



Annual Report

2023

Hengyi Petrochemical Co., Ltd.



Stock code: 000703.SZ

The spring breeze disperses the cold frost, and the sunshine melts the remaining snow

Looking back at 2023, amidst the complex international situation, the Chinese economy achieved steady growth, and the petrochemical and chemical fiber industry where the company is located also welcomed the dawn of recovery. Facing challenges and opportunities, all employees of Hengyi Petrochemical worked together with unity and determination, forging ahead vigorously. Together, they composed an inspiring and magnificent chapter, successfully turning losses into profits in performance.

In the strategic planning room, victory is determined a thousand miles away

As a globally leading integrated enterprise in the "refining-chemicals-fiber" industry chain, Hengyi Petrochemical has always adhered to the development strategy of "one drop of oil, two threads of silk." While deeply rooted in the homeland, the company also strategically expands into overseas markets, following the model of "headquarters + research + base" to actively establish one platform, two centers, and six major bases. This has formed a market pattern of "backed by the Yangtze River Delta, Pearl River Delta, and Bohai Rim, facing the South China Sea." Focusing domestically, production facilities across the country operate safely and steadily at high loads, while the first phase of the Guangxi new materials project is progressing rapidly, aiming to create a leading nylon industry chain. Looking globally, Hengyi Petrochemical actively responds to the national "Belt and Road" initiative, deepens its presence in Southeast Asian markets, steadily improves the operational efficiency of the first phase of the Brunei project, and actively promotes the construction of the second phase of the Brunei project, becoming a firm practitioner of the "dual circulation" development strategy.

Leading the tide with technology, the time is ripe for transformation and innovation

In recent years, "high-quality development" has become an important trend in China's economic development. Hengyi Petrochemical, grounded in its core business, has firmly embarked on the transformation from "industrial Hengyi" to "technological Hengyi," focusing on breaking through frontier processes and technologies, and accelerating the cultivation of new productive forces. In 2023, the company continued to regard "technological innovation" as the main driving force for its development, speeding up the application and transformation of cutting-edge innovative achievements. The company's "Green Manufacturing of Nylon-Specific TiO₂ Extender Pigment and Complete Application Technology for Fully Extending Nylon" won the first prize of the China Textile Industry Federation Science and Technology Progress Award in 2023. This technology breakthrough in the "bottleneck" additive technology for polyamide has significant implications for the development of the domestic chemical fiber industry. In 2023, Hengyi Petrochemical's "micro-innovation" achieved new results, and "macro-innovation" began to show new prospects, contributing to the grand goal of "technological Hengyi."

Riding the wave of the digital era, intelligent development scripts a new chapter

Hengyi Petrochemical continues to drive industrial digitization, networking, and intelligence, building on the foundation of establishing the first fully intelligent storage and transportation system for polyester factories in China. It pioneers the innovative application of artificial intelligence in industrial scenarios, deploying the first set of 100% AI external inspection projects and replicating and promoting them within the company, integrating large models with industries, and practicing new quality productivity. The second phase of the "Hengyi Brain" digital visualization decision-making platform has been successfully developed and applied, strengthening production and sales linkage, empowering the digitalization process of enterprises through data + AI, and continuously deepening cost reduction and efficiency enhancement efforts. The enterprise's intelligent construction has won several prestigious awards, including the Second China Benchmark Intelligent Manufacturing and Best Practice Award for China Intelligent Manufacturing.



With steadfast confidence, we forge ahead, unveiling new chapters of development

As the country continues to roll out stable economic policies and domestic economic and downstream consumer demand gradually rebounds, the petrochemical and chemical fiber industry's prosperity is on the rise. Coupled with solid strides in the field of technological innovation, all Hengyi employees are filled with certainty and anticipation for the future. Based on the company's assessment of the current operating situation and its growth expectations for the future, the company has successively launched two rounds of equity incentive plans, six rounds of employee stock ownership plans, and four rounds of share buyback plans. So far, the company has repurchased a total amount of 2.675 billion, demonstrating the company's firm confidence in future development.

In the new year, Hengyi Petrochemical will continue to focus on its core business, promoting the corporate spirit of "never stop, create brilliance," leveraging the advantages of upstream and downstream industry integration. Guided by "green manufacturing" and "circular economy" principles, the company will further increase research and development investment, strive to achieve innovative breakthroughs in new technologies and products, accelerate the transformation from "industrial Hengyi" to "technological Hengyi," and endeavor to become a leading domestic and internationally renowned private multinational industrial group in the "refining-chemicals-fiber" sector.

In the ever-changing course of time, each day brings new opportunities

Hengyi Petrochemical will continue to maintain strategic composure, departing from the heart and embracing the new, firmly breaking away from reliance on traditional growth paths, and embarking on the road of high-quality development. We will strengthen technological innovation and enhance the technological value-added of Hengyi products.

The future unfolds before us, and all Hengyi employees will grit their teeth and persevere, exerting all their efforts to write a new chapter of Chinese-style modernization for Hengyi!

Section I Important notes, Contents and Definitions

The Board of Directors, the Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant that the contents of the annual report are true, accurate and complete, and that there are no false records, misleading statements or material omissions, and that they shall bear individual and joint legal liabilities.

Qiu Yibo, legal representative, Zheng Xingang, person in charge of accounting activities, and Yu Zhicheng, the head of the accounting agency (account in charge), declared that ensure the annual financial statement report is true, accurate and complete.

The annual financial statement report has been audited by Zhongxinghua Certified Public Accountants LLP, which has issued a standard unqualified audit report.

The report has been considered and approved at the Eighth Meeting of the Twelfth Session of the Board of Directors of the Company. All directors have attended the Board meeting at which this report was considered.

This report involves future plans, development strategies, industry discussion and outlook, etc. covered in this report do not constitute substantial commitments by the company to investors, and investors are advised to pay attention the investment risks. Investors are advised to refer to "XI: Prospects for the Future Development of the Company IV: Risks and Countermeasures Faced by the Company" under "Section III": Management Discussion and Analysis" for the risks that may exist in the operation and development of the Company.

The Company is required to comply with the disclosure requirements in respect of the chemical industry as set out in the "No. 3 Self-Regulatory Guidelines for Listed Companies of the Shenzhen Stock Exchange - Disclosure of Industry Information".

The Company's profit distribution plan reviewed and approved by the Board: on the basis of the share capital entitled to profit distribution registered on the date of registration of shareholdings for the implementation of the equity distribution, a cash dividend of RMB 1.0 (tax included) per 10 shares will be distributed to all shareholders. There will be no equity dividend (tax included) or conversion of equity reserve into share capital of the Company.

This annual report is prepared in Chinese and English respectively. In case of any discrepancy between the two versions, the Chinese version shall prevail.

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List of Documents for Reference

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

Definitions

Item	Refers to	Definition
Hengyi Petrochemical/Company/the Company	Refers to	Hengyi Petrochemical Co., Ltd.
SZSE/the Exchange	Refers to	Shenzhen Stock Exchange
Hengyi Group	Refers to	Zhejiang Hengyi Group Co., Ltd.
Hengyi Limited	Refers to	Zhejiang Hengyi Petrochemical Co., Ltd.
Hengyi Brunei	Refers to	Hengyi Industries Sdn. Bhd.
Zhejiang Yisheng	Refers to	Zhejiang Yisheng Petrochemical Co., Ltd.
Yisheng New Materials	Refers to	Zhejiang Yisheng New Materials Co., Ltd.
Yisheng Dahua	Refers to	Yisheng Dahua Petrochemical Co., Ltd.
Hainan Yisheng	Refers to	Hainan Yisheng Petrochemical Co., Ltd.
Hengyi Polymer	Refers to	Zhejiang Hengyi Polymer Co., Ltd.
Hengyi High-Tech	Refers to	Zhejiang Hengyi High-Tech Materials Co., Ltd.
Haining New Materials	Refers to	Haining Hengyi New Materials Co., Ltd.
Haining Thermal Power	Refers to	Haining Hengyi Thermal Power Co., Ltd.
Taicang Yifeng	Refers to	Taicang Yifeng Chemical Fibre Co., Ltd.
Jiaxing Yipeng	Refers to	Jiaxing Yipeng Chemical Fibre Co., Ltd.
Shuangtu New Materials	Refers to	Zhejiang Shuangtu New Materials Co., Ltd.
Hangzhou Yichen	Refers to	Hangzhou Yichen Chemical Fibre 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 Fibre Co., Ltd.
Hengyi Caprolactam	Refers to	Zhejiang Baling Hengyi Caprolactam Co., Ltd.
Fujian Yijin	Refers to	Fujian Yi Jin Chemical Fibre 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.

Item	Refers to	Definition
Hengqi Environmental Protection	Refers to	Haining Hengqi Environmental Protection Technology Co., Ltd.
Hengyi Polyamide	Refers to	Zhejiang Hengyi Polyamide Co., Ltd.
Guangxi New Material	Refers to	Guangxi Hengyi New Material Co., Ltd.
Brunei Refinery Project, PMB Petrochemical Project	Refers to	The petrochemical project invested and constructed by the Company in Brunei
PX	Refers to	Paraxylene, a colorless and transparent liquid. It is used to produce plastics, polyester fibres 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 fibre dyeing modifiers and medicines.
MEG	Refers to	Ethylene glycol, mainly used to produce polyester fibre, antifreeze, unsaturated polyester resin, lubricant, plasticizers, non-ionic surfactant and explosives, etc.
PET and polyester	Refers to	Polyethylene terephthalate. It is a fibre-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	Drawn textured yarn, also known as polyester textured yarn
CPL	Refers to	Caprolactam, mainly used to produce polyamide fibre, engineering plastics, plastic film, etc. It is widely used in industrial and civil fields.
RPET	Refers to	Recycled plastic materials from PET

Item	Refers to	Definition
Differentiated yarn	Refers to	A variety that is innovative in technology or performance or has some characteristics that is different from traditional yarns.
RMB 1 and RMB 10,000	Refers to	RMB 1 and RMB 10,000
Reporting period / during the reporting period / this reporting period	Refers to	From January 1, 2023 to December 31, 2023
End of reporting period/end of the current reporting period	Refers to	As of December 31, 2023

Section II Company Profile and Key Financial Indicators

I. Company profile

Stock abbreviation	Hengyi Petrochemical	Stock code	000703
Stock abbreviation before the change (if any)	None		
Stock exchange	Shenzhen Stock Exchange		
Chinese name	恒逸石化股份有限公司		
Chinese abbreviation	恒逸石化		
Foreign name (if any)	HENGYI PETROCHEMICAL CO., LTD.		
Foreign abbreviation (if any)	HYPC		
Legal representative	Qiu Yibo		
Registered address	4/F, Building 2, International Science and Technology Park, No. 5 Zhongma Avenue, China-Malaysia Qinzhou Industrial Park, Qinzhou Port Area, China (Guangxi) Pilot Free Trade Zone		
Post code of the registered address	535000		
Change history of the Company's registered address	The original registered address of the Company, No. G, F7, Haifu Building, No. 16 West Beihai Avenue, Beihai City, Guangxi Zhuang Autonomous Region, was changed to current registered address of the Company in August 2022.		
Office address	Building 3, Hengyi Nan'an Mingzhu, 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province		
Post code of the office address	311215		
Company website	http://www.hengyishihua.com		
E-mail address	hysh@hengyi.com		

II. Contact person and contact information

	Secretary of BOD	Securities Representative
Name	Zheng Xingang	Zhao Guanshuang
Contact address	BOD Office, 16/F, Building 3, Nan'an Mingzhu, No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province	BOD Office, 16/F, Building 3, Nan'an Mingzhu, No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province
Telephone	(0571) 83871991	(0571) 83871991
Fax	(0571) 83871992	(0571) 83871992
E-mail address	hysh@hengyi.com	hysh@hengyi.com

III. Information disclosure and place of preparation

The website of the Stock Exchange where the Company disclosure the Annual report	Shenzhen Stock Exchange: http://www.szse.cn
Press name and website of Annual reporting disclosure	China Securities Journal, STCN, Shanghai Securities News and Securities Daily; CNINFO: http://www.cninfo.com.cn
Place where the Company's Annual Report is prepared	Office of the BOD of Hengyi Petrochemical Co., Ltd.

