恒力石化
HENGLI PETROCHEMICAL

Hengli Petrochemical Co., Ltd.

Annual Report 2021 Abridgement

Company Code: 600346

Dear shareholders, partners and employees:

The tides of Bohai Sea have brought warmth to the springy Northern country. Despite occasional coldness, the changing seasons have marked the inevitable passage of time.

The hardships we have experienced last year were partly expected and partly unexpected. We have expected that the Covid-19 pandemic would recur, geopolitical conflicts would continue, and the world economy would be sluggish. However, the frequency of pandemic recurrence, the depth of the conflicts, and the difficulty of economic recovery were still beyond our expectations. The chill was felt by every individual at this juncture of profound changes unseen in a century.

However, hardships are, in themselves, a kind of growth and experience, an inevitable path towards realizing great dreams. We must overcome the difficulties of the present in order to achieve a better future.

"Misfortune may be a blessing in disguise." During this chess game which features both "crisis" and "opportunity", "the unchanged" and "changes", and lockdown and opening-up, the pioneering Hengli people have made each move with deliberation to prepare for crises in advance and seize opportunities when they come, to seek innovation in the unchanged and remain composed during changes, and to meditate during lockdown to pursue a brighter future during opening-up. This year has witnessed Hengli sailing farther away through the rise and fall of history.

However arduous and long the journey is, it will eventually be accomplished. Against the backdrop of profound changes unseen in a century intertwined with the Covid-19 pandemic, Hengli is willing to be as hard-working as "old cattle" to develop its main businesses, achieve critical breakthroughs, deploy the innovation chain around its industrial chain, and vice versa. During this year, we have promoted the **"dual circulation strategy"** and focused on developing the real economy, putting into operation the 200kt industrial yarn project of Hengli Chemical Fiber, as well as the polyester film project and degradable plastic project of Kanghui New Material. Hengli (Huizhou) Industrial Park, Hengli Refining and Chemical Fine Chemical Park Phase I Project, and Hengli (Yangtze River Delta) International New Materials Industrial Base have started construction. The PBS biodegradable plastic project with an annual output of 900kt and the lithium battery diaphragm project with an annual output of 1.6 billion square meters have been successively launched. The business

layout of the five major industrial chains has begun to emerge. We have **carried out a groundbreaking reform to overcome the shortcomings of the industry.** We have become the second company in the world and the first in China that is able to produce 12-micron silicon-coated release laminated lithium battery protective film on line. Our production of MLCC release base film accounted for over 65% of the national total, and our high-purity tetrahydrofuran (THF) has been used in the innovative research and development of drugs to treat Covid-19. Our self-developed Henglink industrial Internet platform has been rated as a "demonstration project" by the Ministry of Industry and Information Technology and selected as a provincial industrial Internet platform in Liaoning Province. We have applied for 700 patented technologies, with cutting-edge technologies in multiple industries. **We have attached equal importance to environmental protection and intelligent manufacturing to achieve leading efficiency.** As a petrochemical company, despite owning large-scale equipment, Hengli still insists on environmental protection and intelligent manufacturing throughout its manufacturing process. Since Hengli Petrochemical, Hengli Refinery, and Hengke New Material were awarded "National Green Factory" in 2017 and 2020 respectively, Hengli Chemical Fiber was also awarded in early 2022. So far, four companies under Hengli have been awarded "National Green Factory". **We have always embraced gratitude and responsibility, and stayed true to our mission since we first started business.** Hengli has actively supported poverty alleviation, student aid and disaster relief among other public welfare projects. Our efforts have paid off as in 2021, Hengli made it to the "Top 100 Global Enterprises", won the "National Labor Day Medal", and achieved gratifying annual operating data: our annual operating income amounted to RMB197.97 billion, a year-on-year increase of 29.2%; our annual profit amounted to RMB15.53 billion, a year-on-year increase of 15.37%.

Data and honors speak louder than words. They testify to Hengli's strong momentum and resilience. However, as we are happily sharing our achievements, we also know that "a single feather cannot support a roc, just as a single foot cannot support a horse." It is thanks to the national strategic guidance and the support of all shareholders, partners and employees that Hengli can make it this far. Therefore, Hengli has distributed RMB7.02 billion in dividends to repay its shareholders. The fourth phase of its employee stock ownership plan has earned three times of return,

and a new phase of employee stock ownership plan with a larger scale and a wider scope has been launched. We hope that the benefits of development can be shared by all Hengli people.

The journey is long and arduous, and we must take every step earnestly. The new era has sent us a beautiful invitation but also brought us all kinds of difficulties. At present or in the future, there are going to be challenges for the development of the nation, businesses and households. As we are aware of the close relation between the rise and fall of a company and that of a nation, Hengli will always keep the nation on its mind and concentrate on its mission to serve the country.

The patriotism of entrepreneurs can take many forms, but the first and foremost is to run a first-class company. Based on the domestic and international environment, for 2022, Hengli has clearly set the path to "lead development with talents and create the future with innovation". In the new year, we must be **"talent-oriented" and establish talent leadership.** We will create a working environment that recognizes, loves and respects talents, improve the talent pool development mechanism featuring "talent attraction, utilization, retention and training", and establish a leader training and evaluation system oriented by responsibility, ability and contribution. In this way, we can ensure endless brainpower for corporate development. We will **adopt a dual-motor system driven by efficiency and innovation,** advocate a pragmatic, active and intelligent way of working, and encourage hard work, enthusiasm and determination. We will advocate a working attitude of being preemptive, time-sensitive, and effective, and dedicate ourselves to building a "learning-oriented, innovative and technological" national enterprise. We will continue to increase investment in research and development by encouraging our employees to innovate and promoting their intrinsic motivation to boost both quantity and quality in scientific research. Meanwhile, we will also strengthen cooperation with domestic and foreign universities, research institutes and major international enterprises, and solicit their resources to achieve innovative breakthroughs. **We will "get the big picture while also addressing the finest detail" to achieve progress against all odds.** In the face of the complex and intense external environment, we will "get the big picture" strategically by focusing on both international and domestic markets and the five main sectors and industrial chains; we will also "address the finest detail" tactically by working on our business essentials featuring "quality, cost effectiveness and

responsiveness". We will improve the construction of the six major systems including safety and environmental protection management system, financial security system, talent development system, quality management system, big data and information system, and corporate culture system, and will make efforts in party construction, anti-corruption, and caring for employees.

Granted, the journey ahead will never be smooth, especially one that is against the current and amid stormy waves. Looking forward, Hengli firmly believes that there are unprecedented opportunities hidden in the "profound changes unseen in a century", and that it is the best time to forget ahead with diligence.

As long as we march forward regardless of wind and storms, we will eventually see the light at the end of the tunnel. Hengli has built itself "from a drop of oil and a piece of cloth". It started from a small textile factory with only three acres of land to an international company with nine production bases. We have gone through all kinds of bitterness and hardships to where we are. As we are sailing in the middle of the stream, we see that beyond the turbulent wind and waves, there is a bright future awaiting.

"The broader the future, the more we need to explore." Based on the current achievements, Hengli will strengthen its efforts to create a "new highland" for talents, scale new heights in efficiency improvement, achieve breakthroughs in the quality and quantity of research and development, and make tangible efforts in ensuring safe production. Looking forward, Hengli will continue on the path featuring "high quality, low energy consumption, and green and intelligent development", focus its efforts within the industry, and enhance the leading role of innovation, so as to live up to the ardent expectations of the nation.

Together, we will conquer mountains and seas to make great achievements!

Chairman: 

Reference File Directory	Financial statements signed and sealed by the legal representative, person in charge of accounting, and person in charge of the accounting organization (accounting supervisor).
	Original audit report sealed by the accounting firm and signed and sealed by a certified public accountant.
	Original copies of all company documents and announcements publicly disclosed during the reporting period.

Chapter I Definitions

In this report, the terms listed below are defined as follows, unless the context otherwise implies:

Definition of Frequently-Used Terms		
Reporting Period	Refers to	From 1 January 2021 to 30 June 2021
Company, the Company, or Hengli Petrochemical	Refers to	Hengli Petrochemical Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
Ministry of Industry and Information Technology	Refers to	Ministry of Industry and Information Technology of the People's Republic of China
SSE	Refers to	Shanghai Stock Exchange
Company Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
Articles of Association	Refers to	Articles of Association of Hengli Petrochemical Co., Ltd."
Hengli Group	Refers to	Hengli Group Co., Ltd., controlling shareholder of the listed company
Hailaide	Refers to	Hailaide International Investment Ltd., person acting-in-concert with controlling shareholder of the listed company
Tak Shing Li	Refers to	Tak Shing Li International Holdings Ltd., person acting-in- concert with controlling shareholder of the listed company
Hegao Investment	Refers to	Jiangsu Hegao Investment Co., Ltd., person acting-in-concert with controlling shareholder of the listed company
Hengneng Investment	Refers to	Hengneng Investment (Dalian) Co., Ltd., person acting-in- concert with controlling shareholder of the listed company
Hengfeng Investment	Refers to	Hengfeng Investment (Dalian) Co., Ltd., person acting-in- concert with controlling shareholder of the listed company
Hengli Chemical Fiber	Refers to	Jiangsu Hengli Chemical Fiber Co., Ltd., subsidiary to the listed company
Susheng Thermal Power	Refers to	Suzhou Susheng Thermal Power Co., Ltd., subsidiary to the Hengli Chemical Fiber, sub-subsidiary to the listed company
Hengke Advanced Materials	Refers to	Jiangsu Hengke Advanced Materials Co. Ltd, subsidiary to the Hengli Chemical Fiber, sub-subsidiary to the listed

		company
Deli Chemical Fiber	Refers to	Jiangsu Deli Chemical Fiber Co., Ltd., subsidiary to the Hengli Chemical Fiber, sub-subsidiary to the listed company
Kanghui New Material	Refers to	Formerly known as Yingkou Kanghui Petrochemical Co., Ltd., subsidiary to the listed company, now renamed as Kanghui New Material Technology Co., Ltd.
Hengli Petrochemical Chemical	Refers to	Hengli Petrochemical (Dalian) Chemical Co., Ltd., subsidiary to the listed company
Hengli Investment	Refers to	Hengli Investment (Dalian) Co., Ltd., subsidiary to the listed company
Hengli Petrochemical (Dalian)	Refers to	Hengli Petrochemical (Dalian) Co., Ltd., subsidiary to the Hengli Investment, sub-subsidiary to the listed company
Hengli Petrochemical (Huizhou)	Refers to	Hengli Petrochemical (Huizhou) Co., Ltd., subsidiary to the Hengli Investment, sub-subsidiary to the listed company
Hengli Petrochemical Refining	Refers to	Hengli Petrochemical (Dalian) Refining Co., Ltd., subsidiary to the listed company
Crude Oil	Refers to	Crude oil is petroleum directly exploited from an oil well without being processed and is a dark-brown or dark-green viscous liquid or semisolid flammable substance that is composed of various hydrocarbons.
Aromatic Hydrocarbon	Refers to	A hydrocarbon containing a benzene ring structure in its molecule. Aromatic hydrocarbons, mainly including benzene, methylbenzene, xylene, etc., are one of the most important basic raw materials for the production of petrochemicals.
Ethylene	Refers to	A compound consisting of two carbon atoms and four hydrogen atoms. It is the basic chemical raw material of synthetic fiber, synthetic rubber, synthetic plastic (polyethylene and polyvinyl chloride), synthetic ethanol (alcohol), and also used in manufacturing chloroethylene, styrene, ethylene oxide, acetic acid, acetaldehyde, ethanol, and explosives, etc.
Polyethylene	Refers to	A thermoplastic resin produced by polymerization of ethylene. Polyethylene is odorless and non-toxic and feels like wax, has excellent low-temperature resistance, good chemical stability, and resistance to erosion of most acid and alkali.
Polypropylene (PP)	Refers to	A semi-crystalline synthetic resin material, with strong acid and alkali resistance, excellent electrical insulation capacity, harder character, and higher melting point than PE.

Styrene	Refers to	An organic compound which is usually a colorless but aromatic liquid, mainly used in the production of plastic, resin, and rubber.
Butadiene	Refers to	An organic compound which is a colorless gas with a distinctive odor is the main raw material in the production of synthetic rubber.
Paraxylene (PX)	Refers to	A kind of aromatic hydrocarbon, which is a colorless and transparent liquid, and is a raw material in the production of purified terephthalic acid (PTA), used for manufacturing plastic, polyester fiber, and film.
Purified Terephthalic Acid (PTA)	Refers to	A white crystal or powder at room temperature, non-toxic and flammable, which will burn as soon as catching fire if mixing with air to a certain degree.
Ethylene Glycol (MEG or EG)	Refers to	A colorless, odorless, sweet, viscous liquid, mainly used in the production of polyester fiber, antifreeze, unsaturated polyester resin, lubricant, plasticizer, non-ionic surfactant, and explosive.
Acetic Acid	Refers to	An organic compound which is a colorless liquid with a pungent odor and is the raw material for the production of rayon, filmstrip, aspirin, etc.
Polyester, Polyester Chip or PET	Refers to	Polyethylene Terephthalate, or Polyester or PET, is a fiber-forming polymer made from PTA and MEG through interesterification or esterification and condensation polymerization. Fiber-grade polyester chips are used for producing polyester staple fibers and polyester filament yarn, while film-grade chips are used for producing all categories of film products.
PBAT	Refers to	Poly (butylene adipate-co-terephthalate), or PBAT, is a petrochemical-based biodegradable plastic with sound biodegradability and is an active material in biodegradable plastic research with broad market application.
PBS	Refers to	Polybutanediol succinate, or PBS, is polymerized from succinate acid and Butane-1,4-diol (BDO), with sound thermal performance and mechanical processing performance. It is a typical fully biodegradable material easy to be decomposed and metabolized by a variety of natural microorganisms or enzymes in animals and plants and finally decomposed into carbon dioxide and water.
Polyester Fiber	Refers to	A synthetic fiber made of polyester formed by polycondensation of organic diacid and dihydric alcohol by spinning. The industrialized massively produced polyester fiber is made from PET and is known as dacron in China. It is the top major variety of synthetic fiber at

		present.
Polybutylene Terephthalate (PBT)	Refers to	It is a condensation polymer of para toluic acid and Butane-1,4-diol, which can be prepared by the methods of transesterification or direct esterification through polycondensation. PBT and PET together are known as thermoplastic polyesters.
Biaxially-Oriented Polyethylene Terephthalate (BOPET)	Refers to	BOPET has the characteristics of high strength, good rigidity, transparency, high gloss, etc., with excellent wear resistance, folding resistance, pinhole resistance and tear resistance, minimal thermal shrinkage, and sound antistatic property.
Denier (D)	Refers to	9,000-meter fiber weighs 1 gram and is called 1 denier (D).
Polyester Filament Yarn (PFY)	Refers to	Balls wound by filament yarn of more than 1 km in length.
PFY for Civil Use, Textile Yarn	Refers to	PFY used for clothing and household textile.
PFY for Industrial Use, Industrial Yarn	Refers to	Polyester macrofiber in large denier with strong strength and high modulus for industrial use.
Differential Fiber	Refers to	A new fiber variety that is differentiated from normal varieties with evident breakthroughs on techniques or performance, or with certain special properties, mainly used for improving wearability, through chemical modification or physical deformation.
POY	Refers to	Pre-oriented yarn, or partially oriented yarn (POY), is partially drawn PFY obtained by high-speed spinning with orientation between the unoriented yarn and the full drawn yarn.
DTY	Refers to	Draw textured yarn (DTY) is made of POY through drawing and false twist texturing, usually with certain elasticity and contractibility.
FDY	Refers to	Full Drawn Yarn (FDY), is a synthetic fiber filament further prepared by the spinning and drawing process. The fiber has been fully drawn and can be directly used for textile processing.

