th unlocking period of the 1st restricted stock incentive plan were unlocked as per provisions.

2. Payment of the second issue of shares

Item	Relevant contents
Total amount of all equity instruments granted by the Company in the current year	0.00
Total amount of all equity instruments exercised by the Company in the current year	11,739,000.00
Total amount of all ineffective equity instruments of the Company in the current year	0.00
Scope of exercise price of outlying stock option at the end of year and remaining contract term	—
Scope of exercise price of other equity instruments at the end of year and remaining contract term	—

In 2017, the Company implemented the second phase of restricted stock incentive plan (hereinafter referred to as "the second phase of incentive plan"), which takes Jun. 12, 2017 as the grant date, and grants 2,8550,000 restricted stocks with a par value per share of RMB 1 and granting price of RMB 6.60 to 50 incentive objects by way of targeted issuing.

The second phase of this incentive plan is valid for 3 years from the date of granting restricted stocks. The locking period for the restricted stocks granted by this incentive plan is 12 months from the date of granting. The unlocking schedule of the restricted stocks granted is shown in the table below:

Unlocking arrangement	Unlocking time	The proportion of unlocking stocks to restricted stocks
First unlocking	From the first trading day after 12 months from the date of first grant to the date of the last trading day within 24 months from the date of first grant	40%
Second unlocking	From the first trading day after 24 months from the date of first grant to the date of the last trading day within 36 months from the date of first grant	30%
Third unlocking	From the first trading day after 36 months from the date of first grant to the date of the last trading day within 48 months from the date of first grant	30%

The *Proposal about the Unlocking Condition Achievement of the 1st Unlocking Period of the 2nd Restricted Stock Incentive Plan* was deliberated and passed at the 16th meeting of the 10th Board

of Directors of the Company held on Jun. 12, 2018, on which it's agreed that 15,988,000 (after ex-right) restricted stocks of 50 incentive objects of the Company in the 1st unlocking period of the 2nd restricted stock incentive plan were unlocked as per provisions.

The Proposal about the Unlocking Condition Achievement of the 2nd Unlocking Period of the 2nd Restricted Stock Incentive Plan was deliberated and passed at the 30th meeting of the 10th Board of Directors held on Jun. 18, 2019, on which it's agreed that 11,739,000 (after ex-right) restricted stocks of 49 incentive objects of the Company in the 2nd unlocking period of the 2nd restricted stock incentive plan were unlocked as per provisions.

3. Share-based payment settled by equity

Item	Relevant contents
Method for determining the fair value of equity instruments granted	The fair value of restricted stocks of the Company in the second phase is determined directly by subtracting the granting price from the market price of shares without restricting conditions on the granting date, taking no account of option value, liquidity discount and other factors, i.e.: fair value of restricted stocks = closing price of stocks on the granting date - granting price; total cost of the restricted stocks granted in this phase to be recognized = fair value per restricted stock * number of restricted stocks.
Determination basis of the quantity of vesting equity instruments	Subject to the optimal estimation of the management of the Company
Reason of the significant variance between estimate in the current year and the prior period	--
Equity-settled share-based payment is included in the accumulated amount of capital reserves	178,760,958.33
Total expenses confirmed by equity-settled share-based payment	31,585,895.83

XIII. Commitments and Contingent Matters

1. Other commitment matters

(1) On Jan. 27, 2014, Hengyi Industries Sdn Bhd (hereinafter referred to as "Brunei Industries"), a holding subsidiary of the Company, signed the *Land Lease Agreement* with Brunei Economic Development Board (BEDB), specifying the matters regarding rental rate, payment method, etc. The main contents are as follows:

- ① Location of leased land
Pulau Muara Besar, Brunei Darussalam
- ② Area of leased land: 260 hectares.

③ Land lease term: 30 years, which can be renewed for another 30 years before expiration.

④ Method of determining land rent:

Considering that the land for the PMB petrochemical project requires earth filling and treatment, the Brunei government does not charge rent at the preliminary stage of the project.

According to the local rental rate and taking into account other local contributions of the PMB petrochemical project, certain preferential treatment will be given.

In view of inflation and rising consumer price, BEDB will increase the rental every 5 years, with an increase range not exceeding 10%.

⑤ Payment method of land rent

After the rent-free period expires, the land rent should be paid to BEDB on the first working day of the first month in each quarter of each year, or paid in advance.

⑥ Prerequisites

Prior to the formal implementation of *Land Lease Agreement*, the prerequisites should be met: BEDB has obtained the ownership certificate for the leased land that meets the project requirements, and the *Implementation Agreement* concluded between both parties has taken effect and of which the conditions are met.