IV. Registration changes

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

V. Other relevant information

Accounting firm engaged by the company

Name	Zhongxinghua Certified Public Accountants LLP
Address	20/F, Tower B, Lize SOHO, 20 Lize Road, Fengtai District, Beijing
Name of signing accountants	Liu Yuehong, Wang Guohai

Sponsor engaged by the company to perform continuous supervisions duties during the reporting period

Applicable Not applicable

VI. Main accounting data and financial indicators

Whether the company is required to retrospectively adjust or restate prior years' accounting data

Applicable Not applicable

	2023	2022	Increase/decrease of this year over the previous year	2021
Revenue (RMB)	136,148,114,082.34	152,050,274,944.64	-10.46%	129,666,931,795.26
Net profit attributable to shareholders of listed companies (RMB)	435,458,340.57	-1,079,547,699.72	140.34%	3,378,328,289.28
Net profit after deducting non-recurring profits and losses attributable to shareholders of listed companies (RMB)	53,685,831.74	-1,092,334,520.95	104.91%	2,728,828,428.31
Net cashflow from operation activities (RMB)	4,531,834,805.15	2,705,533,483.36	67.50%	7,720,521,139.40
Primary earnings per share (RMB/share)	0.13	-0.30	143.33%	0.93
Diluted earnings per share	0.13	-0.30	143.33%	0.90

(RMB/share)				
Weighted average ROE	1.74%	-4.31%	6.05%	13.45%
	End of 2023	End of 2022	Increase/decrease at the end of this year over the end of the previous year	End of 2021
Total assets (RMB)	108,052,106,925.94	111,964,797,711.33	-3.49%	105,514,058,363.19
Net assets attributable to shareholders of listed companies (RMB)	25,211,150,840.09	25,446,694,059.09	-0.93%	25,863,447,788.06

The lower of the net profit before and after deducting non-recurring gains and losses of the company in the last three financial years is negative, and the audit report of the last year shows that the company's liability to continue as a going concern is uncertain.

Yes No

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

Yes No

VII. Difference in accounting data under domestic and foreign accounting standards

(1) Difference in the net profit and net asset in the **annual financial statement report** which are presented concurrently in accordance with international accounting standards and the accounting standards of China

There is no difference in the net profit and net asset in the **annual financial statement report** which are presented concurrently in accordance with international accounting standards and the accounting standards of China.

(2) Difference in the net profit and net asset in the **annual financial statement repor** which are presented concurrently in accordance with foreign accounting standards and the accounting standards of China

There is no difference in the net profit and net asset in the **annual financial statement repor** which are presented concurrently in accordance with international accounting standards and the accounting standards of China.

VIII. Quarterly main financial indicators

Currency unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Revenue	28,381,122,577.28	35,935,125,699.85	37,212,788,835.38	34,619,076,969.83
Net profit attributable to shareholders of listed company	34,846,332.38	41,236,053.83	130,208,150.81	229,167,803.55
Net Profit after deducting non-recurring profits and losses attributable to shareholders of listed companies	7,863,150.21	65,147,441.32	118,617,778.05	-137,942,537.84
Cash flow from operating activities	-1,607,351,938.39	2,411,545,164.17	-377,022,608.63	4,104,664,188.00

Whether the above financial indicators or their sums are materially different from the relevant financial indicators in the Company's disclosed quarterly reports and half-yearly reports.

Yes No

IX. Non-recurring profit and loss items and amount

Currency: RMB

Item	2023	2022	2021	Notes
Gains and losses on disposal of non-current assets (including elimination of provision for impairment of assets)	416,787,000.84	128,936,835.05	-12,534,455.04	
Tax rebates, exemptions and reductions that exceed the authority to approve or are not accompanied by official approval documents	Inapplicable	24,841,218.44	15,609,249.33	
Government grants recognised in the current period's profit or loss (except for government grants that are closely related to the Company's normal operating business, in line with national policies and in accordance with defined criteria, and that have a continuing impact on the Company's profit or loss)	114,355,884.18	179,870,984.15	277,839,245.44	
Gains and losses from changes in fair value of financial assets and liabilities held by non-financial corporations and gains and losses from the disposal of financial assets and liabilities, except for effective hedging operations related to the Company's normal business operations	491,763.52	-448,914,776.35	480,727,659.11	
Gains and losses on external entrusted loans	38,393,856.92	48,520,852.95	49,567,383.65	
Reversal of provision for impairment of receivables individually tested for impairment	6,570.00	0.00	309,000.00	
The cost of investments in subsidiaries, associates and joint ventures acquired by an enterprise is less than its share of the gain arising from the fair value of the identifiable net assets of the investee at the time the investment is acquired	16,534,148.40	0.00	0.00	
Custodian fee income earned on trusteeship	1,698,113.16	1,698,113.19	1,698,113.20	
Non-operating income and expenses other than those listed above	-24,115,026.00	612,146.73	13,359,433.22	

Other items of profit or loss that meet the definition of non-recurring profit or loss	63,233,423.28	17,898,857.26	0.00	
Less: income tax effect	156,969,934.37	91,691,403.61	38,805,031.16	
Minority interest impact (after tax)	88,643,291.10	-151,013,993.42	138,270,736.78	
Total	381,772,508.83	12,786,821.23	649,499,860.97	--

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

Other profit and loss items that meet the definition of non-recurring profit and loss mainly consist of non-recurring profit and loss attributable to investees from the investment income of significant associates and joint ventures accounted for under the equity method in the amount of RMB 64,952,698.90 through the recognition of non-recurring profit and loss.

Definition of non-recurring profit and loss items listed in "Interpretative Announcement for Information Disclosure of Companies Issuing Public Securities No. 1 - Non-recurring Profit and Loss" as recurring profit and loss items

There are no instances where the Company defines items of non-recurring gains and losses listed in "Interpretative Announcement No. 1 on Information Disclosure by Companies Issuing Public Securities - Non-recurring Gains and Losses" as items of recurring gains and losses.

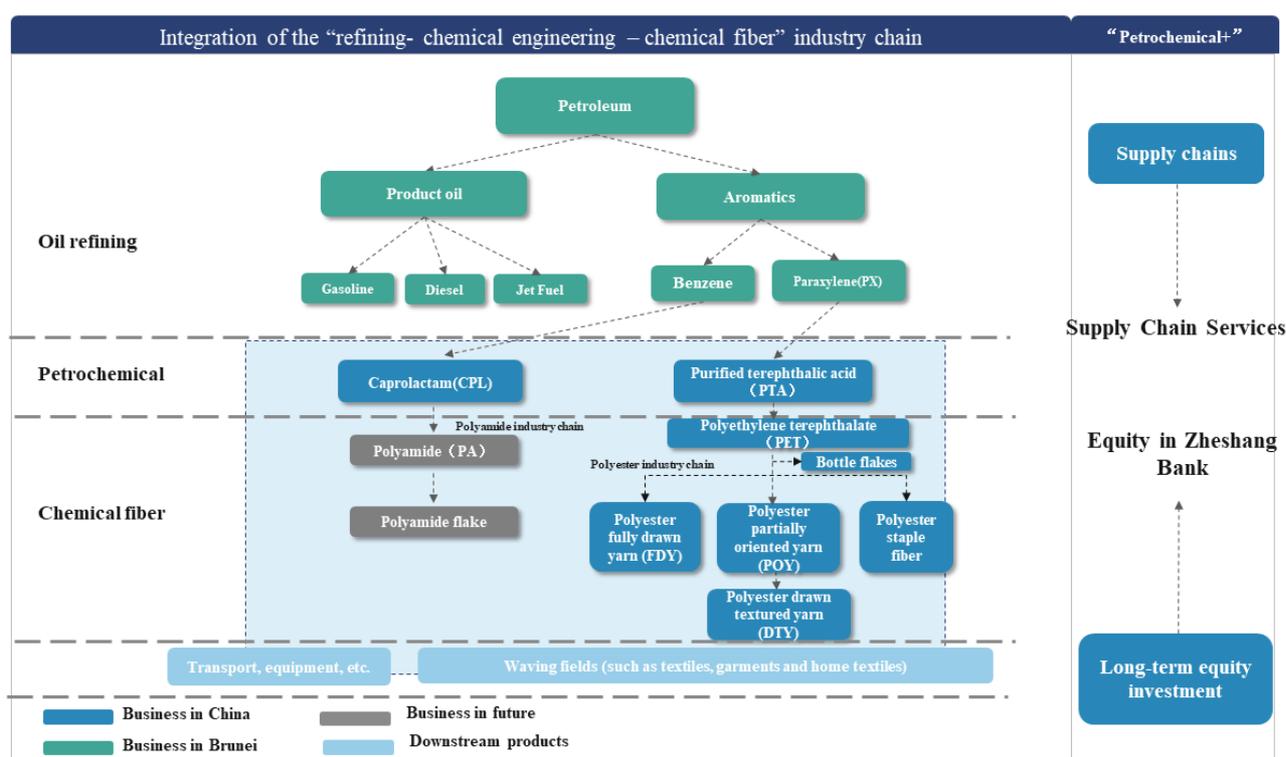
Section III Management Discussion and Analysis

I. Industry in which the company operated during the reporting period

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

(I) Overview

Hengyi Petrochemical (Stock code: 000703.SZ) is a global leading enterprise in the integration of the “refining-chemical engineering-chemical fibre” industry chain. Since its establishment, the company has always focused on its core business, taking "one drop of oil, two threads" as the core of its strategic policy. It has laid out the Brunei refining project in a forward-looking manner, opening up the "last kilometer" of the industrial chain from refining to chemical fibre. This has formed the unique "polyester + polyamide" dual "polyamide" drive mode in China. The company continues to give full play to the comprehensive competitive advantages of "upstream and downstream synergy, domestic and overseas linkage" and has constructed an integrated columnar balanced industrial structure of upstream, midstream, and downstream industry chains.

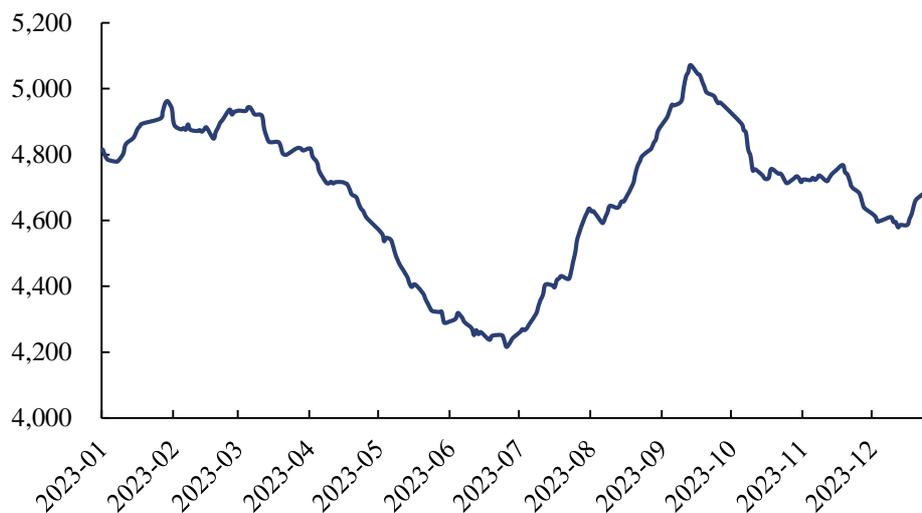


In order to deepen the core competitiveness of its main business, HengYi Petrochemical has continued to push forward the strategic transformation from "Industry Hengyi" to "Technology Hengyi" in recent years, and has built up a system of independent intellectual property rights around the company's core business areas, steadily pushing forward the technological research and development of high-value added products and the innovative optimization of processes. We will steadily push forward the technological research and development of high value-added products, as well as the innovation and optimization of processes, in order to lay a solid foundation for the company's sustainable development. Driven by digitalization and intelligent construction, the company is marching towards the ambitious goal of becoming a leading domestic and world-class private multinational industrial group of "refining, chemical industry and chemical fibre".

