



# HENGYI

## 2021 ANNUAL REPORT

HENGYI PETROCHEMICAL ANNUAL REPORT

This 2021 Annual Report is a translated English version based on our Chinese version. If any discrepancies between two versions, the Chinese version, which can be accessed at <http://www.cninfo.com.cn>, shall prevail.

## Chairman's Statement

In 2021, while China celebrated the 100<sup>th</sup> anniversary of the CPC and got the 14<sup>th</sup> Five-Year Plan off, Hengyi Petrochemical made steady progress in the strategy of "refinery, polyester and polyamide industries". However, we are still facing severe challenges in operation due to the Covid-19 resurgence and the complex and rapidly changing external environment. Only after polishing can a piece of jade be finer. In this extraordinary year, we, all Hengyi staff, achieved a gratifying result with joint efforts and full vigor.

### **Hitting a new high, we recorded both revenue and total assets exceeding RMB100 billion**

In the year 2021, we continued to rise to various external challenges, with operating performance reaching a new all-time high. The revenue was RMB128.98 billion, up 49.23% year on year; the total assets amounted to RMB105.549 billion, up 13.88% year on year. With the revenue and total assets both exceeding RMB100 billion, the Company has achieved its business objectives and development goals, showing its strong growth momentum and vitality.

### **Releasing capacity, we unleash the growth potential**

In the year 2021, our industrial chain planning which integrates upstream and downstream was further refined. The Hengyi Brunei Phase I Project continuously operated at full capacity, and many other projects were put into production, including the intelligent environmental and functional fiber project of Haining New Materials, the new-type functional fiber project of Fujian Yijin and the 3-mtpa PTA project of Yisheng New Materials. With new capacity fully released, the Company's capacity reached a new level. Accordingly, we have gained strong growth momentum and consolidated our industry leader role.

### **With innovation, we empower our high-end intelligent development**

In the year 2021, following the transformation from "Made in China" to "Intelligent Manufacturing in China", the Company further implemented the strategy of innovation-driven development. The Company has made planning with foresight on long-term projects for high-end green products, adding more to the highlights of high-quality development. The Company also has improved the

integration of data and intelligence, building the first polyester factory with whole-process intelligent storage and transportation system in China. Our AI full-detection prototype first applied in the chemical fiber industry was selected as the Industrial Intelligent Pioneer Case at the Intelligent Economy Summit 2021. By leveraging its supply chain, the Company has focused on building "Hengyi Brain", an intelligent information platform, to empower the development of chemical fiber industry and create more value.

### **Co-creating and sharing, we improve the talent incentive mechanism**

In the year 2021, the Company continued to promote its employee stock ownership plan to benefit those at grassroots level. We launched the special campaign of "ensuring frontline stable, solidifying foundation" among all employees, which aimed to enable more Hengyi employees to better share our development achievements. The establishment of the long-term development and sharing mechanism has effectively enhanced the sense of belonging and cohesion of employees, increased our attraction to high-level talents, and laid a solid foundation for our stable and sound long-term development.

Mountains do not reject fine dust, and rivers do not refuse to fill with water. It is the hard work of every Hengyi employee and the support of leaders, investors and partners that make the Company has the energy and courage to forge ahead. On behalf of the Company, I would like to express my heartfelt thanks to you all!

With entering 2022, the ever-changing international community and the COVID-19 resurgence have made the whole market under pressure. This era of challenges and opportunities also is a test for our operation and management. As a multinational business, we will explore with a more global perspective, give equal priority to exploring opportunities and preventing and controlling risks, and plan ahead, keep innovating and make steady progress while seeking opportunities in changes.

Looking forward, as demanded by the high-quality development in the new era and the new pattern of industrial development, we will continue to promote the construction of major strategic projects, including the Brunei Phase II Project, the 1.2-mtpa Caprolactam-Polyamide Integration and Supporting Project and Suqian Yida's 1.1-mtpa New-type Differentiated Environmental Fiber Project, and make further improvement in integrating the whole industry chain of "refinery, polyester and polyamide industries". We will continue to consolidate the foundation of innovation and development through high-intensity investment. With Hengyi Research Institute and platforms like

joint laboratories co-built with top colleges and universities, we will continue to promote the application and transformation of technological achievements, and improve the contribution of scientific research and technological innovation to our main business to become a technology leader in the whole industry.

We aim to build and operate a long-lasting company that ranks among the world's top enterprises. This is our mission and also original aspiration. With no fear for the long way ahead, we will work hard and set off a new journey. We will stay true to our original value, make down-to-earth efforts, and keep moving forward to embrace a bright future on our way to the high-quality development and a century-old Hengyi.

Handwritten signature in Chinese characters, reading '于海彦' (Yu Haiyan).

Monday, April 25, 2022

## **Section 1 Important Notes, Contents and Definitions**

**The Board of Directors (BOD), Board of Supervisors (BOS), directors, supervisors and senior managers of the Company guarantee that the contents of the 2021 Annual Report (hereinafter referred to as "the Report") are true, accurate and complete, free of false records, misleading statements or major omissions, and that they shall bear relevant individual and joint and several legal liabilities.**

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

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

**The Report has been deliberated and approved at the 17<sup>th</sup> meeting of the 11<sup>th</sup> BOD of the Company. All directors have attended the Board meeting at which this Report was considered.**

**The profit distribution plan approved by the BOD is as follows: a cash bonus of RMB 2.00 (tax included) will be distributed to all shareholders for every 10 shares on the base of 3,666,280,014; no bonus shares will be distributed, and no accumulation fund will be converted into share capital. If the Company's total**

**share capital on the registration date of dividend-paying equity changes as a result of additional issuance, share repurchase or conversion of convertible bonds into additional capital stock prior to such date, the Company plans to maintain the distribution ratio unchanged and adjust the total share capital. The 2021 Profit Distribution Plan shall also be submitted to the 2021 Annual General Meeting of Shareholders of the Company for deliberation and approval.**

**Forward-looking statements such as future plans, development strategies, industry discussions and prospects involved in this Report do not constitute the substantive commitment of the Company to investors, and investors are advised to pay attention to investment risks. For possible risks in the operation and development of the Company, please refer to 3.11.2 "Possible Risks and Countermeasures in the Future" of 3.11 "Prospects for the Future Development of the Company" of "Section 3 Management Discussion and Analysis".**

## Contents

Section 1	Important Notes, Contents and Definitions.....	5
Section 2	Company Profile and Main Financial Indicators .....	11
Section 3	Management Discussion and Analysis.....	18
Section 4	Corporate Governance .....	127
Section 5	Environmental and Social Responsibility.....	172
Section 6	Important Matters.....	186
Section 7	Changes in Shares and Shareholders .....	212
Section 8	Preference Shares.....	224
Section 9	Bonds .....	225
Section 10	Financial Report.....	231

## **List of Documents for Reference**

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



## Definitions

Item	Refers to	Definition
Hengyi Petrochemical/Company/the Company	Refers to	Hengyi Petrochemical Co., Ltd.
SZSE/the Exchange	Refers to	Shenzhen Stock Exchange
Hengyi Group	Refers to	Zhejiang Hengyi Group Co., Ltd.
Hengyi Limited	Refers to	Zhejiang Hengyi Petrochemical Co., Ltd.
Hengyi Brunei	Refers to	Hengyi Industries Sdn. Bhd.
Zhejiang Yisheng	Refers to	Zhejiang Yisheng Petrochemical Co., Ltd.
Yisheng New Materials	Refers to	Zhejiang Yisheng New Materials Co., Ltd.
Yisheng Dahua	Refers to	Yisheng Dahua Petrochemical Co., Ltd.
Hainan Yisheng	Refers to	Hainan Yisheng Petrochemical Co., Ltd.
Hengyi Polymer	Refers to	Zhejiang Hengyi Polymer Co., Ltd.
Hengyi High-Tech	Refers to	Zhejiang Hengyi High-Tech Materials Co., Ltd.
Haining New Materials	Refers to	Haining Hengyi New Materials Co., Ltd.
Haining Thermal Power	Refers to	Haining Hengyi Thermal Power Co., Ltd.
Taicang Yifeng	Refers to	Taicang Yifeng Chemical Fiber Co., Ltd.
Jiaying Yipeng	Refers to	Jiaying Yipeng Chemical Fiber Co., Ltd.
Shuangtu New Materials	Refers to	Zhejiang Shuangtu New Materials Co., Ltd.
Hangzhou Yichen	Refers to	Hangzhou Yichen Chemical Fiber Co., Ltd.
Shaoxing Hengming	Refers to	Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.
Suqian Yida	Refers to	Suqian Yida New Materials Co., Ltd.
Ningbo Hengyi Trading	Refers to	Ningbo Hengyi Trading Co., Ltd.
Hong Kong Yisheng	Refers to	Hong Kong Yisheng Co., Ltd.
Hengyi Singapore	Refers to	Hengyi Industries International (Singapore) Co., Ltd.
Hangzhou Yijing	Refers to	Hangzhou Yijing Chemical Fiber Co., Ltd.
Hengyi Caprolactam	Refers to	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
China Zheshang Bank	Refers to	China Zheshang Bank Co., Ltd.
Yisheng Investment	Refers to	Dalian Yisheng Investment Co., Ltd.
Hong Kong Tianyi	Refers to	Hong Kong Tianyi International Holding Co., Ltd.
Hengyi Investment	Refers to	Hangzhou Hengyi Investment Co., Ltd.
Hengyi Polyamide	Refers to	Zhejiang Hengyi Polyamide Co., Ltd.
Brunei Project, PMB Petrochemical Project	Refers to	The petrochemical project invested and constructed by the company in Brunei

Item	Refers to	Definition
PX	Refers to	Paraxylene, a colorless and transparent liquid. It is used to produce plastics, polyester fibers and films.
PTA	Refers to	Purified terephthalic acid, mainly used to produce PET, can also be made into engineering polyester plastics, and be used as the raw material of plasticizer and dye intermediate.
PIA	Refers to	Isophthalic acid, mainly used in the production of alkyd resin, unsaturated polyester resin and other polymers and plasticizers, as well as in the production of film finishers, coatings, polyester fiber dyeing modifiers and medicines.
MEG	Refers to	Ethylene glycol, mainly used to produce polyester fiber, antifreeze, unsaturated polyester resin, lubricant, plasticizers, nonionic surfactant and explosives, etc.
PET and polyester	Refers to	Polyethylene terephthalate. It is a fiber-forming polymer made from PTA and MEG through direct esterification and continuous polycondensation reaction.
POY	Refers to	Polyester pre-oriented yarn or partially oriented yarn
FDY	Refers to	Fully drawn yarn or polyester drawn yarn
DTY	Refers to	Draw textured yarn, also known as polyester textured yarn
CPL	Refers to	Caprolactam, mainly used to produce polyamide fiber, engineering plastics, plastic film, etc. It is widely used in industrial and civil fields.
Differentiated yarn	Refers to	A variety that is innovative in technology or performance or has some characteristics different from traditional yarns.
RMB and RMB 10,000	Refers to	RMB and RMB 10,000
Reporting Period/during the Reporting Period/this Reporting Period	Refers to	From January 1, 2021 to December 31, 2021
End of Reporting Period/end of the current Reporting Period	Refers to	As of December 31, 2021

## Section 2 Company Profile and Main Financial Indicators

### 2.1 Company profile

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

### 2.2 Contact person and contact information

	Secretary of the Board	Securities Representative
Name	Zheng Xingang	Chen Shasha
Contact address	BOD Office, 16/F, Building 3, Nan'an Mingzhu, No. 260 North	BOD Office, 16/F, Building 3, Nan'an Mingzhu, No. 260 North Shixin Road,

	Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province	Xiaoshan District, Hangzhou City, Zhejiang Province
Tel.	(0571) 83871991	(0571)83871991
Fax.	(0571) 83871992	(0571)83871992
E-mail	hysh@hengyi.com	hysh@hengyi.com

### 2.3 Information disclosure and place of preparation

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

### 2.4 Registration changes

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

### 2.5 Other relevant information

#### Accounting firm engaged by the Company

Name of accounting firm	Zhongxinghua Certified Public Accountants LLP
Office address of accounting firm	20/F, Tower B, Lize SOHO, No. 20 Lize Road, Fengtai District, Beijing
Name of signing accountants	Liu Hongyue, Wang Guohai

#### Sponsor institution engaged by the Company to perform continuous supervision duties during Reporting Period

Name of sponsor institution	Office address of sponsor institution	Name of sponsor representative	Continuous supervision period
CITIC Securities Co., Ltd.	No. 48 Liangmaqiao Road,	Mao Zongxuan,	January 2021 -

	Chaoyang District, Beijing	Xu Rui	December 2021
--	----------------------------	--------	---------------

**Financial consultants engaged by the Company to perform continuous supervision duties during Reporting Period**

Applicable  Not applicable

**2.6 Main accounting data and financial indicators**

**Does the Company need to retroactively adjust or restate the accounting data of previous years?**

Yes  No

**Reason for retrospective adjustment or restatement**

Changes in accounting policies

	2021	2020		Increase/decrease of this year over the previous year	2019	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating income (RMB )	128,979,539,693.27	86,429,630,191.87	86,429,630,191.87	49.23%	79,620,543,631.74	79,620,543,631.74
Net profit attributable to shareholders of listed companies (RMB)	3,408,043,143.47	3,071,998,839.75	3,071,998,839.75	10.94%	3,201,348,425.33	3,190,185,517.79
Net profit after deducting non-recurring gains and losses attributable to shareholders of listed companies (RMB )	2,758,543,282.50	2,479,101,027.63	2,479,101,027.63	11.27%	2,725,438,479.51	2,725,438,479.51
Net cash flow from operating activities (RMB )	7,754,871,519.56	5,013,772,777.95	5,013,772,777.95	54.67%	-112,081,728.16	-91,125,777.91
Basic earnings per share (RMB /share)	0.94	0.83	0.83	13.25%	1.13	1.13
Diluted earnings per share (RMB /share)	0.91	0.83	0.83	9.64%	1.13	1.13
Weighted average ROE	13.56%	12.56%	12.56%	1.00%	14.73%	14.54%
	End of 2021	End of 2020		Increase/decrease at the end of this year over the end of the previous year	End of 2019	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB )	105,548,909,472.93	92,260,268,155.54	92,685,505,184.24	13.88%	85,230,757,616.78	85,763,292,709.24
Net assets attributable to shareholders of listed companies (RMB )	25,896,860,136.22	24,006,633,612.78	24,006,633,612.78	7.87%	23,253,008,414.00	23,741,845,506.46

**Main reasons for changes in accounting policies**

On December 7, 2018, the Ministry of Finance issued a Notice on the *Accounting Standards for Business Enterprises No. 21 - Leases (2018 Revision)* (CK[2018] No. 35) (hereinafter referred to as "New Lease Standards"). It stipulates that the new standards take effect from January 1, 2019 for enterprises listed both at home and abroad, as well as enterprises listed overseas and prepare financial statements according to IFRS or ASBE, and come into force from January 1, 2021 for other enterprises abiding by ASBE.

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

Yes  No

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

Yes  No

**2.7 Differences between accounting data under the domestic and foreign accounting standards**

**2.7.1 Differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with international accounting standards and the accounting standards of China**

Applicable  Not applicable

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

**2.7.2 Differences in the net profit and net assets in the financial statements which are presented concurrently in accordance with foreign accounting standards and the accounting standards of China**

Applicable  Not applicable

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

of China during the Reporting Period.

## 2.8 Quarterly main financial indicators

Currency: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	30,845,538,236.94	30,077,832,146.93	35,767,865,929.13	32,288,303,380.27
Net profit attributable to shareholders of listed companies	1,212,734,962.38	1,021,756,838.87	848,284,552.74	325,266,789.48
Net profit after deducting non-recurring gains and losses attributable to shareholders of listed companies	1,228,382,021.90	816,937,257.00	813,551,002.26	-100,326,998.66
Net cash flow from operating activities	-471,195,959.85	2,231,237,943.42	587,998,410.73	5,406,831,125.26

**Whether the aforesaid financial indicators or their sum are significantly different from the financial indicators related to the quarterly and semi-annual reports disclosed by the Company**

Yes  No

## 2.9 Non-recurring gain and loss items and amounts

Currency: RMB

Item	Amount in 2021	Amount in 2020	Amount in 2019	Remarks
Profit or loss from disposal of non-current assets (including the write-off portion of asset impairment provision)	-12,534,455.04	-6,741,262.61	-1,811,565.51	
Tax refund or exemption approved ultra vires or without any formal approval	15,609,249.33	12,921,483.38	5,957,948.27	
Government grants recorded into current profits and losses (except for those that are closely related to the normal business operation of the Company, in line with national policies, and are continuously enjoyed on a fixed quota or a quantitative basis)	277,839,245.44	318,607,292.74	420,716,519.76	
Current net profit or loss from subsidiaries formed by business merger under common control, from the period-beginning to the merger date	0.00	19,376,584.76	36,175,922.94	
Profit or loss from contingencies irrelevant to normal business operations of the Company	0.00	0.00	-2,173,136.66	
The gains or losses arising from the fair value changes of held-for-trading financial assets and held-for-trading	480,727,659.11	487,752,983.95	301,297,013.33	



financial liabilities, as well as investment gains received from the disposal of held-for-trading financial assets, held-for-trading financial liabilities and financial assets available for sale, except for effective hedging transactions that are related to the normal business operations of the Company				
Reversal of impairment provision for receivables that are separately tested for impairment	309,000.00	0.00	0.00	
Gains or losses from entrusted loans	49,567,383.65	41,586,615.56	29,136,336.48	
Income from custodian fees obtained from entrusted operation	1,698,113.20	1,698,113.20	1,698,114.17	
Other non-operating income and expense in addition to the above	13,359,433.22	-6,299,334.89	-14,994,635.24	
Other profit or loss items that meet the definition of non-recurring profit and loss	0.00	2,595,730.83	-2,065,748.97	
Less: Influenced amount of income tax	38,805,031.16	215,685,156.22	139,947,035.37	
Influenced amount of the minority shareholders' equity (after-tax)	138,270,736.78	62,915,238.58	169,242,694.92	
Total	649,499,860.97	592,897,812.12	464,747,038.28	-

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

## **Section 3 Management Discussion and Analysis**

### **3.1 Main business of the Company and the industry in which the Company is engaged during the Reporting Period**

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

#### **3.1.1 Overview**

Committed to developing into a leading domestic and world-class refining-petrochemical-chemical fiber industry group, Hengyi Petrochemical (stock code: 000703) has made continuous efforts to enhance its comprehensive competitiveness through resource sharing and industrial coordination. Under the guidance of the development strategy of "refinery, polyester and polyamide industries", the Company, relying on the Brunei Project, has stepped up efforts in internationalization, broke the "last kilometer" barrier of the whole industry chain from oil refining to chemical fiber, and built an internally-highly-matched columnar-balanced integrated industry chain in the upstream, midstream and downstream. By creating a unique "polyester + polyamide" double-fiber driving mode among domestic counterparts, the Company has formed a "petrochemical +" multi-level and three-dimensional industrial layout with petrochemical industry chain as the core business, supply chain service business as the growth business, and differentiated fiber products and application of industrial intelligent technology as the emerging business.

##### **3.1.1.1 Overview of petrochemical chemical fiber business**

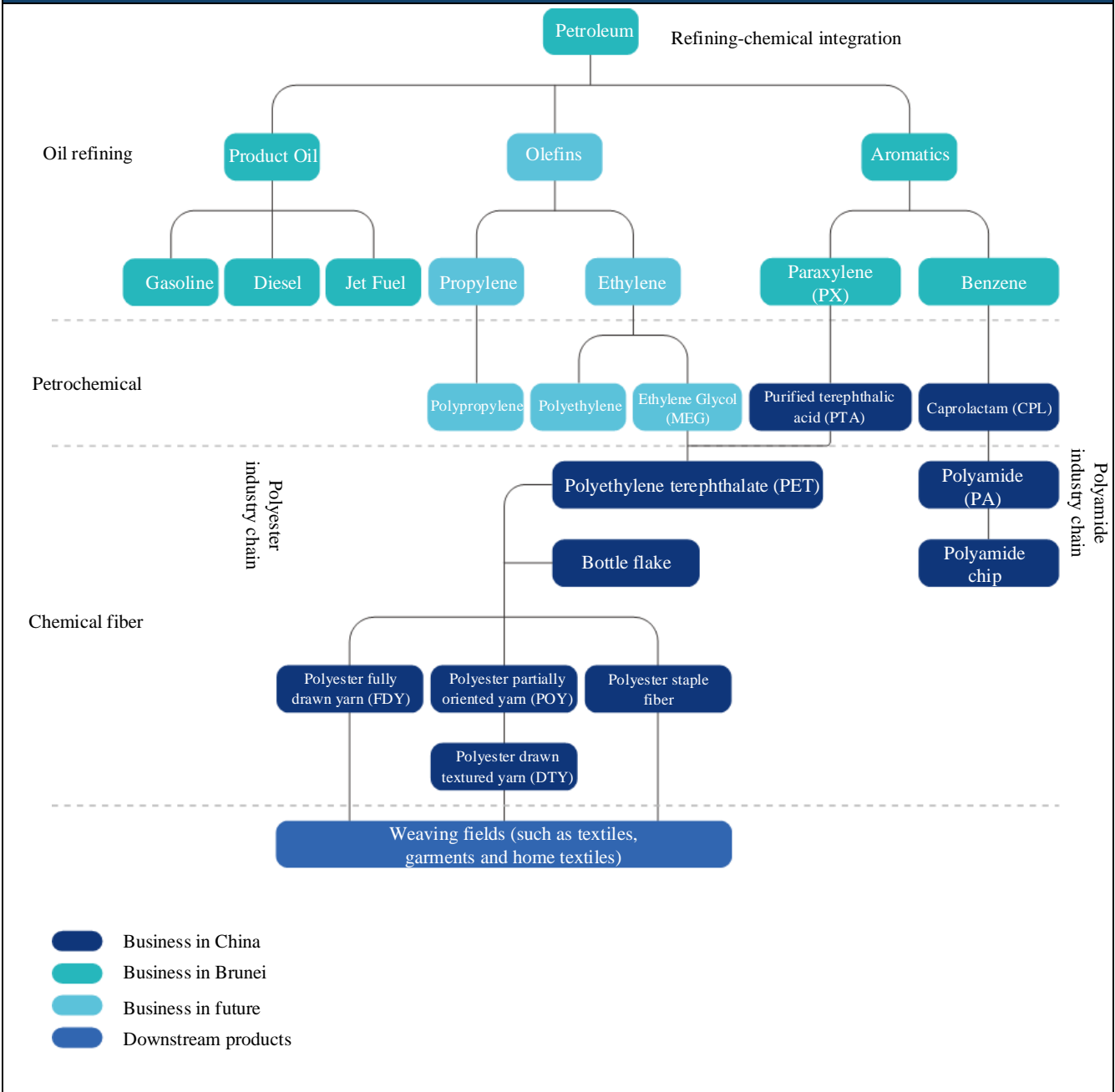
###### **3.1.1.1.1 One of the world's leading groups in the integration of "refining-petrochemical-chemical fiber" industry chain**

During the Reporting Period, the Company's unique industrial layout of "refinery, polyester and polyamide" continued to improve. While organizing the domestic and overseas staff to join hands in scientific fight against the pandemic to avoid the Company's safe production and operation from

being significantly affected by the pandemic, the Company maintained stable operation throughout the year and demonstrated strengths in expansion and quality improvement in polyester industry, potential tapping and transformation in PTA industry, and full production in refining and petrochemical industry. Besides, the Company uncovers the integrated, balanced and internationalized operation mode of industry chain. Currently, the Company has developed into one of the world's leading enterprises integrating the industry chains of "crude oil-PX-PTA-polyester" and "crude oil-benzene-CPL-polyamide". Upholding the strategic development policy of "consolidating, highlighting and enhancing the competitiveness of the main business", the Company has not only focused on the main business, but also continuously increased investment in technological innovation and industrial intelligent technologies, and enhanced the comprehensive competitive edge, thereby ranking in the forefront of the industry for many years.

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

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



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

As of the disclosure date of this report, the Company's designed crude oil production capacity was 8mtpa; the PTA production capacity of holding and shareholding companies was 19mtpa; the PIA production capacity was 300,000 t/a; the polymer production capacity of holding and shareholding companies was 10.465 million tons, among which the production capacity of polyester fiber was 7.765mtpa, that of polyester bottle flakes (including RPET bottle flakes) was 2.7mtpa, and

that of caprolactam (CPL) was 400,000 t/a, ranking forefront in the industry.

**Table 1 Production Capacity of Main Products of the Company (10,000 t/a)**

Product	Capacity
Petrochemical products	265
Product oil	565
PTA	1,900
PIA	30
Polyester fiber products	776.5
PET bottle flakes(including RPET)	270
Caprolactam	40

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

2) This table lists the actual production capacity of the Company during the Reporting Period.

During the Reporting Period, the Company continued to attach importance to investment in research and development of new products, actively responded to the “carbon peaking and carbon neutrality” strategy, and adhered to the guidance of "green manufacturing" and "circular economy". In the polyester sector, the Company continued to carry out product development and achievement transformation around the three major themes of environmental protection, function and bio-base. Internally, the Company optimized the sales system, actively grasped market demand, and fully tapped into and reasonably guided customer demands through the organic linkage of research and development, production and sales. Externally, the Company, through cooperation with colleges and universities, built an "industry-university-research" school-enterprise ecology and conducted effective exploration in basic materials research support and cutting-edge key technologies.


During the Reporting Period, the Company adopted a multi-path, multi-echelon and multi-scenario research and development system. Through technical research, the Company quickly opened up the regenerated fine denier fiber market and was well received by customers. The antimony-free and environment-friendly "Eticont" series products were also recognized by more and more customers, and the sales volume continued to rise. The flame retardant fibers continued to maintain a strong market share among domestic flame retardant products. The market popularity of

antibacterial and anti-virus products continued to rise, and antibacterial and anti-virus fibers will become a new profit growth point for differentiated products.

#### **3.1.1.1.2 Products meeting the rigid needs related to the national economy and people's livelihood**

The Company's terminal sales products mainly include product oil products such as gasoline, diesel and jet fuel, as well as polyester products such as polyester bottle flakes, polyester filament and polyester staple fiber, which are widely used to meet the rigid needs related to national economy and people's livelihood. Among the products, product oil products such as gasoline, diesel and jet fuel provide energy for automobiles, ships, and aircraft and other vehicles and corresponding equipment. Polyester filament includes POY、FDY、DTY and other products, which are used in production of garment, home textile and decorative fabrics and linings, and can also be used for industrial purposes such as webbing, zippers, tents, automobile interiors and ear threads of masks. Among them, FDY products of the Company can be used as medical and other materials to meet the increasing demand of downstream customers for raw materials of medical supplies; polyester staple fiber can be widely used in spinning, non-woven and filling fields, among which non-woven fabrics can be used in health areas such as disinfectant wipes; PET bottle flakes are widely used in food packaging and medical materials production. The demand for bottle grade PET in beverage, dairy, edible oil, condiments and other livelihood industries keeps growing steadily, and the share in emerging application fields such as wine, daily chemicals, electronic products and medical products is rising rapidly.

**Table 2 Main Product Features and Application Fields**

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

### **3.1.1.2 Overview of “petrochemical +” business**

#### **3.1.1.2.1 Supply chain service business is conducive to improving product operation capability and enhancing the supporting value-added services**

With the continuous improvement of the integrated and balanced development of the Company’s industry chains, the Company has strengthened the supply chain service management capacity, and innovated and promoted intelligent management and operation modes. Relying on refining and chemical fiber production base, the Company developed domestic and overseas regional markets and optimized product layout; strengthened the construction of digital plants and actively explored flexible and personalized customization of production through big data means; adopted a variety of tools to improve product operation capability, explored the complementary advantages of raw material procurement and product sales, and gave full play to the strengths of industry chain integration to create product price differences.

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

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

#### **3.1.1.2.2 China Zheshang Bank's equity investment provides a stable source of profits for the Company**

China Zheshang Bank BANK CO., LTD, established in 2004, is one of the 12 national



joint-stock commercial banks approved by the China Banking and Insurance Regulatory Commission. The Bank was listed on the Main Board of the Stock Exchange of Hong Kong on March 30, 2016 and on Shanghai Stock Exchange on November 26, 2019, becoming an "A+H" listed bank. At present, the Bank has developed into a high-quality commercial bank featuring solid foundation, excellent benefits, rapid growth and well-established risk control. With the completion of the "A+H" layout, China Zheshang Bank will accelerate its future growth. The Company will further optimize the strategic layout and continuously create value for shareholders through the growth premium of China Zheshang Bank. According to the 2021 Annual Report issued by China Zheshang Bank, in 2021, the Bank achieved an operating income of RMB54.471 billion and net profit attributable to shareholders of RMB12.648 billion. As of the end of December 2021, the total assets of China Zheshang Bank were RMB2,290 billion, representing an increase of 11.64% over the end of the previous year. Guided by the vision of "to be a first-class commercial bank", and focusing on the "two most" general goal and the management principle of "scale up, adjust structure, control risks, create benefits", China Zheshang Bank has created a new situation of five business segments (i.e. big retail, big company, big investment bank, big asset management and big cross-border business) advancing together to serve the real economy to a new stage.

### **3.1.2 Industries involved**

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

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

##### **3.1.2.1.1 The gap between global crude oil supply and demand was widened; crude oil prices fluctuated to the upside**

In 2021, global crude oil prices rose sharply. Oil demand was growing as the global economy

recovered, helped by economic stimulus policies worldwide. "Delta" and "Omicron" mutation virus once triggered market panic, and oil prices plunged in the short term, but overall crude oil prices still maintained a rising trend. At the macro policy level, western countries represented by the United States adopted quantitative easing policies, which, combined with the weak DOLLAR index, has played a significant role in supporting the crude oil market. The temporary mismatch between supply and demand caused by the pandemic and loose liquidity pushed up global commodity prices, in particular, the sharp rise in energy prices such as coal and natural gas further stimulated the rise in crude oil prices. Geopolitical risk has also roiled oil prices since 2022, with conflicts between Russia and Ukraine, attacks on petroleum installations in Saudi Arabia and the Suez Canal blockade all exacerbating volatility in the oil market.

In terms of supply, OPEC+ began to gradually release production capacity from May 2021 as global demand for crude oil increased. In July, OPEC+ agreed to increase production by 400,000 barrels/day from August 2021 and by two million barrels/day by the end of the year, including 254,000 barrels/day per month from OPEC members. Despite the gradual increase in output by major producers, the actual crude oil production was below the promised increase, while the rate of production release lagged behind that of recovery in demand. According to the IEA, by the end of 2022, the gap between OPEC+ projected production and actual deliveries could reach one billion barrels.

In terms of demand, according to the IEA, global oil demand rose by 5.4 million barrels/day in 2021. Meanwhile, the IEA forecasts that global oil demand will increase by 3.2 million barrels/day in 2022. The recovery of supply from some OPEC producers was not as good as expected, and global energy demand was still strong, so the crude oil market remained in a volatile upward trend.

#### **3.1.2.1.2 The product oil market in Southeast Asia ushered in a super cycle, with a broad prospect for future growth**

Since 2022, as Indonesia, Malaysia, Singapore and other Southeast Asian countries eased their epidemic control measures and actively resumed work and production, market demand has been growing rapidly. In addition, after the recovery of the supply chain in Southeast Asia, some overseas orders returned, and under the influence of the resonance of internal and external demand, the

demand for product oil products in Southeast Asia has recovered strongly.

According to Platts, in terms of gasoline products, Southeast Asia imported about 40.92 million tons in 2021. The main importing countries included Indonesia, Malaysia, Singapore, the Philippines, Myanmar and other places, while the main exporting countries were Singapore and Thailand. In terms of diesel, 36.96 million tons were imported in 2021. The main importing countries were Vietnam, Bangladesh, the Philippines, Sri Lanka, Myanmar, Indonesia and Malaysia. In terms of jet fuel, countries were almost self-sufficient and trade circulation was the main flow. The major importers in Southeast Asia were Malaysia and several other countries with smaller refineries, such as the Philippines and Sri Lanka. About 3.57 million tons were imported in 2021. In addition, with the implementation of the new IMO standard in 2020, the demand for low-sulfur fuel oil has risen. Singapore is a major shipping base. As some marine diesel (MGO) has been required to replace marine fuel oil, the demand for diesel in Southeast Asia is expected to continue to increase. Compared with the surplus supply of domestic product oil products, Southeast Asia's product oil market has a large gap. As the only product oil net import market in the world, it has a product oil demand with great growth potential. Besides, Australia also needs to import product oil.

In terms of supply, due to the early construction of some refineries in Southeast Asia, their outdated technology, poor management, heavy burden of government subsidies and other reasons, more production capacity has been shut down in the previous three years in Asia. The planned new capacity in Asia has been concentrated in China and India, while Southeast Asia only saw a small increase in production in Brunei, Indonesia and Vietnam.

**Figure 2 Crack Spread of Product oil Products in Southeast Asia in Recent Years**



Data source: Platts (as of the disclosure date of the Report)

As the profit vane of refineries in Southeast Asia, from the perspective of the crack spread of product oil products since 2019, the crack spread of product oil products was at the lowest level in history during the pandemic in 2020. With the alleviation of the pandemic in Southeast Asia in 2021, market demand gradually picked up, and the crack spread of product oil products continued to recover. Since 2022, under the influence of multiple factors, such as soaring crude oil prices, increased demand due to the mitigation of the pandemic in Southeast Asia and shrinking product oil supply, the crack spread of product oil products in Singapore has been on the rise.

The Asian Development Bank (ADB) has released its latest economic forecast for Southeast Asia in 2022, predicting that the region's GDP will grow by 5.1%, and its economic recovery will continue to gain momentum. It is expected that Southeast Asia will continue to import product oil products every year in a market pattern where refinery supply capacity decreases rather than increases. As the impact of the pandemic gradually diminishes, the demand for product oil products in Southeast Asia is expected to be supported, and the import volume of product oil products will continue to maintain the growth trend. At the same time, with the continued improvement of the crack spread, the new, market-driven refineries will see a rebound in profitability, and the Hengyi Petrochemical Brunei Refinery is expected to benefit from the continued widening of the spread of product oil.

### **3.1.2.2 PTA business: Sufficient supply of raw materials and stable industrial order**

In 2021, the rise of crude oil prices drove up the prices of PX and PTA. PX prices rallied off the bottom throughout the year. In the second quarter, with the production of PTA plants by many companies, PX prices maintained growth. According to CCF data, as of December 31, 2021, the domestic existing PTA capacity base was adjusted to 65.63 million tons, up 13.88% year on year. Under the influence of the policy of “controlling total energy consumption and intensity”, plant maintenance and backward capacity close-down, the annual PTA output increased by 3.25 million tons, with a year-on-year growth of 6.5%, lower than the growth rate of new capacity, but still a record high. Due to many unexpected maintenance of PTA plants in the United States and South Korea, the operating rate abroad was insufficient, and the domestic PTA export volume increased greatly. CCF data shows that in 2021, the total import volume of PTA in mainland China was 76,500 tons, and the total export volume in mainland China was 2,575,100 tons, with a year-on-year growth of 204.1% compared with the export volume in 2020, which was 846,700 tons. Due to the reduction of South Korea's PTA exports, it is expected that the domestic PTA exports will continue to increase in 2022.

### **3.1.2.3 Polyester business: The terminal demand maintained healthy growth, and leading enterprises will benefit from reshaping of the pattern of chemical fiber industry chain**

#### **3.1.2.3.1 The consumer demand of residents increased, and the downstream demand for**

**textile and clothing was strong**

From the perspective of downstream demand, polyester fiber is mainly used in clothing, home textile and emerging application fields, which is closely related to residents' consumption willingness. In 2021, the situation of pandemic prevention and control in China became stable, residents' disposable income increased, and the consumption level continued to rise. The strategy of expanding domestic demand and various policies to promote consumption was effective, and consumer groups' demands for textile and apparel and clothing quality, as well as their consumption capacity also increased.

According to the National Bureau of Statistics, China's per capita disposable income has been on the rise since 2013. In 2021, the national per capita disposable income amounted to RMB35,128, up 9.1% year-on-year in nominal terms. Meanwhile, the per capita consumption expenditure of urban residents amounted to RMB30,307, up 12.2%. The per capita consumption expenditure of rural residents was RMB15,916, up 16.1%. The improvement of residents' consumption capacity has promoted the increase of terminal consumption expenditure in textile clothing and apparel industry. As the pandemic situation enters the stage of normal prevention and control, residents' consumption habits and consumption patterns have changed to a certain extent, and online consumption has entered residents' daily life. According to data from the Ministry of Commerce, in 2021, China's online retail sales reached RMB13,100 billion, of which the online retail sales of physical commodities amounted to RMB10,800 billion, up 12.0% year on year, accounting for 24.5% of the total retail sales of consumer goods, and residents' consumption continued to shift to online consumption. According to Euromonitor statistics, online sales of domestic shoes and clothing industry accounted for 35.4%, still maintaining a continuous growth trend. In addition to traditional e-commerce, e-commerce live-streaming platform has become an important way of clothing sales. Online live-streaming consumption has emerged as a new force to provide strong support for terminal consumption, driving the high growth of terminal demand for textile and apparel. Online consumption has bucked the trend, effectively boosted consumption and unleashed market potential. Meanwhile, it also means that China has entered an important stage in which the upgrading of consumption structure has been accelerated, the iteration of consumption pattern has been sped up,

and the role of consumption in driving the economy has become significantly stronger.

### **3.1.2.3.2 Overseas demand for textile and clothing was strong, and exports maintained high growth**

In 2021, developed countries led by the United States implemented relatively loose monetary policies to stimulate economic recovery, improve clothing consumption willingness, and promote the significant growth of clothing consumption demand in developed countries. Meanwhile, the spread of the pandemic in Southeast Asia affected the production of local textile enterprises. Many factories stopped production or reduced output, and some orders were transferred to China. According to the statistics from China National Textile and Apparel Council, in 2021, supported by the growth of overseas consumption demand, return of some orders and other factors, China's textile and apparel export reached USD315.50 billion, up 8.4% year on year, and achieved more-than-expected growth from a relatively high trade base in 2020. The main driving force came from the substantial increase of exports of apparel, textile yarns and fabrics, among which apparel made a significant contribution. In 2021, apparel exports totaled USD170.28 billion, up 24.0% year on year and 16.0% compared to pre-pandemic levels, the best record since 2015. Increase of external demand for textile and apparel also led to growth of upstream demand for polyester.

### **3.1.2.3.3 In the polyester industry, market concentration was improved and competition order was further optimized.**

In 2021, polyester production capacity and output in China both achieved steady growth. According to CCF data, domestically, the polyester production capacity increased by 3.57 million tons in 2021, with a capacity growth rate of 5.76%. As of December 31, 2021, the total polyester production capacity was 65.56 million tons. From 2021 to the future, the new polyester capacity will continue to be centered on capacity expansion of leading enterprises. The backward polyester factories with outdated equipment lack the ability of technological innovation and will gradually withdraw from the industry competition. The liquidation of backward production capacity will be accelerated, the access threshold for the Company's industry chain will be further increased, the market concentration in the polyester industry will be further optimized, the competition order in the industry will continue to improve, and the development environment will become healthier. As one

of the leading enterprises, the Company has accelerated the expansion of downstream chemical fiber business through a variety of ways, and will take the lead in enjoying the profit improvement brought by the prosperity of the industry.

#### **3.1.2.3.4 The upgrading of domestic products contributed to the improvement of bottle flake prosperity**

According to CCF data, as of December 31, 2021, the global bottle-grade PET production capacity was 32.27 million tons, among which, China's bottle-grade PET production capacity accounted for 40% of the total global capacity, ranking first in the world.

In the context of product upgrading, the demand for polyester bottle flakes was increasing. At the same time, driven by the demand for environmental protection, the reclaimed polyester bottle flake market was also growing rapidly. In 2021, the global bottle-grade PET apparent consumption was estimated at 32.08 million tons, with a year-on-year growth rate of more than 12%. The domestic demand was growing rapidly. The annual apparent consumption of bottle-grade PET was 7.05 million tons, up about 24% year on year. On the downstream demand side, the traditional soft drink market was doing well. The pandemic also promoted the rapid development of bottle flakes in fresh e-commerce, household disinfection and other daily chemical fields, as well as new application areas such as environmentally friendly flooring and optical thin film, thus increasing the demand for bottle flakes.

#### **3.1.3 Position of each business segment of the Company**

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

##### **3.1.3.1 Refining and petrochemical business**

According to Platts (Platts Energy Information Platform), as of December 31, 2021, the refining and petrochemical production capacity in Southeast Asia was about 270 million tons. In the past



three years, refinery capacity in Southeast Asia increased by 28.75 million tons; 15.5 million tons of capacity were withdrawn; the capacity had a net increase of 13.25 million tons, among which the capacity of the Hengyi Brunei Project Phase I accounted for 60.38% of the net increase. In order to enhance international competitiveness, the first phase of the Hengyi Brunei Project introduced the world's largest single series aromatics complex and the sixth flexicoking process unit in the world, which have lower production cost per unit of product, are cleaner and more environmentally friendly, and boast obvious late-mover advantages. After the second phase of the Hengyi Brunei Refining and Petrochemical Project is put into operation, the production capacity will be further expanded and the Company's share in refining and petrochemical market will be further enhanced.

### **3.1.3.2 PTA business**

According to CCF data, as of December 31, 2021, the existing domestic PTA capacity base was adjusted to 65.63 million tons. As one of the leading enterprises in PTA industry, the Company has strategically arranged four PTA bases in Dalian of Liaoning Province, Ningbo of Zhejiang Province and Yangpu of Hainan Province along the coastline from north to south. The total PTA production capacity of holding and shareholding companies was about 19mtpa, ranking the first in the world. In addition, according to CCF data, as of December 31, 2021, the national PTA production capacity was about 550,000 tons, and the Company's PTA production capacity was 300,000 tons, accounting for about 54.55% of the national total.

### **3.1.3.3 Polyester**

According to CCF data, most of the polyester production capacity is concentrated in the Asia-Pacific region, and China has been the world's largest textile producer and exporter. As of December 31, 2021, China's total polymer production capacity reached 65.56 million tons, with a year-on-year growth of 5.76%, of which the production capacity of polyester filament yarn was 37.17 million tons, that of polyester staple fiber was 8.55 million tons and that of polyester bottle flakes was 11.11 million tons. The polymer production capacity of holding and shareholding companies was 10.465 million tons, among which the production capacity of polyester bottle flakes (including RPET) was 2.7 million tons, and that of polyester fiber consisted of 6.145 million tons of filament yarn, 880,000 tons of staple fiber and 740,000 tons of polyester flakes, ranking first in the

world. In 2021, the capacity concentration was further improved. The Company has continuously increased the proportion of differentiated fiber varieties and sped up the development of customized products to meet differentiated and personalized needs of the market, and its products have enjoyed a good reputation in the market for a long time.

### **3.2 Main business model, process flow and performance drivers of the company during the Reporting Period**

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

#### **3.2.1 Business model**

##### **3.2.1.1 Procurement model**

The Company mainly purchases raw materials through direct negotiation with manufacturers or traders. It selects competitive suppliers to establish long-term and stable cooperative relations, on the basis of which it decides the transaction price according to market conditions.

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

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

##### **3.2.1.2 Production model**

For polyester products, the Company arranges production mainly according to the production plan formulated in advance. In specific implementation, the annual production plan will be

subdivided into monthly production plan, and then the Production Department will make necessary adjustments to the monthly production plan according to the market feedback and change information provided by the Sales Department before finalizing the monthly production plan and arranging production.

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

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

### **3.2.1.3 Sales model**

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

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

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

#### **3.2.1.3.2 Sales model of PTA products**

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

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

#### **3.2.1.3.3 Sales model of polyester fiber products**

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

#### **3.2.1.4 Business model of supply chain service business**

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

##### **3.2.1.4.1 Trade business**

Petrochemical industry is a cyclical industry. On the one hand, the supply side of raw materials is susceptible to factors such as upstream suppliers' capacity, operation stability of the plant and start-up time of the new plant. On the demand side, especially in the downstream polyester segment, sales have typical seasonal characteristics. Meanwhile, chemical raw materials and finished products are very dependent on the stability of port facilities and international logistics transportation. On the other hand, the prices of products in the petrochemical industry chain are affected by the price of terminal crude oil, showing wide fluctuations. Therefore, in order to ensure production and operation, strengthen supply chain stability and reduce the risk of price fluctuation, petrochemical enterprises need to smooth supply and demand and hedge risks through trade business in procurement and sales. Under the impact of COVID-19, capacity release in the industry is uncertain. The quarantine and lockdown measures in various regions have led to the instability of logistics supply. In addition, the sharp shock of oil prices has increased the uncertainty of supply and demand in the industry, which further drives the urgent need of enterprises to hedge supply risks through trade management. In trade business, the Company always adheres to the principle of “serving the main business”. The trading varieties focus on the primary business and core products, mainly PTA and MEG. Among

them, PTA belongs to the finished products of the Company's PTA business segment, and PTA and MEG are also important raw materials of polyester segment, which shows that the Company uses its trade business to stabilize supply chain and hedge against price volatility.

#### **3.2.1.4.2 Supporting logistics related services**

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

(1) Transportation of raw materials mainly serves the production plants within the Company system, through the land transport of self-own vehicles and third-party land transport, inland river shipping, etc.

(2) Transportation of products mainly used for the Company to sell the Company's business orders and organize the third-party logistics company to transport the products. The transportation business settlement is carried out by Hengyi Logistics.

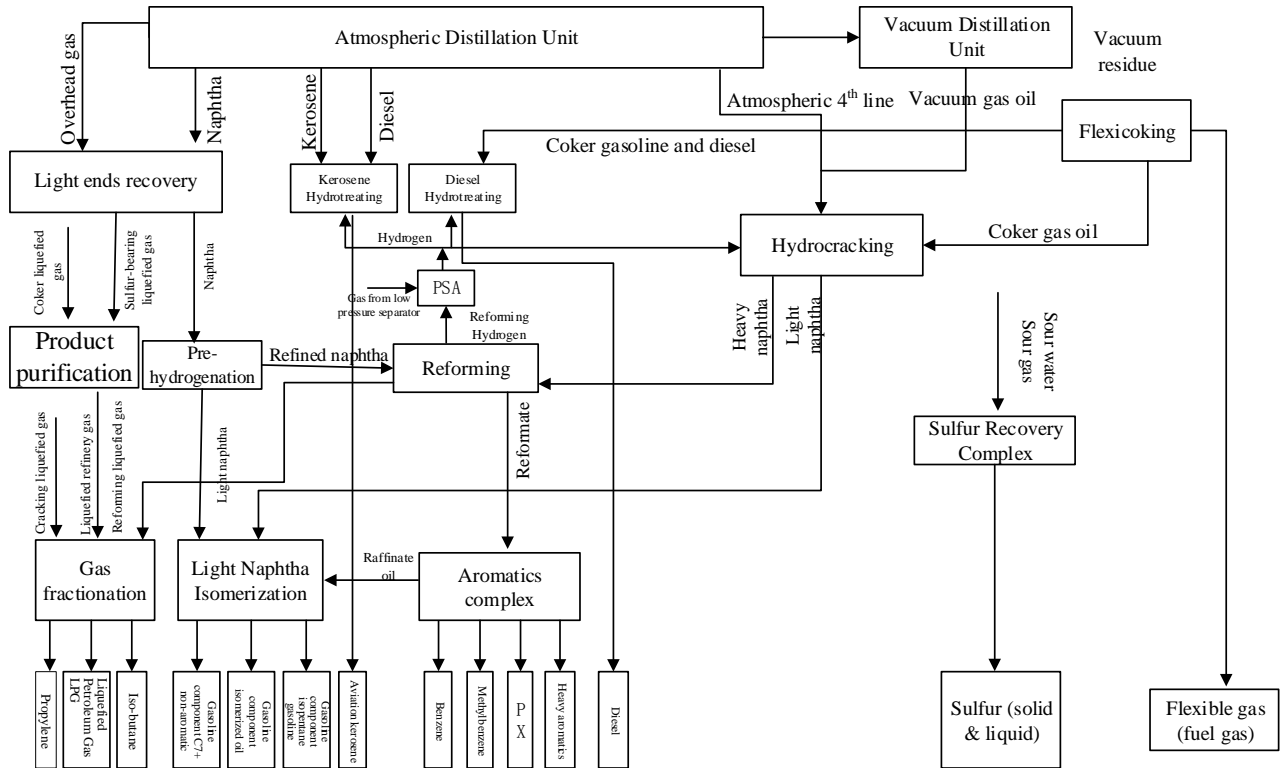
(3) Foreign trade transportation mainly through Hengyi Logistics, under collaboration with the sales company of the Company and cooperation with third-party shipping companies or freight forwarding companies, to carry out container transportation business by means of bidding. Transportation modes include sea-rail combined transport, sea-river combined transport, direct transport, etc.

(4) International transportation mainly serves Brunei PMB Petrochemical Project, most of which are operated by Hengyi Logistics and its overseas subsidiaries. The imported crude oil and coal, exported product oil and benzene and other products of the PMB Project are transported by spot chartering with the fleet capacity of a third-party ship-owner in the market. For the transportation of chemical PX, due to the relatively stable ports and batch volume of upstream and downstream routes, MR chemical fleet will be rented for transportation during the self-construction period. For some LPG gas products, a mixture of the above two modes is adopted to achieve the goal of safe transportation.

### 3.2.2 Process flow charts of main products

#### 3.2.2.1 Production flow of product oil/chemical products

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

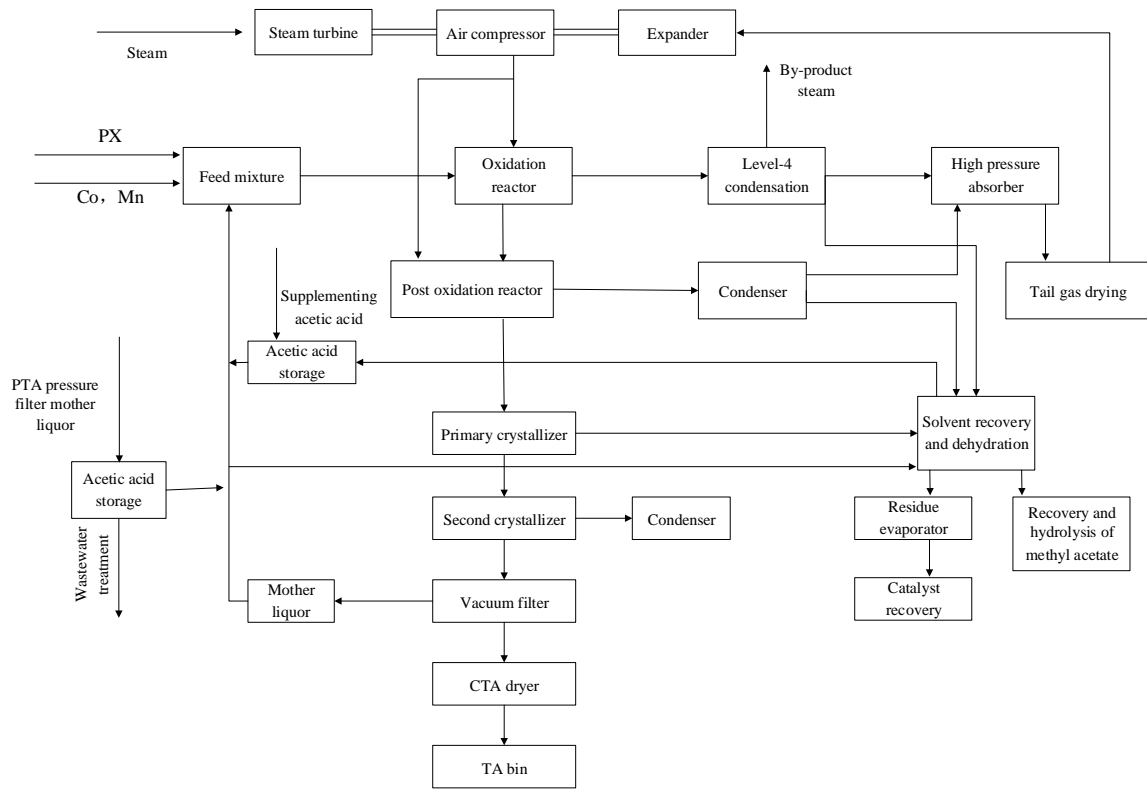


#### 3.2.2.2 PTA preparation process

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

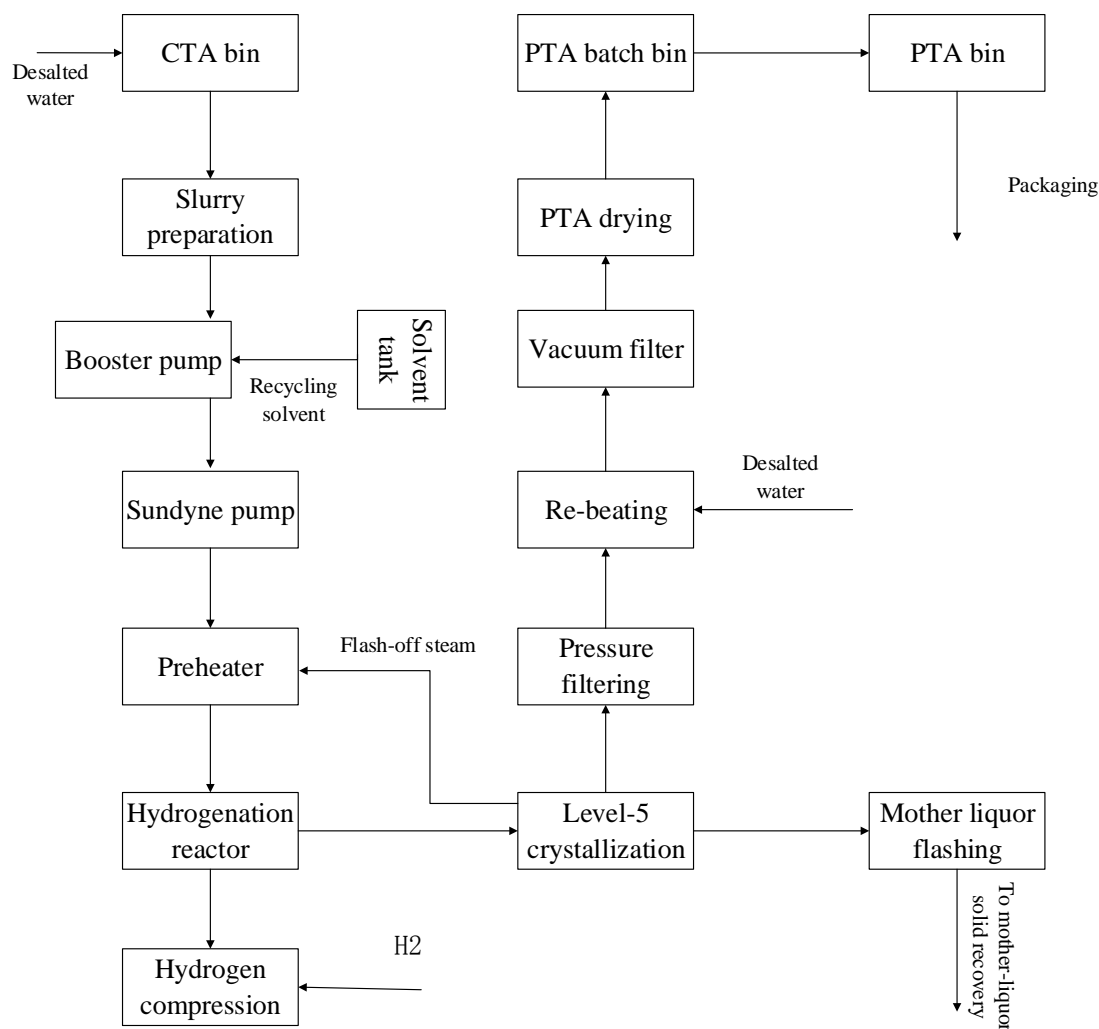
##### 3.2.2.2.1 Oxidation unit

The specific flow chart of oxidation unit is as follows:



### 3.2.2.2 Refining unit

The flow chart of refining unit is as follows:

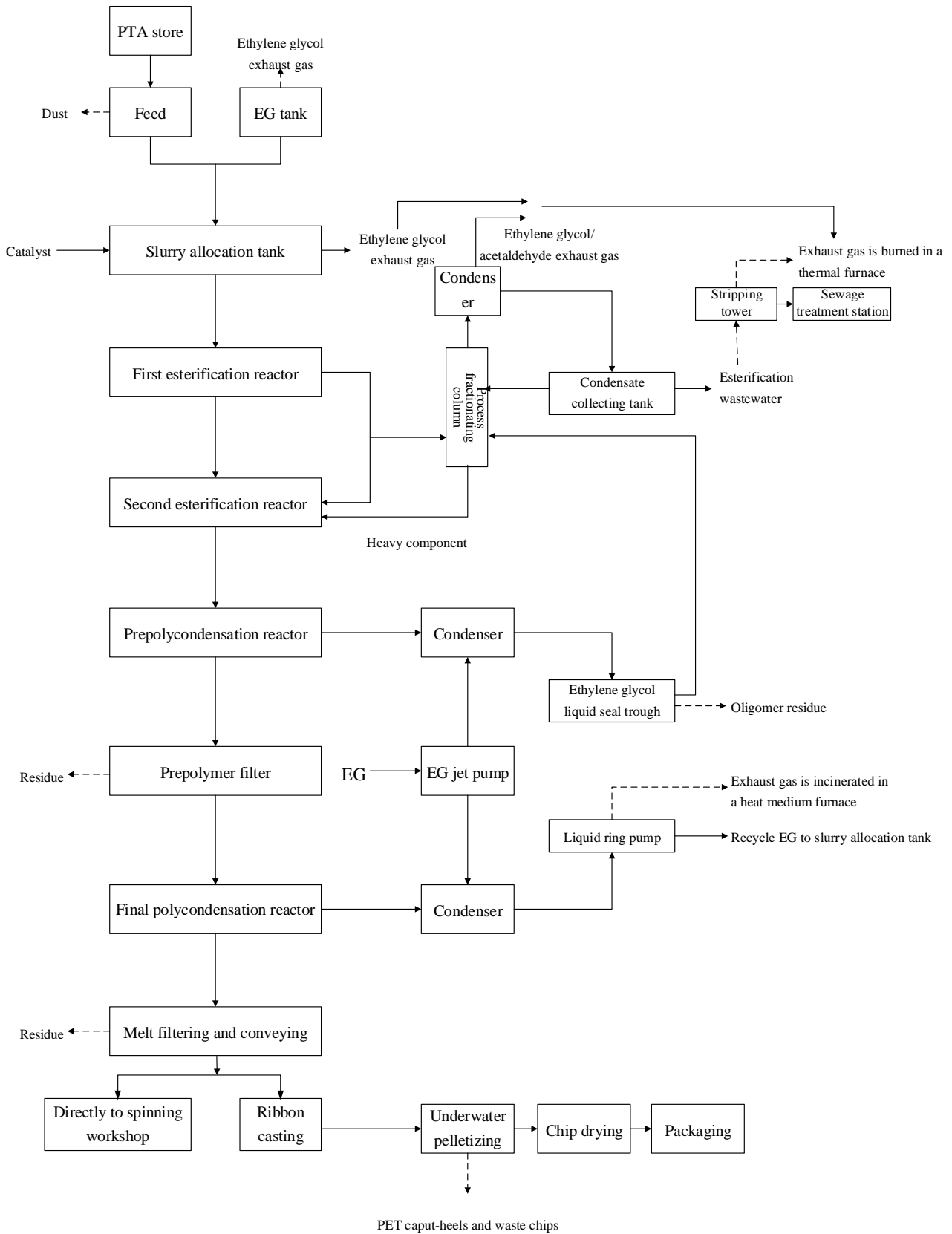


### 3.2.2.3 Polyester esterification polycondensation process

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

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

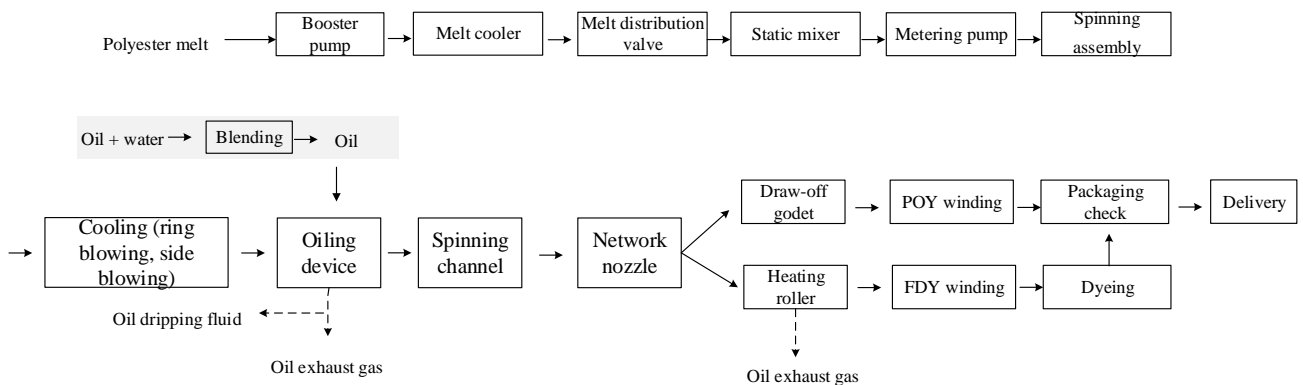




### 3.2.2.4 Production flow of POY/FDY

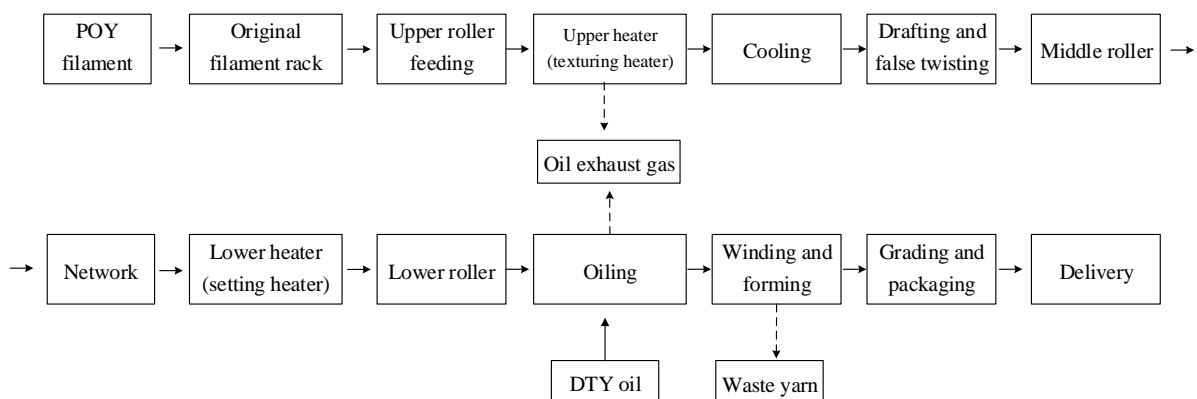
The production process of POY and that of FDY are basically the same. The polyester melt is

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



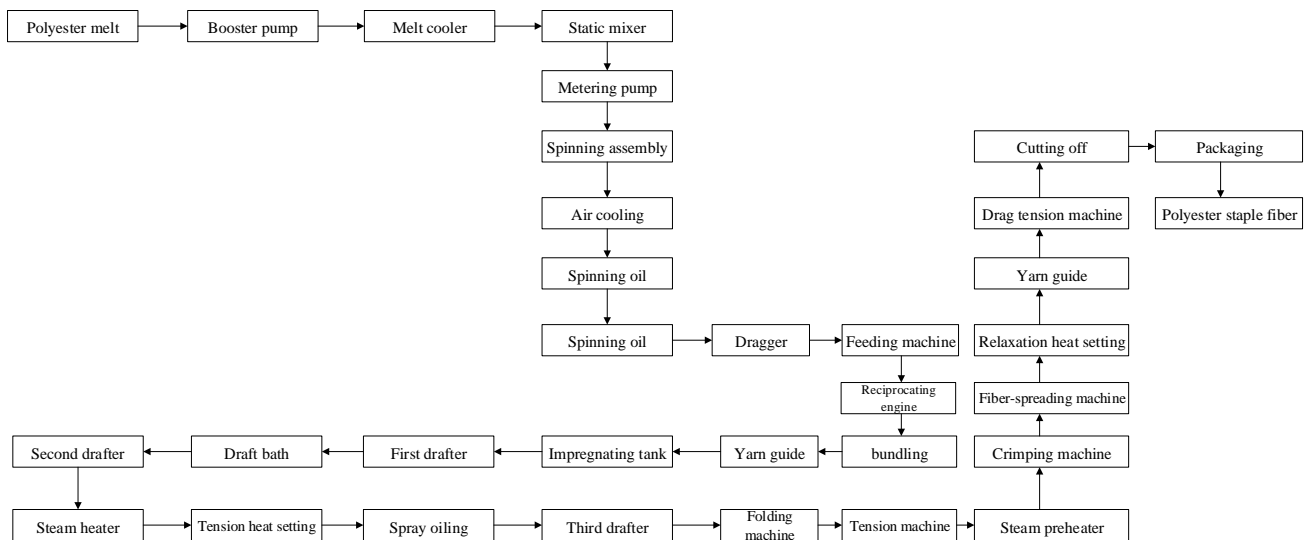
### 3.2.2.5 Production flow of DTY

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



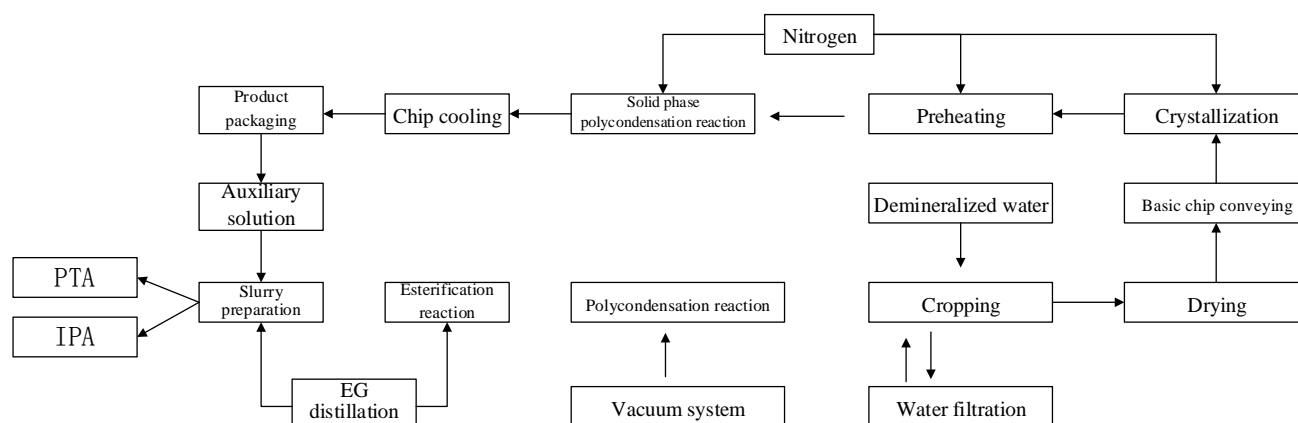
### 3.2.2.6 Production flow of staple fiber

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



### 3.2.2.7 Production flow of bottle flakes

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



### 3.2.3 Main performance drivers

#### 3.2.3.1 The Company adheres to scientific research and innovation to meet the high-end and differentiated needs of the market

The Company has always been committed to improving the ability of independent innovation, focusing on the R&D and application of high-end products and green products in the field of polyester fiber. Relying on the university-enterprise platform, the Company has established a product portfolio featuring "diversification, serialization, quality and uniqueness and plays a leading role in China in terms of technology. The proportion of high-end products of the Company has continued to increase. The Company's independently developed antimony-free green polyester product, Eticont, is widely used in infant clothing, facial masks and other fields, and the added value is much higher than that of conventional products. The diversity of flame retardant products is gradually increasing, and the final test of recycled flame retardant polyester has successfully completed. These products have been accepted by more and more customers. Meanwhile, the industrialization of antibacterial and antiviral fibers has also been completed rapidly. As their excellent antibacterial and antiviral properties have been unanimously recognized by customers, they will become a new profit growth point among the differentiated products.

#### 3.2.3.2 With unique advantage of integrated supply chain management, the Company can independently control the product cost, which enhances the market competitiveness of our products

The Company keeps strengthening our supply chain management capability, and innovating and promoting our intelligent management and operation models. The Company uses its own tankers for

transportation to ensure the supply of raw materials, improve transportation efficiency and reduce logistics costs. The Company maintains a leading position in the industry in the proportion of independent transportation. The supply chain business has effectively improved the Company's sensitivity to product costs and selling prices, and enhanced our cost control ability and profitability. With the commissioning and operation of the Brunei project, the Company has stepped in the shipping sector to strengthen the integrated management of overseas supply chain service. The Company has gradually built its own fleet to increase our shipping strength, effectively address the inadequate shipping capacity and the increasing shipping costs, and ensure timely delivery of shipments.

### **3.2.3.3 With major strategic projects being put into operation one after another, the Company has improved the effect of economies of scale**

In 2021, Yisheng New Materials' 3-mtpa PTA Production Line 1, the plants of Haining Hengyi New Materials Co., Ltd.'s "1-mtpa Differentiated Environmental Functional Fiber Project", and Fujian Yijin Chemical Fiber Co., Ltd.'s "566,000 t/a new functional fiber project" were put into operation in succession. In addition, Yisheng New Materials' 3-mtpa PTA Production Line 2 was officially put into operation in January 2022. The scale of the Company's PTA and polyester fiber business has continued to grow, and the Company's production capacity risen to a new level, consolidating our leading position in the industry. The release of new production capacity has continued to provide incremental contributions to the Company and drive the Company's performance growth.

### **3.2.3.4 The Company has adjusted the product structure to cater to market needs, maintaining a sound gross margin**

The Company's end products mainly include product oil, polyester bottle flakes and polyester fibers, covering a wide range of varieties. In 2021, the domestic and international economies recovered gradually, and consumer demand for textiles and clothing, home textiles, packaging, etc. kept growing. Combined with the contraction of overseas supply chains, international orders returned to China, and the downstream demand for the Company's products rebounded steadily. The Company seized the growth opportunity of the strong market demand for bottle flakes to further

expand the market share and maximize profits. As an industry leader, the Company has an annual production capacity of 2.7 million tons of PET bottle flakes (including RPET).

The first phase of the Hengyi Brunei Project stands out with its low cost of new plants and flexible adjustment of product mix. Due to the best performance of diesel in terms of Singapore product oil crack spread, the Company continued to convert jet fuel into diesel in 2021, reduce the output of jet fuel, and ensure full-load production, securing the optimal profitability of the project. During the Reporting Period, with the continuous recovery of the crack spread of product oil in Singapore, the gross margin of each product was maintained at a high level.

In addition, in order to improve profitability, the Company actively and flexibly converted some PTA capacity to PIA capacity, which effectively improved the capacity utilization and added value of products.

#### Procurement mode of main raw materials

Currency: RMB

Main raw materials	Procurement model	Proportion of purchase amount in total Purchases	Whether the settlement method has changed significantly	Average price in the first half of the year	Average price in the second half of the year
Crude oil	Purchasing inquiry	24.05%	No	3,294.04	3,932.96
PX	Purchasing inquiry	13.65%	No	5,184.90	5,898.87
MEG	Purchasing inquiry	8.18%	No	4,370.89	4,693.46

#### Reasons for major changes in raw material prices from the previous Reporting Period

During the Reporting Period, there were major changes in the Company's raw material prices compared with the previous Reporting Period, the main reasons were that the global economy gradually recovered against the backdrop of quantitative easing policy while the release of crude oil production capacity lagged behind the rebound of demand and the recovery of crude oil supply was less than expected. Therefore, prices of energy resources such as coal and natural gas have also risen sharply, boosting the upward trend of crude oil price. Under the combined influence of various factors, the crude oil price generally rose all the way in 2021. According to CCF data, in 2021, the

growth rate of the price of both WTI crude oil and Brent crude oil are 57.94% and 52.24%, respectively. At the same time, the rise in crude oil price also lifted the prices of downstream products in the industrial chain such as PX.