Chapter II Company Profile and Main Financial Indicators

I Main Accounting Data

Unit: million RMB

	2021	2020	Increase/Decrease over the Same Period of the Previous Year (%)	2019
Operating Income	197,970.34	152,373.40	29.92	100,782.37
Net Profits Attributable to Shareholders of the Listed Company	15,531.08	13,461.79	15.37	10,025.18
Net Profits Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses	14,520.70	12,874.32	12.79	9,275.61
Net Cash Flow from Operating Activities	18,670.17	24,142.88	-22.67	16,936.97
	The End of 2021	The End of 2020	Increase/Decrease at the End of Current Reporting Period Compared to the End of Previous Year (%)	The End of 2019
Net Assets Attributable to Shareholders of the Listed Company	57,231.38	46,905.08	22.02	36,333.00
Total Assets	210,296.23	191,028.73	10.09	174,377.54

II Main Financial Indicators

Main Financial Indicators	2021	2020	Increase/Decrease over the Same Period of the Previous Year (%)	2019
Basic EPS (RMB/Share)	2.21	1.92	15.10	1.44
Diluted EPS (RMB/Share)	2.21	1.92	15.10	1.44

Basic EPS after Deducting Non-Recurring Gains and Losses (RMB/Share)	2.07	1.83	13.11	1.33
ROEWA (%)	30.07	32.55	2.48 Percentage Points Decreased	31.77
ROEWA after Deducting Non-Recurring Gains and Losses (%)	28.11	31.13	3.02 Percentage Points Decreased	29.41

III. 2021 Main Financial Data by Quarter

Unit: million RMB

	First Quarter (Jan – Mar)	Second Quarter (Apr – Jun)	Third Quarter (Jul – Sep)	Fourth Quarter (Oct – Dec)
Operating Income	53,230.99	51,343.49	46,914.11	46,481.76
Net Profits Attributable to Shareholders of the Listed Company	4,111.08	4,531.13	4,069.75	2,819.12
Net Profits Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses	3,757.71	4,508.42	3,748.90	2,505.66
Net Cash Flow from Operating Activities	5,982.60	10,197.49	3,308.83	-818.74

IV. Items and Amount of Non-recurring Profits and Losses

Unit: RMB

Non-recurring Profit and Loss Items	Amount in 2021	Amount in 2020	Amount in 2019
Profit or loss from disposal of non-current assets	1,788,290.01	-2,353,388.34	-10,313,930.53
Tax refund or exemption approved ultra vires, or without any formal approval, or occurred occasionally			
Government subsidies included in the profit and loss of the current period, excluding those that are closely relevant to the normal business operation of the Company, and continuously enjoyed by the Company in accordance with	760,570,495.82	937,331,851.91	612,253,993.32

national policies and regulations by a certain standard quota or quantity			
Profit or loss from entrusted asset investment or management			133,647,150.21
Current net profit or loss from subsidiaries formed by business combination under common control, from the beginning period to the acquisition date			754,849.50
Profit or loss arising from investment income of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities of the Company, as well as investment gain received from the disposal of held-for-trading financial assets, derivative financial assets, trading financial liabilities, and derivative financial liabilities, and other debt investments, in addition to effective hedging business relevant to normal business operation of the Company	375,366,888.97	-158,168,853.40	266,383,453.84
Other non-operating incomes and expenses in addition to the above	-5,096,728.57	-11,127,746.48	-825,178.73
Others that conform to the definition of non-recurring profit and loss	45,080,477.29	1,561,440.57	
Less: effect of income tax	183,394,674.73	200,533,876.52	206,150,432.59
Influenced amount of the minority shareholders' equity (after-tax)	-16,064,003.29	-20,752,079.27	46,177,523.40
Total	1,010,378,752.08	587,461,507.01	749,572,381.62

V. Items Measured through Fair Value

Unit: million RMB

Item	Opening balance	Closing balance	Change	Influenced amount on current profit
Derivative financial assets	361.73	696.43	334.70	729.75
Derivative financial liabilities	89.00	296.82	207.82	-373.54
Bank's wealth management	1,288.40	20.00	-1,268.40	19.24

products and structured deposits				
Receivables financing	4,082.39	3,419.96	-662.43	
Fund trust and asset management products		97.94	97.94	2.02
National debt reverse repurchase		164.99	164.99	0.38
Total	5,821.52	4,696.14	-1,125.38	377.85

Chapter III Discussion and Analysis from the Management

I. Discussion and analysis of the business performance

Since 2021, the global economy has been recovering in general with a pick-up in the pace, and international trade and investment have gradually returned to normal. The Covid-19 vaccination has been expanded around the globe, and multiple countries have relaxed the pandemic control while implementing large-scale fiscal stimulus and easing monetary policies. The world economy has gradually emerged from the recession under the background. In the first half of 2021, major economies showed vigorous recovery, but when entering Q3, they have experienced a general slowdown and diverged growth rates, showing a fast growth followed by a slow one. Due to the unbalanced global recovery, there appeared a mismatch between supply and demand of global commodities, resulting in a rapid rise of inflation in the world. The increasing pressure of inflation and the crisis in supply chain and energy cannot be resolved in the short term. The global economic recovery and growth hence still face uncertainty. At the beginning of 2022, the global economy continued to recover between the climbing number of Covid cases and price index. Thanks to the improvement of global vaccination coverage and efficacy, the global economy is expected to show a moderate growth in 2022. However, the withdrawal of easing policies and the weakening of cyclical rebound will constrain the recovery momentum. Because of differences in policy support and vaccination coverage, the “recovery gap” between developed economies, and emerging markets and developing economies will be sustained, leaning towards a diverged recovery. In addition, geopolitical risks have become an important driving force for the recent increase in international commodity prices. After the sharp rise in 2021, international commodity prices will see another strong pickup in 2022. The factors influencing the commodity market will be more

complex and diverse. On the whole, considering the slowdown of global economic recovery, the accelerated tightening of monetary policy by the Federal Reserve and the gradual restoring of the global supply chain, it is unlikely that commodity prices will surge sharply again. However, the prices of key energy such as crude oil are expected to keep climbing, as geopolitical events occur, inventories remain at a historically low level, and the increase of production in OPEC+ is less than expected. The price of some non-ferrous metals such as copper and nickel may break new highs, because the green transformation of economy results in new large demands of some metals, and the inventories remain at a historically low level.

Domestically speaking, with the pandemic and global changes both unseen in a century, we should unswervingly do our own things well. China adheres to making progress while maintaining stability and high-quality development, strengthens the cross-cycle adjustment of macro policies, and enhances support for the real economy. The national economy has continued to recover its growth, and main targets of 2021 have been well accomplished. The government aims to gradually change the traditional growth model driven by real estate and infrastructure investment, and actively promotes economic transformation and a new development pattern at the same time. China's economic growth and pandemic prevention and control have maintained a leading position in the world, and its GDP has steadily reached a new level. In 2021, China's GDP was RMB114.37 trillion, an increase of 8.1% over the previous year calculated at constant prices. The average annual growth rate in the past two years is 5.1%. China's share in the global economy keeps going up, and continues to be a critical engine that drives the world economic growth.

However, China's economy still faces short and medium-term pressure from "demand contraction, supply shocks, and weakening expectations". "Development is the foundation and key to solving all problems." The Central Economic Work Conference clearly states that the policy for 2022 is to "prioritize stability while pursuing progress". On the one hand, China will continue to implement the strategy of expanding domestic demand, promote the recovery of consumption, expand effective investment, and enhance the endogenous drive for development. Our consumer market

remains highly resilient, with the trend of enlarging scale, upgrading structure and innovative consumption models unchanged. Consumption growth is well supported by the economic recovery, employment growth, increase in residents' income and the gradual improvement of social security. On the other hand, China will continue to transform the economic structure, develop new drivers of growth, and give rein to the strong development momentum of high-end manufacturing and high-tech integration based on technologically innovative industrial chains such as new energy, 5G, optoelectronic chips, integrated circuits, biotechnology, industrial Internet, and artificial intelligence, etc. China will improve the core competitiveness of the manufacturing industry, break through the bottlenecks in key areas, and enhance the resilience of the industrial chain and the supply chain.

With regard to the chemical industry, the year 2021 was characterized as "high growth followed by low development". In the first half, the pandemic in China was under control, and various industries gradually recovered and resumed work and production. By virtue of the support of public policies, the economy picked up, and the main chemical downstream industries also recovered significantly. The demand for chemical products kept rising and achieved high growth in the first half. The prices and price differentials of main chemical products produced by upstream refining, coal-gasification and ethylene plants, such as PX, pure benzene, acetic acid, polypropylene, ethylene glycol, styrene, polyethylene, and butadiene, generally maintained and kept fluctuating significantly within the range, thus leading to stable profitability. Similar to the upstream, downstream new chemical material products also benefited from the increase of raw material costs and terminal demands recovery, the profitability of polyester yarn for civil use and that for industrial use rapidly returned to normal, and functional thin films, engineering plastics, biodegradable materials, and other under-supply materials maintained at higher prices with greater profitability.

In the second half of 2021, the growth of the manufacturing industry slowed down affected by the slump real estate and coal and electricity shortages, and the service industry showed decelerated growth due to the dispersed cases of Covid. Due to the adverse factors, problems such as slowing demand growth, rising raw material costs,

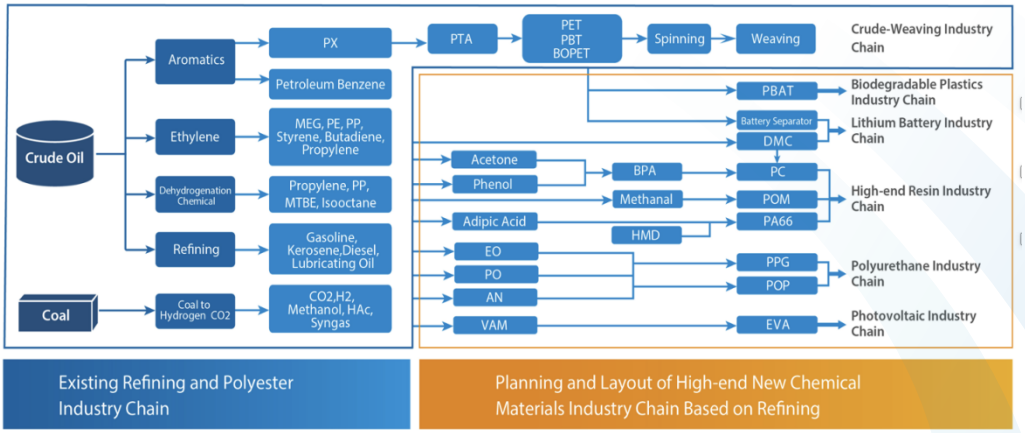
tightening energy efficiency constraints and periodic supply and demand imbalance gradually emerged, causing the overall declining growth rate of the industry and mounting market volatility and downward pressure. As the crude oil price rose sharply, the price of crude-related products also went up accordingly, whilst the price of chemical products for the consumer side was more dependent on their own supply and demand changes. In the turbulent external environment where the oil price and the market wildly fluctuated, industry leading enterprises with upstream production capacity, especially large-scale refining and petrochemical production capacity, demonstrated a more prominent risk-resistance and profitability along the entire industry chain.

2021 was the first year of the "dual-carbon" actions. China has pledged to establish and improve an economic system featuring green, low-carbon, and circular development, increase energy utilization efficiency, raise the share of non-fossil fuels in total energy consumption, reduce carbon dioxide emissions, and enhance the carbon sink capacity of the ecosystem, so as to ensure that carbon emission peaking and carbon neutrality be achieved on schedule. The "dual-carbon" goal will transform the supply-side structural reform and the industry, leading to a low-carbon, green, and high-quality development period.

Entering the new period of the "14th Five-Year Plan", with the upstream breakthrough, the leading companies have fostered greater operation, development space, and growth possibility under an operation mode which allows in-depth coordination and complementary operation between the platform of "major chemical" and the extension of advanced materials throughout the whole industrial chain. Meanwhile, faced with the exponential growth and huge gap in the demand for advanced chemical materials caused by the rapid development of "new consumption" and "key & core technologies" in the future, we should make full use of the continuous empowerment of the upstream "major chemical" platform and the cumulative development of downstream advanced materials for the "bottom down" development of the new markets of downstream chemical materials, which will become the historical mission and core driving force for the development of our peers in the next five or even

ten years, and is expected to push the leading companies' to build a chemical-materials-based industrial chain and the improvement of scarce production capacity, so as to serve national upgrading in advanced manufacturing and consumption, and achieve a leapfrog breakthrough and a "secondary growth curve" of long-term development under the effect of core technology, manufacturing technique, and an overwhelming scale.

At the corporate level, the company proactively adapts to the new situation, development and changes, focuses on the national strategic transformation deployment of the industry, continues to strengthen the basic support and development function of the "major chemical" platform with "refining & chemicals+ethylene+coal chemicals" as the upstream carrier, upholds and adheres to Hengli's "innovation and R&D genes", expands, deepens and refines our downstream advanced chemical material business, improves the R&D, and technological capacity, and raise the proportion of R&D in the downstream sector, in order to realize the "dual circulation" of coordinated development of the "major chemical" platform and the advanced material business.



During the reporting period, the key tasks of listed companies are as follows:

1. Strengthening the basic support and development function of the "major chemical" platform with "refining & chemicals+ethylene+coal chemicals" as the upstream carrier, with stable and flexible operation, stable functioning of major plants, and significant synergy of the whole industrial chain model.

(1) The development of the upstream "major chemical" platform: "gaining strength from hard work." In Dalian Changxing Island Petrochemical Industrial Park,

one of the top seven petrochemical industrial parks in China, we have concentrated and efficiently built four major capacity clusters: benchmark refining and chemical integration project at a capacity of 20000 kta, modern coal chemical plant at a capacity of 5000 kta, the world's largest single ethylene project at a capacity of 1500 kta, and 5 sets of largest single PTA plant in the industry with a total capacity of 11600 kta. We have successfully shattered the "bottleneck" in business links and raw material supply in the upstream and formed a strategic support platform of "major chemical" with a combination of "world-class chemical refineries + modern coal chemical plants" and the integration of oil, coal, and chemical. Meanwhile, as the listed company owned 100% shares of both Hengli Refining and Hengli Chemical, our refining and chemical integration project is the only self-developed project owned by a private company in the industry. Owning 100% of the equity and production capacity guarantees that the profits of our refining, ethylene, and coal chemical businesses and the output of important chemical raw materials can all be owned by listed companies and shareholders. This effectively ensures the profitability of the listed company and the ability to control the upstream "major chemical" development platform.

At present, the business segments of the listed company in the midstream and upstream have been based on a processing capacity of 20,000 kt of crude oil and 5000 kt of raw coal. The main production is as follows: in the aromatics process, an annual output of 4500 kt of PX, 1200 kt of pure benzene, and 1660 kt of PTA (5000 kt from the Huizhou base which is under construction). In the olefin process, we have an annual production of 1800 kt of fiber-grade ethylene glycol, 850 kt of polypropylene, 720 kt of styrene, 400 kt of high-density polyethylene, and 140 kt of butadiene. In the coal chemical process, an annual output of 750 kt of methanol, 400 kt of acetic acid, 300 kt of pure hydrogen and 126 kt of liquid nitrogen. We have reserved and transported high-end chemicals that are high value-added and in shortage within China, as well as midstream and upstream raw materials and additional gases to the downstream advanced materials industrial chains. At the same time, we were fully equipped with the industry's top 520MW high-power self-provided power plant

(providing a large amount of low-cost electricity and steam for self-use), self-supply crude oil terminal (2 terminals at a handling capacity of 300 kt), China's largest refinery self-supply crude oil tank area (storage capacity: 6000 kt crude oil), and other utilities including finished raw material terminals and tank area storage, which greatly reduces the production and operation costs. The refining and chemical plant, coal chemical plant, ethylene plant, and PTA plant in Changxing Island base are all connected through the pipeline, saving a lot of intermediate costs and transportation costs, forming a business strategic layout of a world-class petrochemical industrial development platform, and combining the matching integrated capacity and top-equipped utility. This also lays a solid foundation of raw materials and industrial supporting conditions for us to further develop the downstream advanced chemical materials business of aromatics and olefins with advantages in scale and market potential.

(2) Speeding up the construction of Hengli Chemical's advanced materials supporting projects: we have started the construction of the advanced materials supporting project of Hengli Chemical in Dalian Changxing Island with a total investment of 2310 million yuan. We reduced the investment cost through sharing the utilities in the refining and chemical park, and used pure benzene, hydrogen, nitrogen, and carbon dioxide produced by our refining, ethylene, and coal chemical plants as the main raw materials to produce products like adipic acid and food-grade carbon dioxide. The core product of this project is adipic acid with an annual production capacity of 300 kt, which will further integrate and improve our whole industrial chain of degradable advanced materials of "crude oil-PTA, adipic acid- PBAT". Adipic acid is also an important raw material for the production of nylon 66. We will also purify the carbon dioxide exhaust gas with a concentration of higher than 95% emitted by low-temperature methanol washing equipment to 99.99%, a food grade. This process not only recovers carbon dioxide, an industrial waste gas but also increases our benefits. This advanced material supporting project makes full use of the raw material resources provided by the upstream to further add and optimize the raw material supply structure of the "major chemical" platform, enhancing our

products' output and added value. The project also improves the business system of our whole industrial chain, and marks a substantial and important step for listed companies towards refining and chemical industry, fine chemicals downstream of olefins, and deep processing of advanced materials.

(3) Operations of the "major chemical" platform: During the reporting period, the prices of crude oil and coal witnessed ups and downs, like riding on a "roller coaster". The recovery of downstream demand drove up the price of downstream chemical products, and significantly improving the price differences. In the volatile industry environment, the company has given full play to the advantages of systematic coupling and technological leadership in refining & chemicals, ethylene and supporting coal chemical plants, optimized plant operations, and timely combined the fluctuation of raw materials and the trend of market demand, so as to "produce oil products, ethylene or aromatics as appropriate", maximizing the benefits of the company's product portfolio, fully responding to market risks and changes, and achieving significant synergies between refining & chemicals and coal chemicals. The company has responded flexibly by dovetailing its own advantages and adjusting its product structure, struck a balance between production and sales of major products, and ensured smooth operations and stable profitability.