(II) Industries in which the company's three major business operate

In 2023, economics in the China achieved steady growth against the backdrop of a faltering global economic recovery and intensifying international geopolitical conflicts. According to the National Bureau of Statistic, China's gross domestic growth (GDP) grew by 5.2% year-on-year (y-o-y) in 2023, and total retail sales of consumer goods for the year increased by 7.2% y-o-y. Focusing on the chemical industry, the boom in the chemical industry was first depressed and then rose in the first three quarters of 2023, before falling back to the median level for the year in the fourth quarter. As of 29 December 2023, China chemical product price index was 4,635, lower than the median value of 4,696 and the average value of 4,657 in the past ten years, still at the low level of the industry cycle.

China chemical product price index in 2023

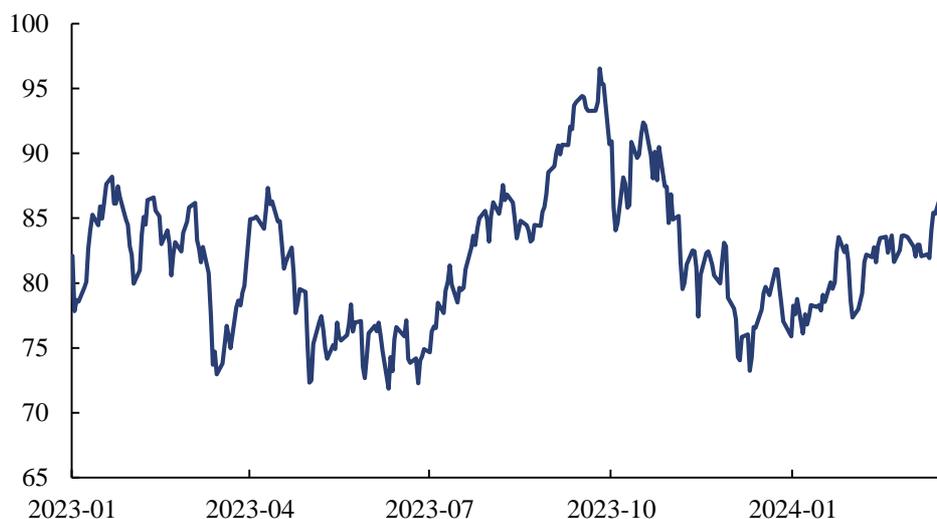


Data sources: WIND

1. Refining and petrochemical industry

In 2023, under the geopolitics, the expectation of interest rate hike in the United States, production cuts by major crude oil producers, banking crisis and other factors, the Brent crude oil futures price is generally running in the range of 70-95 US dollars per barrel, and the overall trend is wide oscillation.

Brent crude oil futures average daily price chart (\$/bbl)



Data sources: CCF

(1) Southeast Asia refined oil market demand gap is large; supply tension situation is difficult to improve in the short term

IEA reporting refers to Asia remains an important region dominating oil demand. From the demand side, Southeast Asia has richer oil and gas resources, but due to the shortage of infrastructure investment, instead of becoming the largest net import market of refined oil in the world, besides, Australian also need import refined oil. In addition, the implementation of the new IMO standard in 2020, a greater impact on the global shipping industry, Singapore as a major shipping base, bunker fuel sulphur content of shipping fuel is mandatory restrictions, some MGO (marine diesel) need to replace marine fuel oil, stock replacement space release, Southeast Asia diesel demand is expected to continue to increase.

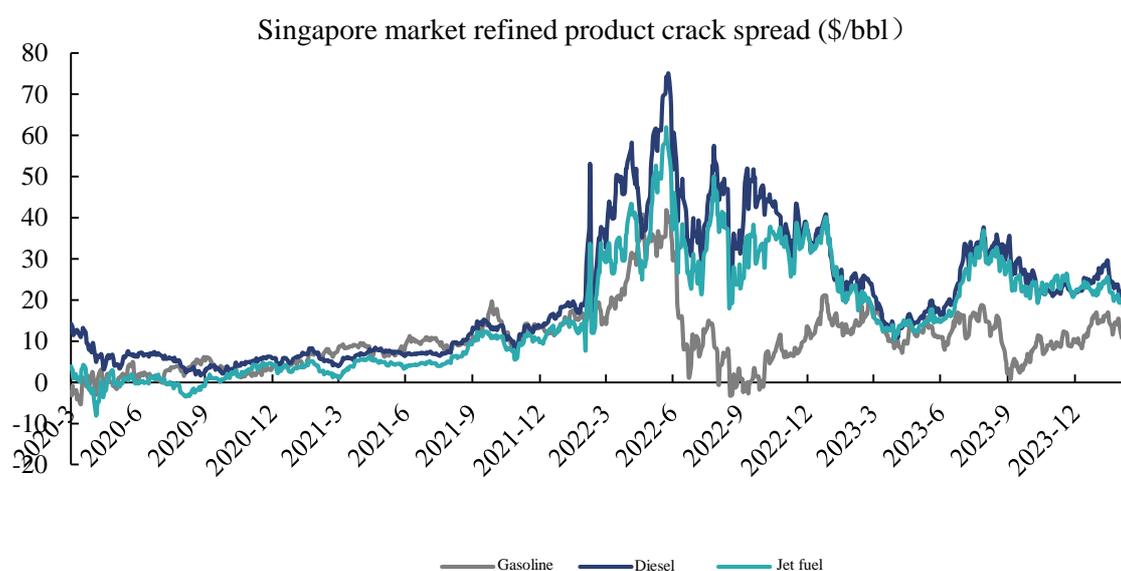
According to the latest forecast released by the International Monetary Fund in January 2024, ASEAN's GDP growth rate in 2024 will remain high, of which Indonesia is expected to grow at a rate of 5.0%, and the Philippines is expected to grow at a rate of 6.0%, which is still significantly higher than the global level, and the favourable trend of the economic expectations may further drive the growth of demand for refined chemical products.

From the supply side, compared with the surplus state of domestic refined oil supply, the gap in the Southeast Asian refined oil market is larger, with an overall surplus of supply over demand. According to Platts data, from 2020 to 2023, more than 30 million tons of refining capacity in Southeast Asia and Australia will be withdrawn from the market due to public health events and energy structure transformation. Some refineries in Southeast Asia are still facing challenges such as early construction of equipment, outdated technology, poor management, and heavy government subsidies burden.

Additionally, with the tightening of global environmental protection policies, refineries are reluctant to expand production, and capital expenditure plans are becoming more cautious. Refiners and chemical companies are also hesitant to increase production, further limiting the future growth of refinery capacity. According to the IEA forecast, the refining capacity in Southeast Asia is expected to remain unchanged until 2028.

(2) Refinery earnings expected to rise as refined oilcrack spreads remain high in Singapore market

As a benchmark for refinery profitability in Southeast Asia, looking at the refinedoil cracking spread in the Singapore market from 2022 to the present, in 2022, the refined oil cracking spread fluctuated significantly due to multiple factors such as geopolitical tensions, drastic fluctuations in crude oil prices, and weak downstream demand. In 2023, the reshaped global refined oil market supply and demand structure, influenced by geopolitical factors, remained relatively stable, resulting in a reduced amplitude of the refined oil cracking spread. There was a noticeable boost starting in the second quarter. Since 2024, the refined oil cracking spread in Singapore has remained at high levels, indicating the potential for sustained and robust improvement in refinery profitability in Brunei.



Data sources: Platts platform

2. PTA industry

PTA is one of the important bulk organic raw materials, widely used in various aspects of the national economy such as chemical fibers, light industry, electronics, and construction. 95% of domestic PTA demand is used in the polyester industry. China now dominates the worldwide PTA market since it is the largest producer and consumer of PTA worldwide because to its ongoing improvement of PTA independent production capacity.

The CCF statistics shows that in 2023 China's actual new PTA capacity expanded by 10 million tons, with a capacity growth rate that dropped from 18.5% in 2020 to 12.8% in 2023. CCF anticipated that in 2024 China's PTA capacity commissioning would continue to slow down and that the rate of capacity expansion would drop to 6%.

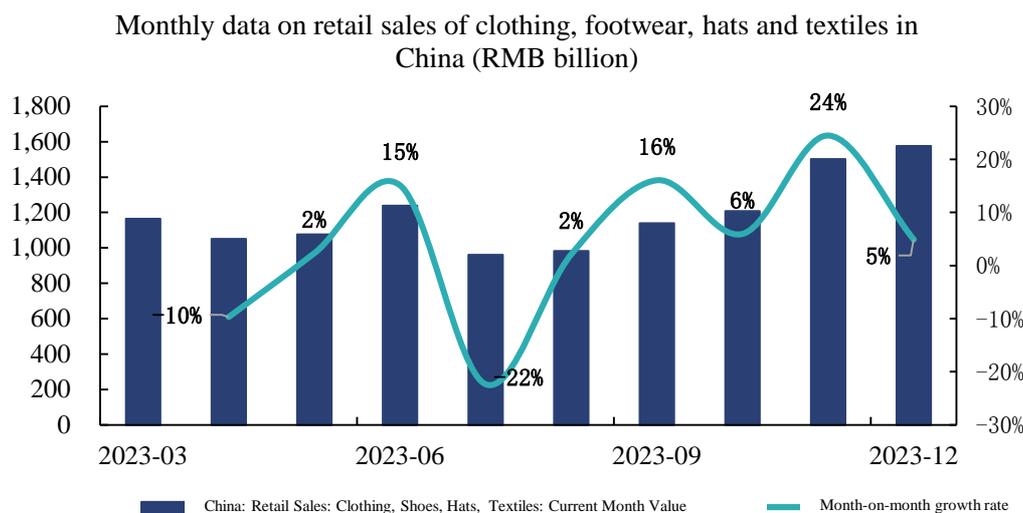
Furthermore, PTA exports are increasing consistently and China's market share in the world PTA market has progressively grown. Chinese PTA capacity accounted for almost 76% of Asian PTA output in 2023; the foreign PTA sector did not add any new units. China's PTA capacity will continue to rise in the future years, accounting for the percentage of Asia and the world. The demand for polyester goods is really high in overseas markets such Bangladesh, Turkey, and other nations; China's PTA exports are still rising.

3. Polyester industry

Polyester fibres are mainly used in clothing, home textiles and technical textiles, etc. The development of the industry is closely related to the downstream demand of the textile and chemical fibre industry.

(1) The downstream demand outlook has significantly improved, driving a steady release of demand for polyester products.

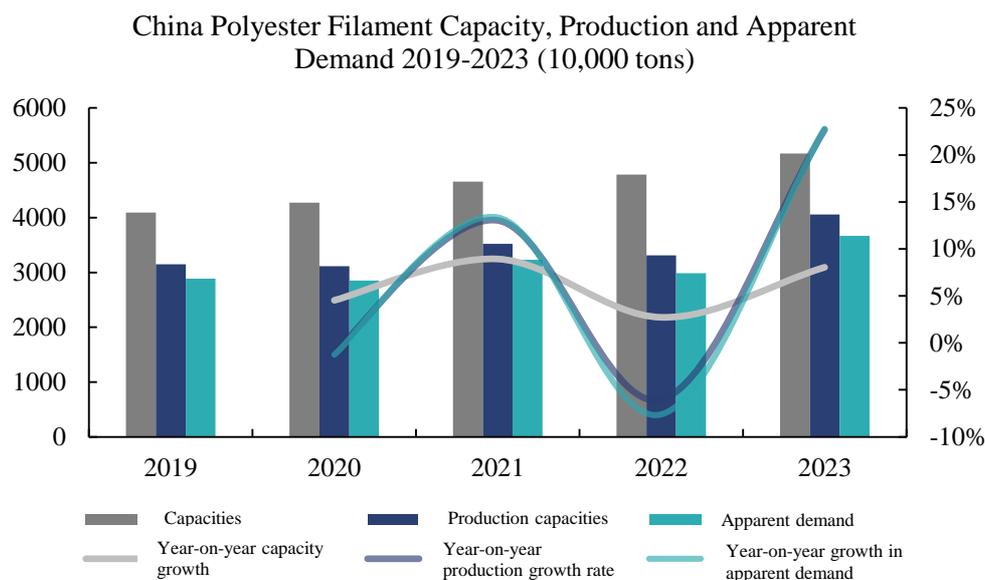
The domestic economy steadily recovered in 2023, and the textile and apparel industries' boom much improved, propelling polyester market production and sales and exhibiting strong development against the backdrop of a slowing down of crude oil price swings. According to the National Bureau of Statistics, China's retail sales of consumer goods overall increased by 7.2% year over year in 2023, up 7.4 percentage points from the prior year; retail sales of clothing, shoes, hats and textile goods in China increased by 12.9% year over year, up 19.4 percentage points from the prior year. Expanding, there was a clear marginal comeback trend in China's retail sales of textiles, needles, headgear, clothes, and footwear in the second half of 2023. The demand is continuing maintaining a better trend, demonstrating a strong momentum of recovery, and the chain growth rate has been growing positively since August, particularly in November when it reached a new record high of 24 percent. Exports in 2023 are little less than in 2022 because of the sluggish recovery of the world economy, geopolitics, supply chain adjustment, and other factors influencing the total export volume of textiles and apparel. China's cumulative textile and apparel exports in 2023 were US\$293.64 billion, down 8.1 percent from the same time last year, but the total value remains high and the export volume is still higher than in 2019. The development of China's textile and garment industries still heavily depends on the international market.