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

Applicable  Not applicable

### Reasons for significant changes in major energy types

Applicable  Not applicable

### Main production technologies

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
Gasoline	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, and high level of eco-friendliness
Diesel	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, and high level of eco-friendliness
Kerosene	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, and high level of eco-friendliness
Paraxylene	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, high product purity, and long operating cycle of the plant
Benzene	Mass production	Multiple persons	Introduction and innovation	Advanced equipment and technology, high production capacity, low costs of raw materials and transportation, high product purity, and long operating cycle of the plant
Purified terephthalic	Mass production	Multiple persons	Introduction and	High production capacity, low investment, low energy consumption, convenient transportation and high level of

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
acid			innovation	eco-friendliness
Polyester	Mass production	Multiple persons	Introduction and innovation	Short process, high production capacity, low consumption of raw materials and public works, etc.
Polyester	Mass production	Multiple persons	Introduction and innovation	The third and fourth monomers are added into the polymerization reaction system, and a special equipment structure is adopted. Through esterification, pre-polycondensation, and final polycondensation, low-temperature dyeable cationic polyester is prepared, lowering the cost of subsequent dyeing and reducing environmental pollution. Additives such as compound stabilizers are used to increase the melting point and improve the heat resistance of melts, while increasing the whiteness and improving the hue and heat resistance of the products.
Polyester	Mass production	Multiple persons	Introduction and innovation	No dulling agent is added in the polymerization process to produce super bright polyester products to meet the needs of different customers with low production costs.
Polyester	Mass production	Multiple persons	Introduction and innovation	By adding dulling agents in the polymerization process to produce full dull polyester products, the problem of low filter life due to the increase of dulling agents is solved and energy consumption is reduced.
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	By optimizing the design of the reactor structure and adding titanium-based catalysts instead of antimony-based catalysts, the catalyst is uniformly dispersed in the material, and an environmentally friendly antimony-free polyester product is



Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
				produced, realizing a high level of eco-friendliness.
Polyester	Mass production	Multiple persons	Introduction and innovation	The master-batch preparation process has been improved, the types and proportions of silver-based antibacterial agent, PBT powder mixture and dispersant have been studied, and the optimal proportions of the three have been determined. The antibacterial master-batch has been prepared by melt blending and extrusion with outstanding features.
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	Maximum output, highest conversion rate and lowest energy consumption are realized
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	By tapping the potential of equipment, the effect of increasing production and efficiency has been achieved without increasing investment
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	Through recycling, energy waste is reduced and energy utilization rate is improved; by continuously introducing energy-saving technologies, production costs have been reduced
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	It extends the filter service life, reduces labor waste, and saves packaging costs, bringing considerable economic benefits to the Company
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	Through modification during the polymerization reaction, the fluidity and ductility of the polyester melt are improved. With the same polymerization residence time, the intrinsic viscosity of the product is higher than that of the conventional polyester, and the processing performance of the melt is also improved. A

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
				utility model patent has been granted for this technology. The patent number is ZL 201120209233.4
Polymerization	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company has successfully developed and produced titanium dioxide for nylon, and completed independent production and supply of auxiliary materials to replace imports.
Polymerization	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company has successfully developed and produced titanium dioxide for nylon, and completed independent production and supply of auxiliary materials to replace imports.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Using advanced AI technology, the Company can automatically monitor the spinning process, and detect and deal with abnormalities in a timely manner, thereby improving the product quality and production efficiency and reducing the cost
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Using advanced AI technology, the Company can automatically inspect the appearance defects of filament rolls, thereby improving the production efficiency and reducing the cost
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Using advanced automation technology, the Company realizes the automation of the production process, greatly reducing manual operations, improving the production efficiency and reducing the cost
Spinning	Mass production	Multiple persons	Introduction and	Using advanced technology, the Company shortens the process flow and increases the production capacity and degree of

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
			innovation	differentiation, maintaining stable product quality with low utility costs
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning POY→DTY process route, the melt is ejected from the independently designed "straight-line"-shaped spinneret hole, and then cooled, oiled, rolled and spun into flat special-shaped POY yarns. POY yarns are then textured into flat DTY polyester filaments, which feature lower bulk density, lighter weight and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning POY→DTY process route, the melt is ejected from the independently designed "cross"-shaped spinneret hole, and then cooled, oiled, rolled and spun into cross-shaped POY yarns. POY yarns are then textured into cross DTY polyester filaments, which feature lower bulk density, lighter weight, better air permeability and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning PDY process route, the melt is ejected from the independently designed "tree"- or "star"-shaped and other special-shaped spinneret holes, and then cooled, oiled, rolled and spun into "tree"- or "star"-shaped and other special-shaped FDY yarns. This type of polyester filament features lower bulk density, lighter weight, special luster, and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	The functional self-heating master-batch is added to produce the functional hollow polyester fiber. With double heat retaining effects, it can be used as the "core layer" of the heat

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
				retaining and comfortable composite fiber. A utility model patent has been granted for this technology. The patent number is ZL201410481816.0
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	With the use of advanced equipment and process technology, short process, high degree of automation, and low manufacturing cost are achieved.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through technical improvement, the manual operation cycle is extended, the product quality stability is improved, and the resource consumption and cost are reduced
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By installing in-line addition equipment, dynamic and static mixing equipment, oil nozzles, winders, etc. on the melt direct spinning line, the existing equipment has been transformed and upgraded, enabling the polyester melt direct spinning line to produce differentiated and high-end products. It solves the challenge of using the large-capacity polyester plant to produce functional differentiated fibers of multiple varieties in small batches. Functional modified fibers are produced, including colored, flame retardant, antibacterial and full dull fibers
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The Company's own technology is applied to the production of flame retardant polyester. Single-component spinning or composite spinning technology is used to produce single-component or two-component sheath-core composite flame-retardant and anti-dripping POY-DTY yarns
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company produces polyester and polyamide, SPH, sea-island, cationic dyed polyester and

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
	applications		innovation	other composite filaments to meet the high-end market demand
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company produces differentiated and functional products such as HOY and medium-strength yarns for segment markets, meeting the needs of specific users
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	In the spinning process, the non-contact heating method is adopted to reduce the friction and heating of the filaments during processing to avoid the production of broken filaments. Low-temperature stretching deformation-high-temperature setting are adopted and appropriate tangle jets are used to reasonably control the tangle air pressure bundling performance and other production processes to produce ideal fully-drawn yarns (FDY) similar to the products of parallel drafting machines. A utility model patent has been granted for this technology. The patent number is ZL200810059725.2
Spinning	Wide range of applications	Multiple persons	Independent R&D	Through independent R&D, the Company produces oils suitable for the spinning process to improve the processing performance of the product, so that the weaving process can proceed smoothly and the product quality is excellent.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By using the programmable controller (PLC), the composite yarn is stretched in multiple stages, and the order of the stretching ratio of each stage can be changed as needed within the range, so that the composite yarn has different structural densities, resulting in the difference in color absorption and dyeing rates, and realizing multiple colors after dyeing. It has

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
				brought significant economic and social benefits. A utility model patent has been granted for this technology. The patent number is ZL200710070581.6
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The graphene master-batch and polyester flakes are blended and spun into yarns. A spinneret with a 4C aperture is used to prepare hollow graphene polyester fiber POY, and the fluffy curl of the polyester fiber is further improved in the subsequent texturing process. This gives the polyester fiber the features of heat retaining and light weight in addition to the functionality of graphene, expanding its application prospect of graphene in the field of textiles.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The antimony-free polyester melt is produced by adding a titanium-based catalyst to polyester to instead of antimony-based catalysis, and then antimony-free staple fibers and filaments are produced through a spinning process, featuring high environment-friendliness.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By spinning and winding a bunch of POY and a bunch of FDY, a new type of polyester/polyester composite yarn is made, and it can be used for weaving high-grade artificial silk clothing fabrics and home textile fabrics, which has the advantages of rich hand feel, anti-wrinkle property and good drapability.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the spinning oil for FDY has been successfully prepared to replace imported oils.
Spinning	Wide range	Multiple	Introduction	The antimony-free polyester melt is produced by adding a

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
	of applications	persons	and innovation	titanium-based catalyst to polyester to instead of antimony-based catalysis, and then antimony-free staple fibers and filaments are produced through a spinning process, featuring high environment-friendliness.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By spinning and winding a bunch of POY and a bunch of FDY, a new type of polyester/polyester composite yarn is made, and it can be used for weaving high-grade artificial silk clothing fabrics and home textile fabrics, which has the advantages of rich hand feel, anti-wrinkle property and good drapability.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the spinning oil for FDY has been successfully prepared to replace imported oils.
Texturing	Mass production	Multiple persons	Introduction and innovation	By controlling the temperature of false twist deformation, the linen type is achieved, which not only has the style of natural linen fibers, but also has the stiffness of artificial linen fibers.
Texturing	Mass production	Multiple persons	Introduction and innovation	The airflow through the tangle jet is closed intermittently, and a variety of polyester POY yarns of different colors are composited through false twist deformation to produce a fancy composite polyester yarn interleaved with fluffy non-intermingled low-stretch fiber and intermingled blended fiber. Colored polyester POY is used to produce the colored composite yarn directly by texturing, eliminating the complicated downstream dyeing process, reducing the cost of the product, simplifying the process and lessening the pollution to the environment

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
Texturing	Mass production	Multiple persons	Introduction and innovation	A double-solenoid valve opening and closing logic design is adopted. The two solenoid valves arranged in parallel or series are designed with a reasonable opening and closing logic to jointly control them to realize intermittent switching of the tangle jet airflow and the intelligent design of polyester fancy composite yarn tangling points. At the same time, it reduces the frequency of use of a single solenoid valve to prevent overheating damage to a single solenoid valve, effectively improving the efficiency of texturing.
Texturing	Mass production	Multiple persons	Introduction and innovation	The Company has a more mature technology for producing products with a monofilament fineness of 0.5-1.0dpf, which provides technical support and experience accumulation for the development of finer products. Through the supporting of pre- and post-spinning equipment, the Company realizes independent R&D. At present, the Company's production technology of ultra-fine fibers of less than 0.5dpf is mature, the quality is stable, and relevant production conditions are available. They are mainly used for producing high-grade fabrics and decorative fabrics.
Texturing	Mass production	Multiple persons	Introduction and innovation	In pre-spinning, the third monomer is introduced into the reaction system to prepare low-temperature dyeable cationic POY, which is matched with post-spinning and texturing to prepare DTY products, thereby reducing the cost of subsequent dyeing and environmental pollution.
Texturing	Mass	Multiple	Introduction	The technology is independently researched and developed by



Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
	production	persons	and innovation	the Company. Nubby products are produced under special process conditions such as stretching temperature and stretching ratio. With the characteristics of cotton and linen fabrics, they are widely used in summer cotton and linen fabrics and popular in the market.
Texturing	Mass production	Multiple persons	Introduction and innovation	Composite yarns are made by processing two or more fibers. The processed products have the characteristics of various fibers, such as fabric cotton feel, softness and breathability, and different patterns of dyeing. Examples include FDY-DTY composite yarn, high- and low-viscosity composite yarn, cationic dyed polyester compound, etc. This product is widely used in high-end fabrics, and the market demand is great
Texturing	Mass production	Multiple persons	Introduction and innovation	The special-shaped section of the spinning spinneret produces polyester fibers with different sections, which improves the capillary effect of the fibers in the fabric, so that sweat can quickly migrate to the surface of the fabric and disperse due to the effects of wicking, diffusion and transmission, achieving the purpose of moisture conductivity and fast drying, and improving the moisture permeability of polyester fabrics
Texturing	Mass production	Multiple persons	Introduction and innovation	By producing the S+Z products on a twin-strand machine, the torques of the two filaments cancel each other after stranding, resulting in a torque-free product. This technology has the advantages of flat surface, easy weaving, rich hand feel, and even dyeing. In particular, it shows good effect in oxford fabric, so it is very suitable for high-end decorative fabrics

Main products	Stage of production technology	Core technical personnel	Patented technology	Advantage in product R&D
Texturing	Wide range of applications	Multiple persons	Introduction and innovation	Using the production technology of wool-like fibers, POY yarns are drawn and false twisted on the DTY machine, and then compounded with DTY of the PTT component. The PTT fiber floats on the surface of the yarn and exerts its excellent wearing performance. The high-shrinkage modified PET fiber is placed in the inner layer of the yarn to exert its rigid supporting effect and bring out a stronger sense of uprightness. A utility model patent has been granted for this technology. The patent number is ZL201010174972.4
Texturing	Wide range of applications	Multiple persons	Introduction and innovation	The false-twist texturing technology is used to produce polyester fiber filaments with good hollowness and clear profiled outline, and high requirements for conformal properties such as profile degree and hollowness
Texturing	Wide range of applications	Multiple persons	Introduction and innovation	The technology is independently developed by the Company and is used to process DTY of various colors such as black, red, gray, and yellow. The color is uniform and not easy to fade in daily use. No dyeing is required after weaving, and the yarn is mostly used for making special-purpose fabrics.
Multifunctional polyester bottle flakes	Leading in China	Multiple persons	Introduction and innovation	The core technology of this product is the current international advanced high-temperature crystallization and solid-phase polycondensation process with short process and low energy consumption. The comprehensive energy consumption per unit of product has reached the leading level in China

### Production capacity of main products

Please refer to 3.1 “Major businesses engaged in by the Company during the Reporting Period” of

## Section 3, “Business Summary of the Company”.

**Product categories of major chemical parks**

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

**EIA approvals being applied for or newly obtained during the Reporting Period**

S/N	Approval holder	Qualification/permit name	Approval issuer	Validity period
1	Haining New Materials	Emission Permit	Jiaxing Ecology and Environment Bureau	07/27/2023
2	Haining New Materials	Emission Permit	Jiaxing Ecology and Environment Bureau	07/22/2025
3	Jiaxing Yipeng	Emission Permit	Jiaxing Ecology and Environment Bureau	12/01/2022
4	Jiaxing Yipeng	Port Operations Permit of People's Republic of China	Jiaxing Municipal Port and Shipping Administration	03/11/2023
5	Jiaxing Yipeng	Jiaxing Inland Port Shoreline Use Registration Certificate	Jiaxing Municipal Port and Shipping Administration	03/11/2054

6	Taicang Yifeng	Emission Permit	Suzhou Municipal Ecology and Environment Bureau	12/30/2022
7	Fujian Yijin	Emission Permit	Quanzhou Municipal Ecology and Environment Bureau	04/07/2026
8	Hengyi Limited	Emission Permit	Hangzhou Municipal Ecology and Environment Bureau	08/27/2023
9	Hengyi Polymer	Emission Permit	Xiaoshan District Environmental Protection Bureau	11/02/2026
10	Hangzhou Yijing	Emission Permit	Xiaoshan District Environmental Protection Bureau	11/04/2026
11	Hengyi High-Tech	Emission Permit	Dajiangdong Industrial Cluster Area Environmental Protection Bureau	11/25/2026
12	Shuangtu New Materials	Emission Permit	Dajiangdong Industrial Cluster Area Environmental Protection Bureau	11/26/2026
13	Hengyi Caprolactam	Emission Permit	Qiantang New District Branch of Hangzhou Municipal Ecology and Environment Bureau	06/22/2025
14	Hengyi Caprolactam	Hazardous Chemical Registration Certificate	Zhejiang Provincial Registration Center for Hazardous Chemicals, Registration Center for Chemicals of Ministry of Emergency Management	12/19/2022
15	Hengyi Caprolactam	Production Safety Permit	Department of Emergency Management of Zhejiang Province	12/05/2022

### Unusual suspension of production of the listed company during the Reporting Period

Applicable  Not applicable

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

Including: production safety permit, emission permit, and cargo transportation permit; engaged in

petroleum processing and petroleum trading.

S/N	Holder	Certificate name	Certificate No.	Issuer	Validity period
1	Zhejiang Yisheng	Emission Permit	91330200744973411W001W	Beilun Branch of Ningbo Municipal Bureau of Ecology and Environment	12/15/2026
2	Zhejiang Yisheng	Radiation Safety Permit	ZHFZ No. B2005	Department of Ecology and Environment of Zhejiang Province	11/17/2024
3	Zhejiang Yisheng	Production Safety Permit	(ZJ) WHAXZZ [2019] No. B-1448	Department of Emergency Management of Zhejiang Province	01/03/2025
4	Hengyi Limited	Emission Permit	91330000765215943G001Y	Hangzhou Municipal Ecology and Environment Bureau	08/27/2023
5	Hengyi High-Tech	Emission Permit	913301006680033406001Q	Hangzhou Municipal Ecology and Environment Bureau	11/25/2026
6	Hengyi High-Tech	Radiation Safety Permit	ZHFZ No. A2292	Zhejiang Provincial Department of Environmental Protection	05/10/2022
7	Hengyi Polymer	Emission Permit	913301097245283880001P	Hangzhou Municipal Ecology and Environment Bureau	11/02/2026
8	Hengyi Polymer	Radiation Safety Permit	ZHFZ No. A2255	Department of Ecology and Environment of Zhejiang Province	09/19/2024
9	Jiaxing Yipeng	Emission Permit	91330411MA28BLMY30001V	Jiaxing Ecology and Environment Bureau	12/01/2022
10	Jiaxing Yipeng	Port Operations Permit of People's Republic of China	(ZJNH) GJZ No. 1265	Jiaxing Municipal Port and Shipping Administration	03/11/2023
11	Jiaxing Yipeng	Jiaxing Inland Port Shoreline Use Registration Certificate	JNHAZ No. 1265	Jiaxing Municipal Port and Shipping Administration	03/11/2054
12	Jiaxing Yipeng	Water Use Permit	QS (JXNS) Z [2019] No. 007	Xiuzhou District Agriculture, Rural Affairs and Water	11/12/2023

S/N	Holder	Certificate name	Certificate No.	Issuer	Validity period
				Resources Bureau of Jiaxing City	
13	Taicang Yifeng	Emission Permit	91320585MA1P1GPBX M001V	Suzhou Municipal Ecology and Environment Bureau	12/30/2022
14	Shuangtu New Materials	Emission Permit	91330100566050736P00 1Y	Hangzhou Municipal Ecology and Environment Bureau	11/26/2026
15	Shuangtu New Materials	Radiation Safety Permit	ZHFZ No. A3048	Department of Ecology and Environment of Zhejiang Province	12/26/2023
16	Fujian Yijin	Emission Permit	91350582MA31G07Q8C 001V	Quanzhou Municipal Ecology and Environment Bureau	04/07/2026
17	Suqian Yida	Emission Permit	91321311MA1UXUC8X J001R	Suqian Ecology and Environment Bureau	07/18/2026
18	Suqian Yida	Radiation Safety Permit	SHFZ No. 0199	Suqian Environmental Protection Bureau	01/12/2027
19	Haining Thermal Power	Emission Permit	91330481MA29HXML3 4001R	Jiaxing Ecology and Environment Bureau	07/22/2025
20	Zhejiang Hengyi Engineering	Special Equipment Production License	TS3833335-2024	Zhejiang Provincial Administration for Market Regulation	04/01/2024
21	Zhejiang Hengyi Engineering	Construction Enterprise Qualification Certificate	D333903322	Hangzhou Urban and Rural Construction Committee	12/31/2022
22	Zhejiang Hengyi Logistics	Road Transport Operations Permit of People's Republic of China	ZJYGXKHZ No. 330109186475	Hangzhou Municipal Bureau of Transportation	08/31/2025
23	Ningbo Hengyi Trading	Hazardous Chemicals Operations Permit	YLAJ [2021] No. 0085	Beilun District Branch of Bureau of Emergency Management of Ningbo	11/25/2024
24	Hangzhou Yijing	Emission Permit	91330109MA28M4DD8 Y001P	Hangzhou Municipal Ecology and Environment Bureau	11/04/2026
25	Hangzhou	Radiation Safety	ZHFZ No. A2259	Zhejiang Provincial	06/18/2022

S/N	Holder	Certificate name	Certificate No.	Issuer	Validity period
	Yijing	Permit		Department of Environmental Protection	
26	Shaoxing Hengyi Logistics	Road Transport Operations Permit of People's Republic of China	ZJYGXKSZ No. 330621104701	Shaoxing Keqiao District Bureau of Transportation	04/12/2031
27	Haining New Materials	Emission Permit	91330481MA29HRX724001V	Jiaxing Ecology and Environment Bureau	07/27/2023
28	Hengyi Caprolactam	Production Safety Permit	(ZJ) WHAXZZ [2019]No. A-2191	Department of Emergency Management of Zhejiang Province	12/05/2022
29	Hengyi High-Tech	Work Safety Standardization Level-3 Enterprise (Textile)	HZ AQBFBZ III 201900974	Hangzhou Municipal Bureau of Emergency Management	2023.01
30	Hangzhou Yijing	Work Safety Standardization Level-3 Enterprise (Textile)	Zhejiang AQBFBZ II 201900987	Hangzhou Municipal Bureau of Emergency Management	01/01/2023
31	Hengyi Caprolactam	Work Safety Standardization Level-2 Enterprise (Hazardous Chemicals)	Zhejiang AQBWH II 202000002	Department of Emergency Management of Zhejiang Province	2023.06
32	Hengyi Limited	Work Safety Standardization Level-3 Enterprise (Textile)	Hangzhou AQBFBZ III 202000807	Hangzhou Municipal Bureau of Emergency Management	2023.08
33	Shuangtu New Materials	Work Safety Standardization Level-3 Enterprise (Textile)	Hangzhou AQBFBZ III 202001128	Hangzhou Municipal Bureau of Emergency Management	2023.10
34	Hengyi Polymer	Work Safety Standardization Level-3 Enterprise (Textile)	Hangzhou AQBFBZ III 202000038	Hangzhou Municipal Bureau of Emergency Management	04/01/2023
35	Hengyi Logistics	Work Safety Standardization	2018-01-101490	Ministry of Transport of the People's Republic of	01/09/2024

S/N	Holder	Certificate name	Certificate No.	Issuer	Validity period
		Level-1 Enterprise (Road Transport)		China	

#### **Engaged in petroleum processing and petroleum trading**

Yes  No

#### **Engaged in fertilizer industry**

Yes  No

#### **Engaged in pesticide industry**

Yes  No

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

Yes  No

#### **Engaged in chemical fiber industry**

Yes  No

#### **Engaged in plastic and rubber industry**

Yes  No

### **3.3 Analysis of core competitiveness**

#### **3.3.1 Leading international industrial strategy by adhering to industrial business and highlighting main business**

Focusing on the strategic policy of "consolidating, highlighting and optimizing the competitiveness of main business", the Company takes the lead in applying polyester melt direct spinning technology, large-scale PTA technology and high-end green caprolactam technology, and optimizes and expands the terminal capacity of chemical fiber industry through mergers and acquisitions to realize the grafting of its advantages in petrochemical and chemical fiber industry; and substantially improves the technology level and competitiveness in the above-mentioned fields of industry to boost the high-quality development of petrochemical and chemical fiber industry. In addition, the Company also took the lead in deploying the Brunei Project overseas to respond to the "Belt & Road" Initiative, adapt to the requirements of high-quality development in the new era, seize the development opportunities in the Southeast Asian market, realize the international business



deployment and operation, help the Company to complete vertical industry chain integration, solve the bottleneck of raw materials and draw a blueprint of international industrial development.

### **3.3.2 Technological advantage by focusing on high-end scientific research and innovation**

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

The Company closely focuses on the industrial structure of "refinery, polyester and polyamide". In terms of materials, the Company focuses on the green manufacturing of polyester and the recycling of polyester throughout its life cycle, breaking through existing technical difficulties, achieving high quality recycling of polyester, and producing high performance polyester materials from bio-based raw materials. In the chemical industry, to expand the application scope of PTA, the Company is currently developing various types of diols required for the differential production of polyester. Meanwhile, to reduce production costs, the Company actively researches and develops three agents in the existing process, such as dulling agents, catalysts, and additives.

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

### **3.3.3 Large-scale whole industry chain with balanced and integrated upstream and downstream enterprises**

The Company has developed into a global leader in the integration of the "PX-Polyester" and "Benzene-Polyamide" industry chains. Through the construction of upstream refineries overseas, the expansion of midstream and downstream enterprises in China, the implementation of mergers and acquisitions and restructuring and other differentiated development models, the Company has built a balanced and integrated industry chain covering "crude oil - aromatics - PTA - polyester" and "crude oil - benzene - CPL - polyamide". The Company's existing refining and chemical design capacity is 8 million tons, PTA capacity is 19 million tons (accounting for 28.95% of the national effective PTA capacity), and polymerization and caprolactam capacities are 10.465 million tons and 400,000 tons respectively. The polymerization capacity controlled and shared by the Company accounts for 15.96% of the national effective polymerization capacity. In this highly concentrated industry, the Company has an obviously advantage in scale. The Company is self-sufficient in upstream, mid-stream and downstream raw materials, and has achieved balanced and coordinated development of the entire industry chain from unique large-scale refining to supporting PX, PTA, and polyester (PET) productions.

The Company continuously upgrades and optimizes the industrial model, consolidates and expands the production capacity advantages of each link, advances the quantitative change of the Company's operation scale and the qualitative change of the business structure, and promotes the investment and application of large-scale equipment and energy-saving and consumption-reducing technologies. The Company's advantage in scale promotes the stability of production plant operation, improves product quality and production efficiency, and greatly reduces the unit investment cost and unit energy consumption, giving the Company a significant advantage in unit manufacturing cost in the industry. At the same time, the large-scale procurement enables the Company to form strong operational capabilities and obtain advantageous prices, saving procurement costs and providing a strong guarantee for the profitability of final products.

After the second phase of the Brunei Project is completed and put into operation, a new "olefin-polyolefin" industry chain will be formed. It will improve the intensification, large-scale operation and integration level of the Brunei Refining and Petrochemical Project. It is conducive to the integrated, globalized and balanced synergistic operation of the Company's products, equipment

and utilities, and will help enhance the Company's sustainable profitability and anti-risk ability.

### **3.3.4 Industrial Internet enabling digital intelligent manufacturing and coordinated operation of the whole industry chain**

The Company has established the "Petrochemical + Industrial Internet" information strategy to promote the deep integration of new-gen information and communication technologies and the petrochemical manufacturing industry, diving the digitalization, networking and intelligent development of the chemical fiber manufacturing industry. As one of the industry leaders, the Company actively embraces the new era of Internet, big data and artificial intelligence, strengthens the construction of digital infrastructure, and promotes information interconnection among intelligent manufacturing facilities such as automatic winding, automatic packaging, intelligent external inspection, AGVs, robots, and high-rise warehouses. The Company has built the first polyester plant equipped with a full-process intelligent storage and transportation system in China, and creates the first full-life product quality traceability system and smart sales supply chain system in the industry. The first AI full-detection prototype applied in the chemical fiber industry by the Company was selected as an Industrial Intelligent Pioneer Case at the Intelligent Economy Summit 2021. By using network communication, Internet of Things, mobility, micro-services, real-time database and other technologies, the Company has developed its own single-spindle data flow system and Yunbiao finished product storage system to realize efficient logistics operation and automatic quality control of products in the workshop warehouse, promote process optimization, information sharing and efficiency improvement among production processes, and create digital workshops and smart factories.

At the same time, keeping in mind the aim of being a leader in the Internet of chemical fiber industry, the Company gives full play to its own supply chain supporting strength, actively builds an industry ecosystem, and strives to create a "Hengyi Brain" that integrates and visualizes "online trading + online finance + warehousing and logistics" to provide various digital solutions such as digital management, intelligent manufacturing, online trading, logistics services, market analysis, production, supply and marketing synergy, and supply chain finance and create more value that empowers the development of global chemical fiber industry.

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

### **3.3.5 A young, professional and international management team rooted in China with global vision**

The Company emphasizes management by professional team, and introduces senior executives and technical talents at home and abroad through various channels. While introducing external talents, the Company attaches great importance to the cultivation of internal talents, and actively arranges young management talents cultivated internally to provide employees with good career development channels.

At present, the Company has established an international, specialized and professional management and operation team, laying a foundation for the sustainable and healthy development of the Company. Meanwhile, with the continuous expansion of the Company's scale, by drawing on advanced domestic and foreign organizational management experience, the Company has established a sound internal system, to further optimize its organizational structure, continuously improve its organizational management and operation efficiency, and bring into play the advantages of scale synergy.

In order to promote the long-term sustainable development of the Company's talent team and share the fruits of the Company's development with employees, on top of competitive remuneration and incentive mechanisms in the industry, the Company has implemented two phases of restricted stock incentive plans, four phases of employee stock ownership plans and two phases of share repurchase plans to reserve for the subsequent employee stock ownership plans or stock incentive plans since 2015, which has fully mobilized the enthusiasm of employees and effectively attracted

more high-caliber talents. Through the establishment of the long-term development sharing mechanism, the sense of belonging and cohesion of employees is effectively enhanced, which lays the talent foundation for the Company's long-term development.

### **3.4 Analysis of main business**

#### **3.4.1 Overview**

During the Reporting Period, the Company continued the improvement of the unique industrial layout of "refinery, polyester and polyamide", and the integrated, balanced and internationalized industrial chain business model became more prominent. All employees of the Company were united to promote development and improve efficiency, and achieved safe and stable progress in production and operation. At the end of the Reporting Period, the Company achieved an operating income of RMB 128,979,539,700, up 49.23% year-on-year. The net profit attributable to shareholders of the listed company was RMB 3,408,043,100, up 10.94% year-on-year; the Company's total assets valued RMB 105.549 billion, up 13.88% compared with the beginning of the year; the owner's equity attributable to shareholders of the listed company was RMB 25.897 billion, up 7.87% compared with the beginning of the year; the net assets per share attributable to shareholders of the listed company was RMB 7.06; the gearing ratio was 68.79%, which is at reasonably low compared with others in the same industry.

During the Reporting Period, the Company implemented the dividend distribution plan for 2020, distributing cash dividends totaling RMB 1.104 billion, which accounted for 35.95% of the Company's net profit attributable to the parent company in 2020; in addition, the BOD of the Company reviewed and approved the dividend plan for 2021, according to which RMB 2 (tax included) will be distributed for every 10 shares and the total amount will be RMB 733 million, accounting for 21.52% of the Company's net profits attributable to the parent Company in 2021.

##### **3.4.1.1 The first phase of the Brunei Project was operating efficiently, with the operation level continuously improving**

During the Reporting Period, with the steady rebound of market demand in Southeast Asia, the crack spread in the product oil market of the Hengyi Brunei Refining and Petrochemical Project

continued to improve. The Company firmly grasped the market opportunities of the Hengyi Brunei Refining and Petrochemical Project, leveraged the Company's advantages in scale production and technology flexibility, actively optimized the product mix and continuously improved the profitability of each unit of product. During the Reporting Period, the Hengyi Brunei Refining and Petrochemical Project had been operating efficiently. It produces mainly product oil products such as diesel, gasoline, chemical light oil, and liquefied gas, and chemicals such as PX and benzene. The outputs of the two categories were 5,871,700 tons and 2,083,800 tons, the sales volumes were 5,897,800 tons and 2,113,700 tons, and the sales revenues (sales amounts) were RMB 24.082 billion and RMB 4.553 billion respectively. The products further promoted the global popularity of the "Hengyi" brand, and the improvement of vertical industrial chain integration enhanced the Company's competitive advantage.

As of the disclosure date of this Report, the advantages of international operations of the Hengyi Brunei Project are more prominent, including:

- (1) active demand for product oil products in Southeast Asia. With the recovery of downstream demand, the price spreads of the Company's related products continue to expand, and the business environment in Brunei has significantly improved.
- (2) powerful support of China and Brunei. The project enjoys long-term tax incentives and other favorable policies.

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

The project is not restricted by trade barriers and belongs to the ASEAN Free Trade Area; the import and export of products are duty-free;

The overall tax burden is obviously reduced. Brunei does not levy personal income tax, business tax, payroll tax, production tax and export tax. The project has a local pioneer enterprise certificate and an export enterprise certificate, and can enjoy a long-term enterprise income tax relief;

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

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

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

The product oil produced by the project is sold to Southeast Asia, which has strong demand; Brunei Project has a short sales radius and low logistics cost;

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

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

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

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

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

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

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

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

During the Reporting Period, the Brunei Project operated stably, and the benefits gradually improved. The Hengyi PMB Petrochemical Project successively won the 2020-2021 National

Prime-quality Project and the 2020-2021 China Construction Engineering Luban Prize (Overseas Project). The Company's strength was widely recognized by all circles. While ensuring the stable production and operation of the first phase of the project, based on the requirements of high-quality development in the new era and the new pattern of industrial development, the Company fully promoted the construction of the second phase of the Brunei Project, proposing a strategic development plan that positions itself as an international first-class integrated refining-chemical-chemical fiber service provider and systematically builds up upstream-downstream synergy, domestic-overseas linkage, and comprehensive software-hardware supporting competitiveness. After the Brunei Project is put into operation, the competitive advantage of the Project will be greatly strengthened, the Company's industrial chain will be further expanded and improved, and the international competitiveness will be significantly enhanced.

#### **3.4.1.2 The leading position in PTA industry has been consolidated and the cost advantage enhanced**

During the Reporting Period, Yisheng New Materials' 3-mtpa PTA Production Line 1 was put into production, and the 3-mtpa PTA Production Line 2 was completed and put into production in January 2022. The PTA production capacity of the Company reached a new level, and the leading position of PTA was continuously consolidated.

As one of the leading enterprises in the PTA industry, the Company strengthened the production technology management and optimized the operational capabilities of the PTA business during the Reporting Period. Zhejiang Yisheng, a subsidiary held by the Company, achieved an output of 4,511,900 tons and a sales volume of 4,503,900 tons. In 2021, the consolidated gross margin of the PTA business was 4.61%, remaining on a leading level in the industry. The Company fully leveraged our leading position in the PTA industry and the advantages in industry chain integration to increase the production capacity and output of PTA, achieving a steady increase in revenue.

#### **3.4.1.3 By continuously enriching high-end differentiated products, the Company's leadership effect in polyester industry became increasingly prominent**

During the Reporting Period, the plants of Haining Hengyi New Materials Co., Ltd.'s "1-mtpa Differentiated Environmental Functional Fiber Project" and Fujian Yijin Chemical Fiber Co., Ltd.'s



"566,000 t/a new functional fiber project" were put into operation in succession. Both of them are the Company's subsidiaries. The Company's polyester fiber business scale continued to grow, and most of the new production capacity was contributed by advanced manufacturing plants with high added value, high quality and differentiated production capability. As of the disclosure date of this Report, the total polyester capacity controlled and shared by the Company reached 7.765 million tons.

In addition, with the improvement of downstream market demand and the steady upward support of raw material prices, the Company's product prices have risen. Compared with the same period of the previous year, the sales volume and prices of the Company's polyester products (including filament yarns, staple fibers, and flakes) both increased, and the annual operating results also rose significantly year-on-year. At the same time, the concentration of the polyester industry increased, the competition pattern was optimized, and the quality of products was gradually improved. During the Reporting Period, the production volume and sales volume of the Company's chemical fiber products (including filaments, staple fibers, and flakes) maintained a growth trend, achieving 7,233,800 and 7,406,900 tons respectively, up 11.24% and 22.31% year-on-year.

#### **3.4.1.4 The Company continuously increased investment in R&D and adhered to technological innovation to enhance the comprehensive competitiveness of products**

During the Reporting Period, the Company's R&D investment was RMB 691,226,800, representing a year-on-year increase of 92.22%. As of December 31, 2021, the Company has applied for 586 patents, and obtained 233 validly granted patents and 108 validly granted invention patents.

During the Reporting Period, the Company attached great importance to the technological innovation strategy and the transformation of achievements, and formulated and implemented a technological innovation strategy in line with the current development trend based on our own advantages. The Hengyi Research Institute, a subsidiary of the Company, is committed to the R&D of green chemicals and advanced materials, actively enhances the Company's ability to lead innovation, and takes the initiative to assume the main responsibility for the transformation of scientific and technological achievements, the launch of new products on the market, and the realization of economic benefits to accelerate the implementation of technological achievements.

During the Reporting Period, the Company continuously increased investment in R&D and

improved the construction of scientific and technological innovation platforms. Through strengthening the construction of technological innovation capability, the Company established a multi-level petrochemical technological innovation organization, strengthened the construction of scientific research institutions that focus on the R&D of independent innovative technologies and industry common key technologies directly facing the market, and built a high-level R&D team that combines basic research and experimental development, industrial application research, common key technology research in the industry, and differentiated fiber product development to actively explore the development trend and industrialization process of related technologies in the fields of chemical, polyester fiber, and textile, solve major scientific and technological problems including optimization of special and key process technologies, quickly realize the transformation of scientific and technological achievements and the improvement of new product industrialization capabilities, and form independent intellectual property rights. At the same time, the Company has formed a complete scientific and technological innovation mechanism combining "production, learning, research and application" through cooperation with many well-known universities, research institutions, and well-known enterprises at home and abroad, which can effectively share technological innovation resources and complement each other. In addition, the Company's technological innovation strength, scientific research level and market response capabilities have been rapidly improved.

During the Reporting Period, the Company's polyester segment focused on the deployment of projects such as industrialization of polyester POY and FDY spinning oil, as well as the R&D of cutting-edge processes and technologies in the fields of caprolactam and nylon, and the layout of medium and long term projects such as biodegradable polyester, bio-based polyester and foamed polyester. During the Reporting Period, the "Key Technology and Industrialization Project of Antimony-free Environmentally-friendly Polyester Melt Direct Spinning" independently developed and implemented by the Company won the first prize of Science and Technology Progress Award granted by the China National Textile and Apparel Council in 2021. The promotion and application of polyester POY and FDY spinning oils independently researched and developed by the Company in various production lines were intensified, and progress was made in the development of polyester foam special materials. Meanwhile, the Company established a scientific oil analysis method, and the

promotion and trial of the FDY oil developed by the Company were realized.

### 3.4.1.5 The employee stock ownership plan attracted outstanding talents and shaped a culture of strivers to create and share achievements together

In order to improve the incentive and innovation mechanism, the Company launched the fourth employee stock ownership plan to actively retain and attract outstanding talents, implement the multi-dimensional and diversified incentive mechanism of "value creation and benefit sharing", and stimulate the vitality of the team. The employee stock ownership plan was available to the directors, supervisors, senior managers, and regular employees of the Company and the controlled subsidiaries of the Company. The total number of employees covered did not exceed 4,011. As of September 28, 2021, purchase of shares under the fourth employee stock ownership plan was completed. A total of 113,754,600 shares were purchased, accounting for 3.10% of the Company's total share capital.

Meanwhile, by establishing and continuously improving the construction of management and innovation systems such as R&D investment mechanism, talent incentive mechanism, restraint mechanism and intellectual property management, the Company identified the production factors such as labor, capital, technology, management, etc. According to their contribution, participation and distribution, the value of knowledge and talents was fully reflected. To a large extent, it mobilized and stimulated the initiative and enthusiasm of scientific and technological personnel for technological innovation work, and effectively promoted the technological innovation capability of the Company.

## 3.4.2 Income and cost

### 3.4.2.1 Composition of operating income

Currency: RMB

	2021		2020		Year-on-year increase/decrease
	Amount	Percentage in operating income	Amount	Percentage in operating income	
Total operating income	128,979,539,693.27	100%	86,429,630,191.87	100%	49.23%

By industry					
Petrochemical industry	36,094,837,257.96	27.98%	23,788,931,297.46	27.52%	51.73%
Chemical fiber industry	45,127,708,071.51	34.99%	24,934,786,768.51	28.85%	80.98%
Supply chain services	47,756,994,363.80	37.03%	37,705,912,125.90	43.63%	26.66%
By product					
Refinery products	24,081,670,289.03	18.67%	14,458,642,505.91	16.73%	66.56%
Chemical products	4,553,199,820.35	3.53%	4,286,129,273.42	4.96%	6.23%
PTA	6,388,792,085.43	4.95%	4,759,627,567.43	5.51%	34.23%
PIA	1,071,175,063.15	0.83%	284,531,950.70	0.32%	276.47%
Polyester yarn	40,786,520,388.82	31.62%	21,978,130,175.76	25.43%	85.58%
Flake	4,341,187,682.69	3.37%	2,956,656,592.75	3.42%	46.83%
Supply chain services	47,756,994,363.80	37.03%	37,705,912,125.90	43.63%	26.66%
By region					
Domestic	95,697,078,324.23	74.20%	63,753,435,093.36	73.76%	50.10%
Overseas	33,282,461,369.04	25.80%	22,676,195,098.51	26.24%	46.77%
By sales model					
Direct sales	127,275,211,211.48	98.68%	85,385,894,135.62	98.79%	49.06%
Distribution	1,704,328,481.79	1.32%	1,043,736,056.25	1.21%	63.29%

### 3.4.2.2 Industries, products, regions, and sales models that account for more than 10% of the Company's operating income or profit

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

Currency: RMB

	Operating income	Operating cost	Gross margin	Increase or decrease in operating	Increase or decrease in operating cost	Increase or decrease in gross margin

				income compared with the same period of the previous year	compared with the same period of the previous year	compared with the same period of previous year
<b>By industry</b>						
Petrochemical industry	36,094,837,257.96	33,635,007,453.04	6.81%	51.73%	54.93%	-1.93%
Chemical fiber industry	45,127,708,071.51	40,968,485,460.65	9.22%	80.98%	87.70%	-3.24%
Supply chain services	47,756,994,363.80	47,004,538,385.40	1.58%	26.66%	27.34%	-0.52%
<b>By product</b>						
Refinery products	24,081,670,289.03	23,211,693,487.84	3.61%	66.56%	67.08%	-0.31%
Chemical products	4,553,199,820.35	3,525,147,961.98	22.58%	6.23%	4.56%	1.24%
PTA	6,388,792,085.43	6,094,385,121.09	4.61%	34.23%	43.88%	-6.39%
PIA	1,071,175,063.15	803,780,882.13	24.96%	276.47%	281.95%	-1.08%
Polyester yarn	40,786,520,388.82	36,861,844,311.13	9.62%	85.58%	91.73%	-2.90%
Flake	4,341,187,682.69	4,106,641,149.52	5.40%	46.83%	57.90%	-6.64%
Supply chain services	47,756,994,363.80	47,004,538,385.40	1.58%	26.66%	27.34%	-0.52%
<b>By region</b>						
Domestic	95,697,078,324.23	90,386,186,932.42	5.55%	50.10%	52.22%	-1.31%
Overseas	33,282,461,369.04	31,221,844,366.67	6.19%	46.77%	48.18%	-0.89%

**Where the statistical scope of the Company's main business data was adjusted during the Reporting Period, the Company's main business data according to the adjustment of the scope**

**at the end of the Reporting Period.**

□ Applicable √Not applicable

Currency: RMB

Product name	Production volume (10,000 tons)	Sales volume (10,000 tons)	Income realized	Average selling price in the first half of the year	Average selling price in the second half of the year	Year-on-year changes	Reason for changes
Refinery products	587.17	589.78	24,081,670,289.03	3,615.14	4,468.26	62.25%	During the Reporting Period, the Company's raw material prices rose, which drove the prices of downstream products in the downstream industry chain to varying extents.
Polyester yarn	645.30	658.89	40,786,520,388.82	6,656.95	6,483.76	36.71%	

Note: The products that account for more than 10% of the Company's operating income or net profit are disclosed separately, including the output, sales volume and realized income of the products, the average selling price of the products for each half-year and the year-on-year changes, with the reasons for the changes analyzed.

**Overseas business of which the operating income or net profit generated accounts for more than 10% of the audited operating income or net profit of the Company in the previous fiscal year**

Name of overseas business	Operation status	Impact of tax policies on overseas business during the Reporting Period	Company's response
Brunei Project	Stable operation under high load	The overall tax burden during the Reporting Period was low, because Brunei does not levy personal income tax, business tax, salary tax, production tax and export tax. As local pioneer enterprise certificate and an export enterprise	Both China and Brunei provided powerful support. The project enjoyed long-term tax

		certificate have been issued for the project, so it can enjoy a long-term corporate income tax exemptions	incentives and other favorable policies.
--	--	---	--

### 3.4.2.3 Whether the Company's income from product sales is greater than its income from labor services

Industry	Item	Unit	2021	2020	Year-on-year increase/decrease
Refinery products	Sales volume	10,000 tons	589.78	583.81	1.02%
	production volume	10,000 tons	587.17	592.24	-0.86%
	Inventory	10,000 tons	11.60	14.21	-18.37%
Chemical products	Sales volume	10,000 tons	211.37	219.17	-3.56%
	production volume	10,000 tons	208.38	226.58	-8.03%
	Inventory	10,000 tons	8.20	11.19	-26.72%
PTA	Sales volume	10,000 tons	450.39	484.32	-7.01%
	production volume	10,000 tons	451.19	485.02	-6.97%
	Inventory	10,000 tons	3.11	2.31	34.20%
PIA	Sales volume	10,000 tons	15.67	5.51	184.39%
	production volume	10,000 tons	13.56	8.67	56.40%
	Inventory	10,000 tons	1.05	3.16	-66.77%
Polyester products	Sales volume	10,000 tons	740.69	605.60	22.31%
	production volume	10,000 tons	723.38	650.27	11.24%
	Inventory	10,000 tons	45.25	62.56	-27.67%

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

During the Reporting Period, the Company's PIA production volume and sales volume increased significantly compared with the same period of the previous year, mainly because the Company began to produce PIA products in July of FY2020.

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

Applicable  Not applicable

### 3.4.2.5 Composition of operating cost

By industry and product

By industry of Hengyi Brunei

Currency: RMB

Industry	Item	2021		2020		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
Refinery products	Raw materials	22,068,840,115.45	95.08%	12,585,308,784.97	90.59%	75.35%
	Energy	435,640,277.36	1.88%	272,669,717.70	1.96%	59.77%
	Depreciation and others	707,213,095.03	3.04%	1,034,575,302.10	7.45%	-31.64%
	Total	23,211,693,487.84	100.00%	13,892,553,804.77	100.00%	67.08%
Chemical products	Raw materials	3,229,472,939.74	91.61%	3,043,593,007.52	90.28%	6.11%
	Energy	162,281,960.64	4.60%	165,221,931.47	4.90%	-1.78%
	Depreciation and others	133,393,061.60	3.79%	162,620,688.08	4.82%	-17.97%
	Total	3,525,147,961.98	100.00%	3,371,435,627.07	100.00%	4.56%



**By domestic industry and product**

Currency: RMB

Product	Item	2021		2020		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
PIA products	Raw materials	589,219,138.02	73.31%	142,735,702.53	67.83%	312.80%
	Energy	64,929,361.11	8.08%	27,026,909.89	12.84%	140.24%
	Depreciation and others	149,632,383.00	18.61%	40,679,442.69	19.33%	267.83%
	Total	803,780,882.13	100.00%	210,442,055.12	100.00%	281.95%
PTA products	Raw materials	5,337,995,524.43	87.59%	3,750,955,081.22	88.55%	42.31%
	Energy	207,810,074.87	3.41%	138,178,717.94	3.26%	50.39%
	Depreciation and others	548,579,521.79	9.00%	346,745,378.67	8.19%	58.21%
	Total	6,094,385,121.09	100.00%	4,235,879,177.83	100.00%	43.88%
Polyester products	Raw materials	33,303,019,280.35	81.29%	17,480,962,763.20	80.09%	90.51%
	Energy	2,557,920,885.36	6.24%	1,410,863,173.13	6.46%	81.30%
	Depreciation and others	5,107,545,294.93	12.47%	2,935,144,069.73	13.45%	74.01%
	Total	40,968,485,460.65	100.00%	21,826,970,006.07	100.00%	87.70%

**Note:****3.4.2.6 Whether there was any change in the scope of consolidation during the Reporting Period**

A total of 44 subsidiaries were included in the scope of consolidation in FY2021. For details, please refer to Note 8 "Equities in Other Entities" in Section 10 "Financial Report". Compared with the previous year, three subsidiaries were included in and three excluded from the Company's consolidation scope in this fiscal year. For details, please refer to Note 7 "Changes in the Scope of

Consolidation” in Section 10 "Financial Report".

### 3.4.2.7 Significant changes or adjustments in the Company's business, products or services during the Reporting Period

Applicable  Not applicable

### 3.4.2.8 Major customers and suppliers

#### Major customers

Total sales amount of the top five customers (RMB )	20,843,304,169.02
Percentage of the total sales amount of the top five customers in total annual sales amount	16.16%
Percentage of sales amount of related parties among the top five customer in total annual sales amount	0.00%

#### Top 5 customers

S/N	Customer name	Sales amount (RMB )	Percentage in total annual sales amount
1	Customer 1	8,753,951,423.37	6.79%
2	Customer 2	3,534,752,460.31	2.74%
3	Customer 3	3,383,786,669.98	2.62%
4	Customer 4	2,629,666,448.59	2.04%
5	Customer 5	2,541,147,166.77	1.97%
Total	-	20,843,304,169.02	16.16%

#### Other information about major customers

Applicable  Not applicable

#### Major suppliers

Total purchase amount of top five suppliers (RMB )	30,073,048,425.01
Percentage of the total purchase amount of the top five suppliers in the total annual purchase amount	24.73%
Percentage of purchase amount of related parties among the top five suppliers in total annual sales amount	3.62%

#### Top 5 suppliers

S/N	Supplier name	Purchase amount (RMB )	Percentage in total annual purchase amount
-----	---------------	------------------------	--

1	Supplier 1	11,263,369,434.33	9.26%
2	Supplier 2	6,773,289,347.79	5.57%
3	Supplier 3	4,398,340,883.38	3.62%
4	Supplier 4	4,230,806,486.44	3.48%
5	Supplier 5	3,407,242,273.07	2.80%
Total	-	30,073,048,425.01	24.73%

### Other information about major suppliers

Applicable  Not applicable

### 3.4.3 Expenses

Currency: RMB

	2021	2020	Year-on-year increase/decrease	Explanation of major changes
Selling expenses	228,081,384.04	218,109,801.14	4.57%	/
Administrative expenses	1,087,267,658.53	970,153,607.89	12.07%	/
Financial expenses	2,133,576,548.94	2,004,150,317.61	6.46%	/
R&D expenses	686,980,217.98	351,969,307.93	95.18%	Changes were generated mainly because the Company attached great importance to product R&D and increased investment in R&D

### 3.4.4 R&D investment

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
R&D of preparation technology of polyester titanium-based polycondensation catalyst	To improve and optimize the preparation process of titanium-based polyester catalyst to produce titanium-based polyester flakes with excellent performance and good hue, and then conduct spinning and post-processing as needed to produce heavy metal-free titanium-based polyester products.	Completed and industrialized	To meet the standards of high-quality polyester flakes and fibers produced by large-scale production lines with the polyester flakes produced with the titanium-based catalyst developed.	By further optimizing the catalyst preparation process and polymerization process to improve product quality, the project has high value of eco-friendliness and social significance.
Research and application development of bio-based PTT elastic shape memory fiber series	To break the monopoly of foreign enterprises, reduce the raw material cost of downstream textile enterprises, and facilitate the promotion and application of bio-based PTT textile materials.	Completed and industrialized	To form a complete set of key preparation technologies for the development and production of PTT and composite filaments, and establish stable mass production of bio-based PTT flake series	The project has high application value and prospects, and will greatly reduce production costs and improve the competitive advantage in the market.
R&D of zinc oxide antibacterial polyester fiber	The nano zinc-oxide antibacterial polyester fiber features environment-friendliness, safety and health. With the change of people's consumption concept and rise of health	Completed and industrialized	To study the effect of zinc oxide particle size and content on the mechanical properties and antibacterial properties of fibers, develop antibacterial	The project will expand the market of functional fiber products and enhance the competitiveness of the Company.

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
	awareness, it will be favored by more consumers in the fields of household items, medical and health care, military clothing, etc., and the demand for zinc-based antibacterial textiles will also increase.		master-batches or antibacterial polyester flakes to meet production needs, and melt-spin them into antibacterial polyester fibers.	
R&D of low-melting-point polyester flake preparation process	To solve the problems that the current low-melting polyester produced has a low melting point, resulting in no crystallinity or low crystallinity of polymers, and it is difficult to achieve industrialized mass production.	Low-melting-point polyester flakes have been produced and samples sent to customers for trial	To form a mature technology for producing and processing low-melting-point polyester flakes	It will greatly improve the flame retardancy of flakes, and is of great significance to expansion of the market of the Company's differentiated products.
R&D of key technology of antistatic modified polyester staple fiber	To solve the problems of high price, limited specification options, and great susceptibility to environmental humidity on the antistatic polyester products on the market.	Antistatic modified polyester staple fibers have been produced and samples sent to customers for trial	To form a mature technology for producing and processing antistatic modified polyester staple fibers	The project will produce antistatic staple fibers, expand the market of the Company's product, and enhance the Company's competitiveness
R&D of highly hygroscopic and dyeable microcrystalline cellulose	To complete the polymer modification by adding cellulose microcrystalline slurry in situ, so that the modified polyester fiber	Related technologies have been extended to mass production to	To form a mature technology for producing and processing highly hygroscopic and dyeable	The project will expand the market of the Company's products and is of great significance to the development of the

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
modified polyester fiber	has moisture wicking and anti-static effects.	realize the industrialization of products.	the microcrystalline cellulose modified polyester fibers.	chemical fiber industry.
R&D of hydrophilic and dyeable polyester fiber	To produce a hydrophilic polyester fiber through secondary esterification by endcapping sorbitol, followed by polycondensation and melt spinning, which can effectively improve the hydrophilicity and flammability of the polyester fiber.	Related technologies have been extended to mass production to realize the industrialization of products.	To form a mature technology for producing and processing hydrophilic and dyeable polyester fibers.	The project will expand the market of the Company's products and is of great significance to the development of the polyester industry.
R&D of melt-spun flame retardant polyester fiber	To develop the product by adding a new composite flame retardant during the spinning process. Various properties of the new composite flame retardant will bring many excellent properties to the flame retardant polyester fiber compared with conventional flame retardant polyester fiber.	The project has passed the pilot test and is transferred for industrialization test.	To form a mature technology for producing and processing flame retardant polyester fibers that can be directly spun.	The project will improve the hygroscopic effect of fiber, improve the wearing performance of polyester fiber, greatly improve the coloring performance, reduce the dyeing temperature and save energy.
R&D of polyester elastomeric yarn	To solve the problem that the heat retention and self-heating effects of fibers	Related technologies have been extended to	To explore and master the core technology for the preparation of	The development of heat retaining and self-heating fibers will enrich our range of

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
integrating heat retention and self-heating effects	on the current market cannot be integrated, and propose a process for producing heat retaining and self-heating fibers.	mass production to realize industrialization of products.	heat retaining and self-heating polyester elastomeric yarn through a series of R&D work, enable the relevant functional indicators of the prepared heat retaining and self-heating fibers to meet the testing standards, and realize the transformation of the project results.	differentiated fibers, enhance the competitive advantage of our products, improve our Company's reputation in the industry, and also help promote the development of the entire sector of functional fiber.
R&D and industrial demonstration of efficient preparation technology of polymer-grade 2,5-furandicarboxylic acid	To carry out systematic chemical engineering basic research on three key aspects of the industrial preparation technology of high-purity FDCA: fructose dehydration, HMF oxidation and FDCA refining; to screen efficient "catalytic + solvent" system for dehydration reaction to find the technical key to HMF preparation with high selectivity; to optimize HMF oxidation process conditions, hydrogenation catalyst carriers	The project has been established and is under implementation	To form a complete industrial preparation technology for producing polymer-grade FDCA through the R&D and industrial implementation of this project.	The implementation of this project will realize the industrialization of bio-based furandicarboxylic acid monomer, provide necessary monomer raw materials for producing high-performance bio-based polyamide and polyester materials, help promote the development of renewable resources and technologies in China, and provide an alternative technological route for China's "carbon peaking and carbon neutrality". It is of great significance for

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
	and catalytically active components, and break through the core technology of FDCA refining; to establish a mathematical model through determination of basic data, carry out process simulation calculation, propose process flow, and compile process package and industrial design to obtain an industrially implementable polymer-grade FDCA preparation technology.			cultivating strategic emerging bio-industries and breaking the bottleneck constraints of resources and environment in economic development.
R&D of key technology of antistatic modified polyester staple fiber	The project adopts fiber-forming polymer grafting technology. By adding aluminum-doped zinc oxide (AZO) conductive powder and hydrophilic molecular segments (PEE) to PET polyester, more water in the environment can be absorbed, causing a reduction in electrostatic charge accumulation on the polymer surface, effectively achieving uniform dispersion and grafting of AZO	The project has been established and is under implementation	To complete all the development plan tasks under the project, and form a mature technology for producing and processing antistatic modified polyester staple fiber; to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the	The development and enrichment of the Company's differentiated polyester fiber product range will broaden the market of the Company's products, and will be of great significance to the development of the polyester fiber industry.



Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
	and hydrophilic PEE segments, and improving the antistatic properties of the co-polyester.		transformation of the project's achievements and industrial production.	
R&D of cationic dyed polyester two-color composite wool-like polyester fiber	This is to develop a two-color wool-like polyester fiber. After the fabric woven with the composite fiber is processed and dyed, it will not only have obvious contraction effect, but also show two colors prominently. After the fabric is sanded, the fibers are not easy to fall, and feel thicker and plump like real wool.	The project has passed the pilot test and is transferred for industrialization test. The series of products of this project are promoted and applied in the market.	To complete all the planned tasks under the project, and form a mature technology for producing and processing cationic dyed polyester two-color composite wool-like polyester fiber; to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the transformation of the project's achievements and industrial production.	The development of the Company's differentiated polyester fiber product range will broaden the market and improved the Company's economic benefits.
R&D of in-line addition full dull rabbit hair-like fiber	To improve the beauty and comfort of clothing, further raise the grade of polyester products, and enhance product competitiveness and the Company's	Industrialization and stable mass production are achieved. The products are promoted	Independent R&D is carried out for this project. Dull black master-batches are added to the Company's existing semi-dull polyester flakes for melt spinning. The technical focus is on the	The development of the Company's differentiated polyester fiber product range will broaden the market and improved the Company's economic

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
	profitability; to reduce pollutant emissions in the downstream dyeing and finishing process, improve the level of eco-friendliness, and achieve economic benefits for the Company and the society.	and applied in the market.	design and manufacture of special-shaped spinnerets, the precise control of dull black master-batch addition amount and the development of spinning and drawing process for full dull rabbit hair-like black silk.	benefits.
R&D of HOY hollow curly wool-like fiber	To develop a hollow curly wool-like fiber based on HOY yarn, with comfortable wool feel, warmth and breathability, to be used for making Altai, small teddy velvet, big teddy velvet, wheat ear, granular cashmere, etc.	Industrialization and stable mass production are achieved. The products are promoted and applied in the market.	To complete all the planned tasks under the project, and form a mature technology for producing and processing HOY hollow curly wool-like fiber. to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the transformation of the project's achievements and industrial production.	Highly oriented yarn (HOY) is also known as fully oriented yarn. One-step high-speed spinning process is adopted. Compared with FDY and DT technologies, this technology eliminates the need for drafting components or drafting equipment. After the polymer is melt-sprayed, cooled and cured and oiled, it can be wound into polyester filament yarn directly used for weaving. Therefore, the total equipment cost is low. HOY production features high efficiency, simple process, low energy consumption and equipment investment. Meanwhile, the product is dyeable, the fiber feels soft,

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
				and the velvet made is desirable. It can be used to make various high-grade clothing fabrics and decorative fabrics, showing good prospects for development in the field of chemical fiber.
R&D of flame retardant cationic polyester fiber	In view of the future development direction and market demand of flame retardant polyester fibers and based on the R&D and production of flame retardant polyester fibers, this project is implemented to study the feasibility of producing flame retardant high-shrinkage fiber, flame retardant cationic dyeable fiber and other composite functional polyester fibers, and launch high-quality functional composite flame retardant polyester fibers	The project has passed the pilot test and is transferred for industrialization test to achieve stable mass production and promotion	To determine a technical scheme for producing flame retardant cationic polyester and flame retardant high-shrinkage polyester, and prepare flame retardant cationic polyester flakes and flame retardant high-shrinkage polyester flakes; to research and confirm the spinning process and produce flame retardant cationic polyester flakes and flame retardant high-shrinkage polyester flakes that meet customer needs. The technology is owned by the Company, and our Company's	The project will enrich the Company's differentiated product range, increase the market share, and achieve better economic benefits

Name of major R&D projects	Project purpose	Project progress	Intended goal	Expected impact on the future development of the Company
			existing equipment, technology and related supporting conditions are fully used. The Company has completed the lab test and pilot test and will provide technical support for industrialization	
R&D of hollow self-heating & heat retaining polyester fiber	To solve the various problems that occur in the post-processing and finishing of negative ion fiber, the ultra-dispersed negative ion powder preparation process is adopted, and special micro-modified polyester raw materials and two modified monomers of triciritol and isopentyl glycol are used to prepare the product. It can improve the dyeing, hygroscopic and skin-friendly properties of negative ion polyester fibers. By adding tourmaline to polyester, polyester master-batch with self-heating, far infrared and negative ion functions is prepared, and then hollow self-heating & heat retaining polyester fiber can be produced.	The project has passed the pilot test and is transferred for industrialization test to achieve stable mass production and promotion	To complete all the planned tasks of the project, and form a technology for producing hollow self-heating & heat retaining polyester fiber to make full use of the Company's existing equipment, technologies and related supporting conditions to successfully realize the transformation of the project's achievements and industrial production.	The project will enrich the Company's differentiated product range, increase the market share, and achieve better economic benefits
R&D of environmentally	To study the flake crystallization ability,	The project has passed	To complete all the planned tasks	The low-melting-point polyester sheath-core composite fiber will partially

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

**R&D personnel**

	2021	2020	Change ratio
Number of R&D staff (person)	643	597	7.71%
Percentage of R&D personnel	3.82%	3.29%	0.53%
Educational background of R&D personnel	—	—	—
PhD	33	23	43.48%
Master	52	35	48.57%
Bachelor	149	108	37.96%
Junior college degree	192	199	-3.52%
High school and below	217	232	-6.47%
Age of R&D personnel	—	—	—
Under 30 YO	241	225	7.11%
30~40 YO	247	216	14.35%
40~50 YO	117	114	2.63%
50~60 YO	36	41	-12.20%
60 YO or above	2	1	100.00%

**R&D investment**

	2021	2020	Change ratio
R&D investment amount (RMB )	691,226,781.85	359,600,062.80	92.22%
R&D investment as a percentage of operating income	0.54%	0.42%	0.12%
Capitalized R&D investment (RMB )	4,246,563.87	7,630,754.87	-44.35%
Capitalized R&D investment as a percentage of R&D investment	0.61%	2.12%	-1.51%

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

#### 3.4.5 Cash flow

Currency: RMB

Item	2021	2020	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	137,163,552,808.24	97,642,317,743.64	40.48%
Subtotal of cash outflows from operating activities	129,408,681,288.68	92,628,544,965.69	39.71%
Net cash flow from operating activities	7,754,871,519.56	5,013,772,777.95	54.67%
Subtotal of cash inflows from investing activities	2,597,646,523.70	1,994,495,592.71	30.24%
Subtotal of cash outflows from investing activities	10,149,350,833.73	9,946,968,313.72	2.03%
Net cash flows from investing activities	-7,551,704,310.03	-7,952,472,721.01	5.04%
Subtotal of cash inflows from financing activities	47,569,372,668.77	40,896,350,951.42	16.32%
Subtotal of cash outflows from financing activities	44,628,796,599.91	34,988,971,122.60	27.55%
Net cash flows from financing activities	2,940,576,068.86	5,907,379,828.82	-50.22%
Net increase in cash and cash equivalents	3,058,411,003.67	2,713,245,267.65	12.72%

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

(1) The increase in net cash flow from operating activities was mainly due to the Company's reserve of working capital in advance in the fourth quarter in response to the increase in raw material prices and the increase in inventory during the Spring Festival in the first quarter. We applied for documentary bills to delay payment when the L/Cs used by the Brunei company to purchase and pay to suppliers expired, and applied for negotiating discount for early collection of L/Cs received from sales. At the same time, we also applied for discounted early collection of bank acceptance bills received by domestic polyester companies from customers. The combined effect of these factors achieved a significant year-on-year increase in cash inflow from operating activities.

(2) The decrease in net cash flow from financing activities was mainly due to the significant

year-on-year increase in net cash inflows from operating activities during the Reporting Period. With the amount of the Company's external investment remaining stable, financing from conventional financing channels was reduced, resulting in a significant year-on-year decrease in net cash flows from financing activities.

**Explanation of the reasons for the significant difference between the net cash flows generated by the Company's operating activities and the net profit of the year during the Reporting Period**

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

**3.5 Analysis of non-main business**

Currency: RMB

	Amount	Percentage of total profit	Reasons	Sustainable or not
Investment income	1,069,400,148.61	24.85%	It was mainly attributable to the provision of the investment income of subsidiaries from the main business, and the income from hedging investment during the Reporting Period.	Yes
Gains and losses from changes in fair value	42,971,667.68	1.00%	It was mainly attributable to changes in fair value of foreign exchange and commodity hedging at the end of the Reporting Period	No
Asset impairment	-146,977,289.85	-3.42%	It was mainly attributable to the Company's provision of inventory depreciation reserve and asset impairment reserve	No
Non-operating income	32,027,224.27	0.74%	It was mainly attributable to the income from current accounts, indemnities and fines that do not need to be paid during the Reporting Period	No
Non-operating	19,712,097.61	0.46%	It was mainly attributable to external donations	No



	Amount	Percentage of total profit	Reasons	Sustainable or not
expenses			during the Reporting Period, etc.	

### 3.6 Analysis of assets and liabilities

#### 3.6.1 Significant changes in asset composition

Currency: RMB

	At the end of 2021		At the beginning of 2021		Percentage change	Explanation of major changes
	Amount	Percentage in total assets	Amount	Percentage in total assets		
Monetary funds	14,322,716,793.82	13.57%	10,078,983,803.86	10.87%	2.70%	
Accounts receivable	6,436,842,058.88	6.10%	3,879,744,130.04	4.19%	1.91%	
Inventory	12,100,381,644.06	11.46%	9,650,858,867.17	10.41%	1.05%	
Long-term equity investments	12,085,626,559.38	11.45%	10,062,484,360.52	10.86%	0.59%	
Fixed assets	46,117,918,498.81	43.69%	41,579,728,480.95	44.86%	-1.17%	
Construction in progress	3,896,282,585.50	3.69%	7,801,532,982.72	8.42%	-4.73%	
Right-of-use assets	411,032,649.33	0.39%	454,147,120.45	0.49%	-0.10%	
Short-term loans	33,778,694,677.24	32.00%	26,482,672,125.98	28.57%	3.43%	
Contract liabilities	1,723,901,780.92	1.63%	1,468,187,681.02	1.58%	0.05%	
Long-term loans	15,996,229,686.31	15.16%	16,609,903,029.23	17.92%	-2.76%	
Lease liabilities	380,145,523.29	0.36%	394,876,049.88	0.43%	-0.07%	

**High proportion of overseas assets**

Specific content of assets	Reasons	Asset size	Location	Operation mode	Controls to ensure asset security	Income status	Proportion of overseas assets in the Company's net assets	Whether there is significant risk of impairment
Subsidiaries controlled by the Company	Overseas investment	USD6,549,031,700	Hong Kong/Brunei/Singapore	Built by the Company	Strengthen the parent Company's management control over overseas subsidiaries	Good	161.23%	No
Other information	N/A							

**3.6.2 Assets and liabilities measured at fair value**

Currency: RMB

Item	Beginning balance	Ending balance
<b>Financial assets</b>		
1. Trading financial assets (excluding derivative financial assets)	251,904,308.53	388,958,054.67
2. Derivative financial assets	737,015,777.82	0.00
3. Investment in other equity instruments	5,600,000.00	5,600,000.00
Subtotal of financial assets	994,520,086.35	394,558,054.67
financial liabilities	145,909,776.80	25,375,802.83

**Other changes**

**Whether the measurement attributes of the Company's main assets changed significantly during the Reporting Period**

Yes  No

### 3.6.3 Restricted asset rights as of the end of the Reporting Period

Item	Ending book value of the year	Reason for restriction
Monetary funds	4,077,979,841.98	Margin
Notes receivable and receivables financing	341,723,232.79	Pledge to open acceptance bills
Long-term equity investments	5,649,517,951.90	Mortgage loan
Fixed assets	27,374,437,506.09	Sale and leaseback financial leases and mortgage loan
Intangible assets	826,395,111.39	Mortgage loan and financial lease guarantee
Construction in progress	1,785,315,463.26	Mortgage loan and financial lease guarantee
Inventory	1,014,909,209.79	Mortgage loan
Total	41,070,278,317.20	-

## 3.7 Analysis of investment status

### 3.7.1 General situation

Investment amount during the Reporting Period (RMB )	Investment amount in the same period of the previous year (RMB )	Range of change
5,315,505,561.36	3,743,354,861.36	42.00%

## 3.7.2 Significant equity investments acquired during the Reporting Period

Unit: RMB 10,000

Name of investee	Main business	Investment method	investment amount	Shareholding ratio	Sources of funds	Partner	Investment period	Product type	Progress as of the balance sheet date	Whether involved in a lawsuit	Disclosure date (if any)	Disclosure index (if any)
Yisheng New Materials	Production and sales of petroleum products and chemical products	Capital increase	49,000	49%	Self-owned capital	Ningbo Zhongjin Petrochemical Co., Ltd.	30	PTA	Completed	No	12/09/2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1211848805&amp;announcementTime=2021-12-09">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1211848805&amp;announcementTime=2021-12-09</a>
Hainan Yisheng	Production and sales of PTA and bottle flakes	Acquisition	37,350	50%	Self-owned capital	Dalian Yisheng Investment Co., Ltd.	30	PTA, bottle flake	Completed	No	/	/
Hainan	Production	Capital	50,000	50%	Self-owned	Dalian	30	PTA,	Completed	No	12/09/2021	<a href="http://www.cninfo.com.cn/new/di">http://www.cninfo.com.cn/new/di</a>

Name of investee	Main business	Investment method	investment amount	Shareholding ratio	Sources of funds	Partner	Investment period	Product type	Progress as of the balance sheet date	Whether involved in a lawsuit	Disclosure date (if any)	Disclosure index (if any)
Yisheng	and sales of PTA and bottle flakes	increase			d capital	Yisheng Investment Co., Ltd.		bottle flake				sclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1211848798&announcementTime=2021-12-09
Hangzhou Jingxin Supply Chain Management Co., Ltd.	Supply chain management services	Capital increase	14,210	49%	Self-owned capital	Hangzhou Qingyun Holding Group Co., Ltd.	30	Warehousing services	RMB 128,650,700 paid up	No	04/26/2022	/
Total	-	-	150,560	-	-	-	-	-	-	-	-	-

## 3.7.3 Significant non-equity investments in progress during the Reporting Period

Currency: RMB

Project name	Investment method	Whether it is fixed asset investment	Industry involved in the project	Amount invested during the Reporting Period	Cumulative actual investment amount as of the end of the Reporting Period	Sources of funds	Project progress	Disclosure date (if any)	Disclosure index (if any)
Brunei Project Phase II	Built by the Company	Yes	Petrochemical industry	1,169,371,270.11	1,571,666,683.75	Self-financing and loans	1.69%	09/16/2020	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208444483&amp;announcementTime=2020-09-16">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208444483&amp;announcementTime=2020-09-16</a>
Fujian Yijin New Functional Fiber Project	Built by the Company	Yes	Chemical fiber industry	457,738,280.80	1,381,784,299.36	Self-financing and loans	103.00%	08/29/2020	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208325104&amp;announcementTime=2020-08-29">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208325104&amp;announcementTime=2020-08-29</a>

Project name	Investment method	Whether it is fixed asset investment	Industry involved in the project	Amount invested during the Reporting Period	Cumulative actual investment amount as of the end of the Reporting Period	Sources of funds	Project progress	Disclosure date (if any)	Disclosure index (if any)
Haining New Material New Functional Fiber Technology Transformation Project	Built by the Company	Yes	Chemical fiber industry	1,459,814,800.73	8,072,432,483.58	Self-financing and loans	91.00%	08/29/2020	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208325105&amp;announcementTime=2020-08-29">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208325105&amp;announcementTime=2020-08-29</a>
Suqian Yida New Environment-friendly Differentiated Fiber Project	Built by the Company	Yes	Chemical fiber industry	230,508,324.8	266,484,944.03	Self-financing and loans	7.08%	06/01/2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210132115&amp;announcementTime=2021-06-01">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210132115&amp;announcementTime=2021-06-01</a>
Total	-	-	-	3,317,432,676.44	11,292,368,410.72	-	-	-	-

### 3.7.4 Investment in financial assets

#### 3.7.4.1 Investment in securities

The Company's made no investment in securities in the Reporting Period.

#### 3.7.4.2 Hedging business

Unit: RMB 10,000

Type of Hedging Investment	Beginning investment amount of hedging investment	Start date	End date	Ending investment amount	Ending investment amount as a percentage of the Company's net assets at the end of the Reporting Period	Actual gain or loss during the Reporting Period
Foreign exchange hedging	107,916	2021/1/2	2022/06/01	0	0.00%	5,728
Commodity hedging	90,491	2021/1/2	2021/12/31	38,729	1.50%	42,345
Total	198,407	-	-	38,729	1.50%	48,073
Source of funds for hedging investment	Self-owned funds					
Involvement in lawsuits (if applicable)	N/A					
Date of disclosure of announcement of the BOD for approval of hedging investment (if any)	01/23/2021					
Date of disclosure of announcement of shareholders meeting for approval of hedging investment (if any)	02/08/2021					
Risk analysis and description of control measures for hedging positions during the Reporting Period (including but not limited to market risk, liquidity	1. Market risk: When the market changes drastically, the Company may not be able to fully lock in the price of raw materials or products, thereby resulting in losses. 2. Liquidity risk: Commodity hedging transactions are ordered within the authority specified in the Company's Management System for Commodity Derivatives Transactions. If the market fluctuates drastically, losses may be caused by forced liquidation of positions due to lack of time for margin replenishment. 3. Operational risk: As futures and forward transactions are highly specialized and complex,					



<p>risk, credit risk, operational risk, and legal risk)</p>	<p>unexpected losses may be caused due to defects in information systems or internal controls. 4. Credit risk: When the price fluctuates greatly to the disadvantage of the counterparty, the counterparty may violate the relevant provisions of the contract and cancel the contract, resulting in losses to the Company. 5. Legal risk: Due to changes in relevant legal systems or violations of relevant legal systems by the counterparty, the contract may not be executed normally, resulting in losses to the Company. Risk control measures taken by the Company: The BOD of the Company has reviewed and approved the Management System for Foreign Exchange Derivatives Transactions and the Management System for Commodity Derivatives Transactions, which stipulate that the Company engages in hedging investment business with the main purpose of hedging, and speculation and arbitrage trading are prohibited. The systems clearly stipulate the principles of the Company's business operations, approval authority, internal audit process, responsible departments and responsible persons, information isolation measures, internal risk reporting system and risk handling procedures, which are in line with the relevant requirements of regulatory authorities and meet the needs of actual operations. The specified risk control measures are practical and effective.</p>
<p>Changes in market price or fair value of products involved in hedging investment during the Reporting Period; the analysis of the fair value of hedging should disclose the specific methods used and the setting of relevant assumptions and parameters</p>	<p>Changes in market price or fair value of products involved in hedging investment during the Reporting Period; the analysis of the fair value of hedging should disclose the specific methods used and the setting of relevant assumptions and parameters. During the Reporting Period, the current gain and loss from the Company's hedging investment was: RMB 480.73 million. The Company's hedging investment was priced at fair value, and forward foreign exchange was basically determined according to the price provided by or obtained from banks, the Reuters system and other pricing service agencies. The Company conducted fair value measurement and confirmation every month; the transaction price of futures was the fair price.</p>
<p>Explanation on whether there is any significant change in the accounting policy and specific principles of accounting for hedging of the Company in the Reporting Period compared with the previous Reporting Period</p>	<p>No. The Company accounted for the hedging investment carried out in accordance with the relevant provisions of the Ministry of Finance's Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 24 - Hedging, Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments and relevant guidelines to reflect the relevant items of the balance sheet and profit and loss statement.</p>
<p>Special opinions of independent directors on the Company's hedging investment and risk control</p>	<p>The hedging investment carried out by the Company for the purpose of hedging was closely related to the Company's daily business needs and complied with relevant laws and regulations. The Company formulated the Management System for Foreign Exchange Derivatives Transactions and the Management System for Commodity Derivatives Transactions, which have strengthened the Company's risk management</p>

	and control abilities and improved the Company's ability to withstand market risks, causing no damage to the interests of the Company and all shareholders.
--	---

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

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

### 3.7.5 Raised funds

#### 3.7.5.1 Use of raised funds

Unit: RMB 10,000

Year of fund raising	Mode of fund raising	Total funds raised	Total amount of raised funds used in this period	Total amount of raised funds used cumulatively	Total amount of raised funds with changed usage during the Reporting Period	Cumulative total amount of raised funds with changed usage	Proportion of cumulative total amount of raised funds with changed usage in total funds raised	Total amount of raised funds not yet used	Usage and destination of raised funds not yet used	Amount of raised funds idle for more than two years
2019	Issue of shares to purchase assets and raise supporting funds	291,091.12	80.29	288,785.36	0	156,300	53.69%	4,348.4	As of December 31, 2021, RMB 43.484 million was left in the Company's special account for raised funds, and is intended to be used for intelligent upgrading and transformation project and differentiated fiber energy saving and consumption reduction upgrading and transformation project.	0
2020	Public issuance of convertible corporate	198,737.74	0	198,737.74	0	0	0.00%	0.17	As of December 31, 2021, the balance of the Company's special account for raised funds was RMB 1,700.	0

	bonds in 2020									
Total		489,828.86	80.29	487,523.1	0	156,300.00	31.91%	4,348.57		0
General description of the use of raised funds										
<p>1. As approved by CSRC Permit [2018] No. 1937 issued by the China Securities Regulatory Commission and agreed by the Shenzhen Stock Exchange, the Company raised a total of RMB 2,949,999,987.00 through non-public issuance of 213,768,115 ordinary shares (A shares) to eligible investors, which was verified by Ruihua Certified Public Accountants (Special General Partnership). After deducting the broker's underwriting fees and related issuance expenses, the actual net amount of funds raised was RMB 2,910,911,218.99. As of December 31, 2020, the Company has used RMB 2,838,559,800 from the funds.</p> <p>2. As approved by CSRC Permit [2020] No. 522 issued by the China Securities Regulatory Commission and agreed by the Shenzhen Stock Exchange, the Company publicly issued 20 million convertible corporate bonds to eligible investors, each with a face value of RMB 100. The total issuance amount was RMB 2 billion, the conversion price was RMB 11.50 per share, and the bonds were listed on the Shenzhen Stock Exchange on November 16, 2020. The total amount of funds raised from the public issuance of convertible corporate bonds was RMB 2 billion. After deducting the paid underwriting and sponsorship fees of RMB 11 million, the remaining RMB 1,989 million was used for the "1-mtpa Intelligent Differentiated Environmental Functional Fiber Project" implemented by Haining Hengyi New Materials Co., Ltd.</p>										

## 3.7.5.2 Projects for committed investment with raised funds

Unit: RMB 10,000

Projects for committed investment and investment direction of over-raised funds	Whether the project has been changed (or partially changed)	Total committed investment of raised funds	Adjusted total investment amount (1)	Amount invested during the Reporting Period	Cumulative investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its scheduled availability date	Benefits realized during the Reporting Period	Whether the expected benefits are achieved	Whether there is a significant change in the feasibility of the project
Projects for committed investment										
Brunei Refining and Petrochemical Project	No	376,562.33	376,562.33	0	377,633.81	100.28%	November 2019	\$19,329.41	No	No
500,000 t/a differentiated functional fiber upgrading and transformation project	No	No more than 93,500	93,500	0	93,647.49	100.16%	August 2020	8,865.92	No	No
Intelligent upgrading and transformation project	No	No more than 28,170	28,170	80.29	25,621.7	90.95%	November 2020	Not applicable	Not applicable	No
Differentiated fiber energy saving and consumption reduction upgrading and transformation project	No	No more than 8,500	8,500	0	8,399.34	98.82%	May 2019	Not applicable	Not applicable	No
250,000 t/a	Yes	No more	416.05	0	416.05	100.00%	Not	Not	Not	No

environment-friendly functional fiber upgrading and transformation project		than 141,500					applicable	applicable	applicable	
Intelligent upgrading and transformation project	Yes	No more than 20,500	5,283.95	0	3,406.99	64.48%	Not applicable	Not applicable	Not applicable	No
1-mtpa Intelligent Environmental Functional Fiber Project	No	No more than 200,000	200,000	0	198,737.74	99.37%	Partially available in 2020	13,683.88	Not applicable	No
Subtotal of committed investment for the projects	-	No more than 868,732.33	712,432.33	80.29	707,863.12	-	-	-	-	-
Investment direction of over-raised funds										
N/A										
Total	-	No more than 868,732.33	712,432.33	80.29	707,863.12	-	-	-	-	-
Failure to meet the planned progress or generate expected revenue and reasons (to be described by project)	Due to the COVID-19 pandemic and the sharp fluctuations in oil prices, the revenue of some projects did not meet expectations									
Description of significant changes in project feasibility	Not applicable									
Amount, purpose and progress of use of over-raised funds	Not applicable									
Change of location for implementation	Not applicable									

of projects for committed investment	
Adjustment of implementation mode of projects for committed investment	Not applicable
Preliminary investment and replacement of projects committed investment	Applicable
	<p>1. On February 1, 2019, the 24<sup>th</sup> meeting of the 10<sup>th</sup> session of the BOD of the Company reviewed and approved the Proposal on Using Raised Funds to Replace Self-raised Funds and Intermediary Fees and Related Taxes Pre-paid for Relevant Investment Projects, agreeing to use RMB 1,147,288,319.73 from the raised funds to replace the self-raised funds and the intermediary fees and related taxes that had been paid for relevant investment projects, of which the self-raised funds that had been invested in the projects were RMB 1,141,188,319.73 and the intermediary fees and related taxes paid in advance by the Company with its own funds were RMB 6,100,000.00. On June 18, 2019, the 30<sup>th</sup> meeting of the 10<sup>th</sup> session of the BOD of the Company reviewed and approved the Proposal on Using Raised Funds to Replace Self-raised Funds Pre-paid for Relevant Investment Projects, agreeing to use RMB 331,666,503.97 from the raised funds to replace the self-raised funds that had been paid for relevant investment projects. As of December 31, 2021, the Company has replaced the self-raised funds invested in advance of RMB 1,473,806,091.82, and the remaining 5,148,731.88 has not been replaced.</p> <p>2. According to the Proposal on the Company's Public Issue of Convertible Corporate Bonds reviewed and approved at the 29<sup>th</sup> Meeting of the 10<sup>th</sup> Session of the BOD on April 25, 2019 and the 2018 Annual General Meeting of Shareholders on May 9, 2019, it is agreed that if the Company has invested its own funds in the construction of the above projects first before the funds raised from the issuance of convertible corporate bonds are in place, the funds can be replaced in accordance with the procedures prescribed by relevant laws and regulations after the funds raised are available. As of October 23, 2020, the Company had invested RMB 4,606,157,244.19 in the above-mentioned project with its own funds. After deducting the supporting fund of RMB 756,000,000.00 raised by the Company on January 30, 2019 through the non-public issue of RMB ordinary shares to specific objects for the construction of the 1-mtpa Intelligent Environmental Functional Fiber Project, the remaining amount was RMB 3,850,157,244.19. The Company decided to replace its own funds, RMB 1,987,377,358.49, invested in the project with the raised funds. As of December 31, 2021, the Company has replaced the self-raised funds invested in advance of RMB 1,987,377,358.49.</p>
Temporary replenishment of working capital with idle raised funds	Not applicable

Amount and reasons for the balance of raised funds in project implementation	Not applicable
Usage and destination of unused raised funds	As of December 31, 2021, RMB 43.484 million was left in the Company's special account for raised funds, and is intended to be used for intelligent upgrade and transformation projects, differentiated fiber energy-saving and consumption-reducing upgrading and transformation projects, etc. The raised funds of RMB 1,700 temporarily deposited are intended to be used for the 1-mtpa Intelligent Environmental Functional Fiber Project.
Problems or other situations in the use and disclosure of raised funds	Not applicable

### 3.7.5.3 Changes of projects for investment with raised funds

During the Reporting Period, there was no change of the projects for investment with raised funds.