2. Contingent matters

(1) Contingent liabilities and financial influences generated from pending litigation and arbitration

Criminal case of Mr. Wang of Shuangtu Company and related civil cases

Since Oct. 21, 2018, Shuangtu Company has received notices from more than customers including Haiyan Yixiao Kitting New Materials Co., Ltd., that after the payment has made, they did not receive the goods delivered by Shuangtong Company, and could not contact Mr. Wang, a business personnel of Shuangtu Company. In consequence, Haiyan Yixiao Kitting New Materials Co., Ltd., Tonglu Yueheng Knitting Clothing Co., Ltd. and Yiwu Zijing Clothing Co., Ltd. filed a lawsuit with the court on the grounds that Shuangtu Company failed to deliver goods after receiving the payment for goods.

After self-inspection, Shuangtu Company found that the Company has received the payment for goods from the above customers, and completed the activities such as delivery and issuance of sales invoices according to the sales orders; the customers who did not receive the goods were handled by Mr. Wang, who was later out of touch. On Nov. 1, 2018, Shuangtu Company reported the case to the criminal investigation brigade of Hangzhou Municipal Public Security Bureau Dajiangdong Industry Cluster District Branch, and the case was accepted. On Apr. 13, 2019, Shuangtu Company received a notice from the public security organ that Mr. Wang was arrested. As

of the date of this financial report, the public security organ is still investigating this criminal case.

The hearing of the three civil cases related to the criminal case of Mr. Wang and the contract dispute case with Haiyan Yixiao Kitting New Materials Co., Ltd. was held on Dec, 3, 2018, and the court has not yet issued a judgment; the contract dispute case with Tonglu Yueheng Knitting Clothing Co., Ltd. was withdrawn voluntarily due to the involvement of Mr. Wang's criminal case, and the resolution was to be determined after this criminal case was solved; for the contract dispute case with Yiw Zijing Clothing Co., Ltd., Shuangtu Company has submitted its defense and evidence material to the court, and the court postponed the hearing for the time being. In the contract dispute case with Haiyan Yixiao Kitting New Materials Co., Ltd., the court froze the bank deposit of RMB 300,000 of Shuangtu Company.

In 2018, Shuangtu Company wrote down its income by RMB 26,201,814.47 according to the information such as the quantity of goods that did not received as indicated in the customer confirmation notice, and the corresponding goods cost of RMB 24,105,503.18 was included in "Other receivables - Mr. Wang", and fully calculated and withdrawn as bad-debt loss; in addition, according to the time and amount of payment for goods received by the Company from customers, the estimated liabilities of RMB 433,932.50 were calculated and withdrawn at the bank lending rate at the same period.

On May 17, 2019, Mr. Wang was legally arrested. On Jan. 22, 2020, Xiaoshan District People's Procuratorate of Hangzhou City filed a public prosecution with the People's Court of Hangzhou Xiaoshan District for the crimes of official embezzlement and contract fraud, which was accepted. Due to the epidemic and other reasons, the date of hearing was not determined yet. According to the amount involved in the duty-related crime identified in the indictment of Xiaoshan District People's Procuratorate of Hangzhou City, Shuangtu Company wrote down the income of RMB 2,414,257.32, and the corresponding goods cost of RMB 2,138,041.91 was included in "Other receivables - Mr. Wang", and fully recognized as estimated losses. in addition, according to the time and amount of payment for goods received by the Company from customers, the estimated liabilities of RMB 1,573,136.66 were calculated and withdrawn at the bank lending rate at the same period.

In accordance with the *Agreement on Issuing Shares to Purchase Assets* and related subsequent agreements concluded between the Company and Fulida Group Holding Co., Ltd. and Xinghui Chemical Fiber Group Co., Ltd. (the original shareholders of Shuangtu Company), the two companies promise and agree to assume joint and several liabilities to Shuangtu Company and the Company for all losses incurred by Shuangtu Company due to the dispute cases happened before Dec. 7, 2018 (including). Therefore, the above matters will not cause significant impact on Shuangtu Company and the Company.

XIV. Matters after the Balance Sheet Date

1. Important non-adjustment matters

(1) Newly issued debt instruments

On Dec. 21, 2018, Hengyi Company received *Reply on the Approval of the Public Issuance of Corporate Bonds by Hengyi Petrochemical Co., Ltd. to Qualified Investors* (ZJXK [2018] No. 2141) issued by the China Securities Regulatory Commission (hereinafter referred to as "China Securities Regulatory Commission (CSRC)"). The Company was approved to publicly issue corporate bonds with a total par value of not exceeding RMB 3,000,000,000 to qualified investors.