Data sources: National Bureau of Statistics

Notes: In order to eliminate the impact of the irregularities brought about by the Spring Festival holiday and to enhance the comparability of the data, the National Bureau of Statistics does not carry out a separate survey of January statistics, and the January-February data are surveyed and released together.

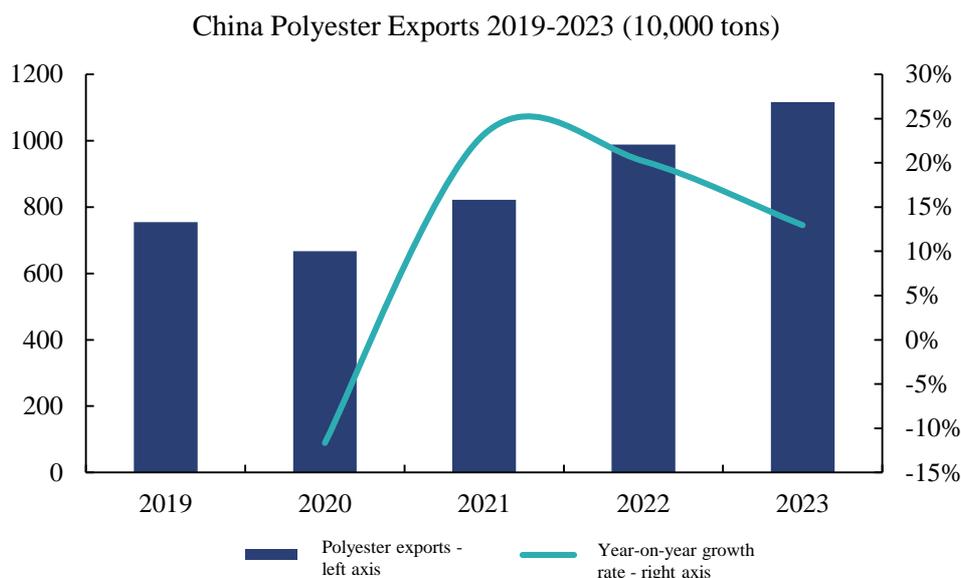
In the textile and apparel industry under the high degree of boom, polyester fibre demand is expected to release, the production of high-load operation, production growth rate hit a record high in the past thirteen years. According to CCF data, in 2023, polyester fully drawn yarn demand growth is strong, and the demand growth rate is much higher than the growth rate of production capacity, which is conducive to the continuous optimization of the industry's competitive landscape. According to CCF data, the apparent demand for polyester fully drawn yarn in 2023 was 36.68 million tons, up 22.8% year-on-year, with the demand side of the boom significantly improved; the net new capacity of 3.85 million tons during the year, the annual production capacity reached 51.68 million tons, an increase of 8.0% year-on-year; the annual production totalled 40.6 million tons, an increase of 22.7% year-on-year.



Data sources: CCF

(2) Strong demand in the overseas market, exports maintain high growth rate

In recent year, the polyester productions widely used in the apparel, industry and other fields due to its excellent performance, favoured by international market, of which filament, bottle chips and other products are in greater demand. China's polyester industry has outstanding advantages in technological innovation, product quality and cost control, etc., and is actively expanding overseas markets, continuously improving brand awareness and market share, China's polyester product exports maintain a better trend. According to CCF statistics, the total export volume of China's polyester industry (including polyester fully drawn yarn, polyester staple fibre, polyester chips, polyester bottle flakes and polyester film) in 2023 was 11.16 million tons, up 13.0% year-on-year, with the growth rate maintaining a high level. Among them, the export volume of polyester fully drawn yarn is 3.99 million tons, up 20.7% year-on-year; the export volume of polyester staple fibre (including virgin and recycled polyester staple fibre) is 1.205 million tons, up 21% year-on-year; the export volume of polyester chips is 855,000 tons, up 12.4% year-on-year; and the export volume of polyester bottle flakes is about 4.55 million tons, up 5.6% year-on-year.



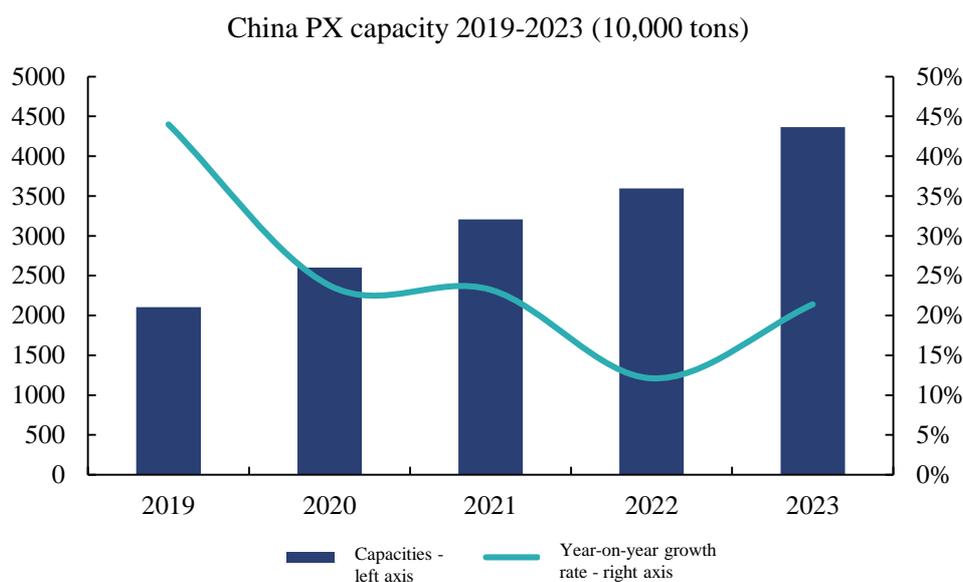
Data sources: CCF

(3) Outdated production capacity continues to be eliminated and the competitive landscape is further optimized

While demand continues to pick up, industry concentration on the supply side is expected to further increase, with the competitiveness of leading companies highlighted. According to CCF statistics, in 2023, some factories or installations have been clearly withdrawn, and the annual polyester fully drawn yarn production capacity withdrawal totalled 1.01 million tons. The industry device old and backward, lack of technological innovation ability of the plant, the future will gradually withdraw from the industry competition, backward capacity clearance may speed up. In addition, along with the dual-carbon policy and equipment supply requirements continue to improve, the threshold of entry into the industry will be further increased, polyester industry market concentration will continue to be optimised. At the same time, the company as an industry leader, with obvious technological innovation and scale advantages, with strong market competitiveness, operating efficiency is expected to improve.

(4) Upstream raw material supply tends to loosen; profit is expected to shift to the downstream polyester side

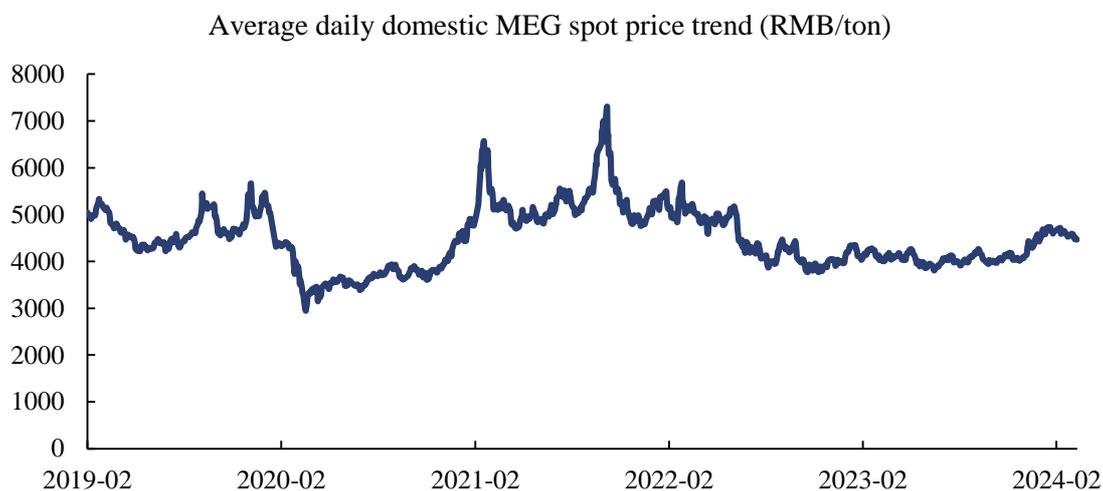
Important raw materials for the polyester industry mainly include paraxylene (PX), purified terephthalic acid (PTA) and ethylene glycol (MEG). For many years, China's PX is highly dependent on imports, and its independent production capacity is limited, while in recent years, along with the integrated construction of the domestic chemical fibre industry chain and technological breakthroughs, the domestic PX production capacity has been gradually enhanced, and according to CCF statistics, the domestic PX production capacity in 2023 will be 43.67 million tons, a year-on-year increase of 21.4%. Accompanied by the continuous improvement of production capacity, the domestic PX import dependence is reduced from 50% in 2019 to 21.3% in 2023.



Data sources: CCF

According to CCF statistics, the global MEG new capacity in 2023 is 3.95 million tons, of which 3.1 million tons of new domestic capacity, 850,000 tons of new foreign production capacity, import dependence from the previous period of 35.5% to 30%, the independent supply capacity to further enhance. From the price point of view, 2013 - 2023, MEG prices generally show a downward trend, the price in recent years is at a

low level, directly bringing the polyester industry cost end down. The continued expansion of domestic PX, PTA and MEG production capacity is conducive to the transfer of industry chain profits to the polyester industry.



Data sources: CCF

(5) Actively building a high-end, intelligent and green chemical fibre industry

During the "14th Five-Year Plan" period, China based on the new development stage, the implementation of the new development concept, and the construction of a new development pattern, which put forward higher requirements for the high-quality development of the chemical fibre industry. In 2022, the Ministry of Industry and Information Technology and the Development and Reform Commission of the two ministries and commissions jointly issued the "Guiding Opinions on the High-quality Development of the Chemical Fibre Industry", which put forward A series of high-quality development goals to guide the chemical fibre industry to build a high-end, intelligent, green and modern industrial system, and comprehensively build a strong chemical fibre country. In the face of the new development situation, the chemical fibre industry focuses on research and development of new technologies to promote the development of the industry to high-end, intelligent and green. In terms of digital

transformation and upgrading, leading polyester enterprises have established a PTA-polyester-spinning-trading polyester fibre whole industrial chain industrial internet platform system, developed data-driven fibre high-efficiency production of the whole process of intelligent management and control technology, and achieved large-scale, flexible and green production, as well as high-value and efficient fine management.

(III) Industry position of the company's three major businesses

1. Refining and petrochemical segment

As a unique overseas refinery operator among private large refineries, the company has successfully built the largest single overseas project among private enterprises in terms of investment. In the future, along with the completion and commissioning of the phase II of the company's Brunei project, the company is expected to usher in new development opportunities.