2. With the support of the "major chemical" platform, and by upholding and adhering to Hengli's "innovative R&D genes", we expand, deepen, and refine our downstream advanced chemical material business, and improve the R&D and technological capacity, and raise the proportion of R&D in the downstream sector. Additionally, based on the construction of projects to build new materials and new energy businesses, we aim to create a "secondary growth curve".

For the listed company, the current downstream advanced material sector is mainly distributed in high R&D businesses such as differentiated polyester fibers, functional polymer thins, engineering plastics, and PBS/PBAT biodegradable advanced materials. With its upstream platform and downstream experiences, Hengli targets the growing demands in the advanced consumption and technological material

markets, boasting great potential for scaled production and high-end differentiation. Hengli is bringing its existing rapid and efficient processes and product development models into the advanced material vertices to permeate these markets. To this end, we have already established three major materials research institutes, the Fiber Research Institute, the Petrochemical Research Institute, and the Advanced Materials Research Institute, dedicated to the R&D and business expansion of our advanced chemical materials products.

(1) In the field of civilian PET fiber and industrial PET fiber, our subsidiaries Hengli Chemical Fiber, Hengke New Material, and Deli Chemical Fiber are the main producers. They are high-tech companies with solid technical support, rich talent pools, and market reserves. At present, they boast a total production capacity of 2430 kt of civilian PET fiber and 400 kt of industrial PET fiber. We follow the development path of market differentiation, high-end technology, and business integration, and make Hengli's businesses more refined and differentiated. Hengli is currently the only Chinese producer that can mass produce FDY products of 7D or below. In the R&D of microfiber, the company has been at the forefront of the industry by constantly updating and introducing advanced technologies to make "one fiber" more fined and lead the industry. During this reporting period, Deli Chemical Fiber began mass production of ultrafine 0.2 (D) monofilament with a specification of 15D/72f, making it one of the finest mass-produced ultrafine fibers in China. The high-density fabric ultrafine fiber 5D/6f independently developed by the Hengke New Material has the smallest total linear density in China, suited for the IT industry, such as mobile circuit boards and electromagnetic waves shielding fabrics. For industrial PET fiber, Hengli Chemical Fiber's 200kta industrial fiber project is a showcase that Hengli's research has transformed into major high-tech production. The project has been put into full production, for the first time, making specialized downstream industry, such as oil and gas exploration and offshore engineering, accessible to domestically produced fibers, effectively breaking the industry technology monopoly and the bottlenecks of key technologies in high-performance industrial yarn.

(2) In the field of functional polymer thin films and engineering plastics

sectors: The Company's wholly-owned subsidiary, Kanghui New Material, is the main producer of differentiated and high-performance polymer thin films with environment-friendly nature and new plastic materials of a high-tech company. Through nearly a decade's research and rapid development, Kanghui has improved its industrial competitiveness in mid-to-high-end functional polymer thin films and advanced plastic materials and is now ranking among first-class of the industry. At present, Kanghui has an annual production capacity of 240 kt in PBT engineering plastics at its Yingkou Base, making it the largest PBT manufacturer in China. Its PBT is mainly used for auto parts, polymer alloys, optical cable protective sleeves, electronic appliances, and other industrial applications. It has a capacity of 385 kt of BOPET functional polymer thin films, applied to high value-added scenarios such as BOPET optical equipment, release film liner, electronic appliances, automotive decoration, construction and packaging. Kanghui has the largest domestic PBAT annual production capacity of 33 kt by single set. The PBAT is used in green development and environmental protection such as food-grade shopping bags, tableware and straws of PBS/PBAT.

During the reporting period, through research in mid-to-high-end products, Kanghui's high-smooth MLCC (multilayer ceramic capacitor) release base film has been mass produced, and the ultra-smooth MLCC release base film process has been finalized. Kanghui has also received certification from Japanese and South Korean authorities, and small batch production of the ultra-smooth MLCC release base film begun. The ultra-smooth MLCC release base film has passed the technical verification of the Japanese and South Korean authorities and will reach mass production soon. The 12-micron in-line silicon-coated release film developed by Kanghui has been mass produced and exported, and Kanghui has become the only company in China and the second in the world that can produce products of the thickness, with a monthly production capacity of more than 60 million square meters.

(3) Construction of major projects in the PET advanced material sector: On the basis of consolidating the existing PET advanced material production capacity and competitiveness, and the R&D efficiency and the support of the upstream "major

chemical" platform, Hengli further develops its PBS/PBAT degradable advanced materials, high-performance industrial yarns, high-end PET film, lithium battery separator film and other emerging market demands and businesses. Details are as follows:

a. The Jiangsu Xuanda Green Multifunctional Advanced Textile Materials Project (Hengke Phase III) with a capacity of 1500 kt is located in Nantong, Jiangsu, with a total investment of RMB9 billion. Its main project capacity includes 150 kt of new elastic fibers, 150 kt of environment-friendly fiber, 300 kt of cationic POY, 300 kt of full-dull POY, and 600 kt of differential fiber (300 kt/year POY, 300 kt/year FDY). After completed, the project will bring more advanced technology and added value to our civilian PET fiber sector. The project is under progress in on orderly manner. In addition, the new production capacity of 1200 kt of textile yarns in Deli Phase II and 1400 kt of industrial yarns in the Suzhou headquarters are also in their planning phase and will start construction once government approval and other related preparatory conditions are ripe.

b. The Jiangsu Kanghui New Material Project with an annual output of 800 kt of functional PET thin films and functional engineering plastics is located in the Yangtze River Delta Eco-Green Integrated Development Demonstration Zone of Fenhu, Jiangsu. The total investment is RMB11.120 billion. The construction includes 470 kt of high-end functional polyester film, 100 kt of special available polymer thin films, 150 kt of modified PBT, and 80 kt of modified PBAT. The project produces products that are in short supply, differentiated, and high value-added in China to meet the demands of customers for mid-to-high-end PET films and functional plastics. After the project is completed, it will expand the company's production capacity and market share in the PET advanced material sector.

c. The 450 kt PBS biodegradable plastic project of Kanghui Dalian New Material is built on Changxing Island, Dalian. With a total investment of RMB1.798 billion, the project features 450 kt of PBS/PBAT degradable advanced material capacity. The project will expand the capacity and scale of the Company's biodegradable advanced material sector and increase the market share of biodegradable plastics.

d. The lithium-ion battery separator film project has an annual output of 1.6 billion square meters. Kanghui introduced 12 wet-process production lines of lithium-ion battery separator film from Shibaura Machine Co., Ltd of Japan. and Qingdao Zhongke Hualian New Materials Co., Ltd., with an annual production capacity of 1.6 billion square meters. The project is expected to be delivered within 18 months from January 2022.

3. We implement capital and equity operations of annual cash dividends, the fifth-phase employee stock ownership plan, share repurchase, and the plan of issuing short-term financing bonds.

For the investors to get stable and continuous rewards and share the Company's growth benefits with shareholders, Hengli completed the 2020 annual interest distribution, and returned total cash dividends of RMB5,407,201,800 (tax included). The amount of one-time cash dividends reached a record high, in line with the Company's Five-Year Return Plan to Shareholders (2020-2024). The Plan presents an expectation and mechanism to return stable rewards to shareholders.

To create a community of shared interests between employees and shareholders, the Company has awarded the main core employees of the 1500 kta ethylene project, the 2500 kta PTA-4 project, and the 2500 kta PTA-5 project with corporate stock. We have implemented the fifth-phase employee stock ownership plan to share with employees the rapid development.

Believing in the company's future development and recognition of the Company's value, in order to safeguard the interests of the company and shareholders, we have launched the third-phase share repurchase plan, with a repurchase fund of RMB500 million to 1000 million. As of the date of this announcement, the Company has repurchased shares of the highest amount as planned, and finished the third round of share repurchase. Since March 2022, the A-share market and the industry have witnessed great fluctuations. To maintain the stability of the Company's investment value and market value, we have timely launched a large-scale fourth-phase share repurchase plan, with a repurchase fund of RMB1000 million to 1500 million. Up to now, the fourth phase plan is progressing in an orderly manner. The Company has

repurchased 32,595,903 shares in total, with a payment amount of RMB714 million. The launch and rapid implementation of the plan has played a vital role in stabilizing the secondary market and avoiding irrational decline in the Company's market value, building positive reputation in the market.

In order to ensure the diversification of financing channels, meet the needs of capital turnover in business operation, and enhance the flexibility of capital management, the Company has applied to the China National Association of Financial Market Institutional Investors for the registration and issuance of short-term financing bonds with an amount not exceeding RMB3000 million (including RMB3000 million). As of the date of this announcement, the Company has obtained the *Notice of Acceptance of Registration*, and will issue the bonds within the validity period of the registration based on the real conditions.

4. We always follow safe production, as well as green and low-carbon development in daily operation, to achieve high-standard, green, and environmentally-friendly efficient operations.

Highly viewing design planning, construction operation, and detailed management, we practice the high-standard intrinsic safety, and green and low-carbon operation, which is essential to the Company's survival, benefit, and performance in its stable, efficient and sustainable growth. We adhere to the policy of "safety first, prevention as the mainstay, and comprehensive management", fully implement the primary safety responsibility of the Company, standardizes safety operation and HSE system management, continuously improves technological innovation in safety production, and reduces safety risks. At the same time, we normalize the emergency management of accidents and establish an emergency management system, to prevent and reduce the risk of emergencies and be better able to respond to emergencies.

The Company integrates green and low-carbon production into its development. Through multiple measures of reducing the use of resources and energy, improving the efficiency of energy use, and technological transformation and innovation, the Company has integrated upstream and downstream processes, and achieved the mutual supply of materials, so as to ensure energy-saving and sustainable

development throughout the whole production process. Hengli Petrochemical (Dalian) has built the world's first PTA residue recovery system in the industry, the R2R unit, overcoming the challenge the world faces in PTA residue recovery and treatment, recovered benzoic acid in an innovative way, and realized the ecological development of the petrochemical industry. Hengli's refinery sewage treatment plant has adopted the world's leading French Degremont treatment technology, and applied the embedded sewage integrated treatment technology for the first time. With the technology, we have treated "waste" with "waste", and turned waste into treasure with the available water, gas and residue. Our emission standard is 30% higher than the national one. Through recovering the waste heat of boilers, low-parameter steam, low-temperature warm water, high-temperature condensate, as well as stepped heating with different pressure levels, we have saved nearly 2000 kt of standard coal every year. Through energy gradient utilization, steam pipe network optimization, large-scale application of frequency conversion technology and other measures, we achieved 1000 million kWh annual reduction of purchased electricity.

Since the "dual-carbon" goal was put forward, the Company has responded quickly and taken effective measures. Currently, we take the lead in emission reduction with remarkable results. Hengli Petrochemical has become the refinery with the largest scale of frequency changers in China, saving 260 million kWh of electricity every year, equivalent to a reduction in consumption of 80.1 kt of standard coal per year. Its aromatics plant has implemented the theoretical proportioning technology of carbon monoxide online analysis to reduce the oxygen content of the heating furnace, so that the thermal efficiency of the heating furnace is up to more than 93%, and the annual fuel consumption can be reduced by 1.4 kt, or about 2.2 kt of standard coal. In 2021, Hengli Petrochemical saved 360 kt of steam, equivalent to about 41.4 kt of standard coal, by optimizing the operation of the distillation column. Hengli (Nantong) Industrial Park plans to build a "power station on the roof" with an installed capacity of 100MW using the idle roofs of warehouses and auxiliary workshops, and uses solar PV power to generate electricity. According to estimates, compared with thermal power, after the 100MW "power stations on the roof" is fully

on grid, about 44 kt of standard coal can be saved every year, reducing carbon dioxide emissions by about 109 kt, sulfur dioxide by about 260 tons, and nitrogen oxides by about 226 tons. Up to now, all four phased PV projects have been put into operation, with a total installed capacity of about 60 MW and a long-term planned installed capacity of 100 MW, making it the largest company distributed PV power generation project in Jiangsu Province.

Plans and practices will bring about good results. During the reporting period, Hengli Petrochemical (Dalian) Co., Ltd. was awarded the titles of "Advanced Company for Energy Conservation in the Petroleum and Chemical Industry During the 13th Five-Year Plan Period" and "Benchmarking Company for Energy Efficiency Leader in the Petroleum and Chemical Industry of 2020", with its energy efficiency of purified terephthalic acid products leading the industry. Hengli Petrochemical (Dalian) Refining Co., Ltd. also won the same two titles for its energy efficiency of crude oil processing, p-xylene, and acetic acid leading the industry. Following Hengli Petrochemical (Dalian), Hengli Refining and Hengke New Material awarded the titles of "National Green Plant" in 2017 and 2020 respectively, Hengli Chemical Fiber was awarded the title of "National Green Plant" in early 2022. So far, four subsidiaries under the listed Company have been rated as national-level "Green Plants".

Facing the "carbon neutrality" requirement of the industrial development in the future, the Company will, as always, put safety and environmental protection first. We will continue to perform well in keeping intrinsic safety of plants, accelerate the R&D on key core technologies, and make great efforts in flue gas treatment, wastewater recycling, solid waste disposal, waste heat utilization, and reduction of energy and resource consumption. We will create a world-class industrial park that is "the safest, the most environmentally friendly, internally excellent, and externally beautiful", and practices our own high-quality growth path of coexistence between industrial development and ecological and environmental protection, and equal importance on economic and social benefits.

II. Information of the Company's Businesses during the reporting period

The main businesses of the Company cover refining, petrochemical, production, R&D and sales of PX, acetic acid, PTA, EG, Polyester Chip, PFY for civil use, PFY for industrial use, functional films, engineering plastics, and PBS/PBAT bio-degradable advanced materials related to the whole industrial chain of advanced polyester materials, including downstream, midstream and upstream business. It is the first listed company of advanced chemical materials in the industry integrating the whole industry chain of "crude oil, aromatic hydrocarbon, alkene, PTA, EG, and new polyester materials".

The Company has a production capacity of 4500 kt of PX and 400 kt of acetic acid annually in the upstream, and 1160 kt of PTA and 1800 kt of fiber-grade EG in the midstream. Its PTA and EG products are partially for private use, and the rest are for market sales. In the downstream, it has extensive varieties of advanced chemical material products with complete specifications, targeting the middle and high-end market, including PFY for civil use, PFY for industrial use, BOPET, PBT, PBS/PBAT, and other polyester and advanced chemical material products applied in textile, pharmaceutical, automobile, the environment and new energy, electronics, PV, optical instrument, other industries with large scale, differentiation, and high additional value, and civil areas concerning basic necessities of life with massive demands.

As the world-class petrochemical and ethylene projects concerning key production capacity and all categories of scarce chemical raw materials in the upstream have been fully put under operation, and the competitive advantages of the PTA business in the midstream keep expanding and consolidating, the Company is accelerating its pace to sustain, deepen, and optimize the "major chemical" platform and raw material support for high-end advanced material and fine chemical engineering business in the downstream, to continuously extend the value and industrial chain of advanced materials.

III. Analysis of core competitiveness during the reporting period

1. The leading strategic advantage in developing the whole industry chain.

The Company is the first and fastest leading company in the industry to engage in the whole industrial chain strategic development of polyester advanced materials in China. It actively promotes coordinated and balanced development of all business segments, vigorously expands high-end production capacity in both upstream and downstream, commits itself to creating a world-class development pattern for a listed platform with collaboration and integration of the whole industrial chain covering "crude oil-aromatic hydrocarbon, alkene, PTA, EG, polyester, PFY for civil use, PFY for industrial use, films, plastics". The Hengli 2000 kta petrochemical integration project and the 1500 kta ethylene project are under full production, which marks a strategic breakthrough of the Company on key links in the petrochemical and production chain of aromatic hydrocarbon and alkene, making the Company the leader in the industry to integrate the whole industry chain of "crude oil, aromatic hydrocarbon, alkene, PTA, EG, new polyester materials". In addition, with new projects of PTA, advanced chemical materials, and PBS/PBAT bio-degradable advanced materials, successively being inaugurated and under operation, the Company is gradually upgrading and optimizing its industrial layout, consolidating and expanding its industrial strengths in all links, pushing ahead with the quantitative transition of its business scope and qualitative transition of its business structure, to foster strategic strength in industrial collaboration and integration, production capacity structure and quality, equipment scale and costs, accumulation of process techniques, speed of project operation and development of the listed platform, in the high-quality competition of the whole industrial chain.