## 3.8 Sales of major assets and equity

### 3.8.1 Sales of major assets

Applicable  Not applicable



## 3.8.2 Sales of major equity

Unit: RMB 10,000

Counter party	Sold equity	Date of sale	Transaction price (10,000)	Net profit contributed by the equity to the listed company from the beginning of current period to the date of sale (10,000)	Impact of the sale on the Company	Net profit contributed by the equity sale to the listed company as a percentage of the total net profit	Pricing principle of equity disposal	Whether it is a connected transaction	Relationship with counterparty	Whether the equity involved has been fully transferred	Whether it is implemented as planned; if not, explain the reasons and the measures the Company has taken	Disclosure date	Disclosure index
Hainan Jiashui Trading Co., Ltd.	Ningbo Hengyi Industry Co., Ltd.	06/30/2021	21,000	-1,646.94	N/A	0.17%	Net assets as of March 31, 2021	No	Non-related party	Yes	Yes	06/29/2021	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210354714&amp;announcementTime=2021-06-29">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210354714&amp;announcementTime=2021-06-29</a>

### 3.9 Analysis of major subsidiaries and JV companies

#### Major subsidiaries and JV companies with an impact of 10% or more on the net profit of the Company

Unit: RMB 10,000

Company name	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Hengyi Brunei	Subsidiary	Refining and petrochemical	USD 1,014,000,000	4,053,480.61	849,364.93	3,594,810.02	124,973.37	124,738.48
Zhejiang Yisheng	Subsidiary	PTA	USD 514,447,100	1,794,025.97	913,132.86	3,030,842.32	48,477.94	38,267.28
Hainan Yisheng	JV company	PTA	458,000	1,145,411.50	481,736.89	1,680,459.55	36,883.35	34,217.72
Hengyi Limited	Subsidiary	DTY	300,000	3,880,542.68	798,783.82	5,428,168.29	91,684.21	91,243.50
Hengyi Polymer	Subsidiary	Polyester flakes, POY, etc.	28,074	293,347.67	95,752.99	381,008.64	11,678.14	10,951.88
Hengyi High-Tech	Subsidiary	Polyester flakes, POY, etc.	275,725	1,258,795.53	497,835.78	1,320,748.04	33,690.46	34,065.72
Haining New Materials	Subsidiary	Polyester flakes, POY, etc.	328500	961,794.77	335,315.04	792,425.38	33,304.95	24,555.17
Taicang Yifeng	Subsidiary	POY	77,100	224,019.73	115,414.25	161,437.59	12,778.55	9,853.20
Shuangtu New Materials	Subsidiary	POY, FDY, flakes	60,000	521,900.57	222,568.39	677,866.54	28,618.14	26,316.87
Hangzhou Yijing	Subsidiary	FDY, POY, DTY, flakes	100,000	321,948.64	117,673.38	484,792.39	10,798.14	9,476.84
Jiaxing Yipeng	Subsidiary	FDY	300,000	479,621.74	286,260.19	530,117.94	13,446.86	11,718.77
Hong Kong Tianyi	Subsidiary	Investment and trade	150,950	1,368,852.84	1,042,624.04	788,476.89	80,106.07	80,106.07
China Zheshang Bank	JV company	Finance	2,126,870	228,672,300	16,688,300	5,447,100	1,493,200	1,291,600

#### Acquisition and disposal of subsidiaries during the Reporting Period

Company name	Methods of acquiring and disposing of subsidiaries during the Reporting Period
Ningbo Shengmao Trading Co., Ltd.	Establishment or investment
Haining Hengqi Environmental Protection Technology Co., Ltd.	Establishment or investment
Zhejiang Xiaoyi Supply Chain Management Co., Ltd. (Zhejiang Xiaoyi Supply Chain Management Co., Ltd.)	Establishment or investment
Ningbo Hengyi Industry Co., Ltd.	Disposal
Hangzhou Jingxin Supply Chain Management Co., Ltd.	Disposal
Haining Yixin Logistics Co., Ltd.	Disposal

### Description of major subsidiaries and JV companies

#### 3.9.1 Hengyi Brunei

The Company holds 70% of the shares of Hengyi Industries Sdn. Bhd. through Hong Kong Tianyi International Holding Co., Ltd. The registered capital of Hengyi Brunei is USD1.014 billion, and the business scope involves petroleum refining and petrochemicals.

#### 3.9.2 Zhejiang Yisheng

The Company holds 70% of the shares of Zhejiang Yisheng Petrochemical Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd.. Zhejiang Yisheng has a registered capital of USD514,447,100, with business scope covering: production of chemical products (excluding chemical products subject to license); manufacture of basic chemical raw materials (excluding chemical products subject to license, such as hazardous chemicals); manufacture of synthetic fibers; sales of chemical products (excluding chemical products subject to license); sales of synthetic materials; sales of synthetic fibers; sales of new membrane materials; sales of petroleum products (excluding hazardous chemicals); general cargo warehousing services (excluding hazardous chemicals and other items subject to license and approval); technology services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; technology import and export; goods import and export; import and export agency (except for business subject to approval according to law, other business activities can be carried out

independently and legally with the business license). The Company currently has three large PTA Production Lines, with a PTA production capacity of 5mtpa and a PIA production capacity of 300,000 tons.

### **3.9.3 Hainan Yisheng**

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

### **3.9.4 Hengyi Limited**

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

### **3.9.5 Hengyi Polymer**

The Company holds 58.90504% of the shares (actually enjoys 60% of the rights) of Zhejiang Hengyi Polymer Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Hengyi Polymer has a registered capital of RMB 281 million. The business scope covers: production, processing and sales of polyester flakes, POY yarns, chemical fiber raw materials, textile fabrics, and garments; export of the company's own products and technologies; import of raw and auxiliary materials, instruments and meters, mechanical equipment, spare parts and technologies required for production of the company (except for commodities and technologies that are restricted by the state and prohibited from import and export by the state); warehouse management; processing with imported materials;

three-processing and one compensation business. In May2001, Hengyi Polymer took the lead in investing in melt direct spinning production lines in China.

### **3.9.6 Hengyi High-tech**

The Company holds 90.67% of the shares of Zhejiang Hengyi High-tech Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Hengyi High-tech is RMB 2,757.25 million, and the business scope covers: production, processing and sales of polyester flakes, POY yarns, FDY yarns, and chemical fiber raw materials; export of the company's own products and technologies and import of self-use products and technologies (except for items that are restricted by the state and prohibited from import and export by the state); all other legal business not subject to approval.

### **3.9.7 Haining New Materials**

The Company holds 100% of the shares of Haining Hengyi New Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd., and the registered capital of Haining New Materials is RMB 3,285 million. Haining New Materials' business scope is: manufacture, processing, and wholesale of differentiated chemical fibers, polyester flakes, POY yarns, FDY yarns, and chemical fiber raw materials; export of the company's own products and technologies; import of raw and auxiliary materials, mechanical equipment, and spare parts required for production of the company; warehouse management.

### **3.9.8 Taicang Yifeng**

The Company holds 100% of the shares of Taicang Yifeng Chemical Fiber Co., Ltd. The registered capital of Taicang Yifeng is RMB 771 million. The business scope: production, processing and sales of differentiated functional chemical fibers; distribution of textile raw materials and products, chemical raw materials and products; self-supporting and acting as an agent for the import and export of various goods and technologies (except for commodities and technologies that are restricted by the state or prohibited from import and export).

### **3.9.9 Shuangtu New Materials**

The Company holds 100% of the shares of Zhejiang Shuangtu New Materials Co., Ltd., and the registered capital of Shuangtu New Materials is RMB 600 million. The business scope: general

business: production of chemical products (excluding chemical products subject to license); sales of chemical products (excluding chemical products subject to license); sales of synthetic fibers; synthetic fiber manufacturing; sales of synthetic materials; manufacture of synthetic materials (excluding hazardous chemicals) (except for business subject to approval according to law, other business activities can be carried out independently and legally with the business license). Licensed business: import and export of goods; import and export of technologies (Business activities subject to approval according to law can only be carried out after approved by relevant departments. Specific business activities are subject to the approval results). The main products are FDY, POY and fiber grade polyester flakes.

### **3.9.10 Hangzhou Yijing**

The Company holds 100% of the shares of Hangzhou Yijing Chemical Fiber Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd., and Hangzhou Yijing has a registered capital of RMB one billion. The business scope: general business: production of chemical products (excluding chemical products subject to license); sales of chemical products (excluding chemical products subject to license); sales of synthetic fibers; manufacture of synthetic fibers; sales of synthetic materials; manufacture of synthetic materials (excluding hazardous chemicals); non-residential real estate leasing (except for business subject to approval according to law, other business activities can be carried out independently and legally with the business license). Licensed business: import and export of technologies; import and export of goods. The main products include FDY, POY and DTY.

### **3.9.11 Jiaxing Yipeng**

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

### **3.9.12 Hong Kong Tianyi**

The Company holds 100% of the shares of Hong Kong Tianyi International Holding Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. The registered capital of Hong Kong Tianyi is USD 1,509.5 million, and the business scope involves investment and trading.

### **3.9.13 China Zheshang Bank**

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

### **3.10 Information on structured entities controlled by the Company**

Applicable  Not applicable

### **3.11 Prospects for the future development of the Company**

In 2022, the Company will continue to closely focus on the strategic development policy of "consolidating, highlighting and enhancing the competitiveness of our main business", realize resource sharing, systematically build upstream and downstream synergy, consolidate integration advantages, enhance domestic and overseas linkage, improve the "polyester + polyamide"-driven industry chain, deepen the "petrochemical +" multi-layered and multi-dimensional industrial layout, enhance the overall competitiveness, and build the Company into one of the leading international chemical groups.

#### **3.11.1 Future business plan**

The Company will strictly adhere to the two bottom lines of legal compliance and safe production to maintain stable production and operation; intensify scientific research and innovation efforts, and strengthen the continuous contribution of R&D innovation to the Company's production, operation and development; promote intelligent manufacturing, continuously increase investment in industrial intelligent technology, and implement lean production; improve marketing service capabilities to

deeply bind customers; take multiple initiatives to improve the talent training and incentive mechanism.

### **3.11.1.1 Based on the Company's strategic development plan, we will steadily maintain the existing production capacity and actively promote the construction of strategic projects**

According to the requirements of high-quality development in the new era and the new pattern of industrial development, the Company will always focus on enhancing our industrial competitiveness, resolutely implement the strategic plan, push forward the construction and commissioning of new projects in an orderly manner, and gradually improved the Company's unique industrial layout of "refinery, polyester and polyamide". In 2022, under the influence of geopolitics, the export of product oil products from Russia will be frustrated, and the European and American buyers will turn to the Middle East and squeeze the product oil resources originally supplied to the Asia-Pacific market. The significant decline in the export of product oil products from the Middle East to the Asia-Pacific market will aggravate the tight supply in Southeast Asia, and the product oil market in Southeast Asia will maintain the booming trend. The Company will seize the current window period when the epidemic prevention and control is released in Southeast Asia and the domestic economy continues to recover to maintain safe and steady production and operation of the first phase of the Brunei Project and domestic polyester business. In addition, to further enrich product range and optimize the product portfolio, the Company will continue to promote the construction of major strategic projects such as Phase II of the Brunei Project, the 1.2-mtpa Caprolactam-Polyamide Integration and Supporting Project, and the Suqian Yida's 1.1-mtpa New-type Differentiated Environmental Fiber Project.

Phase II of the Brunei Project has received a preliminary approval letter from the Brunei government. According to the project planning, embankment reclamation and other works are being carried out in an orderly manner. The project will help the Company further reduce the production costs, ensure the stability of raw material supply, improve upstream supporting production capacity, strengthen the Company's edge in coordinated operation of upstream and downstream industries, optimize the Company's product portfolio, increase the added value of products, enhance the Company's overall profitability, build a core circle along the Belt and Road for development in ASEAN countries, and



gradually become a leading petrochemical enterprise in the world in terms of comprehensive strength.

The products of the "1.2-mtpa Caprolactam-Polyamide Integration and Supporting Project" involve high-end nylon fibers, engineering plastics and films, covering a variety of application fields. The most advanced gas-phase rearrangement technology developed independently by the Company is adopted. With atomic economy reaching 100% and no by-product ammonium sulfate, it can be considered a green, low-carbon, clean and efficient technology. The current advanced unit technology in the industry is used to establish the whole preparation process of the project. All production elements and energy sources are fully equipped for the whole process. The energy consumption and material consumption of the products are greatly reduced, effectively lowering the production costs of raw materials such as ammonia, liquid ammonia, hydrogen peroxide, cyclohexanone. It can help the Company to achieve precise cost control, smooth out the price fluctuations caused by the upstream raw material end, and further realize cost reduction and efficiency increase. After the project is put into operation, it can effectively extend the downstream industry chain of aromatic hydrocarbons, optimize the product portfolio, enhance the Company's competitiveness, solidify the leading position in the industry, increase the overall profitability, and further improve the Company's integrated strategic industrial layout.

#### **3.11.1.2 We will increase investment in R&D and actively promote the transformation of new technologies and new materials**

The Company has always been committed to the R&D of green chemicals and advanced materials, while attaching great importance to scientific research innovation and transformation of achievements. In 2022, the Company will continue to increase investment in software and hardware for technological innovation and the introduction and training of high-level talents, focus on the R&D and application of high-end products in the field of "polyester + polyamide", promote the transformation of technological achievements, improve the contribution of scientific research to the core competitiveness of the main business, strive to create more achievements in key technologies, equipment innovation and R&D of high value-added differentiated products, accelerate the transformation of scientific research results and the launch of new products, and build a world-class

R&D base for key common technologies and high-end chemical products for refining and chemical integration to become a technology leader in the industry..

Meanwhile, as a leading enterprise in China's chemical fiber industry, the Company will actively comply with the national requirements of "carbon peaking and carbon neutrality", integrate the concept of green development into specific products, advance the development of new products such as biodegradable polyester, bio-based polyester and foamed polyester in an orderly manner, synchronize the optimization of industrialization projects and the R&D of pilot and key lab test projects, and strengthen the R&D of new green products to play a good leading and demonstration role for the healthy and sustainable development of chemical fiber industry.

### **3.11.1.3 We will strengthen the integration of data and intelligence, and continue to improve the capacity of the integrated industrial digital platform**

The Company will continue to uphold the concept of transformation from "manufacturing" to "intelligent manufacturing", further implement the digital transformation strategy, enhance the capacity of the integrated industrial digital platform, and deeply empower the production and sales sides and other departments. We will improve intelligent production management and control capabilities through the operation of digital factories, and make innovation in customer service ecosystems through a chemical fiber supply chain platform that integrates micro-mall, supply chain finance, and warehousing and logistics.

In 2022, the Company plans to promote the construction of the second phase of the "Hengyi Brain" project to realize intelligent production control and deeply explore the value of operating data; push forward the implementation of a number of high-quality software system projects and hardware upgrades and iterations to ensure the stability of the operating system.

### **3.11.1.4 We will improve the talent system and provide a guarantee of talent supply for the Company's development**

The Company will continue to deepen the organizational reform in order to build a young, professional and international elite team. We will strengthen the construction of talent echelon, establish leadership of middle and high-level managers, reserve, train and upgrade the middle-level and grass-roots staff, promote stable front-line work on a regular basis, continuously increase

employees' sense of belonging by improving relevant systems, increasing policy transparency, reforming compensation and benefits for front-line personnel, and enhancing the atmosphere at the grassroots level, promote localization of talent training for the Brunei project, and extend talent selection and training from basic to management talents.

### **3.11.2 Possible risks and countermeasures of the Company**

#### **3.11.2.1 Macroeconomic risks**

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

#### **3.11.2.2 Safety and environment-friendly production risks**

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

In order to reduce the safety and eco-friendliness production risks in the industry, the Company strengthens the construction of the organizational structure and institutional system to further implement the safety and eco-friendliness production responsibility system. According to the arrangement of China's 1, 2 and 3 levels of safety standardization, the Company actively carries out the safety standardization acceptance work, and strives to build a safety standard management

system. The Company will implement the dual-prevention work mechanism combining safety risk classification and control and hidden danger investigation and management, strengthen safety training, increase safety investment, practice the strategy of promoting safety based on science and technology, promptly remove safety and eco-friendliness hazards, and eliminate all possibilities of major accidents.

### **3.11.2.3 Risk of significant fluctuations of crude oil price**

The Company is a leader in the field of oil refining-chemical-chemical fiber in China. More than 80% of the cost in the industry chain in which we operate is determined by upstream raw materials, and the fluctuation of crude oil price will affect the prices of various products in the industry chain, thereby exacerbating the uncertainty in raw material costs and operating costs, and resulting in the accompanying increase in sales risk and fluctuations in the Company's income. In 2022, the Company will continue to optimize the inventory strategy to reduce the adverse impact of product price fluctuations in the industry chain on the Company's operations as a result of crude oil price fluctuations.

### 3.12 Reception of research, communication, interview and other activities during the Reporting Period

Time	Location	Reception method	Visitor type	Visitor	Main content of communication and information provided	Index of basic facts of research
02/24/2021	The Company's meeting room	Telephone communication	Institution	171 institutions including CITIC Securities and Xitai Capital	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities on February 24, 2021 on SZSE: <a href="http://www.cninfo.com.cn/doc/1209300796.PDF">1209300796.PDF (cninfo.com.cn)</a>
03/10/2021	The Company's meeting room	Field research	Institution	1 media, Financial Associated Press	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities on March 10, 2021 on SZSE: <a href="http://www.cninfo.com.cn/doc/1209377517.PDF">1209377517.PDF (cninfo.com.cn)</a>
04/20/2021	The Company's meeting room	Telephone communication	Institution	93 institutions including Shenwan Hongyuan and Bosera Funds	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities on April 20, 2021 on SZSE: <a href="http://www.cninfo.com.cn/doc/1209767286.PDF">1209767286.PDF (cninfo.com.cn)</a>
08/25/2021	The Company's meeting room	Telephone communication	Institution	61 institutions including Sealand Securities and Hengqin Life	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities on August 25, 2021 on SZSE: <a href="http://www.cninfo.com.cn/doc/1210871293.PDF">1210871293.PDF (cninfo.com.cn)</a> <a href="http://www.cninfo.com.cn/doc/1210871294.PDF">1210871294.PDF (cninfo.com.cn)</a>
08/25/2021	The Company's meeting room	Telephone communication	Institution	1 media, China Business Journal	Company operation	Record Form of Hengyi Petrochemical's Investor Relation Activities on August 25, 2021 on SZSE: <a href="http://www.cninfo.com.cn/doc/1210871295.PDF">1210871295.PDF (cninfo.com.cn)</a>
09/01/2021	p5w.net "Investor Relations Interactive Platform"	Other	Institutions and individuals	Investors who participated in the Company's 2021 semi-annual results briefing	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities on September 1, 2021 on SZSE: <a href="http://www.cninfo.com.cn/doc/1210968327.PDF">1210968327.PDF (cninfo.com.cn)</a>
09/16/2021	The Company's	Telephone	Institution	Five institutions including	Company operation and	Record Form of Hengyi Petrochemical's

Time	Location	Reception method	Visitor type	Visitor	Main content of communication and information provided	Index of basic facts of research
	meeting room	communication		Changjiang Securities and Ping An Asset Management	industry development trend	Investor Relation Activities on September 16, 2021 on SZSE: <a href="#">1211093496.PDF (cninfo.com.cn)</a>
10/28/2021	The Company's meeting room	Telephone communication	Institution	71 institutions including CICC and Taiping Pension	Company operation and industry development trend	Record Form of Hengyi Petrochemical's Investor Relation Activities on October 28, 2021 on SZSE: <a href="#">1211431412.PDF (cninfo.com.cn)</a>
11/22/2021	The Company's meeting room	Telephone communication	Institution	1 media, zghy.org.cn	Company operation	Record Form of Hengyi Petrochemical's Investor Relation Activities on November 22, 2021 on SZSE: <a href="#">1211672291.PDF (cninfo.com.cn)</a>

## Section 4 Corporate Governance

### 4.1 Basic status of corporate governance

During the Reporting Period, the Company strictly complied with *the Company Law, Securities Law, the Code of Corporate Governance for Listed Companies in China, Rules Governing the Listing of Shares on Shenzhen Stock Exchange, and Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Main Board* and other relevant laws and regulations. Based on the actual situation of the Company, we continuously improved and enhanced the standardized operation of corporate governance, and established a sound internal management and control system to regulate the operation of the Company. The Company's internal control system has been increasingly improved, and the standardization level of governance has been continuously increased.

#### 4.1.1 Shareholders and shareholders' general meetings

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

#### 4.1.2 The Company and the controlling shareholder

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

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

#### **4.1.3 Directors and the BOD**

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

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

#### **4.1.4 Supervisors and the Board of Supervisors**

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



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

#### **4.1.5 Stakeholders**

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

#### **4.1.6 Information disclosure and transparency**

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

#### **4.1.7 Performance evaluation and incentive and restraint mechanisms**

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

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

Applicable  Not applicable

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

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

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

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

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

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

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

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

### **4.3 Horizontal Competition**

Applicable  Not applicable

#### 4.4 Information on the annual general meeting and extraordinary general meetings of shareholders held during the Reporting Period

##### 4.4.1 The general meeting of shareholders held during the Reporting Period

Session of meeting	Type of meeting	Percentage of investors	Date of meeting	Disclosure date	Resolutions
The 1 <sup>st</sup> Extraordinary General Meeting of Shareholders in 2021	Extraordinary general meeting of shareholders	56.41%	02/08/2021	02/09/2021	<ol style="list-style-type: none"> <li>1. Reviewed and approved the Proposal on the Estimated Amount of Daily Connected Transactions in 2021;</li> <li>2. Reviewed and approved the Proposal on Determining the Company's Guarantee to its Controlled Subsidiaries and Mutual Insurance Amount between Controlled Subsidiaries in 2021";</li> <li>3. Reviewed and approved the Proposal on Carrying out Foreign Exchange Hedging Business in 2021;</li> <li>4. Reviewed and approved the Proposal on Carrying out Commodity Hedging Business in 2021;</li> <li>5. Reviewed and approved the Proposal on the Provision of Financial Support to the Company by the Controlling Shareholder and Connected Transactions;</li> <li>6. Reviewed and approved the Proposal on Purchasing Liability Insurance for the Company's Directors, Supervisors and Senior Management;</li> <li>7. Reviewed and approved the Proposal on Joint Investment and Establishment of a Company with Related Parties and Related Party Transactions</li> </ol>
The 2 <sup>nd</sup> Extraordinary General Meeting of Shareholders in 2021	Extraordinary general meeting of shareholders	1.89%	04/20/2021	04/21/2021	<ol style="list-style-type: none"> <li>1. Reviewed and approved the Proposal on "The Fourth Employee Stock Ownership Plan of Hengyi Petrochemical Co., Ltd. (Draft)" and its Summary;</li> <li>2. Reviewed and approved the Proposal on Requesting the General Meeting of Shareholders to Authorize the BOD to Handle Matters Related to the Company's Fourth Employee Stock Ownership Plan;</li> <li>3. Reviewed and approved the Proposal on the "Management Measures for the Fourth Employee Stock Ownership Plan of Hengyi Petrochemical Co., Ltd."</li> </ol>
2020 Annual General	Annual	51.09%	05/11/2021	05/12/2020	<ol style="list-style-type: none"> <li>1. Reviewed and approved the Proposal on the "Annual Report 2020" and its Summary;</li> </ol>

Session of meeting	Type of meeting	Percentage of investors	Date of meeting	Disclosure date	Resolutions
Meeting of Shareholders	general meeting of shareholders				<ol style="list-style-type: none"> <li>2. Reviewed and approved the Work Report of the BOD for FY 2020;</li> <li>3. Reviewed and approved the Work Report of the BOS for FY 2020;</li> <li>4. Reviewed and approved the Report on the Financial Accounts for FY 2020;</li> <li>5. Reviewed and approved the Proposal on Profit Distribution of the Company for FY 2020;</li> <li>6. Reviewed and approved the Self-Evaluation of Internal Control for FY 2020;</li> <li>7. Reviewed and approved the Proposal on the Annual Deposit and Use of Raised Funds in 2020;</li> <li>8. Reviewed and approved the Proposal on the Appointment of Accounting Firm;</li> <li>9. Reviewed and approved the Proposal on Achievement of Performance Commitment and Performance Compensation Plan in 2020 Regarding the Issuance of Shares for Purchase of Assets and Related Party Transactions;</li> <li>10. Reviewed and approved the Proposal on Requesting the General Meeting of Shareholders to Authorize the Company's BOD to Fully Handle Matters Related to Share Repurchase and Cancellation;</li> <li>11. Reviewed and approved the Proposal on Addition of Daily Related Party Transactions for 2021;</li> <li>12. Reviewed and approved the Proposal on Amending Part of the "Articles of Association of the Company"</li> </ol>
The 3 <sup>rd</sup> Extraordinary General Meeting of Shareholders in 2021	Extraordinary general meeting of shareholders	43.51%	06/16/2021	06/16/2021	<ol style="list-style-type: none"> <li>1. Reviewed and approved the Proposal on the Company's Compliance with the Conditions for Public Issuance of Convertible Corporate Bonds;</li> <li>2. Reviewed and approved the Proposal on the Company's Public Issue of Convertible Corporate Bonds;</li> <li>3. Reviewed and approved the Proposal on the "Public Issuance of Convertible Corporate Bonds by Hengyi Petrochemical Co., Ltd.";</li> <li>4. Reviewed and approved the Proposal on Preparation of the Report on the Use of the Previous Raised Funds by the Company;</li> <li>5. Reviewed and approved the Proposal on the "Feasibility Analysis Report on the Use of Funds</li> </ol>

Session of meeting	Type of meeting	Percentage of investors	Date of meeting	Disclosure date	Resolutions
					Raised From Public Issue of Convertible Corporate Bonds by Hengyi Petrochemical Co., Ltd.”; 6. Reviewed and approved the Proposal on the Dilution of Immediate Return From Public Issue of Convertible Bonds, Measures to Filling and Commitment of Relevant Subjects; 7. Reviewed and approved the Proposal on the Company's Dividend Return Plan for Shareholders for the Next Three Years (2021-2023)"; 8. Reviewed and approved the Proposal on Formulating the “Rules for the Meeting of Convertible Bondholders of Hengyi Petrochemical Co., Ltd.”; 9. Reviewed and approved the Proposal on Requesting the General Meeting of Shareholders to Authorize the BOD to Handle the Public Issue of Convertible Corporate Bonds
The 4 <sup>th</sup> Extraordinary General Meeting of Shareholders in 2021	Extraordinary general meeting of shareholders	39.45%	11/12/2021	11/13/2021	1. Reviewed and approved the Proposal on Providing Affiliated Entrusted Loans to a JV Company-Yisheng New Materials"
The 5 <sup>th</sup> Extraordinary General Meeting of Shareholders in 2021	Extraordinary general meeting of shareholders	52.90%	12/24/2021	12/25/2021	1. Reviewed and approved the Proposal on Related Party Transactions for the Capital Increase of Zhejiang Yisheng New Materials Co., Ltd.; 2. Reviewed and approved the Proposal on Related Party Transactions for the Capital Increase of Hainan Yisheng Petrochemical Co., Ltd.; 3. Reviewed and approved the Proposal on Adding the Estimated Amount of Daily Connected Transactions in 2021;

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

Applicable  Not applicable

## 4.5 Directors, supervisors and senior management

### 4.5.1 Basic information

Name	Title	Employment status	Gender	Age	Start date of term	End date of term	Number of shares held at the beginning of the period (shares)	Stock options	Number of restricted shares granted (shares)	Increase of shares in current period (shares)	Decrease of shares in current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares
Qiu Yibo	President and CEO	Current	Male	35	05/15/2015	09/13/2023	1,365,000						1,365,000	
Fang Xianshui	Vice President	Current	Male	58	05/16/2011	09/13/2023	4,777,500						4,777,500	
Ni Defeng	Director	Current	Male	44	08/25/2017	09/13/2023	6,051,500						6,051,500	
Lou Jianchang	Director, Vice President	Current	Male	60	09/14/2020	09/13/2023	0						0	
Mao Ying	Director, Chief Financial	Current	Female	41	09/14/2020	09/13/2023	0						0	

Name	Title	Employment status	Gender	Age	Start date of term	End date of term	Number of shares held at the beginning of the period (shares)	Stock options	Number of restricted shares granted (shares)	Increase of shares in current period (shares)	Decrease of shares in current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares
	Officer, Vice President													
Wu Zhong	Director, Vice President	Current	Male	33	09/14/2020	09/13/2023	109,200						109,200	
Chen Sanlian	Independent Director	Current	Male	57	08/25/2017	09/13/2023	0						0	
Yang Bozhang	Independent Director	Current	Male	65	08/25/2017	09/13/2023	0						0	
Yang Liuyong	Independent Director	Current	Male	58	08/25/2017	09/13/2023	0						0	
Wang Songlin	Executive Vice President	Current	Male	52	05/16/2011	09/13/2023	5,778,500						5,778,500	
Chen	Vice President	Current	Male	55	08/25/2017	09/13/2023	3,640,000						3,640,000	



Name	Title	Employment status	Gender	Age	Start date of term	End date of term	Number of shares held at the beginning of the period (shares)	Stock options	Number of restricted shares granted (shares)	Increase of shares in current period (shares)	Decrease of shares in current period (shares)	Other changes (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares
Liancai														
Zhao Donghua	Vice President	Current	Male	37	09/15/2020	09/13/2023	327,600						327,600	
Zheng Xingang	Secretary of the Board	Current	Male	43	08/28/2017	09/13/2023	2,912,000						2,912,000	
Li Yugang	Chairman of the BOS	Current	Male	45	09/15/2020	09/13/2023	218,400						218,400	
Jin Danwen	Supervisor	Current	Female	36	09/14/2020	09/13/2023	109,200						109,200	
Ni Jinmei	Supervisor	Current	Female	47	08/28/2020	09/13/2023	273,000						273,000	
Total	-	-	-	-	-	-	25,561,900						25,561,900	-

**Whether there is any loss of office of directors, supervisors or dismissal of the senior management during the Reporting Period**

Yes  No

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

Applicable  Not applicable

## 4.5.2 Employment status

### Professional background, main work experience and main responsibilities of the current directors, supervisors and senior management of the Company

#### 4.5.2.1 Directors

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

Fang Xianshui, male, born in March 1964, is a Chinese senior economist with a bachelor degree and has more than 30 years of production management experience in chemical fiber industry. He used to work as General Manager of Hangzhou Hengyi Industrial Corporation, General Manager of Hangzhou Hengyi Chemical Fiber Co., Ltd., and General Manager of Zhejiang Hengyi Group Co., Ltd. He is currently Vice President of Hengyi Petrochemical Co., Ltd., and concurrently serves as Director of Zhejiang Hengyi Group Co., Ltd., Executive Director and CEO of Zhejiang Hengyi Petrochemical Co., Ltd., President of Zhejiang Hengyi Polymer Co., Ltd., President of Zhejiang Yisheng Petrochemical Co., Ltd., President of Zhejiang Hengyi High-tech Materials Co., Ltd., Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd., Director of Hong Kong Tianyi International Holding Co., Ltd., Director of Good Park International Investment Co., Ltd., Director of Yisheng Dahua Petrochemical Co., Ltd., Executive Director of Hainan Yisheng Trading Co., Ltd., Executive Director of Zhejiang Yixin Chemical Fiber Co., Ltd., Executive Director and CEO of Ningbo Hengyi Engineering Management Co., Ltd., President of Hainan Yisheng Petrochemical Co.,

Ltd., Executive Director and President of Zhejiang Hengyi Petrochemical Sales Co., Ltd., President of Ningbo Hengyi Trading Co., Ltd., Director of Hong Kong Yisheng Co., Ltd., Executive Director of Shanghai Hengyi Polyester Fiber Co., Ltd., President of Zhejiang Hengyi International Trading Co., Ltd., Director of Fujian Yijin Chemical Fiber Co., Ltd., Director of Zhejiang Yisheng New Materials Co., Ltd., Director of Zhejiang Hengyi Polyamide Co., Ltd., Executive Director of Zhejiang Hengkai Energy Co., Ltd., Executive Director of Zhejiang Shuangtu New Materials Co., Ltd., Executive Director of Zhejiang Hengyi Energy Co., Ltd., Executive Director of Zhejiang Xiaoyi Supply Chain Management Co., Ltd., and Director of Dalian Yisheng Investment Co., Ltd.

Ni Defeng, male, born in January 1978, is a Chinese national with a doctoral degree and has nearly 20 years of work experience in finance and investment. He used to work as Auditor of Pan-China Certified Public Accountants, Manager of Finance Department, Manager of Investment Development Department, and Assistant to CEO of Zhejiang Hengyi Group Co., Ltd., and investment Director of Hengyi Petrochemical Co., Ltd. He is currently Director of Hengyi Petrochemical Co., Ltd., and concurrently serves as Director and CEO of Zhejiang Hengyi Group Co., Ltd., Director of Zhejiang Xianfeng Data Technology Co., Ltd., Director of Hangzhou Hengyi Investment Co., Ltd., Director of Zhejiang Hengyi Polyamide Co., Ltd., Director of Lanping County Qingdian Bay Zinc Industry Co. Ltd., Director of Hainan Hengshengyuan International Tourism Development Co., Ltd., Executive Director and CEO of Hangzhou Jinglin Asset Management Co., Ltd., Director of Dalian Yishengyuan Real Estate Co., Ltd., and President of Hangzhou Jinyi Industrial Co., Ltd.

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

Mao Ying, female, born in February 1981, is a Chinese senior economist with a bachelor degree. She used to work as Assistant to CEO of Hengyi Petrochemical Co., Ltd. and Chief Financial Officer of Hengyi Brunei. She is currently Vice President and Chief Financial Officer of Hengyi Petrochemical Co., Ltd.

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

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

Yang Liuyong, male, born in March 1964, is a Chinese national with a doctoral degree. He is currently a professor of finance at Zhejiang University and Deputy Dean of Academy of Financial Research, Zhejiang University. He joined the Communist Party of China in 1984 and started working in 1987. He studied agricultural economics at Zhejiang University from 1980 to 1984 for a bachelor degree and from 1984 to 1987 for a master degree. He has been a teacher in the Department of Finance of Zhejiang University since 1987 (including studying in the Department of Agricultural

Economics and Management of Zhejiang University from 1996 to 2001 [as a doctoral student]), and is also an independent director of Hengyi Petrochemical Co., Ltd.

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

#### **4.5.2.2 Supervisors**

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

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

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

#### 4.5.2.3 Senior executives

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

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

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

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

**Serving in shareholder units**

Name of incumbent	Name of shareholder units	Positions held in shareholder units	Start date of term	Whether to receive remuneration allowance in shareholder units
Qiu Yibo	Zhejiang Hengyi Group Co., Ltd.	Director	09/26/2017	No
Fang Xianshui	Zhejiang Hengyi Group Co., Ltd.	Director	10/18/1994	No
Fang Xianshui	Hangzhou Hengyi Investment Co., Ltd.	President & GM	10/08/2021	No
Ni Defeng	Zhejiang Hengyi Group Co., Ltd.	Director & President	09/26/2017	Yes
Ni Defeng	Hangzhou Hengyi Investment Co., Ltd.	Director	12/28/2016	No
Description of the position in the shareholder unit			N/A	

**Serving in other units**

Name of incumbent	Name of other units	Positions held in other units	Start date of term	Whether to receive remuneration allowance in other units
Qiu Yibo	Hangzhou Yibo Investment Management Co. Ltd.	Executive Director	03/17/2016	No
Qiu Yibo	Ningbo Jinhou Industry Investment Co. Ltd.	Manager & Executive Director	05/03/2016	No
Qiu Yibo	Zhejiang Yizhi Information Technology Co. Ltd.	Executive Director & GM	02/07/2021	No
Qiu Yibo	Zhejiang Hengyi Hanlin Real Estate Co. Ltd.	Executive Director & GM	08/20/2020	No
Qiu Yibo	Fujian Yijin Chemical Fiber Co. Ltd.	President	01/26/2018	No
Qiu Yibo	Zhejiang Hengyi Polyamide Co., Ltd.	Vice President	01/14/2021	No



Name of incumbent	Name of other units	Positions held in other units	Start date of term	Whether to receive remuneration allowance in other units
Qiu Yibo	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	06/09/2021	No
Qiu Yibo	Suqian Yida New Materials Co., Ltd.	Executive Director	01/19/2018	No
Qiu Yibo	Dongzhan Shipping Co. Ltd.	Director	11/30/2017	No
Qiu Yibo	Zhejiang Xianfeng Data Technology Co. Ltd.	Director	06/07/2016	No
Fang Xianshui	Zhejiang Yixin Chemical Fiber Co. Ltd.	Executive Director	07/26/2017	No
Fang Xianshui	Hainan Yisheng Trading Co. Ltd.	Executive Director	08/14/2014	No
Fang Xianshui	Zhejiang Hengkai Energy Co. Ltd.	Executive Director	12/18/2017	No
Fang Xianshui	Ningbo Hengyi Trading Co., Ltd.	President	05/24/2011	No
Fang Xianshui	Ningbo Hengyi Engineering Management Co. Ltd.	GM & Executive Director	11/27/2014	No
Fang Xianshui	Zhejiang Hengyi Energy Co. Ltd. (浙江恒逸能源有限公司)	Executive Director & GM	09/24/2021	No
Fang Xianshui	Zhejiang Xiaoyi Supply Chain Management Co., Ltd. (Zhejiang Xiaoyi Supply Chain Management Co., Ltd.)	Executive Director & GM	04/19/2021	No

Name of incumbent	Name of other units	Positions held in other units	Start date of term	Whether to receive remuneration allowance in other units
Fang Xianshui	Zhejiang Hengyi Petrochemical Co., Ltd.	Executive Director & GM	07/26/2004	No
Fang Xianshui	Zhejiang Hengyi High-Tech Materials Co., Ltd.	President & manager	10/15/2007	No
Fang Xianshui	Zhejiang Hengyi Polymer Co., Ltd.	President	09/05/2000	No
Fang Xianshui	Zhejiang Yisheng Petrochemical Co., Ltd.	President	05/12/2015	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Sales Co. Ltd.	Manager & Executive Director	07/24/2017	No
Fang Xianshui	Hainan Yisheng Petrochemical Co., Ltd.	President	06/23/2014	No
Fang Xianshui	Shanghai Hengyi Polyester Fiber Co. Ltd.	Executive Director	05/14/2015	No
Fang Xianshui	Fujian Yijin Chemical Fiber Co. Ltd.	Director	01/26/2018	No
Fang Xianshui	Yisheng Dahua Petrochemical Co., Ltd.	Director	04/29/2006	No
Fang Xianshui	Zhejiang Hengyi Polyamide Co., Ltd.	Director	08/12/2013	No
Fang Xianshui	Dalian Yisheng Investment Co., Ltd.	Director	09/29/2007	No
Fang Xianshui	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	01/10/2008	No
Fang Xianshui	Zhejiang Yisheng New	Director	11/27/2017	No

Name of incumbent	Name of other units	Positions held in other units	Start date of term	Whether to receive remuneration allowance in other units
	Materials Co., Ltd.			
Fang Xianshui	Haining Hengyi New Materials Co., Ltd.	Director	10/05/2019	No
Fang Xianshui	Hong Kong Tianyi International Holding Co., Ltd.	Director	09/17/2009	No
Fang Xianshui	Good Park International Investment Co. Ltd.	Director	09/17/2009	No
Fang Xianshui	Hong Kong Yisheng Co., Ltd.	Director	06/27/2014	No
Ni Defeng	Hangzhou Jinyi Industrial Co. Ltd.	President & GM	09/30/2019	No
Ni Defeng	Hangzhou Jinglin Asset Management Co. Ltd.	Executive Director & GM	03/12/2018	No
Ni Defeng	Zhejiang Hengyi Polyamide Co., Ltd.	Director	01/27/2015	No
Ni Defeng	Lanping County Qingdian Bay Zinc Industry Co. Ltd.	Director	01/16/2006	No
Ni Defeng	Hainan Hengshengyuan International Tourism Development Co. Ltd.	Director	02/26/2018	No
Ni Defeng	Dalian Yishengyuan Real Estate Co. Ltd.	Director	03/29/2018	No
Ni Defeng	Zhejiang Xianfeng Data Technology Co. Ltd.	Director	06/07/2016	No

Name of incumbent	Name of other units	Positions held in other units	Start date of term	Whether to receive remuneration allowance in other units
Lou Jianchang	Fujian Yijin Chemical Fiber Co. Ltd.	Director	10/22/2020	No
Lou Jianchang	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	06/09/2021	No
Wu Zhong	Hainan Hengjing Trading Co. Ltd.	Executive Director & manager	08/21/2020	No
Wu Zhong	Zhejiang Hengyi International Trade Co. Ltd.	Executive Director & GM	07/01/2021	No
Wu Zhong	Fujian Yijin Chemical Fiber Co. Ltd.	Director	10/22/2020	No
Jin Danwen	Hainan Hengjing Trading Co. Ltd.	Supervisor	08/21/2020	No
Jin Danwen	Hangzhou Jinyi Industrial Co. Ltd.	Director	02/28/2020	No
Jin Danwen	Zhejiang Hengyi High-Tech Materials Co., Ltd.	Director	02/28/2020	No
Jin Danwen	Zhejiang Hengyi Engineering Management Co. Ltd.	Supervisor	01/29/2018	No
Jin Danwen	Zhejiang Hengyi Hanlin Real Estate Co. Ltd.	Supervisor	08/20/2020	No
Jin Danwen	Haining Hengyi New Materials Co., Ltd.	Supervisor	10/27/2020	No
Wang Songlin	Zhejiang Hengyi Petrochemical Research	Executive Director & GM	08/04/2020	No

Name of incumbent	Name of other units	Positions held in other units	Start date of term	Whether to receive remuneration allowance in other units
	Institute Co. Ltd.			
Wang Songlin	Haining Hengyi Thermal Power Co., Ltd.	Manager & Executive Director	09/13/2017	No
Wang Songlin	Jiangsu New Horizon Advanced Functional Fiber Innovation Center Co., Ltd.	Director	07/19/2018	No
Wang Songlin	Haining Hengyi New Materials Co., Ltd.	President	06/29/2018	No
Ni Jinmei	Hangzhou Yijing Chemical Fiber Co., Ltd.	Executive Director & GM	05/29/2019	No
Description of the position in the shareholder unit			N/A	

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

Applicable  Not applicable

#### **4.5.3 Remuneration of directors, supervisors and senior management**

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

The Company passed the "Salary and Performance Appraisal Management System for Senior Management Staff " (reviewed and approved at the third meeting of the 8<sup>th</sup> BOD) to conduct performance appraisal and pay remuneration to the Company's directors, supervisors and senior management. The annual remuneration of directors, supervisors and senior managers who receive remuneration from the Company in 2021 (including total remuneration of basic salary, bonuses, allowances, subsidies, employee benefits and various insurance premiums, public reserve funds and other forms of pre-tax payment from the Company ) is released in accordance with the Company's

relevant regulations, and based on the Company's operating conditions and the duties and work performance evaluation of relevant personnel by BOD. During the Reporting Period, the remunerations of the Company's directors, supervisors and senior management have been paid on a monthly basis.

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

**Remuneration of directors, supervisors and senior management during the Reporting Period of the Company**

Unit: RMB 10,000

Name	Title	Gender	Age	Employment status	Total pre-tax remuneration received from the Company	Whether to get remuneration from related parties of the Company
Qiu Yibo	President and CEO	Male	35	Current	142.59	No
Fang Xianshui	Vice President	Male	58	Current	145.09	No
Ni Defeng	Director	Male	44	Current	-	Yes
Lou Jianchang	Director, Vice President	Male	60	Current	136.85	No
Mao Ying	Directors, VP and CFO	Female	41	Current	101.60	No
Wu Zhong	Director, Vice President	Male	33	Current	91.03	No
Chen Sanlian	Independent Director	Male	57	Current	15.00	No
Yang Bozhang	Independent Director	Male	65	Current	15.00	No
Yang Liuyong	Independent Director	Male	58	Current	15.00	No
Wang Songlin	Executive Vice President	Male	52	Current	131.68	No
Chen Liancai	Vice President	Male	55	Current	118.08	No
Zhao Donghua	Vice President	Male	37	Current	106.59	No
Zheng Xingang	Secretary of the Board	Male	43	Current	71.99	No
Li Yugang	Chairman of the BOS	Male	45	Current	53.59	No
Jin Danwen	Supervisor	Female	36	Current	41.99	No
Ni Jinmei	Supervisor	Female	47	Current	63.50	No
Total	-	-	-	-	1,249.58	-

## 4.6 Performance of Duties by the Directors during the Reporting Period

### 4.6.1 Performance of the BOD during the Reporting Period

Session of meeting	Date of meeting	Disclosure date	Resolutions
The Fifth Meeting of the Eleventh Session of the BOD	01/22/2021	01/23/2021	<ol style="list-style-type: none"> <li>1. Reviewed and approved the Proposal on the Estimated Amount of Daily Related Party Transactions in 2021;</li> <li>2. Reviewed and approved the Proposal on Determining the Company's Guarantee to its Controlled Subsidiaries and Mutual Insurance Amount between Controlled Subsidiaries in 2021";</li> <li>3. Reviewed and approved the Proposal on Carrying out Foreign Exchange Hedging Business in 2021;</li> <li>4. The "Resolution on Carrying out Commodity Hedging Business for the Year 2021" was deliberated and adopted;</li> <li>5. Reviewed and approved the Proposal on the Provision of Financial Support to the Company by the Controlling Shareholder and Related Party Transactions;</li> <li>6. Reviewed and approved the Proposal on Purchasing Liability Insurance for the Company's Directors, Supervisors and Senior Management;</li> <li>7. The "Resolution on Joint Investment in Establishment of a Company with Related Parties and Carrying out Related Party Transactions" was deliberated and adopted;</li> <li>8. The "Resolution on Convening the First EGM for the Year 2021" was deliberated and adopted;</li> </ol>
The Sixth Meeting of the Eleventh Session of the BOD	03/17/2021	03/18/2021	<ol style="list-style-type: none"> <li>1. The "Resolution on Adjustment of the Program of Share Repurchase by Way of Centralized Bidding" was deliberated and adopted;</li> </ol>
The Seventh Meeting of the Eleventh Session of the BOD	04/01/2021	04/02/2021	<ol style="list-style-type: none"> <li>1. Reviewed and approved the Proposal on "The Fourth Employee Stock Ownership Plan of Hengyi Petrochemical Co., Ltd. (Draft)" and its Summary;</li> <li>2. Reviewed and approved the Proposal on Requesting the General Meeting of Shareholders to Authorize the BOD to Handle Matters Related to the Company's Fourth Employee Stock Ownership Plan;</li> <li>3. Reviewed and approved the Proposal on the "Management Measures for the Fourth Employee Stock Ownership Plan</li> </ol>



Session of meeting	Date of meeting	Disclosure date	Resolutions
			of Hengyi Petrochemical Co., Ltd." 4. The “Resolution on Convening the Second EGM for the Year 2021” was deliberated and adopted;
The Eighth Meeting of the Eleventh Session of the BOD	04/19/2021	04/20/2021	<ol style="list-style-type: none"> <li>1. The “Resolution on Annual Report 2020 and the Summary” was deliberated and adopted;</li> <li>2. Reviewed and approved the Work Report of the BOD for FY 2020;</li> <li>3. The “Report on Financial Final Accounts 2020” was deliberated and adopted;</li> <li>4. The “Resolution on Distribution of the Company’s Profits for FY 2020” was deliberated and adopted;</li> <li>5. The “Report on Social Responsibilities 2020” was deliberated and adopted;</li> <li>6. Reviewed and approved the Self-Evaluation of Internal Control for FY 2020;</li> <li>7. The “Resolution on Deposit and Use of Raised Funds for FY 2020” was deliberated and adopted;</li> <li>8. The “Resolution on Renewal of the Appointment of the Accounting Firm” was deliberated and adopted;</li> <li>9. Reviewed and approved the Proposal on Achievement of Performance Commitment and Performance Compensation Plan in 2020 Regarding the Issue of Shares for Purchase of Assets and Related Party Transactions;</li> <li>10. Reviewed and approved the Proposal on Requesting the General Meeting of Shareholders to Authorize the Company’s BOD to Fully Handle Matters Related to Share Repurchase and Cancellation;</li> <li>11. The “Resolution on Retrospective Adjustment of Previous Financial Statements due to Enterprise Merger Under Common Control and Change in Accounting Policies” was deliberated and adopted;</li> <li>12. The “Resolution on Increase in Daily Related Party Transactions for the Year 2021” was deliberated and adopted;</li> <li>13. The “Resolution on Carrying out Bill Pool Business” was deliberated and adopted;</li> <li>14. The “Resolution on External Donation for Poverty Alleviation” was deliberated and adopted;</li> <li>15. The “Resolution on Amendment of Some Articles of the Articles of Association of the Company” was deliberated and adopted;</li> <li>16. The “Resolution on Convening 2020 Annual General Meeting of Shareholders” was deliberated and adopted;</li> </ol>
The Ninth Meeting of	04/26/2021	04/27/2021	1. The “First Quarterly Report 2021 (Full Text & Body)” was deliberated and adopted;

Session of meeting	Date of meeting	Disclosure date	Resolutions
the Eleventh Session of the BOD	021	021	
The Tenth Meeting of the Eleventh Session of the BOD	05/31/2021	06/01/2021	<ol style="list-style-type: none"> <li>1. Reviewed and approved the Proposal on the Company's Compliance with the Conditions for Public Issue of Convertible Corporate Bonds;</li> <li>2. Reviewed and approved the Proposal on the Company's Public Issue of Convertible Corporate Bonds;</li> <li>3. Reviewed and approved the Proposal on the Company's Public Issue of Convertible Corporate Bonds;</li> <li>4. The “Resolution on Formulating ‘Convertible Bond Holders’ Meeting Rules” was deliberated and adopted;</li> <li>5. The “Resolution on the Feasibility Analysis Report of the Company’s Public Offering of Convertible Bonds for Raising Funds” was deliberated and adopted;</li> <li>6. The “Resolution on the Company's Shareholder Return Plan for the Next Three Years (2021-2023)” was deliberated and adopted;</li> <li>7. The “Resolution on Public Offering of Convertible Bonds to Dilute the Spot Return, Filling Measures and Commitments of Relevant Subjects” was deliberated and adopted;</li> <li>8. The “Resolution on Report on Use of the Funds Raised in the Previous Time” was deliberated and adopted;</li> <li>9. The “Resolution on Submission to the General Meeting of Shareholders to Authorize the BOD to Handle Specific Matters Regarding the Company’s Public Offering of Convertible Bonds” was deliberated and adopted;</li> <li>10. The “Resolution on the Subsidiary’s Investment and Construction of a 1.1-mtpa New-type Functional Fiber Project” was deliberated and adopted;</li> <li>11. The “Notice on the Third EGM for the Year 2021” was deliberated and adopted;</li> </ol>
The Eleventh Meeting of the Eleventh Session of the BOD	06/28/2021	06/29/2021	<ol style="list-style-type: none"> <li>1. The “Resolution on Transfer of 100% Equity in the Wholly-owned Subsidiary Ningbo Hengyi Industry Co. Ltd.” was deliberated and adopted;</li> </ol>
The Twelfth Meeting of the Eleventh Session of the BOD	08/24/2021	08/25/2021	<ol style="list-style-type: none"> <li>1. The “Resolution on ‘Semi-annual Report 2021’ and the Summary” was deliberated and adopted;</li> <li>2. The “Resolution on Semi-annual Special Report on Deposit and Use of Raised Funds for the Year 2021” was</li> </ol>

Session of meeting	Date of meeting	Disclosure date	Resolutions
the BOD			<p>deliberated and adopted;</p> <p>3. The “Resolution on Adjustment of the Fourth ESOP of the Company” was deliberated and adopted;</p> <p>4. The “Resolution on Change of Accounting Policies” was deliberated and adopted;</p>
The Thirteenth Meeting of the Eleventh Session of the BOD	10/27/2021	10/28/2021	<p>1. The “Resolution on the Third Quarterly Report 2021” was deliberated and adopted;</p> <p>2. The “Resolution on Increase in Estimated Amount of Daily Related Party Transactions for the Year 2021” was deliberated and adopted;</p> <p>3. The “Resolution on Provision of Entrusted Loan to the Invested Company, Yisheng New Materials” was deliberated and adopted;</p> <p>4. The “Resolution on Share Repurchase by Way of Centralized Bidding (Phase II)” was deliberated and adopted;</p> <p>5. The “Resolution on Convening the Fourth EGM for the Year 2021” was deliberated and adopted;</p>
The Fourteenth Meeting of the Eleventh Session of the BOD	12/08/2021	12/09/2021	<p>1. The “Resolution on Capital Increase to Zhejiang Yisheng New Materials Co. Ltd. and Related Party Transactions” was deliberated and adopted;</p> <p>2. The “Resolution on Capital Increase to Hainan Yisheng Petrochemical Co., Ltd. and Related Party Transactions” was deliberated and adopted;</p> <p>3. The “Resolution on Increase in Estimated Amount of Daily Related Party Transactions for the Year 2021” was deliberated and adopted;</p> <p>4. The “Resolution on Convening the Fifth EGM for the Year 2021” was deliberated and adopted;</p>
The Fifteenth Meeting of the Eleventh Session of the BOD	12/30/2021	12/31/2021	<p>1. The “Resolution on Changing the Scope of Business of the Company and Amendment of ‘the Articles of Association’” was deliberated and adopted;</p> <p>2. The “Resolution on Increase in Estimated Amount of Daily Related Party Transactions for the Year 2021” was deliberated and adopted;</p> <p>3. The “Resolution on Convening the First EGM for the Year 2022” was deliberated and adopted;</p>

#### 4.6.2 Attendance of Directors in the Board Meeting and the General Meeting of Shareholders

Attendance of Directors in the Board Meeting and the General Meeting of Shareholders							
Name of director	Number of board meetings to attend during the Reporting Period	Number of on-site attendance of board meetings	Number of attendance of board meetings by means of telecommunications	Number of attendance of board meetings by trustees	Number of absence at board meetings	Whether absent from board meetings in person for two consecutive times	Number of attendance of General Shareholders Meetings
Qiu Yibo	11	2	9	0	0	No	6
Fang Xianshui	11	2	9	0	0	No	6
Ni Defeng	11	2	9	0	0	No	6
Lou Jianchang	11	2	9	0	0	No	6
Mao Ying	11	2	9	0	0	No	6
Wu Zhong	11	2	9	0	0	No	6
Chen Sanlian	11	2	9	0	0	No	6
Yang Bozhang	11	2	9	0	0	No	6
Yang Liuyong	11	2	9	0	0	No	6

Reasons for failure to attend the board meetings in person for two consecutive times:

#### 4.6.3 Objections of directors to related issues of the Company

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

During the Reporting Period, the directors did not raise objections to the Company's related matters.

#### 4.6.4 Other information on directors' performance of duties

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

Yes  No

##### Statements of directors on the acceptance or rejection of proposals on company issues

During the Reporting Period, all directors of the Company strictly followed the Company Law, Securities Law, *Code of Corporate Governance for Listed Companies*, *Guidelines of Shenzhen Stock Exchange for the Standardized Operation of Listed Companies* and the *Articles of Association and Rules of Procedures for the BOD* to diligently carry out their work and perform their duties. They took the initiative to pay attention to the Company's operation and management information, financial position, important matters, etc., put forward opinions on the Company's important

decisions regarding its governance and operation, deeply discussed the proposed resolutions submitted to the BOD for deliberation, expressed their own views and reached unanimous options after full communication and discussion. They fully considered the interests and demands of minority shareholders when making decisions, and resolutely supervised and promoted the implementation of the resolutions adopted at the BOD in order to make the decisions scientific, timely and efficient and protect the legitimate equities of the Company and all shareholders.

## 4.7 Performance of duties by the special committees under the BOD during the Reporting Period

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
Strategy and Investment Decision-making Committee	Qiu Yibo, Fang Xianshui, Ni Defeng and Yang Liuyong	2	01/08/2021	The “Resolution on Joint Investment in Establishment of a Company with Related Parties and Carrying out Related Party Transactions” was deliberated;	The Committee strictly followed the Company Law, the Regulatory Rules of the CSRC, the Articles of Association and the Rules of Procedure for the BOD to diligently perform its duties. It put forward opinions on and unanimously approved all proposed resolutions after full communication and discussion.	Not applicable	Not applicable
			05/28/2021	The “Resolution on the Subsidiary’s Investment and Construction of 1.1-mtpa New-type Differentiated Environmental Fiber Project” was deliberated;			
Audit Committee	Yang Bozhang, Chen Sanlian, Yang Liuyong, Lou Jianchang and Mao Ying	4	04/17/2021	<ol style="list-style-type: none"> <li>1. The “Annual Report on Implementation of Internal Audit 2020” was deliberated;</li> <li>2. The “Annual Report on Financial Final Accounts 2020” was deliberated;</li> <li>3. The “Annual Audit Report 2020” was deliberated;</li> <li>4. The “Annual Report 2020 (the 1<sup>st</sup> draft)” was deliberated;</li> <li>5. The “Annual Report on Internal Control Self-Evaluation 2020” was deliberated;</li> <li>6. The “Resolution on Deposit and Use of Raised Funds for FY 2020” was deliberated;</li> <li>7. The “Resolution on Summary of Funds</li> </ol>	The Committee strictly followed the Company Law, the Regulatory Rules of the CSRC, the Articles of Association, the Rules of Procedure for the BOD and other relevant laws and regulations to diligently perform its duties. It put forward opinions on and unanimously approved all proposed resolutions after full communication and discussion	Not applicable	Not applicable

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
				Appropriation and Other Related Fund Transactions for Non-operating Purpose for FY 2020” was deliberated; 8. The “Resolution on Renewal of the Appointment of the Accounting Firm” was deliberated;			
			04/12/2021	1. The “First Quarterly Report 2021 (draft)” was deliberated; 2. The “First Quarterly Report on Internal Audit 2021” was deliberated;			
			08/16/2021	1. The “Semi-annual Report 2021 (the 1 <sup>st</sup> draft)” was deliberated; 2. The “Resolution on Semi-annual Special Report on Deposit and Use of Raised Funds for the Year 2021” was deliberated; 3. The “Semi-annual Report on Internal Audit 2021” was deliberated;			
			10/13/2021	1. The “Third Quarterly Report 2021 (the 1 <sup>st</sup> draft)” was deliberated; 2. The “Third Quarterly Report on Internal Audit 2021” was deliberated;			
Risk Control Committee	Chen Sanlian, Yang	3	01/08/2021	1. The “Resolution on Carrying out Foreign Exchange Hedging Business for the Year 2021”	The Committee strictly followed the Company Law, the Regulatory Rules of	Not applicable	Not applicable

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
	Bozhang and Lou Jianchang			was deliberated; 2. The “Resolution on Carrying out Commodity Hedging Business for the Year 2021” was deliberated;	the CSRC, the Articles of Association and the Rules of Procedure for the BOD to diligently perform its duties. It put forward opinions on and unanimously approved all proposed resolutions after full communication and discussion	ble	
		04/01/2021	1. The “Resolution on Renewal of the Appointment of the Accounting Firm” was deliberated; 2. The “Annual Report on Financial Final Accounts 2020” was deliberated;				
		05/28/2021	The “Resolution on the Subsidiary’s Investment and Construction of 1.1-mtpa New-type Differentiated Environmental Fiber Project” was deliberated;				



#### 4.8 Performance of duties by the BOS

Were there any risks found by the BOS in its supervisory activities during the Reporting Period?

The BOS had no objections to the matters under supervision during the Reporting Period

#### 4.9 Employees of the Company

##### 4.9.1 Number of employees, professional composition and education level

Number of employees in the parent company at the end of the Reporting Period (person)	10
Number of employees of service in major subsidiaries at the end of the Reporting Period (person)	16,810
Total number of employees in service at the end of the Reporting Period (person)	16,820
Total number of employees receiving salaries in current period (person)	16,820
Number of retired employees whose expense is born by the parent company and major subsidiaries (person)	261
<b>Professional Composition</b>	
Professional composition category	Number of professional composition (person)
Production personnel	14,146
Sales staff	316
Technical staff	1,604
Financial staff	147
Administrative personnel	607
Total	16,820
<b>Education level</b>	
Education level category	Quantity (person)
Master degree or above	277
Bachelor degree	1,813
College degree or below	14,730
Total	16,820

##### 4.9.2 Compensation policies

The Company implements a labor contract system, sign labor contracts with every employee in accordance with the "Labor Law", "Labor Contract Law" and relevant labor laws and regulations.

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

#### **4.9.3 Training plans**

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

#### **4.9.4 The situation of labor outsourcing**

Total number of working hours of labor outsourced (hours)	5,688,293
Total remuneration paid for labor outsourced (RMB )	130,830,733

#### 4.10 The Company's common stock profit distribution and capitalization of capital reserves

##### During the Reporting Period, the common stock profit distribution policy, especially the formulation, implementation or adjustment of the cash dividend policy

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

According to the 2020 Profit Distribution Plan approved by the Company's 2020 Annual General Meeting of Shareholders held on May11, 2021: based on the Company's total existing share capital of 3,681,645,407 shares, a cash dividend of RMB 3.00 (including tax) will be distributed to all shareholders for every 10 shares, No bonus shares will be given and no capital reserve will be capitalized. The Company published the "Announcement on the Implementation Hengyi Petrochemical Co., Ltd.' Annual Dividend Distribution in 2020", and the implementation was completed on July 6, 2021.

Special description of cash dividend policy	
Whether it meets the requirements of the Company's Articles of Association or the resolutions of the general meeting of shareholders:	Yes
Whether the dividend standard and proportion are clear and definite:	Yes
Were the relevant decision-making procedures and mechanisms complete?	Yes
Whether independent directors have performed their due diligence and played their due	Yes

role:	
Whether small and medium shareholders have sufficient opportunities to express their opinions and demands, and whether their legitimate equities are fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not applicable

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

Applicable  Not applicable

#### **Profit distribution and capitalization of capital reserve during the Reporting Period**

Number of bonus shares per 10 shares (shares)	0
Distributing dividends per 10 shares (RMB ) (tax included)	2.00
Shares converted per 10 shares (shares)	0
The equity base of the distribution plan (shares)	3,666,280,014
Cash dividend amount (RMB) (tax included)	733,256,002.80
Cash dividend amount in other ways (such as share repurchase) (RMB)	0.00
Total cash dividends (including other methods) (RMB)	733,256,002.80
Distributable profit (RMB)	800,776,067.44
The ratio of total cash dividends (including other methods) to total profit distribution	100%
<b>This cash dividend situation</b>	
If the Company's development stage is in the growth period and has major capital expenditure arrangements, when the profit distribution is carried out, the proportion of cash dividends in this profit distribution should be at least 20%	
<b>Detailed explanation of the profit distribution or capital reserve transfer plan</b>	
Based on attaching importance to reasonable investment returns to investors and taking into account the Company's sustainable development principles, the Company intends to distribute 0 bonus shares (including tax) and cash dividend of RMB 2.00 (including tax) for every 10 shares to all shareholders based on the total existing share capital of 3,666,280,014 shares. The total profit distributed will be RMB 733,256,002.80, and No bonus shares and no public fund is converted as share capital. If the additional issuance, repurchase, or conversion of convertible bonds into share capital occurs to the Company before the dividend distribution equity registration date, resulting in a change in the total equity on the dividend distribution equity registration date, the Company will adjust the corresponding total equity. The remaining undistributed profits will be carried forward for distribution in subsequent years (this plan still needs to be approved by the Company's 2021 annual shareholders meeting).	

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

##### 4.11.1 Equity incentive

Not applicable

##### 4.11.2 Implementation of ESOPs

###### All valid ESOPs during the Reporting Period

ESOP holder	Workforce	Total shares held (shares)	Changes	Proportion to the total share capital of the Company	Source of funds for the implementation of the ESOPs
Directors, supervisors, senior management, regular employees of the Company and its majority owned subsidiaries	4,011	113,754,600	/	3.10%	Remuneration and fund from self-raising and margin financing and securities lending

###### Shareholdings of directors, supervisors, senior management in the ESOPs during the Reporting Period

Name	Title	Number of shares held at the beginning of the Reporting Period	Number of shares held at the end of the Reporting Period (shares)	Proportion to the total share capital of the Company
Ni Defeng	Director	0	408,163	0.011%
Lou Jianchang	Director, Vice President	0	408,163	0.011%
Mao Ying	Director, Vice President	0	408,163	0.011%
Wu Zhong	Director, Vice President	0	408,163	0.011%
Wang Songlin	Vice President	0	408,163	0.011%
Chen Liancai	Vice President	0	408,163	0.011%
Zhao Donghua	Vice President	0	408,163	0.011%
Zheng Xingang	Secretary of the Board	0	244,897	0.007%
Li Yugang	Supervisor	0	244,897	0.007%
Ni Jinmei	Supervisor	0	244,897	0.007%
Jin Danwen	Supervisor	0	122,448	0.003%

###### Changes in asset management institutions during the Reporting Period

Applicable  Not applicable

###### Changes in equity due to disposal of shares by holders, etc. during the Reporting Period

Applicable  Not applicable

**Exercise of shareholders' rights during the Reporting Period**

Applicable  Not applicable

**Other relevant circumstances and explanations of the ESOPs during the Reporting Period**

Applicable  Not applicable

**Changes in the members of the ESOP Management Committee**

Applicable  Not applicable

**Financial impact of the ESOPs on the Listed Company during the Reporting Period and related accounting treatment**

Applicable  Not applicable

**Termination of the ESOPs during the Reporting Period**

On March 17, 2021, the Company disclosed that the Company's 147,281,998 shares held under the ESOP (Phase III) had been fully sold out and the assets obtained therefrom would be then liquidated and distributed and the Third ESOP would be automatically terminated. For details, please refer to "Announcement on the Expiry of the Company's Third ESOP and Completion of the Sale of Shares" on CNINFO (Announcement No. 2021-021).

**Other explanations**

N/A

**4.11.3 Other employee incentives**

Applicable  Not applicable

**4.12 Establishment and implementation of internal control system during the Reporting Period****4.12.1 Establishment and implementation**

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

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

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

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

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

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

#### **4.12.2 Details of significant internal control deficiency identified during the Reporting Period**

Yes  No

#### **4.13 The Company's management and control over subsidiaries during the Reporting Period**

As of the end of the Reporting Period, the Company has 53 subsidiaries, including 44 majority owned companies and 8 invested companies. During the Reporting Period, in order to strengthen the

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

#### 4.14 Internal control self-evaluation report or internal control audit report

##### 4.14.1 Internal control self-evaluation report

Disclosure date of full text of Internal Control Evaluation Report	04/26/2022	
Disclosure index of full text of Internal Control Evaluation Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
Proportion of total assets included in the evaluation scope to that of the Company's consolidated financial statements	100.00%	
Proportion of operating revenue included in the evaluation to that of the Company's consolidated financial statements	100.00%	
<b>Defect Identification Standard</b>		
Category	Financial reports	Non-financial reports
Qualitative standard	(1) Identification standard of major defects: ① lack of democratic decision-making process; ② huge	(1) Major defects: The negative news about the safety, eco-friendliness, social responsibility, practice ethics



	<p>errors caused by decision-making process; ③ violation of national laws and regulations and punishment; ④ serious loss of middle or senior management members and senior technicians; ⑤ frequent negative news in the media, involving a wide range; ⑥ lack of system or system failures in major business; ⑦ failure to rectify major or significant internal control defects. (2) Material deficiencies: ① imperfect democratic decision-making procedures; ② decision-making procedures leading to general errors; ③ violation of internal regulations of the Company, resulting in losses; ④ outflow of many business personnel in key positions; ⑤ negative news appeared on the media, involving the local region; ⑥ defects in important business systems or systems; ⑦ failure to rectify material or general deficiencies in internal control. (3) Identification standard of general defects: ① low efficiency of decision-making process; ② violation of internal rules and regulations without losses; ③ serious loss of business personnel in general positions; ④ negative news in the media, with little impact; ⑤ defects in general business systems; ⑥ failure to rectify general defects; ⑦ other defects.</p>	<p>and operation of the enterprise has been spread all over the country, has been specially investigated by the government or regulatory agencies, and has caused continuous special reports by the public media. As a result, the enterprise has adverse events such as capital loan and recovery, suspension or revocation of administrative license, pledge of assets, and a large number of claims (occurrence of level-I mass disturbance). (2) Significant defects: The negative news about the safety, eco-friendliness, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-II mass disturbance). (3) General defects: The negative news about the safety, eco-friendliness, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-III or level-IV mass disturbance)</p>
<p>Quantitative standard</p>	<p>(1) Major defects: The overall impact level is higher than the importance level (1% of the audited net assets of the previous year). (2) Significant defects: 0.2% of the audited net assets of the previous year &lt; overall importance level &lt; 1% of the audited</p>	<p>(1) Major defects: direct financial loss: RMB 50 million or above; personnel health and safety impact: death of more than 10 people, or serious injury of more than 50 people. (2) Significant defects: direct financial loss: RMB 10 million</p>

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

#### 4.14.2 Internal control audit report

Deliberations Paragraph in the Internal Control Audit Report	
In our opinion, Hengyi Petrochemical Co., Ltd. maintained effective internal control, in all material respects, in accordance with the Basic Norms for Enterprise Internal Control and relevant regulations at December 31, 2021.	
Disclosure of internal control audit report	Disclosure
Date of full-text disclosure for Internal Control Audit Report	04/26/2022
Full-text disclosure index for the Internal Control Audit Report	CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Opinion type in the Internal Control Audit Report	Standard unqualified opinion
Whether there are major defects in the non-financial report	No

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

Yes  No

**Whether the opinions in the internal control assurance report issued by the accounting firm are consistent with those in the self-evaluation report issued by the BOD**

Yes  No

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

In strict accordance with the Company Law, the Securities Law and other relevant laws and administrative regulations, and the Articles of Association, Rules of Procedure for the BOD, Rules of Procedure for the BOS and rules of procedure for special committees and other internal rules and regulations, the Company, adhering the principle of seeking truth from facts, conducted self-examination against the CSRC's self-examination checklists for the special campaign on corporate governance of listed companies, which covered a total of seven aspects, involving a total of 119 questions and answers. The Company carefully sorted out and filled in the self-examination system, and completed self-examination on April 25, 2021.

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

## Section 5 Environmental and Social Responsibility

### 5.1 Major environmental issues

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

During the Reporting Period, the Company strictly follows and implements *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and other relevant laws and regulations. The Company continues to attach great importance to environmental protection deepen environmental management and dispose of "three wastes" (waste gas, waste water and waste residues) in strict accordance with high standards, to contribute to sustainable development. In particular, the important subsidiaries of key pollutant discharge units announced by the environmental protection department continues to actively renovate and upgrade environmental protection facilities by increasing capital investment to ensure that emissions meet the standards. The specific conditions are as follows:

Name of Company or subsidiary	Names of main pollutants and characteristic pollutants	Discharge method	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
Zhejiang Yisheng	COD	Discharge after	1	Sewage station	44.85mg/L	100mg/L	277.81 t	1,214.36 t	Up to standard

		treatment							
	Ammonia nitrogen	Discharge after treatment	1	Sewage station	0.51 mg/L	8mg/L	2.65 t	17.35 t	Up to standard
	SO2	Discharge after treatment	2	Boiler Island	7.99mg/m <sup>3</sup>	35mg/m <sup>3</sup>	57.24 t	197.45 t	Up to standard
	NOX	Discharge after treatment	2	Boiler Island	18.46mg/m <sup>3</sup>	50mg/m <sup>3</sup>	122.15 t	859.17 t	Up to standard
	Smoke and ashes	Discharge after treatment	2	Boiler Island	1.51mg/m <sup>3</sup>	5mg/m <sup>3</sup>	10 t	426.11 t	Up to standard
Hainan Yisheng	SO2	Discharge after treatment	2	Boiler/heat medium furnace	41.6/33.6mg/m <sup>3</sup>	GB13223-2011、GB13271-2014	174.37 t	679 t	Up to standard
	NOx	Discharge after treatment	2	Boiler/heat medium furnace	55.97/303.9mg/m <sup>3</sup>	GB13223-2011、GB13271-2014	964.84 t	989.9t	Up to standard
	Smoke and ashes	Discharge after treatment	2	Boiler/heat medium furnace	11.59/8.1mg/m <sup>3</sup>	GB13223-2011、GB13271-2014	44.28 t	232 t	Up to standard
	COD	Discharge after treatment	1	Sewage station	35.19mg/L	GB31571-2015、GB31572-2015	142.93 t	236.15 t	Up to standard
	Ammonia nitrogen	Discharge after	1	Sewage station	0.15mg/L	GB31571-2015、GB31572-2015	0.62 t	17.7 t	Up to standard

		treatment							
Hengyi Caprolactam	PH	Discharge after treatment	1	Sewage treatment station	8.33	GB31571-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	102.7mg/L	GB31571-2015	96.96 t	127.51 t	Up to standard
	Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.43mg/L	GB31571-2015	4.85 t	6.37t	Up to standard
	Total phosphorus	Discharge after treatment	1	Sewage treatment station	1.55mg/L	DB33-887-2013	/	/	Up to standard
	Smoke and ashes	Discharge after treatment	1	Power station	0.83mg/m <sup>3</sup>	DB33/2147-2018	6.36 t	49.04 t	Up to standard
	SO <sub>2</sub>	Discharge after treatment	1	Power station	0.92mg/m <sup>3</sup>	DB33/2147-2018	7.08 t	368.87 t	Up to standard
	NO <sub>x</sub>	Discharge after treatment	1	Power station	41.8mg/m <sup>3</sup>	DB33/2147-2018	327.84 t	482.08 t	Up to standard
	Mercury and its compounds	Discharge after treatment	1	Power station	0.0000076mg/m <sup>3</sup>	DB33/2147-2018	/	/	Up to standard
	Ringerman blackness	Discharge after	1	Power station	<1 级	DB33/2147-2018	/	/	Up to standard

		treatment							
Hengyi High-Tech	PH	Discharge after treatment	1	Sewage treatment station	7.58	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	18.45mg/L	GB31572-2015	1.09 t	3.68 t	Up to standard
	Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.92mg/L	GB31572-2015	0.05 t	0.15 t	Up to standard
	Smoke and ashes	Discharge after treatment	3	Thermal coal station	1.16/2.97/2.02mg/m <sup>3</sup>	DB3301/T0250-2018	1.61 t	18.55 t	Up to standard
	SO <sub>2</sub>	Discharge after treatment	3	Heat media station	15.75/8.64/14.69mg/m <sup>3</sup>	DB3301/T0250-2018	10.34 t	60.4 t	Up to standard
	NO <sub>x</sub>	Discharge after treatment	3	Thermal coal station	76.56/72.98/68.81mg/m <sup>3</sup>	DB3301/T0250-2018	61.81 t	181.21 t	Up to standard
Hengyi Polymer	PH	Discharge after treatment	1	Sewage treatment station	8.18	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage station	93.7mg/L	GB31572-2015	5.22 t	34.5 t	Up to standard
	Ammonia nitrogen	Discharge after	1	Sewage treatment	7.9mg/L	GB31572-2015	1.36 t	2.42 t	Up to standard

		treatment		station					
	Smoke and ashes	Discharge after treatment	3	Heat media station	6.09/1.32/4.22mg/m <sup>3</sup>	DB3301/T0250-2018	3.29 t	14.02 t	Up to standard
	SO <sub>2</sub>	Discharge after treatment	3	Heat media station	11.85/10.6/4.77mg/m <sup>3</sup>	DB3301/T0250-2018	7.36 t	29.22 t	Up to standard
	NO <sub>x</sub>	Discharge after treatment	3	Heat media station	76.3/72.9/73.9mg/m <sup>3</sup>	DB3301/T0250-2018	54.96 t	87.67 t	Up to standard
Hangzhou Yijing	PH	Discharge after treatment	1	Sewage treatment station	8.01	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	43.12mg/L	GB31572-2015	0.502 t	44 t	Up to standard
	Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	2.62mg/L	GB31572-2015	0.033 t	3.08 t	Up to standard
	Smoke and ashes	Discharge after treatment	1	Heat media station	0.93mg/m <sup>3</sup>	DB3301/T0250-2018	0.934 t	7.5 t	Up to standard
	SO <sub>2</sub>	Discharge after treatment	1	Heat media station	22.19mg/m <sup>3</sup>	DB3301/T0250-2018	17.41 t	33.8 t	Up to standard
	NO <sub>x</sub>	Discharge after	1	Heat media station	83.49mg/m <sup>3</sup>	DB3301/T0250-2018	66.71 t	101.3 t	Up to standard



		treatment							
Shuangtu New Materials	Smoke and ashes	Discharge after treatment	2	Heat media station	2.29/0.58mg/m <sup>3</sup>	DB3301/T0250-2018	2.26 t	22.42 t	Up to standard
	SO <sub>2</sub>	Discharge after treatment	2	Heat media station	6.68/19.76mg/m <sup>3</sup>	DB3301/T0250-2018	20.76 t	75.92 t	Up to standard
	NO <sub>x</sub>	Discharge after treatment	2	Heat media station	87.62/105.49mg/m <sup>3</sup>	DB3301/T0250-2018	151.61 t	168 t	Up to standard
Haining Hengyi Thermal Power	PH	Discharge after treatment	1	Sewage treatment station	8.02	GB8978-1996	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	52.86mg/L	GB8978-1996	11.81 t	21.33 t	Up to standard
	Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.49mg/L	GB8978-1996	1.09 t	2.13 t	Up to standard
	Smoke and ashes	Discharge after treatment	2	Heat media station	1.69/0.32mg/m <sup>3</sup>	DB33/2147-2018	0.90 t	8.83 t	Up to standard
	SO <sub>2</sub>	Discharge after treatment	2	Heat media station	10.9/14.36 mg/m <sup>3</sup>	DB33/2147-2018	29.30 t	61.52 t	Up to standard
	NO <sub>x</sub>	Discharge after	2	Heat media station	34.95/38.02 mg/m <sup>3</sup>	DB33/2147-2018	79 t	88.33 t	Up to standard

		treatment							
Haining Hengyi New Materials	PH	Discharge after treatment	1	Sewage treatment station	7.55	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	18.2 mg/L	GB31572-2015	0.10 t	4.26 t	Up to standard
	Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.27mg/L	GB31572-2015	0.02 t	0.42 t	Up to standard
Jiaxing Yipeng	PH	Discharge after treatment	1	Sewage treatment station	7.76mg/L	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	12.47mg/L	GB31572-2015	0.16 t	6.03 t	Up to standard
	Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.57mg/L	GB31572-2015	0.01 t	0.80 t	Up to standard
Taicang Yifeng	PH	Discharge after treatment	1	Sewage treatment station	8.03	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	67.06mg/L	GB31572-2015	2.49	13.27	Up to standard
	Ammonia nitrogen	Discharge after	1	Sewage treatment	2.68mg/L	GB31572-2015	0.09	0.461	Up to standard

		treatment		station					
	Smoke and ashes	Discharge after treatment	1	Heat media station	6.97mg/m <sup>3</sup>	GB31572-2015	3.38	9.724	Up to standard
	SO <sub>2</sub>	Discharge after treatment	1	Heat media station	4.9mg/m <sup>3</sup>	GB31572-2015	2.34	3.8	Up to standard
	NO <sub>x</sub>	Discharge after treatment	1	Heat media station	65.77mg/m <sup>3</sup>	GB31572-2015	22.61	26.6	Up to standard
Suqian Yida	PH	Discharge after treatment	1	Sewage treatment station	8.18	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	23.75mg/L	GB31572-2015	1.92 t	12.35 t	Up to standard
	Ammonia nitrogen	Discharge after treatment	1	Sewage treatment station	0.44mg/L	GB31572-2015	0.03 t	0.14 t	Up to standard
Fujian Yijin	PH	Discharge after treatment	1	Sewage treatment station	7.9	GB31572-2015	/	/	Up to standard
	COD	Discharge after treatment	1	Sewage treatment station	23.98mg/L	GB31572-2015	0.35 t	3.45 t	Up to standard
	Ammonia nitrogen	Discharge after	1	Sewage treatment	0.55mg/L	GB31572-2015	0.01 t	0.46 t	Up to standard

		treatment		station					
	Smoke and ashes	Discharge after treatment	1	Heat media station	4.14mg/m <sup>3</sup>	GB13271-2014	2.01 t	21.49 t	Up to standard
	SO <sub>2</sub>	Discharge after treatment	1	Heat media station	71.56mg/m <sup>3</sup>	GB13271-2014	37.91 t	114.64 t	Up to standard
	NO <sub>x</sub>	Discharge after treatment	1	Heat media station	132.82mg/m <sup>3</sup>	GB13271-2014	67.75 t	179.12 t	Up to standard
Yisheng Dahua	COD	Continuous	2	Sewage station	81mg/L	300mg/L	882.79 t	1680 t	Up to standard
	Ammonia nitrogen	Continuous	2	Sewage station	1.37mg/L	30mg/L	14.86	182 t	Up to standard
	NOX	Continuous	3	Boiler Island	27.16 mg/m <sup>3</sup>	50mg/m <sup>3</sup>	68.39 t	405 t	Up to standard
	SO2	Continuous	3	Boiler Island	2.97mg/m <sup>3</sup>	35mg/m <sup>3</sup>	5.91 t	251 t	Up to standard
	Smoke and ashes	Continuous	3	Boiler Island	1.6mg/m <sup>3</sup>	5mg/m <sup>3</sup>	4.3 t	51 t	Up to standard

### **Construction and operation of facilities for pollution prevention and control**

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

### **Environmental impact assessment of projects and other environmental protection administrative permits**

During the Reporting Period, Suqian Yida New Material Co., Ltd. submitted the EIA report of the 1.1-mtpa New-type Differentiated Environmental Fiber Project and obtained the approval from Suqian Ecological Environment Bureau; Zhejiang Baling Hengyi Caprolactam Co., Ltd. submitted the EIA report of the Project of Traditional CTG Upgrading and Technical Reform of By-product Synthetic Ammonia Multiple Process Plant and obtained the approval from Hangzhou Municipal Ecology and Environment Bureau.