According to Platts data, as of 31 December 2023, Southeast Asia's refining capacity will be approximately 271 million tons, in line with 2022. As the profitability of refined products continues to trend better in 2023, there is no exit capacity, but it is still lower than the 278 million tons in 2020, with the phase I of the Hengyi Brunei project accounting for 3% of the total capacity.

Phase I of Hengyi's Brunei project introduced the world's largest single-series aromatics plant and the world's sixth flexible coking process plant, which has a significant latecomer's advantage in terms of lower unit production costs and cleaner and more environmentally friendly products. After the completion of the second phase of the Brunei project, the advantages of refining and chemical integration will be further revealed under the trend of overall transformation and upgrading of the petrochemical industry. In addition, due to the Southeast Asian countries in the future new refining

capacity is limited, and Southeast Asia itself there is a shortfall of refined oil, supply and demand is expected to continue to be tight, Brunei refining project is expected to benefit significantly.

2. PTA segment

According to CCF data, China's PTA capacity is 80.615 million tons as at 31 December 2023. As a leading company in the PTA industry, the company has four major PTA bases, with a total PTA capacity of about 21.5 million tons, strategically laid out along the coastline from north to south in Dalian, Liaoning Province, Ningbo, Zhejiang Province and Yangpu, Hainan Province. Moreover, according to CCF data, as of 31 December 2023, the national PIA capacity is 550,000 tons and the company's PIA capacity is 300,000 tons.

3. Polyester segment

CCF data indicated that the majority of polyester productions capacity is focused in the Asia-Pacific region, and China is the world's leading textile exporter. As of 31 December 2023, the total national polyester production capacity was 79.84 million tons, an increase of 13% year-on-year, of which 51.68 million tons were polyester fully drawn yarn production capacity, 9.43 million tons were polyester staple fibre production capacity, and 16.61 million tons were polyester bottle flakes production capacity. The company participates in the holding of polymer production capacity of 11.115 million tons, including polyester bottle flakes (including RPET) capacity of 3.6 million tons; polyester fibre production capacity, including polyester filament 6.335 million tons, 1.18 million tons of staple fibre. In recent years, the company has been increasing the proportion of differentiated fibre varieties, focusing on the promotion of differentiated filament products, and accelerating the promotion of the new green and environmentally friendly product "Yitaikang", which continues to lead the

technological progress of the chemical fibre industry.

II. Major businesses in which the Company was engaged during the reporting period

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

(I) Overview of major operations

During the reporting period, the corporate continued to concentrate in the petrochemical and chemical fibre industry chain, and continuously leverage "Petrochemical+" segment, which includes supply chain services and long-term investments on equity, to support our main business.

1. Petrochemical and chemical fibre business

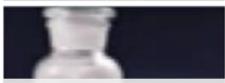
The Company is deeply engaged in the petrochemical and chemical fibre industry, and has developed into a leading private multinational enterprise integrating "refining-chemical engineering-chemicalfibre" in China. During the reporting period, the Company continued to extend and strengthen the chain, enrich the product range and optimize the product structure, which effectively consolidated the core competitiveness of the main industry, enhanced the profitability of the products and strengthened the ability to withstand market risks.

During the reporting period, the main products of the company include refined oil such as gasoline, diesel oil and aviation paraffin; petrochemical products such as chemical light oil, liquefied petroleum gas (LPG), paraxylene (PX), benzene, purified

terephthalic acid (PTA) and caprolactam (CPL); polyester bottles and chips and other packaging products, as well as polyester products such as polyester pre-oriented yarn (POY), polyester drawn yarn (FDY), polyester textured yarn (DTY), polyester staple fibre and polyester (PET). Polyester products such as PET chips are widely used to satisfy the rigid needs of the country's economy and people's livelihood, and to meet the people's aspirations for a better life.

As of the disclosure date of this report, the Company has a refining design capacity of 8 million tons, a PTA production capacity of 21.5 million tons, a polymerisation production capacity of 11.12 million tons and a caprolactam production capacity of 400,000 tons.

Company's main product characteristics and application areas

Mode I	Main Products	Application fields	
Crude oil	 Gasoline, diesel, jet fuel, etc.	<p>Mainly used as fuel for various fuel-powered equipment and heating. Used for vehicles such as cars, motorcycles, speedboats, helicopters, agricultural and forestry aircraft, vehicles with diesel engines (including trains), ships, and diesel boilers.</p>	
	 PX  PTA  PIA  CPL	<p>A type of hydrocarbon, a colorless and transparent liquid with widespread applications, it is the main raw material for producing purified terephthalic acid (PTA), and is also used in the synthesis of plastics, pharmaceuticals, pesticides, and more.</p> <p>Mainly used in the production of polyester products, widely applied in various sectors of the national economy such as clothing, decoration, electronics, and construction. 75% is used for polyester fibers, 20% for bottle-grade polyester, 5% for film-grade polyester, with downstream demand primarily from consumers.</p> <p>PIA is a white crystalline powder or needle-like crystals used in the production of alkyd resins, unsaturated polyester resins, other polymers, and plasticizers. It is also used in manufacturing photographic film sensitizers, coatings, polyester fiber dye modifiers, and pharmaceuticals.</p> <p>Mainly used in the production of nylon fibers, engineering plastics, plastic films, etc., widely applied in industrial and civilian fields.</p>	
Polyester products	 POY	<p>Can be used for reprocessing to produce DTY and fiber products with special styles, widely used in the clothing and industrial sectors.</p>	
	 FDY	<p>Can be directly used for weaving, used in the production of apparel, decorative fabrics, etc., widely applied in the apparel and industrial fields.</p>	
	 DTY	<p>Directly used for weaving, widely used in the apparel, industrial fields, apparel fabrics, and linings.</p>	
	 PET staple fiber	<p>Mainly used in spinning, nonwovens, filling, and other fields, among which nonwovens can be used as important raw materials for products such as masks, disinfectant wipes, and disposable protective equipment.</p>	
	 PET flakes	<p>Widely used in indirect spinning, producing filament yarns, staple fibers, and other textile raw materials, and can also be used in tape casting for producing plastic and other products.</p>	
	 PET bottle flakes	<p>Mainly used for food packaging such as cola bottles, beverage bottles, water bottles, oil bottles, etc.</p>	

The production capacity of major products in the chemical and synthetic fibre industry		
Category	Products	Shareholding and controlling production capacity (10,000 tpa)
Refined oil	Gasoline, diesel, jet fuel, etc.	565
Chemical products	Chemical products such as PX and benzene	265
	PTA	2,150
	PIA	30
	CPL	40
Polyester products	Polyester fibre	751.5
	Polyester bottle flakes (including RPET)	360

2. “Petrochemical +” business

In the face of the severe challenges of increasing uncertainty in the domestic and international situation, the company firmly adheres to the core business of "one drop of oil, two threads", and protects the company's steady development in all aspects by constructing the "petrochemical +" business.

(1) Supply Chain Services to Enhance Product Operations

In order to reduce the negative impacts of global geopolitics, energy security and other factors on the industrial chain and supply chain, the Company unswervingly pursues and builds a supply chain system that is both resilient and stable, enhances the independent control of the supply chain, promotes the healthy and stable development of the industry, and ensures that the Company's strategy is steadily advanced. The Company has continued to strengthen its supply chain co-operation and service

management capabilities, and has 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, so as to realize the effective integration of online and offline. Among them, the intelligent logistics management platform (HTMS) is one of the functionalized applications of HengYi Micro Mall, and the synergistic price enquiry, quick order, market information, financial services and other ancillary services have contributed to the continuous explosive growth of the system's trading volume. Meanwhile, the company has pioneered the establishment of an omni-channel logistics control system and built a three-party logistics and transport platform. In addition, the company strengthens the construction of digital factory through the deep integration of digital intelligence management, and actively explores the production of flexible personalized customization through the means of big data to create a flexible, controllable and efficient supply chain industry chain system.

With the sustained and stable operation of the first phase of the Brunei project, the company is actively developing the supporting maritime business, accelerating the implementation of integrated management of supply chain services, and forming an intelligent supply chain closed-loop system of "factory-products-warehouse-logistics-customers". The company will accelerate the implementation of integrated management of supply chain services, forming an intelligent closed-loop supply chain system of "factory-product-warehouse-logistics-customer", and leading the industry in the upgrade of intelligent supply chain services.

(2) Long-term equity investment boots company's profit

Zheshang Bank founded in 2004, which is one of the 12 national joint-stock commercial banks approved by the China Banking Regulatory Commission, and was listed on the Main Board of the Hong Kong Stock Exchange on 30 March 2016 and on the Shanghai

Stock Exchange on 26 November 2019, becoming an "A+H" listed bank. ZCB has developed into a high-quality commercial bank with solid foundation, excellent efficiency, rapid growth and sound risk control. With the completion of the "A+H" layout and the further optimization of its development strategy, Zheshang Bank is poised to accelerate its development and continue to create value for its shareholders. According to the 2023 annual report released by ZCB, ZCB achieved operating income of RMB63.70 billion and net profit of RMB15.49 billion in 2023; as of the end of December 2023, ZCB's total assets amounted to RMB3.14 trillion, representing an increase of 19.91% compared with that at the end of the previous year. With the vision of "a first-class commercial bank" as the overall leader, ZCB focuses on the 12-word operation policy of "strengthening foundation, adjusting structure, controlling risks and creating benefits", focuses on the four strategic priorities, carries out the operation strategy of building up the ballast of weakly sensitive assets in the economic cycle, and raises the flag of "Good Financial Services" to lead the financial development towards goodness. The Company has achieved coordinated development in terms of scale, efficiency and quality, and has continued to maintain a steady and positive trend in its business development by promoting high-quality development through intelligent management.

(II) Operation model

1. Procurement model

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

power.

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

2. Production model

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

The Company's refined 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 refined oil and chemical products, according to the market demand.

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

3. Sales model

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

(1) Sales model of refined oil and chemical products (PX, benzene, etc.)

The Company's refined 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. Refined oil is mainly sold to Brunei, other Southeast Asian countries and Australia. When selling to local enterprises in Brunei, the Company usually signs sales contracts directly and the settlement mode is letter of credit. The Company's sales to other Southeast Asian countries and Australia are mainly through Singapore Commodity Exchange. Sales contracts are directly entered into with customers and the settlement mode is letter of credit.

(2) Sales model of PTA products

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

After receiving the payment for goods from customers, the products are delivered directly from the Company's warehouse. The settlement mode for sales of PTA products is “payment before delivery”, or “collect on delivery”, usually by wire transfer, acceptance draft or letter of credit.

(3) Sales model of polyester fibre products

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

4. Business model of supply chain service business

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

(1) Trading business

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

ensure production and operation, strengthen supply chain stability and reduce the risk of price fluctuation, petrochemical enterprises need to smooth supply and demand and hedge risks through trade business in procurement and sales.

The company has never carried out trade in products unrelated to its main business, insisting on the principle of positioning trade business to serve the main business, and trading varieties around the main business and core products. Among them, crude oil, refined oil and other oil products are the main raw materials and products of Brunei project of the company, PX is the raw material of the company's main product PTA, PTA and MEG are the main raw materials of the company's polyester products. The above trading business is conducive to the Company's access to spot market information and revenue through trading, as well as the Company's need for inventory management of raw materials and products, which can stabilize the supply chain and hedge against the risk of price fluctuations.