2. The comprehensive operation strength in scale + techniques + support.

The Company keeps introducing world-class production equipment and mature technique packages for self-learning, absorption and application, and continuously engages in technology and technique innovation and upgrading. It has been equipped with the high-quality and efficient production capacity structure and public

engineering supporting facilities featuring “equipment upsizing, capacity scaling-up, structural integration, technique advancement, green development, and environment friendliness, and complete support” in the whole industrial chain of advanced polyester material covering the upstream, midstream, and downstream. Our processing scale and technical level are second to none in the industry in terms of individual unit installation, total production capacity, and process techniques, giving the Company advantages in scale and operation efficiency in unit investment costs, material and energy consumption conservation, unit processing costs, product delivery circle, product quality and diversification, and ensuring stable and preeminent quality performance. In addition, with the most complete supporting capacity in the industry, including power, energy, port, wharf, tank field, warehouse and logistics, the Company enjoys remarkable advantage in comprehensive operation covering comprehensive cost saving, service quality and performance, and operation efficiency. In the industrial park, oil refining, chemical engineering and coal-based chemical processing are complementary, and mutually reliant on each other, with a balance of high efficiency and cost control. The petrochemical business of the Company is equipped with the largest-scale coal-hydrogen production facility across the country, generating low-cost pure hydrogen, methanol, acetic acid, syngas and other coal-based chemical products, which, plus the Company’s advantages in storage and logistics of raw materials and products, substantially improves the operational flexibility and comprehensive cost advantage of the project.

3. The strength in market competition driven by advanced R&D.

The Company follows the development path laying equal stress on market differentiation, technology advancement, large-scale equipment, and business integration, upholds the innovation mechanism based on integration with market and the technology, creates R&D teams with experiences in global research, sets up high-level platforms for scientific R&D, attaches equal importance to capacity for technological R&D and that for innovation of new products, makes quick response to the latest changes of market demand, and has stable mid-to-high-level client resources. Four subsidiaries under the company, i.e., Hengli Chemical Fiber, Deli Chemical

Fiber, Hengke New Material, and Kanghui New Material, are all high-tech companies. Thanks to fine management and upgrading techniques in the production, the Company has independently developed a series of differentiated and functional products based on research, held patents of a large number of products, and won widespread market recognition. We boast strength over our peers in quality and stability of products. As the only company in China with the capacity for mass production of 5D FDY products, we provide more than 65% of the total output of MLCC release liners in China, and we are the first company in China, as well as the second in the world to hold the capacity for on-site production of 12-nanometer silicon-coated release laminated protective films for lithium batteries. The absolute technological strength and technical experience in the fields of functional films and PFY for civil use have put us in an invincible position in the industrial competition that is difficult to replicate in the short run.

4. The advantages of smart, lean, and efficient management.

We are committed to promoting the idea of “deep integration of the Internet, big data, Artificial Intelligence (AI) and the real economy”, by developing advanced manufacturing capacity and regenerating internal driving force. In achieving this goal, we take the “intelligent interconnection” as a key starting point for industrial upgrading and transformation, through “replacing humans with machines”, “replacing machines with automatic machines”, “replacing one machine with a complete set of machines” and “replacing digitalization with intelligentization”, thus facilitating the gradual transition from “strength in human resources” to “strength in technology” in our development pattern. By means of the integrated application of intelligent manufacturing, the Internet, the Internet of things, and other technologies, we are constantly promoting the intelligent manufacturing throughout the entire process. Product traceability and full-process control are realized through a self-developed product detection system, automatic bar code system, intelligent warehouse management system, and sales system, together with the seamless integration with the ERP system, thus promoting the integration of key links such as corporate control, R&D, manufacturing, business management, and financial connection, facilitating the

transition from “manufacturing” to “smart manufacturing”, and transforming from single business management to highly-coordinated operation of the industrial chain.

5. Continuously accumulating talent management advantages.

We have formed a multi-disciplinary and multi-profession technological team, including refining, petrochemical, polymer materials, chemical fiber engineering, textile engineering, and electrical engineering. Besides, our scientific R&D capabilities are ahead of our domestic counterparts. While introducing external talents, we also attach great importance to the cultivation of our internal talents at the same time, by providing our employees with a smooth career development channel. In addition, we have also established a complete internal training system and trained a large number of key personnel, covering various aspects, including R&D, production, sales, and management.

IV. Main Business Operations during the Reporting Period

By the end of 2021, the Company’s total assets were RMB210,296 million, a year-on-year increase of 10.09% and the net assets attributable to the shareholders of the Listed Company were RMB57,231 million, a year-on-year increase of 22.02%.

In 2021, the Company recorded a revenue of RMB197,970 million, a year-on-year increase of 29.2%, a net profit attributable to the shareholders of the Listed Company of RMB15,531 million, an increase of 15.37% compared with the same period of last year.

(I) Main Business Analysis

1. Changes of Accounts from Income Statement and Cash Flow Statement

Unit: million RMB

Account Item	Amount for the reporting period	Amount for the same period of last year	Flux (%)
Revenue	197,970.34	152,373.40	29.92
Cost of sales	167,518.09	124,116.31	34.97
Selling expenses	291.37	177.33	64.31
Administrative expenses	1,985.40	1,715.59	15.73
Financial expenses	4,916.21	5,028.77	-2.24
R&D expenses	1,019.45	825.97	23.42

Net cash flow from operating activities	18,670.17	24,142.88	-22.67
Net cash flow from investing activities	-13,097.72	-22,410.88	N/A
Net cash flow from financing activities	-7,387.59	-1,020.97	N/A
Explanation of the reasons for changes in cost of sales: increase in cost of sales was primarily due to revenue increase during the reporting period Explanation of the reasons for changes in selling expenses: primarily due to warehousing expenses increase during the reporting period			

2. Revenue and Cost Analysis

(1) Main business by industry, by product, by region and by sales model

Unit: million RMB

By Sector						
By sector	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change of revenue (%)	Year-on-year change of cost of sales (%)	Year-on-year change of gross profit margin (%)
Petrochemical industry	180,371.58	150,068.56	16.80	31.86	37.97	-3.68 pts
Other industries	16,846.29	17,154.51	-1.83	19.27	18.99	0.24 pts
By Product						
By product	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change of revenue (%)	Year-on-year change of cost of sales (%)	Year-on-year change of gross profit margin (%)
Refining and chemical products	104,931.71	80,915.30	22.89	16.82	19.08	-1.46 pts
PTA	48,163.11	47,038.13	2.34	63.56	79.79	-8.81 pts
Polyester products	27,276.75	22,115.14	18.92	55.69	50.9	2.57 pts
Others	16,846.29	17,154.51	-1.83	19.27	18.99	0.24 pts
By Region						

By region	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year change of revenue (%)	Year-on-year change of cost of sales (%)	Year-on-year change of gross profit margin (%)
Domestic	175,293.88	147,063.15	16.1	27.12	33.01	-3.72 pts
Overseas	21,923.98	20,159.92	8.05	68.37	59.8	4.94 pts

Revenue, cost and gross profit margin of refining and chemical products, PTA and polyester products include revenue, cost and gross profit margin of trade.

(2) Production and sales volume analysis

Main products	Unit	Production	Sales volume	Inventory	Year-on-year change of production (%)	Year-on-year change of sales volume (%)	Year-on-year change of inventory (%)
Refining and chemical products	mt	23.52	23.18	0.46	-6.49	-7.6	161.77
PTA	mt	12.19	11.40	0.22	26.74	23.97	559.63
Polyester products	mt	3.33	3.13	0.32	25.04	15.28	39.10

Sales volume of refining and chemical products, PTA and polyester products include respective volume of trade, but exclude volume of internal usage.

(3) Cost analysis

Unit: million RMB

By Sector							
By sector	Cost composition	Amount in the reporting period	Proportion in total costs of the reporting period (%)	Amount in the same period of last year	Proportion in total costs of the same period of last year	Year-on-year change (%)	Explanation

					(%)		
Petrochemical industry	Direct material	136,617.55	81.70	98,878.87	80.27	38.17	
Petrochemical industry	Direct labor	1,616.36	0.97	1,266.45	1.03	27.63	
Petrochemical industry	Power fuel	5,439.39	3.25	3,594.92	2.92	51.31	
Petrochemical industry	Manufacturing expenses	6,395.26	3.82	5,028.41	4.08	27.18	
Other industries	Direct material	15,405.12	9.21	12,939.49	10.50	19.06	
Other industries	Direct labor	1,693.29	1.01	1,399.57	1.14	20.99	
Other industries	Power fuel	24.96	0.01	28.29	0.02	-11.78	
Other industries	Manufacturing expenses	31.15	0.02	49.33	0.04	-36.86	
By Product							
By product	Cost composition	Amount in the reporting period	Proportion in total costs of the reporting period (%)	Amount in the same period of last year	Proportion in total costs of the same period of last year (%)	Year-on-year change (%)	Explanation
Refining and chemical products	Direct material	73,408.60	43.90	62,228.07	50.52	17.97	
Refining and chemical products	Direct labor	581.56	0.35	455.08	0.37	27.79	
Refining and chemical products	Power fuel	2,744.42	1.64	1,840.44	1.49	49.12	
Refining and chemical products	Manufacturing expenses	4,180.70	2.50	3,426.17	2.78	22.02	
PTA	Direct material	44,542.80	26.64	24,889.65	20.21	78.96	
PTA	Direct labor	213.14	0.13	117.83	0.10	80.90	
PTA	Power fuel	1,077.22	0.64	375.08	0.30	187.20	

PTA	Manufacturing expenses	1,204.97	0.72	780.43	0.63	54.40	
Polyester products	Direct material	18,666.15	11.16	11,761.14	9.55	58.71	
Polyester products	Direct labor	821.65	0.49	693.55	0.56	18.47	
Polyester products	Power fuel	1,617.75	0.97	1,379.41	1.12	17.28	
Polyester products	Manufacturing expenses	1,009.59	0.60	821.81	0.67	22.85	
Others	Direct material	15,405.13	9.21	12,939.49	10.50	19.06	
Others	Direct labor	1,693.29	1.01	1,399.57	1.14	20.99	
Others	Power fuel	24.96	0.01	28.29	0.02	-11.78	
Others	Manufacturing expenses	31.15	0.02	49.33	0.04	-36.86	

Direct material expense of refining and chemical products, PTA and polyester products include purchase cost of trade.

(4) Main sales customers and suppliers

A. The Company's main sales customers

The total sales of the top five customers was RMB144,30.81 million, accounting for 7.29% of the total annual sales. Sales from related parties among the top five customers was RMB0 million, accounting for 0% of total annual sales.

B. The Company's main suppliers

The total purchase of the top five suppliers was RMB54,034.98 million, accounting for 33.48% of the total annual purchase. Purchase from related parties among the top five suppliers was RMB0 million, accounting for 0% of total annual purchase.

4. R&D Investment

(1) R&D investment

Unit: million RMB

Expensed R&D investment during the reporting period	1,019.45
Capitalized R&D investment during the reporting period	
Total R&D investment	1,019.45

Proportion of R&D investment in revenue (%)	0.51
Proportion of capitalized R&D investment	

(2) R&D personnel

Number of R&D personnel	3,220
Proportion of R&D personnel in the Company's total employees (%)	9.03
Educational qualifications	
Educational qualifications	Number of personnel
Doctoral candidate	6
Master	65
Bachelor	1,449
Junior college	1,188
High school degree and below	512
Age	
Age	Number of personnel
below 30 years old (excl. 30 years old)	1,005
30-40 years old (incl. 30 years old and excl. 40 years old)	1,468
40-50 years old (incl. 40 years old and excl. 50 years old)	523
50-60 years old (incl. 50 years old and xcl. 60 years old)	222
60 years old and above	2

(II) Assets and Liabilities

1. Assets and liabilities

Unit: million RMB

Item	Amount by the end of the reporting period	Percentage in total assets in the reporting period (%)	Amount by the end of the same period of last year	Percentage in total assets in the same period of last year (%)	Flux (%)	Explanation
Trading financial assets	814.37	0.39	1.650.13	0.86	-50.65	Primarily due to decreases in bank wealth management products and structured deposit balance
Accounts	2,643.84	1.26	1,363.60	0.71	93.89	primarily due to

receivable						increases in outstanding sales receivable during the closing period
Advance payment	2,636.92	1.25	1,994.37	1.04	32.22	Primarily due to increases in prepayment for material purchase by the end of the reporting period
Inventories	33,553.00	15.96	19,691.12	10.31	70.40	Primarily due to increases in raw material purchase during the reporting period
Construction in progress	7,782.85	3.70	4,195.71	2.20	85.50	Primarily due to newly increased investments in the 5-million-ton PTA projects and the green multi-function textile new material project with an annual out of 1500kt
Other non-current assets	3.902.59	1.86	2,261.80	1.18	72.54	Primarily due to increases in prepayment for long-term assets purchase
Notes payable	16,050.29	7.63	7,805.07	4.09	105.64	Primarily due to increases in unexpired letters of credit issued by the end of the reporting period
Tax payable	1,276.89	0.61	2,290.70	1.20	-44.26	Primarily due to decreases in income tax payable balance by the end of the reporting period
Non-current liabilities due	5,423.23	2.58	3,828.96	2.00	41.64	Primarily due to increases in long-term borrowings due

within one year						within one year by the end of the reporting period
Other current liabilities	1,399.27	0.67	719.12	0.38	94.58	Primarily due to newly increased money margin payable for the acquisition of Hengli Futures
Bonds payable	-	-	1,013.97	0.53	-100.00	Due to redemption of matured bonds issued by the Company
Undistributed profits	31,118.45	14.80	21,120.65	11.06	47.34	Primarily due to transferred net profits attributable to the owners of the parent company realized during the reporting period

2. Overseas assets

Of which: overseas assets were 3150.65368597 (Unit: million RMB), accounting for 1.50% of the total assets.

3. Assets with restrictions by the end of the reporting period

Unit: million RMB

Item	Closing Book Value	Reasons for Restrictions
Cash and cash equivalent	6,211.53	The Company pledged cash and cash equivalent in order to obtain line of credit from financial institutions
Cash and cash equivalent	65.32	Margin paid for futures and financial derivatives trading
Cash and cash equivalent	0.05	Immature interest receivable
Cash and cash equivalent	119.60	Litigation-related frozen provision
Trading financial assets	20.00	The Company pledged trading financial assets in order to obtain line of credit from financial institutions
Accounts receivable financing	1,338.20	The Company pledged notes receivable in order to obtain line of credit from financial institutions
Inventories	0.72	The Company pledged warehouse receipts to offset futures margin

Fixed assets	91,413.84	The Company pledged fixed assets in order to obtain line of credit from financial institutions
Fixed assets	328.66	Mortgaged in order to provide guarantee for sales-leaseback contracts
Intangible assets	3,876.63	The Company mortgaged intangible assets in order to obtain line of credit from financial institutions
Constructions in progress	241.28	The Company mortgaged constructions in progress in order to obtain line of credit from financial institutions
Total	103,615.83	

(III) Analysis of Industrial operating information

1. Analysis of Industrial operating information on the chemical industry

Basic information on the industry

(1) Industrial policies and changes

① *The 14th Five-year Plan For The Development Of The Raw Material Industry*

In December 2021, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the Ministry of Natural Resources jointly issued *The 14th Five-year plan for the Development of Raw Material Industry*, putting forward that technological research will be conducted to develop technology of heavy and inferior oil processing and efficient conversion and utilization, and advanced technologies will be applied within the petrochemical industry, especially low-carbon technologies including the direct production of chemicals from crude oil, intelligent micro-reaction and continuous production of fine chemical products.

② *The 14th Five-Year Plan for Industrial Green Development*

In November 2021, the Ministry of Industry and Information Technology issued *The 14th Five-Year Plan for Industrial Green Development*, which proposed main tasks such as focusing on promoting advanced energy-saving processes such as the direct production of chemicals from crude oil in the petrochemical and chemical industry, enhancing the process and structural matching, collaborative supply of raw materials among chemical companies, strengthening the circular linkage among companies, parks, and industrial clusters, coordinating the domestic and international resources, and voluntarily improving cross-region industrial allocation. Efforts must be also made to encourage eligible parks and companies to intensify the coupling and

circular utilization of resources in a bid to build “waste-free parks” and “waste-free companies”.

③ *Action Plan on Energy Conservation and Carbon Reduction for Major Businesses of Petrochemical Industries (2021-2025)*

In October 2021, the National Development Reform Commission and the Ministry of Industry and Information Technology jointly issued *Opinions on Strictly Restraining Energy Efficiency to Drive Energy Saving and Carbon Reduction in Key Areas* and the *Action Plan on Energy Conservation and Carbon Reduction in Key Petrochemical and Chemical Industries (2021-2025)*, boosting the green and low carbon transformation in key industries of oil refining, ethylene, and synthetic ammonia to achieve the goal of carbon dioxide peaking as scheduled.