### **Emergency plans for environmental emergencies**

1. *The Emergency Plan for Emergent Environmental Incidents of Zhejiang Baling Hengyi Caprolactam Co., Ltd.* was filed by the local environmental protection department in July 2019, and a new Emergency Plan for Emergent Environmental Incidents is being prepared.
2. *The Emergency Plan for Emergent Environmental Incidents of Zhejiang Hengyi High-tech Materials Co., Ltd.* was filled by the local environmental protection department in March 2022.
3. *The Emergency Plan for Emergent Environmental Incidents of Zhejiang Hengyi Polymer Co., Ltd.* was filled by the local environmental protection department in August 2021.
4. *The Emergency Plan for Emergent Environmental Incidents of Hangzhou Yijing Chemical Fiber Co., Ltd.* was filled by the local environmental protection department in March 2021.
5. *The Emergency Plan for Emergent Environmental Incidents of Zhejiang Shuangtu New Materials Co., Ltd.* was filled by the local environmental protection department in October 2019, and a new Emergency Plan for Emergent Environmental Incidents will be prepared recently.

6. *The Emergency Plan for Emergent Environmental Incidents of Haining Hengyi Thermal Power Co., Ltd.* was filled by the local environmental protection department in June 2021.
7. *The Emergency Plan for Emergent Environmental Incidents of Haining Hengyi New Materials Co., Ltd.* was filled by the local environmental protection department in June 2021.
8. *The Emergency Plan for Emergent Environmental Incidents of Jiaxing Yipeng Chemical Fiber Co., Ltd.* was filled by the local environmental protection department in November 2020.
9. *The Emergency Plan for Emergent Environmental Incidents of Taicang Yifeng Chemical Fiber Co., Ltd.* was filled by the local environmental protection department in March 2022.
10. *The Emergency Plan for Emergent Environmental Incidents of Suqian New Materials Co., Ltd.* was filled by the local environmental protection department in December 2021.
11. *The Emergency Plan for Emergent Environmental Incidents of Fujian Yijin Chemical Fiber Co. Ltd.* was filled by the local environmental protection department in January 2022.
12. *The Emergency Plan for Emergent Environmental Incidents of Hainan Yisheng Petrochemical Co., Ltd.* was revised, reviewed and filled by the local environmental protection department in December 2020.
13. *The Emergency Plan for Emergent Environmental Incidents of Zhejiang Yisheng Petrochemical Co. Ltd.* was revised, reviewed and filled by the local environmental protection department in September 2020.
14. *The Emergency Plan for Emergent Environmental Incidents of Yisheng Dahua Petrochemical Co. Ltd.* was filled by the local environmental protection department in April 2020.

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

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

out regular monitoring.

### **Administrative punishment for environmental issues during the Reporting Period**

N/A

### **Other environmental information that should be disclosed**

Environmental information that should be disclosed had been disclosed as required.

### **Measures taken to reduce carbon emissions during the Reporting Period and their effects**

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

### **Other environmental information**

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

## **5.2 Social responsibility**

See the Social Responsibility Report for details.

**The Company shall comply with the disclosure requirements for chemical industry specified in**

## **Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 3 - Industry Information Disclosure**

### **Establishment and operation of the internal control system related to safety management during the Reporting Period**

During the Reporting Period, the Company maintained work safety, with no major safety accidents and no new cases of occupational diseases. The Company always put safety first, fully performed the main responsibility of safety management, and paid close attention to the safety management of each link.

First, fulfill safety responsibilities: The Company respectively signed the *Letter of Responsibility for Work Safety and Environmental Protection Objectives* and relevant departments at the beginning of the year, to clarify the work safety responsibilities of each level.

Second, keep promoting the safety standardization: In the field of road transportation, the Company's safety standardization is maintained at Level A; in the field of hazardous chemicals, the safety standardization is maintained at Level B; in the field of chemical fiber manufacturing, the safety standardization of 80% enterprises is maintained at Level C and the other enterprises are gradually construct and improve the safety standardization.

Third, strengthen the supervision of safety inspection to manage hidden dangers on a regular basis: Safety inspection was carried out on a routine, regular and irregular basis and focused on seasonal and pre-holiday safety inspection, special safety inspection and comprehensive safety inspection, achieving 100% of completion rate of hidden dangers rectification in the whole year.

Fourth, increase investment in and consolidate the foundation of work safety: During the Reporting Period, the Company invested a total of RMB 35,973,700 for safety.

Fifth, focus on safety education and training to improve the safety awareness of all staff: The Company established a safety training system, which covers the principal, safe production management personnel, special operation personnel and equipment operators, other employees as well as contractors (subcontractors) and laborers. The attendants of training on work safety reached 25,900 person-times throughout the year, and the completion rate and pass rate reached 100%.

Sixth, build a double prevention mechanism and establish a solid defense line for work safety:



During the Reporting Period, the Company's subsidiaries were subject to routine safety inspections 16 times of the competent departments, with no safety hazards found, no violation or penalty.

### **5.3 Achievements in poverty alleviation consolidation and expansion and rural revitalization**

The Company actively responded to national policies, participated in targeted poverty alleviation activities through various ways, and made contributions to the best of its ability in various aspects. In order to promote east-west cooperation, effectively fulfill the corporate social responsibility, and provide more support for education, the Company signed a donation agreement with the government of Hongsibao District, Wuzhong City, Ningxia in August 2020, to support the construction of Hongde Hope School in Hongsibao District, and has made the donation by installments according to the construction progress. Up to now, the Company has donated a total amount of RMB 21 million.

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

## Section 6 Important Matters

### 6.1 Fulfillment of commitments

**6.1.1 Commitments that the Company's actual controllers, shareholders, related parties, acquirers, and the Company and other relevant parties have fulfilled during the Reporting Period and that have not been fulfilled as of the end of the Reporting Period**

Commitment item	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
Commitments made in the acquisition report or equity change report	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on independent operation	It ensures the independence of Hengyi Group and its actual controller's affiliates and the Company in terms of personnel, assets, finance, organization and business in the commitment.	04/29/2010	long term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.
	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on horizontal competition	Promise not to compete with the Company in the same industry.	04/29/2010	long term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.
	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on connected transactions	Commit to regulate related transactions with the Company.	04/29/2010	long term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.
	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on the use of funds	Commit to regulate related transactions with the Company.	04/29/2010	long term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.

Commitment item	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
	Hengyi Group and other parties	Other commitments	It is promised that the equity adjustment of Zhejiang Yisheng and Yisheng Investment will not increase the actual or potential tax burden of Hengyi Petrochemical or related subsidiaries. On the premise of the completion of this major asset reorganization, if Hengyi Petrochemical or its subsidiaries are required to pay taxes or be demanded by tax authorities for the above-mentioned equity adjustment due to the adjustment of national tax policy or other reasons, the reorganization party promised to compensate the Company for any losses incurred by it in cash and full amount timely.	04/29/2010	long term effective	The undertaking remains valid and is still in the process of fulfillment. Up to now, Hengyi Group has not violated this undertaking.
Other commitments made to the Company's minority shareholders	Hainan Hengshengyuan International Tourism Development Co. Ltd.	Commitment on horizontal competition	It promises that it will not compete in the same industry with the production and sales of polyester fiber products, which is one of the main businesses of listed companies. Supplementary commitment: Shanghai Hengyi Polyester Fiber Co., Ltd. will permanently shut down its existing production facilities, no longer participate in or add any areas that may compete with the Company's industry in the same industry since the 100% equity transfer transaction of Shanghai Hengyi Polyester Fiber Co., Ltd. is approved at the Company's 2016 fourth extraordinary general	03/21/2016	long term effective	Up to now, Hainan Hengshengyuan International Tourism Development Co., Ltd. has not violated this commitment.

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

**6.1.2 There is a profit forecast for the Company's assets or projects, and it is still in the profit forecast period at the Reporting Period, the Company provides an explanation of the reason for the assets or projects reaching the original profit forecast**

Applicable  Not applicable

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

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

**6.3 External guarantees against the rules and regulations**

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

**6.4 Explanation of the BOD on the latest "non-standard audit report"**

Applicable  Not applicable

**6.5 Explanations of the BOD, the BOS, and independent directors (if any) on the "non-standard audit report" of the accounting firm during the Reporting Period**

Applicable  Not applicable

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

There were no changes in accounting policies, accounting estimates or corrections of material accounting errors during the Reporting Period.

**6.7 Compared with the financial report of the previous year, the explanation of the changes in the scope of the consolidated statements**

A total of 44 subsidiaries were included in the scope of consolidation by the Company in FY2021. For details, please refer to Note 8 "Equities in Other Entities" in Section 10 "Financial Report".

Compared with the previous year, three subsidiaries were included in and three excluded from the Company's consolidation scope in this fiscal year. For details, please refer to Note 7 "Changes in the Scope of Consolidation" in Section 10 "Financial Report".

### 6.8 Appointment and dismissal of the accounting firms

Currently employed accounting firm

Name of domestic accounting firm	Zhongxinghua Certified Public Accountants LLP
Remuneration of domestic accounting firms (RMB 10,000)	325
Consecutive years of audit services of domestic accounting firms	3
Name of CPA in domestic accounting firms	Liu Hongyue, Wang Guohai
Consecutive years of audit services provided by the domestic accounting firm's CPAs	3
Name of overseas accounting firms (if any)	N/A
Remuneration of overseas accounting firms (RMB 10,000) (if any)	0
Consecutive years of audit services of overseas accounting firms (if any)	N/A
The name of the certified public accountant of the overseas accounting firms (if any)	N/A
Consecutive years of CPA audit services of overseas accounting firms (if any)	N/A

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

Yes  No

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

During the Reporting Period, the Company hired Zhongxinghua Certified Public Accountants LLP as the internal control audit agency, with an internal control audit fee of RMB 550,000, and RMB 550,000 was paid to them during the Reporting Period.

During the Reporting Period, due to the public issuance of convertible corporate bonds, the Company hired CITIC Securities Co., Ltd. as the sponsor and lead underwriter, and no service fees were paid during the Reporting Period.

### 6.9 Delisting after the disclosure of annual report

Applicable  Not applicable

**6.10 Matters Related to bankruptcy and reorganization**

During the Reporting Period, the Company did not have any bankruptcy and reorganization related matters.

**6.11 Major litigations and arbitrations**

The Company had no major litigation or arbitration matters during the Reporting Period.

**6.12 Penalties and rectifications**

There were no penalties and rectifications during the Reporting Period of the Company.

**6.13 Integrity of the Company and its controlling shareholders and the actual controller**

Applicable  Not applicable

## 6.14 Major connected transactions

### 6.14.1 Connected transactions related to daily operations

Related party	Related party relations	Type of connected transaction	Contents of connected transactions	Pricing principle for related-party transaction	Related transaction price	Amount of related transaction (RMB 10,000)	Proportions in the similar transactions (%)	Approved trading limit (RMB 10,000)	Whether it exceeds the approved quota	Settlement method of related transaction	Available market prices for similar transactions
Yisheng Dahua	Associated enterprises	Procurement of goods	PTA	Market price	Market price	371,892	11.93%	520,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PIA	Market price	Market price	8,517	7.95%	14,000	No	Bill/cash	Market price
Hainan Yisheng	Associated enterprises	Procurement of goods	PTA	Market price	Market price	16,272	0.52%	200,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PX	Market price	Market price	85,700	26.36%	250,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PIA	Market price	Market price	26,843	25.06%	30,000	No	Bill/cash	Market price
Yisheng New Materials	Associated enterprises	Procurement of goods	PTA	Market price	Market price	211,842	6.79%	230,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	PX	Market price	Market price	27,793	8.55%	45,000	No	Bill/cash	Market price
	Associated enterprises	Sales of goods	Acetic acid	Market price	Market price	43,842	96.99%	55,000	No	Bill/cash	Market price
Hengyi Caprola	JV	Procurement of goods	Steam	Market price	Market price	11,115	100.00%	11,600	No	Bill/cash	Market price



Related party	Related party relations	Type of connected transaction	Contents of connected transactions	Pricing principle for related-party transaction	Related transaction price	Amount of related transaction (RMB 10,000)	Proportions in the similar transactions (%)	Approved trading limit (RMB 10,000)	Whether it exceeds the approved quota	Settlement method of related transaction	Available market prices for similar transactions
ctam	JV	Procurement of goods	Electricity	Market price	Market price	27,878	100.00%	35,000	No	Bill/cash	Market price
	JV	Sales of goods	Energy-related products	Market price	Market price	98,718	76.39%	101,400	No	Bill/cash	Market price
	JV	Sales of goods	Benzene	Market price	Market price	34,784	49.18%	38,000	No	Bill/cash	Market price
	JV	Provision of labor services	Transportation of goods	Market price	Market price	699	2.27%	2,000	No	Bill/cash	Market price
	JV	Provision of labor services	Engineering management	Market price	Market price	3,482	47.96%	2,600	Yes	Bill/cash	Market price
Hengyi Polyamide	A holding subsidiary of the ultimate parent company	Sales of goods	PTA	Market price	Market price	254	0.01%	300	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	628	2.04%	900	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Provision of labor services	Engineering management	Market price	Market price	116	1.60%	700	No	Bill/cash	Market price

Related party	Related party relations	Type of connected transaction	Contents of connected transactions	Pricing principle for related-party transaction	Related transaction price	Amount of related transaction (RMB 10,000)	Proportions in the similar transactions (%)	Approved trading limit (RMB 10,000)	Whether it exceeds the approved quota	Settlement method of related transaction	Available market prices for similar transactions
Shaoxing Hengmi	A holding subsidiary of the ultimate parent company	Procurement of goods	Polyester products	Market price	Market price	435,989	10.50%	500,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Procurement of goods	Packing materials	Market price	Market price	3,422	49.03%	4,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	Packing materials	Market price	Market price	2,591	36.08%	2,800	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	Auxiliary materials	Market price	Market price	1,577	38.57%	2,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	Energy-related products	Market price	Market price	19,206	14.86%	19,850	No	Bill/cash	Market price
	A holding subsidiary of the	Provision of labor services	Transportation of goods	Market price	Market price	3,971	12.90%	6,000	No	Bill/cash	Market price

Related party	Related party relations	Type of connected transaction	Contents of connected transactions	Pricing principle for related-party transaction	Related transaction price	Amount of related transaction (RMB 10,000)	Proportions in the similar transactions (%)	Approved trading limit (RMB 10,000)	Whether it exceeds the approved quota	Settlement method of related transaction	Available market prices for similar transactions
	ultimate parent company										
	A holding subsidiary of the ultimate parent company	Provision of labor services	Engineering management	Market price	Market price	579	7.98%	600	No	Bill/cash	Market price
Hangzhou Yichen	A holding subsidiary of the ultimate parent company	Procurement of goods	Polyamide flake	Market price	Market price	1,616	0.37%	2,500	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Sales of goods	PTA	Market price	Market price	280	0.01%	500	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	2,270	7.37%	4,000	No	Bill/cash	Market price
	A holding subsidiary of the ultimate parent company	Provision of labor services	Engineering management	Market price	Market price	24	0.33%	100	No	Bill/cash	Market price

Related party	Related party relations	Type of connected transaction	Contents of connected transactions	Pricing principle for related-party transaction	Related transaction price	Amount of related transaction (RMB 10,000)	Proportions in the similar transactions (%)	Approved trading limit (RMB 10,000)	Whether it exceeds the approved quota	Settlement method of related transaction	Available market prices for similar transactions
Total				-	-	1,441,900	-	2,078,850	-	-	-
Disclosure date				January 23, 2021, April 20, 2021, October 28, 2021, December 9, 2021, December 31, 2021							
Disclosure index				CNINFO: "Announcement on the Estimated Amount of Daily Connected Transactions for the Year 2021" (Announcement No. 2021-005), "Announcement on Increase in Daily Connected Transactions for the Year 2021" (Announcement No. 2021-044), "Announcement on Increase in Daily Connected Transactions for the Year 2021" (Announcement No. 2021-106), "Announcement on Increase in Daily Connected Transactions for the Year 2021" (Announcement No. 2021-121), "Announcement on Increase in Daily Connected Transactions for the Year 2021" (Announcement No. 2021-129)							
Details of returns of large sales				N/A							
Actual performance during the Reporting Period, if the total amount of the daily connected transactions that are expected to take place in current period is forecasted by category (if any)				The above-mentioned related transactions are conducive to utilization of the superior resources of the Company and important related parties, ensuring the stable supply of important raw materials and the stable and continuous supply of electricity and other auxiliary materials, broadening the Company's downstream product sales channels, and realizing the Company's attempts to operate upstream products. It is conducive to consolidating and enhancing the advantages of industrial chain integration.							
Reasons for the large difference between the transaction price and the market reference price (if applicable)				The related transactions between the Company and the above-mentioned related parties are closely related to the Company's daily operations. Related party transactions are based on market prices or prices determined by regulatory authorities, and follow the principles of fairness, justice, and openness, and will not harm the interests of the Company and small and medium shareholders. The main business will not form a significant dependence on related parties due to the above-mentioned related transactions, nor affect the Company's independence, and will have a positive impact on the Company's current and future financial status and operating results.							

### 6.14.2 Related party transactions arising from the acquisition or sale of assets or equity

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

### 6.14.3 Related-party transactions for joint overseas investment

Co-investor	Related party relations	The name of the invested company	The main business of the invested company	Registered capital of the invested company (RMB 10,000)	Total assets of the invested company (RMB 10,000)	Net assets of the invested company (RMB 10,000)	Net profit of the invested company (RMB 10,000)
Yisheng Investment	Mr. Fang Xianshui, VP of the Company, also serves as President of Hainan Yisheng	Hainan Yisheng	Production and sales of PTA, Bottle PET and other chemical products	458,000	1,145,411.5	481,736.89	34,217.72
Ningbo Zhongjin	Mr. Fang Xianshui, VP of the Company, also serves as director of Yisheng New Materials	Yisheng New Materials	Production of chemical raw materials and chemical products	300,000	1,157,235.71	305,094.23	27.46
The progress of major projects under construction of the invested company (if any)					N/A		

### 6.14.4 Related credit and debt transactions

During the Reporting Period, the Company did not have associated credit and debt transactions.

### 6.14.5 Transactions with related finance companies

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

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

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

#### **6.14.7 Other major connected transactions**

The Company had no other major connected transactions during the Reporting Period.

### **6.15 Major Contracts and their Performance**

#### **6.15.1 Custody, contracting and leasing matters**

##### **(1) Custody situation**

There was no custody in the Company during the Reporting Period.

##### **(2) Contracting situation**

There was no contracting situation during the Reporting Period of the Company.

##### **(3) Lease situation**

During the Reporting Period, there was no leasing situation.

## 6.15.2 Major guarantees

Unit: RMB 10,000

The Company and its subsidiaries' external guarantees (excluding guarantees to subsidiaries)								
Name of the guaranteed object	Disclosure date of guarantee quota related announcement	Guaranteed limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Yisheng New Materials	04/28/2020	50,000	04/28/2020	44,150	General guaranty	April 14, 2020 to February 15, 2026	No	Yes
Total amount of external guarantee approved during the Reporting Period (A1)		0		The total amount of external guarantees actually occurred during the Reporting Period (A2)		20,000		
The total amount of external guarantees approved at the end of the Reporting Period (A3)		50,000		Total balance of actual external guarantees at the end of the Reporting Period (A4)		44,150		
The Company's guarantees for subsidiaries								
Name of the guaranteed object	Disclosure date of guarantee quota related announcement	Guaranteed limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hengyi Limited	01/23/2019	5,000	01/08/2020	5,000	General guaranty	January 8, 2020 to January 7, 2021	Yes	Yes
	01/16/2020	63,323.01	04/16/2020	63,323.01	General guaranty	April 16, 2020 to	Yes	Yes

					December 4, 2021			
01/16/2020	2,731.35	01/12/2021	2,731.35	General guaranty	January 12, 2021 to April 11, 2021	Yes	Yes	
01/22/2021	23,658.64	01/22/2021	23,658.64	General guaranty	January 22, 2021 to October 26, 2021	Yes	Yes	
01/22/2021	60,255	04/21/2021	60,255	General guaranty	April 21, 2021 to November 29, 2022	No	Yes	
01/22/2021	153,022	03/22/2021	153,022	General guaranty	March 22, 2021 to August 18, 2022	No	Yes	
01/16/2020	29,095	01/12/2021	29,095	General guaranty	January 12, 2021 to January 19, 2022	No	Yes	
01/16/2020	13,000.3	05/31/2020	13,000.3	General guaranty	May 31, 2020 to May 31, 2023	No	Yes	
01/16/2020	47,254.13	07/24/2020	47,254.13	General guaranty	July 24, 2020 to March 31, 2024	No	Yes	
Hengyi High-Tech	01/23/2019	5,000	01/08/2020	5,000	General guaranty	January 8, 2020 to January 7, 2021	Yes	Yes
	01/16/2020	35,883.92	04/09/2020	35,883.92	General guaranty	April 9, 2020 to August 4, 2021	Yes	Yes
	01/22/2021	7,082.98	02/18/2021	7,082.98	General guaranty	February 18, 2021 to July 1, 2022	Yes	Yes
	01/16/2020	17,000	05/29/2020	17,000	General guaranty	May 29, 2020 to May 25, 2023	No	Yes
	01/16/2020	20,000	01/12/2021	20,000	General guaranty	January 12, 2021 to January 14, 2022	No	Yes
	01/22/2021	50,780	04/01/2021	50,780	General guaranty	April 1, 2021 to August 3, 2022	No	Yes



	01/22/2021	157,739.45	03/24/2021	157,739.45	General guaranty	March 24, 2021 to December 5, 2022	No	Yes
Hengyi Polymer	01/23/2019	6,400	01/14/2020	3,840	General guaranty	January 14, 2020 to January 10, 2021	Yes	Yes
	01/16/2020	31,900	06/24/2020	19,140	General guaranty	June 24, 2020 to December 4, 2021	Yes	Yes
	01/16/2020	6,400	01/07/2021	3,840	General guaranty	January 7, 2021 to January 7, 2022	Yes	Yes
	01/22/2021	35,300	03/09/2021	21,180	General guaranty	March 9, 2021 to December 30, 2022	No	Yes
	01/22/2021	32,545	04/07/2021	19,527	General guaranty	April 7, 2021 to May 25, 2022	No	Yes
	01/16/2020	24,619.88	04/09/2020	17,233.92	General guaranty	April 9, 2020 to May 3, 2022	Yes	Yes
Zhejiang Yisheng	01/22/2021	34,106.75	03/05/2021	23,874.73	General guaranty	March 5, 2021 to December 20, 2021	Yes	Yes
	01/16/2020	23,290	09/03/2020	16,303	General guaranty	September 3, 2020 to May 3, 2022	No	Yes
	01/16/2020	10,000	01/01/2021	7,000	General guaranty	January 1, 2021 to September 1, 2022	No	Yes
	01/22/2021	50,721.11	03/12/2021	35,504.78	General guaranty	March 12, 2021 to June 13, 2022	No	Yes
	01/22/2021	13,760	11/18/2021	9,632	General guaranty	November 18, 2021 to May 18, 2022	No	Yes
	01/16/2020	2,000	02/21/2020	2,000	General guaranty	February 21, 2020 to January 21, 2021	Yes	Yes
Taicang Yifeng	01/16/2020	2,000	01/15/2021	2,000	General guaranty	January 15, 2021 to July	Yes	Yes

						14, 2021		
	01/22/2021	8,000	07/22/2021	8,000	General guaranty	July 22, 2021 to July 23, 2022	No	Yes
	01/22/2021	5,000	02/04/2021	5,000	General guaranty	February 4, 2021 to February 7, 2022	No	Yes
Suqian Yida	01/16/2020	12,000	06/17/2020	12,000	General guaranty	June 17, 2020 to September 2, 2021	Yes	Yes
	01/22/2021	2,000	06/28/2021	2,000	General guaranty	June 28, 2021 to June 26, 2022	No	Yes
	01/22/2021	5,000	11/24/2021	5,000	General guaranty	November 24, 2021 to November 24, 2022	No	Yes
Jiaxing Yipeng	01/16/2020	1,000	08/26/2020	1,000	General guaranty	August 26, 2020 to May 19, 2021	Yes	Yes
	01/22/2021	51,996	03/30/2021	51,996	General guaranty	March 30, 2021 to May 19, 2022	No	Yes
Shuangtu New Materials	01/16/2020	21,600	03/10/2020	21,600	General guaranty	March 10, 2020 to May 14, 2021	Yes	Yes
	01/22/2021	40,000	01/26/2021	40,000	General guaranty	January 26, 2021 to July 26, 2021	Yes	Yes
	01/22/2021	40,400	05/06/2020	40,400	General guaranty	May 6, 2021 to July 26, 2022	No	Yes
	01/22/2021	69,259.75	04/29/2021	69,259.75	General guaranty	April 29, 2021 to April 28, 2022	No	Yes
Hangzhou Yijing	01/16/2020	20,000	03/20/2020	20,000	General guaranty	March 20, 2020 to March 20, 2021	Yes	Yes
	01/22/2021	20,000	03/02/2021	20,000	General guaranty	March 2, 2021 to September 2, 2021	Yes	Yes

	01/22/2021	15,000	09/06/2021	15,000	General guaranty	September 6, 2021 to September 6, 2022	No	Yes
	01/22/2021	30,000	02/08/2021	30,000	General guaranty	February 8, 2021 to March 4, 2022	No	Yes
Hong Kong Tianyi	01/16/2020	15,902.02	10/09/2020	15,902.02	General guaranty	October 9, 2020 to March 31, 2021	Yes	Yes
	01/16/2020	1,809.46	01/12/2021	1,809.46	General guaranty	January 12, 2021 to April 13, 2021	Yes	Yes
	01/22/2021	34,136.72	02/01/2021	34,136.72	General guaranty	February 1, 2021 to December 21, 2021	Yes	Yes
	01/22/2021	13,724.29	10/12/2021	13,724.29	General guaranty	October 12, 2021 to March 4, 2022	No	Yes
Haining Thermal Power	01/16/2020	6,000	04/24/2020	6,000	General guaranty	April 24, 2020 to December 10, 2021	Yes	Yes
	01/16/2020	44,000	04/24/2020	44,000	General guaranty	April 24, 2020 to December 10, 2029	No	Yes
Haining New Materials	01/16/2020	13,200	11/12/2020	13,200	General guaranty	November 12, 2020 to November 12, 2021	Yes	Yes
	01/22/2021	15,000	11/15/2021	15,000	General guaranty	November 15, 2021 to November 14, 2022	No	Yes
Fujian Yijin	01/22/2021	50	03/22/2021	32.50	General guaranty	March 22, 2021 to September 20, 2021	Yes	Yes
	01/22/2021	49,950	03/22/2021	32,467.50	General guaranty	March 22, 2021 to September 20, 2022	No	Yes
	01/16/2020	48,117.14	05/26/2020	31,276.14	General guaranty	May 26, 2020 to May 21, 2028	No	Yes
	01/22/2021	3,000	06/24/2021	1,950	General guaranty	June 24, 2021 to June 24,	No	Yes

						2022		
	01/23/2019	2,800	10/18/2019	1,820	General guaranty	October 18, 2019 to December 20, 2022	No	Yes
Hengyi Singapore	01/22/2021	41,156.73	05/20/2021	41,156.73	General guaranty	May 20, 2021 to November 16, 2021	Yes	Yes
	01/22/2021	34,168.56	12/20/2021	23,917.99	General guaranty	December 20, 2021 to June 17, 2022	No	Yes
The total amount of guarantees approved for subsidiaries during the Reporting Period (B1)		2,900,000		The total actual amount of guarantees for subsidiaries during the Reporting Period (B2)		1,077,773.86		
The total amount of guarantees for subsidiaries approved at the end of the Reporting Period (B3)		2,900,000		The total balance of actual guarantees for subsidiaries at the end of the Reporting Period (B4)		1,048,104.33		
Subsidiary guarantees for subsidiaries								
Name of the guaranteed object	Disclosure date of guarantee quota related announcement	Guaranteed limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hengyi High-Tech	01/22/2021	27,560.97	02/10/2021	19,292.68	General guaranty	February 10, 2021 to December 14, 2021	Yes	Yes
	01/16/2020	9,000	11/19/2020	6,300	General guaranty	November 19, 2020 to December 11, 2021	Yes	Yes
	01/23/2019	10,000	12/31/2019	10,000	General guaranty	December 31, 2019 to January 30, 2021	Yes	Yes
	01/16/2020	5,500	07/20/2020	5,500	General guaranty	July 20, 2020 to November 26, 2021	Yes	Yes

	01/16/2020	10,000	01/04/2021	10,000	General guaranty	January 4, 2021 to December 27, 2021	Yes	Yes
	01/22/2021	20	09/18/2021	20	General guaranty	September 18, 2021 to December 27, 2021	Yes	Yes
	01/22/2021	20,765.2	08/12/2021	14,535.64	General guaranty	August 12, 2021 to February 22, 2022	No	Yes
	01/22/2021	10,313.9	09/22/2021	7,219.73	General guaranty	September 22, 2021 to June 23, 2022	No	Yes
	01/22/2021	15,000	02/04/2021	15,000	General guaranty	February 4, 2021 to December 2, 2022	No	Yes
	01/22/2021	27,725	07/27/2021	27,725	General guaranty	July 27, 2021 to June 16, 2022	No	Yes
Hengyi Limited	01/23/2019	9,600	11/14/2019	6,720	General guaranty	November 14, 2019 to June 21, 2021	Yes	Yes
	01/16/2020	19,587.93	08/28/2020	13,711.55	General guaranty	August 28, 2020 to April 24, 2021	Yes	Yes
	01/16/2020	3,935.59	01/15/2021	2,754.91	General guaranty	January 15, 2021 to May 14, 2021	Yes	Yes
	01/22/2021	55,625.8	03/01/2021	38,938.06	General guaranty	March 1, 2021 to December 15, 2021	Yes	Yes
	01/22/2021	41,730.71	08/25/2021	29,211.5	General guaranty	August 25, 2021 to November 13, 2023	No	Yes
	01/22/2021	13,380	01/16/2020	9,366	General guaranty	July 23, 2021 to January 24, 2022	No	Yes
Zhejiang Yisheng	01/16/2020	38,602.84	03/05/2020	38,602.84	General guaranty	March 5, 2020 to September 24, 2021	Yes	Yes
	01/22/2021	54,779.79	02/01/2021	54,779.79	General guaranty	February 1, 2021 to	Yes	Yes

						February 4, 2022		
	01/22/2021	79,001.56	02/05/2021	79,001.56	General guaranty	February 5, 2021 to August 6, 2022	No	Yes
	01/22/2021	4,780	07/19/2021	4,780	General guaranty	July 19, 2021 to June 22, 2022	No	Yes
Haining New Materials	01/23/2019	6,193.71	09/15/2019	6,193.71	General guaranty	September 15, 2019 to December 23, 2021	Yes	Yes
	01/16/2020	3,926.33	03/29/2020	3,926.33	General guaranty	March 29, 2020 to November 11, 2021	Yes	Yes
	01/23/2019	48,790.04	09/15/2019	48,790.04	General guaranty	September 15, 2019 to December 23, 2029	No	Yes
	01/16/2020	33,373.8	03/29/2020	33,373.8	General guaranty	March 29, 2020 to May 11, 2030	No	Yes
Hong Kong Tianyi	01/16/2020	16,571.71	09/11/2020	16,571.71	General guaranty	September 11, 2020 to June 28, 2021	Yes	Yes
	01/16/2020	1,597.09	01/04/2021	1,597.09	General guaranty	January 4, 2021 to May 4, 2021	Yes	Yes
	01/22/2021	5,649.38	09/21/2021	5,649.38	General guaranty	September 21, 2021 to January 25, 2022	Yes	Yes
	01/22/2021	21,199.02	09/20/2021	21,199.02	General guaranty	September 20, 2021 to April 27, 2022	No	Yes
Hengyi Brunei	01/22/2021	49,466.95	06/29/2021	49,466.95	General guaranty	June 29, 2021 to December 28, 2021	Yes	Yes
	01/22/2021	41,314.84	07/07/2021	41,314.84	General guaranty	July 7, 2021 to November 30, 2021	Yes	Yes
	01/22/2021	170,365.32	10/20/2021	170,365.32	General guaranty	October 20, 2021 to March 30, 2022	No	Yes

Hengyi Polymer	01/16/2020	10,573.81	08/26/2020	6,344.29	General guaranty	August 26, 2020 to March 12, 2021	Yes	Yes
	01/22/2021	51,231.74	01/25/2021	30,739.04	General guaranty	January 25, 2021 to December 17, 2021	Yes	Yes
	01/22/2021	19,790	07/28/2021	11,874	General guaranty	July 28, 2021 to February 18, 2022	No	Yes
Shuangtu New Materials	01/22/2021	8,000	04/13/2021	8,000	General guaranty	April 13, 2021 to September 1, 2021	Yes	Yes
Hong Kong Yisheng	01/22/2021	12,751.4	08/24/2021	12,751.4	General guaranty	August 24, 2021 to September 5, 2022	No	Yes
Ningbo Hengyi Trading	01/22/2021	15,960	10/18/2021	15,960	General guaranty	October 18, 2021 to April 18, 2022	No	Yes
The total amount of guarantees approved for subsidiaries during the Reporting Period (C1)	1,470,000		The total actual amount of guarantees for subsidiaries during the Reporting Period (C2)		681,541.91			
The total amount of guarantees for subsidiaries approved at the end of the Reporting Period (C3)	1,470,000		The total balance of actual guarantees for subsidiaries at the end of the Reporting Period (C4)		501,153			
The total amount of company guarantees (that is, the total of the first three items)								
The total amount of approved guarantees during the Reporting Period (A1+B1+C1)	4,370,000		The total amount of guarantees actually occurred during the Reporting Period (A2+B2+C2)		1,779,315.77			
The total amount of approved guarantees at the end of the Reporting Period (A3+B3+C3)	4,420,000		The total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		1,593,407.33			
The percentage of total amount of actual guarantees in company's			61.53%					

net assets (i.e. A4+B4+C4)	
Wherein:	
The balance of guarantees provided for shareholders, actual controllers and their related parties (D)	44,150
The balance of debt guarantee provided directly or indirectly for the guaranteed object whose asset-liability ratio exceeds 70% (E)	0
The amount of the total guarantee exceeding 50% of the net assets (F)	0
The total amount of the above three guarantees (D+E+F)	44,150
For unexpired guarantees, the statement of the situation where guarantee liability has occurred or may bear joint liability for repayment during the Reporting Period (if any)	N/A
Instructions for providing external guarantees in violation of prescribed procedures (if any)	N/A



**Description of the specific circumstances of the use of composite guarantees**

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

**6.15.3 Entrust others to manage cash assets****6.15.3.1 Entrusted financing management**

Unit: RMB 10,000

Type	Source of funds	Amount	Outstanding balance	Overdue amount	Provision for impairment of overdue wealth management
Bank WMPs	Self-owned capital	6,000	0	0	0
Total		6,000	0	0	0

**6.15.3.2 Entrusted loans**

Overview of entrusted loans during the Reporting Period

Unit: RMB 10,000

Total amount	Sources of funds	Outstanding balance	Overdue amount
207,800	Self-owned capital	107,800	0

**High-risk entrusted loans with significant individual amounts or low security or low liquidity**

Unit: RMB 10,000

Loan object	Loan object type	Loan interest rate	Loan amount	Sources of funds	Start date	End date	Expected return (if any)	Actual gain or loss during the Reporting Period	Actual recovery of profits and losses during the Reporting Period	The amount of provision for impairment (if any)	Whether it goes through legal procedures	Whether there is any entrusted loan plan in the future	Summary of matters and related query index (if any)
Yisheng New Materials	JV	4.785%	107,800	Self-owned capital	2021/1/5	2022/12/20	2,634.59	2,634.59	2,634.59	0	Yes	Yes	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1211403679&amp;announcementTime=2021-10-28">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1211403679&amp;announcementTime=2021-10-28</a>
Yisheng New Materials	JV	4.785%	100,000	Self-owned capital	2020/03/16	2021/12/22	2,322.15	2,322.15	2,322.15	0	Yes	Yes	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208608528&amp;announcementTime=2020-10-26">http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1208608528&amp;announcementTime=2020-10-26</a>
Total			207,800	-	-	-	4,956.74	4,956.74	-	0	-	-	-

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

Applicable  Not applicable

**6.15.4 Other major contracts**

There were no other major contracts during the Reporting Period.

## 6.16 Explanation of other important matters

During the Reporting Period, the Company has disclosed the major issues on the www.cninfo.com.cn in accordance with the "Securities Law" and the "Administrative Measures for Information Disclosure of Listed Companies", the details are as follows:

S/N	Announcement date	Title of Announcement
1	03/27/2021	Announcement on Completion of Share Repurchase and Change of Shares (Announcement No.: 2021-026)
2	10/28/2021	Announcement on Share Repurchase Program (Phase II) by way of Centralized Bidding (Announcement No.: 2021-108)
3	11/05/2021	Announcement on the First Repurchase of the Company's Shares (Announcement No.: 2021-112)

## 6.17 Important matters of subsidiaries of the Company

S/N	Announcement date	Title of Announcement	Index
1	02/19/2021	Announcement on the Progress of the Commissioning of 1-mtpa New-type Differentiated Environmental Fiber Project (Announcement No.: 2021-018)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=SZSE&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1209280236&amp;announcementTime=2021-02-19">http://www.cninfo.com.cn/new/disclosure/detail?plate=SZSE&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1209280236&amp;announcementTime=2021-02-19</a>
2	04/09/2021	Announcement on the Progress of the Commissioning of 566,000 t/a New-type Functional Fibers Project (Announcement No.: 2021-034)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=SZSE&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1209656578&amp;announcementTime=2021-04-09">http://www.cninfo.com.cn/new/disclosure/detail?plate=SZSE&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1209656578&amp;announcementTime=2021-04-09</a>
3	06/01/2021	Announcement on the Progress of the Commissioning of 1.1-mtpa New-type Differentiated Environmental Fiber Project (Announcement No.: 2021-068)	<a href="http://www.cninfo.com.cn/new/disclosure/detail?plate=SZSE&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210132115&amp;announcementTime=2021-06-01">http://www.cninfo.com.cn/new/disclosure/detail?plate=SZSE&amp;orgId=gssz0000703&amp;stockCode=000703&amp;announcementId=1210132115&amp;announcementTime=2021-06-01</a>

## Section 7 Changes in Shares and Shareholders

### 7.1 Changes in shares

#### 7.1.1 Changes in shares

Unit: share

	Before the change		Increase or decrease in current period (+, -)					After the change	
	Quantity	Proportion (%)	Issue of new shares	Bonus shares	Capital reserve converted into share capital	Other	Subtotal	Quantity	Proportion (%)
I. Shares with Restrictions on Sales	368,293,277	10.00%				-90,207,851	-90,207,851	278,085,426	7.58%
1. State shares									
2. State-owned corporate shares									
3. Other domestic shares	368,293,277	10.00%				-90,207,851	-90,207,851	278,085,426	7.58%
Including: domestic corporate shares	339,395,477	9.22%				-80,481,476	-80,481,476	258,914,001	7.06%
Domestic natural person shares	28,897,800	0.78%				-9,726,375	-9,726,375	19,171,425	0.52%
II. Shares without Restrictions on Sales	3,313,352,130	90.00%				74,842,458	74,842,458	3,388,194,588	92.42%
1. Ordinary shares in RMB	3,313,352,130	90.00%				74,842,458	74,842,458	3,388,194,588	92.42%
2. Domestically listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total Number of Shares	3,681,645,407	100.00%				-15,365,393	-15,365,393	3,666,280,014	100.00%

**Reasons for changes in shares**

- (1) In January 2021, to purchase assets and raise matching funds and related transactions to issue shares to purchase the new shares were released from the restricted sale and listed for circulation. The number of new shares issued in this non-public offering is 65,101,746.
- (2) In June 2021, the Company implemented repurchase and cancellation business as performance compensation and therefore the total share capital decreased by 15,379,730.
- (3) As at December 2021, the Company had 1,639 Hengyi Convertible Bonds which was converted into 14,337 Hengyi Petrochemical shares.

**Approval of changes in shares**

- (1) On November 27, 2018, the Company received the *Official Reply on Approving Hengyi Petrochemical Co., Ltd. to Issue Shares to Zhejiang Hengyi Group Co., Ltd. etc. for Purchase of Assets and Fundraising* (ZJXK[2018] No. 1937) issued by China Securities Regulatory Commission (CSRC).
- (2) The *Resolution on Achievement of Performance Commitments and Performance Compensation Plan in 2020 through the Share Issuance for Asset Acquisition and Connected Transactions* was examined and adopted at the Company's Board meeting 2020 held on April 19, 2021 and the 2020 Annual General Meeting of Shareholders held on May 11, 2021, and after the repurchase and cancellation of the compensation shares, the Company's total share capital will decrease by 15,379,730.
- (3) Upon approval by Shenzhen Stock Exchange (approval document SZS\ [2020] No. 1027), the Company's convertible bonds amounting to RMB 2 billion were listed on Shenzhen Stock Exchange on November 16, 2020. The bond named Hengyi Convertible Bonds and the bond code is 127022.

**Transfer of changes in shares**

- (1) On January 18, 2021, the Company issued shares for the purpose of purchase of assets and fund raising and involved in connected transactions to issue shares for purchase of assets and 65,101,746 shares were lifted from sales restrictions.

**The impact of share changes on financial indicators such as basic earnings per share and diluted earnings per share, net assets per share attributable to the Company's common**

**shareholders, etc. in the recent one year and the Reporting Period**

The Company's share capital was 3,681,645,407 shares at the beginning of the Reporting Period and was 3,666,280,014 shares as at the end of the Reporting Period. The change in shares resided in its implementation of repurchase and cancellation of performance compensation shares and the conversion of convertible bonds into shares. In accordance with *Accounting Standards for Business Enterprises-Earnings Per Share*, the most recent share capital was recalculated on the basis of the adjusted number of shares, and therefore the basic earnings per share over the past period was RMB 0.94/share and the diluted earnings per share after the change was RMB 0.91/share.

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

Applicable  Not applicable

**7.1.2 Changes in restricted shares**

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares increased in current period	Number of restricted shares lifted in current period	Number of restricted shares at the end of the period	Reasons for restrictions	Date of restriction lifted
Zhejiang Hengyi Group Co., Ltd.	209,172,454	0	0	193,792,724	Shares added through the issue of shares for purchase of assets and connected transactions	01/12/2022
Fulida Group Holdings Company	65,111,512	32,550,873	0	32,560,639		
Xinghui Chemical Fiber Group Co., Ltd.	65,111,511	32,550,873	0	32,560,638		01/18/2021
Total	339,395,477	65,101,746	0	258,914,001	-	-

**7.2 Securities issuance and listing****7.2.1 Securities issuance (excluding preference shares) during the Reporting Period**

Applicable  Not applicable

**7.2.2 Statement of changes in the Company's total number of shares and shareholder structure, and changes in the Company's assets and liabilities structure**

During the Reporting Period, the Company's implementation of repurchase and cancellation of performance compensation shares and the conversion of convertible bonds into shares resulted in change in the total number of shares, which was 3,681,645,407 at the beginning of period and was 3,666,280,014 as at the disclosure date of the report.

**7.2.3 Existing internal employee shares**

Applicable  Not applicable

### 7.3 Shareholders and actual controller

#### 7.3.1 The number of shareholders and shareholding of the Company

Unit: share

The total number of common shareholders at the end of the Reporting Period		66,205		The total number of shareholders as at March 31, 2022			69,915	
Holding of Shareholders owning over 5% of the Company's shares or top 10 shareholders								
Name of shareholders	Nature of shareholders	Shareholding ratio	Number of shares held at the end of the Reporting Period	Increase/decrease in the Reporting Period	Holding of shares with restrictions on sales	Holding of shares without restrictions on sales	Pledged or frozen	
							Status of shares	Quantity
Zhejiang Hengyi Group Co., Ltd.	Domestic non-state-owned legal person	40.61%	1,488,933,728	-15,379,730	193,792,724	1,295,141,004	Pledged	997,934,523
Hangzhou Hengyi Investment Co., Ltd.	Domestic non-state-owned legal person	6.99%	256,338,027	0	0	256,338,027		
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinyi Xincheng Assembled Fund Trust Program	Other	3.46%	126,857,927	-5,943,611	0	126,857,927		
Fortune Sender Assets Management (Guangdong) Co., Ltd. -	Other	2.77%	101,450,000	-56,932,926	0	101,450,000		



Fortune Sender Shengde No. 1 Private Securities Investment Fund								
Xinghui Chemical Fiber Group Co., Ltd.	Domestic non-state-owned legal person	2.66%	97,662,383	0	32,560,638	65,101,745		
Hong Kong Securities Clearing Company Limited (HKSCC)	Overseas legal person	1.77%	62,224,582	-5,896,735	0	62,224,582		
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinxing Assembled Fund Trust Program	Other	1.47%	53,834,649	53,834,649	0	53,834,649		
Berseagold Asset Management Co., Ltd. - Berseagold Huixin No. 8 Private Securities Investment Fund	Other	1.36%	49,936,900	49,936,900	0	49,936,900		
Tibetan Trust Co., Ltd. - Tibetan Trust - Hongjing No. 29 Assembled Fund Trust Program	Other	1.30%	47,841,104	47,841,104	0	47,841,104		
Ningbo Lanxi Innovation Equity Investment Partnership	Domestic non-state-owned legal person	1.17%	42,988,622	42,988,622	0	42,988,622		

Firm (limited partnership)								
Strategic investors or general legal persons ranked the top 10 shareholders due to placing (if any) (Please refer to Note 3)	N/A							
Statement of the connected relation or parties acting in concert among the above shareholders	Among the top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is a controlled subsidiary of Hengyi Group. It is unknown whether connected relation exists among other shareholders and it is unknown whether they are shareholders acting in concert either.							
Statement of the above shareholders involvement in entrustment /trustee voting and waiver of voting	N/A							
Special statement of the existence of special account for repurchase among top 10 shareholders (if any) (Please refer to Note 10)	Among the top 10 shareholders, Hengyi Petrochemical Co., Ltd. held 56,975,119 Company shares through its special account for securities repurchase, representing 1.55% of the Company's total share capital and it is not included in the list of top 10 shareholders.							

Continued

Top 10 shareholders holding of shares without restrictions on sales		
Name of shareholders	Holding of shares without restrictions on sales at the end of the Reporting Period	Stock class
Zhejiang Hengyi Group Co., Ltd.	1,295,141,004	Ordinary shares in RMB
Hangzhou Hengyi Investment Co., Ltd.	256,338,027	Ordinary shares in RMB
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinyi Xincheng Assembled Fund Trust Program	126,857,927	Ordinary shares in RMB
Fortune Sender Assets Management (Guangdong) Co., Ltd. - Fortune Sender Shengde No. 1 Private Securities Investment Fund	101,450,000	Ordinary shares in RMB
Xinghui Chemical Fiber Group Co., Ltd.	65,101,745	Ordinary shares in RMB
Hong Kong Securities Clearing Company Limited (HKSCC)	62,224,582	Ordinary shares in RMB
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinxing Assembled Fund Trust Program	53,834,649	Ordinary shares in RMB
Berseagold Asset Management Co., Ltd. - Berseagold Huixin No. 8 Private Securities Investment Fund	49,936,900	Ordinary shares in RMB
Tibetan Trust Co., Ltd. - Tibetan Trust - Hongjing No. 29 Assembled Fund Trust Program	47,841,104	Ordinary shares in RMB
Ningbo Lanxi Innovation Equity Investment Partnership Firm (limited partnership)	42,988,622	Ordinary shares in RMB
Statement of connected relation or parties acting in connect among the top 10 shareholders of unrestricted tradable shares and between the top 10 shareholders of unrestricted tradable shares and top 10 shareholders	Among the top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is a controlled subsidiary of Hengyi Group. It is unknown whether connected relation exists among other shareholders and it is unknown whether they are shareholders acting in concert either.	
Statement of the top 10 common shareholders involvement in margin trading and securities lending business (if any) (Please refer to Note 4)	<p>1. The shareholder Zhejiang Hengyi Group Co., Ltd. held 1,400,471,542 shares through ordinary securities account and held 88,462,186 shares through CITIC Securities customer credit collateral securities trading account, both of which sum up to 1,488,933,728 shares.</p> <p>2. The shareholder Hangzhou Hengyi Investment Co., Ltd. held zero shares through ordinary securities account and held 256,338,027 shares through Soochow Securities Co., Ltd. customer credit collateral securities trading account, both of which sum up to 256,338,027 shares.</p>	

	<p>3. The shareholder Fortune Sender Assets Management (Guangdong) Co., Ltd. - Fortune Sender Shengde No. 1 Private Securities Investment Fund held zero shares through ordinary securities account and held 101,450,000 shares through Huatai Securities Co., Ltd. customer credit collateral securities trading account, both of which sum up to 101,450,000 shares.</p> <p>4. The shareholder Berseagold Asset Management Co., Ltd. - Berseagold Hui Xin No. 8 Private Securities Investment Fund held zero shares through ordinary securities account and held 49,936,900 shares through Guosen Securities Co., Ltd. customer credit collateral securities trading account, both of which sum up to 49,936,900 shares.</p> <p>5. The shareholder Ningbo Lanxi Innovation Equity Investment Partnership Firm (limited partnership) held zero shares through ordinary securities account and held 42,988,622 shares through China Galaxy Financial Holdings Company Limited customer credit collateral securities trading account, both of which sum up to 42,988,622 shares.</p>
--	---

### **Existence or nonexistence of agreed repurchase securities trading among the top 10 ordinary shareholders and top 10 ordinary shareholders of shares without restrictions on sales**

The top 10 ordinary shareholders and top 10 ordinary shareholders of shares without restrictions on sales did not engage in agreed repurchase securities trading during the Reporting Period.

### **7.3.2 The controlling shareholder of the Company**

Nature of controlling shareholder: natural person holding

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative /head of company	Date of establishment	Organization code	Primary business
Hengyi Group	Qiu Jianlin	10/18/1994	91330109143586141L	Industrial investment, production and marketing of textile materials and products etc.
Controlling shareholder's equity controlling of and equity participation in other domestically and overseas listed companies in the Reporting Period	As at the disclosure date hereof, Hengyi Group held 494,655,630 shares of China Zhesang Bank Co., Ltd. (Stock code 601916.SH, 02016.HK), representing 2.33% of its total share capital.			

### Change to controlling shareholder in the Reporting Period

The controlling shareholder of the Company remained unchanged in the Reporting Period.

### 7.3.3 The Company's actual controller and persons acting in concert

Nature of actual controller: domestic natural person

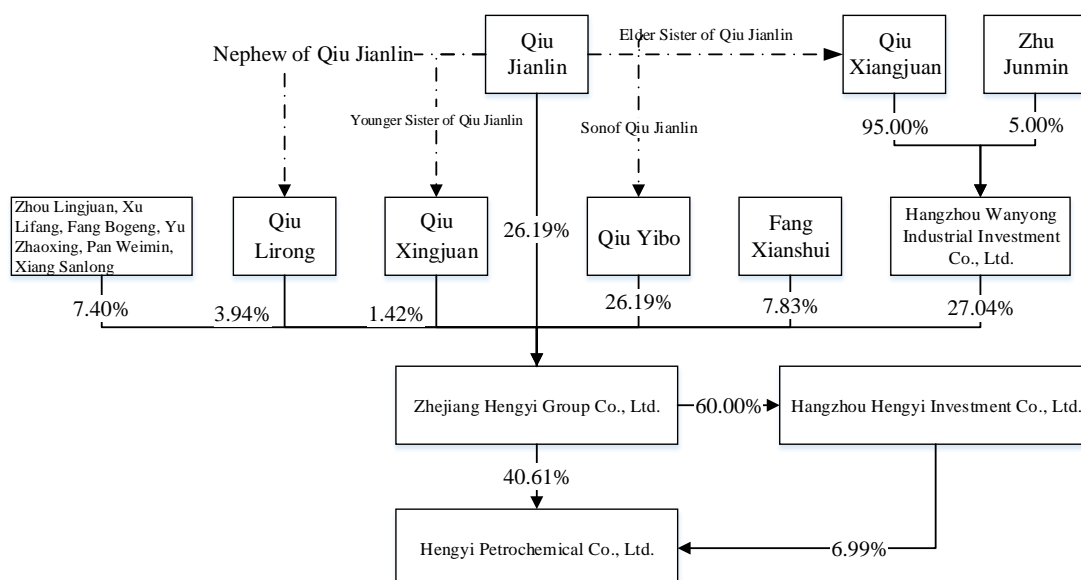
Type of actual controller: natural person

Name of actual controller	Relation with the actual controller	Nationality	Right of residence in other countries or regions granted or not
Qiu Jianlin	Himself	China	No
Primary occupation and title	Since 1994, Mr. Qiu Jianlin has been the president of Zhejiang Hengyi Group Co., Ltd. In addition, he is the executive member of China National Textile and Apparel Council and the senior vice president of China Chemical Fibers Association.		
Domestically and overseas listed companies in which he had a controlling stake over the past 10 years	As at the disclosure date hereof, Mr. Qiu Jianlin is the actual controller of Hengyi Group that directly holds 40.61% of the Company shares and holds 6.99% of the Company shares through Zhejiang Hengyi Investment Co., Ltd., a controlled subsidiary of Hengyi Group (Hengyi Group holds a 60% stake in Zhejiang Hengyi Investment Co., Ltd.). Therefore, Mr. Qiu Jianlin is the actual controller of the Company.		

### Change to actual controller in the Reporting Period

The actual controller of the Company remained unchanged in the Reporting Period.

### Block Diagram of Property Rights and Control Relationship Between the Company and the Actual Controller



Note: As at the disclosure date hereof, Qiu Jianlin holds 26.19% of the equity of Hengyi Group and actually controls 84.77% of the equity of Hengyi Group through acting in concert with his family members (Qiu Jianlin signed the *Acting-in-Concert Agreement* with Hangzhou Wanyong Industrial Investment Co., Ltd., Qiu Xiangjuan, Qiu Yibo, Qiu Lirong and Qiu Xingjuan on February 8, 2018. The agreement has maintained effective and under the agreement, Wanyong Industrial Investment Co., Ltd. controlled by Qiu Xiangjuan, Qiu Yibo, Qiu Lirong and Qiu Xingjuan are persons acting in concert with Qiu Jianlin. The four shareholders hold 27.04%, 26.19%, 3.94% and 1.42% of Hengyi Group equity respectively). Hengyi Group owns a direct 40.61% stake in Hengyi Petrochemical and owns a 6.99% stake in Hengyi Petrochemical through its controlled subsidiary - Hengyi Investment Co., Ltd., both of which sum up to a 47.60% stake in Hengyi Petrochemical. Therefore, Qiu Jianlin remains the actual controller of the listed Company.

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

Applicable  Not applicable

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

Applicable  Not applicable

**7.3.5 Other corporate shareholders holding over 10%**

Applicable  Not applicable

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

Applicable  Not applicable

**7.4 Implementation details of repurchase in the Reporting Period**

**Implementation progress of repurchase**

Disclosure	Proposed	Proportion	Proposed	Proposed	Purpose of	Repurchased	Proportion	of
------------	----------	------------	----------	----------	------------	-------------	------------	----

date of the plan	number of shares repurchased	to total share capital	amount of repurchase	period of repurchase	repurchase	shares	repurchased shares to the underlying stocks relating to share incentive plan (if any)
08/29/2020	/	/	Not less than RMB 500 million and not more than RMB one billion	August 28, 2020 to August 28, 2021	Implement employee stock ownership plan or share incentive plan later	37,166,129	/
10/28/2021	/	/	Not less than RMB 500 million and not more than RMB one billion	October 27, 2021 to October 27, 2022	Implement employee stock ownership plan or share incentive plan later	23,839,372	/

**Implementation progress of reducing the holding the repurchased shares through centralized bidding**

Applicable  Not applicable

## **Section 8      Preference Shares**

There were no preference shares of the Company in the Reporting Period.



## Section 9      Bonds

### 9.1 Enterprise bonds

There were no corporate bonds of the Company in the Reporting Period.

### 9.2 Corporate bonds

#### 9.2.1 Basic information about corporate bonds

Unit: RMB 10,000

Bond name	Bond abbreviation	Bond code	Date of issuance	Value date	Maturity date	Bond balance	Interest rate	Method for interest and principal repayment	Place of trading
Hengyi Petrochemical Co., Ltd. issued corporate bonds (tranche 1) publicly to eligible investors in 2020	20Hengyi01	149061.SZ	03/11/2020	03/13/2020	03/13/2023	81.1	5.50%	Yearly accrual of simple interest is to be calculated without consideration of compound interest. Interest will be paid per annum and the last installment of interest will be paid together with principal payment.	Shenzhen Stock Exchange
Investor suitability arrangement (if any)	Corporate bonds are issued publicly to the eligible institutional investors who are in compliance with the provisions of <i>Measures for Administration of Issuance and Trading of Corporate Bonds</i> and have opened an eligible securities account for A-share trading at China Securities Depository and Clearing Corporation Limited (CSDC) Shenzhen Branch.								
Applicable trading mechanism	During the Reporting Period, the interest of bond “20Hengyi01” was paid in full amount and on time. As at the issue date of the report, RMB 999,189,000 of “20Hengyi01” has been put and RMB 811,000 hasn’t been put.								
Risks of terminating the listing (if any) and countermeasures	N/A								

### Overdue outstanding bonds

Applicable  Not applicable

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

**“20Hengyi01” is under the option for issuer to change coupon rate:** In accordance with the *Prospectus for Public Issue of Hengyi Petrochemical Co., Ltd. Corporate Bonds (Tranche 1) to Eligible Investors in 2020*, the issuer of the bonds has the right to decide whether to change the coupon rate of current tranche at the end of the second year. The issuer will, on the 20<sup>th</sup> trading day prior to the interest payment date in the second interest bearing year of current tranche, disclose an announcement on whether to change the coupon rate of current tranche and the detailed change. The annual coupon rate of current tranche for the first two years of duration was 5.89%; the issuer opted to reduce the coupon rate by 39bp at the end of the second year of duration and the coupon rate for the third year of duration was 5.50%.

**“20Hengyi01” is under investor put option:** Upon the issuer making an announcement on whether to change the coupon rate of current tranche, bondholders are entitled to an option for registration within the accounted investor put registration period and put of current tranche at par, in whole or in part, to the issuer. Finally, the declared number of effective put of current tranche within the put registration period is 9,991,890 and the put amounts to RMB 999,189,000 (excluding interest). The number of outstanding puttable bonds is 8,110.

### 9.2.3 Intermediary

Bond program name	Intermediary name	Office address	Name of signing accountants	Contact of intermediary	Telephone number
Hengyi Petrochemical Co., Ltd. issued corporate bonds (tranche 1) publicly to eligible investors in 2020	CITIC Securities Co., Ltd.	22/F Central Building, No. 1568 Century Avenue, Pudong New Area, Shanghai	Liu Hongyue, Wang Zhiwei, Jiang Bo, Li Zhongshi	Xu Lin	021-20262318

#### Whether there are changes to the said agency in the Reporting Period?

Yes  No

### 9.2.4 Utilization of raised funds

Currency: RMB

Bond program name	Total amount	Amount used	Amount	Operation	Correction	Whether the
-------------------	--------------	-------------	--------	-----------	------------	-------------

	of funds raised		unused	of the special account for funds raised (if any)	of illegal use of funds raised	fund use is compliant with the purpose, use plan and other provisions under the prospectus?
Hengyi Petrochemical Co., Ltd. issued corporate bonds (tranche 1) publicly to eligible investors in 2020	1,000,000,000	1,000,000,000	0.00	N/A	N/A	Yes

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

Applicable  Not applicable

**The purpose of the said funds raised through bonds issuance was changed in the Reporting Period.**

Applicable  Not applicable

**9.2.5 Change in credit rating results in the Reporting Period**

Applicable  Not applicable

**9.2.6 Guarantee, execution of and change in debt repayment plan and other debt repayment safeguard measures in the Reporting Period and impacts on the equities of bond investors**

“20Hengyi01” is under no guarantee. During the Reporting Period, the debt repayment plan and other safeguard measures remained unchanged, having no impacts on the equities of bond investors.

**9.3 Non-financial corporate debt financing instruments**

There was no debt financing instruments of non-financial businesses in the Reporting Period.

**9.4 Convertible corporate bonds**

**9.4.1 Previous adjustments to the conversion price**

Since the Company implemented the equity distribution 2020 business, the convertible corporate bonds issued by the Company (bond abbreviation: Hengyi Convertible Bonds, bond code: 127022) were subject to change in the conversion price: original conversion price was RMB 11.50 per share

and the changed conversion price was RMB 11.20 per share, and the change took effect since July 6, 2021.

#### 9.4.2 Cumulative conversion

Abbreviation of the convertible bonds	Beginning and ending dates of conversion	Total number of issues	Total amount of issuance (RMB)	Cumulative amount of conversion (RMB)	Cumulative number of bonds converted into shares (share)	Proportion of number of converted bonds to total shares in issue before the conversion beginning date	Amount of bonds not converted (RMB)	Proportion of amount of bonds not converted to total amount of issuance
Hengyi Convertible Bonds	April 22, 2021 to October 15, 2026	20,000,000	2,000,000,000	163,900.00	14,337	0.00039%	1,999,836,100	99.992%

#### 9.4.3 Top 10 holders of convertible bonds

Unit: share

S/N	Name of convertible bonds holders	Nature of convertible bonds holders	Number of convertible bonds held at the end of the Reporting Period	Amount of convertible bonds held at the end of the Reporting Period (RMB)	Proportion of convertible bonds held at the end of the Reporting Period
1	ICBC Credit Suisse Hybrid Pension Product - Industrial and Commercial Bank of China	Other	636,080	63,608,000	3.18%
2	ICBC - E Fund Management Anxin Huibao Bond Securities Investment Fund	Other	570,652	57,065,200	2.85%
3	Shanghai Longlife Investment Co., Ltd. - Longlife Xinrui Bond Gain No. 1 Private Securities Investment Fund	Other	482,520	48,252,000	2.41%
4	ICBC Credit Suisse Tianfeng Convertible Bond Fixed Income Pension Product - ICBC	Other	479,008	47,900,800	2.40%
5	UBS AG	Overseas legal person	449,977	44,997,700	2.25%
6	E Fund Management Yitian Hybrid Pension Product - ICBC	Other	447,925	44,792,500	2.24%

7	Shanghai Pudong Development Bank Co., Ltd. (SPDB) - E Fund Management Yufeng Huibao Bond Securities Investment Fund	Other	435,508	43,550,800	2.18%
8	Enterprise Annuity Plan of Shenhua Group Co., Ltd. - China Construction Bank Co., Ltd. (CCB)	Other	431,666	43,166,600	2.16%
9	Guoyuan Securities Co., Ltd.	State-owned legal person	397,550	39,755,000	1.99%
10	Agricultural Bank of China Co., Ltd. (ABC) - Penghua Convertible Bond Securities Investment Fund	Other	359,255	35,925,500	1.80%

#### 9.4.4 Significant changes in the guarantor's profitability, condition of assets and credit status

Applicable  Not applicable

#### 9.4.5 The Company's liabilities, changes in credit standing at the end of the Reporting Period and cash arrangement for debt repayment in the coming years

##### 9.4.5.1 Relevant accounting data and financial indicators

Item	Current Reporting Period	The same period of the previous year	Year-on-year rate of change
Liquidity ratio	73.69%	70.63%	4.33%
Debt-to-asset ratio	68.79%	67.32%	1.47%
Acid-test ratio	50.59%	47.11%	7.39%
Times interest earned	2.84	3.11	-8.68%
Loan repayment ratio	100%	100%	0.00%
Interest repayment rate	100%	100%	0.00%

##### 9.4.5.2 Credit rating of convertible bonds

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

#### 9.4.5.3 Cash arrangement for debt repayment in the coming years

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

#### 9.5 Losses within the consolidation scope in the Reporting Period more than 10% of the net assets at the end of previous year

Applicable  Not applicable

#### 9.6 Overdue of interest-bearing debts except for bonds in the Reporting Period

Applicable  Not applicable

#### 9.7 Existence/non-existence of violation of rules and regulations in the Reporting Period

Yes  No

#### 9.8 Main accounting data and financial indicators for the past two years as at the end of the Reporting Period

Unit: RMB 10,000

Item	End of current Reporting Period	End of previous year	Increase/decrease at the end of current Reporting Period over the end of previous year
Liquidity ratio	73.69%	70.63%	4.33%
Debt-to-asset ratio	68.79%	67.32%	1.47%
Acid-test ratio	50.59%	47.11%	7.39%
	Current Reporting Period	The same period of the previous year	Year-on-year increase/decrease
Net profit after deducting non-recurring profit and loss	275,854.33	247,910.10	11.27%
Debts to EBITDA	13.69%	15.51%	-1.82%
Times interest earned	2.84	3.11	-8.68%
Times cash interest earned	4.44	2.78	59.71%
Times interest earned – using EBITDA	4.01	4.23	-5.20%
Loan repayment ratio	100.00%	100.00%	0.00%
Interest repayment rate	100.00%	100.00%	0.00%

## Section 10 Financial Report

### 10.1 Audit report

Type of auditor's opinion	Standard unqualified opinion
Signing date of the audit report	04/25/2022
Name of auditing agency	Zhongxinghua Certified Public Accountants LLP
Reference number of the audit report	ZXHSZ [2022] No. 012399
Name of certified public accountant	Liu Hongyue, Wang Guohai

### Audit Report

ZXHSZ [2022] No. 012399

**To: all shareholders of Hengyi Petrochemical Co., Ltd.,**

#### 10.1.1 Auditor's opinion

We have audited the financial statements of Hengyi Petrochemical Company Limited (hereinafter referred to as "Hengyi Petrochemical"), which comprise the consolidated and parent company' balance sheets as of December 31, 2021, the consolidated and parent company' income statements, the consolidated and parent company' cash flow statements, the consolidated and parent company' statements of changes in shareholders' equity and notes to the financial statements for the year 2021.

In our opinion, the attached financial statements are prepared and present fairly, in all material aspects, the consolidated and parent company's financial position as of December 31, 2021, and the results of their operations and cash flows for the year 2021 in accordance with Accounting Standards for Business Enterprises.

#### 10.1.2 Basis for auditor's opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants (CPAs) in China. Our responsibilities under these standards are further described in the section "CPAs' Responsibilities for the Audit of the Financial Statements" of the audit report. According to the China Code of Ethics for Certified Public Accountants, we are independent from Hengyi Petrochemical and have fulfilled other ethical responsibilities as specified in the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit

opinion.

### **10.1.3 Key audit matters**

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

#### **10.1.3.1 Recognition of operating revenue**

##### **10.1.3.1.1 Description of matters**

For details of relevant information disclosure, please refer to Note 4.27 “Revenue” and Note 6.49 “Operating Revenue and Operating Costs” to the Financial Statements.

In 2021, the consolidated operating revenue of Hengyi Petrochemical was RMB 128,979,539,700, representing a year-on-year increase of 49.23%. Taking into account the importance of revenue recognition to the overall financial statements, and the existence of the inherent risk that management may manipulate revenue recognition to achieve specific goals or expectations, we deem recognition of operating revenue as a key audit matter.

##### **10.1.3.1.2 Audit response**

The main audit procedures we performed are as follows:

- (1) Understanding, evaluating and testing the effectiveness of the design and operation of the Company's internal control related to the revenue recycling;
- (2) Selecting the sales contracts signed by samples, identifying the individual performance obligations, transfer of control and other terms in the contracts, and evaluating whether the timing of revenue recognition has met the requirements of the Accounting Standards for Business Enterprises;
- (3) Performing analytical procedures on revenues and costs; analyzing fluctuations in revenue, cost, gross profit rate for each month of current period; comparing and analyzing the analysis procedures for revenue, cost, gross profit rate of main products in current period with those in previous period, and comparing and analyzing product sales prices and raw material purchase prices with those of related products in the industry, and evaluating the accuracy of revenue recognition;
- (4) Selecting samples from the accounting records of sales revenue, checking sales-related contracts, delivery notes, bills of lading, certificates of transfer of goods property, invoices, etc., and evaluating



the authenticity and completeness of revenue recognition;

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

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

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

### **10.1.3.2 Measurement of fixed assets and construction in progress**

#### **10.1.3.2.1 Description of matters**

For relevant information disclosure, please refer to Note 4.17 "Fixed Assets", 18 "Construction in Progress", and 34 (6) "Depreciation and Amortization", and Note 6.15 "Fixed Assets", and 16 "Construction in Progress" to the financial statements.

As of December 31, 2021, the book value of Hengyi Petrochemical's fixed assets was RMB 46,117,918,500. The assets mainly involved the machinery and equipment as well as corresponding plants used for the production of aromatics, product oil products, polyester yarn, purified terephthalic acid, etc. These fixed assets were recorded in the book when they reached their intended usable state and were depreciated on a straight-line basis over their estimated useful lives.

As of December 31, 2021, the book balance of Hengyi Petrochemical's construction in progress was RMB 3,896,282,600. The construction mainly involved the Haining Intelligent Environment-Friendly Functional Fiber Construction Project, etc. The construction in progress of Hengyi Petrochemical is measured at actual costs, including construction costs, installation costs, and borrowing costs eligible for capitalization and other necessary expenditures to make the construction in progress reach the intended usable state, including those expenses of engineering, supervision and cost consulting. The management's judgments on the following aspects will affect the book value of fixed assets and construction in progress as well as the depreciation policy for fixed assets. The judgments include: determining which expenditures are eligible for capitalization, determining the point at which the expenditures for construction in progress is rolled into fixed assets and accrued depreciation begins; and estimating the economically useful lives and residual values of

the corresponding fixed assets.

We identified the measurement of fixed assets and construction in progress as a key audit matter because evaluating the book value of fixed assets and construction in progress involves important management judgments and they account for a large proportion of the consolidated financial statements.

#### **10.1.3.2.2 Audit response**

The procedures we performed for the measurement of fixed assets and construction in progress include:

- (1) Understanding, evaluating and testing the effectiveness of the design and operation of management's key internal control related to the recognition of fixed assets and construction in progress;
- (2) Conducting sampling inspection of new inputs into construction in progress this year and checking whether the above inputs are eligible for capitalization, for example, random check of significant construction and installation costs that are added during the year, examination of corresponding construction contracts, and reconciliation of the amounts actually paid with the invoices and payment vouchers.
- (3) Obtaining borrowing contracts, checking the borrowing costs directly attributable to the acquisition and construction of assets eligible for capitalization, and evaluating the completeness and accuracy of the timing and amount of capitalization, based on the inputs of construction in progress;
- (4) Visiting the construction site to understand and evaluate the progress of the project, and reconciling it with the amount recorded in the book;
- (5) Going through the approval procedures for the roll-in of new fixed assets to fixed assets in current period, and confirming the accuracy of the roll-in time based on on-site inventory;
- (6) Evaluating the rationality of accounting estimates related to fixed assets through calculation;
- (7) Checking the presentation and disclosure of fixed assets and construction in progress in the financial statements.

#### **10.1.4 Other information**

The management of Hengyi Petrochemical (hereinafter referred to as the “Management”) is responsible for the “other information”. The “other information” comprises the information included in Hengyi Petrochemical's 2021 Annual Report, but does not include the financial statements and our

audit report.

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

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

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

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

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

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

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

#### **10.1.6 Responsibilities of certified public accountants for the audit of financial statements**

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

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

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

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

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

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

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

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

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

precautions (if applicable).

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

(As the signature and seal page of the Audit Report (ZXHSZ [2022] No. 012399, this page has no text)

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

(Project Partner)

Beijing, China

Certified Public Accountant of China:

Monday, April 25, 2022

## 10.2 Financial Statements

Unit for the statements included in the notes: none.