(2) Logistics warehousing and other operations

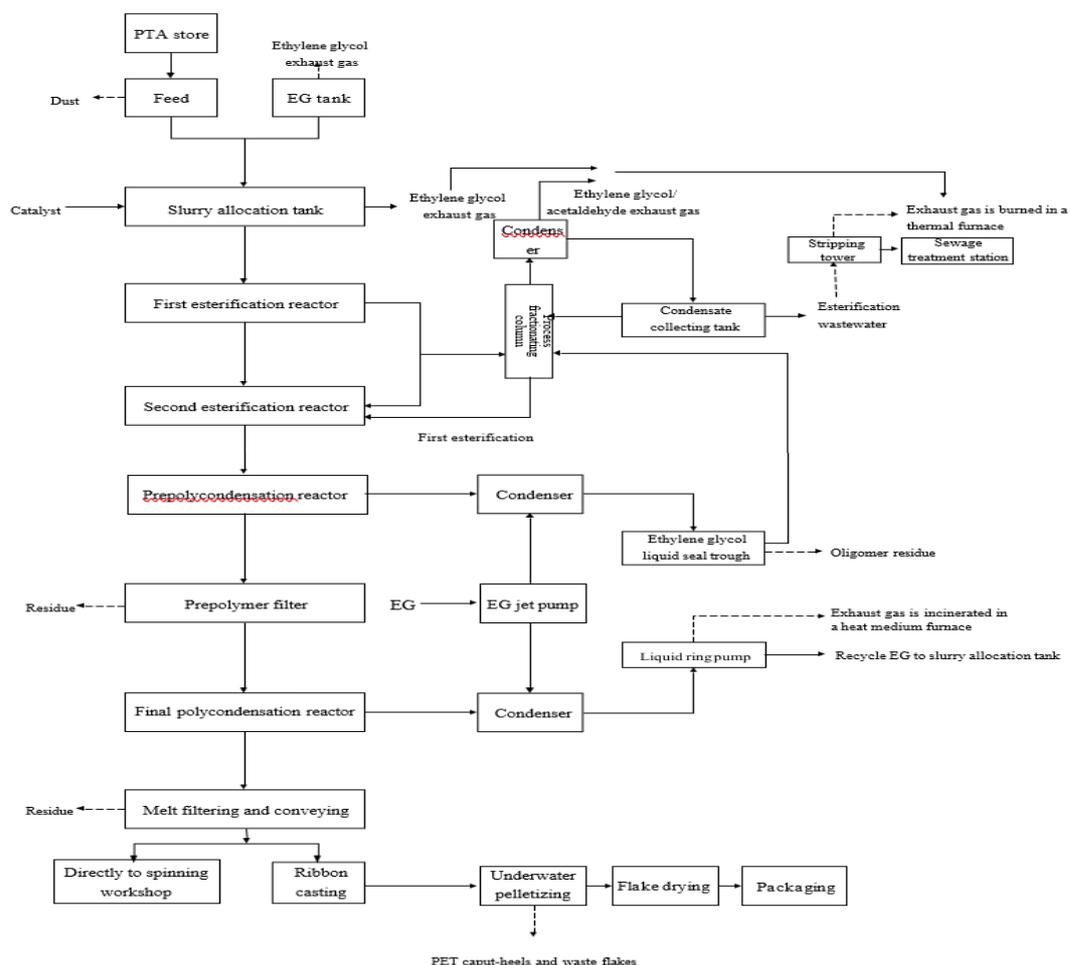
The company's logistics segment provides raw material and product transport services for the upstream and downstream industries of Hengyi Petrochemical. Its business covers raw material transport, product transport, foreign trade transport and international transport, etc. The company is deeply engaged in the domestic market and is gradually moving towards the overseas market, and its business scope involves international sea transport and land transport. Its main business model is raw material transport, product transport, foreign trade transport and international transport and other logistics services.

(III) Process flow charts of main products

1. Production flow of refined oil/chemical products

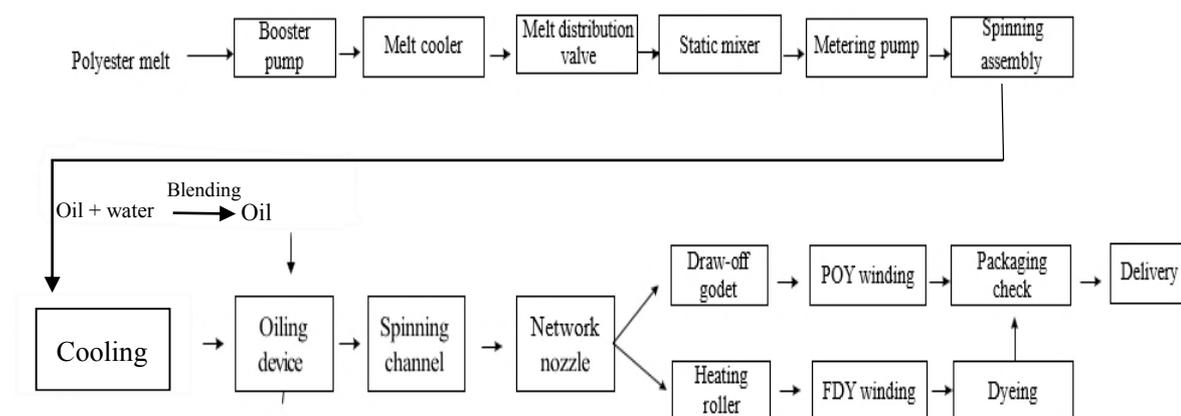
3. Polyester esterification polycondensation process

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 Polycondensation and final polycondensation is filtered by melt filter, and is distributed through a specially designed melt distribution system. Part of it is sent to the spinning device for melt direct spinning, and the other part is sent to the flake production system for ribbon casting and pelletizing. The specific flow chart of polyester esterification, polycondensation and other reactions is as follows:



4. Production flow of POY/FDY

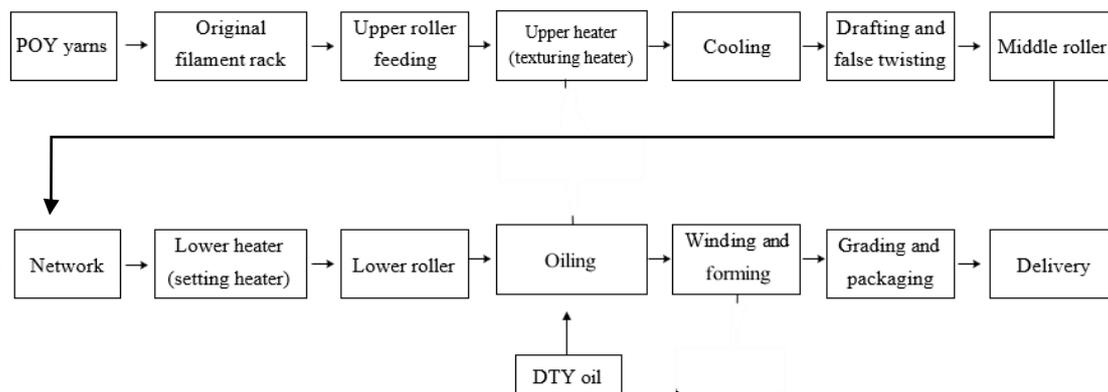
The production process of POY and that of FDY are basically the same. The polyester melt is connected and transported to the device from the outlet of the melt distribution valve of the polyester device, and then is divided into two systems through the melt three-way valve. On the way, it is pressurized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



5. Production flow of DTY

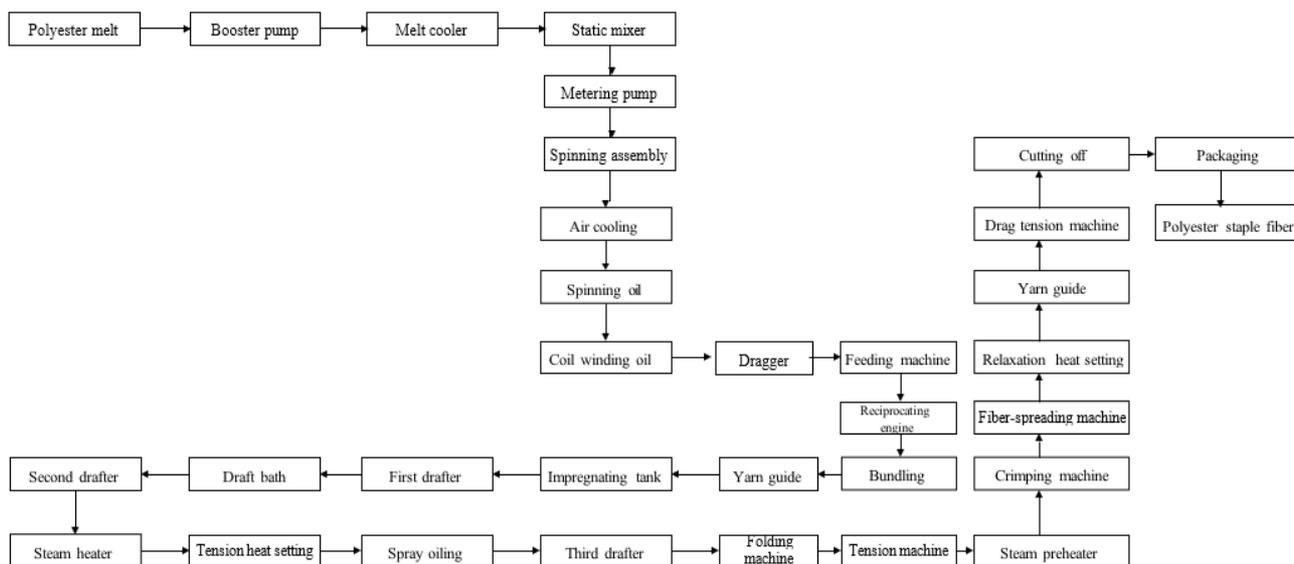
The POY yarn on the yarn tube rack is wound into a DTY yarn tube and becomes a finished product after it passes through yarn guide, feeding roller, texturing heater, cooling, drafting, false twister, feeding roller in the middle, network, heater, delivery

roller and oil roller.



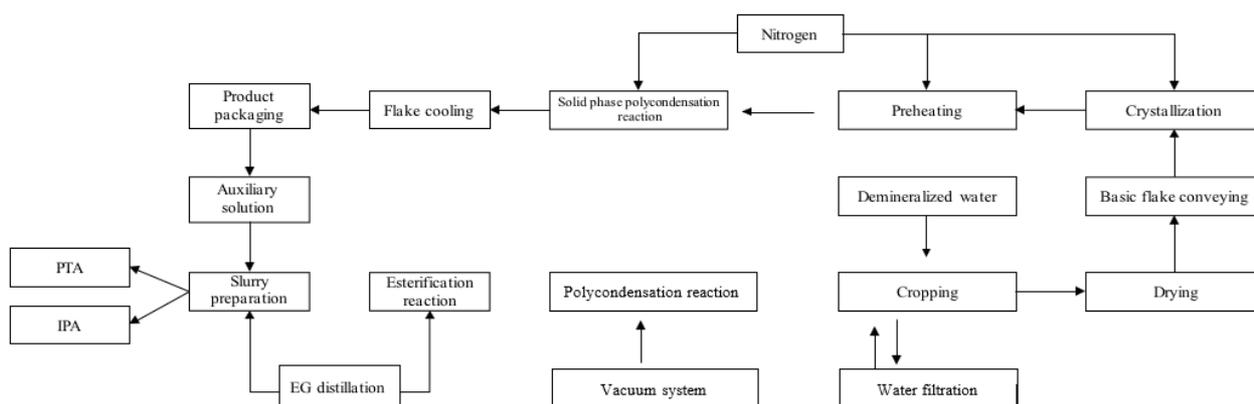
6. Production flow of staple fibre

Polyester staple fibre is a kind of fibre that is transported to the spinning machine through melt, spun into shape, cut into fibres 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 packing.



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 fibre 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.



(IV) Highlights of company's operations during the reporting period

In 2023, against the background of steady growth in the domestic economy and the continued rebound in demand from the downstream textile and apparel industries where the Company operates, the Board of Directors and the management of HYPC insisted on innovation as the leader, technology as the foundation, and quality and efficiency enhancement as the guidance, and relied on many years of experience in operation and management of the chemical industry and its strategic advantages to keep close to changes in end-use demand, flexibly adjust the market strategy, and steadily and steadily enhance the operating efficiency of the main business. At the same time, the Company made full use of its advantageous resources, continued to optimize its industrial layout, ensured the smooth commissioning of its projects, pushed forward the construction of major strategic projects, built up momentum and empowered itself for high-quality development, and actively overcame the impact of unfavourable factors to push forward the stable and positive operating results for the whole year.