The action plan clearly puts forward the action target that “by 2025, through energy saving and carbon reduction, the proportion of production capacity in the oil refining, ethylene, ammonia and calcium carbide industries reaching the benchmark level will exceed 30%, significantly raising the overall energy efficiency of the industry, cutting carbon emission intensity, and enhancing green and low carbon development”. The overall implementation plan for technological transformation of companies in key petrochemical industries will be formulated, guiding the orderly reduction of backward production capacity, pushing forward energy-saving and low carbon technology and equipment, and promoting the holistic development of industries. These majors tasks will be put into effect. We will select advanced and applicable technologies for energy conservation in the oil refining, ethylene, and synthetic ammonia industries, and guide the technological transformation and upgrade of backward companies. We will phase out the oil refining units of 2,000 kta and below and ethylene units of 300 kta and below, strictly prohibit the construction of new atmospheric and vacuum units of less than 10,000 kta, and catalytic cracker of less than 1,500 kta, continuous catalytic reforming unit (including aromatics extraction) below 1,000 kta, hydrocracker below 1,500 kta, and naphtha cracking units of less than 800 kta to produce ethylene. We will apply low carbon deep processing of heavy and inferior residues, one-step conversion from syngas to olefins,

directly cracking crude oil to ethylene and other technologies, adhere to the development direction of refining-chemical integration, the integration of coal, chemicals, power and heat, and poly generation, and also build an industrial chain that connects companies in supply and demand with interconnected production units. We thus can improve the comprehensive utilization of resources, reduce energy consumption in logistics and transportation, and promote the identification of chemical parks.

④ *The Guidelines of the 14th Five-Year Plan for the Petrochemical and Chemical Industry*

In January 2021, the China Petroleum and Chemical Industry Federation issued the *The Guidelines of the 14th Five-Year Plan for the Petrochemical and Chemical Industry*, which pointed out that in the petroleum and chemicals industry, emphasis should be laid on producing high value-added oil products and chemical feedstock instead of mass production of refined oil products, refining capacity should be integrated, the ethylene industry should be improved, and the competitiveness of PX should be enhanced. In terms of new chemical materials, the development in special engineering plastics, high-end functional film materials, and thermoplastic elastomers should be sped up, making breakthroughs in preparing technologies across the whole industry chain as in high-end polyolefins, bio-based fibers, and bio-based polyesters, diversify and upgrade the new chemical materials products, and seeking pathways to make up for the shortcomings and gaps in technologies.

⑤ *The Ecological & Economic Development Plan of the 14th Five-Year Plan for Liaoning Province*

In January 2022, the General Office of the People's Government of Liaoning Province released *The Ecological & Economic Development Plan of the 14th Five-Year Plan for Liaoning Province*, stating that the petrochemical industrial chain should be extended; The scale advantage of ethylene, propylene, PX, PTA and other bulk basic chemical feedstocks will be maintained to carry forward the high-end development of the petrochemical industry and lay out advantageous product chains along the olefins, aromatics, new materials, and fine chemicals industry chains.

" More chemical products less refined oil output" for the petrochemical industry will be proceeded. Further progress must be made in the transformation of the refining and chemical production to be safe, clean, green, and effective, to achieve an intensive, high-end, green, and integrated development in the refining and chemical industry. Top priority should be given to the development of such new chemical materials as high-end polyethylene, special resin, special engineering plastics, and high-end membrane.

(2) Basic information on the main industrial segment and industrial status of the Company

① Petrochemical industry

The Company has a production capacity of 4,500 kt PX, basically meeting the demand in raw materials for downstream PTA capacity, In addition, it is designed to produce high-end chemical products that are in short supply with high added value in China as 1,800 kt EG, 400 kt acetic acid, 1,200 kt of benzene, 850 kt of polypropylene, 720 kt of styrene, 400 kt of high-density polyethylene, and 140 kt of butadiene, as well as oil products like high-grade gasoline above national VI standard, diesel, and aviation kerosene. With the gradual elimination of small refineries with high production costs and outdated equipment, the concentration of the refining and chemical industry and the competitiveness of large-scale new refineries will be increased significantly. The company has outstanding advantages in policy support, process technology, and industrial collaboration. Compared with other refining companies, we boast obvious strengths of high quality and low cost, thus gaining strong market competitiveness.

② PTA

PTA is the direct upstream raw material of PET. China is the largest producer and consumer of PTA in the world. Currently, the Company has a PTA production capacity of 16,600 kta (including the 5,000 kt under construction in Huizhou, a prefecture-level city of Guanggong Province). The Company has become the PTA production supplier with the largest production capacity, the most advanced techniques and the most evident cost advantage in the world, and the only company

with equity capacity of more than 10 million tons in the industry.

③ New polyester materials

One of the company’s main businesses is the R&D, production, and sales of related products of the new polyester materials. The main products include polyester and new chemical material products as PET, POY, FDY, DTY, BOPET, PBT, PBS/PBAT. The Company’s production capacity of filament for civil use ranks among the top five in China, and that of filament for industrial use ranking the second place across the country, making it one of the manufacturers of PFY for both civil and industrial use with the largest scale and the most advanced techniques in China.

Kanghui New Material, a subsidiary of the Company, has an annual production capacity of 240 kt of PBT engineering plastics in the manufacturing base of Yingkou, a prefecture-level city of Liaoning Province. As the largest PBT manufacturer in China, its products are mainly used in auto parts, polymer alloys, optical cable protective sleeves, and electronic appliances. Kanghui New Material has an annual production capacity of 385 kt of BOPET functional film capacity, used in high value-added businesses such as BOPET optical equipment, release protection, electronic appliances, vehicle decoration, construction, and packaging. It has the largest annual single set PBAT production capacity of 33 kt based on its own technology in China, used in green applications such as food-grade shopping bags, tableware and straws of PBS/PBAT. The project of 450 kt of degradable plastic is under construction in Changxing Island, Dalian. Projects of 470 kt of high-end functional polyester films, 100 kt of special functional films, 150 kt of modified PBT, and 80 kt of modified PBAT are under construction in Suzhou Fenhu, leading to its strong comprehensive competitiveness.

2. Products and production

(1) Main products

Products	Business segments	Primary upstream raw materials	Applications of major downstream materials	Main factors affecting prices
Oil products	Petroleum refining	Crude oil	Aviation kerosene, gasoline, and diesel and	Upstream raw materials like crude oil and

			other power fuels	downstream demand
PX	Chemical raw materials and chemicals manufacturing	Crude oil	PTA	Upstream raw materials like crude oil and downstream demand
Ethylene	Chemical raw materials and chemicals manufacturing	Crude oil	PE, ethylene glycol	Upstream raw materials like crude oil and downstream demand
PTA	Chemical raw materials and chemicals manufacturing	PX	Polyester fiber, bottle grade chips, film grade chips, etc.	Crude oil and PX supply and downstream demand
Polyester Filament	Polyester manufacturing	PTA, MEG	Advertising light box cloth, geotextile, conveyor belt, automobile fiber and tire meridian, clothing and home textiles, etc.	Upstream raw materials like crude oil and downstream textile prosperity
Polyester chips	Polyester manufacturing	PTA, MEG	Filature	Upstream raw materials like crude oil and downstream demand
BOPET	Plastics product manufacturing	PTA, MEG	Packaging film, insulating film, capacitor film, etc.	Upstream raw materials like crude oil and downstream demand
PBT	Plastics product manufacturing	PTA, BDO	Auto parts, electronic appliances, aerospace materials, etc.	Upstream raw materials like crude oil and downstream demand

(2) R&D and innovation

By December 31, 2021, Hengli Chemical Fiber, subsidiary to the Company, owned 413 invention patent rights, 91 utility model patents, 109 licensed patents granted during the current reporting period (including 89 authorized patents in China, 11 in the US, 1 in the ROK, 6 in Japan, and 2 in Europe), and 20 authorized utility model patents. Deli Chemical Fiber, subsidiary to the Company, owned 13 invention patent rights, 49 utility model patents, 3 licensed patents granted during the current reporting period, and 18 authorized utility model patents. Kanghui New Material, subsidiary to the Company, owned 17 invention patent rights, 40 utility model patents, 4 licensed patents granted during the current reporting period, and 1 authorized utility model patent. Hengke New Materials, subsidiary to the Company, owned 34 invention

patent rights, 51 utility model patents, 1 PCT (Patent Cooperation Treaty), and 6 licensed patents granted during the current reporting period.

(3) Production capacity and construction work

Unit: million RMB

Major plants/projects	Designed capacity (10 kt)	Capacity utilization (%)	Capacity under construction	Investment in capacity under construction	Planned completion time
PFY of Suzhou plant	140	96.70	400 kt of industrial filament yarn under construction	96	
PFY for civil use of Nantong plant	120	78.94	900 kt under construction		
PFY for civil use of Suqian plant	20	93.72			
Polyester film of Kanghui New Material (Yingkou) Industrial Park	38.5	100			
PET of Kanghui New Material (Yingkou) Industrial Park	1.5	100			
Engineering plastics of Kanghui New Material (Yingkou) Industrial Park	24	77.74			
PBS bio-degradable advanced materials project of Kanghui New Material (Yingkou)	3.3	78.39			

Industrial Park					
PTA of Dalian plant	1160	105.05			
Refining and chemical project of Dalian plant	2000	103.25			
Ethylene project of Dalian plant	150	109.45			
PTA of Huizhou plant			5,000 kt	2,849	To be on stream in mid-2022
New material supporting chemicals project of Hengli Petrochemical (Dalian) Chemical Co., Ltd.			350 kta synthetic ammonia, 300 kta nitric acid, 300 kta adipic acid, and 200 kta food-grade carbon dioxide, and the supporting map and storage facilities		construction period of 3 years
800 kta functional polymer thins and functional plastics project of Jiangsu Kanghui New Material Co., Ltd.			(1) 346 kta functional polymer thins (2) 124 kta high end polymer thins (3) 100 kta functional films (4) 150 kta modified PBT (5) 80 kta modified PBAT facilities	177	construction period of 32 months
1,500 kta Jiangsu Xuanda Green Multifunctional Advanced Textile Materials Project of Jiangsu Xuanda Polymer Materials Co., Ltd			(1) 150 kta new ultra-simulation functional elastic fiber project (two-component paint) (2) 150 kta ultra-simulation differentiated environmentally friendly fiber project (recycled fiber) (3) 300 kta modified polyester fiber project	1,333	construction period of 2 years

			(cation) (4) 300kta differentiated functional polyester fiber project (full dull) (5) 600 kta differentiated ultra-simulation polyester fiber project (300 kta POY, 300 kta FDY)		
450 kt PBS bio-degradable advanced materials project of Kanghui (Dalian) New Material Technology Co., Ltd			450 kt	237	construction period of 1 year

Note: the designed capacity of the plants and the projects listed above refers to what has been put into production, excluding those under construction

3. Raw materials procurement

Notes on the raw materials

Major raw materials	Procurement model	Settlement model	Procurement amount (10 kt)	Consumption amount (10 kt)	Variation ratio (%)
crude oil	contract, spot	letter of credit, cable transfer	2,117.78	2,065.84	50
PX	contract, spot	cable transfer, letter of credit, BA	372.04	374.96	50.60
MEG	contract, spot	cable transfer	10.98	10.81	N/A
BDO	contract, spot	BA	12.25	10.35	203.89

The impact of major procurement price changes on the Company's operating costs: the procurement prices of the raw material exerting positive impact on the Company's operating costs.

Notes on the main energy

Major energy	Procurement model	Settlement model	Procurement amount	Consumption amount
power	market-oriented procurement	monthly settlement	2,907.00 million kwh	2,907.00million kwh
thermal coal	market-oriented procurement	monthly settlement	6.7057 mt	7.0056 mt

natural gas	market-oriented procurement	monthly settlement	160.67 million cubic meters	158.76 million cubic meters

The price of major energy sources is directly proportional to the Company's operating costs. The prices of major energies are affected by national policies, the supply and demand structure of the regional markets, and the stability of supply.

4. Product sales

(1) **Main Business Operations By Segments**

Unit: million RMB

Business segments	Operating revenue	Operating cost	Gross margin (%)	YOY changes in operating revenue （%）	YOY changes in operating cost（%）	YOY changes in gross margin （%）	Gross margins among the peers
petrochemical segment	18,0371.58	150,068.56	16.80	31.86	37.97	-3.68	
other segments	16,846.28	17,154.51	-1.83	19.27	18.99	0.24	

(IV) Investment Status Analysis

General Analysis on Foreign Equity Investment

During the reporting period, no major equity investment was made by the Company. Six new major construction projects are as follows:

1. The 1,500 kta green multifunctional textile advanced materials project of Jiangsu Xuanda Polymer Materials Co., Ltd.

Total investment reached RMB9,000 million. The project is located in the Hengli Textile Advanced Materials Industrial Park in the New Binjiang Area (Wujie County), Tongzhou District, Nantong City, with a construction period of 2 years. According to the feasibility study report, the project is expected to realize annual revenue of approximately RMB18,618.87 million with an annual net profit of approximately RMB1,300.27 million after it reaches the target output.

2. The PBS biodegradable plastics project with 450 kta output of Kanghui Dalian New Material Technology Co., Ltd.

Total investment reached RMB1,798.21 million. The project is located in the western Industrial Zone of Dalian Changxing Island Economic and Technological Development Zone with a construction period of 1 year. According to the feasibility study report, the project is expected to realize annual revenue of approximately

RMB10,058.18 million with an annual net profit of approximately RMB2,016.40 million after it reaches the target output.

3.The functional polyester film and functional plastics project with 800 kta output of Jiangsu Kanghui New Material Technology Co., Ltd.

Total investment reached RMB11,124.52 million. The project is located in the factories of Jiangsu Kangkui New Material Technology Co., Ltd. in the demonstration zone of green and integrated ecological development of the Yangtze River Delta with a construction period of 32 months. According to the feasibility study report, the project is expected to realize annual revenue of approximately RMB14,505.10 million with an annual net profit of approximately RMB2,906.32 million after it reaches the target output.

4. The advanced material supporting chemical project of Hengli Petrochemical (Dalian) Chemical Co., Ltd.

Total investment reached RMB2,310.92 million. The project is located in the industrial park of Hengli Petrochemical (Dalian) in Dalian Changxing Island with a construction period of 3 years. According to the feasibility study report, the project is expected to realize annual revenue of approximately RMB3,517.8674 million with an annual net profit of approximately RMB1,261.1812 million after it reaches the target output.

5.The high performance polyester engineering with 2.6 million-ton annual output of Hengli Petrochemical (Dalian) New Material Technology Co., Ltd.

Total investment reached RMB4,001.36 million. The project is located in the industrial park of Hengli Petrochemical (Dalian) New Material Technology in Changxing Island with a construction period of 18 months. According to the feasibility study report, the project is expected to realize annual revenue of approximately RMB16,613.96 million with an annual profit of approximately RMB990,54 million and net profit of RMB841.96 million after it reaches the target output.

6. The high performance resin and new material project with 1,600 kta output of Hengli Petrochemical (Dalian) New Material Technology Co., Ltd.

Total investment reached RMB19,988.26 million. The project is located in the industrial park of Hengli Petrochemical (Dalian) in Dalian Changxing Island with a construction period of 18 months. According to the feasibility study report, the project is expected to realize annual revenue of approximately RMB25,375.37 million with

an annual profit of approximately RMB9,151.57 million and net profit of RMB6,863.67 million after it reaches the target output.

(V) Analysis of Major Holding and Participating Companies

Unit: million RMB

Name of the Subsidiaries	Shareholding Ratio (%)	Business Nature	Registered Capital	Total Assets	Net Assets	Net Profit
Hengli Petrochemical (Dalian) Refining Co., Ltd.	100	Manufacturing	17,596	117,893	31,456	9,781
Hengli Petrochemical (Dalian) Co., Ltd.	99.83	Manufacturing	5,890	35,689	11,624	-547
Hengli Petrochemical (Dalian) Chemical Co., Ltd.	99.99	Manufacturing	2,208	29,416	5,755	1,985
Jiangsu Hengli Chemical Fiber Co., Ltd.	100	Manufacturing	4,575	28,535	6,885	2,249
Kanghui New Material Technology Co., Ltd.	100	Manufacturing	831	8,516	2,926	1,086

Note: Jiangsu Hengli Chemical Fiber Co., Ltd includes its subsidiaries of Jiangsu Hengke New Material Co., Ltd, Nantong Teng'an Logistics Co., Ltd., Jiangsu Xuanda Polymer Material Co., Ltd., Jiangsu Deli Chemical Fiber Co., Ltd., Suqian Deya New Material Co., Ltd., Hengli Futures Co., Ltd., Hengli Hengxin Industry & Trade (Shanghai) Co., Ltd, Suzhou Susheng Thermal Power Co., Ltd., Suzhou Binglin Trading Co., Ltd., Sichuan Hengli New Material Co., Ltd., Hengli New Material (Suqian) Co., Ltd.