### 10.2.1 Consolidated Balance Sheet

#### Consolidated Balance Sheet

12/31/2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Ending balance of current period	Beginning balance of current period	Ending balance of previous period
<b>Current assets:</b>				
Monetary capital	VI. 1	14,322,716,793.82	10,078,983,803.86	10,078,983,803.86
Financial assets held for trading	VI. 2	388,958,054.67	251,904,308.53	251,904,308.53
Derivative financial assets	VI. 3		737,015,777.82	737,015,777.82
Notes receivable	VI. 4	258,014,878.86	214,684,966.98	214,684,966.98
Accounts receivable	VI. 5	6,436,842,058.88	3,879,744,130.04	3,879,744,130.04
Accounts receivable financing	VI. 6	487,553,057.15	537,214,790.48	537,214,790.48
Advance payments	VI. 7	2,361,528,254.53	883,379,980.28	883,379,980.28
Other receivables	VI. 8	484,215,755.18	444,853,725.83	444,853,725.83
Inventory	VI. 9	12,100,381,644.06	9,650,858,867.17	9,650,858,867.17
Contract assets				
Held for sale assets				
Non-current assets due within one year	VI. 10	115,233,477.61	92,749,731.30	92,749,731.30
Other current assets	VI. 11	1,640,351,289.45	2,210,554,253.43	2,210,554,253.43
<b>Total current assets</b>		<b>38,595,795,264.21</b>	<b>28,981,944,335.72</b>	<b>28,981,944,335.72</b>
<b>Non-current assets:</b>				
Debt investment				
Other debt investment				
Long-term receivables	VI. 12	3,307,639.58	157,476,489.65	157,476,489.65
Long-term equity investments	VI. 13	12,085,626,559.38	10,062,484,360.52	10,062,484,360.52
Other equity instrument investment	VI. 14	5,600,000.00	5,600,000.00	5,600,000.00
Other non-current financial assets				
Investment property				
Fixed assets	VI. 15	46,117,918,498.81	41,579,728,480.95	41,579,728,480.95
Construction in progress	VI. 16	3,896,282,585.50	7,801,532,982.72	7,801,532,982.72
Capitalized biological assets				
Oil and gas assets				
Right-of-use assets	VI. 17	411,032,649.33	454,147,120.45	
Intangible assets	VI. 18	1,934,882,729.96	1,780,817,303.08	1,780,817,303.08
Development expenditure	VI. 19	11,303,531.89	7,630,754.87	7,630,754.87

Item	Note	Ending balance of current period	Beginning balance of current period	Ending balance of previous period
Goodwill	VI. 20	221,865,586.69	221,865,586.69	221,865,586.69
Long-term deferred and prepaid expenses	VI. 21	466,996,430.48	530,004,792.56	558,914,884.31
Deferred income tax assets	VI. 22	123,507,368.56	135,860,344.06	135,860,344.06
Other non-current assets	VI. 23	1,674,790,628.54	966,412,632.97	966,412,632.97
<b>Total non-current assets</b>		<b>66,953,114,208.72</b>	<b>63,703,560,848.52</b>	<b>63,278,323,819.82</b>
<b>Total assets</b>		<b>105,548,909,472.93</b>	<b>92,685,505,184.24</b>	<b>92,260,268,155.54</b>

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

Legal representative:

Chief Accountant:

Head of Accounting Firm:

Continued from previous page

## Consolidated Balance Sheet (Contd.)

12/31/2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Ending balance of current period	Beginning balance of current period	Ending balance of previous period
<b>Current liabilities:</b>				
Short-term loans	VI. 24	33,778,694,677.24	26,482,672,125.98	26,482,672,125.98
Transactional financial liabilities	VI. 25	1,670,361.85	9,301,029.70	9,301,029.70
Derivative financial liabilities	VI. 26	23,705,440.98	136,608,747.10	136,608,747.10
Notes payable	VI. 27	440,900,000.00	1,187,267,473.78	1,187,267,473.78
Accounts payable	VI. 28	10,011,007,717.44	5,740,701,545.50	5,740,701,545.50
Advance receipts				
Contract liabilities	VI. 29	1,723,901,780.92	1,468,187,681.02	1,468,187,681.02
Wages payable	VI. 30	311,462,869.52	293,025,783.34	293,025,783.34
Taxes and dues payable	VI. 31	938,364,781.66	640,490,564.22	640,490,564.22
Other payables	VI. 32	428,170,797.92	406,082,547.82	406,082,547.82
Held for sale liabilities				
Non-current liabilities due within one year	VI. 33	4,534,519,325.21	4,517,814,375.06	4,487,453,396.24
Other current liabilities	VI. 34	180,919,015.28	151,856,844.93	151,856,844.93
<b>Total current liabilities</b>		<b>52,373,316,768.02</b>	<b>41,034,008,718.45</b>	<b>41,003,647,739.63</b>
<b>Non-current liabilities:</b>				
Long-term loans	VI. 35	15,996,229,686.31	16,609,903,029.23	16,609,903,029.23
Bonds payable	VI. 36	2,612,404,203.28	3,521,330,557.49	3,521,330,557.49
Including: preference shares				
Perpetual bonds				
Lease liabilities	VI. 37	380,145,523.29	394,876,049.88	
Long-term payables	VI. 38	952,254,861.09	520,596,948.45	520,596,948.45
Long-term wages payable				
Estimated liabilities	VI. 39	213,630.54	3,555,907.35	3,555,907.35
Deferred income	VI. 40	207,647,626.95	197,513,098.48	197,513,098.48

Deferred tax liabilities	VI. 22	86,517,896.64	111,572,094.08	111,572,094.08
Other non-current liabilities				
<b>Total non-current liabilities</b>		<b>20,235,413,428.10</b>	<b>21,359,347,684.96</b>	<b>20,964,471,635.08</b>
<b>Total liabilities</b>		<b>72,608,730,196.12</b>	<b>62,393,356,403.41</b>	<b>61,968,119,374.71</b>
<b>Shareholders' equity:</b>				
Share capital	VI. 41	3,666,280,014.00	3,681,645,407.00	3,681,645,407.00
Other equity instruments	VI. 42	478,506,692.86	478,546,158.81	478,546,158.81
Including: preference shares				
Perpetual bonds				
Capital reserve	VI. 43	9,165,586,160.07	9,165,068,133.86	9,165,068,133.86
Less: treasury stock	VI. 44	718,150,457.23	349,918,604.53	349,918,604.53
Other comprehensive income	VI. 45	-1,070,859,214.62	-1,032,362,450.85	-1,032,362,450.85
Special reserve	VI. 46			
Surplus reserve	VI. 47	751,895,667.87	660,652,171.17	660,652,171.17
Undistributed profit	VI. 48	13,623,601,273.27	11,403,002,797.32	11,403,002,797.32
Total shareholders' equity attributable to parent company		25,896,860,136.22	24,006,633,612.78	24,006,633,612.78
Minority shareholders' equity		7,043,319,140.59	6,285,515,168.05	6,285,515,168.05
<b>Total shareholders' equity</b>		<b>32,940,179,276.81</b>	<b>30,292,148,780.83</b>	<b>30,292,148,780.83</b>
<b>Total liabilities and shareholders' equity</b>		<b>105,548,909,472.93</b>	<b>92,685,505,184.24</b>	<b>92,260,268,155.54</b>

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



## 10.2.2 Balance sheet of parent company

## Balance Sheet

12/31/2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Ending balance of current period	Beginning balance of current period	Ending balance of previous period
<b>Current assets:</b>				
Monetary funds		103,098,639.59	19,798,650.05	19,798,650.05
Financial assets held for trading				
Derivative financial assets				
Notes receivable				
Accounts receivable				
Accounts receivable financing				
Advance payments		1,372,924.53		
Other receivables	XV. 1	4,741,406,347.78	8,167,765,426.76	8,167,765,426.76
Inventory				
Contract assets				
Held for sale assets				
Non-current assets due within one year				
Other current assets		2,526,591.06		
<b>Total current assets</b>		<b>4,848,404,502.96</b>	<b>8,187,564,076.81</b>	<b>8,187,564,076.81</b>
<b>Non-current assets:</b>				
Debt investment				
Other debt investment				
Long-term receivables				
Long-term equity investments	XV. 2	15,932,060,322.09	15,781,533,619.33	15,781,533,619.33
Other equity instrument investment				
Other non-current financial assets				
Investment property				
Fixed assets		649.40	649.40	649.40
Construction in progress				
Capitalized biological assets				
Oil and gas assets				
Right-of-use assets				
Intangible assets				
Development expenditure				

Goodwill				
Long-term deferred and prepaid expenses				
Deferred income tax assets				
Other non-current assets				
<b>Total non-current assets</b>		<b>15,932,060,971.49</b>	<b>15,781,534,268.73</b>	<b>15,781,534,268.73</b>
<b>Total assets</b>		<b>20,780,465,474.45</b>	<b>23,969,098,345.54</b>	<b>23,969,098,345.54</b>

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

Legal representative:

Chief Accountant:

Head of Accounting Firm:

Continued from previous page

## Balance Sheet (Contd.)

As of December 31, 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Ending balance of current period	Beginning balance of current period	Ending balance of previous period
<b>Current liabilities:</b>				
Short-term loans				
Transactional financial liabilities				
Derivative financial liabilities				
Notes payable		235,000,000.00		
Accounts payable		8,624.46		
Advance receipts				
Contract liabilities				
Wages payable		787,610.58	565,750.89	565,750.89
Taxes and dues payable		473,166.43	1,059,142.98	1,059,142.98
Other payables		19,125,450.79	3,683,674.52	3,683,674.52
Held for sale liabilities				
Non-current liabilities due within one year		51,033,160.10	1,984,595,701.21	1,984,595,701.21
Other current liabilities				
<b>Total current liabilities</b>		<b>306,428,012.36</b>	<b>1,989,904,269.60</b>	<b>1,989,904,269.60</b>
<b>Non-current liabilities:</b>				
Long-term loans				
Bonds payable		2,612,404,203.28	3,521,330,557.49	3,521,330,557.49
Including: preference shares				
Perpetual bonds				
Lease liabilities				
Long-term payables				
Long-term wages payable				
Estimated liabilities				
Deferred income				
Deferred tax liabilities				
Other non-current liabilities				

<b>Total non-current liabilities</b>		2,612,404,203.28	3,521,330,557.49	3,521,330,557.49
<b>Total liabilities</b>		2,918,832,215.64	5,511,234,827.09	5,511,234,827.09
Owner's equity:				
Paid-up capital		3,666,280,014.00	3,681,645,407.00	3,681,645,407.00
Other equity instruments		478,506,692.86	478,546,158.81	478,546,158.81
Including: preference shares				
Perpetual bonds				
Capital reserve		13,008,479,380.82	12,978,735,355.53	12,978,735,355.53
Less: treasury stock		718,150,457.23	349,918,604.53	349,918,604.53
Other comprehensive income				
Special reserve				
Surplus reserve		625,741,560.92	540,978,888.21	540,978,888.21
Undistributed profit		800,776,067.44	1,127,876,313.43	1,127,876,313.43
<b>Total owner's equity</b>		<b>17,861,633,258.81</b>	<b>18,457,863,518.45</b>	<b>18,457,863,518.45</b>
<b>Total liabilities and owner's equity</b>		<b>20,780,465,474.45</b>	<b>23,969,098,345.54</b>	<b>23,969,098,345.54</b>

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

Legal representative:

Chief Accountant:

Head of Accounting Firm:

## 10.2.3 Consolidated income statement

## Consolidated Income Statement

FY 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Amount incurred in current year	Amount incurred in previous year
<b>I. Gross revenue</b>		<b>128,979,539,693.27</b>	<b>86,429,630,191.87</b>
Including: operation revenue	VI. 49	128,979,539,693.27	86,429,630,191.87
<b>II. Total operating cost</b>		<b>125,970,085,153.65</b>	<b>84,114,651,201.79</b>
Including: operating cost	VI. 49	121,608,031,299.09	80,449,830,696.94
Tax and associate charge	VI. 50	226,148,045.07	120,437,470.28
Selling expenses	VI. 51	228,081,384.04	218,109,801.14
Administration expenses	VI. 52	1,087,267,658.53	970,153,607.89
R&D expenses	VI. 53	686,980,217.98	351,969,307.93
Financial expenses	VI. 54	2,133,576,548.94	2,004,150,317.61
Including: interest expenses		2,098,777,291.01	1,857,374,805.92
Interest income		166,560,838.30	185,855,314.84
Plus: other income	VI. 55	332,264,253.83	.371,817,061.73
Income from investment (loss expressed with a minus sign)	VI. 56	1,069,400,148.61	1,691,621,709.35
Including: income from investment in associates and joint ventures		625,843,764.66	1,326,696,982.37
Gains from derecognition of financial assets measured at amortized cost			
Exchange earnings (loss expressed with a minus sign "-")			
Net exposure hedging gains (loss expressed with a minus sign "-")			
Income from changes in fair value (loss expressed with a minus sign "-")	VI. 57	42,971,667.68	156,423,385.37
Credit impairment loss (loss expressed with a minus sign "-")	VI. 58	82,758.06	13,912,334.18
Asset impairment loss (loss expressed with a minus sign "-")	VI.59	-146,977,289.85	-18,111,009.54
Asset disposal loss (loss expressed with a minus sign "-")	VI.60	-16,621,636.32	-4,357,509.27
<b>III. Operating profit (loss expressed with a minus sign "-")</b>		<b>4,290,574,441.63</b>	<b>4,526,284,961.90</b>
Plus: non-operating income	VI. 61	32,027,224.27	14,227,568.48
Less: non-operating expenditure	VI. 62	19,712,097.61	20,943,094.87
<b>IV. Total profit (total loss expressed with a minus sign "-")</b>		<b>4,302,889,568.29</b>	<b>4,519,569,435.51</b>
Less: income tax expenses	VI.63	344,590,446.03	704,967,451.61
<b>V. Net profit (net loss expressed with a minus sign "-")</b>		<b>3,958,299,122.26</b>	<b>3,814,601,983.90</b>
(I) Classified by operation continuity:			

1. Net profit from continuing operations (net loss expressed with a minus sign)		3,958,299,122.26	3,814,601,983.90
2. Net profit from discontinued operation (net loss expressed with a minus sign)			
(II) Classified by attribution of the ownership			
1. Net profit attributable to shareholders of parent company (net loss expressed with a minus sign)		3,408,043,143.47	3,071,998,839.75
2. Minority interest income (net loss expressed with a minus sign)		550,255,978.79	742,603,144.15
<b>VI. Other comprehensive income, net of tax</b>	VI.64	<b>3,515,560.65</b>	<b>-1,477,073,355.49</b>
(I) Other comprehensive income, net of tax, attributable to owners of the parent company		-38,496,763.77	-1,367,985,759.48
1. Other comprehensive income items which cannot be classified as profit or loss in succeeding accounting period			
(1) Remeasurement gains or losses of a defined benefit plan			
(2) Other comprehensive income cannot be recognized in profit and loss under equity method			
(3) Changes in fair value of other equity instrument investments			
(4) Changes in fair value of enterprise credit risks			
(2) Others			
2. Other comprehensive income to be reclassified into profit and loss		<b>-38,496,763.77</b>	<b>-1,367,985,759.48</b>
(1) Other comprehensive income that can be recognized in profit and loss under equity method		9,011,096.96	-59,356,706.36
(2) Changes in fair value of other debt investments			
(3) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve		300,242,496.51	-431,713,895.59
(6) Converted difference in foreign currency statements		-347,750,357.24	-876,915,137.53
(7) Others			
(II) Other comprehensive income, net of tax, attributable to minority shareholders		42,012,324.42:	-109,087,596.01
<b>VII. Total comprehensive income</b>		<b>3,961,814,682.91</b>	<b>2,337,528,628.41</b>
(I) Total comprehensive income attributable to parent company shareholders		3,369,546,379.70	1,704,013,080.27
(II) Other comprehensive income, net of tax, attributable to minority shareholders		592,268,303.21	633,515,548.14
<b>VIII. Earnings per Share (EPS):</b>			
(I) Basic earnings per share	XVI. 2	0.94	0.83

(II) Diluted EPS	XVI. 2	0.91	0.83
------------------	--------	------	------

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

Legal representative:

Chief Accountant:

Head of Accounting Firm:

## 10.2.4 Income Statement of Parent Company

## Income Statement

FY 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Amount incurred in current year	Amount incurred in previous year
<b>I. Operation revenue</b>	XV. 3	<b>3,707,429,681.57</b>	<b>2,586,856,333.35</b>
Less: operating cost	XV. 3	3,572,734,835.29	2,537,833,295.23
Tax and associate charge		5,754,198.90	2,047,577.69
Selling expenses			
Administration expenses		9,310,644.14	11,662,067.37
R&D expenses			
Financial expenses		18,986,910.99	-5,006,422.90
Including: interest expenses		215,840,087.70	267,780,810.45
Interest income		197,728,575.34	273,374,198.05
Plus: other income		2,193,970.06	1,241,974.76
Income from investment (loss expressed with a minus sign)	XV. 4	744,799,664.76	1,204,456,174.30
Including: income from investment in associates and joint ventures		26,702.76	-143,825.70
Gains from derecognition of financial assets measured at amortized cost			
Net exposure hedging gains (loss expressed with a minus sign “-”)			
Income from changes in fair value (loss expressed with a minus sign “-”)			
Credit impairment loss (loss expressed with a minus sign “-”)		-10,000.00	1,500.00
Asset impairment loss (loss expressed with a minus sign)			
Gains on asset disposal (loss expressed with a minus sign “-”)			
<b>II. Operating profit (loss expressed with a minus sign “-”)</b>		<b>847,626,727.07</b>	<b>1,246,019,465.02</b>
Plus: non-operating income			
Less: non-operating expenditure			163.39
<b>III. Total profit (total loss expressed with a minus sign “-”)</b>		<b>847,626,727.07</b>	<b>1,246,019,301.63</b>
Less: income tax expenses			
<b>IV. Net profit (net loss expressed with a minus sign “-”)</b>		<b>847,626,727.07</b>	<b>1,246,019,301.63</b>
(I) Net profit from continuing operations (net loss expressed with a minus sign)		847,626,727.07	1,246,019,301.63
(II) Net profit from discontinued operation (net loss expressed with a minus sign)			
<b>V. Other comprehensive income, net of tax</b>			
I. Other comprehensive income that cannot be re-classified into profit and loss			

1. Remeasurement gains or losses of a defined benefit plan			
2. Other comprehensive income cannot be recognized in profit and loss under equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of enterprise credit risks			
5. Others			
II. Other comprehensive income to be re-classified into profit and loss			
1. Other comprehensive income can be recognized in profit and loss under equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Converted difference in foreign currency statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>847,626,727.07</b>	<b>1,246,019,301.63</b>

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

Legal representative:

Chief Accountant:

Head of Accounting Firm:



## 10.2.5 Consolidated Statement of Cash Flow

## Consolidated Statement of Cash Flow

FY 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Amount incurred in current year	Amount incurred in previous year
<b>I. Cash flow from operating activities:</b>			
Cash received from the sales of goods and the rendering of labor services		1,35,429,689,619.36	94,164,418,130.34
Tax refunds received		1,179,284,649.76	1,606,851,370.63
Other cash received relating to operating activities		554,578,539.12	1,871,043,242.67
<b>Subtotal of cash inflows from operating activities</b>	VI.65	<b>137,163,552,808.24</b>	<b>97,642,317,743.64</b>
Cash payments for goods purchased and labor services received		124,636,768,649.57	86,763,506,667.48
Cash payments to and on behalf of employees		2,196,370,278.69	2,063,286,244.53
Payments of all types of taxes		1,627,523,124.40	1,103,552,261.90
Other cash payments relating to operating activities	VI.65	948,019,236.02	2,698,199,791.78
<b>Subtotal of cash outflows from operating activities</b>		<b>129,408,681,288.68</b>	<b>92,628,544,965.69</b>
<b>Net cash flow from operating activities</b>		<b>7,754,871,519.56</b>	<b>5,013,772,777.95</b>
<b>II. Cash flow from investment activities:</b>			
Cash received from disposals and withdrawn on investments		1,297,909,623.83	881,887,917.02
Cash received from return on investment		1,050,815,136.71	504,230,715.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		23,381,288.25	2,612,726.25
Net cash received from disposal of subsidiaries and other business units		173,134,357.42	50,437,768.06
Other cash received relating to investment activities	VI.65	52,406,117.49	555,326,465.85
<b>Subtotal of cash inflows from investing activities</b>		<b>2,597,646,523.70</b>	<b>1,994,495,592.71</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		6,007,146,711.00	8,172,452,434.34
Cash payments to acquire investment		3,851,849,386.88	1,774,515,879.38
Net cash payments for acquisition of subsidiaries and other business units			
Other cash payments relating to investment activities	VI.65	290,354,735.85	
<b>Subtotal of cash outflows from investing activities</b>		<b>10,149,350,833.73</b>	<b>9,946,968,313.72</b>
<b>Net cash flows from investing activities</b>		<b>-7,551,704,310.03</b>	<b>-7,952,472,721.01</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors in making investment in the enterprise		347,903,000.00	:S,Q35,100,000.00
Including: cash received by subsidiaries from issuing		347,903,000.00	50,600,000.00

shares of minority shareholders			
Cash received from borrowings		41,559,507,427.01	35,951,594,602.98
Other cash received relating to financing activities	VI.65	5,661,962,241.76	1,909,656,348.44
<b>Subtotal of cash inflows from financing activities</b>		<b>47,569,372,668.77</b>	<b>40,896,350,951.42</b>
Cash repayments of amounts borrowed		35,587,266,783.39	29,553,054,825.43
Cash payments for distribution of dividends or profit or for interest payment		3,075,829,806.46	3,146,712,192.03
Including: subsidiaries' cash payments to minority shareholders for distribution of dividends or profit		135,486,111.11	81,541,666.67
Other cash payments relating to financing activities	VI.65	5,965,700,010.06	2,284,204,105.14
<b>Subtotal of cash outflows from financing activities</b>		<b>44,628,796,599.91</b>	<b>34,988,971,122.60</b>
<b>Net cash flows from financing activities</b>		<b>2,940,576,068.86</b>	<b>5,907,379,828.82</b>
<b>IV. Effect of foreign exchange rate change on cash and cash equivalents</b>		<b>-85,332,274.72</b>	<b>-255,434,618.11</b>
<b>V. Net increase in cash and cash equivalents</b>	VI.65	<b>3,058,411,003.67</b>	<b>2,713,245,267.65</b>
Plus: Beginning balance of cash and cash equivalents	VI.65	7,186,325,948.17	4,473,080,680.52
<b>VI. Ending balance of cash and cash equivalents</b>	VI.65	<b>10,244,736,951.84</b>	<b>7,186,325,948.17</b>

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

Legal representative: Chief Accountant: Head of Accounting Firm:

## 10.2.6 Statement of Cash Flow of Parent Company

## Statement of Cash Flow

FY 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Note	Amount incurred in current year	Amount incurred in previous year
<b>I. Cash flow from operating activities:</b>			
Cash received from the sales of goods and the rendering of labor services		4,189,382,332.64	2,741,399,334.51
Tax refunds received			
Other cash received relating to operating activities		224,691,199.96	569,171,451.77
<b>Subtotal of cash inflows from operating activities</b>		<b>4,414,073,532.60</b>	<b>3,310,570,786.28</b>
Cash payments for goods purchased and labor services received		3,802,342,240.19	2,686,003,346.36
Cash payments to and on behalf of employees		2,329,109.86	1,735,359.81
Payments of all types of taxes		25,517,443.07	4,624,508.88
Other cash payments relating to operating activities		70,349,804.23	8,906,447.11
<b>Subtotal of cash outflows from operating activities</b>		<b>3,900,538,597.35</b>	<b>2,701,269,662.16</b>
<b>Net cash flow from operating activities</b>		<b>513,534,935.25</b>	<b>609,301,124.12</b>
<b>I. Cash flow from investment activities:</b>			
Cash received from disposals and withdrawn on investments			
Cash received from return on investment		1,204,600,000.00	1,130,000,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities		3,019,781,028.02	3,256,632,750.20
<b>Subtotal of cash inflows from investing activities</b>		<b>4,224,381,028.02</b>	<b>4,386,632,750.20</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets			
Cash payments to acquire investment		150,500,000.00	262,000,000.00
Net cash payments for acquisition of subsidiaries and other business units			
Other cash payments relating to investment activities			4,807,330,000.00
<b>Subtotal of cash outflows from investing activities</b>		<b>150,500,000.00</b>	<b>5,069,330,000.00</b>
<b>Net cash flows from investing activities</b>		<b>4,073,881,028.02</b>	<b>-682,697,249.80</b>
<b>III. Cash flow from financing activities:</b>			

Cash received from investors in making investment in the enterprise			2,984,500,000.00
Cash received from borrowings		250,000,000.00	
Other cash received relating to financing activities		16,814,978.66	6,783,381.50
<b>Subtotal of cash inflows from financing activities</b>		<b>266,814,978.66</b>	<b>2,991,283,381.50</b>
Cash repayments of amounts borrowed		3,075,210,000.00	1,174,790,000.00
Cash payments for distribution of dividends or profit or for interest payment		1,322,959,638.66	1,396,519,960.40
Other cash payments relating to financing activities		408,011,313.73	352,857,048.48
<b>Subtotal of cash outflows from financing activities</b>		<b>4,806,180,952.39</b>	<b>2,924,167,008.88</b>
<b>Net cash flows from financing activities</b>		<b>-4,539,365,973.73</b>	<b>67,116,372.62</b>
<b>IV. Effect of foreign exchange rate change on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>48,049,989.54</b>	<b>-6,279,753.06</b>
Plus: Beginning balance of cash and cash equivalents		19,798,650.05	26,078,403.11
<b>VI. Ending balance of cash and cash equivalents</b>		<b>67,848,639.59</b>	<b>19,798,650.05</b>

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

Legal representative:

Chief Accountant:

Head of Accounting Firm:

## 10.2.7 Consolidated Statement of Changes in Owner's Equity

Amount incurred in current year

### Consolidated Statement of Changes in Shareholders' Equity

FY 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Amount incurred in current year												Minority shareholders' equity	Total shareholders' equity
	Shareholders' equity attributable to parent company										Subtotal			
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit				
	Preference shares	Perpetual bonds	Other											
<b>I. Ending balance of previous period</b>	<b>3,681,645,407.00</b>			<b>478,546,158.81</b>	<b>9,165,068,133.86</b>	<b>349,918,604.53</b>	<b>-1,032,362,450.85</b>		<b>660,652,171.17</b>	<b>11,403,002,797.32</b>	<b>24,006,633,612.78</b>	<b>6,285,515,168.05</b>	<b>30,292,148,780.83</b>	
Plus: changes in accounting policies														
Correction of previous accounting errors														
Combination of enterprises under the same control														
<b>II. Beginning balance of current year</b>	<b>3,681,645,407.00</b>			<b>478,546,158.81</b>	<b>9,165,068,133.86</b>	<b>349,918,604.53</b>	<b>-1,032,362,450.85</b>		<b>660,652,171.17</b>	<b>11,403,002,797.32</b>	<b>24,006,633,612.78</b>	<b>6,285,515,168.05</b>	<b>30,292,148,780.83</b>	
<b>III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")</b>	<b>-15,365,393.00</b>			<b>-39,465.95</b>	<b>518,026.21</b>	<b>368,231,852.70</b>	<b>-38,496,763.77</b>		<b>91,243,496.70</b>	<b>2,220,598,475.95</b>	<b>1,890,226,523.44</b>	<b>757,803,972.54</b>	<b>2,648,030,495.98</b>	
<b>(I) Total comprehensive income</b>							<b>-38,496,763.77</b>			<b>3,408,043,143.47</b>	<b>3,369,546,379.70</b>	<b>592,268,303.21</b>	<b>3,961,814,682.91</b>	
<b>(II) Shareholders investment and capital reduction</b>	<b>-15,365,393.00</b>			<b>-39,465.95</b>	<b>29,744,025.29</b>	<b>368,231,852.70</b>					<b>-353,892,686.36</b>	<b>324,654,060.00</b>	<b>-29,238,626.36</b>	
1. Ordinary shares invested by shareholders	-15,379,730.00				29,595,247.63	368,231,852.70					-354,016,335.07	324,654,060.00	-29,362,275.07	
2. Capital invested by other equity instrument holders	14,337.00			-39,465.95	148,777.66						123,648.71		123,648.71	
3. Amount of share-based payment that recognized in shareholders' equity														
4. Others														

<b>(III) Profit distribution</b>									91,243,496.70	-1,181,207,797.05	-1,089,964,300.35	-157,987,171.11	-1,247,951,471.46
1. Appropriation of earned surplus									91,243,496.70	-91,243,496.70			
2. Appropriation of provision for normal risks													
3. Profit distributed to shareholders										-1,089,964,300.35	-1,089,964,300.35	-157,987,171.11	-1,247,951,471.46
4. Others													
<b>(IV) Internal carry-over of shareholder's equity</b>													
1. Capital reserve carried over into share capital													
2. Earned surplus carried over into share capital													
3. Eamed surplus carried over to cover loss													
4. Gains or losses of a defined benefit plan carried over into retained earning													
5. Other comprehensive income carried over into retained earning													
6. Others													
<b>(V) Appropriative reserve</b>													
1. Reserve withdrawn in current period								52,367,268.75			52,367,268.75		52,367,268.75
2. Reserve used in current period								52,367,268.75			52,367,268.75		52,367,268.75
<b>(VI) Others</b>										-6,236,870.47	-35,462,869.55	-1,131,219.56	-36,594,089.11
<b>IV. Ending balance of current year</b>	<b>3,666,280,014.00</b>			<b>478,506,692.86</b>	<b>9,165,586,160.07</b>	<b>718,150,457.23</b>	<b>-1,070,859,214.62</b>		<b>751,895,667.87</b>	<b>13,623,601,273.27</b>	<b>25,896,860,136.22</b>	<b>7,043,319,140.59</b>	<b>32,940,179,276.81</b>

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

Legal representative:

Chief Accountant

Head of Accounting Firm

Amount incurred in previous year

## Consolidated Statement of Changes in Shareholders' Equity (Contd.)

FY2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Amount incurred in previous year
------	----------------------------------

	Shareholders' equity attributable to parent company										Minority shareholders' equity	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit			Subtotal
		Preference shares	Perpetual bonds	Other									
<b>I. Ending balance of previous period</b>	2,841,725,474.00				<b>10,492,771,354.69</b>	<b>55,450,720.00</b>	<b>335,623,308.63</b>		<b>559,247,505.53</b>	9,567,928,583.61	<b>23,741,845,506.46</b>	<b>5,810,441,286.58</b>	<b>29,552,286,793.04</b>
Plus: changes in accounting policies													
Correction of previous accounting errors													
Other													
<b>II. Beginning balance of current year</b>	<b>2,841,725,474.00</b>				<b>10,492,771,354.69</b>	<b>55,450,720.00</b>	<b>335,623,308.63</b>		<b>559,247,505.53</b>	<b>9,567,928,583.61</b>	<b>23,741,845,506.46</b>	<b>5,810,441,286.58</b>	<b>29,552,286,793.04</b>
<b>III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")</b>	<b>839,919,933.00</b>			<b>478,546,158.81</b>	-1,327,703,220.83	<b>294,467,884.53</b>	<b>-1,367,985,759.48</b>		<b>101,404,665.64</b>	<b>1,835,074,213.71</b>	<b>264,788,106.32</b>	475,073,881.47	<b>739,861,987.79</b>
<b>(I) Total comprehensive income</b>							<b>-1,367,985,759.48</b>			<b>3,071,998,839.75</b>	<b>1,704,013,080.27</b>	<b>633,515,548.14</b>	<b>2,337,528,628.41</b>
<b>(II) Shareholders investment and capital reduction</b>	<b>-12,597,709.00</b>			<b>478,546,158.81</b>	<b>21,517,092.34</b>	<b>294,467,884.53</b>					<b>192,997,657.62</b>	<b>58,600,000.00</b>	<b>251,597,657.62</b>
1. Ordinary shares invested by shareholders	-12,597,709.00			478,546,158.81	12,503,217.34	349,918,604.53					128,533,062.62	58,600,000.00	187,133,062.62
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment that recognized in shareholders' equity					9,013,875.00	-55,450,720.00					64,464,595.00		64,464,595.00
4. Others													
<b>(III) Profit distribution</b>									<b>101,404,665.64</b>	<b>-1,236,924,626.04</b>	<b>-1,135,519,960.40</b>	<b>-217,041,666.67</b>	<b>-1,352,561,627.07</b>
1. Appropriation of earned surplus									101,404,665.64	-101,404,665.64			
2. Appropriation of provision for normal risks													
3. Profit distributed to shareholders										-1,135,519,960.40	-1,135,519,960.40	-217,041,666.67	-1,352,561,627.07
4. Others													
<b>(IV) Internal carry-over of shareholder's equity</b>	<b>852,517,642.00</b>				<b>-852,517,642.00</b>								
1. Capital reserve carried over into share capital	852,517,642.00				-852,517,642.00								
2. Eamed surplus carried over into share capital													

3. Earned surplus carried over to cover loss													
4. Gains or losses of a defined benefit plan carried over into retained earning													
5. Other comprehensive income carried over into retained earning													
6. Others													
<b>(V) Appropriative reserve</b>													
1. Reserve withdrawn in current period								53,905,152.19			53,905,152.19		53,905,152.19
2. Reserve used in current period								53,905,152.19			53,905,152.19		53,905,152.19
<b>(VI) Others</b>											<b>-496,702,671.17</b>		<b>-496,702,671.17</b>
<b>IV. Ending balance of current year</b>	<b>3,681,645,407.00</b>			<b>478,546,158.81</b>	<b>9,165,068,133.86</b>	<b>349,918,604.53</b>	<b>-1,032,362,450.85</b>		<b>660,652,171.17</b>	<b>11,403,002,797.32</b>	<b>24,006,633,612.78</b>	<b>6,285,515,168.05</b>	<b>30,292,148,780.83</b>

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

Legal representative:

Chief Accountant

Head of Accounting Firm



## 10.2.8 Statement of Changes in Owner's Equity of Parent Company

Amount incurred in current year

### Statement of Changes in Shareholders' Equity

FY 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Amount incurred in current year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preference shares	Perpetual bonds	Other							
<b>I. Ending balance of previous period</b>	3,681,645,407.00			478,546,158.81	12,978,735,355.53	349,918,604.53			540,978,888.21	1,127,876,313.43	18,457,863,518.45
Plus: changes in accounting policies											
Correction of previous accounting errors											
Other											
<b>II. Beginning balance of current year</b>	3,681,645,407.00			478,546,158.81	12,978,735,355.53	349,918,604.53			540,978,888.21	1,127,876,313.43	18,457,863,518.45
<b>III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")</b>	-15,365,393.00			-39,465.95	29,744,025.29	368,231,852.70			84,762,672.71	-327,100,245.99	-596,230,259.64
<b>(I) Total comprehensive income</b>										847,626,727.07	847,626,727.07
<b>(II) Shareholders investment and capital reduction</b>	-15,365,393.00			-39,465.95	29,744,025.29	368,231,852.70					-353,892,686.36
1. Ordinary shares invested by shareholders	-15,379,730.00				29,595,247.63	368,231,852.70					-354,016,335.07
2. Capital invested by other equity instrument holders	14,337.00			-39,465.95	148,777.66						123,648.71
3. Amount of share-based payment that recognized in shareholders' equity											

4. Others											
<b>(III) Profit distribution</b>									<b>84,762,672.71</b>	<b>-1,174,726,973.06</b>	<b>-1,089,964,300.35</b>
1. Appropriation of earned surplus									84,762,672.71	-84,762,672.71	
2. Appropriation of provision for normal risks											
3. Profit distributed to shareholders										-1,089,964,300.35	-1,089,964,300.35
4. Others											
<b>(IV) Internal carry-over of shareholder's equity</b>											
1. Capital reserve carried over into share capital											
2. Earned surplus carried over into share capital											
3. Earned surplus carried over to cover loss											
4. Gains or losses of a defined benefit plan carried over into retained earning											
5. Other comprehensive income carried over into retained earning											
6. Others											
<b>(V) Appropriative reserve</b>											
1. Reserve withdrawn in current period											
2. Reserve used in current period											
<b>(VI) Others</b>											
<b>IV. Ending balance of current year</b>	<b>3,666,280,014.00</b>			<b>478,506,692.86</b>	<b>13,008,479,380.82</b>	<b>718,150,457.23</b>			<b>625,741,560.92</b>	<b>800,776,067.44</b>	<b>17,861,633,258.81</b>

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

Legal representative: Chief Accountant Head of Accounting Firm

Amount incurred in previous year

## Statement of Changes in Shareholders' Equity (Contd.)

FY 2021

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency: RMB

Item	Amount incurred in previous year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preference shares	Perpetual bonds	Other							
<b>I. Ending balance of previous period</b>	2,841,725,474.00				13,806,467,773.69	55,450,720.00			416,376,958.05	1,141,978,902.36	18,151,098,388.10
Plus: changes in accounting policies											
Correction of previous accounting errors											
Other											
<b>II. Beginning balance of current year</b>	2,841,725,474.00				13,806,467,773.69	55,450,720.00			416,376,958.05	1,141,978,902.36	18,151,098,388.10
<b>III. Amount increase or decrease in current period (decrease expressed with a minus sign "-")</b>	839,919,933.00			478,546,158.81	-827,732,418.16	294,467,884.53			124,601,930.16	-14,102,588.93	306,765,130.35
(I) Total comprehensive income										1,246,019,301.63	1,246,019,301.63
(II) Shareholders investment and capital reduction	-12,597,709.00			478,546,158.81	18,001,842.34	294,467,884.53					189,482,407.62
1. Ordinary shares invested by shareholders	-12,597,709.00			478,546,158.81	12,503,217.34	349,918,604.53					128,533,062.62
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment that recognized in shareholders' equity					5,498,625.00	-55,450,720.00					60,949,345.00
4. Others											
<b>(III) Profit distribution</b>									124,601,930.16	-1,260,121,890.56	-1,135,519,960.40
1. Appropriation of earned									124,601,930.16	-124,601,930.16	

surplus											
2. Appropriation of provision for normal risks											
3. Profit distributed to shareholders									-1,135,519,960.40	-1,135,519,960.40	
4. Others											
<b>(IV) Internal carry-over of shareholder's equity</b>	<b>852,517,642.00</b>				<b>-852,517,642.00</b>						
1. Capital reserve carried over into share capital	852,517,642.00				-852,517,642.00						
2. Earned surplus carried over into share capital											
3. Earned surplus carried over to cover loss											
4. Gains or losses of a defined benefit plan carried over into retained earning											
5. Other comprehensive income carried over into retained earning											
6. Others											
<b>(V) Appropriative reserve</b>											
1. Reserve withdrawn in current period											
2. Reserve used in current period											
<b>(VI) Others</b>					<b>6,783,381.50</b>					<b>6,783,381.50</b>	
<b>IV. Ending balance of current year</b>	<b>3,681,645,407.00</b>			<b>478,546,158.81</b>	<b>12,978,735,355.53</b>	<b>349,918,604.53</b>			<b>540,978,888.21</b>	<b>1,127,876,313.43</b>	<b>18,457,863,518.45</b>

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

Legal representative:

Chief Accountant

Head of Accounting Firm

## **Hengyi Petrochemical Co., Ltd.**

### **Notes to 2021 Financial Statements**

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

#### **Note 1 General information**

##### Note 1.1 Historical development

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

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

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

According to the resolutions of the Company's 2011 Annual General Meeting of Shareholders and the revised articles of association, three bonus shares for every 10 shares were distributed to all shareholders on the basis of the Company's original total share capital of RMB 576,793,813.00, and the capital reserve was transferred to increase 7 shares for every 10 shares to all shareholders at the

same time. The Company increased its registered capital by RMB 576,793,813.00. The base date of the increase by transfer was March 27, 2012, and the registered capital after the change was RMB 1,153,587,626.00.

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

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

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

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

According to the resolutions of the 2<sup>nd</sup> Extraordinary General Meeting of Shareholders of the Company in 2017 and the Company's revised articles of association, the Company implemented the second restricted stock incentive plan in 2017. The incentive form adopted in this incentive plan was restricted stocks, and 50 incentive objects were granted the restricted stocks in this time. 28.55 million restricted stocks with a par value of RMB 1 per share were granted to incentive objects by

means of targeted issuance. The Company increased its registered capital by RMB 28,550,000.00, and the registered capital after the change was RMB 1,648,424,362.00.

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

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

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

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

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

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

Upon approval by Shenzhen Stock Exchange (SZSE) (approval document SZS [2020] No. 1027), the Company's convertible bonds amounting to RMB 2 billion were listed on Shenzhen Stock Exchange on November 16, 2020 with the bond name of Hengyi Convertible Bonds, the conversion period of

which was from April 22, 2021 to October 15, 2026. Through 2021, a total of 2,113 Hengyi Convertible Bonds were converted into 14,337 Hengyi Petrochemical shares.

On July 28, 2021, in accordance with the “Resolution on Achievement of Performance Commitments and Performance Compensation Plan in 2020 through the Share Issuance for Asset Acquisition and Connected Transactions”, the Company canceled 15,379,730 shares.

After converting the said Hengyi Convertible Bonds into 14,337 Hengyi Petrochemical shares and canceling 15,379,730 shares for fulfillment of performance commitments and compensation, the registered capital of the Company changed into RMB 3,666,280,014.00.

The Company’s Unified Social Credit Identifier (USCI) is 9145050019822966X4; registered address is in Beihai City, Guangxi Province, and the current headquarters is located on No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province; legal representative is Qiu Yibo; the registered capital/share capital as at December 31, 2021 is RMB 3,666,280,014.00.

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

#### Note 1.2 Industry

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

#### Note 1.3 Scope of business

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

#### Note 1.4 Key products

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

Note 1.5 Relevant statement that during the Reporting Period, the Company changes its main business, makes any major equity change, or undergoes any major merger, acquisition or restructuring

For details, please refer to “Historical Development”.

Note 1.6 These financial statements are issued with approval from the BOD by means of a resolution on April 25, 2022.

Note 1.7 In 2020, there were 44 subsidiaries included in the company’s consolidation scope. For details, please refer to Note VIII “Equities in Other Entities”. The scope of consolidation of the Company for this year included three new entities and excluded three entities when compared with the previous year. For details, please refer to Note 7 “Changes in the Scope of Consolidation”.



**Note 2 Basis for the preparation of financial statements****Note 2.1 Basis for the preparation of financial statements**

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

Following relevant provisions of the Accounting Standards for Business Enterprises, the Company adopts the accrual basis for its accounting. Except for certain financial instruments, the financial statements are measured on the historical cost basis. The held-for-sale non-current assets shall be measured subject to the amount of fair value minus estimated cost or the original book value when the assets meet the held-for-sale conditions, whichever is lower. Provision for impairment is retained for assets following relevant provisions if any asset is impaired.

**Note 3 Statement of compliance with accounting standards for business enterprises**

The Financial Statements prepared by the Company are in compliance with the requirements of Accounting Standards for Business Enterprises, truly and completely reflecting the Company's financial conditions as at December 31, 2021 and the operating results and cash flows through 2021. Furthermore, the Financial Statements have complied, in all material respects, with the disclosure requirements for financial statements and notes thereto as specified in Rules No. 15 on Compiling and Submitting Information Disclosed by Companies Offering Securities to the Public: General Provisions on Financial Reports revised by CSRC in 2014.

**Note 4 Important accounting policies and estimates**

The Company and its subsidiaries have formulated a number of specific accounting policies and accounting estimates in respect of transactions and matters, such as bad debt provision of receivables, depreciation of fixed assets, amortization of intangible assets, income recognition, etc. according to the actual production and operation characteristics and in accordance with the provisions of relevant corporate accounting standards. For details, please refer to the relevant descriptions in Note 4 herein. For more information concerning significant accounting judgments and estimates, refer to Note 4.34 “Significant Accounting Judgments and Estimates”.

**Note 4.1 Accounting period**

The Company adopts an annual period and an interim accounting period. The latter refers to one that is shorter than a complete accounting period. The Company adopts the calendar year as its financial year, namely from January 1 to December 31 of each year

**Note 4.2 Operating cycle**

The normal operating cycle refers to the period in which the Company completes the steps from the purchase of assets to be processed to the realization of cash or cash equivalent. The Company adopts a 12-month period as its operating cycle and the criteria for determining the liquidity of its assets and liabilities

**Note 4.3 Recording currency**

The Company uses RMB as the benchmark currency for its operations in the primary economic environment, in which the Company and its domestic subsidiaries operate. Subsidiaries outside China may decide US dollars as their recording currency pursuant to the prevailing economic environment of their locations. In preparing these financial statements, the Company has used RMB as recording currency

**Note 4.4 Accounting treatment of business combination under common control and business combination not under common control**

Business combination refers to the transaction or matter where two or more than two individual enterprises merge into one report subject. Business combination is divided into combination of enterprises under the same control and combination of enterprises not under the same control.

**Note 4.4.1 Combination of businesses under common control**

Business combination under common control refers to the combination of businesses that are under the ultimate control of the same party or parties on a non-temporary basis before and after the combination. In case of the combination of businesses under common control, the business that acquires the control of other businesses participating in the combination on the acquisition date is the acquirer and the latter are the acquirees. Acquisition date refers to the date on which the acquirer actually obtains control of the acquiree.

Combination of enterprises under the same control means that enterprises involved in combination are controlled finally by the same party or parties before combination and such control is not temporary. Under a combination of enterprises under the same control, the party acquiring the controlling interests in other enterprises involved in the combination at the combination date is the acquirer and such other enterprises are the acquiree. The combination date refers to the day when the acquirer substantially acquires the controlling interests of the acquiree.

Assets and liabilities the acquirer acquires through the business combination are measured at the book value of the acquiree on acquisition date. Capital reserve (stock premium) is adjusted based on

the difference between the net book value of assets acquired by the acquirer and the book value of the consideration for the combination paid (or the total nominal value of issued shares), and if the capital reserve (stock premium) is insufficient to offset such difference, the difference will be offset against retained earnings.

Costs directly incurred by the acquirer in the course of the business combination are recorded in current profit and loss.

**Note 4.4.2** Combination of enterprises not under the same control

Combination of enterprises not under the same control means that enterprises involved in combination are not controlled finally by the same party or parties before combination. Under a combination of enterprises not under the same control, the party acquiring the controlling interests in other enterprises involved in the combination at the acquisition date is the acquirer and such other enterprises are the acquiree. The acquisition date refers to the day when the acquirer substantially acquires the controlling interests of the acquiree.

In case of combination of businesses not under common control, costs for the combination include assets paid and liabilities incurred or assumed to acquire the control of the acquirees on the Acquisition Date as well as the fair value of the equity securities. Intermediary costs incurred for audit, legal and valuation services and other administrative services are recorded in current profit and loss. Transaction costs incurred by the acquirer for equity securities or debt securities issued as consideration for the combination are recorded as the initial recognition amounts for equity securities or debt securities. Contingent considerations paid are recorded as cost for the combination at the fair value on the Acquisition Date. If any new or further evidence is found as to the circumstances within 12 months after the Acquisition Date and it is necessary to adjust the contingent consideration, the goodwill for the combination is adjusted accordingly. Combination costs incurred by the acquirer and identifiable net assets obtained from combinations shall be measured at fair value on the date of acquisition. The balance of the combination cost less the fair value of the net identifiable assets acquired is recognized as goodwill. If the merging cost is less than the net fair value of the identifiable assets of the acquiree, the fair values of the identifiable assets, liabilities and contingent liabilities as well as the merging cost are reviewed; if verified, the difference is recognized in current profit and loss.

In case of a deductible temporary difference arising in the acquisition that are not recognized because it is unqualified as a deferred income tax asset, if new or further information is obtained within 12 months of the acquisition evidencing that they are qualified to be recognized as deferred income tax assets on the acquisition date, and if the benefits from deductible temporary differences of the acquiree is expected to be realized on the acquisition date, such differences are recognized as

deferred income tax assets, with goodwill reduced accordingly. If the goodwill is not enough for the reduction, the difference is recognized as gains or losses of current period. Except for the foregoing, all the deferred income tax assets related to the business combination are recognized in current profit and loss.

Combination of businesses not under common control realized by steps is tested against Circular of the Ministry of Finance for the Printing and Distribution of No. 5 Explanation to the Accounting Standards for Business Enterprises (C.K. [2012] No. 19) and the criteria for the judgment of package deals contained in Article 51 of the Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements (refer to Note 4.5.2) to determine whether the related transactions are qualified as a package deal. If qualified as a package deal, the transactions are treated with reference to the foregoing paragraphs and Note 4.15 “Long-term Equity Investment”; if they are not qualified, individual financial statements shall be separated from consolidated financial statements for relevant accounting treatment:

In financial statements of individual companies, the aggregate of the book value of equity investment held by the acquiree before the Acquisition Date and the increase in the investment cost excessive of the book value on the Acquisition Date is taken as the initial investment cost; if the equity held by the acquiree before the Acquisition Date involves other comprehensive income, the relevant comprehensive income is treated in the same manner the acquiree disposes of relevant assets or liabilities when disposing of the investment (i.e., the investment, except the portion in the change resulted from the acquiree’s remeasurement of net liabilities or net asset accounted using the equity method, is recorded in the income from investment of current period).

In the Consolidated Financial Statements, the equity held by the acquiree before the Acquisition Date is remeasured at the fair value on the Acquisition Date and the difference between the fair value and the book value is recorded in the income from investments of current period; if the equity held by the acquiree before the Acquisition Date involves other comprehensive income, the relevant comprehensive income is treated in the same manner the acquiree disposes of relevant assets or liabilities (i.e., the income, except the portion in the change resulted from the acquiree’s remeasurement of the net liabilities or net assets of the defined benefit plan accounted using the equity method, is recorded in the income from investment of the period to which the Acquisition Date belongs).

#### **Note 4.5 Preparation of consolidated financial statements**

##### **Note 4.5.1 Principles for defining the scope of the Consolidated Financial Statements**

The scope of the Consolidated Financial Statements is defined on the basis of control. Control refers to the power the Company has over the entity in which it invests, to enjoy variable return from the

entity by participating in the business operations of the entity and to influence the amount of the return through its ability of influencing the entity. The consolidation of financial statements covers the Company and all subsidiaries. A subsidiary is an entity subject to the control of the Company.

If any change in relevant circumstances arises and results in any change in the relevant elements determining the control as related above, the Company will re-evaluate the same.

**Note 4.5.2** Methods for preparing the consolidated financial statements

The Company includes a subsidiary in the scope of the combination on the date the Company acquires the actual control over the net assets and production operations of such subsidiary and discontinues the combination on the date the Company loses the control. For a subsidiary disposed of during the period, the business results and cash flow before the disposal are properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the year beginning data contained in the Consolidated Balance Sheet are not adjusted. For a subsidiary included in the period as a result of combination of businesses not under common control, the business results and cash flow after the Acquisition Date have been properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the year beginning data and the comparison data contained in the Consolidated Balance Sheet are not adjusted. For a subsidiary under combination of businesses under common control and a acquiree under consolidation by merger, the business results and cash flow during the period from the beginning of the period to which the acquisition date belongs to the acquisition date have been properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the comparison data contained in the Consolidated Balance Sheet are adjusted.

When preparing the Consolidated Financial Statements, if there is any inconsistency between the accounting policies and accounting period of the subsidiary and those of the Company, the financial statements of the subsidiary are adjusted accordingly where necessary. For a subsidiary acquired through business combinations not under common control, its financial statements shall be adjusted on the basis of the fair value of its identifiable net assets on the date of acquisition.

Balances of major transactions, transactions and unrealized profits within the scope of the Company are offset when preparing the Consolidated Financial Statements.

The shareholder equity and net gains or losses of the subsidiary not attributable to the Company are separately presented in the categories of the shareholder equity and net profit as minority shareholder's equity and net profit in the Consolidated Financial Statements. The portion of net gains or losses of the subsidiary in the period that is taken as the minority shareholder's equity is presented in the category of Minority Shareholder's Equity under the net profit in the Consolidated Statement of Income. The balance of the loss of the subsidiary attributable to minority shareholders less the

shareholder equity of the subsidiary attributable to minority shareholders at the year beginning is set off against the minority shareholder's equity.

If the control over a subsidiary is lost due to disposal of partial equity investment in the subsidiary or any other reason, the remaining equity is remeasured at its fair value on the date the control is lost. The aggregate of the consideration obtained by disposing of the equity and the fair value of the remaining equity less the portion of the net assets of the subsidiary that has been measured, as calculated at the original shareholding proportion, from the Acquisition Date is recognized in the income from investments of the period, in which the control is lost. When the control is lost, the comprehensive income related to the equity investment in the original subsidiary is treated in the same manner the acquiree disposes of relevant assets or liabilities (i.e., the comprehensive equity, except the portion in the change resulted from the remeasurement of the net liabilities or net assets of the defined benefit plan, is recorded in the income from investment of the period). This portion of the remaining equity is subsequently measured following the Accounting Standards for Enterprises No. 2 - "Long-term Equity Investment" or the Accounting Standards for Enterprises No. 22 - "Recognition and Measurement of Financial Instruments", as noted in Note 4.15 "Long-term Equity Investment" and Note 4.9 "Financial Instruments".

If the control is lost through several transactions of disposing of equity investment in the relevant subsidiary, the transactions are tested to determine whether they are qualified as a package deal. A number of transactions of disposing of equity investments are usually accounted for as a package deal if the conditions, terms and economic impacts of such transactions meet one or more of the following conditions: 1) The transactions are done at the same time or in consideration of mutual impacts on each other; 2) The transactions collectively achieve a complete business effect; 3) The completion of one transaction depends on the completion of at least one of the other transactions; 4) A transaction does not appear to be economic if considered alone but is economic if considered in connection with other transactions. If the transactions are determined not to be a package deal, each of them is accounted following the principles for "disposing of long-term equity investments when the control is not lost" (refer to Note 4.15.2④) and "the control over a subsidiary is lost due to disposal of partial equity investment in the subsidiary or any other reason" (refer to the above paragraph for details). If the transactions of disposing of equity investment in a subsidiary that lead to the loss of control are determined as a package deal, each of them is treated as a transaction of disposing of equity investment in a subsidiary that lead to the loss of control; however, the difference between the disposal price and the corresponding share of the net asset of the subsidiary is recognized in the other comprehensive income in the Consolidated Financial Statements and transferred to current profit and loss in which the control is lost.

**Note 4.6 Classification of joint arrangements and accounting of joint operations**

A joint arrangement refers to an arrangement between two or more parties participating in jointly control. The Company divides joint arrangements into joint operations and joint ventures on the basis of the rights enjoyed and liabilities assumed in the joint arrangements. A joint operation refers to a joint arrangement in which the Company enjoys rights and assumes liabilities. A joint venture refers to a joint arrangement of which the Company enjoys only the rights to the net asset.

The Company's investment in joint ventures is accounted for using the equity method and treated following the accounting policies described in Note 4.15.2② “Long-term Equity Investments treated using the equity method.”

The Company, as a party to the joint operation, recognizes the assets and liabilities the Company holds and assumes in the joint operation and the assets and liabilities it jointly holds with other parties in proportion to the share the Company is entitled to in the joint operation; the Company also recognizes the income from sales of share of the products of the joint operation in proportion to the share in the joint operation the Company is entitled to; the Company recognizes income the joint operation receives from sales of the products produced by the joint operation in proportion to the share in the joint operation the Company is entitled to; the Company recognizes the expenses the Company has incurred alone and the share of the expenses incurred by the joint operation in proportion to the share the Company is entitled to.

When the Company makes investments in the joint operation or sells assets to the joint operation to which the Company is a party (such assets do not constitute business of the joint operation, as is also applicable below) or purchases assets from the joint operation, the Company recognizes only the part of the gains or losses arising from such transactions attributable to other parties to the joint operation. If impairment loss occurs to an asset defined in the Accounting Standards for Enterprises No. 8 - Impairment of Assets and other regulatory documents, the Company fully recognizes the loss occurs to such an asset as the Company has invested in or sold to the joint operation, or only the loss occurs to such an asset as the Company has purchased from the joint operation in proportion to the share in the joint operation the Company is entitled to.

**Note 4.7 Recognition criteria for cash and cash equivalents**

The cash and cash equivalents of the Company include cash at hand, deposit in bank that can be readily used for payment and investments of short terms (generally mature within three months from the date of purchase) and high liquidity that can be easily converted into known sums of cash and are exposed to low risks in terms of change in value.

**Note 4.8 Foreign currency business and conversion of foreign currency statement**

**Note 4.8.1** Translation of transactions in foreign currencies

A transaction in a foreign currency of the Company, when initially recognized, is translated into the benchmark currency at the spot exchange rate (the middle rate of the foreign exchange quotation published by the People's Bank of China; the same below) on the transaction date, provided that foreign currency translation transactions and transactions involving conversion of foreign currencies are translated into the benchmark currency at the exchange rate actually adopted for the transactions.

**Note 4.8.2** Translation of monetary and non-monetary assets in foreign currencies

On the balance sheet date, monetary assets in foreign currencies are translated at the spot exchange rate on the balance sheet date and the exchange difference arising therefrom is recognized in current profit and loss except that ①the exchange difference arising from special loans in foreign currencies used to purchase assets eligible for capitalization is treated following the principle of capitalization of borrowing cost; ②the exchange difference arising from the hedging instruments used for effective hedging of net investment in overseas operations is recognized in other comprehensive income, and after the net investment is disposed, recognized in current profit and loss; ③the exchange difference arising from changes in the book balance of monetary assets available for sale, except the amortized cost, is recognized in other comprehensive income.

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference arising due to a change in the exchange rate is recognized in other comprehensive income and transferred to current profit and loss upon the disposal of the overseas operation.

Non-monetary transactions in foreign currencies that are measured at the historical costs are translated at the current exchange rate prevailing on the Transaction Date. A non-monetary asset in a foreign currency measured at the fair value, is translated at the spot rate on the date on which the fair value is determined and the difference between the amounts recorded in the benchmark currency after the translation and that recorded in the original currency is treated as changes in the fair value (including change in exchange rate) and recognized in current profit and loss or other comprehensive income.

**Note 4.8.3** Translation of accounting statements in foreign currencies

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference arising due to a change in the exchange rate is recognized in other comprehensive income as a difference from translation of accounting statements in foreign currencies and transferred to current profit and loss upon the disposal of overseas operation.

Financial statements in foreign currencies of overseas operations are translated into RMB and assets and liabilities in the balance sheet are translated at the current exchange rate on the Balance Sheet



Date; all transactions in Shareholders' Equity, except those in Undistributed Profit, are translated at the current exchange rate on the Transaction Date. Income and expense in the balance sheet are translated at the prevailing exchange rate on the Transaction Date. Undistributed profit at the year beginning is the undistributed profit at the end of previous year; the undistributed profit at the yearend is measured and presented by the items of the translated profit distribution; the difference between the translated assets/liabilities and the total shareholders' equity is recognized in other comprehensive income as the difference of foreign currency translation. If an overseas operation is disposed of and the control over it is lost, the difference of foreign currency translation related to the overseas operation listed in Shareholders' Equity in the Balance Sheet is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

For cash flows in foreign currencies, the weighted-average exchange rate on the occurrence day of cash flow shall apply. The difference of cash caused by change of exchange rate shall be separately presented in Cash Flow Statement.

The year beginning amounts and the actual amounts of the previous year are presented as translated from the financial statements of the previous year.

If all the shareholders' equity in an overseas operation is disposed of or if the control over it is lost as a result of disposal of part of the owners' equity or for any other reason, the difference of foreign currency translation related to the overseas operation that is attributable to shareholders of the parent company, as listed in Owners' Equity in the Balance Sheet is wholly transferred to current profit and loss in which the same is disposed of.

If the share of the equity in an overseas operation held by the Company decreases as a result of disposal of part of the equity investment or for any other reason but the decrease does not result in the loss of control over the overseas operation, the difference of foreign currency translation related to the part of the overseas operation is classified as minority shareholder's equity and is not transferred to current profit and loss. If part of the equity in an overseas operation that is an associate or a joint venture is disposed of, the difference of foreign currency translation related to the overseas operation is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

#### **Note 4.9 Financial instruments**

A financial instrument is recognized as an asset or liability when the Company becomes a party thereto.

##### **Note 4.9.1 Classification, recognition and measurement of financial assets**

Based on the business model of managing financial assets and the characteristic of contractual cash

flow, the Company classifies financial assets into three categories, which are financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets are measured at fair value for the purpose of initial recognition. For financial assets measured at fair value through profit or loss, the transaction expenses are directly included in current profit and loss; for financial assets in other categories, the transaction expenses are included in the amount initially recognized. For accounts receivable or bills receivable arising from the sale of goods or the rendering of services, which do not include or do not allow for a significant financing component, the amount of consideration to which the Company is expected to be entitled to, is treated as the amount of initial recognition.

① Financial assets measured at amortized cost

The objective of the business model within which financial assets measured at amortized cost are managed is to collect contractual cash flow, and the contractual cash flow characteristic of such financial assets is consistent with a basic lending arrangement, namely, the cash flow generated at a specified date is solely payment of principal and the interest based on unpaid principal amount. Such financial assets are subsequently measured at amortized cost using the effective interest rate method, the gains or losses arising from the amortization or impairment of the assets are recorded in current profit or loss.

② Financial assets measured at fair value and their changes are included in other comprehensive income

Such financial assets are managed within a business model whose objectives are to collect contractual cash flow and to sell the assets, and the contract cash flow characteristics of such assets are consistent with a basic lending arrangement. Such financial assets are measured at fair value through other comprehensive income, however, impairment losses or gains, exchange gains or losses, as well as interest calculated according to the effective interest rate method are recorded in current profit or loss.

Furthermore, the Company designates certain non-trading equity instruments as financial assets measured at fair value through other comprehensive income. The relevant dividend income earned on such financial assets is recorded in current profit or loss, with changes in fair value recorded in other comprehensive income. Upon de-recognition of financial assets, the cumulated gains or losses which were previously recorded in other comprehensive income will be transferred from other comprehensive income to retained earnings, and will not be recorded in current profit or loss.

③ Financial assets at fair value through profit or loss

The Company classifies financial assets other than those measured at amortized cost and those

measured at fair value through other comprehensive income, as financial assets at fair value through profit or loss. Moreover, on initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designates certain financial assets as measured at fair value through profit or loss. Such financial assets are subsequently measured at fair value, with changes in fair value recorded in current profit or loss.

**Note 4.9.2** Classification, recognition and measurement of financial liabilities

Financial liabilities are classified at the initial recognition as financial liabilities measured at the fair value with the changes listed in current profit and loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the transaction expenses are directly included in the current profit and loss; for financial liabilities in other categories, the transaction expenses are included in the amount initially recognized.

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (derivative instruments that belong to financial liabilities) and those designated financial liabilities at fair value through profit or loss at the time of initial recognition.

Financial liabilities held-for-trading (including derivatives which fall within the category of financial liabilities) are subsequently measured at fair value, with fair value changes recorded in current profit or loss, except to the extent they are related to hedge accounting.

For financial liabilities designated as at fair value through profit or loss, fair value changes arising from the change in the Company's credit risk are recorded in other comprehensive income, and upon de-recognition of such financial liabilities, the cumulative amount of changes in fair value which arise from the change in credit risk and recorded in other comprehensive income are transferred to retained earnings. Other changes in fair value are recorded in current profit or loss. If accounting for the effects of change in the credit risk of the financial liabilities in the abovementioned manner would result in or increase the accounting mismatch in profit and loss, the Company will record all the gains or losses on the financial liabilities (including the amount of effects of the change in the Company's credit risk) in current profit or loss.

② Other financial liabilities

Except for financial liabilities which arise due to that the transfer of financial asset does not satisfy the criteria for de-recognition or due to the continuing involvement in the transferred asset, and except for financial guarantee contract, all other financial liabilities are classified as measured at amortized cost, which are subsequently measured at amortized cost with the gains or losses arising from de-recognition or amortization recorded in current profit or loss.

**Note 4.9.3** Basis for recognizing and methods for measuring the transfer of financial assets

A financial asset meeting one of the following conditions is derecognized: 1) The contractual right to receive cash flows from the financial asset is terminated; 2) the financial asset has been transferred and substantial risks related to and benefits from the ownership of the financial asset have been transferred to the transferee; 3) the financial asset has been transferred and substantial risks related to and benefits from the ownership of the financial asset has been waived instead of being transferred or retained.

If risks related to and benefits from the ownership of the financial asset have not been transferred or retained, neither or has the control over the financial asset been waived, then, the financial assets and related financial liabilities are recognized according to the extent to which the financial asset has been transferred. The extent to which the financial asset has been transferred refers to the level of risk the entity is exposed to due to the change in the value of the financial asset.

If the transfer of the whole of a financial asset meets the conditions for derecognition, the difference between the book value of the financial asset as well as the consideration received for the transfer and the aggregate of changes in the fair value that has been recognized in other comprehensive income is recognized in current profit and loss.

If the transfer of part of a financial asset meets the conditions for derecognition, the book value of the financial asset is allocated to the part of the financial asset that has been derecognized and the part that has not been derecognized; the aggregate of the consideration received for the transfer and accumulated changes in the part of fair value that has been allocated to derecognized part and the difference of the foregoing book value are recognized in current profit and loss.

In case of a financial asset sold with attached recourse or transferred with endorsement, the Company determines whether substantial risks and benefits related to the ownership of the financial asset have been transferred. If substantial risks and benefits related to the ownership of the financial asset have been transferred to the transferee, the financial asset is derecognized; if the same is retained, the financial asset is not derecognized; if the same is not transferred nor retained, the Company determines whether control over the financial asset is retained, and treated according to the principles related in previous paragraphs.

**Note 4.9.4** Derecognition of financial liabilities

Where the present obligation of a financial liability (or a portion thereof) has been discharged, the Company de-recognizes the financial liability (or a portion thereof). Where the Company (as the borrower) enters into an agreement with a lender whereby it assumes a new financial liability to replace an existing one, and the new financial liability has substantially different contract terms than those of the existing one, the existing financial liability is de-recognized, and a new financial liability is recognized. Where the Company has made substantial changes to the contractual terms of an

existing financial liability (or a portion thereof), it de-recognizes the existing financial liability and recognizes a new financial liability according to the changed terms.

Where a financial liability (or a portion thereof) is de-recognized, the difference between the book value of that financial liability and the consideration paid (including the non-cash asset transferred or liability assumed) is recognized in current profit or loss.

**Note 4.9.5** Offsetting of financial assets and financial liabilities

If the Company has the legal right readily available to offset a recognized financial asset and a financial liability and the Company plans a net settlement or realizes the financial asset and settles the financial liability simultaneously, and the balance of the offsetting is presented in the Balance Sheet. Other financial assets and liabilities are separately presented in the Balance Sheet without offsetting one another.

**Note 4.9.6** Methods for determining fair values of financial assets and liabilities

The fair value refers to the price is receivable from an asset sold or payable for a liability transferred through a normal transaction on the measurement date. In case of a financial instrument for which there is an active market, the fair value is determined by the price quoted on the active market. The quotation on the active market refers to the price collected from stock exchanges, brokers, associations of the industry, pricing institutions, etc., that represents the price at which a transaction is actually an arm's length transaction. In case of a financial instrument for which there is no active market, the fair value is determined using the valuation techniques. Valuation techniques include the reference to the price at which market participants that are familiar with the market and transact voluntarily have used recently, the reference to the fair value of other financial instruments of similar properties, cash flow discount method and option valuation modes. At the time of valuation, the Company uses valuation techniques that are applicable in the current circumstances and that are sufficient to support the use of data and other information, selects input values that are consistent with the characteristics of the asset or liability considered by the market participants in the transaction of the relevant asset or liability, and prioritizes the use of relevant observable input values. Unobservable inputs are used if the relevant observable inputs are not available or are not practicable.

**Note 4.9.7** Equity instruments

An equity instrument refers to a contract evidencing the right to the remaining equity in an asset after deducting all relevant liabilities. The issuance (including seasoned offering), repurchase, sale or cancellation of equity instruments by the Company are treated as changes in equity, the transaction costs related to equity transactions are deducted from the equity. The Company does not recognize changes in the fair value of equity instruments.

Dividend distribution during the existence of an equity instrument (including “interest” generated by an instrument that is classified as equity instrument) is treated as profit distribution.

**Note 4.10 Impairment of financial assets**

Financial assets for which impairment loss is required to be recognized by the Company are financial assets measured at amortized cost, investment in debt instruments measured at fair value through other comprehensive income, these mainly include bills receivable, accounts receivable, other receivables, debt investments, other debt investments and long-term receivables. Furthermore, for certain financial guarantee contracts, impairment provision and credit impairment loss are recognized according to the accounting policies mentioned in this section.

**Note 4.10.1 Method for recognizing impairment provision**

Based on expected credit loss, the Company recognizes impairment provision and credit impairment loss in respect of the above-mentioned items according to the applicable method for measuring expected credit loss (the general approach or simplified approach).

Credit loss is the difference between all contractual cash flow receivable by the Company under contracts which are discounted according to the original effective interest rate, and all the cash flow expected to be received, namely the present value of all cash shortfall. Particularly, financial assets acquired or derived to which credit impairment has occurred are discounted by the Company according to the credit-adjusted effective interest rate.

The general approach for measuring expected credit loss means that, at each balance sheet date, the Company assesses the financial assets to see if the credit risk has significantly increased after initial recognition, if credit risk has significantly increased after initial recognition, the Company calculates provision for loss according to the amount of expected credit loss over the life-time of the assets; if credit risk has not significantly increased after initial recognition, the Company calculates loss provision based on expected credit loss in the future twelve-month. When evaluating expected credit loss, the Company considers all reasonable information that is supported by evidence, including forward-looking information.

For financial instruments that have relatively low credit risk at the balance sheet date, the Company assumes that the credit risk of such instruments has not significantly increased after initial recognition, and chooses to calculate loss provision according to the twelve-month expected credit loss.

**Note 4.10.2 Criteria for determining whether credit risk has significantly increased since initial recognition**

If the probability of default of a certain financial asset within the expected lifetime of the asset, as determined at the balance sheet date, is significantly higher than the probability of default within the

expected lifetime determined at the time of initial recognition, then it indicates that the credit risk of such asset has significantly increased. Except for special circumstances, the Company regards the change in default risk occurring in the future twelve-month period as the reasonable estimate of the change in default risk occurring over the entire lifetime of an asset, thereby determining whether the credit risk has increased significantly after initial recognition.

Usually in case of more than 30 days overdue, the Company deems that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence showing that the credit risk of the financial instrument has not increased significantly since its initial recognition.

The Company will take into account the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the regulatory, economic or technological environment of the debtor has been subject to significant adverse changes;
- 3) Whether the value of the collateral mortgaged for debt or the quality of guarantee provided by a third party or credit enhancement has changed significantly with these changes expected to reduce the debtor's economic motivation to repay the debt within the term set out in the contract or affect the probability of breach;
- 4) Whether the expected performance and repayment behaviors of the debtor have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company determines that a financial instrument has only low credit risk, the Company will assume that the credit risk of the financial instrument has not increased significantly since its initial recognition. If the default risk of financial instruments is low, the borrower has a strong capacity to fulfill its cash flow obligations under contract in the short term, and the borrower's performance of its cash obligations under contract may not necessarily be reduced even if there are unfavorable changes in the economic situation and operating environment in a long period of time, then the financial instrument will be deemed to have low credit risk.

**Note 4.10.3** Criteria for determining financial assets that have been subject to credit impairment

When one or more events that adversely affects the expected future cash flow of a financial asset has occurred, such financial asset is considered to be an asset which has suffered credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

- 1) A serious financial difficulty occurs to the issuer or debtor;
- 2) The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the

payment of interests or the principal, etc.;

3) Due to the economic or contractual considerations related to the debtor's financial difficulties, the creditor gives the debtor a compromise that the debtor would not make under any other circumstances;

4) The debtor will probably become bankrupt or carry out other financial reorganizations;

5) The issuer or the debtor's financial difficulties result in the disappearance of the active market for the financial asset;

6) A financial asset is purchased or originated at a heavy discount, and this discount reflects the fact that the credit loss has occurred.

The credit impairment of a financial asset may be caused by the combined effects of several events, and may not necessarily be caused by a separately identifiable event.

**Note 4.10.4** Method for evaluating the expected credit risk on a portfolio basis

For financial assets which have significantly different credit risk, the Company evaluates the credit risk on an individual basis, for example, amounts due from related parties; receivables from a debtor with which the Company has a dispute or which involve a lawsuit or arbitration; and receivables for which there is a clear indication that the debtor thereof is very likely to be unable to meet its payment obligation.

In addition to financial assets with credit risk assessed individually, the Company divides financial assets into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Company include types of financial instruments, credit risk ratings, aging combination, etc., and it assesses credit risk on the basis of combination.

**Note 4.10.5** Accounting treatment for the impairment of financial assets

At the end of period, the Company calculates the expected credit loss of various financial assets, if the expected credit loss is greater than the carrying amount of the current impairment provision, the difference between the two amounts is recognized as an impairment loss; if the expected credit loss is smaller than the carrying amount of impairment provision, then the difference is recognized as an impairment gain.

**Note 4.10.6** Method for determining the credit loss of financial assets

With regard to the notes receivable, accounts receivable and financing of accounts receivable arising from daily business activities such as selling goods, providing labor services, etc., the Company measures the loss provision based on the expected credit loss for the entire duration, regardless of whether there is a significant financing component.

① Notes receivable

Based on the credit risk characteristics, the notes receivable will be classified into different



combinations.

Item	Basis for grouping	Method for measuring of expected credit loss
Bank acceptance bills and domestic letter of credit	The acceptor is the bank with low credit risk.	The Company deems that this type of funds has a relatively low credit risk and does not recognize the expected credit loss.
Commercial acceptance bills	This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	The expected credit rate is recognized with reference to the policy of accounts receivable

## ② Accounts receivable and contract assets

Except for other receivables for which credit risk is assessed individually, assets are classified into different portfolios based on credit risk characteristic:

Item	Basis for grouping	Method for measuring of expected credit loss
Amounts due from related parties included in the scope of consolidation (note)	This portfolio represents receivables due from related parties with relatively low risk which are included within the scope of consolidation.	The Company deems that this type of funds has a relatively low credit risk and does not recognize the expected credit loss.
Receivables from third parties	This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	With reference to historical credit loss experience and based on the current conditions and the forecasts of future economic conditions, a comparison table between the aging of accounts receivable and the expected credit loss rate for the entire duration are prepared and the expected credit losses are calculated.

Note: “Related parties included in the scope of consolidation” refer to Hengyi Petrochemical and those companies recorded in the scope of its consolidated financial statement (the same below).

Comparison table showing the account age of the portfolio of accounts receivable and other receivables based on credit risk characteristic and the full lifetime expected credit loss:

Aging	Expected credit loss rate (%)
Within six (6) months (included)	0.00
7-12 months (included)	5.00
1-2 years (included)	30.00
2-3 years (included)	50.00
Over three years	100.00

## ③ Other receivables

Based on the determination as to whether the credit risk of other receivables has increased significantly since initial recognition, the Company calculates impairment loss according to the twelve-month expected credit loss or life-time expected credit loss. Except for other receivables for

which credit risk is assessed individually, assets are classified into different portfolios based on credit risk characteristic:

Item	Basis for grouping	Method for measuring of expected credit loss
Related party funds within the scope of consolidation		
Receivables and payables such as advances from entities beyond the scope of consolidation	The nature of other receivables are used as credit risk characteristics	With reference to historical credit loss experience and based on the current conditions and the forecasts of future economic conditions, the expected credit loss is calculated based on the default risk exposure and the expected credit loss rate within the next 12 months or for the entire duration.
Combination of consumption taxes and export tax rebates receivable		
Combination of tax refunds receivable and other government subsidies		
Portfolio of deposits and security		
Employee loan and petty cash		
Other groups		

④ For other financial assets, with regard to financial assets other than those under the aforesaid measurement methods, the Company measures impairment at an amount equivalent to expected credit losses within the next 12 months or for the entire duration based on whether its credit risk has increased significantly since initial recognition loss.

#### **Note 4.11 Accounts receivable financing**

For the notes and accounts receivable that are classified as measured at fair value with changes included in other comprehensive income, the part thereof within one year (including one year) from the date of acquisition is presented as receivable financing; if the period from the acquisition is more than one year, it will be presented as other debt investment. For related accounting policies, please refer to Note 4.9 “Financial Instruments” and Note 4.10 “Impairment of Financial Assets”.

#### **Note 4.12 Inventories**

##### **Note 4.12.1 Classification of inventories**

Inventories refer to finished goods or commodities for sale held in daily activities, unfinished goods in manufacturing process, and materials and supplies consumed in process of manufacturing products or providing services, etc. including large categories such as materials in transit, raw materials, products in progress, commodities in stock, etc.

##### **Note 4.12.2 Pricing method for acquisition and distribution of inventories**

Inventories are measured at their actual cost, which includes the purchase cost, processing cost and other costs. Inventories are measured at the weighted average method upon receiving and sending. If the daily accounting of inventories is valued at planned cost, the cost difference of materials shall be

carried over at the end of the year and the planned cost shall be adjusted to the actual cost.

**Note 4.12.3** Methods for recognition of net realizable value of inventories and retaining the provision for depreciation

The net realizable value of the inventory is determined at the estimated selling price less the estimated cost and sales cost at the time it is distributed as well as related taxes and charges. The net realizable value of the inventory is determined on the basis of conclusive evidence obtained while considering the purpose of keeping the inventory and effect of events after the balance sheet date.

On the balance sheet date, the inventories are measured at the lower of cost and net realizable value. If the net realizable value is lower than the cost, then the provision for price decline is retained for the inventory. The provision for price decline of the inventory is retained by the difference of the cost less its net realizable value.

If the factors leading to the write-down of the price of an inventory no longer exist and the net realizable value is higher than the book value of the inventory after the provision is retained, the difference is reversed from the provision and recognized in current profit and loss.

**Note 4.12.4** Inventory system

The Company adopts the perpetual inventory system.

**Note 4.12.5** Amortization of low-value consumables and packing materials

One-time amortization method will be used for low-value consumables and packing materials.

#### **Note 4.13 Contract assets**

The Company presents the right for which the customer has not paid the contract consideration, but the Company has fulfilled its performance obligations in accordance with the contract and it does not constitute the right to unconditionally collect payments from the customer (i.e. only depending on the passage of time) as contract assets in the balance sheet. Contract assets and contract liabilities under the same contract are presented at net amount, and contract assets and contract liabilities under different contracts are not offset.

For the determination method and accounting treatment method for expected credit losses of contract assets, please refer to Note 4.10 “Impairment of Financial Assets”.

#### **Note 4.14 Assets available for sale and disposal group**

Where the Company recovers the book value of one non-current asset or disposal group mainly through sales (including the non-monetary asset exchange with commercial substance, similarly hereinafter) rather than sustained use, upon satisfaction of following conditions, it is categorized to the held-for-sale category. The specific standard is that the following conditions are met simultaneously: some non-current assets or disposal group can be sold immediately under current conditions according to the practices of selling similar asset or disposal group in similar transactions;

the Company has made a decision on the selling plan and obtained the positive purchase commitment. It's predicted that the selling will be completed within a year. Disposal group refers to a group of assets disposed together through selling or other methods in a transaction as a whole and liabilities directly related to these assets transferred in the transaction. If the goodwill from the business merger is apportioned to the asset group or combination of asset groups that the disposal group belongs to according to the Accounting Standard for Business Enterprises No. 8 Impairment of Asset, the disposal group shall include the goodwill apportioned to the disposal group.

Upon initial measurement or re-measurement upon balance sheet date of held-for-sale non-current asset or disposal group, where the book value is higher than the net amount that the fair value minus the selling expense, the book value is written down the net amount after the fair value minus selling expense, the write-down amount is determined as the asset impairment loss and included into current profits and losses, and the provisioning of held-for-sale asset impairment is made at the same time. For the disposal group, the recognized assets depreciation loss shall be used to firstly offset against the book value of goodwill in the disposal group and then against the book value of each non-current asset applicable to the measurement rules in the Accounting Standard for Business Enterprises No. 42 Non-current Assets Held for Sale, Disposal Groups, and Discontinued Operations (hereinafter referred to as "No. 42 Standard"). The reversed amount shall be included in the current profit and loss, and its book value shall be increased proportionally according to the portion of the book value of each non-current asset in the disposal group applicable to the measurement rules of No. 42 Standard, except goodwill. The written-down book value of goodwill and the assets impairment loss recognized before the non-current assets is classified into those held for sale applicable to the measurement rules of No. 42 Standard shall not be reversed.

No depreciation or amortization is provisioned for the non-current asset in the held-for-sale non-current asset or disposal group, and the interest of liability in held-for-sale disposal group and other expenses shall continue recognition.

When the non-current asset or disposal group no longer meets the classification condition of held-for-sale category and no longer continues to classify the held-for-sale category, or the non-current asset is removed from the held-for-sale disposal group, measurement is made at whichever is lesser: (1) for the book value prior to classification into the held-for-sale category, the amount after adjustment of depreciation, amortization or impairment to be recognized in case of assuming no classification into the held-for-sale category; (2) Recoverable amount.

#### **Note 4.15 Long-term equity investments**

Long-term equity investments in this part refer to the Company's long-term equity investments having control, joint control or significant influence on the invested unit. Long-term equity

investments in this section refer to the long-term equity investments by the Company in the investee with control, joint control or significant influence. Long-term equity investments which do not enable the Company to exert control, common control or significant influence over the investee entity are accounted for as financial assets at fair value through profit or loss, in particular, if such long-term equity investments are not held for trading, they may be designated by the Company on initial recognition as financial assets at fair value through other comprehensive income, for the relevant accounting policy, refer to Note 5.9 “Financial Instruments”.

Joint control refers to the control the Company shares with other entities over a certain arrangement following relevant agreement by which any activity under the arrangement may be conducted only with unanimous agreement of all participants sharing the power of control. Significant influence refers to the situation where the Company is entitled to participate in but is not authorized to control the financial and/or business decisions, either alone or in joint efforts with other participants.

**Note 4.15.1** Determination of investment cost

For a long-term equity investment acquired through combination of businesses under common control, the share of the shareholders' equity of the acquiree in the book value of the shareholders' equity in the consolidated financial statements of the ultimate controlling party on acquisition date shall be taken as the initial investment cost for the long-term equity investment. Capital reserve is adjusted based on the difference between the initial cost for the long-term equity investment and the book values of cash paid, non-cash asset transferred and debt assumed, and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. If the consideration is paid in the form of equity securities, the share of the shareholders' equity of the acquiree in the book value of the owners' equity in the consolidated financial statements of the ultimate controlling party on acquisition date is taken as the initial investment cost for the long-term equity investment on the date of combination. The face value of the shares issued is taken as the equity, and the capital reserve is adjusted by the difference between the initial investment cost for the long-term equity investment and the total face value of the shares issued; and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. If the combination of businesses under common control is realized through a series of transactions in acquiring the equity of the acquiree, the transactions are determined whether to be a package deal and treated in either of the following manners: If the whole series of transactions are determined to constitute a package deal, then they are treated as one transaction realizing the acquisition of the control. If not, the share of the shareholders' equity of the acquiree in the book value of the owners' equity in the consolidated financial statements of the ultimate controlling party on acquisition date is taken as the initial investment cost for the long-term equity investment on the date of combination.

Capital reserve is adjusted based on the difference between the initial investment cost for the long-term equity investment and the book value of the long-term equity investment before the combination plus the total book value of newly paid consideration for acquiring shares on acquisition date; and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. The other comprehensive income accounted for the adoption of equity method for the equity investment held or recognized for financial assets available for sale before acquisition date is not accounted for upon the acquisition.