The Company made a public issuance of corporate bonds (first phase) to qualified investors in 2020, with the issuing dates of Mar. 12, 2020 and Mar. 13, 2020, and the issuance of bonds in current period has been finished on Mar. 13, 2020, with details as follows: the final issuance scale of bonds in current period was RMB 1,000,000,000, with a final nominal interest of 5.89%.

(2) Epidemic situation of COVID-19

In the first quarter of 2020, due to the global outbreak and OPEC's poor performance in reducing production, the international oil price plunged to the lowest level in recent years. These matters are expected to cause a temporary impact on the production and operation of the Company. The Company will constantly and closely follow the epidemic situation and the change in oil price in the future, and adopt positive measures to cope with their influence on the financial conditions, business achievements and other aspects of the Company.

2. Profit distribution

On the 38th session of the 10th Board of Directors convened on Apr. 26, 2020, the Company deliberated and adopted *Proposal on Distributing Annual Profits in 2019*. The Company planned to distribute the cash dividends of RMB 4 (tax-inclusive) for every 10 shares based on the total share capital of 2,841,725,474 shares, and to increase the share capital by transferring the capital reserve, with 3 shares to all shareholders for every 10 shares. This proposal has yet to be submitted to the 2019 annual shareholders' meeting for deliberation.

3. The influence of implementing new accounting standards from Jan. 1, 2020

On Jul. 5, 2017, the Ministry of Finance revised and enacted *Accounting Standards for Business Enterprises No. 14 - Income* (CK [2017] No. 22), which requires that enterprises listed both at home and abroad and those listed abroad and preparing financial statements based on international financial reporting standards or accounting standards for business enterprises should implement the new accounting standards from Jan. 1, 2018, and other enterprises listed in China should implement the new accounting standards from Jan. 1, 2020. By the resolution of the 37th session of the 10th Board of

Directors on Mar. 6, 2020, the Company determined to implement *Accounting Standards for Business Enterprises No. 14 - Income* (CK [2017] No. 22) from Jan. 1, 2020, and to alter relevant accounting policies in accordance with the said new income standards.

The main contents of altered accounting policies are as follows:

According to *Accounting Standards for Business Enterprises No. 14 - Income* (CK [2017] No. 22), the current two standards for income and construction contract are incorporated into a unified income recognition model; the transfer of control replaces the transfer of risk and reward as the criterion for determining the income recognition time; more clear instructions are given for the accounting treatment of contracts covering multiple trading arrangements; clear regulations are made on the income recognition and measurement of some specific transactions (or matters). In accordance with the cohesion provisions, enterprises shall adjust the retained earnings and the amount of other related items in the financial statement at the beginning of the period based on the cumulative influenced amount of the first implementation of these standards, and shall not adjust the information in the comparable period. The implementation of these standards is not expected to cause significant changes in the income recognition method of the Company, so its influence on financial statements is not significant.

4. As of the date of this financial report, except for the above matters, the Company has no other events after the balance sheet date to be disclosed in the current year

XV. Other Important Matters

1. Correction of errors in prior period

The Company has no correction matter of prior period errors to be disclosed in the current year.

2. Segment information

The Company does not perform segment management and has no reportable segment.

3. Other important matters

The Company has no other important matters to be disclosed in the current year.

XVI. Main Item Remarks of the Company's Financial Statement

1. Other receivables

Item	Year-ending balance	Year-beginning balance
Interests receivable	0.00	0.00
Dividends receivable	1,555,000,000.00	1,130,000,000.00
Other receivables	5,275,966,888.92	3,121,943,692.79
Total	6,830,966,888.92	4,251,943,692.79

(1) Dividends receivable

Items (or the invested unit)	Year-ending balance	Year-beginning balance
Zhejiang Hengyi Petrochemical Co., Ltd.	1,055,000,000.00	1,130,000,000.00
Zhejiang International Business Co., Ltd.	100,000,000.00	0.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	200,000,000.00	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	200,000,000.00	0.00
Sub-total	1,555,000,000.00	1,130,000,000.00
Minus: Bad debt reserves	0.00	0.00
Total	1,555,000,000.00	1,130,000,000.00

Dividends receivable with an important aging of more than 1 year

Items (or the invested unit)	Year-ending balance	Account age	Reason for not receiving	Impairment or not and its judgment basis
Zhejiang Hengyi Petrochemical Co., Ltd.	280,000,000.00	1-2 years	The Company has no demand for external distribution of dividends and relatively low demand for daily working capital, so this part of dividends has not been recovered yet.	No