Hengli Petrochemical (Dalian) Co., Ltd. includes its subsidiaries of Hengli Shipping (Dalian) Co., Ltd., Hengli Petrochemical Co., Limited and Shenzhen Ganghui Trading Co., Ltd.

Hengli Petrochemical (Dalian) Chemical Co., Ltd. includes its subsidiary of Hengli Petrochemical (Dalian) Advanced Materials Technology Co., Ltd.

Hengli Petrochemical (Dalian) Refining Co., Ltd. includes its subsidiaries of Hengli Petrochemical International Pte. Ltd., Hengli Oilchem Pte. Ltd., Hengli Shipping International Pte. Ltd., Hengli Energy (Hainan) Co., Ltd., Hengli Oilchem (Hainan) Co., Ltd., Suzhou Hengli Chemical Import and Export Co., Ltd., Shenzhen Shengang Trading Co., Ltd., Hengli Refining Products Sales (Dalian) Co., Ltd., Hengli Aviation Oil Co., Ltd., Hengli Oilchem (Suzhou) Co., Ltd., Hengli Energy (Suzhou) Co., Ltd., Hengli Energy (Jiangsu) Co., Ltd., Hengli Storage and Transportation (Dalian) Co., Ltd., Suzhou Hengli Chemical Polymer Co., Ltd.

Hengli Petrochemical (Dalian) Chemical Co., Ltd. includes its subsidiaries of Hengli

Petrochemical (Dalian) New Material Technology Co., Ltd.

(VI) The structured entities (SE) controlled by the Company

By December 31, 2021, the SE related to the Company but not included in the financial statements were mainly engages in capital management business, manage and operate the customers' capitals, and provide investment management as in stocks, futures, and other financial products. The total assets of the SE on December 31, 2021 were RMB104.3122 million.

V. Discussions and analysis of the Company's future development

(Ⅰ) Industrial landscape and trend

1. Petrochemical industry

(1) Leaning towards intensive, efficient, and low-carbon development

Under the goal of "carbon neutrality and carbon emission peaking", our peers will work harder to reduce energy consumption and emissions, and improve crude oil conversion. Through process intensification, optimization of device design and process flow, and the development and application of energy management systems, the companies will minimize energy and raw material consumption, maximize device operation efficiency and production flexibility, reduce the restrictions of other factors, and efficiently respond to the changing development environment, to achieve low carbon and high-quality development.

(2) Accelerating industrial upgrading and expanding demand for new chemical materials lead to a broader market space

New chemical materials are important basic materials for strategic emerging materials such as new energy, high-end equipment, green environmental protection, and biotechnology. Entering the "14th Five-Year Plan" period, with the rapid growth of strategic emerging industries as high-end equipment, automobile manufacturing, electronic information, new energy, energy conservation and environmental protection, new construction, bio-medicine application, smart grid, and 3D printing, the demand for new materials such as high-quality synthetic resin, high-performance synthetic rubber, engineering plastics, degradable materials, electronic chemicals and high-performance membrane materials continue to grow, driving the rapid growth of new chemical materials production capacity. With the development of downstream industries, the future market space for new chemical materials tends to be broad.

2．PTA

China is the largest producer and consumer of PTA. Under the competitive landscape of the integrated industrial chain, leading companies in the PTA industry have strong market competitiveness in terms of the scale of a single set of facility, stable production and operation, material consumption, energy consumption, and product quality. As the PTA industry is going through more fierce competition, its concentration will be further increased.

3．Polyester fiber

(1) Differentiated and high-end new fiber materials

The Company will develop differentiated and functional fiber products such as intelligent, super-simulation, and dope dyeing, and expand the application of functional fibers in clothing, home textiles, industry, and environmental protection, continue to optimize the production and application of high-performance fibers, improve the technological maturity of high-performance fibers that have been engineered and industrialized, improve the stability and uniformity of the existing product quality, and meet the needs of downstream applications, enhance the differentiation and functioning of basic fibers through copolymerization, blending, and composite spinning to achieve high-quality, efficient production and low cost fibers, strive to make breakthroughs in key technologies for large-scale production of bio-based chemical fibers, develop high-quality differentiated products, and strengthen application technology development.

(2) Accelerating intelligent and digitized transformation

The Company will build an intelligent manufacturing standard system for the chemical fiber industry, improve the R&D and application of intelligent manufacturing industrialization technologies such as chemical fiber, seek breakthroughs in key software and hardware systems, form integrated solutions and full-process intelligent manufacturing technology integration, and build smart factories based on big data, artificial intelligence, and the industrial internet.

The Company will push forward its digital transformation and the application of artificial intelligence, big data, cloud computing, and other emerging digital technologies in chemical fiber enterprises, improve the digitalization of the whole industrial chain such as R&D, design, manufacturing, operation and maintenance. By applying digital technology to dovetail business processes, management systems, and

supply chain data, it will innovate the management model as organizational structure optimization, dynamic and accurate services, and auxiliary management decision-making to raise enterprise management capabilities.

(3) Seeking green and low carbon transformation

The Company will carry forward energy-saving and low-carbon development, guide enterprises to purchase green electricity, expand the proportion of new energy applications such as solar energy. It will increase the R&D of green process technology and equipment, strengthen the technological transformation of clean production and the application of key energy-saving and emission-reduction technologies, accelerate the development and construction of green factories, green products, green supply chains, and green parks in the chemical fiber industry, carry out the construction of a leading water and energy efficiency demonstration company, and proceed with carbon footprint accounting and social responsibility building. Through the recycling improvement, the Company is to speed up the optimization of the industrial structure of recycled chemical fibers and the upgrading of itself.

(II) Development strategy

General development strategy: we are committed to providing quality fiber and creating a better life for the society. Under the principle of "doing the right things at the right time", we adhere to the development philosophy of "innovation, coordination, green, and sharing", the operation concept of "winning global markets with surpassing quality, persistence, and will", and the management ideal of "people-centered, scientific, institutionalized, and professional", foster a company spirit of "solidarity, integrity, steadiness, and innovation", increase the industrial innovation capacity, improve industrial structures, and drive the Company into high-end, intelligent, green, integrated, and international development.

(1) The Company will take solid steps in "improving the upstream and enhancing the downstream". In the first place, the Company will continue to strengthen the upstream industrial platform to support the development of "refining+ethylene+coalification" underpinning the "big chemicals", and implement "making up and enhancing the industrial chains" and "R&D and innovations", reserving space and paving ways for the new downstream material businesses in the future. On top of that, the Company will redouble its efforts in the downstream businesses, consolidate traditional market strengths, benchmark the breakthroughs in

major new materials as the development and upgrading of “new consumption” and “key&core technologies”, nurture new leading material business growth points in scale, and make strides toward a world leading petrochemical new material company that covers the whole industrial chain.

(2) The Company will take unswerving steps in adopting integrated development strategy across the board. The Company will focus on diversifying the specs of the products, expanding capacity, differentiating the products through R&D, technology and innovation upgrading, and strive to realize the industrial development goal of “industrial growth in bases, scale production, meticulous products, professional technology, and sound management”.

(III) Operational plan

The year 2022 is the crucial year for the Company to implement the 14th Five-Year Plan and move faster towards the development model of “platform+new materials”. Standing at a new strategic height and seizing the development opportunity, the Company firstly actively implements “the renovation and consolidation of the industrial chains” and “R&D and innovations”, and consolidate the platform and efficiency of “big chemicals” as the upstream, and secondly, fosters the “second growing curve” with “new chemical materials” as the new guideline, and strike a new journey towards a high quality development. Our major work for the whole year are as follows:

1. To continue to refine and strengthen the four business segments, and enhance the competitive advantages of the entire industry chain.

Based on maintaining the existing industrial advantages, the Company will stimulate the advantages and potential of the entire industrial chain by continuous renovation, extension and consolidation of the industrial chain, move towards the high end of the industrial and value chain, continuously optimize the product structure, improve product quality, actively promote the linkage of production and sales, and strive for safe, stable, long, full, and optimal operation. The Company will achieve steady progress in the 1,600 kta high-performance resin and related supporting projects, 2,600 kta functional polyester project, 300 kta adipic acid chemical new material supporting project and 1,600 million square meter lithium battery diaphragm project which are all under construction. The Company will ensure the smooth

progress of the projects and provide strong guarantee for its sustainable and high-quality development.

2. To continue to strengthen quality, cost, and rapid response to ensure high quality and efficiency in the Company's operations.

Quality is the bottom line of a Company's survival. It is necessary to strive for excellence in each product, continuously improve quality standards, enhance quality and brand awareness, push product quality to a higher level, and maximize benefits. The Company will continue to strengthen cost control, reduce costs, and increase efficiency, adhere to the policy of "set production target based on sales and boost sales from production" and the philosophy of "customer-centered , market-based and all-staff-involved marketing ". It will dig deep into the market potential, closely follow up the market conditions, and adjust strategies in a timely manner. The Company will unite as one for the same goal, spare no effort to achieve the annual production and operation goals, and ensure the high quality growth in profits.

3. To continue to improve the Company's management system to ensure a stable and long-term development.

The Company will further improve the safety and environmental protection management system, strengthen risk identification and hidden danger investigation and management, intensify operation supervision and emergency drills, consolidate the foundation for safe production, deeply practice the concept of green, environmental protection and low carbon development, reduce pollution and carbon emission, gain profits through synergy, improve the financial security system, enhance internal financial management, and ensure zero risk of capital security. The Company will continue to optimize the internal management system, adhere to the principle of "regulating people through systems, managing affairs through processes, and raising efficiency through forms", and improve the Company's risk control capabilities. The Company will strengthen the construction of the talent system, cultivate and reserve outstanding talents, introduce high-quality talents, improve the career promotion mechanism, and provide smooth channels and broad platforms for outstanding talents. It will optimize the corporate culture system, foster the corporate image, care for employees, make them feel at home, and pass on the core concepts of the Company.

(IV) Potential Risks

1. Risk of industry cyclical fluctuations

The development of the polyester fiber and petrochemical industry is influenced by industry demands and its own development status, thus featuring a certain level of cyclicity. Changes of the macro environment, such as China's national economy and export policy, would bring risks of cyclical fluctuations to the industry. During adjustment cycles, falling product prices, insufficient utilization of capacity and decreasing profitability would be seen.

2. Risk of raw material price fluctuations

The Company's production and operation are greatly affected by the price changes of upstream raw materials, especially crude oil and coal. If the Company's inventory, procurement management, and price adjustment of downstream product market cannot effectively reduce or absorb the impact of price fluctuations of raw materials, its operation, production and business performance could be adversely impacted.

3. Foreign exchange risk

If the RMB continues to fluctuate substantially, great uncertainties would be posed to the Company's exchange gains or losses, export product prices denominated in foreign currencies, raw material prices and other operational factors. The Company will leverage forward foreign exchange contracts and other methods to establish and improve the exchange rate hedging mechanism and reduce the amount of foreign currency receipts and payments in order to reduce the impact of exchange rate changes on the Company's profitability.

4. Environmental protection and safety Risk

With the enhancement of environmental awareness and stricter environmental protection requirements from the government, the Company proactively takes environmental protection measures, increase corresponding investments, strictly complies with relevant laws, regulations and production specifications in its daily management and establishes strict standard operation procedures. However, environmental or safety production accidents caused by human errors or accidents still could not be eliminated, which could affect the Company's normal businesses. Therefore, there are certain environmental protection and production safety risks.

Chapter IV Corporate Governance

I. Notes on Corporate Governance

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 Stocks on Shanghai Stock Exchange and other laws, regulations and regulatory documents, the Company continuously improved the corporate governance structure, established and improved a sound system of internal management including General Shareholders Meetings, the Board of Directors and the Supervisory Committee to regulate its operations. The Company has formed a corporate governance structure with clear rights and responsibilities, effective checks and balances, scientific decision-making and coordinated operations among organs of authority, decision-making organs, supervisory organs and the senior management teams. The structure ensures the effective implementation of the decision-making power of the general shareholders' meeting and the Board of Directors and the supervisory power of the supervisory committee as well as efficient and compliant operations and management of the senior management team. The Board of Directors of the Company established four special committees, i.e., the strategy committee, the audit committee, the nomination committee and the remuneration and appraisal committee, to provide consultation and advice for the Board of Directors and make sure that its deliberation and decision-making is professional and efficient. The Company continued to follow closely new changes in regulatory laws and rules, implement new regulatory policies and requirements, strengthen risk prevention and control, push forward internal control management, carry out high-quality information disclosure, narrow the scope of insiders under the principle of validity, accuracy, timeliness, completeness and fairness to ensure equitable access to information of all shareholders. The Company managed investor relations proactively and treated all investors fairly with integrity and openness. The Company carried forward the ESG system and delivered its social responsibilities

to safeguard the legitimate rights and interests of the Company and all shareholders and ensured a sustainable and stable development.

II. Notes on General Shareholders Meetings

During the reporting period, the Company held three General Shareholders Meetings in total. The convening and holding of the meetings complied with the provisions of the Company Law, the Rules for the General Shareholders Meetings of Listed Companies and its Articles of Associations. The qualifications of the meeting participants and conveners were legal and valid. The voting procedures and results of the meetings were legal and valid. The resolutions of the General Shareholders Meetings were legal and valid.

Meeting session	Date of meeting	Search index for resolution disclosure on designated websites	Date of resolution disclosure	Meeting resolutions
2020 Annual General Meeting	May 7, 2021	Announcement on Resolution of the 2020 Annual General Meeting of Hengli Petrochemical (Announcement No.: 2021-044) on Shanghai Stock Exchange website (http://www.sse.com.cn/)	May 8, 2021	1. 2020 Annual Report on the Work of the Board of Directors 2. 2020 Annual Report on the Work of the Supervisory Committee 3. 2020 Annual Report and its abstract 4. 2020 Annual Reports on Final Accounts 5. 2020 Profit Distribution Plan 6. Proposal on Remunerations for the Directors of the Board in 2020 7. Proposal on Remunerations for the Supervisors in 2020 8. Proposal on the Forecast of Daily Related Party Transactions in 2021 9. Proposal on Developing Foreign Exchange Derivatives Trading Business in 2021 10. Proposal on the 2021 Guarantee Program 11. Proposal on Applying for General Credit Limit from Banks

				and Other Financial Institutions 12. Proposal on Re-employing the Accounting Firm 13. Proposal on Buying Liability Insurance for Directors of the Board, Supervisors and Senior Executives
The First Interim General Shareholders' Meeting in 2021	July 13, 2021	Announcement on Resolution of the First Interim General Meeting in 2021 of Hengli Petrochemical (Announcement No.: 2021-057) on Shanghai Stock Exchange website (http://www.sse.com.cn/)	July 14, 2021	Proposal on Investing to Construct the Project of Functional Polyester Film and Functional Plastics with an Annual Output of 800 kt
The Second Interim General Shareholders' Meeting in 2021	November 26, 2021	Announcement on Resolution of the Second Interim General Meeting in 2021 of Hengli Petrochemical (Announcement No.: 2021-079) on Shanghai Stock Exchange website (http://www.sse.com.cn/)	November 27, 2021	Proposal on Registering and Issuing Short-term Financing Bonds

III. Information on Board Meetings during the Reporting Period

Meeting session	Date of Meeting	Meeting resolutions
The 16th meeting of the 8th Board of Directors	March 1, 2021	1.The Fifth Phase of the Employee Stock Ownership Plan of Hengli Petrochemical Co., Ltd. (Draft) (Revised) and its Abstract (Revised) 2. Management Method on the Fifth phase of Employee Stock Ownership Plan of Hengli Petrochemical Co., Ltd. (Revised) 3. Proposal on Signing the Trust Contract of the Trust Plan for Pooled Funds of the Fifth Phase of Employee Stock Ownership

The 17th meeting of the 8th Board of Directors	April 12, 2021	1. 2020 Annual Report on the Work of the General Manager 2. 2020 Annual Report on the Work of the Board of Directors 3. 2020 Annual Report and its Abstract 4. 2020 Annual Reports on Final Accounts 5. 2020 Profit Distribution Plan 6. 2020 Internal Control Evaluation Report 7. Proposal on Remunerations for the Directors of the Board and Senior Executives in 2020 8. Proposal on Achievement of Performance Commitment of Hengli Investment (Dalian) Co., Ltd. 9. Proposal on the Forecast of Daily Related Party Transactions in 2021 10. Proposal on Developing Foreign Exchange Derivatives Trading Business in 2021 11. Proposal on Developing Futures Hedging Business 12. Proposal on Entrusted Wealth Management and Investment Plan in 2021 13. Proposal on the 2021 Guarantee Program 14. Proposal on Applying for General Credit Limit from Banks and Other Financial Institutions 15. Proposal on Accounting Policy Changes 16. Proposal on Re-employing the Accounting Firm 17. Proposal on Buying Liability Insurance for Directors of the Board, Supervisors and Senior Executives 18. Proposal on Convening the 2020 Annual General Meeting
The 18th meeting of the 8th Board of Directors	April 21, 2021	1. Full text and main text of the 2021 First Quarter Report 2. Report on the Impairment Test by the end of 2020 on Underlying Assets of Material Assets Reorganization
The 19th meeting of the 8th Board of Directors	June 24, 2021	1. Proposal on Investing to Construct the Project of Green Multi-functional Textile New Materials with an Annual Output of 1500 kt 2. Proposal on Investing to Construct the Project of PBS Biodegradable Plastics with an Annual Output of 450 kt 3. Proposal on Investing to Construct Supporting Chemical Program for New Materials 4. Proposal on Investing to Construct the Project of