For a long-term equity investment acquired through combination of businesses not under common control, the cost for the combination, which is fair value of the total of the assets paid, liabilities incurred or assumed and the equity securities issued by the acquiring party, is taken as the initial investment cost for the long-term equity investment on acquisition date. If the combination of businesses not under common control is realized through a series of transactions in acquiring the equity of the acquiree, the transactions are determined whether to be a package deal and treated in either of the following manners: If the whole series of transactions are determined to constitute a package deal, then they are treated as one transaction realizing the acquisition of the control. If not, the aggregate of the book value of the equity investment in the acquiree held by the Company and the increase in the investment cost is taken as the initial cost for the long-term equity investment remeasured using the cost method. If the originally held equity is measured by the equity method, the relevant other comprehensive income is not accounted.

Intermediary costs incurred by the acquirer in the course of combination for audit, legal and valuation services and other administrative services are recorded in current profit and loss.

Equity investments, except long-term equity investments derived from business combination, are initially measured at the cost. The cost are determined, depending on the means of acquisition, at the purchase price actually paid in cash, the fair value of the equity securities issued by the Company, the value determined in the investment contract or agreement, the fair value of the original book value of the asset traded off by means of exchange trade of non-monetary asset or the fair value of long-term equity investment itself. Charges, taxes and other necessary expenses related to the acquisition of long-term equity investments are recognized in Investment Costs. In case of a long-term equity investment made in addition to other investment, if the investment results in the Company's ability to exercise significant influence over the investee but does not constitute the control over the same, the cost is the aggregate of the fair value of the equity investment originally held, as determined following the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the newly increased cost.

**Note 4.15.2** Methods for subsequent measure and recognition of profit and loss

If the entity in which the Company invests exercises joint control (except those constitute a joint operation) or significant influence over the long-term equity investments, equity method is adopted for such long-term equity investments. Also, a long-term equity investment that grants control over the investee is accounted for in the financial statements of the Company using the cost method.

① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at the initial investment cost, which is adjusted by the increased or recovered investment. Except the price actually paid upon acquisition of an investment or the cash dividend or profit that has been declared but not granted and included in the consideration for the acquisition, cash dividend or profit in the investee attributable to the Company shall be recognized as income from investments.

② Long-term equity investments accounted for using the equity method

If the long-term equity investment is accounted using the equity method and the initial cost for the investment is greater than the share of the total fair value of the identifiable assets of the investee, the initial cost for the investment is not adjusted; if the former is less than the latter, the difference is recognized in current profit and loss and the cost for the long-term equity investment is adjusted accordingly.

When accounted for using the equity method, the share in the net gains or losses that have been realized by the investee and which the Company is entitled to receive or obliged to assume and the share in other comprehensive income are recognized in income from investments and other comprehensive income, respectively, and the book value of the long-term equity investment is adjusted accordingly; the book value of the long-term investment is adjusted according to the portion of the profit or cash dividend declared and distributed by the investee; In case of any change in the owners' equity in the invested equity, except the net gains or losses, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and the balance is recognized in the capital surplus. The share in the net gains or losses of the investee is recognized after adjustment is made on the basis of the fair values of all identifiable assets of the investee upon the investment is realized. If the accounting policies and accounting periods adopted by the investee are inconsistent with those adopted by the Company, the financial statements of the investee are adjusted in accordance with the accounting policies and accounting period of the Company and the investment income and other comprehensive income from the investee is recognized according to the adjustment. In case of a transaction between the Company and its associate or joint venture, where the investment or sale does not constitute a business transaction, the unrealized gains or losses within the scope of the Company are calculated and offset according to the share attributable to the Company, with the balance recognized as gains or losses from investment. However, the losses

arising from unrealized transactions with the investee within the Company, if being impairment loss of the asset to be transferred, may not be offset. In case of an investment of an asset in a joint venture or an associated enterprise that constitutes a business transaction and a long-term equity investment without realizing the control over the investee, the fair value of the asset is taken to be the initial investment cost for the long-term equity investment and the whole difference between the initial investment cost and the book value of the asset is recognized in current profit and loss. In case of an investment of an asset sold to a joint venture or an associated enterprise that constitutes a business transaction, the whole difference between the consideration acquired and the book value of the asset is recognized in current profit and loss. An asset acquired from a joint venture or an associate, if constitutes a business transaction, is treated following Accounting Standards for Business Enterprises No. 20 - Business Combinations and wholly recognized as gains or losses related to the transaction.

Net loss from an investment in an investee is written down against the total of the book value of the long-term equity investment and the long-term equity from other actual net investment in the investee, but only to that extent. In addition, if the Company assumes liability for any extra loss of the investee, the obligation is recognized as an estimated liability in Losses from Investment of the period. If the investee realizes net profit subsequently, the share in the profit payable to the Company is recognized as a share of income after the unrecognized loss arising from the investment.

For the long-term equity investments to joint ventures and associates already held before the first implementation of the new accounting standards, if there is the debit balance of equity investments related to the investments, the amount amortized using the straight-line method over the remaining period shall be included in the current profit and loss.

### ③ Acquisition of minority equity

When preparing the Consolidated Financial Statements, the difference between the newly increased long-term equity investment due to the acquisition of minority equity and the share in the net asset of the subsidiary attributable to the Company calculated at the newly increased shareholding ratio on acquisition date or (the Consolidation Date) is recognized as an adjustment to the capital surplus and, and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings.

### ④ Disposal of long-term equity investment

If the Parent Company disposes of part of its long-term equity investment in a subsidiary without losing the control over the latter, the difference between the price of the disposal and the share in the net asset of the subsidiary corresponding to the long-term equity investment disposed of is recognized in Shareholders' Equity in the Consolidated Financial Statements; if the Parent Company disposes of part of its long-term equity investment in a subsidiary resulting in the loss of control over



the latter, the disposal price is treated following accounting policies described in Note 4.5.2 “Methods for Preparing Consolidated Financial Statements.”

In case of a long-term equity investment disposed of in other circumstances, the difference between the book value and the price actually acquired is recognized in current profit and loss.

In case of a long-term equity investment accounted for using the equity method, if the remaining equity after disposal continues to be accounted for using the equity method, the corresponding share in the other comprehensive income originally recognized in Shareholders' Equity is treated on the same basis on which the investee directly disposes of the relevant asset or liability. All other shareholders' equity of the investee recognized because of changes in the shareholders' equity, other than those in the net gains or losses, other comprehensive income and profit distribution are carried over to current profit and loss in proportion.

Long-term equity investments accounted for using the cost method, if the remaining equity after disposal continues to be accounted for using the cost method, the other comprehensive income originally accounted for using the equity method or the standards for recognition and measurement of financial instruments before the acquisition of the control over the investee is treated on the same basis on which the investee directly disposes of the relevant asset or liability and is carried forward in proportion; all other shareholders' equity in the net asset of the investee, as accounted for and recognized using the equity method, except net gains or losses, other comprehensive income and profit distributions, are carried forward in proportion.

If the Company loses the control over the investee due to disposal of part of its equity investment but the remaining equity constitutes joint control or significant influence over the investee, the remaining equity is re-accounted for using the equity method and adjustment is made, as if the remaining equity were accounted for using the equity method since the acquisition; the remaining equity, if it does not constitute joint control or significant influence over the investee, is re-accounted for following the standards for recognition and measurement of financial instruments and the difference between the fair value on the date the control is lost and the book value of the equity is recognized in current profit and loss. When the control over the investee is lost, the other comprehensive income accounted for using the equity method or following the standards for the recognition and measurement of financial instruments before the acquisition of the control over the investee is treated on the same basis on which the investee directly disposes of the relevant asset or liability. All changes in other shareholders' equity in the net asset of the investee, as accounted for and recognized using the equity method, except net gains or losses, other comprehensive income and profit distributions, are carried forward in proportion upon the loss of control. If the remaining equity is accounted for using the equity method, the other comprehensive income and other shareholders'

equity are carried forward in proportion; if the remaining equity is accounted for following the standards for recognition and measurement of the financial instruments, the other comprehensive income and other shareholders' equity are fully carried forward.

If the Company loses the joint control or significant influence over the investee due to partial disposal of equity investments, the remaining equity is re-accounted for following the standards for recognition and measurement of financial instruments and the difference between the fair value on the date the control or significant effect is lost and the book value of the remaining equity is recognized in current profit and loss. When the control of the investee is terminated, the other comprehensive income from the original equity investment, as accounted for the adoption of equity method or following the standards for the recognition and measurement of financial instruments is treated on the same basis on which the investee directly disposes of the relevant asset or liability; all changes in other shareholders' equity in the net asset of the investee, as accounted for and recognized because of the adoption of the equity method, except net gains or losses, other comprehensive income and profit distributions, are carried forward in proportion upon the loss of control.

If the Company disposes of equity investment in a subsidiary through a series of transactions that lead to the loss of control and the transactions are determined to constitute a package deal, each of them is treated as a transaction of disposing of equity investment in a subsidiary that leads to the loss of control. However, the difference between the disposal price in each of the transactions and the book value of the corresponding long-term equity investment in subsidiary is recognized in the other comprehensive income in the Consolidated Financial Statements and transferred to current profit and loss in which the control is lost.

#### **Note 4.16 Investment real estates**

Investment real estate refers to real estate held for rental or capital increase or both purposes, including land use rights leased, land held for sale after appreciation and leased buildings.

Investment real estates are initially measured at cost. Subsequent expenditures relating to investment properties, if the asset's economic benefits are likely to flow in and its cost can be reliably measured, are recognized in cost for investment properties. Other subsequent expenditures are recognized in current profit and loss.

The Company uses the cost method for subsequent measurement of investment properties and calculates the depreciation or amortization using the same following policies in line with the houses, buildings and related land use rights.

Refer to Note 4.22 "Impairment of Long-term Assets" for methods for depreciation test and impairment provision retention for investment properties.

If owner-occupied properties or inventories are converted into investment properties or investment

properties converted into owner-occupied properties, the book value before the conversion is taken as the entry value after the conversion.

When an investment real estate is changed for self-use, as from the date of such change, this investment real estate shall be converted into fixed asset or intangible asset. Since the date of changing its purpose into rental or capital gain, fixed assets or intangible assets shall be converted into investment real estate. When the use of self-used real estate is changed to earn rent or capital appreciation, fixed assets or intangible assets shall be converted into investment real estate from the date of change.

In case of a conversion, if it is converted into an investment real estate measured by cost model, the book value before the conversion shall be the entry value after the conversion. When an investment real estate is disposed of or withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. Income from disposal of an investment property by means of sale, transfer, etc., less its book value and related taxes, is accounted for in current profit and loss.

#### **Note 4.17 Fixed assets**

##### **Note 4.17.1** Conditions for recognition of fixed assets

The fixed assets of the Company refer to tangible assets held for production of goods, provision of labor services, lease or business with a service life of over a fiscal year. A fixed asset is recognized only when the related economic benefit is likely to flow in and the cost can be reliably measured. A fixed asset is initially measured at cost and the estimated abandonment cost.

##### **Note 4.17.2** Method for depreciating fixed assets

Provision for depreciation of a fixed asset is retained using the straight-line method from the month after the fixed asset reaches the expected serviceable condition. Estimated service life, estimated residual values and annual depreciation rates of different types of fixed assets are as follows:

Category	Depreciable life (year)	Residual ratio (%)	Yearly depreciation rate (%)
Houses & buildings	20 years, 30 years and 50 years	5.00	4.75, 4.50
		10.00	3.17, 3.00
			1.90, 1.80
Structures	10 years and 20 years	5.00	9.50, 4.75
		10.00	9.00, 4.50
Machinery equipment	5-30 years	5.00	3.00-19.00
		10.00	
Transportation equipment	5 years, 6 years and 10 years	5.00	19.00, 18.00
		10.00	15.83, 15.00
			9.50, 4.75
Office facilities and others	5	5.00, 10.00	19.00, 18.00

Estimated net residual value refers to the value the Company is expected to acquire by disposing of

the fixed asset in its status upon the expiry of its using life.

**Note 4.17.3** Method for impairment test of fixed assets and impairment provision retention

Refer to Note 4.22 “Impairment of Long-term Assets” for methods for depreciation test and impairment provision retention for fixed assets.

**Note 4.17.4** The basis for recognizing and measuring fixed assets acquired under finance leases (applicable in FY 2020, inapplicable as new leasing criteria are implemented in 2021)

Finance lease refers to the lease by which all risks and benefits from the control of an asset are transferred while the ultimate ownership may or may not be transferred. Depreciation provision for fixed assets leased by means of finance lease is retained following the same policy for the retention of depreciation provision for own fixed assets. If it is reasonably expected that the Company will acquire the title to the leased asset upon the expiry of the lease, the depreciation provision is retained over the serviceable life of the leased asset; if it is not reasonably expected that the Company will acquire the title to leased asset upon the expiry of the lease, the depreciation provision is retained over the shorter of the lease and serviceable life of the leased asset.

**Note 4.17.5** Other Explanations

Subsequent expenditures relating to fixed assets, if the asset's economic benefits are likely to flow in and its cost can be reliably measured, are recognized in cost for fixed assets and the book value of the substituted part is derecognized. Other subsequent expenditures are recognized in current profit and loss in which they are incurred.

Fixed assets are derecognized if they are disposed of or no economic gain can be realized through use or disposal of the same. Income from disposal of fixed assets by means of sale, transfer, etc., is accounted as current profit and loss less the book value and relevant taxes and charges.

The Company reviews the serviceable life, expected residual value and the method of depreciation at the latest at the end of the accounting year. If any change is found in the original estimates, adjustment is made to the relevant accounting estimate.

#### **Note 4.18 Construction in progress**

The cost for construction in progress is recorded at the actual costs, including various expenditures on the construction, the borrowing costs for the capitalization before the construction reaches its serviceable status and other related expenses. A construction-in-progress is re-accounted for as a fixed asset upon reaching its serviceable status.

Refer to Note 4.22 “Impairment of Long-term Assets” for methods for depreciation test and impairment provision retention for constructions-in-progress.

#### **Note 4.19 Borrowing costs**

Borrowing costs of the Company include the interest accrued on loans, the amortization of discount

or premium and auxiliary expenses as well as the translation differences incurred by loans in foreign currencies. Borrowing costs related to the purchase, construction or production of assets that meet the conditions for capitalization are capitalized when the asset expenditure has been made, the borrowing costs have been incurred and the purchase, construction or production activities necessary to work the asset into its serviceable or marketable status have begun; the capitalization ceases when the asset that meets the conditions for capitalization under construction or production reaches its expected serviceable or marketable status. Other borrowing costs are recognized as expenses in the period they are incurred.

The interest expenses incurred in the period for special loans less the interest income from the loan fund deposited in a bank or income from temporary investments made out of the loans are capitalized; general loans are capitalized on the basis of result of the accumulated capital expenditures excessive of weighted average of the capital expenditures of the special loan multiplied by the capitalization ratio of the general loans. The capitalization rate is determined on the basis of the weighted average interest rate of general borrowings.

During the capitalization, the difference arising from special loans in foreign currencies is fully capitalized while that arising from general loans in foreign currencies is recognized in current profit and loss.

Assets qualified for capitalization refer to fixed assets, investment real properties and inventories that take a reasonable period of purchase, construction or production to be developed into the ready-for-sale or ready-for-use status.

If the purchase, construction or production of the asset qualified for capitalization is suspended for over three months, the capitalization of the borrowing cost is suspended until the resumption of purchase, construction or production.

#### **Note 4.20 Intangible assets**

##### **Note 4.20.1 Intangible assets**

Intangible asset refers to invisible recognizable non-currency assets owned or controlled by the Company.

Intangible assets are initially measured at cost. Expenses related to intangible assets are recognized in cost for intangible assets when related economic gains are likely to flow in and the cost can be reliably measured. Other subsequent expenditures are recognized in current profit and loss in which they are incurred.

Land use rights acquired are usually accounted for as intangible assets. Expenditures on the land use right and the cost for the construction of self-developed plants and other buildings are accounted for as intangible assets and fixed assets. In case of houses and buildings purchased, the purchase price is

allocated onto the land use right and the buildings and treated accordingly; if the allocation cannot be done reasonably, the whole price is treated as fixed assets.

In case of an intangible asset of limited serviceable life, the original value, net of expected residual value and the accumulated depreciation provision retained, is amortized over the expected serviceable life using the straight-line method. Intangible assets with uncertain service life are not amortized.

The service life and the amortization method adopted for intangible assets of a limited serviceable life is reviewed at the yearend, and if any change has occurred, adjustments are made accordingly to the accounting estimates. The serviceable life of each intangible asset with uncertain serviceable life is reviewed at the end of year. If there is evidence that the period in which the intangible asset can bring in economic benefit can be predicted, the serviceable life is estimated and the intangible asset is amortized following the policy for amortization of intangible assets with limited serviceable life.

#### **Note 4.20.2 R&D expenses**

Internal R&D expenses of the Company include expenses on the research stage and those on the development stage.

Expenses incurred on the research stage are recognized in current profit and loss.

Expenses incurred on the development stage, if satisfying all of the following conditions, are recognized as an intangible asset, otherwise, in current profit and loss.

- ① The expenses contribute to the completion of intangible asset so that it can be technically usable or salable;
- ② Having the intention to complete the intangible asset and use or sell it;
- ③ The intangible asset is able to generate economic benefits, with evidence that there is a market for the intangible asset or products produced using the intangible asset, or that the intangible asset is useful if it is intended to be internally used;
- ④ Having sufficient technical, financial and other resources to support the development of the intangible asset and having the ability to use or sell the intangible asset;
- ⑤ The expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenses on the research stage and the development stage, if not able to be distinguished, are both recognized in current profit and loss.

(3) Impairment test of intangible assets and methods for withholding the impairment provision

Refer to Note 4.22 “Impairment of Long-term Assets” for methods for depreciation test and impairment provision retention for intangible assets.

#### **Note 4.21 Long-term deferred expenses**

Long-term deferred expenses refer to expenses that have been incurred and should be amortized over a period of longer than one year, including current period and periods yet to come. Long-term deferred expenses are recorded at actual expense and amortized using the straight-line method over estimated period of benefit.

**Note 4.22 Impairment of long-term assets**

The Company determines on the balance sheet date whether there are signs that impairment has occurred to fixed assets, constructions-in-progress, intangible assets with limited serviceable life, investment properties measured at cost and non-current non-financial assets including long-term equity investments in its subsidiaries, joint ventures and associates. If there are signs of impairments, the recoverable amount is estimated and an impairment test is done. Goodwill, intangible assets with uncertain serviceable life and intangible assets that have not reached the serviceable status are subject to impairment tests every year regardless of whether there are signs of impairments.

When impairment test indicates that the asset's recoverable amount is below its book value, impairment provision shall be made as per the difference and recorded into impairment loss. The recoverable amount shall be the higher of the fair value minus disposal expenses and the present value of expected future cash flows of the asset. The fair value of an asset is determined based on contract price of fair trade; if there is no sales agreement but there is an active market, the bid price the buyer offers for the asset is taken to be the fair value; if there is no sales agreement or active market, the fair value of the asset is estimated on the basis of the best information available. Costs of disposal include legal costs, taxes and fees related to the disposal of assets as well as the handling fees and other expenses incurred in bringing the asset to the salable status. The present value of the expected future cash flow from an asset is determined by discounting the expected future cash flow from the asset while it is used on an on-going basis and the at the final disposal at a suitable discount rate. Where there is any evidence indicating a possible impairment of assets, the enterprise shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs. Asset group refers to a minimum combination of assets that can generate cash inflows independently.

When conducting impairment loss of goodwill separately listed in the financial statements, the book value of the goodwill is allocated to the asset group or combination of asset groups that benefit from the synergies of the business combination. The corresponding impairment loss shall be recognized when impairment test indicates that the recoverable amount of the asset group or combination of asset groups to which goodwill is apportioned is lower than its book value. The amount of the impairment loss shall first charge against the book value of goodwill apportioned to the asset groups

or combination of asset groups, then charge against the book value of other assets in proportion to the weight of other assets in the asset groups or combination of asset groups with goodwill excluded. Once recognized, the aforesaid impairment loss subsequently shall not reverse the recovered part.

#### **Note 4.23 Contract liabilities**

Contract liabilities mean the obligation for which the Company shall transfer goods to customers for the consideration received or receivable from customers. If the customer has already paid the contract consideration or the Company has obtained the unconditional right to receive payment before the Company transfers the goods to the customer, the Company shall present the received amounts or receivables as contract liabilities at the earlier of the time when the actual payment is received by the Company from the customer and the due date of payment. Contract assets and contract liabilities under the same contract are presented at net amount. If the net amount is the debit balance, the contract asset and contract liability should be presented in the item of "contract assets" or "other non-current assets" according to its liquidity; if the net amount is the credit balance, the contract asset and contract liability should be presented in the item of "contract liabilities" or "other non-current liabilities" according to its liquidity. Contract assets and contract liabilities under different contracts are not offset.

#### **Note 4.24 Staff remuneration**

Employee benefits mainly include short-term employee remunerations, post-employment benefits, termination benefits and other long-term employee benefits. Of which: Wherein:

The short-term remunerations include salaries, bonuses, allowance and subsidies, welfare, medical insurance premium, maternity insurance premium, industrial injury insurance premium, housing fund contributions, labor union fund contribution, employee education fund contributions and non-monetary benefits. The Company treats short-term employee remunerations actually incurred during the accounting period in which employees provide services for the Company as liabilities and recognizes the same in current profit and loss or relevant cost for assets of the period. Non-monetary benefits are measured at fair value.

Post-employment benefits mainly include basic pension insurance, unemployment insurance and annuities. Post-employment benefit plans include defined contribution plans. If a defined contribution plan is in place, the corresponding amounts payable is included in relevant costs for assets or current profit and loss in which they are incurred.

If the labor relationship with employees terminates before the employment contracts expire or if the Company offers compensation with the view of encouraging employees to voluntarily accept redundancy, payroll liabilities arising from the termination benefits are recognized in current profit and loss on the earlier of the date on which it is determined that the Company may not withdraw the



termination benefits offered through labor relationship plans or redundancy proposals and the date on which the Company recognizes the cost for the restructure involving the payment of termination benefits. However, if the dismissal welfare cannot be completely paid within 12 months after the termination of the annual report period, it shall be dealt with according to the remuneration of other long-term employee.

Internal retirement plans are treated following the same principles related to the termination benefits as described above. The Company recognizes in current profit and loss (termination benefits) of the salaries, social insurance premiums, etc. that are to be paid between the date the employees stops to provide services for the Company and the date of normal retirement, if satisfying the conditions for the recognition of estimated liabilities.

Other long-term employee benefits offered to employees, if eligible for the defined contribution plan, are accounted for following such plan, or, if not eligible, following defined benefit plan.

#### **Note 4.25 Estimated liabilities**

A liability related to contingencies, if meeting the following conditions, is recognized as estimated liabilities: (1) the liability is a current liability the Company assumes; (2) the performance of the liability is likely to result in outflow of economic benefits; and (3) the amount of the liability can be reliably measured.

On the balance sheet date, estimated liabilities are measured at the best estimate of the amount to be expensed in performing related liabilities, while considering the risks, uncertainties and the time value of money related to the contingencies.

If the expense for liquidating an estimated liability is wholly or partially compensated by a third party, the compensation amount is recognized as a separate asset when it is basically certain to be received, provided that the recognized compensation amount may not exceed the book value of the estimated liability.

##### **Note 4.25.1 Onerous contract**

Onerous contracts are contracts where the costs involved with fulfilling the terms and conditions of the contract are inevitably higher than the amount of economic benefit received. If an executive contract becomes an onerous contract and the liabilities thereunder satisfy the foregoing conditions for the recognition of estimated liabilities, the expected loss from the performance of the contract less the recognized impairment loss from the asset subject to the contract (if any) is recognized as an estimated liability.

##### **Note 4.25.2 Liabilities for restructure**

In case of a detailed formal restructure plan that has been publicly announced, an estimated liability based on the direct expense related to restructure is recognized if the same meet the foregoing

conditions for recognition of estimated liabilities.

#### **Note 4.26 Share-based payments**

##### **Note 4.26.1 Method for accounting for share-based payments**

Share-based payments refer to the transaction by which the Company grants equity instruments or assumes a liability based on equity instruments for the services an employee or another party renders to the Company. Share-based payments include those settled in equity shares or in cash.

##### ① Share-based payments settled in equity shares

Share-based payments designed to pay the employee equity shares in exchange for the services he/she renders are measured at fair value of the equity instruments on the Grant Date. If the right to the fair value are exercisable only if the employee completes the services in the specified waiting period or attained the specified performance results, such rights are recognized in relevant cost or expenses using the straight-line method during the waiting period; or if the right can be exercised upon grant, such rights are recognized in relevant cost or expenses on the date of grant; in both cases, the capital reserve is increased accordingly.

The Company makes its best estimates on the basis of the change in the number of employees who have newly acquired the exercisable rights and other subsequent information and revise the recorded the quantities of instruments expected to be exercisable. Those effects of the foregoing estimates are recognized in impact of relevant costs or expenses of the period and the capital reserve is adjusted accordingly.

A share-based payment settled with equity in exchange for another party's service, if the fair value of the other party's service can be reliably measured, is measured at the fair value of such service on the date such service is provided, or, if such fair value cannot be reliably measured but the fair value of the equity instrument can be reliably measured, is measured at the fair value of the equity instrument on the date such service is provided; the amount is recognized in relevant cost or expenses and the shareholders' equity is increased accordingly.

##### ② Share-based payments settled in cash

Share-based payments settled in cash are measured at the fair value of the liability assumed by the Company, which is determined on the basis of shares and other equity instruments. If the rights granted for such share-based payments settled in cash are immediately exercisable, the payment is recognized in relevant costs and expenses and the liability is increased accordingly. If rights granted to such share-based payments settled in cash are exercisable only if the employee completes the services in the specified waiting period or attained the specified performance results, on each balance sheet date during the waiting period, the liabilities of the Company are be increased at the fair value of the liabilities to be assumed by the Company on the basis of the best estimate of the quantities of

exercisable equity instruments, with the services received in current period included in relevant costs or expenses.

The fair value of the liability is re-measured on each Balance Sheet Date and each settling date prior to the settlement of the liability with the change included in current profit and loss.

**Note 4.26.2** Accounting process in case of revision or termination of a share-based payment plan

If the modification of the share-based payment plan increases the fair value of the equity instruments granted, the increase in the services received shall be recognized according to the increase in the fair value of the equity instruments. Increase in the fair value of an equity instrument refers to the difference between the fair values of the equity instrument before and after the date of revision. If the Company revises the terms and conditions by means of decreasing the total fair value of the share-based payments or other means against the interest of employees, the Company continues to account for the services received as if such modification had not been done, unless the Company cancel all or part of the equity instruments granted.

If equity instruments granted are canceled during the vesting period, the exercise of the rights granted on the equity instruments shall be accelerated and the amount to be recognized during the remaining vesting period shall be forthwith included in current profit and loss and the Capital Reserve shall be simultaneously recognized. If an employee or another party can choose to satisfy non-exercise conditions but the vesting period has not yet expired, the circumstance may be addressed as if the granted equity instruments were canceled.

**Note 4.26.3** Accounting process for share-based payment transactions involving the Company or a shareholder or the actual controller of the Company

In case of a share-based payment transaction involving the Company or a shareholder or the actual controller of the Company, if one of the settling party and the serviced party is within the scope of the Company and the other outside the scope, such payment is treated in accordance with the following procedures:

① If the settling entity settles the payment with its own equity instruments, the share-based payment transaction is settled in equity; in other cases, the share-based payment transaction is settled in cash.

If the settling entity invests in the serviced entity, the share-based payment is treated as a long-term equity investment at the fair value of the equity instrument or the liability to be assumed on the grant date, and Capital Reserves (Other Capital Reserves) or liability is recognized accordingly.

② If the serviced entity has no obligation to settle the payment or if it grants its own equity instruments to its employees, the share-based payment transaction is treated as share-based payment in equity; If the serviced entity has an obligation to settle the payment or if it grants equity

instruments of another entity to its employees, the share-based payment transaction is treated as share-based payment in cash.

In case of a share-based payment transaction, if the settling entity and the serviced entity are not the same entity, the transaction is recognized and measured following the foregoing principle in individual financial statements of both entities.

#### **Note 4.27 Revenue**

##### **Note 4.27.1 Principles of revenue recognition**

On the commencement date of the contract, the Company evaluates the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain time point.

When one of the following conditions is met, it shall be the fulfillment of contract performance obligation within a certain period of time, otherwise it shall be the fulfillment of contract performance at a certain time point: ① The customer obtains and consumes the economic benefits brought by the Company's contract performance at the same time as the Company performs the contract; ② The customer can control the goods or services under production during the performance of the Company; ③ The goods or services produced during the contract performance of the Company have irreplaceable uses, and the Company has the right to collect payments for the accumulative performance part that has been completed during the entire contract term.

For the contract performance obligations fulfilled within a certain period of time, the Company recognizes revenue according to the performance progress during that period of time. When the contract performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized according to the amount of cost incurred until the performance progress can be reasonably determined. For the contract performance obligations fulfilled at a certain time point, revenue is recognized at the time point when the customer obtains the control over the relevant goods or services. When determine whether the customer has obtained the control of goods, the Company considers the following signs: ①The Company has the current right to receive payment for the goods, i.e. the customer has the current obligation to pay for the goods; ②The Company has transferred the legal ownership of the goods to the customer, i.e. the customer has owned the legal ownership of the goods; ③The Company has transferred the goods to the customer physically, i.e. the customer has physically taken possession of the goods; ④The Company has transferred the main risks and rewards on the ownership of the goods to the customer, i.e. the customer has obtained the main risks and rewards on the ownership of the goods; ⑤The customer has accepted the goods; ⑥Other signs showing that the customer has obtained control over the goods.

**Note 4.27.2 Principles of income measurement**

① The Company measures revenue based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the Company expects to have the right to receive due to the transfer of goods or services to the customer, excluding the amounts collected on behalf of a third party and the amounts expected to be returned to the customer.

② If there is variable consideration in the contract, the Company will determine the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price including the variable consideration shall not exceed the amount of the accumulated recognized income that is likely to have no major reversal when the relevant uncertainty is eliminated.

③ If there is a significant financing component in the contract, the Company will determine the transaction price based on the amount payable that is assumed to be paid in cash when the customer obtains the control over the goods or services. The difference between the transaction price and the contract consideration is amortized by the effective interest method during the contract term. On the commencement date of the contract, the Company expects that the interval between the customer's acquisition of control of the goods or services and the customer's payment of price will not exceed one year, regardless of the significant financing components in the contract.

④ If the contract contains two or more performance obligations, the Company will allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the separate selling price of the goods promised under each individual performance obligation on the contract commencement date.

**Note 4.27.3 Specific method of revenue recognition**

The Company mainly sells product oil products, chemical products, PTA, polyester flakes, polyester yarns, etc., and the sales shall be the fulfillment of contract performance obligation at a certain time point. Based on the characteristics of actual production and operation, the following conditions shall be met for the Company's recognition of the income from domestic sales: the Company has delivered the products to the purchaser in accordance with the contract provisions, and the amount of product sales income has been determined, the payment has been recovered or the receipt voucher has been obtained and the related economic benefits are likely to flow in, the control of product has been transferred to the purchaser, and the costs of product can be reliably measured. For exported goods, the income is recognized when the goods are declared for export. For the sales of trade goods, the income is recognized when the Company has delivered the goods property in goods to the purchaser in accordance with the contract provisions. For the goods in the Company's overseas

subsidiary international trade business, the income is recognized according to the time point for the transfer of goods risk as set out in the contract.

#### **Note 4.28 Contract cost**

If the incremental cost incurred by the Group for obtaining the contract is expected to be recovered, it will be recognized as an asset as the cost of obtaining the contract.

If the cost incurred for the performance of contract does not fall within the scope of the Accounting Standards for Business Enterprises No. 14-Revenue (Revision 2017) and the following conditions are met at the same time, it shall be recognized as an asset as contract performance cost: ①The cost is directly related to a current or expected contract, including expenses of direct labor, direct materials, manufacturing (or similar expenses), costs clearly borne by the customer, and other costs incurred only due to the contract; ②The cost has increased the Group's resources used for fulfilling the contract performance obligation in the future; ③The cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as the recognition of income from goods related to the asset and included in the current profit and loss.

#### **Note 4.29 Government grants**

Government grant refers to monetary or non-monetary assets the Company receives from the government for free, but excludes funds invested in the Company by the government, which enjoys the owners' equity in the same as a fund owner. Government grants are divided into asset-related government grants and income-related government grants. The Company defines government grant received and used for purchase or construction or formation of long-term assets as asset-related government grant and other government grant is defined as income-related government grant. If the target of a government grant is not specified in relevant government documents, the subsidy is divided into income- and asset-related subsidy in the following manners: (1) if the project is defined in relevant government document, the subsidy is divided in accordance with the relative proportions of the expense allocated for asset and expenditure, provided that the division is reviewed against the proportions on each balance sheet date and adjusted if necessary; (2) if only a general direction on the use of the subsidy but no specific project is stated in relevant government documents, the subsidy is recognized as income-related subsidy. If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount. Government grants in the form of non-monetary assets are measured at fair value or, if the fair value cannot be reliably obtained, at its nominal amount. Government grants measured at nominal amounts shall be directly included into current profit and loss.

The Company usually recognizes and measures government grants at by the amount actually received. However, the financial support funds that meet the relevant conditions stipulated by the

financial support policy with conclusive evidence at the end of the period shall be measured according to the amount receivable. Government grant to be measured at the amount receivable must meet all the following conditions: (1) The amount of the government grant receivable has been confirmed by a formal document from competent government authority or can be reasonably calculated following relevant regulations of formally issued financial fund management measures and there is no significant uncertainty as to the amount to be received; (2) the government grant is based on a financial support program and its financial fund management measures formally implemented and disclosed following the Regulations on Open Government Information, and the said measures are inclusive (open to all eligible entities) rather than specifically formulated for certain entities; (3) a deadline for the disbursement has been announced in relevant documents and guaranteed with financial budget so that the receipt of the amount is reasonably certain; (4) the Company is expected to satisfy other conditions that may be required for such subsidy (if any).

Asset-related government grant is recognized as a deferred income, which is included into current profit and loss in installments over the life of use of relevant assets in a reasonable and systematic way. Income-related government grant, if used to cover relevant future expenses or losses, is recognized as a deferred income and is included into current profit and loss in the period when such expenses and losses are recognized, or, if used to cover related expenses and losses that have been incurred, is directly included into current profit and loss.

If government grants include both asset-related and income-related grants, different accounting methods may be applied for different parts of the grants; government grants that cannot be differentiated are accounted for as income-related.

Government grants related to the daily operations of the Company are included in other income or used to offset relevant costs and expenses and those irrelevant to the daily operations are recorded as non-operating income.

When the recognized government subsidy needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income will be offset, and the excess will be included in the current profit and loss; in other cases, it will be directly included in the current profit and loss.

#### **Note 4.30 Deferred income tax assets and deferred income tax liabilities**

##### **Note 4.30.1** Income tax of the period

On the balance sheet date, the income tax liabilities (or assets) of the period that have developed in the current and previous periods are measured at the amounts expected to be paid or recovered. The taxable income base for the calculation of the income tax of current period shall be determined on the basis of the accounting profit adjusted according to relevant provisions of the Tax Law.

**Note 4.30.2** Deferred income tax assets and liabilities

The difference between book values of certain assets or liabilities and their tax bases as well as the temporary difference between the book values and the tax bases of items that are not recognized as assets or liabilities but whose tax bases can be determined following relevant provisions of the Tax Law are recognized as deferred tax assets or liabilities using the balance sheet liability method.

No deferred income tax liability is recognized for taxable temporary differences related to the initial recognition of goodwill or the initial recognition of assets or liabilities arising from transactions that have not occurred in a business combination process and which do not influence the accounting profit and taxable income (or deductible losses). No deferred income tax liability is recognized for taxable temporary differences related to investments in subsidiaries, joint ventures and associates, if the Company can determine the time for the reversal of the temporary differences and the taxable temporary differences are not likely to be reversed within a predictable future. Except for the circumstances described above, the Company recognizes deferred income tax liabilities for all other taxable temporary differences.

No deferred income tax asset is recognized for deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that have not occurred in a business combination process and which do not influence the accounting profit and taxable income (or deductible losses). No deferred income tax asset is recognized for any deductible temporary differences related to the investment of the subsidiaries, joint ventures and joint ventures of the Company, if the temporary differences are not very likely to be reversed or the Company is not likely to obtain and use taxable income to offset deductible temporary differences. Except for the circumstances described above, the Company may recognize deferred income tax assets for all other deductible temporary differences to the extent of the taxable income that can be obtained and used to offset deductible temporary differences.

Deferred income tax assets are recognized for deductible loss and tax credits that can be carried forward to future periods to the extent of the future taxable income that are likely to be obtained and used to offset deductible loss and tax credits.

On the balance sheet date, deferred tax assets and liabilities are measured at the applicable tax rate expected for the period, in which relevant assets are expected to be recovered or relevant liabilities are expected to be settled following relevant provisions of the Tax Law.

The Company reviews book values of deferred tax assets on the balance sheet date. If it is determined that the Company is not likely to obtain adequate taxable income to offset benefits from deferred tax assets, the book values of deferred tax assets are written down. The write-down is reversed when it is determined that adequate taxable income can be obtained.



**Note 4.30.3** Income tax expenses

Income tax expenses include current and deferred income taxes.

Except other comprehensive income or current and deferred income taxes related to transactions that are related to classified in shareholders' equity are recognized in other comprehensive income or shareholders' equity as well as book values of deferred income tax arising from business combination that are adjusted to goodwill, all other current and deferred income expenses are recognized as current profit and loss.

**Note 4.30.4** Offset of income tax

If the Company has the legal right and plans to perform net settlement or plans to acquire assets and settle liabilities, the current income tax assets and liabilities are listed at the net amount after offset.

The deferred income taxes and liabilities are listed at the net value after offset if the Company has the legal right to net its current income tax assets and liabilities, the deferred income taxes and liabilities are related to the income taxes collected from the same tax subject by the tax authority or related to different tax subjects, but the tax subject intends to net the current income taxes and liability or acquires assets and settle liabilities simultaneously during the period when each important deferred income tax or liability is reversed.

**Note 4.31** Leases

**Note 4.31.1** The following lease-related accounting policies are applicable to Year 2021 and subsequent years:

Lease means that the Company has transferred or obtained the control right of using one or several identified assets within a certain period for the purpose of getting in return or pay the contract price. On the commencement date of a contract, the Company shall evaluate whether it is a lease contract or whether lease is included in the contract.

**Note 4.31.1.1** The Company as lessee

The assets leased by the Company are mainly houses & buildings, land use right and machinery equipment.

## ① Initial measurement

On the commencement date of the lease term, the Company can confirm the right to use leased assets within the lease term as right-of-use assets and the current value of unpaid rentals as lease liabilities, excluding short-term lease and lease of low-value assets. While calculating the present value of lease payment, the Company adopts the interest rate implicit in lease as discount rate. However, the lessee's incremental borrowing rate shall be taken as discount rate, when it is unable to determine the interest rate implicit in lease.

## ② Follow-up measurement

In the same month since the start of the lease term, the Company shall calculate depreciation of right-of-use assets. When the obtainment of the ownership of leased assets can be rationally determined at the expiry of the lease term, the Company shall calculate depreciation within the residual service life of leased assets. If it is unable to determine the obtainment of the ownership of leased assets at the expiry of the lease term, the Company shall calculate depreciation within the lease term or within the residual service life of leased assets (whichever is shorter).

Interest expenses for lease liabilities in different periods within the lease term shall be calculated by the Company in accordance with fixed periodic rate. Such expenses shall be recorded into current profits and losses, or into related asset cost. Upon its occurrence, variable lease payment not measured as lease liabilities shall be recorded into current profits and losses, or into related asset cost.

In case of any change in the fixed amount of payment, in the amount payable estimated by the guarantee balance, in the index or ratio used to determine the lease payment and in the assessment results or actual right executing conditions of call option, renewal option or termination option after the commencement date of the lease term, the Company shall re-measure lease liabilities in accordance with the present value of changed lease payment, and make corresponding adjustment to the book value of right-of-use assets. The Company shall record the residual amount into current profits and losses, when the book value of right-of-use assets has already been decreased to zero, but it is still necessary to cut down lease liabilities.

### ③ Short-term lease and lease of low-value assets

Simplified treatment method is adopted by the Company for short-term lease (the lease term since the commencement date of lease is within twelve months) and lease of low-value assets. Right-of-use assets and lease liabilities will not be confirmed. Instead, the lease payment shall be recorded, in accordance with straight-line method or other systematic and reasonable methods, into related asset cost or into current profits and losses in different periods within the lease term.

### ④ Lease change

When lease is changed and conforms to the following conditions at the same time, this lease change shall be regarded by the Company as an individual lease for accounting treatment:

- This lease change has expanded the scope of lease by increasing the use right of one or several leased assets.
- The increased price is equal to the amount of the expanded part after being adjusted in accordance with the contract.

If lease change is not subject to accounting treatment as an individual lease (simplified method for contract changes directly caused by COVID-19), on the effective date of such lease change, the

Company shall re-amortize the changed contract price, determine a new lease term, and re-measure lease liabilities in accordance with the present value calculated based on the changed lease payment and the revised discount rate.

If the lease change narrows the scope of lease or shortens the lease term, the Company shall lower the book value of right-of-use assets, and record gains from partially or completely terminated lease into current profits and losses. The Company shall make corresponding adjustment to the book value of right-of-use assets, when lease liabilities need to be re-measured due to other lease changes.

**Note 4.31.1.2** The Company as leaser

On the commencement date of lease, based on the essence of transaction, lease is divided by the Company into finance lease and operating lease. Finance lease refers to the lease that almost all risks and remunerations related to the ownership of leased assets have already been transferred in essence. Operating lease refers to other leases excluding finance lease.

① Operating lease

The straight-line method is adopted by the Company to confirm the lease receipts as rental income in different periods within the lease term. Variable lease payment related to operating lease that is not recorded into lease receipts shall be recorded into current profits and losses upon the occurrence.

② Finance lease

Since the commencement date of the lease term, the Company shall confirm the amount of finance lease receivable, and derecognize finance lease assets. The amount of finance lease receivable shall be initially measured by net lease investment (sum of present value of unguaranteed balance and un-received lease receipts since the commencement date of the lease term after being discounted in accordance with the interest rate implicit in lease). In addition, interest incomes within the lease term shall be calculated and conformed in accordance with fixed periodic rate. Upon its occurrence, the Company's variable lease payment not measured into net lease investment shall be recorded into current profits and losses.

③ Lease change

When operating lease is changed, the Company shall regard such change as a new lease for accounting treatment since its effective date. Receivables in advance or lease receipts receivable related to pre-change lease shall be deemed as receipts of new lease.

When finance lease is changed and conforms to the following conditions at the same time, this lease change shall be regarded by the Company as an individual lease for accounting treatment:

- This change has expanded the scope of lease by increasing the use right of one or several leased assets.
- The increased price is equal to the amount of the expanded part after being adjusted in

accordance with the contract.

If the change in finance lease is not subject to accounting treatment as an individual lease, the Company will treat the changed lease under the following circumstances:

- In case that the change takes effect since the commencement date of lease and that such lease will be classified into operating lease, the Company will, since the effective date of such lease change, take it as a new lease for accounting treatment, and take net lease investment before the effective date as the book value of leased assets.
- In case that the change takes effect since the commencement date of lease and that such lease will be classified into finance lease, the Company will perform accounting treatment in accordance with relevant provisions for contract modification or negotiation in the ASBE No. 22 – Recognition and Measurement of Financial Instruments.

**Note 4.31.2 The following lease accounting policies are applicable to FY 2020:**

Finance lease refers to the lease by which all risks and benefits from the control of an asset are transferred while the ultimate ownership may or may not be transferred. Other leases beyond finance lease shall be classified into operating lease.

**Note 4.31.2.1** Recording of operating lease business by the Company as lessee

In different periods within the lease term, rental expenses for operating lease shall be recorded into related asset cost or into current profits and losses in accordance with the straight-line method. Initial direct expenses shall be recorded into current profits and losses. Upon its occurrence, contingent rentals shall be recorded into current profits and losses.

**Note 4.31.2.2** Recording of operating lease business by the Company as leaser

In different periods within the lease term, rental incomes from operating lease shall be confirmed as current profit and loss in accordance with the straight-line method. Initial direct expenses with a large amount shall be capitalized upon its occurrence. Within the entire lease term, such expenses shall be recorded by stages into current profits and losses in accordance with the same basis used to confirm rental income. However, other small initial direct expenses shall be recorded into current profits and losses upon its occurrence. Upon its occurrence, contingent rentals shall be recorded into current profits and losses.

**Note 4.31.2.3** Recording of finance lease business by the Company as lessee

On the commencement date of the lease term, either the fair value of leased assets on the commencement date of lease or the present value of the minimum lease payment (whichever is lower) shall be taken as the entry value of leased assets, the minimum lease payment as the entry value of long-term accounts payable, and the balance as unrecognized finance fees. In addition, initial direct expenses incurred in the process of lease negotiation or contract signing that can be affiliated to

leasing item shall also be recorded into rented asset value. The balance of the minimum lease payment after the deduction of unrecognized finance fees shall be reported as long-term liabilities and long-term liabilities mature within one year respectively.

Within the lease term, current financial charges for unrecognized finance fees shall be calculated and confirmed with the effective interest method. Upon its occurrence, contingent rentals shall be recorded into current profits and losses.

**Note 4.31.2.4** Recording of finance lease business by the Company as leaser

On the commencement date of the lease term, the sum of minimum lease receipts and initial direct expenses on the commencement date of lease shall be taken as the entry value of finance lease receipts receivable. At the same time, unguaranteed balance shall be recorded. The difference between the sum of minimum lease receipts, initial direct expenses and unguaranteed balance and the sum of its present value shall be confirmed as unrealized financing income. The balance of finance lease receipts receivable after the deduction of unrealized financing income shall be reported as long-term debt and long-term debt mature within one year respectively.

For unrealized financing income, current financing income shall be calculated and confirmed with the effective interest method within the lease term. Upon its occurrence, contingent rentals shall be recorded into current profits and losses.

**Note 4.32 Other important accounting policies and accounting estimates**

**Note 4.32.1** Discontinued operation

The discontinued operation refers to such component that meets any of the following conditions, can be independently separated and has been disposed of or classified into the held for sale by the Company: 1) the component represents an independent main business or an independent main business area; 2) the component is a part of related plan that is to dispose of an independent main business or an independent main business area; 3) The component is a subsidiary acquired exclusively for reselling.

Method for accounting of discontinued operation is shown in Note 4.14 “Assets available for sale and disposal group” herein.

**Note 4.32.2** Hedge accounting

In order to avoid certain risks, the Company hedges certain financial instruments as hedging instruments. For a heading that satisfies specific conditions, the Company may treat it through hedge accounting method. The company’s hedges include fair value hedges, cash flow hedges and hedges of net investment in an overseas operation. With regards to hedge for foreign exchange risks with firm commitment, the Company will treat it as cash flow hedge.

At the commencement of the hedging, the Company formally specifies the hedging instrument and

the hedged items, and prepares written documents in connection with the hedging relationship and the risk management strategy and risk management objectives for the Company to conduct hedging. In addition, the Company will continuously evaluate the effectiveness of hedging at the commencement of hedging and thereafter.

**Note 4.32.2.1** Fair value hedges

For the hedging instrument that is designated as a fair value hedge and meets the conditions, the gains or losses from the tool will be included in the current profits and losses. If the hedging instrument is to hedge non-trading equity instrument investment (or any component part thereof) that is selected to be measured at fair value with changes included in other comprehensive income, then the gains and losses arising from the hedging instrument will be included in other comprehensive income. The profit or loss of the hedged items from the hedging risks shall also be included into the current profit and loss, and at the same time the book value of the hedged item shall be adjusted. If the hedged item is measured at fair value, the gain or loss of the hedged item arising from the hedged risk does not need to be used to adjust the book value of the hedged item, and the relevant gains and losses will be included in the current profit and loss or other comprehensive income.

When the Company withdraws the appointment of hedge relationship, the hedging instruments have expired or been sold, the contract has been terminated or executed, or the conditions for applying the hedge accounting are no more satisfied, the application of the hedge accounting will be terminated.

**Note 4.32.2.2** Cash-flow hedges

For a hedging instrument that is designated to hedge cash flow and meets the conditions, the part of the profit or loss arising therefrom that has effective hedging is included in other comprehensive income as a cash flow hedging reserve, and the part that has ineffective hedging is included in the current profit and loss.

If the expected transaction causes the Company to recognize a non-financial asset or non-financial liability subsequently, or the expected transaction of a non-financial asset or non-financial liability forms a definite commitment applicable to fair value hedge accounting, then the Company will transfer out the cash flow hedge reserve amount originally recognized in comprehensive income and include the same in the initial recognized amount of the asset or liability. For the cash flow hedging other than the above, the Company transfers out the cash flow hedging reserve amount originally recognized in other comprehensive income during the same period when the expected cash flow that is hedged affects the profit and loss, and includes the same in the current profit and loss.

If it is expected that all or part of the net loss originally included in other comprehensive income cannot be compensated in the future accounting period, the part that cannot be compensated will be transferred out and included in the current profit and loss.

When the Company terminates the use of hedge accounting for cash flow hedging, the accumulated cash flow hedging reserve that has been included in other comprehensive income will be retained when future cash flow is expected to occur, or it will be transferred out from other comprehensive income and included in the current profit and loss when future cash flow is not expected to occur.

**Note 4.32.2.3 Hedges of net investment in an overseas operation**

The hedges of net investment in an overseas operation shall be accounted by using the similar method to the cash flow hedges. Among the gains or losses of hedging instruments, the part that is effective hedging is recognized as other comprehensive income, and the gains or losses of the ineffective part of hedging are included in the current profits and losses.

The gains and losses that have been included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss upon disposal of overseas operations.

**Note 4.32.2.4 Repurchase shares**

The consideration and transaction expenses paid during the share repurchase reduce the shareholders' equity, which cannot be recognized as profit or loss upon the repurchase, transfer or cancellation of the share.

As for the transfer of treasury stock, the difference between the received amount and the carrying amount of the treasury stock shall be included in the capital reserve. If the capital reserve is not enough for write-down, the surplus reserve and undistributed profit shall be written down. As for the cancellation of treasury stock, the capital stock shall be reduced according to the par value of stock and the quantity of canceled stocks; the capital reserve shall be written down according to the difference between the book balance and the par value of stocks. If the capital reserve is not enough for write-down, the surplus reserve and undistributed profit shall be written down.

**Note 4.33 Changes in significant accounting policies and estimates**

**Note 4.33.1 Changes in accounting policies**

Changes in accounting policies resulting from the implementation of new lease accounting standards

The Ministry of Finance issued the notice on the Accounting Standards for Business Enterprises No. 21 – Leases (2018 Revision) (CK [2018] No. 35) (hereinafter referred to as “New Lease Standards”) on December 7, 2018. Upon approval with the resolution of the 12<sup>th</sup> Meeting of the 11<sup>th</sup> BOD of the Company on August 24, 2021, the Company started to implement the aforesaid new lease standards from January 1, 2021 and changed the relevant accounting policies in accordance with the provisions of the new lease standards.

In accordance with the provisions of the new lease standards, the Company has elected not to

reassess whether a contract existing prior to the date of initial implementation of the standards is a lease contract or a contract containing lease.

The Company has elected to adjust the cumulative effect only for leases that were outstanding as of January 1, 2021. The cumulative effect of initial implementation adjusts the amount of retained earnings and other related items in the financial statements at the beginning of current period of initial implementation (i.e., January 1, 2021) and does not adjust the information of comparable periods.

As of the date of initial implementation of the new lease standards (i.e., January 1, 2021), the Company's specific transition treatment and its effect are as follows.

#### A. The Company as lessee

For finance leases on the date of initial implementation, the Company, as the lessee, measures the right-of-use assets and lease liabilities based on the original book value of finance lease assets and finance lease payables, respectively; for operating leases on the date of initial implementation, the Company, as the lessee, measures the lease liabilities based on the present value of the remaining lease payments discounted at the interest rate of incremental borrowings on the date of initial implementation; the outstanding rentals payable accrued on an accrual basis under the previous lease standards are included in the remaining lease payments.

For operating leases prior to the date of initial implementation, the Company measures the right-of-use assets based on the assumption that the new lease standards are adopted from the commencement date of the lease term and uses the interest rate of incremental borrowings on the date of initial implementation as the discount rate. The Company conducts an impairment test on the right-of-use assets on the date of initial application, and does not adjust the book value of the right-of-use assets.

The Company does not recognize right-of-use assets and lease liabilities for operating leases where the leased assets prior to the date of initial implementation are low-value assets. For operating leases other than low-value leases on the date of initial implementation, the Company applies one or more of the following simplified treatments for each of them:

- Leases that will be completed within twelve months after the date of initial implementation are treated as short-term leases;
- When measuring lease liabilities, the same discount rate is used for leases with similar characteristics;
- The measurement of right-of-use assets does not include initial direct costs;
- If there is an option to renew or terminate a lease, the Company determines the term of the lease based on the actual exercise of the option prior to the date of initial implementation and other



updates.

- As an alternative to the right-of-use asset impairment test, the Company assesses whether a contract involving leases is an onerous contract prior to the date of initial implementation in accordance with the Accounting Standards for Business Enterprises No. 13 - Contingencies, and adjusts the right-of-use assets based on the amount of the provision for loss recorded in the balance sheet prior to the date of initial implementation;
- If a lease change occurs prior to the date of initial implementation, the Company treats the lease change according to the final arrangement of the lease change.

Effect of the change to accounting policies resulting from the implementation of the new lease standards on the financial statements as of January 1, 2021:

Report item	Amount on December 31, 2020 (before change)		Amount on January 1, 2021 (after change)	
	Consolidated Statements	The Company	Consolidated Statements	The Company
Right-of-use assets	0.00	0.00	454,147,120.45	0.00
Long-term deferred and prepaid expenses	558,914,884.31	0.00	530,004,792.56	0.00
Non-current liabilities due within one year	4,487,453,396.24	0.00	4,517,814,375.06	0.00
Lease liabilities	0.00	0.00	394,876,049.88	0.00

#### **Note 4.33.2 Accounting estimate change**

In this Reporting Period, there is no accounting estimate change in the Company.

#### **Note 4.34 Significant accounting judgments and estimates**

Due to uncertainties in the business operations of the Company, the Company needs to make judgments, estimates and assumptions as to items in the accounts that the Company is unable to measure accurately in applying the accounting policies. Those judgments, estimates and assumptions are based on the historical experience of the management of the Company and other relevant elements. Those judgments, estimates and assumptions may influence the amounts of income, expenses, assets and liabilities and the contingent liabilities disclosed on the balance sheet date. However, those estimates, due to the uncertainties, may be significantly different from the actual results of business operations of the Company and, thus, may necessitate significant adjustments to the future book values of assets or liabilities subject to such estimates.

The Company periodically reviews the aforementioned judgments, estimates and assumptions on the basis of going concern. If a change to the accounting estimate concerns only current period, the change is recognized during current period; and if a change concerns both the current and future periods, such changes are recognized in both the current and relevant future periods.

On the balance sheet date, the Company needs to make judgments, estimates and assumptions as to

items in the financial statements in the following key areas:

**Note 4.34.1** Classification of leases

**Note 4.34.1.1** The following lease-related significant accounting judgments and estimates are applicable to Year 2021 and subsequent years:

① Identification of leases

When identifying whether it is a lease contract or whether lease is included in a contract, the Company needs to evaluate whether an identified asset exists and that the client has controlled the use right of such asset within a certain period. During such evaluation, it needs to consider the nature of assets, substantial right of substitution, whether the client has the right to obtain almost all economic interests generated by use of such assets in this period, and whether the client is able to dominate the use of such assets.

② Classification of leases

As the leaser, the Company classified leases into operating lease and financing. When classifying leases, the Company makes analysis and judgments as to whether the Company has transferred substantially all risks and benefits related to the title to the assets leased out to the transferee.

③ Lease liabilities

As the lessee, the Company initially measures the lease liabilities in accordance with the present value of unpaid lease payment on the commencement date of the lease term. While measuring the present value of lease payment, the Company estimates the applied discount rate and the lease term of contract containing renewal or termination option. While evaluating the lease term, the Company comprehensively considers all facts and circumstances related to economic benefit from the Company's execution of its option, including expected changes in the facts and circumstances between the commencement date of the lease term and the date of option execution. Different judgments and estimates may influence the recognition of lease liabilities and right-of-use assets, and thus influence gains and losses in subsequent periods.

**Note 4.34.1.2** The following lease-related significant accounting judgment and estimates are applicable to FY 2020:

In accordance with relevant provisions in the Accounting Standards for Business Enterprises No. 21 - Leases, the Company classified leases into operating lease and finance lease. During classification, the management needs to analyze and judge whether all risks and remunerations related to the ownership of leased assets are transferred to the lessee substantially, or whether the Company has already undertaken in essence all risks and remunerations related to such ownership.

**Note 4.34.2** Retention of bad debt provision

The Company accounts for the bad debt losses using the allowance method following accounting

policies concerning accounts receivable. The impairment of accounts receivable is measured with reference to the assessment of the recoverability of accounts receivable. Determining the impairment of accounts receivable requires the management to make judgments and estimates. The differences between the actual outcomes and the estimates may influence the book value and the retention and reversal of the bad debt provision for accounts receivable during the period when the estimates are changed.

**Note 4.34.3 Inventory impairment provision**

The Company measures the cost and the realizable net value following the accounting policies related to inventories and retains impairment provision for an inventory that is obsolete or moving slowly or whose cost is higher than its realizable net value. Impairment of inventories is determined on the basis of the assessment of the saleability and realizable net value of the inventories. The inventory impairment is determined on the basis of conclusive evidence obtained while considering the purpose of keeping the inventory and effect of events after the balance sheet date. The differences between the actual outcomes and the estimates may influence the book value of the inventories and the retention and reversal of the inventory impairment provision during the period when the estimates are changed.

**Note 4.34.4 Fair value of financial instruments**

In case of a financial instrument for which there is no active market, the fair value is determined using various valuation techniques, including the discounted cash flow model analysis, among others. The Company is required to make estimates as to the future cash flow, credit risks, market volatility and relevance and choose an appropriate discount rate. Such estimates feature uncertainty, and changes in such estimates may have Effect on the fair value of financial instrument.

**Note 4.34.5 Provision for impairment of long-term assets**

On the Balance Sheet Date, the Company judges whether there are signs for possible impairment of non-current assets except financial assets. Except for annual impairment tests, the Company conducts impairment tests on intangible assets with uncertain serviceable life whenever there are signs of impairment. Non-current assets, except financial assets, are tested when there are signs that the book value is unable to be recovered.

Impairment is determined to have occurred when the book value of an asset or an asset group is higher than its recoverable amount, which is the higher of the net balance of the fair value less the disposal cost and the present value of the future cash flow.

The net balance of the fair value less the disposal cost is the price contained in sales agreement for similar assets in fair trade or the market price observed less the incremental costs attributable to the disposal of the asset.

Estimating the present value of the future cash flow requires significant judgments shall be made as to the production, price, operating costs and the discount rate used to calculate the present value of the asset (or asset group). The Company collects all information available, including all estimates made on the basis of reasonable and supported assumptions as to the production, selling price and operating costs, to estimate the recoverable amount.

The Company conducts impairment test on goodwill at least annually. This requires estimating the future cash flow of an asset group or combination of asset groups, to which goodwill is allocated. To estimate the present value of the future cash flow, the Company needs to estimate the cash flow generated by a future asset group or combination of asset groups and choose an appropriate discount rate.

**Note 4.34.6** Depreciation and amortization

The Company depreciates and amortizes the investment properties, fixed assets and intangible assets within its serviceable life using the straight-line method while giving due consideration to their residual values. The Company reviews the serviceable life of its assets in order to determine the cost for depreciation and amortization to be allocated to each Reporting Period. The Company determines the serviceable life of its assets based on its historical experience and the expected technological update. If a significant change occurs to an estimate previously made, the amount of depreciation and amortization will be adjusted in future periods.

**Note 4.34.7** Deferred income tax assets

The Company may recognize all unused tax loss as deferred income tax assets to the extent there is likely to be adequate taxable profit to offset the loss. It requires the Management to make numerous judgments to estimate the time and amount of taxable profit with reference to the tax payment scheduling strategy to determine the amount of the deferred income tax assets.

**Note 4.34.8** Income tax

There are uncertainties as to the conclusive tax treatment and calculation of some transactions in the normal business course of the Company. It requires approval from tax authorities as to whether some items can be treated as pre-income-tax deduction items. The possible difference between the conclusive determinations and the initial estimated amounts has effect over the current and deferred income taxes in the period in which such items are conclusively determined.

**Note 4.34.9** Estimated liabilities

The Company makes estimates on and retains provisions for product quality assurance, expected contract losses, penalties on delayed delivery in accordance with the provisions of contracts, its current knowledge and historical experience. When such a contingency results in a current liability and the discharge of the same is likely to result in an outflow of the economic benefits of the

Company, the Company recognize the best-estimated expenses to discharge the same as an estimated liability. The recognition and measurement of the estimated liability depends largely on the judgment of the Management. To make the judgment, the Company needs to assess risks related to and uncertainties of such contingencies as well as the time value of money.

The Company will recognize estimated liabilities for its guarantee on the sale, maintenance and renovation for the sold products and quality assurance provided for customers. When determining the estimated liabilities, the Company has considered the experience of maintenance, which, nevertheless, may fail to fairly represent the future maintenance expenses. Any change in the provision may influence the gains or losses of future periods.

#### **Note 4.34.10** Fair value measurement

Certain assets and liabilities of the Company shall be measured at the fair value in the Balance Sheet. When the fair value of certain assets or liabilities is estimated, the Company will adopt available and observable market data. If the first-level input values are not available, the Company will engage a qualified third-party appraiser to perform the valuation. Information related to the valuation technique and input values used in the recognition of the fair value of various assets and liabilities are disclosed in Note 10.

### **Note 5 Taxes**

#### **Note 5.1 Main tax categories and tax rates**

Tax Categories	Applicable tax rate
Value-added tax	The output taxes of taxable income shall be calculated at a tax rate of 13%, 9% and 6%, and the VAT shall be calculated and paid based on the difference after deducting the amount of input tax that can be deducted for current period;
Urban maintenance and construction tax	To be paid at 7%, 5% of the actually paid turnover tax.
Education surcharge	To be paid at 3% of the actually paid turnover tax.
Local education surcharge	To be paid at 2% of the actually paid turnover tax.
Enterprise income tax	Calculated and paid at 25%, 15%, 16.5%, 10% and 18.5% of taxable income.

The Company has different enterprise income tax rate taxpayers, and the specific conditions are as follows:

Name of tax payer	Income tax rate
Domestic subsidiary	25%, 20% and 15%
Hong Kong Tianyi International Holding Co., Ltd. Good Park International Investment Co. Ltd. Hong Kong Yisheng Petrochemical Investment Co., Ltd.	16.5% For offshore trade, the offshore profits tax exemption can be applied for.
Hengyi Industry International Co., Ltd. Hengyi Petrochemical International Co., Ltd.	The Company is approved to join the Singapore Global Trader Programme (GTP), so is entitled to the preferential enterprise income tax rate and payment of enterprise

Name of tax payer	Income tax rate
	income tax at a tax rate of 10% from 2019 to 2021.
Hengyi Industries Sdn. Bhd.	18.5%

## **Note 5.2 Tax incentives and approvals**

**Note 5.2.1** According to *the Announcement on Issuing the Measures for the Administration of Preferential Value-Added Tax Policies for Promoting the Employment of Disabled Persons* (Announcement No. 33 [2016] of the State Administration of Taxation) released by the State Administration of Taxation, Zhejiang Hengyi Polymer Co., Ltd. (Hereinafter “the Polymer Company”), a holding subsidiary of the Company, enjoyed the preferential VAT policy of immediate refund upon payment for the employment of disabled persons.

**Note 5.2.2** Zhejiang Hengyi High-tech Materials Co., Ltd. (hereinafter referred to as "Hengyi High-tech Materials"), the Company's holding subsidiary, and Zhejiang Henglan Technology Co., Ltd. (hereinafter referred to as "Henglan"), the Company's wholly-owned subsidiary, obtained the High-tech Enterprise Certificates jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation, and were recognized as high-tech enterprises with a validity period of three years. According to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, Hengyi High-tech Materials and Henglan are taxed at a reduced enterprise income rate of 15% from January 1, 2019 to December 31, 2021.

**Note 5.2.3** Jiaxing Yipeng Chemical Fiber Co., Ltd. (hereinafter referred to as "Jiaxing Yipeng"), Zhejiang Shuangtu New Materials Co., Ltd. (hereinafter referred to as "Shuangtu New Materials"), Hangzhou Yijing Chemical Fiber Co., Ltd. (Hereinafter referred to as "Hangzhou Yijing"), wholly-owned subsidiaries of the Company, obtained the High-tech Enterprise Certificate jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation on December 1, 2020, and were recognized as high-tech enterprises with a validity period of three years. In accordance with the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, Jiaxing Yipeng, Shuangtu New Materials and Hangzhou Yijing are taxed at a reduced enterprise income rate of 15% from January 1, 2020 to December 31, 2022.

**Note 5.2.4** According to C S [2020] No. 31 Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Enterprise Income Tax Policy of Hainan Free Trade Port, Hainan Hengjing Trading Co., Ltd., a wholly-owned subsidiary of the Company, is taxed at a

reduced enterprise income rate of 15% from January 1, 2020.

**Note 5.2.5** According to provisions of Article 100 of the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China: the "tax credits" mentioned in Article 34 of the Enterprise Income Tax Law means that, in case of the purchase and actual use of the environmental protection, energy-saving and water-saving, safe production and other special equipment as stipulated in the Catalogue of Enterprise Income Tax Benefits for Environmental Protection Special Equipment, the Catalogue of Enterprise Income Tax Benefits for Energy-saving and Water-saving Special Equipment and the Catalogue of Enterprise Income Tax Benefits for Safety Production Special Equipment, 10% of the investment of the special equipment can be credited from the tax payable of the enterprise in the current year; if the amount is insufficient for credit in the current year, the credit can be carried forward in the next 5 tax years. The Company and its subsidiaries within the scope of consolidation enjoy the enterprise income tax reduction amount equal to 10% of the purchase amount of the environmental protection, energy saving, water saving, safety production and other special equipment purchased and actually applied.

**Note 5.2.6** In accordance with relevant provisions in the Notice of the Ministry of Finance and SAT about Implementing Inclusive Tax Relief Policy for Small and Micro Businesses (CS [2019] No. 13) and the Notice of the Ministry of Finance and SAT about Implementing Favorable Income Tax Policy for Small and Micro Businesses and Individual Businesses (Notice of the Ministry of Finance and SAT [2021] No. 12), for the part of annual incomes taxable exceeding RMB one million in small-sized meager-profit enterprises, taxable income shall be paid by the rate of 12.5%, and enterprise income tax paid by the rate of 20%. For the part of annual incomes taxable between RMB one million and RMB three million, taxable income shall be paid by the rate of 25%, and enterprise income tax paid by the rate of 20%. The 2.5% preferential enterprise income tax rate is applicable to the Company's wholly-owned subsidiaries – Zhejiang Yizhi Information Technology Co., Ltd. and Shaoxing Hengyi Logistics Co., Ltd.

**Note 5.2.7** On March 15, 2019, the Company's holding subsidiary Hengyi Industries International Pte. Ltd. was approved to join the Singapore Global Trader Programme (GTP). According to the approval document, Hengyi Industries International enjoys the relevant preferential enterprise income tax rate for three consecutive years (from 2019 to 2021) and pays enterprise income tax at a tax rate of 10%.

**Note 5.2.8** Hengyi Industries Sdn Bhd, a holding subsidiary of the Company, can enjoy 11-year tax exemption as PMB petrochemical project in Brunei meets the conditions of a "pioneer enterprise", which means the enterprise income tax is exempted and the imports of equipment and imported raw materials are exempt from tax.

**Note 5.2.9** According to the implementation opinions of the People's Government Office of Xiaoshan District, Hangzhou on deepening the reform of "giving priority to yield per acre" and promoting high-quality development, "for giving full play to the role of taxation in regulating the economy, promoting the intensive and economical use of urban land, and implementing the urban land use tax reduction and exemption policies by classifications and grading throughout the district, before December 31, 2021, for those classified as Class A and Class B enterprises, the urban land use tax will be reduced by 100% and 80% respectively. For those classified as Class C and D enterprises, the urban land use tax will not be relieved". Hangzhou Yijing enjoys a preferential tax policy of 80% reduced land use tax, and "Hengyi Limited enjoys a preferential tax policy of 100% reduced land use tax.

**Note 5.2.10** In accordance with the Implementation Plan of Jiaxing City on Promoting Intensive and Economical Land Use by The-same-level Adjustment to City and Town Land Use Tax Policy issued by the Office of the People's Government of Jiaxing City, in order to deepen the reform of "giving priority to yield per acre", differential reduction policies are implemented for city and town land use tax. Such tax is reduced based on the comprehensive assessment results of per acre benefit of industrial enterprises published by EIU in that year. 100% and 80% city and town land use taxes (payable in the whole year) are reduced for Category A and Category B enterprises, and no incentives for Category C and Category D enterprises in the comprehensive assessment results. Jiaxing Yipeng (a wholly-owned subsidiary of the Company) enjoys an incentive tax policy: reduction of 80% land use taxes.

**Note 5.2.11** In accordance with the Decision of the State Council about Modifying the 'Interim Regulations of the People's Republic of China on the Use Tax of Urban Land' and Article 7 of Decree No. 483 of the State Council: When it is necessary for reduction as it is really difficult for the taxpayer to pay land use tax, the case shall be reported to SAT for approval after being reviewed by provincial, autonomous and municipal tax authorities. From January 1 to December 31, 2021, Haining Hengyi New Materials Co., Ltd. (a wholly-owned subsidiary of the Company) may enjoy an incentive policy: reduce 50% land use taxes. From January 1 to December 31, 2021, Zhejiang Shuangtu (a wholly-owned subsidiary of the Company) and Zhejiang Hengyi High-tech Materials (a holding subsidiary of the Company) may enjoy an incentive policy: reduction of 100% land use taxes.

**Note 5.2.12** In accordance with Article 6 of the Interim Regulations of the People's Republic of China on Property Tax (GF [1986] No. 90): when it is really difficult for the taxpayer to pay relevant taxes, upon the decision made by provincial, autonomous and municipal people's governments, property tax may be reduced or exempted on a periodic basis. From January 1 to December 31, 2021,



Zhejiang Shuangtu (a wholly-owned subsidiary of the Company) may enjoy an incentive policy: reduction of 100% property taxes.

(13) In accordance with the Implementation Suggestions of Zhejiang Provincial Tax Service, State Taxation Administration about Implementing the Decision of Provincial Party Committee for Promoting Entrepreneurship-based Enrichment and Innovation-based Provincial Strength (ZDSF [2008] No. 1), within one to three years since the date of establishment of new high-tech enterprises and chain supermarkets, property tax, city and town land use tax and special funds for water conservancy construction may be exempted upon the approval by local taxation bureau. Hangzhou Yijing (a wholly-owned subsidiary of the Company) may be exempted from property tax in 2021.

#### Note 6 Notes to items of consolidated financial statements

Unless otherwise specified, for the following noted items (including the main item notes to the Company's financial statements), the "beginning of the year" refers to January 1, 2021, the "end of the period" refers to December 31, 2021, the "end of last year" refers to December 31, 2020, the "current period" refers to 2021, and the "previous period" refers to 2020.

##### Note 6.1 Monetary capital

Item	Ending balance of current period	Ending balance of previous period
Cash on hand	1,296,711.32	1,351,988.81
Bank deposit	9,581,462,709.95	6,364,528,999.42
Other monetary capital	4,739,957,372.55	3,713,102,815.63
Total	14,322,716,793.82	10,078,983,803.86
Of which: the total amount of funds deposited abroad	2,841,363,553.38	3,363,891,032.92

Note: As of December 31, 2021, the monetary capital that the Company's right to use was restricted was RMB 4,077,979,841.98, including RMB 1,569,979,769.16 of L/C guarantee deposit, RMB 1,990,845,385.69 of acceptance bill deposit, RMB 378,388,760.33 of L/G deposit, RMB 64,198.97 of collection for bill pledge, RMB 113,858,073.65 of futures deposit, RMB 10,387,540.47 of freezing of funds and RMB 14,456,113.71 of other margin.

##### Note 6.2 Financial assets held for trading

Item	Ending balance of current period	Ending balance of previous period
Financial assets at fair value through profit or loss	388,958,054.67	251,904,308.53
Of which: debt instruments	0.00	0.00
Equity instruments	0.00	0.00
Derivative financial assets	388,958,054.67	251,904,308.53
Other	0.00	0.00

Item	Ending balance of current period	Ending balance of previous period
Specified as financial assets at fair value and through current profit or loss	0.00	0.00
<b>Total</b>	<b>388,958,054.67</b>	<b>251,904,308.53</b>
Including: Portion re-classified to other non-current financial assets	0.00	0.00

### Note 6.3 Derivative financial assets

Item	Ending balance of current period	Ending balance of previous period
Foreign exchange derivatives	0.00	0.00
Commodity derivatives	0.00	737,015,777.82
<b>Total:</b>	<b>0.00</b>	<b>737,015,777.82</b>

Note: The derivative financial assets at the yearend are the future exchange derivatives that are designated and are effective hedging instruments.

#### Cash flow hedges:

In order to avoid the risk of cash flow changes related to commodity prices in product sales that are likely to occur in the future, the Company designates a series of commodity futures and paper market contracts held by it as hedging instruments for expected commodity sales. Commodity futures and paper market contracts designated as hedging instruments have an economic relationship with the expected sales of commodities under the hedging. The hedge ratio of the hedging relationship is the same as that set from the perspective of risk management, and the hedging ratio of hedging relationship is reasonable.

In order to avoid the risk of cash flow changes related to foreign currency borrowings in the future, the Company designates a series of foreign currency derivative contracts held by the Company as hedging instruments for foreign currency borrowings. The underlying assets of foreign currency derivatives designated as hedging instruments have an economic relationship with the hedged foreign currency borrowings. The hedge ratio of the hedging relationship is the same as that set from the perspective of risk management, and the hedging ratio of hedging relationship is reasonable.

In the current year, the amount of cash flow hedging reserve included in shareholders' equity is RMB 300,242,496.51, and the details are as follows:

Item	Amount incurred in current year
Total fair value gains included into shareholders' equity	-23,268,217.35
Less: Deferred income tax from the gains of fair value	-80,424.00
Less: Other comprehensive income is reclassified into current profit and loss	-377,337,277.84
Less: Deferred income tax reclassified into current profit and loss	-12,890,777.43
Less: Net after-tax income attributable to minority shareholders	41,016,210.55

Item	Amount incurred in current year
Net gain of cash flow hedges	300,242,496.51

**Note 6.4 Notes receivable****Note 6.4.1** Notes receivable are listed by classification

Item	Ending balance of current period	Ending balance of previous period
Bank acceptance bills	258,014,878.86	214,684,966.98
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Subtotal	258,014,878.86	214,684,966.98
Less: bad debt provision	0.00	0.00
Total	258,014,878.86	214,684,966.98

**Note 6.4.2** Pledged notes receivable at the end of the year

Item	Amounts pledged at the end of period
Bank acceptance bills	97,262,303.07
Commercial acceptance bills	0.00
Domestic letter of credit	0.00
Total	97,262,303.07

**Note 6.4.3** The amount of endorsed or discounted notes receivable that become mature after the date of balance sheet at the end of the year.

Item	Ending balance of those derecognized	Ending balance of those not derecognized
Bank acceptance bills	1,128,455,415.26	0.00
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Total	1,128,455,415.26	0.00

**Note 6.4.4** Notes converted to accounts receivable at the yearend due to the non-performance of the drawer

At the end of the year, there are not notes that are transferred to accounts receivable by the Company due to the drawer's failure of performance at yearend

**Note 6.5 Accounts receivable****Note 6.5.1** Disclosure based on aging analysis

Aging	Ending balance of current period	Ending balance of previous period
Within one year	6,436,739,812.92	3,879,791,533.09
Including: within 6 months	6,436,207,144.59	3,668,167,642.10

Aging	Ending balance of current period	Ending balance of previous period
7-12 months	532,668.33	211,623,890.99
1-2 years	168,352.34	9,090,985.04
2-3 years	8,532,277.40	16,931.85
Over three years	336,665.16	336,665.16
Subtotal	6,445,777,107.82	3,889,236,115.14
Less: bad debt provision	8,935,048.94	9,491,985.10
Total	6,436,842,058.88	3,879,744,130.04

**Note 6.5.2** Presented based on bad debt provision method

Category	Ending balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Allotment rate (%)	
Accounts receivable with single provision for bad debt	8,510,212.00	0.13	8,510,212.00	100.00	0.00
Including: Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	0.13	8,510,212.00	100.00	0.00
Receivables with bad debt provision made as per different groups	6,437,266,895.82	99.87	424,836.94	0.01	6,436,842,058.88
Including: those with aging of accounts receivable used as credit risk characteristics	6,437,266,895.82	99.87	424,836.94	0.01	6,436,842,058.88
Total	6,445,777,107.82	100.00	8,935,048.94	0.14	6,436,842,058.88

(Contd.)

Category	Ending balance of previous period				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Allotment rate (%)	
Accounts receivable with single provision for bad debt	8,510,212.00	0.22	8,510,212.00	100.00	0.00
Including: Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	0.22	8,510,212.00	100.00	0.00
Receivables with bad debt provision made as per different groups	3,880,725,903.14	99.78	981,773.10	0.03	3,879,744,130.04
Including: those with aging of accounts receivable used as credit risk characteristics	3,880,725,903.14	99.78	981,773.10	0.03	3,879,744,130.04
Total	3,889,236,115.14	100.00	9,491,985.10	0.24	3,879,744,130.04

## ① Accounts receivable with single provision for bad debt

Accounts receivable (by Unit)	Ending balance			
	Book balance	Bad debt provision	Allotment rate	Reason for provision
Hangzhou Hengchuang Chemical Fiber Co., Ltd.	8,510,212.00	8,510,212.00	100%	Expected to be less likely to be recovered

## ② Accounts receivable with bad debt provision made based on aging combination in the combination

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Allotment rate (%)
Within 6 months	6,436,207,144.59	0.00	0.00
7-12 months	532,668.33	26,633.38	5.00
1-2 years	168,352.34	50,505.70	30.00
2-3 years	22,065.40	11,032.70	50.00
Over three years	336,665.16	336,665.16	100.00
Total	6,437,266,895.82	424,836.94	0.01

**Note 6.5.3** Bad debt preparation

Category	Beginning balance	Amount of changes in current period			Ending balance
		Provision	Amount recovered or written back	Resell or write off	
Accounts receivable with single provision for bad debt	8,510,212.00	0.00	0.00	0.00	8,510,212.00
Amounts due from related parties included in the scope of consolidation	0.00	0.00	0.00	0.00	0.00
This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	981,773.10	61,175.82	618,111.98	0.00	424,836.94
Total	9,491,985.10	61,175.82	618,111.98	0.00	8,935,048.94

**Note 6.5.4** The top five ending amounts (totals by borrower) of accounts receivable

The top five ending amounts (totals by borrower) of accounts receivable amounted to RMB 3,627,444,895.06 in total, accounting for 56.28% of the year-end balance of accounts receivable, and the corresponding year-end balance of the bad debt provision was RMB 0.00.