(2) Other receivables**① Disclosure by account age**

Age	Year-ending balance
Within 1 year	5,275,968,388.92
1-2 years	0.00
2-3 years	0.00
More than 3 years	2,500.00
Sub-total	5,275,970,888.92
Minus: Bad debt reserves	4,000.00
Total	5,275,966,888.92

② Classification by the nature of funds

Nature of payment	Year-ending balance	Year-beginning balance
Associated receivables and payables within the consolidation scope	5,275,918,388.92	3,121,078,374.75
Payment on behalf of others and other receivables and payables outside the consolidation scope	0.00	1,730,636.09
Combination of consumption tax receivable and export tax rebate	0.00	0.00
Combination of receivable returned taxes	0.00	0.00

Nature of payment	Year-ending balance	Year-beginning balance
Combination of guarantee deposit and security deposit	2,500.00	2,500.00
Employee borrowings and reserves	50,000.00	0.00
Other combinations	0.00	0.00
Sub-total	5,275,970,888.92	3,122,811,510.84
Minus: Bad debt reserves	4,000.00	867,818.05
Total	5,275,966,888.92	3,121,943,692.79

③ Withdrawal situations of bad debt reserve

Bad debt reserves	Phase I	Phase II	Phase III	Total
	Expected credit impairment in the next 12 months	Expected credit loss during the duration (credit impairment has not occurred)	Expected credit loss during the duration (credit impairment has occurred)	
Balance on Jan. 1, 2019	865,318.05	2,500.00	0.00	867,818.05
Other receivable book balances of this year on Jan. 1, 2019:				
--Transferred to Phase II	0.00	--	--	0.00
--Transferred to Phase III	0.00	0.00	--	0.00
--Returned to Phase II	--	--	0.00	0.00
--Returned to Phase I	--	0.00	0.00	0.00
Calculation and withdrawal amount of the current year	1,500.00	0.00	0.00	1,500.00
Recovery or reverse of the current period	865,318.05	0.00	0.00	865,318.05
Write-off or cancelling after verification in the current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance on Dec. 31, 2019	1,500.00	2,500.00	0.00	4,000.00

④ Information on bad debt reserves

Category	Year-beginning balance	Changes in accounts in this year			Year-ending balance
		Calculation and withdrawal	Recovery or reverse	Witting-off or cancel after verification	
Associated receivables and payables within the consolidation scope	0.00	0.00	0.00	0.00	0.00

Payment on behalf of others and other receivables and payables outside the consolidation scope	0.00	0.00	0.00	0.00	0.00
Combination of consumption tax receivable and export tax rebate	0.00	0.00	0.00	0.00	0.00
Combination of receivable returned taxes	0.00	0.00	0.00	0.00	0.00
Combination of guarantee deposit and security deposit	867,818.05	0.00	865,318.05	0.00	2,500.00
Employee borrowings and reserves	0.00	1,500.00	0.00	0.00	1,500.00
Other combinations	0.00	0.00	0.00	0.00	0.00
Total	867,818.05	1,500.00	865,318.05	0.00	4,000.00

⑤ Other receivables situation of the top five among year-ending balance collected by the debtor

Unit name	Nature of payment	Year-ending balance	Account age	Proportion in total year-ending balance of other receivables (%)	Bad debt reserves Year-ending balance
Zhejiang Hengyi Petrochemical Co., Ltd.	Intercourse funds with related parties	5,134,778,374.75	Within 6 months	97.32	0.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	Intercourse funds with related parties	101,700,000.00	Within 6 months	1.93	0.00
Taicang Yifeng Chemical Fiber Co., Ltd.	Intercourse funds with related parties	39,440,014.17	Within 6 months	0.75	0.00
Beihai Haifu Building	Deposit	2,500.00	More than 3 years	0.00	2,500.00
Mr./Ms. Wu	Employee fund	50,000.00	Within 6 months	0.00	1,500.00
Total	--	5,275,970,888.92	--	100.00	4,000.00

2. Long-term equity investment

(1) Classification of long-term equity investments

Item	Year-ending balance			Year-beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value

Item	Year-ending balance			Year-beginning balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment for subsidiaries	15,505,268,517.98	0.00	15,505,268,517.98	13,725,268,517.98	0.00	13,725,268,517.98
Investment in joint ventures and cooperative enterprises	14,408,927.05	0.00	14,408,927.05	14,716,990.68	0.00	14,716,990.68
Total	15,519,677,445.03	0.00	15,519,677,445.03	13,739,985,508.66	0.00	13,739,985,508.66