During the reporting period, the company implemented the third and fourth phases of its share repurchase plan. The third phase of the share repurchase plan has been completed, with a total repurchase of 150.8138 million shares, accounting for 4.11% of the company's total share capital, with a transaction amount of RMB 1.112 billion. As of March 31, 2024, the cumulative repurchase of shares under the fourth phase of the share repurchase plan amounted to 64.5755 million shares, accounting for 1.76% of the company's total share capital, with a transaction amount of RMB 430 million. The company's cumulative repurchase amount of four-phase share repurchase plan reached RMB 2.675 billion. Additionally, in 2023, the company implemented and completed the fifth phase of its employee stock ownership plan, purchasing 87.1678 million shares of company stock, accounting for 2.38% of the company's total share capital, with a transaction amount of RMB 675 million. The cumulative amount of five-phase employee stock ownership plan reached RMB 4.437 billion. The continued implementation of share repurchase plans and employee stock ownership plans demonstrate the company's strong confidence in its own value and future development.

The key operational priorities that drove the Company's performance during the reporting period are set out below:

1. Tackling difficulties and promoting the upgrading and operation of key projects

(1) Successful completion of the phase I of the Brunei project's technical renovation, with profitability gradually improving

In 2023, under the macro background of unstable global economic recovery momentum, geopolitical risk exposure becoming bigger, downstream demand to be boosted, Southeast Asia's economy showed strong resilience, economic development to maintain a better trend, the demand for refined oil to obtain a strong support, and at the same time by the backward production capacity to continue to exit, geopolitics and other factors, the supply pattern of refined oil continues to be tight, in the context of demand

exceeds supply, the Under the background of supply exceeding demand, Southeast Asia refined oil market maintains a booming pattern, driving Brunei Refining's profitability to improve. Meanwhile, the first phase of Brunei project achieved safe and smooth operation throughout the year. In addition, based on years of operating experience in Southeast Asia, the Company continuously summed up and improved its production and sales strategies, adhered to the market-oriented approach, followed the demand trend, grasped the development opportunities, and made every effort to enhance the operating efficiency of the refining and chemical segment.

During the reporting period, the Company successfully completed the "first technical transformation" of Brunei Project Phase I, focusing on the working theme of "ensuring safety, adjusting structure, stabilising operation and seeking development". Through this scheduled turnover, the process and equipment indexes of Brunei Project Phase I have been greatly improved, which further enhanced the competitive strength of Brunei Project Phase I in the international market. We are fully prepared for market demand to improve, and the marginal profit contribution is expected to continue to improve.

In the report period, the company ensured stable operation of Phase I of the Brunei project. Measures were taken to actively respond to fluctuations in crude oil prices and product price differentials. This involved procuring various types of crude oil materials suitable for the company's processing, thereby reducing upstream costs. Simultaneously, the product structure closely followed market changes. Rational adjustments were made to the production volumes of chemical light oils, gasoline, diesel, aviation kerosene, benzene, and PX. Clean oil products, benzene, PX, and diesel each accounted for approximately one-third of the total production, aiming to maximize the operational efficiency of Phase I of the Brunei project. During the reporting period, Phase I of the Brunei project operated at high capacity, producing mainly refined oil products (diesel, gasoline, chemical light oil, liquefied gas, etc.), as well as chemicals (PX, benzene, etc.).

The production volumes were 5.8024 million tons and 1.8184 million tons respectively, while the sales volumes were 5.825 million tons and 1.8277 million tons respectively. Sales revenue amounted to 31.841 billion yuan and 12.146 billion yuan (external sales amount). This further enhanced the global recognition of the "Hengyi" brand and contributed to the continuous improvement of the company's competitive advantage through the vertical integration of the industrial chain.

In 2023, the performance of Brunei Phase I refining project was under pressure, mainly due to (1) in the first half of 2023, the Brunei refinery implemented technical renovation work, with higher expenditure on technical renovation costs, and at the same time, the technical renovation period still needs to bear fixed costs such as manpower costs, depreciation, and so on; and (2) the interest rate of overseas US dollar borrowings rose, resulting in a significant increase in the company's financial expenses compared with the same period of the previous year.

As of the disclosure date of this report, the Company's Brunei project's international operation advantages have become more prominent, mainly including:

- High level of support from both Chinese-speaking countries and long-term tax incentives
- Brunei is politically stable and the project is in line with Brunei's 2035 ambitions;
- The project is in line with the national "Belt and Road" strategy, and the syndicated loan has national strategic support;
- The products are free of customs duty, personal income tax, business tax, salary tax, production tax and export tax;
- The project has been granted eleven-year tax exemption for pioneer enterprises and preferential treatment for export enterprises, and can enjoy longer-term corporate income tax exemption.
- Brunei's significant geographical advantage, enabling strategic development of the industry

- Brunei is closer to the crude oil supplying area and close to the Singapore crude oil trading market, which is convenient for crude oil procurement and has lower logistics cost;
- Refined oil products produced by the project are sold to Southeast Asia and Australia, with strong demand in Southeast Asia, Brunei project has a short sales radius and low logistics cost;
- Chemicals can be supplied to the downstream supporting digestion of its own industrial chain, realizing integrated industrial chain operation.
- Technological advantage of latecomer, unit cost continues to improve
- The project is fully equipped with its own power plant, with obvious cost advantages in public works;
- The main production units, such as hydrocracking, reforming and PX unit, adopt the latest advanced technology, which has the technical characteristics of low running cost and high product conversion rate, and reduces the production cost of PX;
- Low-temperature heat reuse technology is adopted, and the waste heat is used for seawater desalination, which reduces the seawater desalination operation cost and the comprehensive energy consumption index of PX production;
- Residual oil treatment adopts the latest flexible coking process, which can be produced continuously, reducing labour costs, and the by-produced fuel gas reduces fuel costs. Compared with the traditional process, the closed production of the plant is more environmentally friendly, and the harmless treatment of residual oil has been realized;
- Liquid-phase diesel hydrotreating technology is adopted, which can meet the new international diesel standard and at the same time reduce the investment and energy consumption of the plant;
- Brunei has a mild climate all year round and no natural disasters. As a rich oil producing country, it has abundant oil and gas resources, which can provide part of the crude oil and reduce the logistics cost of crude oil.

(2) Vigorous construction of key projects and solid advancement of industrial layout

In 2023, driven by the high prosperity of the textile and apparel industry, the start rate of the PTA industry basically remained at around 80%, and the growth rate of polyester industry output hit a record high in the past thirteen years. Against this backdrop, the company's PTA and polyester segments maintained high annual average work rates, higher than the industry average, to achieve efficient production of each project and give full play to the economies of scale.

During the reporting period, the company's joint venture Hainan Yisheng annual output of 2.5 million tons of purified terephthalic acid (PTA) project entered the trial production stage; annual output of 1.8 million tons of functional materials project, the first set of 600,000 tons of annual production capacity of the device has been trial production, the two sets of 1.2 million tons of annual production capacity of the device will be carried out in 2024 for the trial production, which will further enhance the company's position in the industry. At the same time, the company vigorously promote Qinzhou "annual output of 1.2 million tons of caprolactam - polyamide industry integration and supporting projects", after the project is completed and put into operation, the company's performance is expected to further thicken, increase the company's market share in the field of bottle flakes, nylon and other areas, effectively strengthen the downstream industrial chain, give full play to the company's "Polyester + polyamide" double "spandex" drive unique advantages, and further enhance the upstream and downstream highly matched balanced integration of industry chain advantages.

2. Technology leadership, accelerate the “industrial Hengyi” to “science and technology Hengyi” innovation transformation

In 2023, the Company will focus on the core key technology of "one drop of oil, two threads", strengthen the investment in R&D of scientific and technological innovation, strongly promote the comprehensive innovation with science and technology as the core, accelerate the transformation and application of relevant high-tech achievements, and build up momentum and empower the Company's high-quality development. During the reporting period, the Company actively introduced high-level R&D talents, optimized the incentive mechanism and system for scientific research, and actively created a corporate innovation culture of "creating and sharing"; at the same time, the Company actively cooperated with Zhejiang University, Donghua University and other famous universities in China to build the "Hengyi Scholars Laboratory", which is led by famous professors in the industry. At the same time, the company actively cooperates with Zhejiang University, Donghua University and other famous universities in China to build the "Hengyi Scholars Laboratory" led by famous professors in the industry, and establishes a joint research and development platform to break through the bottlenecks of research and development, and to develop forward-looking innovative technologies.

In 2023, the company invested RMB 744 million in R&D, with a total of 1,027 R&D personnel, accounting for 6.61% of the company's total headcount, of which the number of R&D talents with doctoral degrees was 79. As of the end of the reporting period, the company's innovation achievements continue to emerge, and Hengyi and its subsidiaries have 422 validly authorized patents, of which 262 are valid invention patents. The company's innovation development has achieved milestones, laying a solid foundation for the next step of scientific and technological innovation development.

During the reporting period, Hengyi Petrochemical, relying on years of experience in the petrochemical and chemical fibre industry, continued to play a leading role in the industry, and the company has won major scientific and technological awards such as the "First Prize of Scientific and Technological Progress of China Textile Association

in 2023", "Second Prize of Zhejiang Provincial Technical Invention Award", "Second Prize of Technical Invention Award of China Chemical Industry Association in 2023", etc. The company has taken part in the formulation and revision of a total of 40 standards, among which there are 10 national standards, 24 industry standards and 6 group standards.

During the reporting period, the company focused on strategic R&D directions, breaking through key R&D projects such as "Research and Development Project of Flame Retardant Cationic Polyester Fibre", which demonstrated its strong R&D strength; and realizing the "Polyester Titanium Polycondensation Catalyst Preparation Technology". The industrialization of projects such as "Polyester Titanium Condensation Catalyst Preparation Technology", "Green Manufacturing of TiO₂ Matting Agent for Nylon and Complete Set of Technology for Industrialization and Application of Fully Matting Nylon" and "Research and Development of Zinc Oxide Antibacterial Polyester Fibre" has enhanced the competitiveness of the differentiated products and injected new impetus for the company's long-term and steady development.

3. Keeping up with demand and strengthening production and marketing linkages

In 2023, to enhance the market sensitivity of various business departments and leverage the guiding role of "Hengyi Brain" in scientific decision-making, the company established the "Industry Chain Research Group" on the basis of the original "Market Information Tracking Professional Team." This group deeply covers various segmented markets upstream and downstream of the "Refining-Chemical-Fiber" industry chain. It conducts in-depth analysis from the perspectives of market data, industry dynamics, etc., and regularly produces professional research reports. These reports serve as the basis for important decisions such as company production and sales coordination, strategic planning, etc. The group has become an indispensable "nerve center" for the company.

Relying on the digital visualization platform "Hengyi Brain" and its research team, the Company gained insights into domestic and overseas market conditions, strengthened market prediction, swiftly adjusted its business strategies, and optimized its product and market structure to meet market demand and strengthen its competitive strength. During the reporting period, the proportion of the Company's differentiated products increased rapidly, and the added value of the products was significantly enhanced, which provided the original impetus for the Company to consolidate its leading position in the industry and seize the market share.

4. Improve quality and efficiency, fine management and stable operation

In 2023, while responding to the external market, the Company took "improving quality and increasing efficiency" as the key to continuously improve internal operational efficiency, fully implemented the production and operation tasks of each business line, strictly controlled operational risks and ensured the stable operation of the business.

During the reporting period, the Company strengthened fine management, formulated a detailed management system, continuously optimised workflow, deepened digital operation empowerment, and continued to promote the management culture of striving for excellence, constructing a closed loop of closely-connected and efficiently-operating management processes, which significantly enhanced the timeliness, accuracy and comprehensiveness of the Company's management, and promoted the Company's per capita efficiency to continue to improve, meet the demand for refined operation and assist the Company's high-quality development. The company's management process is closed loop.