		Functional Polyester Film and Functional Plastics with an Annual Output of 800 kt 5. Proposal on Convening the First Interim General Shareholders Meeting in 2021
The 20th meeting of the 8th Board of Directors	August 16, 2021	Full text and abstract of the 2021 Interim Report
The 21st meeting of the 8th Board of Directors	October 27, 2021	2021 Third Quarter Report
The 22nd meeting of the 8th Board of Directors	November 5, 2021	1. Proposal on Share Repurchase by Means of Centralized Bidding 2. Proposal on Authorizing the Senior Management to Handle Matters Related to the Share Repurchase
The 23rd meeting of the 8th Board of Directors	November 10, 2021	1. Proposal on Registering and Issuing Short-term Financing Bonds 2. Management System of Debt Financing Instruments Information Disclosure of Hengli Petrochemical Co., Ltd. 3. Proposal on Convening the Second Interim General Shareholders Meeting in 2021
The 24th meeting of the 8th Board of Directors	December 30, 2021	1. Proposal on the Purchase of Assets by Affiliated Companies and Related Party Transactions 2. Proposal on Convening the First Interim General Shareholders Meeting in 2022

Ⅳ. Information on the Special Committees under the Board of Directors

(I) Members of the special committees under the Board of Directors

Special committee	Members
Audit Committee	Fu Yuanlue, Cheng Longdi, Li Feng
Nomination Committee	Li Li, Cheng Longdi, Liu Dunlei
Remuneration and Appraisal Committee	Li Li, Fu Yuanlue, Gong Tao
Strategy and Investment Committee	Fan Hongwei, Cheng Longdi, Li Feng

(II) The Audit Committee convened seven meetings during the reporting period

Date of	Meeting content	Material	Other

Meeting		comments and suggestions	performance of duties
April 7, 2021	Convened the second communication meeting to exchange views on the preliminary audit opinions proposed by the annual audit accountants on the Company's financial statements	Nil	Nil
April 12, 2021	Deliberated the 2020 Annual Financial Statements, Summary Report of the Audit Committee of the Board of Directors on the Audit Work in 2020, the Proposal on Re-employing the Accounting Firm, 2020 Annual Report and its Abstract and the Proposal on the Forecast of Daily Related Party Transactions in 2021	Nil	Nil
April 21, 2021	Reviewed the 2021 First Quarter Report and issued written opinions	Nil	Nil
August 16, 2021	Reviewed the 2021 Interim Report and issued written opinions	Nil	Nil
October 27, 2021	Reviewed the 2021 Third Quarter Report and issued written opinions	Nil	Nil
December 10, 2021	Convened a communication meeting with annual audit accountants in advance of the 2021 Annual Report	Nil	Nil
December 30, 2021	Deliberated the Proposal on Purchase of Assets by Affiliated Companies and Related Party Transactions	Nil	Nil

(III) The Remuneration and Appraisal Committee convened one meeting during the reporting period

Date of Meeting	Meeting content	Material comments and suggestions	Other performance of duties
April 7, 2021	Deliberated the Proposal on 2020 Remunerations of Directors of the Board and Senior Executives	Nil	Nil

(IV) The Strategy and Investment Committee convened two meetings during the reporting period

Date of Meeting	Meeting content	Material comments and suggestions	Other performance of duties
June 23, 2021	Deliberated the Proposal on Investing to Construct the Project of Green Multi-functional Textile New Materials with an Annual Output of 1500 kt, the Proposal on	Nil	Nil

	Investing to Construct the Project of PBS Biodegradable Plastics with an Annual Output of 450 kt, the Proposal on Investing to Construct Supporting Chemical Program for New Materials and the Proposal on Investing to Construct the Project of Functional Polyester Film and Functional Plastics with an Annual Output of 800 kt		
November 9, 2021	Deliberated the Proposal on Registering and Issuing Short-term Financing Bonds	Nil	Nil

V. Plan of Profit Distribution or Converting Capital Reserve into New Shares

During the reporting period, there was no adjustment to the Company's cash dividend policy. The Company strictly complied with related provisions of the Articles of Associations and the Five-year Plan for Shareholder Return (2020-2024) to implement the policy.

The Company deliberated and passed the 28th meeting of the 8th Board of Directors of the Company, profit distribution in 2021 was proposed as follows: the Company planned to distribute cash dividends of RMB10.10 (including tax) for every 10 shares based on the total share capital on the date of record (excluding the Company's share repurchase by cash). The proposal would be implemented after being submitted for deliberation to the 2021 General Shareholders' Meeting.

VI. Notes on and Impacts of the Company's Equity Incentive Plan, Employee Stock Ownership Plan and Other Employee Incentive Measures

Event	Index
The revision of the fifth phase of the Company's employee stock ownership plan draft	Please refer to details in the Announcement on the Fifth Phase of the Employee Stock Ownership Plan of Hengli Petrochemical Co., Ltd. (Draft) (Revised) disclosed on the Shanghai Stock Exchange website on March 2, 2021
The completion of stock purchase of the fifth phase of the Company's	Please refer to details in the Announcement on the Completion of Stock Purchase of the Fifth Phase of the Employee Stock Ownership Plan of Hengli Petrochemical Co., Ltd. (Announcement No.: 2021-012)

employee stock ownership plan	disclosed on the Shanghai Stock Exchange website on March 16, 2021

VII. Information on the Internal Control Audit Report

In accordance with the Basic Norms for Company Internal Control and its supporting guidelines and other internal control regulatory requirements, also based on the Company's internal control system and evaluation methods, the Company evaluated the effectiveness of its internal control based on daily and special supervisions over internal control. In accordance with the format, content, and requirements stipulated by China Securities Regulatory Commission and Shanghai Stock Exchange, the "2021 Annual Internal Control Evaluation Report" was formulated.

The Company's external auditor Zhonghui Certified Public Accountants (special general partnership) issued a standard unmodified internal control audit report for the Company.

Chapter V Environmental and Social Responsibility

The Company pays great heed to environmental protection, and strictly acts upon the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Promoting Clean Production*, and the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes* and other relevant laws and regulations. The key pollutant discharging companies and their subsidiaries mainly include Hengli Chemical Fiber, Susheng Thermal Power, Deli Chemical Fiber, Hengke New Material, Kanghui New Material, Hengli Petrochemical (Dalian) Chemical, Hengli Refining and Chemical, and Hengli Petrochemical.

During the reporting period, each pollutant discharging subsidiary carried out self-monitoring of their environmental impact and engaged professional third parties to test various pollutant factors. The test results showed that the emission concentrations of various pollutants were in compliance with national and local pollutant discharge standards and other relevant standards. The total discharge of pollutants is under the required limit as outlined by operation permits. (Due to the switch between old and new pollutant discharge licenses, there were some changes in the approved total annual pollutant discharge amount and discharge calculation methods of some key pollutant discharge subsidiaries.)

The specific pollutant discharge is as follows:

1. Hengli Chemical Fiber

During the reporting period, Hengli Chemical Fiber commissioned Jiangsu Guoce Testing Technology Co., Ltd., Suzhou Huanyou Testing Co., Ltd., Suzhou Guotai Testing Co., Ltd.and Suzhou Changhe Environmental Monitoring Co., Ltd. to test various pollutants. The test results showed that the emission concentrations of various pollutants were in line with the national and local pollutant discharge standards or other relevant standards. The total discharge of pollutants is under the required limit as outlined by operation permits.

Excessive emission	Wastewater	No excessive emission				
	Exhaust gas	No excessive emission				
	Noise	No excessive emission				
Total emission	The total amount of wastewater (tons per year)					
		Wastewater	COD	Ammonia	Total phosphorus	Total nitrogen
	Amount of discharge during the reporting period	67,311	1.57	0.018	0.027	0.727
	Approved amount of discharge (year)	/	8.623	0.675	0.0684	5.748
	Total amount of exhaust gas (tons per year)					
		Sulfur dioxide	Nitrogen oxides	PM	VOCs	
	Amount of discharge during the reporting period	14.183	115.713	13.587	0.273	
	Approved amount of discharge (year)	152.25	201.13	30.16	1.9008	

2. Susheng Thermal Power

During the reporting period, Susheng Thermal Power installed the boiler exhaust gas online self-monitoring equipment in accordance with the governmental environmental regulations and technical specifications, adopted a combination of manual and automatic monitoring approach. Suzhou Zhenghe Chemical Environmental Protection Co., Ltd. outsourced the continuous emission monitoring equipment and system for maintenance and operation. The plant boundary noise and fugitive exhaust gas emission monitoring, the manual quarterly monitoring of flue gas, and the daily monitoring of industrial and desulfurization waste water are outsourced to Suzhou Shengze Environmental Monitoring Co., Ltd. Suzhou Shengze tested various pollutant factors, and the test results showed that the emission concentrations of various pollutants met the national and local pollutant emission standards or other related standards. The total discharge of pollutants is under the required limit as outlined by operation permits.

Excessive emission	Wastewater	No excessive emission				
	Exhaust gas	No excessive emission				
	Noise	No excessive emission				
Total emission	Total amount of wastewater (tons per year)					
		Wastewater	COD	Ammonia	Total	Suspended

					phosphorus	solids
	Amount of discharge during the reporting period	33,070	/	/	/	/
	Approved amount of discharge (year)	98,550	/	/	/	/
	Total amount of exhaust gas (tons per year)					
		Sulfur dioxide	Nitrogen oxides	Smoke	Acetalde hyde	Ethylene glycol	NMHC
	Amount of discharge during the reporting period	83.564	216.101	13.163	/	/	/
	Approved amount of discharge (year)	434.337	868.674	173.735	/	/	/

3. Deli Chemical Fiber

During the reporting period, Deli commissioned Jiangsu Hengyu Environmental Protection Technology Co., Ltd., Jiangsu Cishi Environmental Protection Technology Co., Ltd., and Jiangsu TST Testing Technique Co., Ltd. to test various pollutant factors. The test results showed that the emission concentrations of various pollutants were in line with national and local pollutant emission standards or other related standards. The total discharge of pollutants are under the required limit as outlined by operation permits.

Excessive emission	Wastewater	No excessive emission					
	Exhaust gas	No excessive emission					
	Noise	No excessive emission					
Total emission	Total amount of wastewater (tons per year)						
		Wastewater	COD	Ammonia	Total phosphorus	Suspended solids	
	Amount of discharge during the reporting period	69,433	3.167379	0.158088	0.060942	0.795731	
	Approved amount of discharge (year)	105,160	45.54	0.502	0.094	/	
	Total amount of exhaust gas (tons per year)						
		Sulfur dioxide	Nitrogen oxides	Smoke	Acetal dehyde	Ethylene glycol	NMHC
	Amount of discharge during the reporting period	2.94429	25.438522	0.412249	/	/	0.198922
	Approved amount of	39.20	33.75	6.75	/	/	/

	discharge (year)						

4. Kanghui New Material

During the reporting period, Kanghui commissioned Dalian Boyuan Testing and Evaluation Center Co., Ltd. to test various pollutant factors. The test results showed that the emission concentrations of various pollutants met the national and local pollutant emission standards or other related standards. The total discharge of pollutants met the requirements of the total discharge permits.

Excessive emission	Wastewater	No excessive emission		
	Exhaust gas	No excessive emission		
	Noise	No excessive emission		
Total emission	Total amount of wastewater (tons per year)			
		Wastewater	COD	Ammonia
	Amount of discharge during the reporting period	461,821	11.0448	0.0902
	Approved amount of discharge (year)	961,800	23.21	2.318
	Total amount of exhaust gas (tons per year)			
		Sulfur dioxide	Nitrogen oxides	Smoke
	Amount of discharge during the reporting period	7.297	21.521	3.364
	Approved amount of discharge (year)	20.23	89.71	50.591

5. Hengke New Material

During the reporting period, Hengke commissioned Suzhou Huace Testing Technology Co., Ltd. to test various pollutant factors during the reporting period. The test results showed that the concentrations of various pollutants was in compliance with the national and local pollutant discharge standards or other related standards. The total discharge of pollutants is under the required limit as outlined by operation permits.

Excessive emission	Wastewater	No excessive emission			
	Exhaust gas	No excessive emission			
	Noise	No excessive emission			
Total emission	Total amount of wastewater (tons per year)				
		Wastewater	COD	Ammonia	Total phosphorus

	Amount of discharge during the reporting period	841,124	15.068	1.319	0.662
	Approved amount of discharge (year)	/	381.95	6.05	0.92
	Total amount of exhaust gas (tons per year)				
		Sulfur dioxide	Nitrogen oxides	Smoke	NMHC
	Amount of discharge during the reporting period	5.385	26.973	1.257	5.249
	Approved amount of discharge (year)	279.51	349.39	52.41	28.86

6. Hengli Petrochemical (Dalian)

During the reporting period, Hengli Petrochemical (Dalian) tested various pollutant factors. The test results showed that the emission concentrations of various pollutants were in compliance with national and local pollutant emission standards or other related standards.

Excessive emission	Wastewater	No excessive emission			
	Exhaust gas	No excessive emission			
	Noise	No excessive emission			
Total emission	Total amount of wastewater (tons per year)				
		Wastewater	COD	Ammonia	Total nitrogen
	Amount of discharge during the reporting period	12,377,385.21	367.77	2.33	109.84
	Approved amount of discharge (year)	/	559	111.8	240.05
	Total amount of exhaust gas (tons per year)				
		Sulfur dioxide	Nitrogen oxides	Smoke	NMHC
	Amount of discharge during the reporting period	232.64	453.09	44.51	520.95
	Approved amount of discharge (year)	598	821.77	405.981	/

7. Hengli Petrochemical Refining

During the reporting period, Hengli Petrochemical Refining commissioned Dalian Hyseen Testing Technology Co., Ltd. and Dalian Huaxin Jiance Co., Ltd. To conduct tests on various pollutant factors, and the test results showed that the emission concentrations of various pollutants complied with national and local pollutant emission standards or other related standards. The total discharge of pollutants is under the required limit as outlined by operation permits.

Excessive emission	Wastewater	No excessive emission					
	Exhaust gas	No excessive emission					
	Noise	No excessive emission					
Total emission	Total amount of wastewater (tons per year)						
		Wastewater	COD	Ammonia	Total nitrogen	Suspended solids	
	Amount of discharge during the reporting period	2,350,139	38.0881	0.3604	0.301679	34.703315	
	Approved amount of discharge (year)	12,620,000	249.23	19.86	/	/	
	Total amount of exhaust gas (tons per year)						
		Sulfur dioxide	Nitrogen oxides	Smoke	Acetal dehyde	Ethylene glycol	NMHC
	Amount of discharge during the reporting period	1,176.995	2,805.204	83.562	/	/	2,824.695
	Approved amount of discharge (year)	2,121.7	5,064.92	965.78	/	/	3,274.58

8. Hengli Petrochemical Chemical

During the reporting period, Hengli Petrochemical Chemical Hengli Petrochemical Refining commissioned Dalian Hyseen Testing Technology Co., Ltd. to conduct tests on various pollutant factors, and the test results showed that the emission concentrations of various pollutants complied with national and local pollutant emission standards or other related standards. The total discharge of pollutants is under the required limit as outlined by operation permits.

Excessive emission	Wastewater	No excessive emission			
	Exhaust gas	No excessive emission			
	Noise	No excessive emission			
Total emission	Total amount of wastewater (tons per year)				
		Wastewater	COD	Ammonia	
	Amount of discharge during the reporting period	2,140,278.2	39.8409	0.4478	
	Approved amount of discharge (year)	4,660,000	204.3	32.7	
	Total amount of exhaust gas (tons per year)				
		Sulfur dioxide	Nitrogen oxides	Smoke	NMHC
	Amount of discharge during the reporting period	35.0183	433.2057	135.88	135.88
	Approved amount of discharge (year)	116.5	974.4	149	736.088

During the reporting period, the above companies who discharged pollutants all built their pollutant control facilities following the requirements for environmental impact assessment of the construction project. Currently, the facilities are under normal operation. The companies carry out daily maintenance of the facilities to ensure their efficient and stable operations of keeping emissions within the standards.