**Note 6.6** Accounts receivable financing**Note 6.6.1** Financing of receivables presented by category

Item	Ending balance	Beginning balance
Notes receivable	487,553,057.15	537,214,790.48

Item	Ending balance	Beginning balance
Accounts receivable	0.00	0.00
Total	487,553,057.15	537,214,790.48

**Note 6.6.2** Changes of increase or decrease of financing of receivables in current period and changes in fair value thereof

Item	Beginning balance		Changes in current period		Ending balance	
	Cost	Changes of fair value	Cost	Changes of fair value	Cost	Changes of fair value
Notes receivable	537,214,790.48	0.00	-49,661,733.33	0.00	487,553,057.15	0.00
Accounts receivable	0.00	0.00	0.00	0.00	0.00	0.00
Total	537,214,790.48	0.00	-49,661,733.33	0.00	487,553,057.15	0.00

**Note 6.6.3** Financing of pledged receivables at the end of the period

Item	Amounts pledged at the end of period
Bank acceptance bills	244,460,929.72
Commercial acceptance bills	0.00
Domestic letter of credit	0.00
Total	244,460,929.72

**Note 6.6.4** The amount of endorsed or discounted accounts receivable that become mature after the date of balance sheet at the end of the year.

Item	Ending balance of those derecognized	Ending balance of those not derecognized
Bank acceptance bills	4,214,860,790.67	0.00
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Total	4,214,860,790.67	0.00

**Note 6.6.5** Other Explanations

During current period, the Company discounted bank acceptance bills of RMB 5,810,104,744.10 (RMB 2,034,341,304.09 in the previous year) under the financing of receivables to banks.. As the major risks such as interest rate risk related to the banker's acceptance and benefits have been transferred to the bank, the Company ceased to recognize the banker's acceptance that has been cashed but not yet mature. According to the cashing agreement, if the banker's acceptance failed to be cashed upon maturity, the bank has the right to ask the Company to pay off the unsettled balance. Therefore, the Company continued to involve in cashing the banker's acceptance. On December 31, 2021, the cashed but not mature banker's acceptance was RMB 3,032,977,371.34 in total (RMB 822,644,628.06 on December 31, 2020).

**Note 6.7 Advance payments****Note 6.7.1** Advance payments are listed by aging as follows

Aging	Ending balance of current period		Ending balance of previous period	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	2,325,038,241.09	98.46	870,010,754.43	98.49
1-2 years	30,708,837.83	1.30	12,296,929.92	1.39
2-3 years	5,275,977.46	0.22	537,030.32	0.06
Over three years	505,198.15	0.02	535,265.61	0.06
Total	2,361,528,254.53	100.00	883,379,980.28	100.00

**Note 6.7.2** Significant advance payments with aging exceeding one year

The Company has no significant advance payments with aging exceeding one year at the end of the period.

**Note 6.7.3** The top five ending amounts (totals by prepayment objects) of advance payments

The top five ending amounts (totals by prepayment objects) of advance payments amounted to RMB 1,218,751,692.54, accounting for 51.61% in the total balance of prepayments at the year-end balance.

**Note 6.8 Other Receivables**

Item	Ending balance of current period	Ending balance of previous period
Interests receivable	0.00	0.00
Dividends receivable	344,500,000.00	330,395,003.24
Other receivables	139,715,755.18	114,458,722.59
Total	484,215,755.18	444,853,725.83

**Note 6.8.1 Dividends receivable**

Investee	Ending balance of current period	Ending balance of previous period
Hainan Yisheng Petrochemical Co., Ltd.	265,000,000.00	212,500,000.00
Dalian Yisheng Investment Co., Ltd.	79,500,000.00	63,750,000.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	0.00	54,145,003.24
Subtotal	344,500,000.00	330,395,003.24
Less: bad debt provision	0.00	0.00
Total	344,500,000.00	330,395,003.24

**Note 6.8.2 Other receivables****Note 6.8.2.1** Disclosure based on aging analysis

Aging	Ending balance of current period	Ending balance of previous period
Within one year	62,871,587.51	66,799,712.81
1-2 years	45,350,003.33	13,196,734.21

Aging	Ending balance of current period	Ending balance of previous period
2-3 years	9,240,923.00	59,795,633.48
Over three years	53,364,478.08	5,347,080.87
Subtotal	170,826,991.92	145,139,161.37
Less: bad debt provision	31,111,236.74	30,680,438.78
Total	139,715,755.18	114,458,722.59

**Note 6.8.2.2** Classification of accounts receivable by nature

Nature of account	Ending balance of current period	Ending balance of previous period
Receivables and payables such as advances from entities beyond the scope of consolidation	35,211,893.21	31,101,998.16
Combination of tax refunds receivable and other government subsidies	37,132,620.00	23,000,185.76
Portfolio of deposits and security	39,807,477.55	17,867,007.60
Employee loan and petty cash	5,670,232.02	4,825,111.28
Other groups	53,004,769.14	68,344,858.57
Subtotal	170,826,991.92	145,139,161.37
Less: bad debt provision	31,111,236.74	30,680,438.78
Total	139,715,755.18	114,458,722.59

**Note 6.8.2.3** Accrual of bad debt provisions

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime (no credit impairment has occurred)	Expected credit loss over the lifetime (credit impairment occurred has occurred)	
Beginning balance	4,083,693.69	41,700.00	26,555,045.09	30,680,438.78
In this year, book balance of other receivables at the beginning of the year:				
- Transferred to Stage 2	0.00	-	-	0.00
- Transferred to Stage 3	0.00	0.00	-	0.00
- Transferred back to Stage 2	-	-	0.00	0.00
- Transferred back to Stage 1	-	0.00	0.00	0.00
Withdrawal in current period	1,620,650.54	300,000.00	0.00	1,920,650.54
Amount written-back in current period	1,180,852.58	0.00	309,000.00	1,489,852.58



Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime (no credit impairment has occurred)	Expected credit loss over the lifetime (credit impairment occurred has occurred)	
Amount charged off in current period	0.00	0.00	0.00	0.00
Amount written-off in current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Ending balance	4,523,491.65	341,700.00	26,246,045.09	31,111,236.74

**Note 6.8.2.4** Situation of bad debt provisions

Category	Beginning balance	Amount of changes in current period			Ending balance
		Provision	Amount recovered or written back	Resale or write-off and others	
Receivables and payables such as advances from entities beyond the scope of consolidation	954,790.60	208,279.92	106,713.74	0.00	1,056,356.78
Combination of tax refunds receivable and other government subsidies	0.00	0.00	0.00	0.00	0.00
Portfolio of deposits and security	927,738.84	1,643,462.59	249,952.50	0.00	2,321,248.93
Employee loan and petty cash	143,833.50	52,287.01	26,479.70	0.00	169,640.81
Other groups	28,654,075.84	16,621.02	1,106,706.64	0.00	27,563,990.22
Total	30,680,438.78	1,920,650.54	1,489,852.58	0.00	31,111,236.74

**Note 6.8.2.5** Other receivables with top five ending balance collected by debtor

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other receivable at the yearend (%)	Bad debt provision Ending balance
Economic and Information Bureau of Xiaoshan District, Hangzhou City	Government grants	32,381,100.00	Within one year and 1-2 years	18.96	0.00
Baiduri Bank Berhad	Margin	32,122,588.57	Within one year	18.80	963,677.66
Wang XX	Claim	26,243,545.09	Over three years	15.36	26,243,545.09
Fulida Group Holdings Co.,	Compensations	23,640,786.12	1-2 years and >3	13.84	1,181,167.40

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other receivable at the yearend (%)	Bad debt provision Ending balance
Ltd. and Xinghui Chemical Fiber Group Co., Ltd.			years		
Sahid & CSEEC Sdn Bhd	Receivables and payables	6,132,848.16	2-3 years and >3 years	3.59	306,642.41
Total	—	120,520,867.94	-	70.55	28,695,032.56

Note 1: The relevant description on balance formation of the Company's "other receivables - Wang" and full bad debt provision at the end of 2021 can be found in Note 12.2.1.

#### Note 6.8.2.6 Accounts receivable involving government grants

Name of organization	Name of government grants	Ending balance	Aging at the end of the period	Time, amount and basis of estimated collection
Taxation Bureau, Xiaoshan District, Hangzhou	Refunds of taxes	4,751,520.00	Within one year	May 2022
Economic and Information Bureau of Xiaoshan District, Hangzhou City	Government grants	32,381,100.00	Within one year and 1-2 years	March 2022
Total	—	37,132,620.00	—	—

Note 2: The balance of RMB 32,381,100.00 at the end of 2021 has totally refunded by Economy and Information Bureau and Finance Bureau of Xiaoshan District, Hangzhou City" on March 28, 2022.

#### Note 6.9 Inventories

##### Note 6.9.1 Classification of inventories

Item	Ending balance		
	Book balance	Provisions for inventory price decline/Provisions for impairment of contract performance cost	Book value
Materials in transit	1,731,750,808.56	4,065,527.08	1,727,685,281.48
Raw materials	4,375,371,606.99	11,834,022.08	4,363,537,584.91
Goods in process	1,117,706,067.47	5,826,212.07	1,111,879,855.40
Commodity stocks	5,007,704,701.24	112,031,729.45	4,895,672,971.79
Project construction	1,605,950.48	0.00	1,605,950.48
Contract performance cost	0.00	0.00	0.00
Total	12,234,139,134.74	133,757,490.68	12,100,381,644.06

(Contd.)

Item	Ending balance of previous period
------	-----------------------------------

	Book balance	Provisions for inventory price decline/Provisions for impairment of contract performance cost	Book value
Materials in transit	1,116,653,343.48	0.00	1,116,653,343.48
Raw materials	3,365,367,168.21	0.00	3,365,367,168.21
Goods in process	612,488,224.61	0.00	612,488,224.61
Commodity stocks	4,567,184,984.49	18,111,009.54	4,549,073,974.95
Project construction	7,276,155.92	0.00	7,276,155.92
Contract performance cost	0.00	0.00	0.00
Total	9,668,969,876.71	18,111,009.54	9,650,858,867.17

**Note 6.9.2 Provisions for inventory price decline**

Item	Beginning balance	Increase in current period		Decrease in current period		Ending balance
		Provision	Other	Write-back or write-off	Other	
Materials in transit	0.00	4,065,527.08	0.00	0.00	0.00	4,065,527.08
Raw materials	0.00	11,834,022.08	0.00	0.00	0.00	11,834,022.08
Goods in process	0.00	5,826,212.07	0.00	0.00	0.00	5,826,212.07
Commodity stocks	18,111,009.54	112,031,729.45	0.00	18,111,009.54	0.00	112,031,729.45
Total	18,111,009.54	133,757,490.68	0.00	18,111,009.54	0.00	133,757,490.68

Note: The reason for the Company's re-sell inventory depreciation provision in current period is the external sales of the inventory for which the inventory depreciation provision has been made.

**Note 6.10 Non-current assets due within one year**

Item	Ending balance of current period	Ending balance of previous period	Remarks
Long-term accounts receivable due within one year	115,233,477.61	92,749,731.30	Please refer to Note 6.12 for details.

**Note 6.11 Other current assets**

Item	Ending balance of current period	Ending balance of previous period
Deferred expense	170,334,722.91	164,706,030.82
Input tax retained for deduction purpose	293,635,460.12	553,743,560.98
Overlaid tax	50,171,578.66	30,789,142.69
Input tax to be certified	859,364.43	3,105,506.54
Principal and interest of entrusted loan	1,079,576,125.83	1,001,440,816.65
Hedged items	0.00	454,738,420.94
Estimated net realizable value of products in trial production	45,774,037.50	2,030,774.81
Total	1,640,351,289.45	2,210,554,253.43

**Note 6.12 Long-term accounts receivable**

## Long-term accounts receivable

Item	Ending balance of current period			Ending balance of previous period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Finance leases	115,233,477.61	0.00	115,233,477.61	250,226,220.95	0.00	250,226,220.95
Of which: Unrealized financing income	-52,145,883.55	0.00	-52,145,883.55	-24,800,126.32	0.00	-24,800,126.32
Long-term deposits	3,307,639.58	0.00	3,307,639.58	0.00	0.00	0.00
Less: Portion due within one year	115,233,477.61	0.00	115,233,477.61	92,749,731.30	0.00	92,749,731.30
Total	3,307,639.58	0.00	3,307,639.58	157,476,489.65	0.00	157,476,489.65

**Note 6.13 Long-term equity investments**

Item	Ending balance of current period			Ending balance of previous period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investments in joint ventures and associates	12,085,626,559.38	0.00	12,085,626,559.38	10,062,484,360.52	0.00	10,062,484,360.52
Total	12,085,626,559.38	0.00	12,085,626,559.38	10,062,484,360.52	0.00	10,062,484,360.52

## Investments in joint ventures and associates

Investee	Beginning balance	Changes of increase or decrease in current period				
		Additional investment	Negative investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Changes in other equity
<b>I. Associates</b>						
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	1,164,910,995.39	0.00	0.00	154,808,525.23	0.00	0.00
Zhejiang Yisheng New Materials Co., Ltd. (Note 2)	926,337,304.73	100,000,000.00	1,026,337,304.73	0.00	0.00	0.00
Hainan Yisheng Petrochemical Co., Ltd. (Note 1)	0.00	2,630,167,861.74	0.00	172,125,391.59	-1,029,047.68	0.00
Subtotal	2,091,248,300.12	2,730,167,861.74	1,026,337,304.73	326,933,916.82	-1,029,047.68	0.00
<b>II. Joint ventures</b>						
Dalian Yisheng Investment Co., Ltd.	2,014,662,255.02	0.00	0.00	-122,148,467.44	-27,728.14	0.00
Hangzhou Jingxin Supply Chain Management Co., Ltd.	0.00	132,818,623.62	0.00	1,301,126.63	0.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	1,756,667,861.74	0.00	1,756,667,861.74	0.00	0.00	0.00
China Zheshang Bank Co., Ltd.	4,044,469,984.54	0.00	0.00	415,449,191.91	10,419,200.00	0.00
Ningbo Jinhou Industry Investment Co., Ltd.	14,265,101.35	0.00	0.00	26,702.76	0.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	1,495,607,046.79	0.00	-645,298.37	0.00	0.00
Dongzhan Shipping Co., Ltd.	141,170,857.75	0.00	0.00	5,963,391.25	0.00	0.00
Subtotal	7,971,236,060.40	1,628,425,670.41	1,756,667,861.74	299,946,646.74	10,391,471.86	0.00
Total	10,062,484,360.52	4,358,593,532.15	2,783,005,166.47	626,880,563.56	9,362,424.18	0.00

(Contd.)

Investee	Changes of increase or decrease in current period			Ending balance	Impairment provision Ending balance
	Announcement of release of cash dividend or profit	Impairment provision	Other		
<b>I. Associates</b>					
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	0.00	0.00	0.00	1,319,719,520.62	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	0.00	0.00	0.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	52,500,000.00	0.00	0.00	2,748,764,205.65	0.00
Subtotal	52,500,000.00	0.00	0.00	4,068,483,726.27	0.00
<b>II. Joint ventures</b>					
Dalian Yisheng Investment Co., Ltd.	15,750,000.00	0.00	0.00	1,876,736,059.44	0.00
Hangzhou Jingxin Supply Chain Management Co., Ltd.	0.00	0.00	0.00	134,119,750.25	0.00
Hainan Yisheng Petrochemical Co., Ltd.	0.00	0.00	0.00	0.00	0.00
China Zheshang Bank Co., Ltd.	120,439,154.56	0.00	0.00	4,349,899,221.89	0.00
Ningbo Jinhou Industry Investment Co. Ltd.	0.00	0.00	0.00	14,291,804.11	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	0.00	0.00	1,494,961,748.42	0.00
Dongzhan Shipping Co., Ltd.	0.00	0.00	0.00	147,134,249.00	0.00
Subtotal	136,189,154.56	0.00	0.00	8,017,142,833.11	0.00
Total	188,689,154.56	0.00	0.00	12,085,626,559.38	0.00

Notes:

1. In 2021, the Company and Dalian Yisheng Investment Co., Ltd. purchased 7.5% stocks of Hainan Yisheng Petrochemical Co., Ltd. respectively. After the completion of shareholding rights transfer, the Company and Dalian Yisheng Investment Co., Ltd. hold 50% stocks of Hainan Yisheng Petrochemical Co., Ltd. respectively. So far, Hainan Yisheng Petrochemical Co., Ltd. has become a cooperative enterprise of the Company.
2. In July 2021, the Company transferred its 1% stocks of Zhejiang Yisheng New Materials Co., Ltd. to Ningbo Zhongjin Petrochemical Co., Ltd. After the completion of shareholding rights transfer, the Company's shareholding ratio over Zhejiang Yisheng New Materials Co., Ltd. has been decreased to 49%. So far, Zhejiang Yisheng New Materials Co., Ltd. has become an associated enterprise of the Company.

**Note 6.14 Other equity instruments investment**

## Other equity instruments investment

Item	Ending balance of current period	Ending balance of previous period
Zhejiang Hengchuang Advanced Functional Fiber Innovation Center Co., Ltd.	600,000.00	600,000.00
Jiangsu New Horizon Advanced Functional Fiber Innovation Center Co., Ltd.	5,000,000.00	5,000,000.00
Total	5,600,000.00	5,600,000.00

**Note 6.15 Fixed assets**

Item	Ending balance	Beginning balance
Fixed assets	46,087,206,907.93	41,521,433,906.78
Liquidation of fixed assets	30,711,590.88	58,294,574.17
Total	46,117,918,498.81	41,579,728,480.95

**Note 6.15.1 Fixed assets****Note 6.15.1.1 Information of fixed assets**

Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
I. Original book value						
1. Beginning balance	10,533,356,386.86	1,229,107,363.08	42,071,674,049.09	261,460,412.55	223,503,761.67	54,319,101,973.25
2. Increase in current year	1,668,997,074.71	130,794,441.65	6,306,831,533.50	59,359,532.84	32,410,364.30	8,198,392,947.00
(1) Acquisition	33,382,517.28	3,144,877.73	296,438,587.00	59,359,532.84	30,845,424.20	423,170,939.05
(2) Transfer from construction in progress	1,635,614,557.43	127,649,563.92	6,010,392,946.50	0.00	1,564,940.10	7,775,222,007.95
(3) Changes in scope of consolidation	0.00	0.00	0.00	0.00	0.00	0.00
(4) Reversal of rebuilt fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
(5) Re-classification of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
(6) Others (conversion of foreign currency statements)	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	456,111,944.35	10,738.35	546,427,257.08	10,745,656.64	2,324,160.42	1,015,619,756.84
(1) Disposal or retirement	0.00	8,200.00	131,310,069.19	8,915,844.13	548,322.02	140,782,435.34

Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
(2) Changes in scope of consolidation	305,779,354.16	0.00	0.00	0.00	395,109.40	306,174,463.56
(3) Transfer into construction in progress	0.00	0.00	0.00	0.00	0.00	0.00
(4) Others (conversion of foreign currency statements)	150,332,590.19	2,538.35	415,117,187.89	1,829,812.51	1,380,729.00	568,662,857.94
4. Ending balance	11,746,241,517.22	1,359,891,066.38	47,832,078,325.51	310,074,288.75	253,589,965.55	61,501,875,163.41
II. Accumulated depreciation						
1. Beginning balance	926,263,637.64	556,394,349.09	11,114,957,393.04	88,907,078.14	111,145,608.56	12,797,668,066.47
2. Increase in current year	285,349,381.12	67,985,745.32	2,330,168,090.41	33,742,175.51	34,779,589.66	2,752,024,982.02
(1) Provision	285,349,381.12	67,985,745.32	2,330,168,090.41	33,484,686.00	34,245,261.24	2,751,233,164.09
(2) Others (conversion of foreign currency statements)	0.00	0.00	0.00	257,489.51	534,328.42	791,817.93
(3) Re-classification of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	8,063,725.10	1,307.91	118,140,309.23	8,250,830.92	568,619.85	135,024,793.01
(1) Disposal or retirement	0.00	519.33	96,114,429.10	8,250,830.92	328,572.97	104,694,352.32
(2) Changes in scope of consolidation	3,227,670.96	0.00	0.00	0.00	240,046.88	3,467,717.84
(3) Re-classification of fixed assets	72,355.97	0.00	0.00	0.00	0.00	72,355.97
(4) Others (conversion of foreign currency statements)	4,763,698.17	788.58	22,025,880.13	0.00	0.00	26,790,366.88
4. Ending balance	1,203,549,293.66	624,378,786.50	13,326,985,174.22	114,398,422.73	145,356,578.37	15,414,668,255.48
III. Impairment provision						
1. Beginning balance	0.00	0.00	0.00	0.00	0.00	0.00
2. Increase in current year	0.00	0.00	0.00	0.00	0.00	0.00



Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
(1) Provision	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposal or retirement	0.00	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00	0.00
IV. Book value						
1. Ending book value	10,542,692,223.56	735,512,279.88	34,505,093,151.29	195,675,866.02	108,233,387.18	46,087,206,907.93
2. Beginning book value	9,607,092,749.22	672,713,013.99	30,956,716,656.05	172,553,334.41	112,358,153.11	41,521,433,906.78

**Note 6.15.1.2** Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Impairment provision	Book value
Houses and buildings	8,561,594.67	223,746.88	0.00	8,337,847.79
Structures	278,529.56	138,916.63	0.00	139,612.93
Machinery equipment	14,080,545.76	5,886,345.69	0.00	8,194,200.07
Transportation vehicles	0.00	0.00	0.00	0.00
Office facilities and others	0.00	0.00	0.00	0.00
Total	22,920,669.99	6,249,009.20	0.00	16,671,660.79

## ③ Explanation of fixed assets that did not have title certificates

Item	Book value	Reasons for failure to complete relevant affairs of property right certificate
Real estate of Haining Hengyi Thermal Power Co., Ltd.	186,183,859.78	In process
Real estate of Haining Hengyi New Materials Co., Ltd.	1,250,116,886.91	In process
Real estate of Jiaxing Yipeng Chemical Fiber Co., Ltd.	444,708,600.76	In process
Real estate of Taicang Yifeng Chemical Fiber Co., Ltd.	22,618,002.14	Property acquired by auction is being handled.
Real estate of Zhejiang Shuangtu New Materials Co., Ltd.	10,497,053.17	Property acquired by auction is being handled.

**Note 6.15.2** Liquidation of fixed assets

Item	Ending balance of current period	Ending balance of previous period
Machinery equipment	30,711,590.88	58,294,574.17
Total	30,711,590.88	58,294,574.17

**Note 6.16** Construction in progress

Item	Ending balance of current period	Ending balance of previous period
Construction in progress	3,789,937,189.72	7,605,609,683.33
Engineering materials	106,345,395.78	195,923,299.39
Total	3,896,282,585.50	7,801,532,982.72

**Note 6.16.1 Construction in progress****Note 6.16.1.1 Description**

Item	Ending balance of current period			Ending balance of previous period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Fujian Yijin Project (Phase II)	0.00	0.00	0.00	924,046,018.56	0.00	924,046,018.56
Haining Jianshan Industrial Park CHP Project	0.00	0.00	0.00	645,712,875.42	0.00	645,712,875.42
Haining New Materials Construction Project	1,776,336,510.76	0.00	1,776,336,510.76	5,309,102,204.69	0.00	5,309,102,204.69
Suqian Yida Project (Phase II)	265,366,045.03	0.00	265,366,045.03	35,976,619.23	0.00	35,976,619.23
Yipeng Flake Removal Expansion Project (Phase I)	0.00	0.00	0.00	83,071,911.58	0.00	83,071,911.58
Brunei Refining and Chemical Project Phase II	1,548,872,381.35	0.00	1,548,872,381.35	402,295,413.64	0.00	402,295,413.64
Guangxi Jijin Project (Phase I)	21,345,635.27	0.00	21,345,635.27	4,206,792.60	0.00	4,206,792.60
Other projects	178,016,617.31	0.00	178,016,617.31	201,197,847.61	0.00	201,197,847.61
Total	3,789,937,189.72	0.00	3,789,937,189.72	7,605,609,683.33	0.00	7,605,609,683.33

**Note 6.16.1.2 Changes of important construction projects in progress**

Project name	Budget (RMB 10,000)	Beginning balance	Increase in current year Amount	Amount of transferred into fixed assets in current year	Other decrease in current year	Ending balance
Fujian Yijin Project (Phase II)	134,100.00	924,046,018.56	457,738,280.80	1,381,784,299.36	0.00	0.00
Haining Jianshan Industrial Park CHP Project	113,076.00	645,712,875.42	66,392,140.48	712,105,015.90	0.00	0.00
Haining New Materials Construction Project	892,500.00	5,309,102,204.69	1,459,814,800.73	4,992,580,494.66	0.00	1,776,336,510.76
Suqian Yida Expansion Project (Phase II)	385,000.00	35,976,619.23	230,508,324.80	1,118,899.00	0.00	265,366,045.03
Yipeng Flake Removal Expansion Project (Phase I)	10,000.00	83,071,911.58	25,658,748.60	108,730,660.18	0.00	0.00
Brunei Refining and	\$1,365,389.00	402,295,413.64	1,169,371,270.11	0.00	22,794,302.40	1,548,872,381.35

Project name	Budget (RMB 10,000)	Beginning balance	Increase in current year Amount	Amount of transferred into fixed assets in current year	Other decrease in current year	Ending balance
Chemical Project Phase II						
Guangxi Jijin Project (Phase I)	1,054,737.57	4,206,792.60	17,138,842.67	0.00	0.00	21,345,635.27
Other projects	-	201,197,847.61	555,938,382.19	578,902,638.85	216,973.64	178,016,617.31
Total	-	7,605,609,683.33	3,982,560,790.38	7,775,222,007.95	23,011,276.04	3,789,937,189.72

(Contd.)

Project Name	Proportion of project accumulated investment in budget (%)	Engineering schedule (%)	Interest capitalization Accumulative amount	Of which: amount of interest capitalization in current year	Capitalization rate of interest in current year (%)	Sources of funds
Fujian Yijin Project (Phase II)	103.13	100.00	61,328,260.95	39,236,543.73	5.69	Self-financing and loans
Haining Jianshan Industrial Park CHP Project	84.34	100.00	63,091,059.72	17,489,385.90	4.77	Self-financing and loans
Haining New Materials Construction Project	91.00	80.00	344,269,248.52	170,223,784.24	4.73	Self-financing and loans
Suqian Yida Expansion Project (Phase II)	7.08	7.08	7,595,327.81	6,807,629.41	4.90	Self-financing and loans
Flake removal expansion project (Phase I)	109.00	100.00	0.00	0.00	0.00	Self-funded
Brunei Refining and Chemical Project Phase II	1.69	1.69	0.00	0.00	0.00	Self-funded
Guangxi Jijin Project (Phase I)	0.20	0.20	0.00	0.00	0.00	Self-funded
Other projects			5,026,731.06	0.00	0.00	Self-financing and loans
Total			481,310,628.06	233,757,343.28	-	-

**Note 6.16.2 Engineering materials**

Item	Ending balance of current period			Ending balance of previous period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Special materials	99,653,889.72	0.00	99,653,889.72	129,111,961.49	0.00	129,111,961.49
Dedicated equipment	6,691,506.06	0.00	6,691,506.06	66,811,337.90	0.00	66,811,337.90
Total	106,345,395.78	0.00	106,345,395.78	195,923,299.39	0.00	195,923,299.39

**Note 6.17 Right-of-use assets**

Item	Houses and buildings	Machinery equipment	Land use right	Total
I. Original book value				

Item	Houses and buildings	Machinery equipment	Land use right	Total
1. Beginning balance	64,426,583.36	0.00	389,720,537.09	454,147,120.45
2. Increase in current year	3,202,382.10	0.00	0.00	3,202,382.10
(1) Acquisition	3,202,382.10	0.00	0.00	3,202,382.10
(2) Others (conversion of foreign currency statements)	0.00	0.00	0.00	0.00
3. Decrease in current year	896,491.68	0.00	9,837,154.58	10,733,646.26
(1) Disposal	0.00	0.00	0.00	0.00
(2) Others (conversion of foreign currency statements)	896,491.68	0.00	9,837,154.58	10,733,646.26
4. Ending balance	66,732,473.78	0.00	379,883,382.51	446,615,856.29
<b>II. Accumulated depreciation</b>				
1. Beginning balance	0.00	0.00	0.00	0.00
2. Increase in current year	21,856,625.05	0.00	14,128,635.74	35,985,260.79
(1) Provision	21,856,625.05	0.00	14,128,635.74	35,985,260.79
(2) Others (conversion of foreign currency statements)	0.00	0.00	0.00	0.00
3. Decrease in current year	232,159.02	0.00	169,894.81	402,053.83
(1) Disposal	0.00	0.00	0.00	0.00
(2) Others (conversion of foreign currency statements)	232,159.02	0.00	169,894.81	402,053.83
4. Ending balance	21,624,466.03	0.00	13,958,740.93	35,583,206.96
<b>III. Impairment provision</b>				
1. Beginning balance	0.00	0.00	0.00	0.00
2. Increase in current year	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00
3. Decrease in current year	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00
<b>IV. Book value</b>				
1. Ending book value	45,108,007.75	0.00	365,924,641.58	411,032,649.33
2. Beginning book value	64,426,583.36	0.00	389,720,537.09	454,147,120.45

**Note 6.18 Intangible assets****Note 6.18.1 Information about intangible assets**

Item	Land use right	Patent	Trademark	Software and others	Total
------	----------------	--------	-----------	---------------------	-------

Item	Land use right	Patent	Trademark	Software and others	Total
<b>I. Original book value</b>					
1. Beginning balance	1,603,399,636.52	627,686,917.44	19,740.00	131,896,638.74	2,363,002,932.70
2. Increase in current year	315,651,691.46	567,398.18	0.00	13,683,821.66	329,902,911.30
(1) Acquisition	315,651,691.46	0.00	0.00	13,683,821.66	329,335,513.12
(2) Internal R&D	0.00	567,398.18	0.00	0.00	567,398.18
(3) Business combination	0.00	0.00	0.00	0.00	0.00
(4) Capital invested by investors	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	80,365,300.00	10,121,030.99	0.00	1,260,040.30	91,746,371.29
(1) Disposal	25,300.00	2,763,421.61	0.00	170,211.20	2,958,932.81
(2) Changes in scope of business consolidation	80,340,000.00	0.00	0.00	0.00	80,340,000.00
(2) Others	0.00	7,357,609.38	0.00	1,089,829.10	8,447,438.48
4. Ending balance	1,838,686,027.98	618,133,284.63	19,740.00	144,320,420.10	2,601,159,472.71
<b>II. Accumulated amortization</b>					
1. Beginning balance	186,404,825.16	339,341,874.07	12,690.00	56,426,240.39	582,185,629.62
2. Increase in current year	40,646,444.70	32,011,104.80	4,230.00	13,200,549.40	85,862,328.90
(1) Provision	40,646,444.70	32,011,104.80	4,230.00	13,200,549.40	85,862,328.90
(2) Others	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	332,670.81	1,181,943.11	0.00	256,601.85	1,771,215.77
(1) Disposal	0.00	0.00	0.00	41,134.36	41,134.36
(2) Changes in scope of business consolidation	332,670.81	0.00	0.00	0.00	332,670.81
(3) Others (conversion of foreign currency statements)	0.00	1,181,943.11	0.00	215,467.49	1,397,410.60
4. Ending balance	226,718,599.05	370,171,035.76	16,920.00	69,370,187.94	666,276,742.75
<b>III. Impairment provision</b>					
1. Beginning balance	0.00	0.00	0.00	0.00	0.00
2. Increase in current year	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00
3. Decrease in current year	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Ending balance	0.00	0.00	0.00	0.00	0.00
<b>IV. Book value</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Item	Land use right	Patent	Trademark	Software and others	Total
1. Ending book value	1,611,967,428.93	247,962,248.87	2,820.00	74,950,232.16	1,934,882,729.96
2. Beginning book value	1,416,994,811.36	288,345,043.37	7,050.00	75,470,398.35	1,780,817,303.08

## (2) Important individual intangible assets

Item	Ending book value of current period	Remaining amortization period (month)
Land use right of Zhejiang Shuangtu New Materials Co., Ltd.	186,661,799.98	476
Land use right of Jiaxing Yipeng Chemical Fiber Co., Ltd.	144,308,049.40	386
Land use right of Hangzhou Yitong New Materials Co., Ltd.	140,639,174.99	595
Land use right of Hangzhou Yitong New Materials Co., Ltd.	131,647,424.33	583
Land use right of Haining Hengyi New Materials Co., Ltd.	70,389,533.50	598
Land use right of Fujian Yijin Chemical Fiber Co., Ltd.	66,108,452.23	434
Land use right of Haining Hengyi New Materials Co., Ltd.	64,914,218.55	554
Land use right of Taicang Yifeng Chemical Fiber Co., Ltd.	50,958,942.00	474
Land use right of Zhejiang Hengyi High-tech Materials Co., Ltd.	47,077,342.74	437
Patent license of Hengyi Industry (Brunei) Co., Ltd.	56,341,003.87	95
Patent license of Hengyi Industry (Brunei) Co., Ltd.	147,917,714.83	95

## (3) Intangible assets with restricted ownership or right to use

Item	Ending book value of current period	Amortization amount in current period	Reason for restriction
Land use right	729,140,492.16	22,722,445.48	Mortgage guarantee
Software	18,490.57	3,169.81	Finance lease guarantees
Total	729,158,982.73	22,725,615.29	

**Note 6.19 Development expenditure**

Item	Beginning balance	Increase in current year		Decrease in current year		Ending balance
		Internal development expenditures	Other	Recognized as Intangible assets	Transferred to current profit and loss	
Henglan Technology R&D PTT Industrialization Project	7,019,335.36	2,425,887.07	0.00	0.00	0.00	9,445,222.43
Development and Industrialization of Branching PA6 Resin with High LDPE	567,398.18	0.00	0.00	567,398.18	0.00	0.00
Research and application development of bio-based PTT elastic shape memory fiber series	0.00	1,819,730.30	0.00	0.00	0.00	1,819,730.30
Other projects	44,021.33	946.50	0.00	0.00	6,388.67	38,579.16
Total	7,630,754.87	4,246,563.87	0.00	567,398.18	6,388.67	11,303,531.89

**Note 6.20 Goodwill****Note 6.20.1 Original book value**

Name or formation of investee goodwill matters	Beginning balance	Increase in current year	Decrease in current year	Ending balance
		Business combination	Disposal	
Zhejiang Shuangtu New Materials Co., Ltd.	221,865,586.69	0.00	0.00	221,865,586.69

**Note 6.20.2 Impairment test process of goodwill**

In November 2018, the Company issued shares to purchase 100% equity in Zhejiang Shuangtu New Materials Co., Ltd. (hereinafter referred to as Shuangtu) at a consideration of RMB 2.105 billion, and carried out the apportionment of the merger consideration in accordance with the accounting standards. The fair value share of the identifiable net assets of the acquiree on the merger date was RMB 1,883,134,400, which resulted in the goodwill of RMB 221,865,600 in the consolidated accounting statements.

This year, the Company assessed the recoverable amount of goodwill and conducted impairment tests on various asset groups related to goodwill. In the process of goodwill impairment test, the Company determined the composition of the assets of the asset groups related to the goodwill reflected in the Company's consolidated financial statements and their book value of RMB 2,119,781,100.00 based on the consolidated financial statement as on December 31, 2021 and the assets and operating conditions of the merged party Shuangtu. It is found after impairment test that the present value of the expected future cash flow of this goodwill and related asset group on December 31, 2021 was RMB 2,197,000,000.00, and no impairment occurred. Details are as follows:

Unit: RMB 10,000

Item	Book amount of consolidated statements
Fixed assets	169,147.44
Construction in progress	115.04
Intangible assets	20,452.89
Long-term deferred and prepaid expenses	76.18
Goodwill recognized in consolidated statements	22,186.56
<b>Subtotal of book value of asset groups containing goodwill</b>	<b>211,978.11</b>
Vale of goodwill not recognized as attributable to minority shareholders' equity	0.00
<b>Total adjusted book value of asset groups containing goodwill</b>	<b>211,978.11</b>
<b>Present value (recoverable amount) of the estimated future cash flow of the asset group</b>	<b>219,700.00</b>

Note: For the present value (recoverable amount) of the expected future cash flow of the asset groups above, the results of assessment set out in the HYZXPBZ [2022] No. A01-0015 Asset Appraisal Report issued by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. on April 18, 2022 was used.

The recoverable amount of the asset groups above is determined according to the present value of the expected future cash flow. Based on its current operating conditions, business characteristics and market supply & demand and upon an overall analysis and consideration of various factors such as residual service life of main assets included in the asset group, the acquirer is estimated to enter a stable period in 2026. Therefore, the predictive period is determined from January 2022 to December 2026 (five years in total), and the discount rate of 13.13% is adopted.

Important assumptions for goodwill impairment test:

- ① Assumption of orderly transaction: Orderly transaction refers to the transaction that related assets or liabilities have usual marketing activities within a period of time prior to the measurement date.
- ② Assumption of open market: It means that assets can be traded freely in the fully competitive market, and that its price depends on independent buyer's and seller's value judgment under certain market supply and demand conditions. It is an assumption about the conditions of the target assets market and about the influence of assets under relatively complete market conditions.
- ③ Assumption of continuing operations: Assume no unforeseeable factor leading to a failure to continue operations, when the entrusted asset group is continuously operated in accordance with the current situation, purpose, usage mode and management level on the base date;
- ④ No significant change in the existing editions of applicable national laws & regulations and macro-economic situation; no unforeseeable significant change in external economic environment (e.g. interest rate, exchange rate, tax base & rate and policy collection expenses);
- ⑤ Assume that the Company's current business model can be continuously maintained in the future, and predict the future cash flow of assets based on current asset conditions, excluding the prediction of the future cash flow related to restructuring or modification that will probably occur in the future and that has not been promised yet;
- ⑥ Assume that cash inflow and outflow of the asset group occur in the middle of the year after the assessment base date

#### Note 6.21 Long-term deferred expenses

Item	Beginning balance	Increase in current period	Amortization amount in current period	Other decreases in amount	Ending balance
Decoration cost	1,885,247.42	0.00	1,113,696.08	3,118.11	768,433.23
Exterior wall coating	1,780,326.19	0.00	963,302.75	0.00	817,023.44
Workshop reinforcement	642,612.63	0.00	367,207.22	0.00	275,405.41
Transfer fees for storage tank use right	909,188.42	0.00	147,435.96	0.00	761,752.46
Catalyst	515,670,341.76	28,516,955.56	87,484,549.36	11,082,370.58	445,620,377.38



Item	Beginning balance	Increase in current period	Amortization amount in current period	Other decreases in amount	Ending balance
Other	9,117,076.14	15,325,542.17	3,141,294.70	2,547,885.05	18,753,438.56
Total	530,004,792.56	43,842,497.73	93,217,486.07	13,633,373.74	466,996,430.48

## Note 6.22 Deferred income tax assets and deferred income tax liabilities

### Note 6.22.1 Details of deferred income tax assets

Item	Ending balance of current period		Ending balance of previous period	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment loss on credit assets	37,453,702.79	5,761,347.25	39,077,190.61	6,038,615.66
Asset impairment provision	137,751,813.38	28,908,052.68	18,111,009.54	3,831,264.37
Changes in fair value of financial assets held for trading	2,752,654.17	688,163.54	17,242,006.11	4,633,044.84
Unrealized profits arising from intra-group trading	29,235,837.12	7,308,959.28	105,803,721.83	26,450,930.46
Accrued expenses	213,630.54	32,044.58	3,121,974.85	468,296.23
Deferred income	102,310,974.76	16,486,593.90	85,878,905.11	12,881,835.77
Deductible losses	256,991,133.33	64,247,783.33	266,851,757.20	66,712,939.30
Cash flow hedging	297,696.00	74,424.00	91,296,116.20	14,843,417.43
Total	567,007,442.09	123,507,368.56	627,382,681.45	135,860,344.06

### Note 6.22.2 Details of deferred income tax liabilities

Item	Ending balance of current period		Ending balance of previous period	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset valuation appreciation of business combinations not under common control	326,354,000.73	48,953,100.11	370,650,553.73	55,597,583.06
Changes in fair value of financial assets held for trading	12,825,770.08	3,206,442.52	139,028,274.42	33,975,572.86
One-off deduction difference before income tax on fixed assets	146,811,742.93	34,358,354.01	98,458,985.67	21,998,938.16
Total	485,991,513.74	86,517,896.64	608,137,813.82	111,572,094.08

### Note 6.22.3 Details of unconfirmed deferred income tax assets

Item	Ending balance of current period	Ending balance of previous period
Deductible temporary difference	15,553,769.45	13,278,842.77

Item	Ending balance of current period	Ending balance of previous period
Deductible losses	1,015,129,215.36	787,814,103.31
Total	1,030,682,984.81	801,092,946.08

**Note 6.22.4** Deductible losses of unconfirmed deferred income tax assets will expire the next year:

Year	Ending balance of current period	Ending balance of previous period
2021		26,715,814.79
2022	9,878,721.42	31,866,477.40
2023	127,251,885.07	229,079,938.78
2024	162,170,932.41	190,651,121.96
2025	194,792,129.27	309,500,750.38
2026	521,035,547.19	-
Total	1,015,129,215.36	787,814,103.31

**Note 6.23** Other non-current assets

Item	Ending balance of current period	Ending balance of previous period
Payment for long-term assets	1,669,998,308.04	955,145,705.24
Advance payment for transfer of pollution discharge right	2,152,324.64	10,961,977.73
Taxes for right-of-use assets	2,335,045.86	0.00
Other	304,950.00	304,950.00
Total	1,674,790,628.54	966,412,632.97

**Note 6.24** Short-term loans

## Classification of short-term loans

Item	Ending balance of current period	Ending balance of previous period
Pledge loan	13,328,541,060.00	10,134,292,276.14
Mortgage loan	2,355,437,939.49	1,096,431,610.43
Guarantee loan	16,660,351,966.72	13,692,168,947.17
Fiduciary loan	1,383,344,685.85	1,544,609,239.54
Loan interest	51,019,025.18	15,170,052.70
Total	33,778,694,677.24	26,482,672,125.98

Note: For asset classes and amounts of mortgaged loans, please refer to Note 6.67.

For the portage asset category and amount of pledge loan, please refer to Note 6.67.

**Note 6.25** Financial liabilities held for trading

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
Transactional financial liabilities	9,301,029.70	1,670,361.85	9,301,029.70	1,670,361.85

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
Among which: issued bonds held for trading	0.00	0.00	0.00	0.00
Derivative financial liabilities	9,301,029.70	1,670,361.85	9,301,029.70	1,670,361.85
Other	0.00	0.00	0.00	0.00
Specified as financial liability at fair value through profit or loss	0.00	0.00	0.00	0.00
Total	9,301,029.70	1,670,361.85	9,301,029.70	1,670,361.85

**Note 6.26 Derivative financial liabilities**

Item	Ending balance of current period	Ending balance of previous period
Foreign exchange derivatives	297,696.00	11,490,000.00
Commodity derivatives	23,407,744.98	125,118,747.10
Total	23,705,440.98	136,608,747.10

**Note 6.27 Notes payable**

Category	Ending balance of current period	Ending balance of previous period
Commercial acceptance bills	0.00	0.00
Bank acceptance bills	440,900,000.00	1,107,267,473.78
Domestic letter of credit	0.00	80,000,000.00
Total	440,900,000.00	1,187,267,473.78

**Note 6.28 Accounts payable****Note 6.28.1** Accounts payable are listed as follows

Item	Ending balance of current period	Ending balance of previous period
Within one year	8,777,122,209.14	4,448,180,007.83
1-2 years	360,995,063.03	1,259,912,844.31
2-3 years	853,087,925.13	20,554,317.73
Over three years	19,802,520.14	12,054,375.63
Total	10,011,007,717.44	5,740,701,545.50

**Note 6.28.2** Significant accounts payable with aging exceeding one year

Item	Ending balance	Reasons for outstanding or carry over
Nanjing Chemical Construction Co., Ltd. (Brunei Branch)	122,082,966.43	Warranty has not expired.
China National Chemical Engineering Third Construction Co., Ltd. (Brunei Branch)	113,897,134.17	Warranty has not expired.
China Chemical Engineering Second Construction Corporation (Brunei Branch)	127,926,911.75	Warranty has not expired.
China Construction Industrial & Energy Engineering (Brunei) Co., Ltd.	51,680,789.56	Warranty has not expired.

PAHAYTC & BENTENG J.V. SDN BHD	38,309,747.46	Warranty has not expired.
Total	453,897,549.37	—

**Note 6.29 Contract liabilities****Note 6.29.1 Contract liabilities**

Item	Ending balance of current period	Ending balance of previous period
Advance receipt of payment for contracts unfulfilled	1,904,820,796.20	1,620,044,525.95
Less: Those included in other current liabilities (Note 6.34)	180,919,015.28	151,856,844.93
Total	1,723,901,780.92	1,468,187,681.02

**Note 6.29.2** There were no significant changes in the book value in current period.

**Note 6.30 Payroll payable****Note 6.30.1 Wages payable are listed as follows**

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
I. Short-term remuneration	290,512,541.38	2,551,991,363.81	2,534,352,387.31	308,151,517.88
II. Post-employment Benefits				
Defined Contribution Plan	2,513,241.96	125,091,260.44	124,293,150.76	3,311,351.64
Post-employment benefit and defined contribution plan				
III. Termination benefits	0.00	1,051,857.80	1,051,857.80	0.00
IV. Other benefits due within one year	0.00	0.00	0.00	0.00
Total	293,025,783.34	2,678,134,482.05	2,659,697,395.87	311,462,869.52

**Note 6.30.2 Short-term remuneration is listed as follows**

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
1. Wages, bonuses, allowances & subsidies	281,729,458.62	2,335,916,764.06	2,319,027,217.93	298,619,004.75
2. Employee welfare	747,775.55	77,428,186.37	76,617,178.10	1,558,783.82
3. Social insurance	1,045,436.72	74,634,806.78	74,387,639.63	1,292,603.87
Of which: medical insurance	1,003,494.05	70,712,916.88	70,454,378.37	1,262,032.56
Employment injury insurance	26,064.61	3,318,683.04	3,314,176.34	30,571.31
Maternity insurance	15,878.06	603,206.86	619,084.92	0.00
4. Housing accumulation fund	1,069,315.87	34,910,813.46	35,696,752.65	283,376.68
5. Labor union and employee education expense	5,920,554.62	29,100,793.14	28,623,599.00	6,397,748.76
6. Short-term paid absences	0.00	0.00	0.00	0.00

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
7. Short-term profit sharing plan	0.00	0.00	0.00	0.00
8. Others	0.00	0.00	0.00	0.00
Total	290,512,541.38	2,551,991,363.81	2,534,352,387.31	308,151,517.88

**Note 6.30.3** Defined contribution plan is listed as follows

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
1. Basic pension insurance	2,462,001.97	120,320,622.37	119,545,725.11	3,236,899.23
2. Unemployment insurance	51,239.99	4,770,638.07	4,747,425.65	74,452.41
3. Enterprise annuity	0.00	0.00	0.00	0.00
Total	2,513,241.96	125,091,260.44	124,293,150.76	3,311,351.64

**Note 6.31** Taxes and dues payable

Item	Ending balance of current period	Ending balance of previous period
Value-added tax	705,004,834.17	261,972,242.58
Enterprise income tax	108,956,677.95	328,881,257.17
Urban maintenance and construction tax	43,186,920.36	9,304,479.42
Education surcharge	18,535,812.25	4,089,343.55
Land use tax	10,069,167.57	11,014,092.06
Property tax	30,075,843.64	13,804,263.97
Special funds for water conservancy construction	402,705.79	0.00
Individual income tax	1,775,884.69	1,521,278.02
Stamp tax	6,938,813.73	6,777,481.05
Local education surcharge	12,356,058.55	2,726,229.02
Disabled security fund	53,136.00	58,226.03
Other	1,008,926.96	341,671.35
Total	938,364,781.66	640,490,564.22

**Note 6.32** Other payables

Item	Ending balance of current period	Ending balance of previous period
Interests payable	0.00	0.00
Dividends payable	169,500,759.38	173,750,759.38
Other payables	258,670,038.54	232,331,788.44
Total	428,170,797.92	406,082,547.82

**Note 6.32.1** Dividends payable

Item	Ending balance of current period	Ending balance of previous period
Common stock dividends	759.38	759.38
Dividends payable by subsidiaries to minority shareholders	169,500,000.00	173,750,000.00
Total	169,500,759.38	173,750,759.38

**Note 6.32.2 Other payables****Note 6.32.2.1 Presented by nature of amount**

Item	Ending balance of current period	Ending balance of previous period
Receivables and payables	7,096,248.66	21,116,555.50
Deposit and security	138,103,829.71	122,878,434.45
Nature of unsettled expense	91,205,577.81	74,696,444.37
Receipts under custody	20,451,297.80	1,990,402.06
Other	1,813,084.56	11,649,952.06
Total	258,670,038.54	232,331,788.44

**Note 6.32.2.2 Listed by aging**

Item	Ending balance of current period	Ending balance of previous period
Within one year	210,669,131.56	181,866,809.75
1-2 years	27,219,847.22	29,350,701.44
2-3 years	9,183,180.26	7,609,359.46
Over three years	11,597,879.50	13,504,917.79
Total	258,670,038.54	232,331,788.44

**Note 6.32.2.3 Significant accounts payable with aging exceeding one year**

Item	Ending balance	Reasons for outstanding or carry over
Henan Huicheng Investment Co., Ltd.	2,569,363.91	Incomplete settlement
Hangzhou Hongju Construction Co., Ltd.	1,860,500.00	Incomplete settlement
Jiangsu Ruicheng Construction Engineering Co., Ltd.	1,675,420.00	Incomplete settlement
Canteen settlement – Lin Haijiang	1,014,928.33	Incomplete settlement
Zhejiang Kexin United Project Management Consultancy Co., Ltd.	1,000,000.00	Incomplete settlement
Total	8,120,212.24	-

**Note 6.33 Non-current liabilities due within one year**

Item	Ending balance of current period	Ending balance of previous period
Long-term loans and interests due within one year (Note 6.35)	3,818,951,287.70	1,756,790,484.15
Bonds payable and interests due within one year (Note 6.36)	51,033,160.10	1,984,595,701.21

Lease liabilities due within one year (Note 6.37)	10,209,931.72	30,360,978.82
Long-term payables and interests due within one year (Note 6.38)	654,324,945.69	746,067,210.88
Total	4,534,519,325.21	4,517,814,375.06

**Note 6.34 Other current liabilities**

Item	Ending balance of current period	Ending balance of previous period
Output tax to be transferred	180,919,015.28	151,856,844.93

**Note 6.35 Long-term loans**

Item	Ending balance of current period	Ending balance of previous period
Pledge loan	83,489,791.50	310,937,295.00
Mortgage loan	12,275,719,140.06	12,650,509,052.06
Guarantee loan	7,426,177,456.63	5,375,637,314.17
Interests payable	29,794,585.82	29,609,852.15
Less: Long-term loans and interests due within one year	3,818,951,287.70	1,756,790,484.15
Total	15,996,229,686.31	16,609,903,029.23

Note: For asset classes and amounts of mortgaged loans, please refer to Note 6.67).

For the portage asset category and amount of pledge loan, please refer to Note 6.67.

**Note 6.36 Bonds payable****Note 6.36.1 Bonds payable**

Item	Ending balance of current period	Ending balance of previous period
Corporate bonds	2,612,404,203.28	3,521,330,557.49

**Note 6.36.2** Changes in bond payables (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

Bond name	Face value	Date of issue	Bond maturity	Issue amount	Beginning balance
Belt and Road" corporate bonds	500,000,000.00	2018-03-22	3	497,500,000.00	160,311,381.12
Corporate bonds (Tranche 1)	1,000,000,000.00	2018-03-22	3	995,000,000.00	668,692,416.48
Corporate bonds (Tranche 2)	1,500,000,000.00	2018-04-19	3	1,492,500,000.00	1,065,206,211.98
Corporate bonds (19Hengyi01)	500,000,000.00	2019-03-26	3	497,750,000.00	522,968,415.29
Corporate bonds (19Hengyi02)	500,000,000.00	2019-06-04	3	497,750,000.00	515,109,565.26
Corporate bonds (20Hengyi01)	1,000,000,000.00	2020-03-13	2	995,500,000.00	1,045,935,287.77
Hengyi Convertible Bond 127022	2,000,000,000.00	2020-10-16	6	1,508,831,199.68	1,527,702,980.80
Subtotal	7,000,000,000.00	-	-	6,484,831,199.68	5,505,926,258.70
Less: partial year-end balance due within one year (Note 6.33)	-	-	-	-	1,984,595,701.21
Total	7,000,000,000.00	-	-	6,484,831,199.68	3,521,330,557.49

(Contd.)

Bond name	Issuance in current period	Accrued interest at face value	Discounted amortization	Repayment in current period	Interest paid in current period	Ending balance
Belt and Road <sup>7</sup> corporate bonds	0.00	2,283,386.88	43,779.50	153,505,000.00	9,133,547.50	0.00
Corporate bonds (Tranche 1)	0.00	9,524,730.24	199,774.28	640,318,000.00	38,098,921.00	0.00
Corporate bonds (Tranche 2)	0.00	17,189,783.33	560,354.69	1,031,387,000.00	51,569,350.00	0.00
Corporate bonds (19Hengyi01)	0.00	7,975,000.00	956,584.71	500,000,000.00	31,900,000.00	0.00
Corporate bonds (19Hengyi02)	0.00	16,250,000.00	1,140,434.74	500,000,000.00	32,500,000.00	0.00
Corporate bonds (20Hengyi01)	0.00	58,899,999.96	1,553,996.81	0.00	58,900,000.00	1,047,489,284.54
Hengyi Convertible Bond 127022	0.00	4,822,152.56	87,586,529.68	163,900.00	3,999,684.20	1,615,948,078.84
Subtotal	0.00	116,945,052.97	92,041,454.41	2,825,373,900.00	226,101,502.70	2,663,437,363.38
Less: partial year-end balance due within one year (Note 6.33)	0.00	0.00	0.00	0.00	0.00	51,033,160.10
Total	0.00	116,945,052.97	92,041,454.41	2,825,373,900.00	226,101,502.70	2,612,404,203.28

**Note 6.37 Lease liabilities**

Item	Beginning balance	Increase in current year			Decrease in current year	Ending balance
		New lease	Interest for current period	Other		
Land use right	397,165,688.84	0.00	0.00	0.00	34,186,316.22	362,979,372.62
Buildings	28,071,339.86	2,185,819.52	0.00	0.00	2,881,076.99	27,376,082.39
Less: Lease liabilities due within one year (Note 6.33)	30,360,978.82	1,174,311.93	0.00	0.00	21,325,359.03	10,209,931.72
Total	394,876,049.88	1,011,507.59	0.00	0.00	15,742,034.18	380,145,523.29

**Note 6.38 Long-term accounts payables****Long-term accounts payable**

Item	Ending balance of current period	Ending balance of previous period
Long-term payables	952,254,861.09	520,596,948.45
Special accounts payable	0.00	0.00
Total	952,254,861.09	520,596,948.45
Finance leases payable	1,606,579,806.78	1,266,664,159.33
Less: partial balance due within one year (Note 6.33)	654,324,945.69	746,067,210.88



Total	952,254,861.09	520,596,948.45
-------	----------------	----------------

**Note 6.39 Estimated liabilities**

Item	Ending balance of previous period	Ending balance of current period	Reasons
Pending litigations	3,555,907.35	213,630.54	Please refer to Note 12.2 for details.

**Note 6.40 Deferred income**

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance	Reasons
Government grants	197,513,098.48	23,261,700.00	16,969,806.76	203,804,991.72	Related to assets
Government grants	0.00	3,878,200.00	35,564.77	3,842,635.23	Related to income
Total	197,513,098.48	27,139,900.00	17,005,371.53	207,647,626.95	

**Items involving government subsidies:**

Subsidized Items	Beginning balance	Amount of new subsidies for current period	Amount included in non-operating income in current period	Amount included in other income in current period	Other changes	Ending balance	Related to assets/ Related to income
Development, modification and corresponding industrialization projects	0.00	3,878,200.00	0.00	35,564.77	0.00	3,842,635.23	Related to income
Special award funds for major industrial projects	34,799,849.98	0.00	0.00	2,013,757.49	0.00	32,786,092.49	Related to assets
Subsidies for boiler cleaning transformation	11,704,517.95	0.00	0.00	1,560,602.39	0.00	10,143,915.56	Related to assets
Subsidies for automation projects	1,810,931.87	2,382,100.00	0.00	297,656.10	0.00	3,895,375.77	Related to assets
Functional fiber technological transformation projects	39,022,242.84	0.00	0.00	4,183,472.02	0.00	34,838,770.82	Related to assets
Tax refund for fixed assets	2,901,388.16	0.00	0.00	2,678,204.46	0.00	223,183.70	Related to assets
Technological transformation projects in manufacturing enterprises	8,958,333.25	13,879,600.00	0.00	3,381,216.67	0.00	19,456,716.58	Related to assets
Special equipment subsidies	0.00	7,000,000.00	0.00	677,419.35	0.00	6,322,580.65	Related to assets
Industrial robot projects	1,284,084.46	0.00	0.00	124,194.96	0.00	1,159,889.50	Related to assets
Internet digital factory projects	315,375.00	0.00	0.00	28,033.32	0.00	287,341.68	Related to assets
Land compensation	96,500,000.00	0.00	0.00	166,666.67	1,833,333.33	94,500,000.00	Related to

Subsidized Items	Beginning balance	Amount of new subsidies for current period	Amount included in non-operating income in current period	Amount included in other income in current period	Other changes	Ending balance	Related to assets/ Related to income
							assets
Other	216,374.97	0.00	0.00	25,250.00	0.00	191,124.97	Related to assets
Total	197,513,098.48	27,139,900.00	0.00	15,172,038.20	1,833,333.33	207,647,626.95	-

### Note 6.41 Capital stock

Item	Beginning balance	Changes of increase or decrease in current period (+, -)					Ending balance
		Issue of new shares	Bonus shares	Capital reserve converted into share capital	Other	Subtotal	
Sum of shares	3,681,645,407.00	0.00	0.00	0.00	-15,365,393.00	-15,365,393.00	3,666,280,014.00

Note:

(1) The share conversion period of “Hengyi Convertible Bond” (bond code: 127022) is from April 22, 2021 to October 15, 2026. In 2021, totally 2,113 “Hengyi Convertible Bonds” were converted into 14,337 shares of “Hengyi Petrochemical”. An amount of RMB 14,337.00 capital stock is increased in the Company. At the same time, an amount of RMB 148,777.66 capital reserve – capital premium is increased.

(2) In accordance with the Resolution on Achievement of Performance Commitment and Performance Compensation Plan in 2020 Regarding the Issue of Shares for Purchase of Assets and Connected Transactions, the Company has cancelled 15,379,730 shares, and decreased RMB 15,379,730.00 capital stock on July 28, 2021. At the same time, the Company has received an amount of RMB 14,314,978.66 as cash dividends returned by Hengyi Group (subject of performance commitment). Therefore, an amount of RMB 29,694,708.66 is increased as capital reserves - capital premiums.

### Note 6.42 Other equity instruments

Issued financial instruments	Beginning balance		Increase in current year		Decrease in current year		Ending balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Equity portion of convertible corporate bonds	20,000,000	478,546,158.81	0	0.00	2,113	39,465.95	19,997,887	478,506,692.86
Total	20,000,000	478,546,158.81	0	0.00	2,113	39,465.95	19,997,887	478,506,692.86

Note: For the equity part of convertible corporate bonds decreased in current period, please refer to

Note 6.41.

### Note 6.43 Capital reserves

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
Premium on capital	11,338,659,906.61	29,843,486.32	16,856,913.54	11,351,646,479.39
Other capital reserves	155,709,331.86	0.00	12,468,546.57	143,240,785.29
Capital reserve generated by simulating ownership structure and quantity	-2,329,301,104.61	0.00	0.00	-2,329,301,104.61
Total	9,165,068,133.86	29,843,486.32	29,325,460.11	9,165,586,160.07

Note:

1. The amount of capital reserve minus capital premium increases by RMB 29,843,486.32. Please refer to Note 6.41 for details.
2. The amount of capital reserve minus capital premium decreases by RMB 16,856,913.54, including the decrease by RMB 16,757,452.51 due to purchase of minority shareholders' equities and their capital increase in subsidiaries, and the decrease by RMB 99,461.03 due to commission charges resulted from stock repurchase.
3. The amount of capital reserve minus others decreased by RMB 12,468,546.57. Losses of Zhejiang Shuangtu have decreased due to a compromise between Zhejiang Shuangtu and the litigation-related client before being purchased by the Company. Such loss was recognized as capital reserve in the consolidated statement.

### Note 6.44 Treasury stock

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
Stock repurchased via centralized bidding	349,918,604.53	368,231,852.70	0.00	718,150,457.23
Total	349,918,604.53	368,231,852.70	0.00	718,150,457.23

Note: In current period, the Company has increased the treasury stock by RMB 368,231,852.70 via centralized bidding.

### Note 6.45 Other comprehensive income

Item	Beginning balance	Amount in current period					Ending balance
		Before-tax amount incurred in current period	Less: net current profit and loss transferred from previous comprehensive income	Less: income tax expenses	Net after-tax income attributable to parent company	Net after-tax income attributable to minority shareholders	
I. Other comprehensive	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Item	Beginning balance	Amount in current period					Ending balance
		Before-tax amount incurred in current period	Less: net current profit and loss transferred from previous comprehensive income	Less: income tax expenses	Net after-tax income attributable to parent company	Net after-tax income attributable to minority shareholders	
income items which cannot be classified as profit or loss in succeeding accounting period							
Of which: changes due to remeasurement of the net liabilities or net assets under the defined benefit plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share in other comprehensive income that will not be reclassified into profit and loss in investee under equity method	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive income items which will be classified as profit or loss in succeeding accounting period	1,032,362,450.85	-361,011,363.76	-364,446,500.41	-80,424.00	-38,496,763.77	42,012,324.42	-1,070,859,214.62
Of which: other comprehensive income from convertible gains and losses under the equity method	14,299,823.85	9,362,424.18	0.00	0.00	9,011,096.96	351,327.22	23,310,920.81
Effective part of cash flow hedging profit and loss	-323,099,566.97	-23,268,217.35	-364,446,500.41	-80,424.00	300,242,496.51	41,016,210.55	-22,857,070.46
Converted difference in foreign currency statements	-723,562,707.73	-347,105,570.59	0.00	0.00	-347,750,357.24	644,786.65	-1,071,313,064.97
Total of other	1,032,362,450.85	-361,011,363.76	-364,446,500.41	-80,424.00	-38,496,763.77	42,012,324.42	-1,070,859,214.62

Item	Beginning balance	Amount in current period					Ending balance
		Before-tax amount incurred in current period	Less: net current profit and loss transferred from previous comprehensive income	Less: income tax expenses	Net after-tax income attributable to parent company	Net after-tax income attributable to minority shareholders	
comprehensive income							

**Note 6.46 Special reserve**

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
Work safety funds	0.00	52,367,268.75	52,367,268.75	0.00

Note: The increase and decrease in special reserves during the Reporting Period are the work safety funds withdrawn and used.

**Note 6.47 Surplus reserves**

Item	Beginning balance	Increase in current year	Decrease in current year	Ending balance
Statutory surplus reserves	660,652,171.17	91,243,496.70	0.00	751,895,667.87

Note: The Company shall withdraw 10% of net profit as the statutory surplus reserve according to the provisions of Company Law and Articles of Association. The accumulative statutory surplus reserve that reaches 50% or more of registered capital of the Company shall not be withdrawn.

**Note 6.48 Undistributed profits**

Item	Current period	Previous period
Undistributed profit before adjustment at the end of the previous year	11,403,002,797.32	9,567,928,583.61
Adjust the total undistributed profit at the beginning of the year (increase to be marked by +, decrease to be marked by -)	0.00	0.00
Undistributed profit after adjustment at the beginning of the year	11,403,002,797.32	9,567,928,583.61
Add: net profit attributable to the owners of parent company in current year	3,408,043,143.47	3,071,998,839.75
Less: withdrawal of statutory surplus reserves	91,243,496.70	101,404,665.64
Withdrawal for discretionary surplus reserves	0.00	0.00
General risk provisions withheld	0.00	0.00
Common stock dividends payable	1,089,964,300.35	1,135,519,960.40
Common stock dividends transferred to capital stocks	0.00	0.00
Add: Others	-6,236,870.47	0.00
Undistributed profits at the end of the year	13,623,601,273.27	11,403,002,797.32

**Note 6.49 Operating revenue and operating cost**

Item	Amount incurred in current year	Amount incurred in previous year
------	---------------------------------	----------------------------------

	Revenue	Cost	Revenue	Cost
Main business	128,182,319,388.88	121,017,587,183.75	85,795,557,470.87	79,894,558,655.25
Other operations	797,220,304.39	590,444,115.34	634,072,721.00	555,272,041.69
Total	128,979,539,693.27	121,608,031,299.09	86,429,630,191.87	80,449,830,696.94

**Note 6.50 Taxes and surcharges**

Item	Amount incurred in current year	Amount incurred in previous year
Consumption tax	2,787,152.86	5,458,218.81
Urban maintenance and construction tax	65,590,454.61	28,475,454.02
Education surcharge	28,203,251.69	12,515,877.22
Property tax	31,798,198.04	12,166,370.38
Land use tax	14,992,349.39	14,693,786.15
Vehicle and vessel usage tax	94,474.69	82,324.22
Stamp tax	57,703,181.07	36,519,194.04
Local education surcharge	18,900,490.23	8,240,898.58
Water conservancy construction funds	3,473,198.38	0.00
Other	2,605,294.11	2,285,346.86
Total	226,148,045.07	120,437,470.28

Note: please refer to Note 5 “Taxes” for details of taxation and additional payment standards.

**Note 6.51 Sales expense**

Item	Amount incurred in current year	Amount incurred in previous year
Transportation expenses	361,206.09	3,856,318.79
Import and export expenses	77,410,944.06	87,223,211.47
Staff remuneration	102,828,797.93	97,461,347.91
Transport insurance expenses	1,099,472.73	851,252.32
Warehouse fee	17,059,401.49	2,143,725.80
Business entertainment	1,619,634.71	1,298,961.23
Travel expenses	3,350,338.43	3,942,993.44
Vehicle cost	1,559,735.76	1,028,277.49
Rental fee	800.00	66,934.74
Office expenses	1,096,892.62	619,421.63
Handling cost	3,338,845.67	1,273,862.85
Agency fees	2,113,272.34	0.00
Other	16,242,042.21	18,343,493.47

Item	Amount incurred in current year	Amount incurred in previous year
Total	228,081,384.04	218,109,801.14

**Note 6.52 Administration cost**

Item	Amount incurred in current year	Amount incurred in previous year
Staff remuneration	383,637,195.81	408,272,551.84
Amortization charge of intangible asset	42,033,555.98	32,383,255.26
Fixed assets depreciation expenses	233,237,775.08	196,684,292.39
Business entertainment	8,440,639.17	5,658,891.41
Vehicle cost	13,840,430.78	15,492,070.51
Environmental protection cost	14,482,753.74	11,850,664.75
Office expenses	12,242,075.43	11,545,260.18
Agency fees	26,294,122.66	20,806,234.27
Travel expenses	12,128,511.44	6,803,278.43
Rental fee	66,463,358.90	71,152,170.94
Repair costs	117,276,476.32	68,902,650.22
Property insurance premium	31,318,221.28	21,782,408.76
Transportation and storage charges	50,588,101.98	45,540,587.48
Other	75,284,439.96	53,279,291.45
Total	1,087,267,658.53	970,153,607.89

**Note 6.53 R&D expenditure**

Item	Amount incurred in current year	Amount incurred in previous year
Direct input cost	533,064,525.62	219,624,282.26
Staff remuneration	88,592,180.79	85,841,604.65
Depreciation charge	22,475,912.22	12,299,524.80
Technical development service fee	6,552,285.65	11,734,405.96
Other expenses	36,295,313.70	22,469,490.26
Total	686,980,217.98	351,969,307.93

**Note 6.54 Financial expenses**

Item	Amount incurred in current year	Amount incurred in previous year
Interest expense	2,098,777,291.01	1,857,374,805.92
Minus: Interest income	166,560,838.30	185,855,314.84
Profit or loss on exchange	-26,965,852.84	206,643,585.24
Bank charges	228,325,949.07	125,987,241.29
Total	2,133,576,548.94	2,004,150,317.61

**Note 6.55 Other incomes**

Item	Amount incurred in current year	Amount incurred in previous year	Amount of non-recurring gains and losses of the current year
Government grants related to daily activities of the Company	330,605,860.76	369,221,330.90	277,170,340.76
Return of charges for withholding and remitting individual income tax for others	1,658,393.07	2,595,730.83	0.00
Total	332,264,253.83	371,817,061.73	277,170,340.76

Among them, the details of government grants related to the daily activities of the Company are as follows:

Item	Amount incurred in current year	Amount incurred in previous year	Amount of non-recurring gains and losses of the current year	Related to assets/ Related to income
Government grants related to assets	15,136,473.43	12,088,146.74	15,136,473.43	Related to assets
“Leader programme” policy support rewards	40,558,800.00	0.00	40,558,800.00	Related to income
Rewards for high-tech enterprise	630,000.00	0.00	630,000.00	Related to income
Environmental protection subsidies	17,771,700.00	12,254,966.00	17,771,700.00	Related to income
Rewards for infrastructure	18,053,400.00	11,672,300.00	18,053,400.00	Related to income
Subsidies for merger and reorganization of enterprises	5,000,000.00	0.00	5,000,000.00	Related to income
Subsidies for scientific and technological innovation	93,325,163.22	101,523,400.00	93,325,163.22	Related to income
Rewards for trade companies	18,527,895.20	9,810,177.00	18,527,895.20	Related to income
Subsidies for high-quality enterprise management	900,000.00	2,302,200.00	900,000.00	Related to income
Rewards for issuance of enterprise bonds	2,000,000.00	1,000,000.00	2,000,000.00	Related to income
Reduction and refund of taxes	53,583,569.78	53,069,661.71	148,049.78	Related to income
Employment-related subsidies	5,775,947.22	20,181,341.01	5,775,947.22	Related to income
Policy support funds	38,965,364.85	16,684,391.98	38,965,364.85	Related to income
Intelligent manufacturing support fund	90,000.00	38,890,660.00	90,000.00	Related to income
Subsidies for the return of headquarters	13,665,500.00	18,715,600.00	13,665,500.00	Related to income
Special fund for promoting industrial	0.00	16,154,945.00	0.00	Related to



Item	Amount incurred in current year	Amount incurred in previous year	Amount of non-recurring gains and losses of the current year	Related to assets/ Related to income
restructuring				income
Subsidies for resumption of work and production after epidemic	0.00	49,337,031.84	0.00	Related to income
Other	6,622,047.06	5,536,509.62	6,622,047.06	Related to income
Total	330,605,860.76	369,221,330.90	277,170,340.76	-

Note: Please refer to Note 6.40 “Deferred Income” for details of government grants related to assets.

#### Note 6.56 Investment income

Item	Amount incurred in current year	Amount incurred in previous year
Long-term equity investment income accounted by the equity method	625,843,764.66	1,326,696,982.37
Investment income from disposal of long-term equity investment	5,800,392.52	33,595,128.40
Investment income received from the disposal of transactional financial assets	437,755,991.43	331,329,598.58
Total	1,069,400,148.61	1,691,621,709.35

#### Note 6.57 Gain from changes of fair value

Source of gains from changes of fair value	Amount incurred in current year	Amount incurred in previous year
Financial assets at fair value through profit or loss	45,191,254.26	155,023,482.10
Of which: gains from changes of fair value derived from derivative financial instruments	45,191,254.26	155,301,702.10
Financial liabilities measured by fair value and whose changes included in current profits and losses	-1,039,942.85	1,399,903.27
Hedging operations	-1,179,643.75	0.00
Total	42,971,667.68	156,423,385.37

#### Note 6.58 Impairment loss on credit assets

Item	Amount incurred in current year	Amount incurred in previous year
Bad debt losses of receivables	553,207.17	-579,235.36
Bad debt loss from other receivables	-470,449.11	14,491,569.54
Total	82,758.06	13,912,334.18

#### Note 6.59 Impairment loss on assets

Item	Amount incurred in current year	Amount incurred in previous year
Loss due to decline in value	-133,864,415.82	-18,111,009.54
Loss due to impairment of fixed assets	-13,112,874.03	0.00
Total	-146,977,289.85	-18,111,009.54

**Note 6.60 Income from the disposal of assets**

Item	Amount incurred in current year	Amount incurred in previous year	Amount of non-recurring gains and losses of the current year
Gains or losses from disposal of fixed assets	-16,639,589.77	-4,357,509.27	-16,639,589.77
Gains or losses from disposal of intangible assets	17,953.45	0.00	17,953.45
Total	-16,621,636.32	-4,357,509.27	-16,621,636.32

**Note 6.61 Non-operating income**

Item	Amount incurred in current year	Amount incurred in previous year	Amount of non-recurring gains and losses of the current year
Gains from scrapping of non-current assets	6,027.52	213,667.29	6,027.52
Where: fixed asset	6,027.52	213,667.29	6,027.52
Intangible assets	0.00	0.00	0.00
Government grants unrelated to daily activities of the Company	668,904.68	1,967,561.84	668,904.68
Indemnity and fines income	8,419,939.76	7,266,071.78	8,419,939.76
Non-payable current accounts	18,342,279.33	3,074,128.35	18,342,279.33
Other	4,590,072.98	1,706,139.22	4,590,072.98
Total	32,027,224.27	14,227,568.48	32,027,224.27

Among them, the details of government grants are as follows:

Subsidized Items	Amount incurred in current year	Amount incurred in previous year	Related to assets / Related to income
IRAS Jobs Support Scheme - COVID19	568,096.34	1,967,561.84	Related to income
Others	100,808.34	0.00	Related to income
Total	668,904.68	1,967,561.84	-

**Note 6.62 Non-operating expenses**

Item	Amount incurred in current year	Amount incurred in previous year	Amount of non-recurring gains and losses of the current year
Loss on disposal of non-current assets	1,719,238.76	2,597,420.63	1,719,238.76
Where: fixed asset	1,719,238.76	2,597,420.63	1,719,238.76
Intangible assets	0.00	0.00	0.00
Expenditure of liquidated damages	0.00	1,776,430.69	0.00
Donation expenditure	16,325,574.78	12,763,598.45	16,325,574.78
Overdue fine and penalty	911,181.49	422,111.29	911,181.49
Extraordinary loss	244,316.31	2,380,975.92	244,316.31

Item	Amount incurred in current year	Amount incurred in previous year	Amount of non-recurring gains and losses of the current year
Others	511,786.27	1,002,557.89	511,786.27
Total	19,712,097.61	20,943,094.87	19,712,097.61

**Note 6.63 Income tax expenses****Note 6.63.1** Table of income tax expenses

Item	Amount incurred in current year	Amount incurred in previous year
Income tax expenses in current year	367,901,689.65	684,111,777.20
Deferred income tax expenses	-23,311,243.62	20,855,674.41
Total	344,590,446.03	704,967,451.61

**Note 6.63.2** Adjustment process of accounting profit and income tax expense

Item	Amount incurred in current year
Total profit	4,302,889,568.29
Income tax expense at legal/applicable tax rate	1,075,722,392.07
Impact of the different tax rate applicable to subsidiaries	-652,429,804.44
Impact of income tax adjusted in previous period	-7,935,309.42
Impact of non-taxable income	-90,552,553.98
Impact of non-deductible cost, expense and loss	8,745,391.42
Impact of using deductible loss previously not recognized as deferred income tax assets	-79,219,440.72
Impact of deductible temporary differences or deductible losses recognized as deferred income tax assets at the end of the year	133,352,590.22
Tax rate adjustments lead to changes in balance of deferred income tax assets/liabilities at the beginning the period	0.00
The impact of weighted deduction of costs, expenses and other deductions allowed by tax laws	-39,978,145.86
Others	-3,114,673.26
Income tax expenses	344,590,446.03

**Note 6.64 Other comprehensive income**

Please refer to Note 6.45 for details.