(2) Investments in subsidiaries

Invested unit	Year-beginning balance	Increase in the current year	Decrease in the current year	Year-ending balance	Impairment reserve calculated and withdrawn in the current year	Year-ending balance of impairment reserve
Zhejiang Hengyi Petrochemical Co., Ltd.	9,372,870,750.00	0.00	0.00	9,372,870,750.00	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.	25,000,000.00	80,000,000.00	0.00	105,000,000.00	0.00	0.00
Zhejiang Henglan Science & Technology Co., Ltd.	38,500,000.00	0.00	0.00	38,500,000.00	0.00	0.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	986,198,482.98	1,700,000,000.00	0.00	2,686,198,482.98	0.00	0.00
Taican Yifeng Chemical Fiber Co., Ltd.	897,699,306.80	0.00	0.00	897,699,306.80	0.00	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	2,104,999,978.20	0.00	0.00	2,104,999,978.20	0.00	0.00
Total	13,725,268,517.98	1,780,000,000.00	0.00	15,505,268,517.98	0.00	0.00

(3) Investment in joint ventures and cooperative enterprises

Invested unit	Year-beginning	Increase-decrease change in the current year
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	g balance	Additional investment	Negative investment	Profits and losses on investments confirmed by equity method	Adjustments of other comprehensive incomes	Changes in other equities
Associates						
Ningbo Jinhou Industry Investment Co., Ltd.	14,716,990.68	0.00	0.00	-308,063.63	0.00	0.00

(Continued)

Invested unit	Increase-decrease change in the current year			Year-ending balance	Year-ending balance of impairment reserve
	Cash dividends or profits declared to be distributed	Withdrawn impairment reserve	Others		
Associates					
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,408,927.05	0.00

3. Operating income, operating costs

Item	Accrual in the current year		Accrual in last year	
	Income	Cost	Income	Cost
Main business	60,019,034.19	58,256,351.09	7,451,724.14	7,408,724.14
Other businesses	0.00	0.00	0.00	0.00
Total	60,019,034.19	58,256,351.09	7,451,724.14	7,408,724.14

4. Investment income

Item	Accrual in the current year	Accrual in last year
Long-term equity investment income calculated by cost method	1,275,000,000.00	600,000,000.00
Long-term equity investment income calculated by equity method	-308,063.63	-293,675.77
Investment income of financial products	8,930,000.00	0.00
Total	1,283,621,936.37	599,706,324.23

XVII. Supplementary Materials**1. Non-recurring Income Statement for the Current Year**

Item	Amount
Disposal profits and losses on non-current assets	-1,811,565.51
Tax refund and exemption with unauthorized approval, without the formal approval document or accidental	5,957,948.27
Government subsidies included into the current profits and losses and closely related to the regular operating business of the Company, excluding the government subsidies which conforms to the state policies and which is enjoyed continuously according to a certain standard rating or ration	420,716,519.76
Net gains and losses of the subsidiaries under the same control and arising from the business merger since the beginning of the year to the merger date	47,338,830.48

Item	Amount
Gains and losses arising from contingent matters not related to the normal operation of the Company	-2,173,136.66
Except for the effective hedging related to the normal business of the Company, the profits and losses from fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities, and derivative financial liabilities, and investment income from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's investments	301,297,013.33
Profits and losses obtained from external entrusted loans	29,136,336.48
Trustee fee income from entrusted operations	1,698,114.17
Other non-operating incomes and expenses in addition to the above items	-14,994,635.24
Other items of profits and losses complying with the definition of non-recurring profits and losses	-2,065,748.97
Sub-total	785,099,676.11
Influenced amount of income tax	139,947,035.37
Influenced amount of minority shareholders' equity (after-tax)	169,242,694.92
Total	475,909,945.82

Notes: "+" in non-recurring profit and loss items means "profit and income" while "-" means loss or expenditure.

The Company confirms the non-recurring profit and loss items according to relevant regulations of *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profits and Losses* (ZJHGG [2008] NO. 43).

2. Return on equity and earnings per share

Profits during the reporting period	Weighted average net assets Rate of returns (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to the shareholders of the common share of the Company	14.73	1.13	1.13
Net profit attributable to ordinary shareholders of the Company deducting non-recurring profit and loss	12.88	0.97	0.96

Section XIII Documents Available for Reference

- I. Accounting Statement with the signature and seal of the legal representative, Financial Director and responsible person of accounting body.
- II. The original audit report sealed by the accountant firms and signed and sealed by the CPA.
- III. Originals of all documents and notices of the Company published on the website designated by the China Securities Regulatory Commission (CSRC) during the reporting period.