The company's key pollutant discharging subsidiaries have formulated their environmental monitoring plan in accordance with relevant national standards and environmental management system requirements. They have applied for the pollutant discharge permits and filed with the environmental regulative organ of their jurisdiction. The company's environmental monitoring station regularly tested various pollutants at the sewage outlets of each plant. If a company were unable to conduct tests, it would commission third-party agencies with environmental monitoring qualifications to conduct discharge tests of the special pollutants such as wastewater and exhaust gas. The Company will appoint special personnel to check and summarize pollutant indicators every day, analyze the data, and submit feedback to relevant departments for reference to adjust technical parameters, all to ensure emission compliance.

The Company attaches great importance to environmental protection, strictly acts in line with the *Environmental Protection Law of the People's Republic of China*, and complies with national and local environmental protection laws and regulations, industry technical specifications, and government regulations, and actively implements daily environmental protection management work. The non-production affiliates to the Company exert less impact on the environment, and the consumption and discharge of energy and resources are mainly concentrated in daily operations and office activities. Other subsidiaries of the Company actively undertake the main responsibility for corporate environmental protection, stringently abide by various environmental protection policies, and effectively carry out environmental protection measures.

Hengke New Material has been pushing ahead with R&D and application of PV power generation projects since 2015. Through PV construction, technological transformation, innovation and upgrading, it reduces carbon emissions and achieves energy-saving and environmentally friendly production. As of the date of this announcement, the Phase Four of the PV projects of Hengke New Material have all

been put into operation, with a total installed capacity of about 60 MW and a long-term planned installed capacity of 100 MW. According to the statistics of Hengke New Material, the cumulative PV power generation in 2021 is 305.94 million kwh, making it the largest distributed PV power generation project in Jiangsu Province.

Hengli Chemical has implemented APC control on the whole process of the ethylene cracker, greatly improving the stability of the operation, increasing the yield of diene, reducing the consumption of fuel gas, steam, the use of energy from the source, and carbon emissions. After the implementation of APC control, the fuel gas consumption of the ethylene cracking furnace can be saved by 3.7 t/h, saving about 31 kt of fuel gas and 13 kt of CO_2 emission every year.

The 20,000 kta refining and chemical integration project of Hengli Petrochemical Refining realizes high value-added recycling and utilization of C2 components in refining and chemical dry gas, reducing carbon emission by about 1,590 kta. By full recovery and utilization of all the excess hydrogen through ethylene, if the annual surplus hydrogen is calculated as 51 kt and the carbon emission intensity of coal-to-hydrogen as 11t CO_2/t of hydrogen, the carbon emission reduction to be achieved is about 560 kta.

During the reporting period, for the Company's construction projects, environmental impact assessment reports (forms) or approval forms have been prepared by qualified bodies and have received the approval of the corresponding environmental protection authorities. The project incorporates environmental protection into the project "design, construction and production simultaneously". The completed projects and supporting facilities have all passed final inspections from the environmental protection organs, and the projects under production have obtained their relevant administrative permits.

Chapter VI Share Changes and Shareholders

I. Changes in Shares

Unit: Share

	Before the change		Increase/decrease from the change (+, -)					After the change	
	Number of shares	Percentage (%)	New issue of shares	Bonus shares	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares with trading restrictions	2,407,164,177	34.20				-2,407,164,177	-2,407,164,177	0	0
1. State-owned shares									
2. State-owned legal person shares									
3. Shares held by other domestic entities	2,407,164,177	34.20				-2,407,164,177	-2,407,164,177	0	0
Incl.: Shares held by domestic non-state-owned legal person	1,521,058,208	21.61				-1,521,058,208	-1,521,058,208	0	0
Shares	886,105,	12.59				-886,105,9	-886,	0	0

held by domestic natural persons	969					69	105,969		
4. Shares held by foreign entities									
Incl.: Shares held by overseas legal person									
Shares held by overseas natural persons									
II. Circulating shares without trading restrictions	4,631,935,609	65.80				2,407,164,177	2,407,164,177	7,039,099,786	100.00
1. RMB ordinary shares	4,631,935,609	65.80				2,407,164,177	2,407,164,177	7,039,099,786	100.00
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	7,039,099,786	100.00				0	0	7,039,099,786	100.00

On February 8, 2021, 2,407,164,177 restricted shares due to the Company's material

asset reorganization were listed and circulated.

II. Changes in Shares with Trading Restrictions

Name of shareholders	Number of shares with trading restrictions at the beginning of the reporting period	Numbers of shares released from trading restrictions during the reporting period	Increase in shares with trading restrictions during the reporting period	Number of shares with trading restrictions by the end of the reporting period	Reasons for restrictions	Date of shares released from trading restriction
Fan Hongwei	886,105,969	886,105,969	0	0	Shares acquired as a result of reorganization shall not be transferred within 36 months from the listing of such shares	February 8, 2021
Hengneng Investment (Dalian) Co., Ltd.	1,498,478,926	1,498,478,926	0	0		February 8, 2021
Hengfeng Investment (Dalian) Co., Ltd.	22,579,282	22,579,282	0	0		February 8, 2021
Total	2,407,164,177	2,407,164,177	0	0	/	/

III. Information of Security Issuance and Listing

1. Securities

The 2019 corporate bonds (first tranche) publicly issued by the Company were listed on the Shanghai Stock Exchange on October 15, 2019 and were available for trading by qualified investors. The bond is, abbreviated as “19 Hengli 01” with a bond code of “155749” and raised RMB1,000 million. The coupon rate is 6.30% with a duration of 3 years. The bond provides investors with a put option by the end of the second year and the issuer with an option to adjust the coupon rate.

During the reporting period, the Company exercised the option to adjust the

coupon rate based on the reality and the current market environment. It decided to cut the coupon rate for one interest-bearing year after the duration of the bond by 380 basis points, i.e., the coupon rate of the bond from September 27, 2021 to September 26, 2022 is 2.50%. During the period for exercising a bond put option (August 26, 2021, August 27, 2021, August 30, 2021, August 31, 2021, September 1, 2021), a bondholder can file to exercise the put option. According to the statistics of the Shanghai Branch of China Securities Depository and Clearing Corporation, 1 million lots were filed and repurchased at the price of RMB1,000 million. The Company did not resell the repurchased bonds. The value of retired bonds was RMB1,000 million.

In accordance with relevant provisions of the bond prospectus, on September 27, 2021, the Company has fully paid the remaining principal and corresponding interests dated from September 27, 2020 to September 26, 2021 and delisted the bond from the Shanghai Stock Exchange on October 14, 2021 ahead of the schedule.

2. Short-term Financing Bonds

The Company held the 23rd meeting of the 8th Board of Directors and the 2nd Interim General Shareholders Meeting in 2021 on November 10, 2021 and November 26, 2021 respectively to deliberate and pass the Proposal on Registering and Issuing Short-term Financing Bonds, which allowed the Company to apply to the National Association of Financial Market Institutional Investors for registration and issuance of short-term financing bonds with an amount not exceeding RMB3,000 million (including RMB3,000 million).

By the end of the reporting period, the short-term financing bonds have not been issued yet.

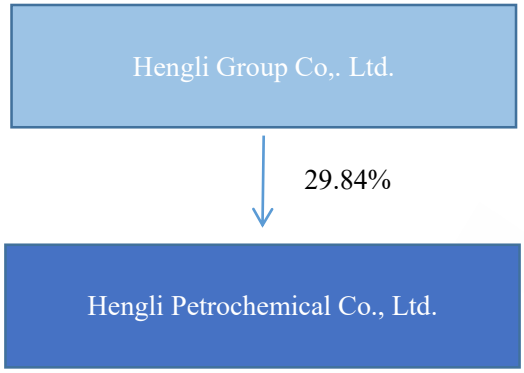
IV. Controlling Shareholders and Actual Controllers

(I) Controlling Shareholders

Name	Hengli Group Co., Ltd.
Responsible person or legal representative	Chen Jianhua
Date of Establishment	January 16, 2002
Main Business	production and sales of textile and paper packaging materials

	(excluding printing); sales of chemical fiber materials, plastics, electromechanical devices, instruments and apparatus, ash, PTA and MEG; industrial investment; textile material new products R&D; import and export of self-operated and agency goods and technologies. The following business are limited to be operated by branches: thermal power generation and steam production and supply (Business activities subject to legal approval can only be carried out upon approval by relevant authorities).
Controlling and participating shares of the controlling shareholder in other domestic and overseas listed companies during the reporting period	Hengli Group is the controlling shareholder of Guangdong Songfa Ceramics Co., Ltd. listed on Shanghai Stock Exchange (stock abbreviation: Songfa Stock, stock code: 603268) and Suzhou Wujiang Tongli Lake Tourist Resort Co., Ltd. listed on the National Equities Exchange and Quotations (stock abbreviation: Tongli Tourism, stock code: 834199).
Other information	Nil

(II) Property Rights and Control Relations Between the Company and the Controlling Shareholder



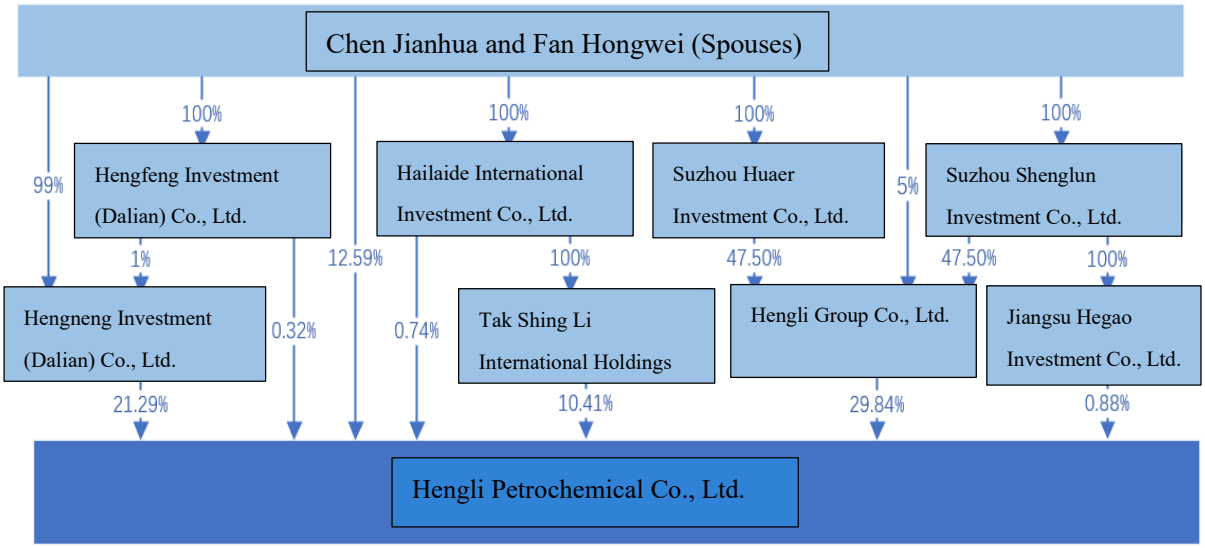
When calculating the shareholding ratio of the controlling shareholder Hengli Group, the number of shares indirectly held through the "Hengli Group-Southwest Securities-21 Hengli E1 special guarantee and trust property account" is also included.

(III) Actual Controllers

Name	Chen Jianhua and Fan Hongwei (Couple)
Nationality	China
Whether the actual controllers have obtained the right of residence in other countries or regions	No
Main occupations and positions	Chen Jianhua is the Chairman and General Manager of Hengli Group Co., Ltd., the controlling shareholder of the Listed Company; Fan Hongwei is the Chairman and General Manager

	of the Listed Company
Domestic and overseas listed companies controlled by the actual controllers in the past ten years	Chen Jianhua and Fan Hongwei are the actual controllers of Guangdong Songfa Ceramics Co., Ltd. listed on Shanghai Stock Exchange (stock abbreviation: Songfa Stock, stock code: 603268) and Suzhou Wujiang Tongli Lake Tourist Resort Co., Ltd. listed on the National Equities Exchange and Quotations (stock abbreviation: Tongli Lvyou, stock code: 834199).

(IV) Property Rights and Control Relations between the Company and the Actual Controllers



Chapter VII Relevant Information of Bonds

(I) Basic Information of Corporate Bonds

Unit: RMB

Name of bond	Public issuance of corporate bonds of 2019 by Hengli Petrochemical Co., Ltd. (First Tranche)
Short name	19 Hengli 01
Code	155749.SH
Date of issuance	From September 25, 2019 to September 27, 2019
Value date	September 27, 2019
Maturity date	October 14, 2021
Bond balance	0
Interest rate	2.5%
Principal and interest payment	Simple interest will be calculated and interest will be paid on an annual basis and no compound interest will be applied. Interests will be paid once a year and the principal is repaid in a lump sum when the bond is due. The last installment of interest will be paid together with the repayment of the principal.
Trading venue	Shanghai Stock Exchange
Whether there is risk of termination of listing	No

The Company has paid interests of "19 Hengli 01" dated from September 27, 2020 to September 26, 2021 in full on September 27, 2021 and the bond registration date was September 24, 2021. Please refer to the Announcement of 2021 Interest Payment for the Publicly Issued Corporate Bonds in 2019 (First Tranche) by Hengli Petrochemical Co., Ltd. disclosed on the Shanghai Stock Exchange bond information website.

(1) Exercising of the issuer's option to adjust the coupon rate.

In accordance with provisions regarding the option to adjust the coupon rate in the *Prospectus of the Public Issuance of 2019 Corporate Bonds of Hengli Petrochemical Co., Ltd. (Available for Qualified Investors, First Tranche)* (hereinafter as "the Prospectus"), the Company (namely the Issuer) has the right to decide the

coupon rate for one interest-bearing year after the duration of this tranche of bonds at the end of the second interest-bearing year of the publicly issued 2019 corporate bonds (first tranche) of Hengli Petrochemical Co,. Ltd.

The Company disclosed the *Announcement on the Adjustment of Coupon Rate of the Publicly Issued 2019 Corporate Bonds (First Tranche)* on August 26, 2021 and based on the actual situation and the current market environment, the Company decided to cut the coupon rate for one interest-bearing year after the duration of the bond by 380 basis points, i.e., the coupon rate of the bond from September 27, 2021 to September 26, 2022 is 2.50% (simple interest is used to calculate interest on an annual basis and no compound interest will be used).

(2) Exercising of the investors' put option.

In accordance with provisions regarding the investors' put option set in the *Prospectus of the Public Issuance of 2019 Corporate Bonds of Hengli Petrochemical Co., Ltd. (First Tranche, Available for Qualified Investors)*, investors have the right to register during the period of application for exercising a bond put option to sell all or part of the 2019 corporate bonds publicly issued by Hengli Petrochemical Co., Ltd. (first tranche, hereinafter as "the tranche of bonds) they held back to Hengli Petrochemical Co., Ltd. (hereinafter as "the issuer) at par, or choose to continue to hold the tranche of bonds.

The Company disclosed the *Announcement on Repurchasing the Publicly Issued 2019 Corporate Bonds (First Tranche)* on August 26, 2021 that it would repurchase all or part of "19 Hengli 01" held by bondholders at par (RMB100 per bond) within the period of application for exercising the bond put option (August 26, 2021, August 27, 2021, August 30, 2021, August 31, 2021, September 1, 2021). The issuer did not resell the repurchased bonds.

The Company disclosed the *Announcement on the Result of Repurchasing the Publicly Issued 2019 Corporate Bonds (First Tranche)* on September 3, 2021. According to the statistics of the Shanghai Branch of China Securities Depository and Clearing Corporation on the repurchase of the tranche of bonds, the registered volume of "19 Hengli 01" (bond code: 155749) during the application for exercising the bond

put option was 1 million lots, which were repurchased at the price of RMB1,000 million. The issuer did not resell the repurchased bonds. The value of retired bonds was confirmed as RMB1,000 million. The payment date for the repurchase was September 27, 2021.

The original maturity date of "19 Hengli 01" was September 26, 2022. The Company disclosed the Announcement on Delisting the Publicly Issued 2019 Corporate Bonds (First Tranche) ahead of the Schedule on September 28, 2021. The "19 Hengli 01" bonds were fully repurchased and retired and were delisted ahead of the schedule on October 14, 2021.

(II) Accounting Data and Financial Indicators of the Company in the Previous Two Years by the End of the Reporting Period

Unit: million RMB

Key indicators	2021	2020	Flux (%)	Reasons for changes
Net profit excluding extraordinary profit and loss	14,520.69797128	12,874.32414650	12.79	
Current ratio	0.67	0.61	9.84	
Quick ratio	0.24	0.38	-36.84	
Debt-to-assets ratio (%)	72.75	75.38	-2.63	
Total debt-to-EBITDA ratio	0.2191	0.2052	6.77	
Interest coverage ratio	4.93	4.31	14.39	
cash flow interest coverage ratio	4.73	3.44	37.50	
EBITDA-to-interest coverage ratio	6.74	5.58	20.79	
Loan repayment rate (%)	100.00	100.00	0	
Interest coverage rate (%)	100.00	100.00	0	