**Note 6.65 Items in cash flow statement****Note 6.65.1** Cash received from other related operating activities

Item	Amount incurred in current year	Amount incurred in previous year
Account current	32,860,194.35	1,072,000,000.00
Cash deposit	15,225,395.26	38,572,498.73

Item	Amount incurred in current year	Amount incurred in previous year
Government grants	328,935,252.74	438,096,929.36
Interest income	150,359,760.74	131,442,106.44
Indemnities and fines	8,419,939.76	7,266,071.78
Judicial freezing	7,336,220.00	4,279,494.72
Others	11,441,776.27	5,062,746.91
Hedging instrument margin	0.00	174,328,394.73
Total	554,578,539.12	1,871,048,242.67

**Note 6.65.2** Cash paid for other related operating activities

Item	Amount incurred in current year	Amount incurred in previous year
Account current	50,990,396.24	1,097,488,830.85
Office expenses	13,338,968.05	12,164,681.81
Import and export expenses	77,410,944.06	87,223,211.47
Bank service charges	224,690,871.29	125,987,241.29
Business entertainment	10,060,273.88	6,957,852.64
Vehicle cost	15,400,166.54	16,520,348.00
Environmental protection cost	14,482,753.74	11,850,664.75
Security deposit	95,747,559.13	7,819,343.73
Operating license fee	11,025,525.45	1,709,125.55
Intermediary agency expenses	24,425,724.39	20,806,234.27
Travel expense	15,478,849.87	10,746,271.87
Rental fee	66,464,158.90	71,219,105.68
Judicial frozen amount	9,596,271.15	1,881,515.45
Margin for arbitrage tool	0.00	996,873,170.73
Repair costs	117,276,476.32	68,902,650.22
Property insurance premium	31,318,221.28	21,782,408.76
Transportation, storage and handling charges	72,085,821.87	53,665,747.24
Donation expenditure	16,325,574.78	12,763,598.45
Others	81,900,679.08	71,837,789.02
Total	948,019,236.02	2,698,199,791.78

**Note 6.65.3** Cash received from other related investing activities

Item	Amount incurred in current year	Amount incurred in previous year
------	---------------------------------	----------------------------------

Item	Amount incurred in current year	Amount incurred in previous year
Interest income from entrusted loans and related party funds borrowing	52,406,117.49	43,496,979.18
Total (principal + interest of capital lent by Wan Yong)	0.00	511,829,486.67
Total	52,406,117.49	555,326,465.85

**Note 6.65.4** Cash paid for other related investing activities

Item	Amount incurred in current year	Amount incurred in previous year
L/G deposit	276,000,000.00	0.00
Net cash received by disposal of subsidiary (negative)	14,354,735.85	0.00
Total	290,354,735.85	0.00

**Note 6.65.5** Cash received from other related financing activities

Item	Amount incurred in current year	Amount incurred in previous year
Recovering monetary capital of financial pledge	977,985,563.01	953,452,966.94
Collection of financing leaseback	1,300,000,000.00	396,000,000.00
Funds borrowing and lending of Hengyi Group	3,369,661,700.09	553,420,000.00
Others	14,314,978.66	6,783,381.50
Total	5,661,962,241.76	1,909,656,348.44

**Note 6.65.6** Cash paid for other related financing activities

Item	Amount incurred in current year	Amount incurred in previous year
Monetary capital of financial pledge	1,322,103,655.96	540,727,965.35
Repayment of the principal and interest of Hengyi Group's borrowed funds	3,369,661,700.09	574,520,000.00
Share repurchase	368,331,313.73	350,013,157.87
Rental expenses paid for financing leaseback	854,479,952.84	782,309,036.86
Loan handling fee	10,290,077.78	25,300,054.45
Rental fee paid for lease liabilities	35,555,412.10	0.00
Others	5,277,897.56	11,333,890.61
Total	5,965,700,010.06	2,284,204,105.14

**Note 6.66** Supplementary information of cash flow statement**Note 6.66.1** Supplementary information of cash flow statement

Supplementary information	Amount incurred in current year	Amount incurred in previous year
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	3,958,299,122.26	3,814,601,983.90

Supplementary information	Amount incurred in current year	Amount incurred in previous year
Add: assets impairment provision	146,977,289.85	18,111,009.54
Impairment loss on credit assets	-82,758.06	-13,912,334.18
Depreciation of fixed assets	2,749,483,318.60	2,219,594,687.78
Depreciation of right-of-use assets	35,985,260.79	-
Intangible assets amortization	75,354,585.36	82,927,125.36
Amortization of long-term deferred expenses	91,023,892.22	112,914,481.65
Loss from the disposal of fixed assets, intangible assets and other long-term assets (income to be marked by “-”)	16,621,636.32	4,357,509.27
Loss from fixed assets retirement (income be marked by “-”)	1,713,211.24	2,383,753.34
Loss from changes of fair value (income to be marked by “-”)	-42,971,667.68	-156,423,385.37
Financial expenses (income to be marked by “-”)	1,688,684,989.15	2,199,804,202.55
Loss on investments (income to be marked by “-”)	-1,069,400,148.61	-1,691,621,709.35
Decrease in deferred income tax assets (increase to be marked by “+”)	-457,377.92	30,798,668.24
Increase in deferred income tax liabilities (decrease to be marked by “-”)	-22,853,865.70	-11,892,474.98
Decrease in inventory (increase to be marked by “-”)	-2,514,129,620.10	-515,731,328.66
Decrease in operating receivables (increase to be marked by “-”)	-3,745,742,471.25	1,025,906,081.61
Increase in operating payables (decrease to be marked by “-”)	6,392,922,234.48	-2,110,038,907.75
Others	-6,556,111.39	1,993,415.00
Net cash flow from operating activities	7,754,871,519.56	5,013,772,777.95
<b>2. Significant investment and financing activities involving no cash receipts and disbursements:</b>		
Conversion of debt into capital	0.00	0.00
Convertible corporate bond due within one year	0.00	0.00
Fixed assets acquired under finance leases	0.00	0.00
<b>3. Net change of cash and cash equivalents</b>		
Balance of cash at the period ended	10,244,736,951.84	7,186,325,948.17
Less: balance of cash at the beginning of the year	7,186,325,948.17	4,473,080,680.52
Add: balance of cash equivalents at the end of the year	0.00	0.00
Less: balance of cash equivalents at the beginning of current year	0.00	0.00
Net increase in cash and cash equivalents	3,058,411,003.67	2,713,245,267.65

**Note 6.66.2** Net cash on subsidiary disposal received in current period

Item	Amount
Cash or cash equivalents on subsidiary disposal received in current period	210,000,000.00
Of which: Ningbo Hengyi Industry Co., Ltd.	210,000,000.00
Hangzhou Jingxin Supply Chain Management Co., Ltd.	0.00
Minus: Cash and cash equivalents held by subsidiary on the date of losing control right	51,220,378.43
Wherein: Ningbo Hengyi Industry Co., Ltd.	36,865,642.58
Hangzhou Jingxin Supply Chain Management Co., Ltd.	14,354,735.85
Net cash received by subsidiary disposal	158,779,621.57

**Note 6.66.3 Composition of cash and cash equivalents**

Item	Ending balance of current period	Ending balance of previous period
I. Cash	10,244,736,951.84	7,186,325,948.17
Of which: Cash on hand	1,296,711.32	1,351,988.81
Bank deposit ready for payment	9,525,027,347.46	6,319,478,358.41
Other monetary capital ready for payment	718,412,893.06	865,495,600.95
Central bank deposits available for payment	0.00	0.00
Due from placements with banks and other financial institutions	0.00	0.00
Call loan to banks	0.00	0.00
II. Cash Equivalents	0.00	0.00
Of which: Bond investment due within three (3) months	0.00	0.00
III. Balance of cash and cash equivalents at the end of the period	10,244,736,951.84	7,186,325,948.17
Of which: cash & cash equivalents with restricted right to use for parent company or subsidiaries under the Group	0.00	0.00

**Note 6.67 Assets with restricted ownership or right to use**

Item	Ending book value of current period	Reason for restriction
Monetary capital	4,067,592,301.51	Security deposit
Monetary capital	10,387,540.47	Judicial freeze
Notes receivable and receivables financing	341,723,232.79	Acceptance bills pledged
Long-term equity investments	5,649,517,951.90	Mortgage loan
Fixed assets	2,778,519,991.94	After-sale leaseback finance lease
Fixed assets	24,595,917,514.15	Mortgage loan
Intangible assets	826,376,620.82	Mortgage loan
Construction in progress	1,785,315,463.26	Mortgage loan
Intangible assets	18,490.57	Finance lease guarantee

Item	Ending book value of current period	Reason for restriction
Inventory	1,014,909,209.79	Mortgage loan
Total	41,070,278,317.20	-

**Note 6.68 Monetary items in foreign currencies**

## Monetary items in foreign currencies

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance in RMB
Monetary funds			
Including: HKD	72,444.11	0.8176	59,230.31
USD	547,247,784.70	6.3757	3,489,087,700.91
EUR	14,593.87	7.2197	105,363.37
BND	27,826,214.79	4.7179	131,281,298.76
SGD	1,400,856.72	4.7179	6,609,092.42
Accounts receivable			
Of which: USD	840,996,762.49	6.3757	5,361,943,058.61
BND	22,453,475.80	4.7179	105,933,253.48
Other receivables			
USD	6,236,866.48	6.3757	39,764,389.61
BND	4,584,383.96	4.7179	21,628,665.08
SGD	254,587.35	4.7179	1,201,117.66
Short-term loans			
Of which: USD	1,227,099,050.80	6.3757	7,823,615,418.19
BND	51,695,100.00	4.7179	243,892,312.29
Accounts payable			
Of which: USD	1,154,481,981.82	6.3757	7,360,630,771.49
EUR	65,600,704.75	7.2197	473,617,408.08
BND	10,642,043.33	4.7179	50,208,096.22
Other payables			
Of which: USD	201,240.96	6.3757	1,283,051.99
BND	593,591.35	4.7179	2,800,504.63



Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance in RMB
Non-current liabilities due within one year			
Of which: USD	119,955,234.38	6.3757	764,798,587.84
BND	1,212,324.09	4.7179	5,719,623.82
Lease liabilities			
Wherein: BND	80,360,757.05	4.7179	379,134,015.70
Long-term payables			
Of which: USD	4,086,552.93	6.3757	26,054,635.52
Long-term loans			
Of which: USD	943,120,000.00	6.3757	6,013,050,184.00
EUR	113,805,069.00	7.2197	821,638,456.66
Long-term receivables			
Of which: USD	518,788.46	6.3757	3,307,639.58

**Note 6.69 Hedge**

Please refer to Note 6.3 “Derivative Financial Assets”.

**Note 6.70 Government grants**

## Basic information about government grants

Category	Amount	Representation Item	Amount included in current profit and loss
Government grants related to income and used to compensate the company for related costs or losses incurred.	315,433,822.56	Other incomes	315,433,822.56
	668,904.68	Non-operating income	668,904.68
Government grants related to income and used to compensate related costs or losses of the Company in future periods	3,878,200.00	Deferred income	35,564.77
Government grants related to assets	220,774,798.48	Deferred income	15,136,473.43
Total	540,755,725.72		331,274,765.44

**Note 7 Changes in the Scope of Consolidation****Note 7.1 Combination of businesses under common control**

In current period, the Company has no combination of businesses under the same control.

**Note 7.2 Disposal of subsidiaries**

## A single disposal of investment in a subsidiary company when the control right is lost

Name of subsidiary	Equity disposal price	Equity disposal ratio (%)	Equity disposal method	Time point of loss of control	Basis for determining time point of losing control right	The difference between the disposal price and the share of the net assets of the subsidiary at the consolidated statement level corresponding to the disposal investment
Hangzhou Jingxin Supply Chain Management Co., Ltd.	0.00	11.00	Transfer	04/03/2021	Equity delivery	-932,500.42
Ningbo Hengyi Industry Co., Ltd.	210,000,000.00	100.00	Transfer	06/30/2021	Equity delivery	6,830,067.12

(Contd.)

Name of subsidiary	Proportion of remaining equity on the date of loss of control (%)	Proportion of remaining equity on the date of loss of control (%)	Proportion of remaining equity on the date of loss of control (%)	Proportion of remaining equity on the date of loss of control (%)	Proportion of remaining equity on the date of loss of control (%)	Proportion of remaining equity on the date of loss of control (%)
Hangzhou Jingxin Supply Chain Management Co., Ltd.	49.00	4,167,923.62	4,167,923.62	0.00	Trading price agreed	0.00
Ningbo Hengyi Industry Co., Ltd.	0.00	-	-	-	-	0.00

Note: Haining Yixin Logistics Co., Ltd. is a wholly-owned subsidiary of Hangzhou Jingxin Supply Chain Management Co., Ltd. As the Company has lost the right of control over Hangzhou Jingxin Supply Chain Management Co., Ltd., Haining Yixin Logistics Co., Ltd. will not be recorded into the Company's consolidation scope any more.

**Note 7.3 Change of consolidation scope caused by other reasons**

The Company has established three (3) subsidiaries this year as follows:

- (1) Zhejiang Xiaoyi Supply Chain Management Co., Ltd. was established by the Company's subsidiary – Zhejiang Hengyi Petrochemical Sales Co., Ltd., shareholding ratio: 100%.
- (2) Haining Hengqi Environmental Protection Technology Co., Ltd. was established by the Company's subsidiary – Haining Hengyi New Materials Co., Ltd., shareholding ratio: 100%.
- (3) Ningbo Shengmao Trading Co., Ltd. was established by the Company's subsidiary – Hong Kong Yisheng Petrochemical Investment Co., Ltd., shareholding ratio: 100%.

In current period, therefore, above three (3) holding subsidiaries recorded into the scope of

consolidation are increased in the Company.

#### Note 7.4 Original subsidiaries that are no longer included in current period

Name of subsidiary	Place of registration	Nature of business	Shareholding ratio of parent company (%)	Proportion of voting rights of the parent company (%)	Reasons for no longer becoming a subsidiary
Hangzhou Jingxin Supply Chain Management Co., Ltd.	Hangzhou City	Supply chain management services	51.00	51.00	Loss of control right
Ningbo Hengyi Industry Co., Ltd.	Ningbo City	Commerce and trade	100.00	100.00	Loss of control right

Continued

Name of subsidiary	Total assets on the date of disposal	Total liabilities on the date of disposal	Owner's equity on the date of disposal	Total assets at the end of previous year	Total liabilities at the end of previous year	Owner's equity at the end of previous year
Hangzhou Jingxin Supply Chain Management Co., Ltd.	425,889,608.99	417,383,642.41	8,505,966.58	78,768,640.92	78,800,200.00	-31,559.08
Ningbo Hengyi Industry Co., Ltd.	1,318,687,733.80	1,115,517,800.92	203,169,932.88	1,284,069,945.02	1,229,853,962.61	54,215,982.41

Continued

Name of subsidiary	Income from the beginning of the year to the date of disposal	Total cost from the beginning of the year to the date of disposal	Net profit from the beginning of the year to the date of disposal
Hangzhou Jingxin Supply Chain Management Co., Ltd.	14,271,610.83	3,227,670.96	8,537,525.66
Ningbo Hengyi Industry Co., Ltd.	7,286,446,345.96	7,284,027,662.80	-16,469,360.28

## Note 8 Equities in Other Equities

### Note 8.1 Equities in subsidiaries

#### Note 8.1.1 Composition of enterprise group

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Zhejiang Hengyi Petrochemical Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Establishment or investment
Zhejiang Hengyi Polymer Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	60.00	Combination of businesses under the same control
Zhejiang Yisheng Petrochemical Co., Ltd.	Ningbo City	Ningbo City	Manufacturing of	0.00	70.00	Combination of

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Ltd.			petrochemical products			businesses under the same control
Zhejiang Yixin Chemical Fiber Co. Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	0.00	70.00	Establishment or investment
Hong Kong Yisheng Petrochemical Investment Co., Ltd.	Hong Kong	Hong Kong	Trade and consulting	0.00	70.00	Establishment or investment
Zhejiang Hengyi High-Tech Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	90.67	Establishment or investment
Ningbo Hengyi Trading Co., Ltd.	Ningbo City	Ningbo City	Commerce and trade	0.00	70.00	Establishment or investment
Hong Kong Tianyi International Holding Co., Ltd.	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or investment
Good Park International Investment Co. Ltd.	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or investment
Hengyi Industries Sdn. Bhd.	Brunei	Brunei	Manufacturing of petrochemical products	0.00	70.00	Combination of businesses under the same control
Ningbo Hengyi Engineering Management Co. Ltd.	Ningbo City	Ningbo City	Engineering management	0.00	70.00	Combination of businesses under the same control
Hengyi Industry International Co., Ltd.	Singapore	Singapore	Commerce and trade	0.00	70.00	Establishment or investment
Hengyi Petrochemical International Co., Ltd. (Singapore)	Singapore	Singapore	Commerce and trade	0.00	100.00	Establishment or investment
Zhejiang Hengyi Petrochemical Sales Co. Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	0.00	100.00	Establishment or investment
Haining Hengyi New Materials Co., Ltd.	Haining City	Haining City	Manufacturing of chemical fiber products	0.00	100.00	Establishment or investment
Haining Hengyi Thermal Power Co., Ltd.	Haining City	Haining City	Electricity & heat production and supply	0.00	90.00	Establishment or investment
Suqian Yida New Materials Co., Ltd.	Suqian City	Suqian City	Manufacturing of chemical fiber products	0.00	88.42	Establishment or investment
Fujian Yijin Chemical Fiber Co. Ltd.	Quanzhou City, Fujian Province	Quanzhou City, Fujian Province	Manufacturing of chemical fiber products	0.00	90.00	Establishment or investment
Shaoxing Shengong Packaging Co., Ltd.	Shaoxing City	Shaoxing City	Wrappage production and processing	0.00	51.00	Establishment or investment

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Zhejiang Hengyi Logistics Co., Ltd.	Hangzhou City	Hangzhou City	Logistics transportation	0.00	100.00	Combination of businesses under the same control
Zhejiang Hengyi International Trade Co. Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	100.00	0.00	Establishment or investment
Zhejiang Hengkai Energy Co. Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	0.00	60.00	Establishment or investment
Zhejiang Hengyi Engineering Management Co. Ltd.	Hangzhou City	Hangzhou City	Engineering management	100.00	0.00	Establishment or investment
Zhejiang Henglan Technology Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Establishment or investment
Jiaxing Yipeng Chemical Fiber Co., Ltd.	Jiaxing City	Jiaxing City	Manufacturing of chemical fiber products	100.00	0.00	Combination of businesses under the same control
Taicang Yifeng Chemical Fiber Co., Ltd.	Taicang City	Taicang City	Manufacturing of chemical fiber products	100.00	0.00	Combination of businesses under the same control
Zhejiang Shuangtu New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	100.00	0.00	Combination of businesses under the same control
Hangzhou Yijing Chemical Fiber Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	100.00	Combination of businesses under the same control
Hong Kong Hengyi Logistics Co., Ltd.	Hong Kong	Hong Kong	Logistics transportation	0.00	100.00	Establishment or investment
Hengyi International Logistics Co., Ltd.	Singapore	Singapore	Logistics transportation	0.00	100.00	Establishment or investment
Zhejiang Yizhi Information Technology Co. Ltd.	Hangzhou City	Hangzhou City	Software and IT service industry	0.00	100.00	Establishment or investment
Haining Junbo Shengming Trading Co., Ltd.	Haining City	Haining City	Commerce and trade	0.00	100.00	Establishment or investment
Hangzhou Yitong New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fiber products	0.00	60.00	Establishment or investment
Shaoxing Hengyi Logistics Co., Ltd.	Shaoxing City	Shaoxing City	Logistics transportation	0.00	100.00	Establishment or investment
Guangxi Hengyi Environmental Technology Co., Ltd.	Qinzhou City, Guangxi Province	Qinzhou City, Guangxi Province	Science and technology service	0.00	100.00	Establishment or investment
Zhejiang Hengyi Hanlin Real Estate Co. Ltd.	Hangzhou City	Hangzhou City	Commercial service industry	0.00	75.00	Establishment or investment
Hainan Hengjing Trading Co. Ltd.	Hainan	Hainan	Commerce and trade	0.00	100.00	Establishment or

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
	Province	Province				investment
Guangxi Hengyi Shunqi Trading Co., Ltd.	Qinzhou City, Guangxi Province	Qinzhou City, Guangxi Province	Commerce and trade	0.00	100.00	Establishment or investment
Haining Lantai New Materials Co., Ltd.	Haining City	Haining City	Manufacturing of chemical fiber products	0.00	74.00	Establishment or investment
Jiaxing Hengyu Trading Co., Ltd.	Jiaxing City	Jiaxing City	Commerce and trade	0.00	100.00	Establishment or investment
Guangxi Hengyi New Materials Co., Ltd.	Qinzhou City, Guangxi Province	Qinzhou City, Guangxi Province	Manufacturing of chemical fiber products	0.00	100.00	Combination of businesses under the same control
Zhejiang Xiaoyi Supply Chain Management Co., Ltd. (Zhejiang Xiaoyi Supply Chain Management Co., Ltd.)	Hangzhou City	Hangzhou City	Commercial service industry	0.00	100.00	Establishment or investment
Haining Hengqi Environmental Protection Technology Co., Ltd.	Haining City	Haining City	Sci-tech extension and application service industry	0.00	100.00	Establishment or investment
Ningbo Shengmao Trading Co., Ltd.	Ningbo City	Ningbo City	Commerce and trade	0.00	70.00	Establishment or investment

**Note 8.1.2** Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders (%)	Gains and losses attributable to minority shareholders in current year	Dividends declared to minority shareholders in current period	Balance of minority interest at the end of the period
Ningbo Hengyi Trading Co., Ltd.	30.00	-68,871,147.09	15,750,000.00	152,717,835.39
Zhejiang Hengyi Polymer Co., Ltd.	40.00	43,807,532.06	80,000,000.00	367,011,967.17
Zhejiang Yisheng Petrochemical Co., Ltd.	30.00	114,801,831.03	0.00	2,804,696,869.04
Hengyi Industries Sdn. Bhd.	30.00	416,999,254.81	26,819,520.00	2,788,676,410.79
Zhejiang Hengyi High-Tech Materials Co., Ltd.	9.33	31,783,321.09	35,486,111.11	464,480,779.02

**Note 8.1.3** Major financial information of important non-wholly owned subsidiaries Currency: RMB 10,000

Name of subsidiary	Ending balance of current period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	55,810.48	289,585.73	345,396.21	281,265.96	0.00	281,265.96
Zhejiang Hengyi Polymer Co., Ltd.	221,425.25	71,922.42	293,347.67	197,246.45	348.23	197,594.68

Name of subsidiary	Ending balance of current period					
	Zhejiang Yisheng Petrochemical Co., Ltd.	1,392,502.93	401,523.04	1,794,025.97	790,186.03	90,707.08
Hengyi Industries Sdn. Bhd.	1,449,167.73	2,604,312.88	4,053,480.61	2,272,381.31	931,734.37	3,204,115.68
Zhejiang Hengyi High-Tech Materials Co., Ltd.	740,333.77	518,461.75	1,258,795.53	682,879.60	78,080.15	760,959.75

(Contd.)

Name of subsidiary	Ending balance of previous period					
	Current assets	Non-current assets	Total assets	Current Liabilities	Non-current Liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	93,556.05	190,479.78	284,035.83	191,595.63	0.00	191,595.63
Zhejiang Hengyi Polymer Co., Ltd.	202,630.90	49,911.13	252,542.03	147,413.47	327.45	147,740.92
Zhejiang Yisheng Petrochemical Co., Ltd.	1,115,094.69	450,392.51	1,565,487.20	619,229.88	74,734.77	693,964.65
Hengyi Industries Sdn. Bhd.	1,062,634.75	2,573,033.49	3,635,668.24	1,888,536.30	1,012,888.99	2,901,425.29
Zhejiang Hengyi High-Tech Materials Co., Ltd.	589,997.70	527,222.16	1,117,219.86	603,657.91	18,141.95	621,799.86

(Contd.)

Name of subsidiary	Ending balance of current period				Ending balance of previous period			
	Operating income	Net profit	Total comprehensive income	Cash inflow from operating activities	Operating income	Net profit	Total comprehensive income	Cash inflow from operating activities
Ningbo Hengyi Trading Co., Ltd.	1,332,702.94	-22,957.05	-23,059.95	87,274.06	1,431,043.73	67,946.74	68,567.00	71.32
Zhejiang Hengyi Polymer Co., Ltd.	381,008.64	10,951.88	10,951.88	81,745.69	349,464.95	10,768.95	10,768.95	49,137.40
Zhejiang Yisheng Petrochemical Co., Ltd.	3,030,842.32	38,267.28	41,610.31	29,567.27	2,352,467.70	109,630.01	106,765.78	222,553.67
Hengyi Industries Sdn. Bhd.	3,594,810.02	124,738.48	115,121.98	337,126.12	2,321,258.54	47,747.33	-34,060.82	168,216.90
Zhejiang Hengyi High-Tech Materials Co., Ltd.	1,320,748.04	34,065.72	40,450.19	137,858.39	988,395.09	32,287.47	22,920.21	-186,077.82

### Note 8.2 Trade that still controls the subsidiary after its owner's equity share changes

**Note 8.2.1** On July 16, 2021, Suqian Industrial Development Fund (limited partnership) (hereinafter referred to as “Suqian Development Fund”) contributed an amount of RMB 180 million to Suqian Yida New Material Co., Ltd. (hereinafter referred to as “Suqian Yida”) – a subsidiary of the Company. Suqian Yida’s registered capital is increased by RMB 180 million. After such capital increase, Suqian Development Fund has held 11.58% stocks of Suqian Yida. In accordance with

related capital increase agreement, after such capital increase, Suqian Development Fund will enjoy Suqian Yida's net assets by its shareholding ratio.

**Note 8.2.2** In accordance with the agreement signed by Hengyi Limited – a subsidiary of the Company and Zhejiang Yitong New Materials Co., Ltd. (hereinafter referred to as “Zhejiang Yitong”) in December 2021, Zhejiang Yitong shall transfer its 25% stocks of Fujian Yijin Chemical Fiber Co., Ltd. (hereinafter referred to as “Fujian Yijin”) – a subsidiary of the Company - to Hengyi upon the transfer price of RMB 70.72 million. Hengyi Limited already paid all equity transfer funds in December 2021. After the completion of equity transfer, the Company will hold 90% stocks of Fujian Yijin.

### Note 8.3 Equities in joint ventures and associated enterprises

#### Note 8.3.1 Important joint ventures or associates

Name of joint venture and associated enterprise	Name of joint venture and associated enterprise	Name of joint venture and associated enterprise	Name of joint venture and associated enterprise	Shareholding ratio (%)		Accounting treatment methods of joint venture or associated enterprise
				Direct	Indirect	
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Xiaoshan	Xiaoshan	Chemical raw materials and chemical products manufacturing industry	0.00	50.00	Equity method
Dalian Yisheng Investment Co., Ltd.	Dalian	Dalian	Trade and investment	0.00	30.00	Equity method
Hainan Yisheng Petrochemical Co., Ltd.	Hainan	Hainan	Chemical raw materials and chemical products manufacturing industry	0.00	50.00	Equity method
China Zheshang Bank Co., Ltd.	Hangzhou	Hangzhou	Finance	0.00	3.52	Equity method
Zhejiang Yisheng New Materials Co., Ltd.	Ningbo	Ningbo	Chemical raw materials and chemical products manufacturing industry	0.00	49.00	Equity method

Note: The Company holds 3.52% of shares of China Zheshang Bank Co., Ltd., and has assigned representatives to its BOD, with substantial power of participating in decision-making. Therefore, the Company can participate in preparing financial and operating policies of Zheshang Bank Co., Ltd. through such representative, for imposing significant impact on the Bank.

#### Note 8.3.2 Major financial information of important associated enterprises

Unit: RMB 10,000

Item	Ending balance of current period/amount incurred in current period		Ending balance of previous period/amount incurred in current period	
	Caprolactam	Hainan Yisheng	Caprolactam	Hainan Yisheng
Current assets	180,585.16	569,269.63	128,815.54	472,043.34



Item	Ending balance of current period/amount incurred in current period		Ending balance of previous period/amount incurred in current period	
	Caprolactam	Hainan Yisheng	Caprolactam	Hainan Yisheng
	Wherein: cash and cash equivalents	16,799.78	83,224.96	18,410.34
Non-current assets	520,779.04	576,141.87	455,214.59	549,701.51
Total assets	701,364.20	1,145,411.50	584,030.14	1,021,744.86
Current liabilities	381,545.90	580,110.26	312,232.77	552,299.55
Non-current liabilities	58,417.43	83,564.34	42,835.33	71,720.27
Total liabilities	439,963.33	663,674.60	355,068.10	624,019.82
Minority shareholders' equity	0.00	0.00	0.00	0.00
Shareholders' equity attributable to parent company	261,400.87	481,736.89	228,962.04	397,725.04
Net assets calculated by shareholding ratio	130,700.43	265,868.45	114,481.02	176,496.23
Events adjusted	0.00	0.00	0.00	0.00
- Goodwill	0.00	0.00	0.00	0.00
- Unrealized profit of internal transaction	0.00	-725.76	0.00	-829.44
- Others	2,010.08	9,733.73	2,010.08	0.00
Book value of equity investment in joint ventures	132,710.51	274,876.42	116,491.10	175,666.79
Fair value of cooperative enterprise equity investment with public quotation	0.00	0.00	0.00	0.00
Operating income	788,167.12	1,680,459.55	537,192.95	1,808,764.93
Financial expenses	11,763.95	18,707.82	11,703.79	11,036.04
Income tax expenses	10,721.31	3,215.56	6,629.69	16,978.12
Net profit	32,438.83	34,217.72	21,365.03	98,267.26
Net profits of discontinued operation	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	-205.86	0.00	1,240.52
Total comprehensive income	32,438.83	34,011.86	21,365.03	99,507.78
Dividends from joint venture during the year	5,414.50	5,250.00	7,414.50	29,750.00

**Note 8.3.3** Major financial information of important associated enterprises

Unit: RMB 10,000

Item	Ending balance of current period/amount incurred in current period	Ending balance of previous period/ amount incurred in previous period
------	--	---

	Yisheng Investment	Yisheng New Materials	China Zhesang Bank	Yisheng Investment	Yisheng New Materials	China Zhesang Bank
Current assets	771,555.31	270,105.44	0.00	792,315.14	62,092.27	0.00
Non-current assets	890,924.47	887,130.26	0.00	889,697.28	560,427.34	0.00
Total assets	1,662,479.78	1,157,235.71	228,672,300.00	1,682,012.42	622,519.61	204,822,500.00
Current liabilities	838,736.64	546,549.00	0.00	866,438.91	340,963.68	0.00
Non-current liabilities	108,767.35	305,592.48	0.00	44,057.90	96,288.46	0.00
Total liabilities	947,503.99	852,141.47	211,984,000.00	910,496.82	437,252.15	191,568,200.00
Minority equity	107,711.92	0.00	271,400.00	118,276.34	0.00	203,100.00
Shareholders' equity attributable to parent company	607,263.87	305,094.23	16,416,900.00	653,239.26	185,267.46	13,051,200.00
Net assets calculated by shareholding ratio	182,179.16	149,496.17	577,874.88	195,971.78	92,633.73	459,402.24
Events adjusted	0.00	0.00	0.00	0.00	0.00	0.00
- Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
- Unrealized profit arising from intra-group trading	0.00	0.00	0.00	0.00	0.00	0.00
- Others	5,494.45	0.00	-142,884.69	5,494.45	0.00	-54,954.97
Book value of equity investment in associates	187,673.61	149,496.17	434,989.92	201,466.23	92,633.73	404,447.00
Fair value of equity investment in associates with public quotation	0.00	0.00	261,824.25	0.00	0.00	305,212.27
Operating income	2,940,215.69	748,476.21	5,447,100.00	2,536,416.86	250,291.51	4,770,300.00
Net profit	-51,297.63	27.46	1,291,600.00	109,206.53	4,953.63	1,255,900.00
Net profits of discontinuing operation	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income	7.82	0.00	29,600.00	0.00	0.00	-200,700.00
Total comprehensive income	-51,289.81	27.46	1,321,200.00	109,206.53	4,953.63	1,055,200.00
Dividends received from associated enterprise in current year	1,575.00	0.00	12,043.92	8,925.00	0.00	17,953.66

**Note 8.3.4** Summary financial information of unimportant joint ventures associated enterprises

Unit: RMB 10,000

Item	Ending balance of current period/amount incurred in current period	Ending balance of previous period/ amount incurred in previous period
Joint venture:		
Total book value of investments	0.00	0.00
The total of the following items calculated based on shareholding ratio		
- Net profit	0.00	0.00
- Other comprehensive incomes	0.00	0.00
- Total comprehensive income	0.00	0.00
Associated enterprises:		
Total book value of investments	29,554.58	15,543.60
The total of the following items calculated based on shareholding ratio		
- Net profit	729.12	856.52
- Other comprehensive incomes	0.00	0.00
- Total comprehensive income	729.12	856.52

**Note 8.3.5** Excess losses in cooperative enterprise or associated enterprise

As of December 31, 2021, the Company has no excess deficit of joint venture or associated enterprise..

**Note 8.3.6** Unconfirmed commitment related to the investment of joint venture

As of December 31, 2021, there is no unconfirmed commitment related to cooperative enterprise investment in the Company. the Company has no unconfirmed commitment related to the investment of joint venture.

**Note 8.3.7** Contingent liabilities related to the investment of joint venture or associated enterprise

As of December 31, 2021, the Company has no contingent liabilities related to the investment of joint venture or associated enterprise.

**Note 8.4**Equity of structured entity not incorporated into the consolidated financial statement

The Company does not have any equity of structured entity not incorporated into the consolidated financial statement.

**Note 9** Risks associated with financial instruments

The Company's major financial instruments include monetary funds, financial assets measured at fair value with changes included in profit or loss, borrowings, accounts receivable, accounts payable, etc. For details of various financial instruments, please refer to the relevant items in Note 6. "Risks" relating to these financial instruments, together with risk management policies taken by the Company

to lower these risks, are as follows. The management personnel of the Company manages and monitors the risk exposure in order to ensure the above risks to be controlled within the limited range.

The Company takes the sensitivity analysis techniques to analyze the reasonable risk variables and probable changes towards current profits and losses or shareholders' equity. Since any risk variables rarely change in isolation, and the correlation between the variables has a significant effect on the final impact of the change in a risk variable, therefore, the following content is under the assumption that the change of each variable was conducted under the independent condition.

### **Note 9.1 Risk management objective and policies**

The purpose of risk management is to maintain a proper balance between risks and benefits, minimize the risks' negative impact on the operating results of the Company and maximize the benefits to shareholders and other equity investors. Based on such an objective, the basic policy for risk management is to determine and analyze various risks to be faced with, establish proper risk tolerances and carry out risk management, oversee various risks in a timely and reliable manner and keep relevant risks within the defined range.

#### **Note 9.1.1 Market risk**

##### **Note 9.1.1.1 Foreign exchange risk**

Foreign exchange risk refers to the risk of causing a loss due to exchange rate movement. The Company's exposure to foreign exchange risk is mainly related to the USD and the BND. Except for several subsidiaries of the Company that purchase and sell in USD, other major business activities of the Company are settled in RMB. On December 31, 2021, the balances of assets and liabilities are almost in RMB except for the below balances of US dollars and BND. The foreign exchange risk from assets and liability of foreign currency balance may have an effect on the business performance of the Company.

Item	Ending balance		Beginning balance	
	USD	BND	USD	BND
Cash and cash equivalents	547,247,784.70	27,826,214.79	597,549,974.09	30,852,704.59
Accounts receivable	840,996,762.49	22,453,475.80	418,190,365.11	28,951,031.41
Other receivables	6,236,866.48	4,584,383.96	426,581.80	4,330,630.67
Long-term receivables	518,788.46	0.00	0.00	0.00
Accounts payable	1,154,481,981.82	10,642,043.33	445,000,009.92	10,180,771.52
Other payables	201,240.96	593,591.35	266,250.00	2,951,839.39
Short-term loans	1,227,099,050.80	51,695,100.00	822,806,683.23	0.00
Non-current liabilities due within one year	119,955,234.38	1,212,324.09	1,952,936.28	0.00

Item	Ending balance		Beginning balance	
	USD	BND	USD	BND
Long-term loans	943,120,000.00	0.00	1,154,550,000.00	0.00
Lease liabilities	0.00	80,360,757.05	0.00	0.00
Long-term payables	4,086,552.93	0.00	6,077,830.61	0.00

The Company pays close attention to the impact of exchange rate changes on the Company's foreign exchange risk, and stipulates that the Company will not conduct any foreign exchange derivatives trading for speculative purposes. All foreign exchange derivatives trading are based on normal production and operation, and rely on specific business operations for the purpose of avoiding and preventing exchange rate or interest rate risk.

Foreign exchange risk sensitivity analysis:

The Company's exposure to foreign exchange risk is mainly related to changes in the exchange rate of USD and Euro against RMB. The following table shows the sensitivity analysis under the assumption regarding the Company's relevant foreign currency and RMB exchange rate changes of 1%. During the sensitivity analysis conducted by management, the movement of 1% is considered to reflect the possible range of exchange rate changes. Based on the above assumptions, if other variables remain the same, the pre-tax impacts of possible reasonable interest rate changes on the profits and losses of current period and the shareholders' equities are as follows:

Item	Exchange rate movement	Pre-tax impact on current profit & loss and shareholders' equity	
		Current period	Previous period
USD-monetary assets	1% appreciation against RMB	88,941,027.89	66,303,875.42
USD monetary liabilities		-219,894,326.49	-158,597,723.93
Net influence		-130,953,298.60	-92,293,848.50
USD-monetary assets	1% appreciation against RMB	-88,941,027.89	-66,303,875.42
USD monetary liabilities		219,894,326.49	158,597,723.93
Net influence		130,953,298.60	92,293,848.50
Currency monetary assets	1% appreciation against RMB	2,588,432.17	3,162,722.16
Currency monetary liabilities		-6,817,545.53	-647,621.57
Net influence		-4,229,113.35	2,515,100.58
Currency monetary assets	1% depreciation against RMB	-2,588,432.17	-3,162,722.16
Currency monetary liabilities		6,817,545.53	647,621.57
Net influence		4,229,113.35	-2,515,100.58

#### Note 9.1.1.2 Interest rate risk – risk for cash flow changes

The risk of changes in fair value of financial instruments caused by changes in interest rates of the

Company mainly comes from the fact that the interest rate of the financial market is in a downward trend, the Company's fixed-rate borrowings will not enjoy the cost savings brought by interest-rate cuts. Conversely, when the financial market interest rate is in an upward trend, the Company's borrowing with floating interest rate will cause the cost increase due to the rate hike. As the short-term and medium-term loans of the Company's interest-bearing debt each account for about half of the Company's interest-bearing debt, and short-term loans bear interest at fixed interest rates and medium-term and long-term debts bear interest at floating interest rates, the Company's management believed that under the current trend of interest rate changes in macro financial markets, the Company's interest rate risk-fair value change risk was not significant. The Company currently has no interest rate hedging policy.

Interest rate risk sensitivity analysis:

The risk of changes in fair value of financial instruments caused by changes in interest rates of the Company mainly comes from the fact that the interest rate of the financial market is in a downward trend, the Company's fixed-rate borrowings will not enjoy the cost savings brought by interest-rate cuts. Conversely, when the financial market interest rate is in an upward trend, the Company's borrowing with floating interest rate will cause the cost increase due to the rate hike. As the short-term and medium-term loans of the Company's interest-bearing debt each account for about half of the Company's interest-bearing debt, and short-term loans bear interest at fixed interest rates and medium-term and long-term debts bear interest at floating interest rates, the Company's management believed that under the current trend of interest rate changes in macro financial markets, the Company's interest rate risk-fair value change risk was not significant. The Company currently has no interest rate hedging policy.

Item	Interest rate change	Profit increase in current period	Profit decrease in current period
Short-term borrowings and medium-and long-term debts bearing interest at fixed interest rates	Upward trend of interest rates, with an increase of 50 basis points	192,199,290.41	—
Short-term borrowings and medium-and long-term debts bearing interest at fixed interest rates	Downward trend of interest rates, with a decrease of 50 basis points	—	192,199,290.41
Medium and long-term debt bearing interest at the floating interest rate	Upward trend of interest rates, with an increase of 50 basis points	—	81,515,331.79
Medium and long-term debt bearing interest at the floating interest rate	Downward trend of interest rates, with a decrease of 50 basis points	81,515,331.79	—

### Note 9.1.1.3 Other price risks

The investment classified as the trading financial assets held by the Company shall be measured according to the fair value on the balance sheet date. Therefore, the Company is exposed to the risk of price changes of relevant assets. The Company has internally established an investment management department, with designated members closely monitoring the price changes of investment products. Given the necessity of investing in futures and characteristics of leverage risk, the BOD of the Company authorized the Chairman to form a company futures leading team, further authorized the team to lead the Company's futures business, formulated working ideas of futures business, and clearly established futures trading team in company investment management department for organizing and implementing the trade execution as decided by foresaid futures leading team, futures settlement team in company financial management department for the fund management, accounting processing, transaction confirmation and settlement management of the Company's futures business, and futures supervision team in company audit department for the risk management & control of futures trading and regular review of trading behavior. Further, to strengthen the Company's internal control over futures business, effectively prevent and resolve various risks that may exist in the trade execution and implementation, the Company has formulated the Futures Business Management System, which requires staff participating in the futures business to strictly follow relevant regulations and procedures for operation. The Company's staff involved in futures business has undergone special training and fully understands the characteristics and risks of the futures variety business involved. Therefore, the directors of the Company believe that price risks faced by the Company have been alleviated.

#### **Note 9.1.2 Credit risk**

Credit risk refers to risk that one party of financial instruments does not perform obligations so that the other party encounters financial loss. The Company's credit risks mainly arise from bank deposits and accounts receivable. The Company has taken the following measures to control the above related risks.

To reduce credit risk, the Company set up a team for credit line determination, credit approval, and payment-to-delivery policy for unapproved customers. In addition, the Company will review collection situation of every account receivable on every balance sheet date to guarantee to withdraw enough bad debt provision for funds that cannot be collected. Therefore, the management of the Company thinks credit risk undertaken by the Company has been reduced significantly.

The Company's working capital is deposited in banks with high credit ratings, so the credit risk of working capital is low.

#### **Note 9.1.3 Liquidity risk**

In managing the liquidity risk, the Company, to meet its managing demand, should keep and

supervise enough cash and cash equivalent which approved by the management. Meanwhile, it should decrease the influence of the fluctuation of cash flow. The Company management monitors the using of bank loans and guarantees to abide by the loan agreement.

The Company sets the bank loans as the main fund source. On December 31, 2021, the bank credit line of the Company was RMB 26.901 billion (December 31, 2020: RMB 23.378 billion).

According to the deadline of undiscounted remaining contract obligations, financial assets and financial liabilities held by the Company are analyzed as follows:

Item	Within 6 months	7-12 months	1-3 years	Over three years
Non-derivative financial assets and liabilities:				
Notes receivable	222,193,687.94	35,821,190.92	0.00	0.00
Short-term loans	27,208,392,002.95	6,570,302,674.29	0.00	0.00
Notes payable	440,900,000.00	0.00	0.00	0.00
Long-term loans mature within one year	2,146,897,469.86	1,672,053,817.84	0.00	0.00
Long-term loans	0.00	0.00	7,915,016,398.31	8,081,213,288.00
Accounts receivable financing	457,515,279.35	30,037,777.80	0.00	0.00
Derivative financial assets and liabilities:				
Forward exchange contract	-940,620.17	0.00	0.00	0.00
Futures contract	338,815,565.38	25,707,306.63	0.00	0.00

Note: The maturity time of other undiscounted financial assets and financial liabilities held by the Company is included in corresponding items in Note 6 to financial statements.

## Note 9.2 Financial assets transfer

### Note 9.2.1 Financial assets transferred but not confirmed wholly

Financial assets transferred but not confirmed wholly of this year that the Company need not disclose

### Note 9.2.2 Transferred financial assets that have been derecognized wholly but the transferor still continues to involve in

In current period, the Company cashed the banker's acceptance of RMB 6,435,173,167.33 bank acceptance bills (RMB 2,262,383,251.48 in 2020) in total to the bank. As the major risks such as interest rate risk related to the banker's acceptance and benefits have been transferred to the bank, the Company ceased to recognize the banker's acceptance that has been cashed but not yet mature. According to the cashing agreement, if the banker's acceptance failed to be cashed upon maturity, the bank has the right to ask the Company to pay off the unsettled balance. Therefore, the Company continued to involve in cashing the banker's acceptance. On December 31, 2021, the cashed but not mature banker's acceptance was 31, 2021 (on December 31, 2020: RMB 924,028,209.32).



**Note 10 Disclosure of fair value****Note 10.1 Period-end fair values of assets and liabilities measured at fair value**

Item	Ending Fair value of the period			Total
	Fair value measurement at Level 1	Fair value measurement at Level 2	Fair value measurement at Level 3	
1. Continuous fair value measurement				
1.1 Financial assets held for trading	388,958,054.67	0.00	0.00	388,958,054.67
1.1.1. Financial assets at fair value through profit or loss	388,958,054.67	0.00	0.00	388,958,054.67
(1) Investment in debt instruments	0.00	0.00	0.00	0.00
(2) Investment in equity instruments	0.00	0.00	0.00	0.00
(3) Derivative financial assets	388,958,054.67	0.00	0.00	388,958,054.67
1.1.2. Specified as financial assets at fair value through profit or loss	0.00	0.00	0.00	0.00
(1) Investment in debt instruments	0.00	0.00	0.00	0.00
(2) Investment in equity instruments	0.00	0.00	0.00	0.00
1.2 Derivative financial assets	0.00	0.00	0.00	0.00
1.3 Financial liabilities held for trading	1,670,361.85	0.00	0.00	1,670,361.85
Among which: issued bonds held for trading	0.00	0.00	0.00	0.00
Derivative financial liabilities	1,670,361.85	0.00	0.00	1,670,361.85
Others	0.00	0.00	0.00	0.00

**Note 10.2 Basis of determining the market price of continuous and non-continuous level-1 fair value measurement project**

Items for which the continuous measurement is made at the level-based fair value for the first time mainly include derivative financial instruments and an active market exists. The unadjusted offer for the same assets or liabilities at the active market can be obtained.

**Note 11 Related parties and connected transactions****Note 11.1 Information about the Company's parent company**

Name of parent company	Place of registration	Nature of business	Registered capital	Parent company's shareholding ratio in the Company (%)	Parent company's proportion of voting rights in the Company (%)
Zhejiang Hengyi Group Co., Ltd.	Hangzhou	Investment and trade	RMB 51.8 million	40.61	47.60

Note: The ultimate controller of the Company is Qiu Jianlin.

**Note 11.2 Information about the Company's subsidiaries**

Please refer to Note 8.1 “Equities in Subsidiary”.

**Note 11.3 Introduction to joint ventures and associated enterprises of the Company**

Name of joint venture and associated enterprise	Main place of business	Place of registration	Nature of business	Shareholding ratio (%)		Accounting treatment methods of joint venture or associated enterprise
				Direct	Indirect	
Ningbo Jinhou Industry Investment Co. Ltd.	Hangzhou	Ningbo	Investment and consulting	25.00	0.00	Equity method
Hangzhou Jingxin Supply Chain Management Co., Ltd.	Hangzhou	Hangzhou	Commercial service industry	0.00	49.00	Equity method
Dongzhan Shipping Co. Ltd.	Zhoushan	Zhoushan	Water transport industry	0.00	30.00	Equity method

As for important joint ventures or associated enterprise of the Company,, please refer to Note 8.3 “Equities in Joint Ventures and Associated Enterprise”.

**Note 11.4 Other related parties**

Name of other related parties	Relationship between other related parties and the Company
Hangzhou Hengyi Investment Co., Ltd.	Corporate shareholders holding more than 5% of the Company's shares and wholly-owned subsidiaries of the parent company
Zhejiang Hengyi Polyamide Co., Ltd.	A holding subsidiary of the ultimate parent company
Hengyi JAPAN	A holding subsidiary of the ultimate parent company
Hangzhou Yichen Chemical Fiber Co., Ltd.	A holding subsidiary of the ultimate parent company
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Associated company of ultimate parent company
Haining Yixin Logistics Co., Ltd.	Wholly-owned subsidiary of the associated enterprise
Zhejiang Rongtong Chemical Fiber New Materials Co., Ltd.	Holding subsidiary of the associated enterprise
Yisheng Dahua Petrochemical Co., Ltd.	Holding subsidiary of the associated enterprise
Hong Kong Yisheng Dahua Co., Ltd.	Holding subsidiary of the associated enterprise
Hong Kong Yisheng Co., Ltd.	Wholly-owned subsidiary of the associated enterprise
Hangzhou Wanyong Industrial Investment Co., Ltd.	Senior management: associated natural person
Hangzhou Yibo Investment Management Co. Ltd.	Company controlled by associated natural person

**Note 11.5 Related-party transaction**

**Note 11.5.1** Connected transactions for purchase and sale of goods, provision and acceptance of

services

## ① Purchasing goods or receiving labor services

Related parties	Contents of connected transactions	Current period	Previous period
Hainan Yisheng Petrochemical Co., Ltd.	Goods procurement	162,724,539.89	364,528,944.69
Hainan Yisheng Petrochemical Co., Ltd.	Receiving labor services	0.00	270,152.21
Yisheng Dahua Petrochemical Co., Ltd.	Goods procurement	3,736,570,569.02	3,217,687,757.97
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Goods procurement	395,843,216.27	403,774,807.18
Zhejiang Hengyi Polyamide Co., Ltd.	Goods procurement	0.00	110,164.61
Ningbo Qingzhi Chemical Pier Co., Ltd.	Receiving labor services	-	59,917,129.31
Hangzhou Yichen Chemical Fiber Co., Ltd.	Goods procurement	16,168,663.69	8,920,172.05
Zhejiang Yisheng New Materials Co., Ltd.	Goods procurement	2,118,416,389.92	0.00
Haining Yixin Logistics Co., Ltd.	Receiving labor services	8,924,840.50	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Goods procurement	4,398,340,883.38	3,022,628,921.27

## ② Sales of goods and rendering labor services

Related parties	Contents of connected transactions	Current period	Previous period
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Selling goods	1,335,024,533.02	670,705,898.26
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Labor provision	41,807,660.81	32,214,927.63
Hainan Yisheng Petrochemical Co., Ltd.	Selling goods	1,125,429,557.32	1,691,872,715.08
Hainan Yisheng Petrochemical Co., Ltd.	Labor provision	55,779.82	15,521,892.37
Zhejiang Hengyi Polyamide Co., Ltd.	Selling goods	4,266,819.10	1,295,293.80
Zhejiang Hengyi Polyamide Co., Ltd.	Labor provision	7,442,086.17	7,579,045.74
Yisheng Dahua Petrochemical Co., Ltd.	Labor provision	21,702.83	202,233.49
Yisheng Dahua Petrochemical Co., Ltd.	Selling goods	85,171,783.96	28,277,321.68
Hangzhou Yichen Chemical Fiber Co., Ltd.	Labor provision	22,936,669.38	25,362,366.14
Hangzhou Yichen Chemical Fiber Co., Ltd.	Selling goods	3,011,757.35	2,577,034.44
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Selling goods	242,895,119.50	62,637,805.44
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Labor provision	45,497,278.60	37,335,011.58
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Trademark	5,728,849.96	5,565,160.26

Related parties	Contents of connected transactions	Current period	Previous period
	licensing expenses		
Zhejiang Yisheng New Materials Co., Ltd.	Selling goods	716,350,522.64	0.00
Zhejiang Yisheng New Materials Co., Ltd.	Labor provision	10,810,130.56	0.00

**Note 11.5.2** Information about related trusteeship management/ entrusted management

## The Company as trustee

Name of entrusting party	Name of trustee	Entrusted assets Type	Entrustment Starting date	Custody fee confirmed in this period
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	Operation trusteeship	2018-7-25	1,698,113.21

Note: Zhejiang Hengyi Petrochemical Co., Ltd., a subsidiary of the Company, was entrusted to provide management consulting services for the production and operation activities of Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd. and did not bear any operational risks of the entrusting party. The termination date of the entrustment is the date when the entrusting party is acquired by the Company or non-related parties of the Company.

**Note 11.5.3** Introduction about associated lease

## ① The Company as a lessee

Name of lessor	Type of leased assets	Rental recognized in current period	Rental recognized in previous year
Hangzhou Yichen Chemical Fiber Co., Ltd.	Warehouse property	196,243.04	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	House property	69,314.29	0.00

② On January 1, 2021, the Company signed a house-leasing contract with Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd., with the lease term from January 1, 2021 to December 31, 2023 and annual rental of RMB 1.28 million.

**Note 11.5.4** Guarantee of related parties

## ① The Company as a guarantor

Guarantee	Amount (RMB 10,000)	Starting date	Expiring date	Finished or not
Zhejiang Yisheng New Materials Co., Ltd.	44,150.00	2020-4-14	2026-2-15	No

## ② The Company as a guarantee

Guarantor	Guarantee	Amount (RMB 10,000)	Debit date	Repayment date	Does the Company provide collateral	Whether the guarantee has been fulfilled
-----------	-----------	---------------------	------------	----------------	-------------------------------------	--

Guarantor	Guarantee	Amount (RMB 10,000)	Debit date	Repayment date	Does the Company provide collateral	Whether the guarantee has been fulfilled
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Hengyi Industries Sdn. Bhd.	373,920.00	2018-08-23	2030-8-22	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Hengyi Industries Sdn. Bhd.	\$97,584	2018-08-23	2030-8-22	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industry International Co., Ltd.	\$557.70	2021-12-17	2022-02-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industry International Co., Ltd.	\$3,575.71	2021-8-24	2022-2-25	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	4,000.00	2016-3-14	2023-3-13	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	2,000.00	2015-12-30	2023-12-29	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	6,440.00	2019-12-9	2022-12-10	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	\$12,773.28	2021.10.04	2022-04-20	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	\$600	2019-6-25	2024-9-25	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Suqian Yida New Materials Co., Ltd.	1,260.00	2019-11-26	2022-11-20	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	73,022.86	2021-3-8	2024-12-17	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	800.00	2019-5-9	2022-5-9	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Haiming Hengyi New Materials Co., Ltd.	40,000.00	2021-09-13	2022-09-21	No	No
Zhejiang Hengyi Group Co., Ltd.	Haiming Hengyi New Materials Co., Ltd.	7,400.00	2021-05-12	2022-05-12	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	10,000.00	2021-03-10	2022-03-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	33,990.00	2017-04-01	2022-9-30	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Hangzhou Yijing Chemical Fiber Co., Ltd.	25,000.00	2021-07-22	2022-07-22	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Petrochemical Co., Ltd.	19,975.00	2021-7-8	2022-1-7	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	32,500.00	2020-09-09	2022-03-04	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	\$25,800.00	2020-12-18	2022-03-14	No	No
Zhejiang Hengyi Group Co., Ltd.	Jiaxing Yipeng Chemical Fiber Co., Ltd.	20,000.00	2021-11-22	2022-08-25	No	No

Guarantor	Guarantee	Amount (RMB 10,000)	Debit date	Repayment date	Does the Company provide collateral	Whether the guarantee has been fulfilled
Zhejiang Hengyi Group Co., Ltd.	Jiaxing Yipeng Chemical Fiber Co., Ltd.	10,000.00	2021-03-12	2022-03-11	No	No
Zhejiang Hengyi Group Co., Ltd.	Ningbo Hengyi Trading Co., Ltd.	30,100.00	2021-09-01	2022-6-29	No	No
Zhejiang Hengyi Group Co., Ltd.	Suqian Yida New Materials Co., Ltd.	5,000.00	2021-04-01	2022-03-31	No	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fiber Co., Ltd.	53,800.00	2021-2-5	2022-12-08	No	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fiber Co., Ltd.	13,000.00	2021-09-13	2022-09-26	No	No
Zhejiang Hengyi Group Co., Ltd.	Hong Kong Tianyi International Holding Co., Ltd.	\$4,291.55	2021-06-11	2022-06-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	90,930.00	2021-03-09	2024-11-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	10,000.00	2021-11-16	2022-5-16	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymer Co., Ltd.	10,000.00	2021-03-09	2022-03-09	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	20,000.00	2021-08-19	2022-07-31	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	96,000.00	2021-9-29	2022-06-21	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	20,000.00	2021-03-01	2022-11-29	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	6,910.80	2021-08-04	2022-3-8	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	271,308.49	2021-1-2	2024-4-6	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	14,443.00	2021.7.5	2022.6.2	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	\$12,107.60	2020-2-18	2022-9-7	No	No
Zhejiang Hengyi Group Co., Ltd.	Haining Hengyi New Materials Co., Ltd.	280,800.00	2020-01-14	2024-12-30	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fiber Co., Ltd.	12,000.00	2017-11-09	2022-11-08	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Shaoxing Shengong Machinery Manufacturing Co., Ltd.	Shaoxing Shengong Packaging Co., Ltd.	3,379.46	2020-1-12	2023-12-31	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Zhejiang	Zhejiang Hengyi Petrochemical Co., Ltd.	5,000.00	2021-08-23	2022-08-23	No	No

Guarantor	Guarantee	Amount (RMB 10,000)	Debit date	Repayment date	Does the Company provide collateral	Whether the guarantee has been fulfilled
Southeast Space Frame Group Co., Ltd.						
Zhejiang Hengyi Group Co., Ltd. and Zhejiang Southeast Space Frame Group Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	14,992.50	2021-11-09	2022-05-19	No	No
Zhejiang Hengyi Group Co., Ltd.	Hong Kong Tianyi International Holding Co., Ltd.	\$6,000	2021-02-09	2022-02-09	Yes	No

**Note 11.5.5 Funds borrowed from related party**

Related parties	Inter-bank Borrowing and Lending	Starting date	Expiring date	Description
Borrowing:				
Zhejiang Hengyi Group Co., Ltd.	3,369,661,700.09			Temporary working capital supplemented by Hengyi Group to the Company, returned already in current period of borrowing
Lending:				
Zhejiang Yisheng New Materials Co., Ltd.	1,000,000,000.00	2020-03-16	2021-12-22	Entrusted loan, lending rate: 4.785%
Zhejiang Yisheng New Materials Co., Ltd.	1,078,000,000.00	2021-01-05	2022-12-20	Entrusted loan, lending rate: 4.785%

**Note 11.5.6 Related-party assets transfer and debt restructuring**

Related parties	Contents of connected transactions	Current period	Previous period
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	Transferred assets	25,530.26	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Transferred assets	187,609.38	0.00
Zhejiang Yisheng New Materials Co., Ltd.	Asset alienation	0.00	32,943.58
Hangzhou Huixin Zhishi Technology Co., Ltd.	Transferred assets	-	675,006.60
Zhejiang Hengyi Group Co., Ltd.	Transferred assets	0.00	100,000.00
Zhejiang Hengyi Group Co., Ltd.	Asset alienation	0.00	1,000,000.00

**Note 11.5.7 Remuneration of key management personnel**

Item	Current year	Previous year
Remuneration of key management personnel	RMB 12,495,800	RMB 12,667,800

**Note 11.5.8 Other related-party transactions**

During the year, the Company conducted paper transactions with Hong Kong Yisheng Co., Ltd. and Hong Kong Yisheng Dahua Co., Ltd., with a total loss of USD 7,781,880.00 and USD 8,261,880.00 respectively.

By the end of December 31, 2021, the deposit balance of the Company and its subsidiaries in the related party China Zheshang Bank Co., Ltd. was RMB 87,709,500. At the end of the period, the amount of discounted bank acceptance bills that have not yet expired was RMB 431,787,500.

## Note 11.6 Accounts receivable from and payable to related parties

### Note 11.6.1 Receivable items

Item	Ending balance of current period		Ending balance of previous period	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Notes receivable:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	2,713,741.00	0.00	0.00	0.00
Total	2,713,741.00	0.00	0.00	0.00
Accounts receivable:				
Hong Kong Yisheng Co., Ltd.	0.00	0.00	35,140,697.19	0.00
Hainan Yisheng Petrochemical Co., Ltd.	226,858,886.34	0.00	553,876,023.16	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	6,917,468.74	0.00	214,624.00	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	12,828,512.13	0.00	229,073.95	0.00
Zhejiang Yisheng New Materials Co., Ltd.	8,759,499.90	0.00	0.00	0.00
Total	255,364,367.11	0.00	589,460,418.30	0.00
Advance payments:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	10,064.34	0.00	5,083.43	0.00
Zhejiang Rongtong Chemical Fiber New Materials Co., Ltd.	15,306,150.00	0.00	0.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	141,341,842.00	0.00	0.00	0.00
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	821.27	0.00	0.00	0.00
Total	156,658,877.61	0.00	5,083.43	0.00
Other receivables:				
Hangzhou Yichen Chemical Fiber Co., Ltd.	0.00	0.00	2,400.00	0.00
Zhejiang Hengyi Group Co., Ltd.	0.00	0.00	1,000,000.00	0.00
Total	0.00	0.00	1,002,400.00	0.00
Dividend receivable:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	0.00	0.00	54,145,003.24	0.00



Item	Ending balance of current period		Ending balance of previous period	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Dalian Yisheng Investment Co., Ltd.	79,500,000.00	0.00	63,750,000.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	265,000,000.00	0.00	212,500,000.00	0.00
Total	344,500,000.00	0.00	330,395,003.24	0.00
Other current assets:				
Zhejiang Yisheng New Materials Co., Ltd.	1,079,576,125.83	0.00	1,001,440,816.65	0.00
Total	1,079,576,125.83	0.00	1,001,440,816.65	0.00

**Note 11.6.2 Payable items**

Item	Ending balance of current period	Ending balance of previous period
Accounts payable:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	32,465,816.85	7,833,213.52
Hangzhou Yichen Chemical Fiber Co., Ltd.	569,077.20	7,871,460.86
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	32,629,365.25	48,740,055.61
Hong Kong Yisheng Dahua Co., Ltd.	28,498,358.89	0.00
Hong Kong Yisheng Co., Ltd.	28,498,358.89	0.00
Total	122,660,977.08	64,444,729.99
Contract liabilities:		
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	0.00	9,944,293.55
Hong Kong Yisheng Petrochemical Co., Ltd.	0.00	35,131,486.70
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	56,952,805.17	0.00
Zhejiang Hengyi Polyamide Co., Ltd.	0.00	198,244.97
Zhejiang Yisheng New Materials Co., Ltd.	12,540,078.76	
Total	69,492,883.93	45,274,025.22
Other payables:		
Zhejiang Hengyi Group Co., Ltd.	0.00	100,000.00
Total	0.00	100,000.00
Non-current liabilities mature within one year:		
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	1,174,311.93	0.00
Total	1,174,311.93	0.00
Lease liabilities:		

Item	Ending balance of current period	Ending balance of previous period
Shaoxing Keqiao Hengming Chemical Fiber Co., Ltd.	1,011,507.59	0.00
Total	1,011,507.59	0.00

## Note 12 Commitments and Contingencies

### Note 12.1 Other commitments

On January 27, 2014, the Company's controlling subsidiary, Hengyi Industries Sdn Bhd (hereinafter referred to as "Brunei Industries") and the Brunei Economic Development Board signed the Land Lease Agreement, to clarify the rental rate, payment methods, and other specific items. The main contents are as follows:

- ① Location of leased land: Pulau Muara Besar, Brunei Darussalam
- ② Area leased: 260 hectares.
- ③ Term of lease: 30 years, and additional 30 years extended upon expiration.
- ④ Land rent determination method:

Considering that the PMB petrochemical project land requires filling and proposal, the Brunei government gives the project an initial rent-free concession.

Land rent is subject to local rent level; and considering other contributions of the PMB petrochemical project to local areas, certain concessions will be granted.

Given the currency inflation and rising household consumption price, the Brunei Economic Development Board will raise rental rate once every five years, with each increase not exceeding 10%.

- ⑤ Land rent payment method

The rent shall be paid to the Brunei Economic Development Board on the first working day of the first month of each quarter upon expiration of rent-free period.

- ⑥ Prerequisite conditions

Before the formal implementation of the Land Lease Agreement, prerequisite conditions shall be met: The Brunei Economic Development Board has obtained the ownership certificate of leased land that meets project requirements, the Implementation Agreement signed between both parties has entered into force, and its conditions have been met.

### Note 12.2 Contingencies

**Note 12.2.1** Contingent liabilities formed by arbitration of pending litigation and their financial impact Criminal case and related civil litigation case of Wang of Shuangtu Company

Since October 21, 2018, Shuangtu Company has received notices from more than ten customers, including Haiyan Yixiao Knitting New Materials Co., Ltd. After paying for the goods, the customers

have not received the goods from Shuangtu Company and cannot contact Wang, a business employee of Shuangtu Company. Haiyan Yixiao Knitting New Materials Co., Ltd., Tonglu Yueheng Knitting Garment Co., Ltd., and Yiwu Zijing Garment Co., Ltd. filed a lawsuit with the court on the grounds that Shuangtu Company did not complete the delivery after receiving the payment.

Upon inspection by Shuangtu Company, the Company has received the payment from the above customers and completed activities such as delivery and issuance of sales invoices according to the sales order. Customers who did not receive the goods were handled by Wang, a salesperson of Shuangtu Company. Losing contact with Wang, Shuangtu Company reported to the Criminal Investigation Brigade of Dajiangdong Industrial Agglomeration Branch of Hangzhou Public Security Bureau on November 1, 2018. On April 13, 2019, Shuangtu Company received a notice from the public security organ that Wang had been arrested. As of the reporting date of this financial report, the public security organ is still investigating the criminal case.

Three civil cases related to Wang's criminal case and the contract dispute case with Haiyan Yixiao Knitting New Materials Co., Ltd. have been heard on December 3, 2018, and the court has not yet issued a judgment. The contract dispute case with Tonglu Yueheng Knitting Garment Co., Ltd. has been withdrawn because it involved Wang's criminal case, and how to solve it will be decided after the criminal case is handled. In the case of the contract dispute with Yiwu Zijing Garment Co., Ltd., Shuangtu Company has submitted a reply and evidential materials to the court, and the court temporarily postponed the hearing. In the case of the contract dispute of Haiyan Yixiao Knitting New Materials Co., Ltd., the court froze the bank deposit of RMB300,000 of Shuangtu Company.

In 2018, Shuangtu Company offset the income by RMB26,201,814.47 according to the information such as the quantity of goods not yet received in customer correspondence notice, and included the corresponding cost of goods by RMB24,105,503.18 in "Other Receivables-Wang" and fully accrued bad debt losses. At the same time, according to the time and amount of customer payment, the estimated liabilities of RMB433,932.50 were accrued according to the bank loan interest rate for the same period.

On May 17, 2019, Wang was arrested according to law. On January 22, 2020, Hangzhou Xiaoshan District People's Procuratorate filed a public prosecution with Hangzhou Xiaoshan District People's Court for the crime of duty encroachment and contract fraud, which was accepted. Due to the pandemic and other reasons, the court trial has not yet started. According to the amount of duty-related crimes found in the indictment of Hangzhou Xiaoshan District People's Procuratorate, Shuangtu Company offset its income by RMB2,414,257.32 included the corresponding cost of goods by RMB2,138,041.91 into "Other Receivables-Wang" and fully confirmed the estimated loss. At the same time, according to the time and amount of customer payment, the estimated liabilities of

RMB1,573,136.66 were accrued according to the bank loan interest rate for the same period.

According to the Agreement on Issuing Shares to Purchase Assets and subsequent related agreements signed by the Company, Fulida Group Holding Co., Ltd. and Xinghui Chemical Fiber Group Co., Ltd., the former shareholders of Shuangtu Company, Fulida Group Holding Co., Ltd. and Xinghui Chemical Fiber Group Co., Ltd. promised and agreed to assume joint and several liabilities to Shuangtu Company and the Company for all losses suffered by Shuangtu Company due to the dispute case that occurred before December 7, 2018 (inclusive). Therefore, the above matters would not have a significant impact on Shuangtu Company and the Company.

On July 20, 2020, the Xiaoshan District People's Court of Hangzhou issued a criminal judgment and ruled that: (1) The defendant Wang committed the crime of duty encroachment and was sentenced to 13 years in prison; Wang was convicted of contract fraud and sentenced to 11 years and 6 months in prison and fined RMB150,000; Wan was sentenced to 18 years in prison and fined RMB150,000. (2) The defendant Wang was ordered to compensate the relevant victim units and their economic losses. After Wang's criminal case was judged, cases identified as duty encroachment were judged or tried. On September 2, 2020, Hangzhou Intermediate People's Court of Zhejiang Province made a first-instance judgment: Terminate the contract signed between the Company and Tonglu Yueheng Knitting Clothing Co., Ltd., return the latter's payment of RMB407,160.00 (including tax), pay capital interest of RMB31,938.08, property preservation fee of RMB25,610, and bear the acceptance fee of the second-instance case of RMB7,422. On March 17, 2021, Hangzhou Intermediate People's Court held a hearing on the dispute over the sales contract between Yiwu Zijing Clothing Co., Ltd. and the Company. The plaintiff filed a lawsuit requesting the court to dissolve the sales contract relationship between the plaintiff and the defendant, and demanded that the defendant immediately return the defendant's payment and interest loss. As of the date of this report, the court has not made a judgment. The other two victims have not submitted a case to the court.

For the reason of compromise with some victims in 2021, the actual repayment of Zhejiang Shuangtu is smaller than the amount of money involved in the case as affirmed by the court. Based on the actual expenditures to the settled case, therefore, the Company has reduced RMB 8,555,800 compensations receivable from the former shareholders of Zhejiang Shuangtu (namely Fulida Group and Xinghui Chemical Fiber Group Co., Ltd.).

**Note 12.2.2** As of December 31, 2021, the Company's debt guarantee is as follows:

Unit: RMB 10,000

Guarantor	Guarantee	Mode	Amount	Expiring date
Hengyi Petrochemical Co., Ltd.	Zhejiang Yisheng New Materials Co., Ltd.	Credit guarantee	44,150.00	2026-2-15

**Note 13 Events after the Balance Sheet Date****Note 13.1 Profit distribution**

On April 25, 2022, the 17<sup>th</sup> meeting of the Company's 11<sup>th</sup> session of the BOD reviewed and passed the Proposal about Distribution of Profits in 2021. The Company plans to distribute RMB 2 cash dividends (tax included) for every ten shares with general capital of 3,666,280,014.00 shares. This proposal has not been submitted to 2021 Annual General Meeting of Shareholders for deliberation.

**Note 13.2 By the end of the issue date of this financial report, in addition to above events, the Company has no other events after the balance sheet date to be disclosed this year.**

**Note 14 Other Important Events****Note 14.1 Correction to previous period errors**

The Company has no prior-period error correction items that should be disclosed in 2021.

**Note 14.2 Segment information**

The Company has neither branch management, nor has branch reporting.

**Note 14.3 Other important matters**

The Company has no other major matters that are necessary to be disclosed during the Reporting Period.

**Note 15 Notes to Main Items in Financial Statements****Note 15.1 Other accounts receivable**

Item	Ending balance of current period	Ending balance of previous period
Interests receivable	0.00	0.00
Dividends receivable	1,169,772,962.00	1,629,600,000.00
Other receivables	3,571,633,385.78	6,538,165,426.76
Total	4,741,406,347.78	8,167,765,426.76

**Note 15.1.1 Dividends receivable**

Item or name of investee	Ending balance of current period	Ending balance of previous period
Zhejiang Hengyi Petrochemical Co., Ltd.	1,079,772,962.00	1,209,400,000.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	15,000,000.00	150,000,000.00
Taicang Yifeng Chemical Fiber Co., Ltd.	35,000,000.00	70,200,000.00
Zhejiang Shuangtu New Materials Co., Ltd.	40,000,000.00	200,000,000.00
Subtotal	1,169,772,962.00	1,629,600,000.00
Less: bad debt provision	0.00	0.00

Item or name of investee	Ending balance of current period	Ending balance of previous period
Total	1,169,772,962.00	1,629,600,000.00

**Note 15.1.2 Other receivables****Note 15.1.2.1 Disclosure based on aging analysis**

Aging	Ending balance of current period	Ending balance of previous period
Within one year	19,585,865.33	1,262,247,037.84
1-2 years	1,260,741,815.63	5,275,918,388.92
2-3 years	2,291,315,704.82	0.00
Over three years	2,500.00	2,500.00
Subtotal	3,571,645,885.78	6,538,167,926.76
Less: bad debt provision	12,500.00	2,500.00
Total	3,571,633,385.78	6,538,165,426.76

**Note 15.1.2.2 Classification of accounts receivable by nature**

Nature of account	Ending balance of current period	Ending balance of previous period
Related party funds within the scope of consolidation	3,571,443,385.78	6,538,165,426.76
Receivables and payables such as advances from entities beyond the scope of consolidation	0.00	0.00
Combination of consumption taxes and export tax rebates receivable	0.00	0.00
Combination of tax refunds receivable	0.00	0.00
Portfolio of deposits and security	202,500.00	2,500.00
Employee loan and petty cash	0.00	0.00
Other groups	0.00	0.00
Subtotal	3,571,645,885.78	6,538,167,926.76
Less: bad debt provision	12,500.00	2,500.00
Total	3,571,633,385.78	6,538,165,426.76

**Note 15.1.2.3 Bad debt provision**

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime (no credit impairment has occurred)	Expected credit loss over the lifetime (credit impairment occurred has occurred)	
Balance as of January 1, 2021	0.00	0.00	2,500.00	2,500.00
On January 1, 2021, the book				

	Stage 1	Stage 2	Stage 3	
Bad debt provision	Expected credit loss of the future twelve months	Expected credit loss over the lifetime (no credit impairment has occurred)	Expected credit loss over the lifetime (credit impairment occurred has occurred)	Total
balance of other receivables was in this year:				
- Transferred to Stage 2	0.00	-	-	0.00
- Transferred to Stage 3	0.00	0.00	-	0.00
- Transferred back to Stage 2	-	-	0.00	0.00
- Transferred back to Stage 1	-	0.00	0.00	0.00
Withdrawal in current period	10,000.00	0.00	0.00	10,000.00
Recovered or reversed in current period	0.00	0.00	0.00	0.00
Written-off or cancelled in current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Balance as of December 31, 2021	10,000.00	0.00	2,500.00	12,500.00

**Note 15.1.2.4** Bad debt preparation

Category	Beginning balance	Amount of changes in current period			Ending balance
		Provision	Amount recovered or written back	Resell or write off	
Related party funds within the scope of consolidation	0.00	0.00	0.00	0.00	0.00
Receivables and payables such as advances from entities beyond the scope of consolidation	0.00	0.00	0.00	0.00	0.00
Combination of tax refunds receivable and other government grants	0.00	0.00	0.00	0.00	0.00
Portfolio of deposits and security	2,500.00	10,000.00	0.00	0.00	12,500.00
Employee loan and petty cash	0.00	0.00	0.00	0.00	0.00
Other combination	0.00	0.00	0.00	0.00	0.00
Total	2,500.00	10,000.00	0.00	0.00	12,500.00

**Note 15.1.2.5** The top five ending amounts (totals by borrower) of other receivables

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the end of the period (%)	Balance of the bad debt provision at the end of the period
Zhejiang Hengyi Petrochemical Co., Ltd.	Receivables and payables with related parties	3,305,582,439.28	Within 3 years	92.55	0.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	Receivables and payables with related parties	101,700,000.00	2-3 years	2.85	0.00
Suqian Yida New Materials Co., Ltd.	Receivables and payables with related parties	100,000,000.00	Within 2 years	2.80	0.00
Taicang Yifeng Chemical Fiber Co., Ltd.	Receivables and payables with related parties	39,440,014.17	2-3 years	1.11	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	Receivables and payables with related parties	24,720,932.33	Within 2 years	0.69	0.00
Total	-	3,571,443,385.78	-	100.00	0.00

## Note 15.2 Long-term equity investment

### Note 15.2.1 Classification of long-term equity investments

Item	Ending balance of current period			Ending balance of previous period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	15,917,768,517.98	0.00	15,917,768,517.98	15,767,268,517.98	0.00	15,767,268,517.98
Investments in joint ventures and associates	14,291,804.11	0.00	14,291,804.11	14,265,101.35	0.00	14,265,101.35
Total	15,932,060,322.09	0.00	15,932,060,322.09	15,781,533,619.33	0.00	15,781,533,619.33

### Note 15.2.2 Investment in subsidiaries

Investee	Beginning balance	Increase in current year	Decrease in current year	Ending balance	Impairment provision in current year	Current balance of impairment provision
Zhejiang Hengyi Petrochemical Co., Ltd.	9,372,870,750.00	0.00	0.00	9,372,870,750.00	0.00	0.00



Investee	Beginning balance	Increase in current year	Decrease in current year	Ending balance	Impairment provision in current year	Current balance of impairment provision
Zhejiang Hengyi International Trade Co. Ltd.	300,000,000.00	0.00	0.00	300,000,000.00	0.00	0.00
Zhejiang Hengyi Engineering Management Co. Ltd.	167,000,000.00	29,000,000.00	0.00	196,000,000.00	0.00	0.00
Zhejiang Henglan Technology Co., Ltd.	38,500,000.00	121,500,000.00	0.00	160,000,000.00	0.00	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	2,104,999,978.20	0.00	0.00	2,104,999,978.20	0.00	0.00
Jiaxing Yipeng Chemical Fiber Co., Ltd.	2,886,198,482.98	0.00	0.00	2,886,198,482.98	0.00	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	897,699,306.80	0.00	0.00	897,699,306.80	0.00	0.00
Total	15,767,268,517.98	150,500,000.00	0.00	15,917,768,517.98	0.00	0.00

**Note 15.2.3 Investments in joint ventures and associates**

Investee	Beginning balance	Changes of increase or decrease in current period				
		Additio nal investm ent	Negativ e investm ent	3,681,645,40 7.00	Other comprehensive income adjustment	Changes in other equity
Associated enterprises						
Ningbo Jinhou Industry Investment Co. Ltd.	14,265,101.35	0.00	0.00	26,702.76	0.00	0.00

(Contd.)

Investee	Beginning balance	Changes of increase or decrease in current period			Ending balance	Ending balance of impairment provision
		Declaring distribution of cash dividends or profits	Impairment provision	Others		
Associated enterprises						
Ningbo Jinhou Industry Investment Co. Ltd.		0.00	0.00	0.00	14,291,804.11	0.00

**Note 15.3 Operating income and operating cost**

Item	Amount incurred in current year		Amount incurred in previous year	
	Revenue	Cost	Revenue	Cost
Main business	3,707,241,002.32	3,572,734,835.29	2,586,856,333.35	2,537,833,295.23
Other operations	188,679.25	0.00	0.00	0.00
Total	3,707,429,681.57	3,572,734,835.29	2,586,856,333.35	2,537,833,295.23

**Note 15.4 Investment income**

Item	Amount incurred in current year	Amount incurred in previous year
Long-term equity investment income accounted by the cost method	744,772,962.00	1,204,600,000.00
Long-term equity investment income accounted by the equity method	26,702.76	-143,825.70
Income from investment in finance products	0.00	0.00
Total	744,799,664.76	1,204,456,174.30

**Note 16 Supplementary Information****Note 16.1 Statement of non-recurring profit and loss in current year**

Item	Amount
Profits and losses from disposal of non-current assets	-12,534,455.04
Tax refund, reduction or exemption approved ultra vires or without any formal approval or granted incidentally	15,609,249.33
Government grants recorded into current profit and loss but closely related to normal business operations of the Company, except for those that are continuously make available at specified portion or amount in accordance with national policies	277,839,245.44
Current net profit or loss from subsidiaries formed by business combination under common control, from period-beginning to acquisition date	0.00
Profit or loss from contingencies irrelevant to normal business operations of the Company	0.00
The gains or losses arising from the fair value changes of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities, as well as investment gain received from the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, except for effective hedging transactions that are related to the Company's ordinary business	480,727,659.11
Transfer back of provisions for impairment of accounts receivable subject to separate impairment testing	309,000.00
Profit or loss from entrusted loans	49,567,383.65
Income from entrusted operation	1,698,113.20
Other non-operating income and expense in addition to the above	13,359,433.22
Other profit or loss that complies with the definition of non-recurring profit and loss	0.00
Subtotal	826,575,628.91
Effect of income tax	38,805,031.16
Influenced amount of the minority shareholders' equity (after-tax)	138,270,736.78
Total	649,499,860.97

Note: "+" in non-recurring profit and loss items means "profit and income", while "-" means loss or expenditure.

The Company confirms the non-recurring profit and loss items according to relevant regulations of Explanatory Announcement No. 1 on Information Disclosures for Companies offering Securities to

the Public - Non-Recurring Profits and Losses (ZJHGG [2008] No. 43).

**Note 16.2 Return on equity and earnings per share**

Profits in report period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	13.56	0.94	0.91
Net profit attributable to holders of ordinary shares of the Company, after deducting non-recurring profit or loss	10.97	0.76	0.74

Hengyi Petrochemical Co., Ltd.

President: Qiu Yibo

April 26, 2022