During the reporting period, the Company dug deep into the potential of process cost reduction and efficiency enhancement, attached importance to the optimization and

innovation of process technology, and reduced production costs, improved production efficiency and product quality through the introduction of advanced equipment and improvement of process flow, thereby enhancing market competitiveness. At the same time, the company strengthens cost control, comprehensively covering all aspects of raw material procurement, manufacturing to sales and service, fine management and reduce losses. In addition, the company actively explores ways to reduce costs and increase efficiency, and continues to carry out the circular economy, implement green production and improve resource utilization efficiency, laying a solid foundation for steady development.

5. Green drive, practising sustainable development

In 2023, the company is committed to becoming an industry-leading chemical innovation and technology enterprise, actively responding to the national carbon peak and carbon neutral policy, adhering to the "green manufacturing" and "circular economy" as the guidance, and continuing to practice and promote the green and low-carbon transformation of the industrial chain, and actively exploring the innovation of green polyester fibre products, of which the flame retardant fibre products are in the leading position in the country, and the production and sales volume continue to increase. We are actively exploring the innovation of green polyester fibre products, of which the flame-retardant fibre products are in the leading position in the country, and the output and sales volume continue to increase; the key technology of in-situ polymerisation of anti-bacterial polyester has made a breakthrough, which has a broad prospect.

Procurement pattern of major raw materials

Currency unit: RMB/Tons

Main raw	Procurement	Percentage	Has the	Average	Average
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materials	model	of total amount of purchase	settlement method changed significantly?	price in the first half of the year	price in the second half of the year
Crude oil	Purchasing inquiry	21.43%	No	4,293.01	4,841.10
PX	Purchasing inquiry	14.27%	No	7,191.23	7,565.98
MEG	Purchasing inquiry	6.52%	No	3,598.00	3,523.51

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

During the reporting period, there were significant changes in the prices of the Company's raw materials compared to the previous reporting period, mainly due to higher interest rates as a result of the Federal Reserve's interest rate hike, as well as slower growth in downstream demand and weaker upstream investment as a result of geopolitical turmoil. Crude oil prices were constrained by macroeconomic pressures, the risk of supply disruptions and expectations of falling demand, resulting in increased price volatility throughout the year and overall lower prices compared to the same period. According to CCF data, the average price of WTI crude oil fell 17.62 per cent year-on-year in 2023 and the average price of Brent crude oil fell 16.82 per cent year-on-year.

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

Polyester	Mass production	Multiple persons	Introduction and innovation	The masterbatch preparation process has been improved, the types and proportions of silver-based antibacterial agent, PBT powder mixture and dispersant have been studied, and the optimal proportions of the three have been determined. The antibacterial masterbatch has been prepared by melt blending and extrusion with outstanding features.
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 utilization rate is improved; by continuously introducing energy-saving technologies, production costs have been reduced.
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	It extends the filter service life, reduces labor waste, and saves packaging costs, bringing considerable economic benefits to the Company
Polyester	Wide range of applications	Multiple persons	Introduction and innovation	Through modification during the polymerization reaction, the fluidity and ductility of the polyester melt are improved. With the same polymerization residence time, the intrinsic viscosity of the product is higher than that of the conventional polyester, and the processing performance of the melt is also improved. A utility model patent has been granted for this technology. The patent number is ZL201120219233.4.
Polymerization	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company has successfully developed and produced titanium dioxide for polyamide, and completed independent production and supply of auxiliary materials to replace imports.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Using advanced AI technology, the Company can automatically monitor the spinning process, and detect and deal with abnormalities in a timely manner, thereby improving the product quality and production efficiency and reducing the cost
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Using advanced AI technology, the Company can automatically inspect the appearance defects of fully drawn yarn rolls, thereby improving the production efficiency and reducing the cost
Spinning	Wide range of application	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	Wide range of application	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 innovation	Using advanced technology, the Company shortens the process flow and increases the production capacity and degree of differentiation, maintaining stable product quality with low utility costs

Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning POY→DTY process route, the melt is ejected from the independently designed "straight-line"-shaped spinneret hole, and then cooled, oiled, rolled and spun into flat special-shaped POY yarns. POY yarns are then textured into flat DTY polyester fully drawn yarn, which feature lower bulk density, lighter weight and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning POY→DTY process route, the melt is ejected from the independently designed "cross"-shaped spinneret hole, and then cooled, oiled, rolled and spun into cross-shaped POY yarns. POY yarns are then textured into cross DTY polyester fully drawn yarn, which feature lower bulk density, lighter weight, better air permeability and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	Using the melt direct spinning PDY process route, the melt is ejected from the independently designed "tree"- or "star"-shaped and other special-shaped spinneret holes, and then cooled, oiled, rolled and spun into "tree"- or "star"-shaped and other special-shaped FDY yarns. This type of polyester fully drawn yarn features lower bulk density, lighter weight, special luster, and softer fabric feel.
Spinning	Mass production	Multiple persons	Introduction and innovation	The functional self-heating masterbatch is added to produce the functional hollow polyester fibre. It can be used as the "core layer" of the heat retaining and comfortable composite fibre, with double heat retaining effects. A utility model patent has been granted for this technology. The patent number is ZL201410481816.0.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	With the use of advanced equipment and process technology, short process, high degree of automation, and low manufacturing cost are achieved.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through technical improvement, the manual operation cycle is extended, the product quality stability is improved, and the resource consumption and cost are reduced
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By installing in-line addition equipment, dynamic and static mixing equipment, oiling nozzles, winders, etc. on the melt direct spinning line, the existing equipment has been transformed and upgraded, enabling the polyester melt direct spinning line to produce differentiated and high-end products. It solves the challenge of using the large-capacity polyester plant to produce functional differentiated chemical fibres of multiple varieties in small batches. Functional modified fibres are produced, including colored, flame-retardant, antibacterial and full dull fibres.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The self-owned technology of the Company is applied to the production of flame-retardant polyester. Single-component spinning or composite spinning technology is used to produce single-component or two-component sheath-core composite flame-retardant and anti-dripping POY-DTY polyester fully drawn yarn.

Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company produces polyester and polyamide, SPH, sea-island, cationic dyed polyester and other composite yarns to meet the high-end market demand
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the Company produces differentiated and functional products such as HOY and medium-strength yarns for segment markets, meeting the needs of specific users
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	In the spinning process, the non-contact heating method is adopted to reduce the friction and heating of the yarns during processing to avoid the production of broken yarns. Low-temperature stretching deformation-high-temperature setting is adopted and appropriate tangle jets are used to reasonably control the tangle air pressure bundling performance and other production processes to produce ideal fully-drawn yarns (FDY) similar to the products of parallel drafting machines. A utility model patent has been granted for this technology. The patent number is ZL200810059725.2.
Spinning	Wide range of applications	Multiple persons	Independent R&D	Through independent R&D, the Company produces oils suitable for the spinning process to improve the processing performance of the product, so that the weaving process can proceed smoothly and the product quality is excellent.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By using the programmable controller (PLC), the composite yarn is stretched in multiple stages, and the order of the stretching ratio of each stage can be changed as needed within the range, so that the composite yarn has different structural densities, resulting in the difference in color absorption and dyeing rates, and realizing multiple colors after dyeing. It has brought significant economic and social benefits. A utility model patent has been granted for this technology. The patent number is ZL200710070581.6.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	The graphene masterbatch and PET flakes are blended and spun into yarns. A spinneret with a 4C aperture is used to prepare hollow graphene polyester fibre POY, and the fluffy curl of the polyester fibre is further improved in the subsequent texturing process. This gives the polyester fibre 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 fibres and fully drawn yarns are produced through a spinning process, featuring high environment-friendliness.
Spinning	Wide range of applications	Multiple persons	Introduction and innovation	By spinning and winding a bunch of POY and a bunch of FDY, a new type of polyester/polyester composite yarn is made, and it can be used for weaving high-grade artificial silk clothing fabrics and home textile fabrics, which has the advantages of rich hand feel, anti-wrinkle property and good drapability.

Spinning	Wide range of applications	Multiple persons	Introduction and innovation	Through independent R&D, the spinning oil for FDY has been successfully prepared to replace imported oils.
Texturing	Mass production	Multiple persons	Introduction and innovation	By controlling the temperature of false twisting deformation, the linen type is achieved, which not only has the style of natural linen fibres, but also has the stiffness of artificial linen fibres.
Texturing	Mass production	Multiple persons	Introduction and innovation	The airflow through the tangle jet is closed intermittently, and a variety of polyester POY yarns of different colors are composited through false twisting deformation to produce a fancy composite polyester yarn interleaved with fluffy non-intermingled low-stretch fibre and intermingled blended fibre. Colored polyester POY is used to produce the colored composite yarn directly by texturing, eliminating the complicated downstream dyeing process, reducing the cost of the product, simplifying the process and lessening the pollution to the environment
Texturing	Mass production	Multiple persons	Introduction and innovation	A double-solenoid valve opening and closing logic design is adopted. The two solenoid valves arranged in parallel or series are designed with a reasonable opening and closing logic to jointly control them to realize intermittent switching of the tangle jet airflow and the intelligent design of polyester fancy composite yarn tangling points. At the same time, it reduces the frequency of use of a single solenoid valve to prevent overheating damage to a single solenoid valve, effectively improving the efficiency of texturing.
Texturing	Mass production	Multiple persons	Introduction and innovation	The Company has a more mature technology for producing products with a monofil fineness of 0.5-1.0dpf, which provides technical support and experience accumulation for the development of finer products. Through the supporting of pre- and post-spinning equipment, the Company realizes independent R&D. At present, the Company's production technology of ultra-fine fibres 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	Wide range of applications	Multiple persons	Introduction and innovation	Using the production technology of wool-like fibres, POY yarns are drawn and falsely twisted on the DTY machine, and then compounded with DTY of the PTT component. The PTT fibre floats on the surface of the yarn and exerts its excellent wearing performance. The high-shrinkage modified PET fibre is placed in the inner layer of the yarn to exert its rigid supporting effect and bring out a stronger sense of uprightness. A utility model patent has been granted for this technology. The patent number is ZL201010174972.4.
Texturing	Wide range of applications	Multiple persons	Introduction and innovation	The false-twisting texturing technology is used to produce polyester fully drawn yarn with good hollowness and clear profiled outline, and high requirements for conformational 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, grey, 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 the section headed "II. MAJOR BUSINESSES OF THE COMPANY DURING THE REPORTING PERIOD (I) Overview of major businesses.

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

Jingjiang Yinglin Town Industrial Park	FDY, staple fibre, flake
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EIA approvals being applied for or newly obtained during the reporting period

1. Zhejiang Hengyi High-tech Material Co., Ltd. submitted a new type of energy-saving and environmentally friendly boiler renovation project for the record on 14th September, 2022, and obtained the approval of EIA on 13th April, 2023 (Hangzhou Huanyuanqian evaluation approval [2023] No. 22);

2. Zhejiang Shuangtu New Materials Co., Ltd. submitted the thermal oil boiler substitution project for filing on 14th September 2022, and obtained the EIA approval on 13th April 2023 (Hangzhou Huanchengqian Assessment and Approval [2023] No. 23);

3. Zhejiang Hengyi Polymer Co., Ltd. submitted a new type of energy-saving and environmentally-friendly boiler replacement and transformation project for filing on 31 July 2023, and obtained the EIA approval on 19 February 2024 (Xiaohuanjian [2024] No. 23).

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

Applicable Not applicable

Relevant approvals, permits, qualifications and validity periods

SN	Holder	Certificate name	Certificate No.	Issuer	Validity period
1	Hengyi Limited	Emission Permit	9133000076521 5943G001Y	Hangzhou Municipal Ecology	August 27,2028

				and Environment Bureau	
2	Hengyi High- Tech	Emission Permit	9133010066800 33406001Q	Hangzhou Municipal Ecology and Environment Bureau	November 25, 2026
3	Hengyi Polymer	Emission Permit	9133010972452 83880001P	Hangzhou Municipal Ecology and Environment Bureau	November 02, 2026
4	Hengyi Polymer	Radiation Safety Permit	ZHFZ NO. A2255	Department of Ecology and Environment of Zhejiang Province	September 19, 2024
5	Jiaxing Yipeng	Emission Permit	91330411MA28 BLMY30001V	Jiaxing Municipal Ecological Environment Bureau	September 21, 2026
6	Taicang Yifeng	Emission Permit	91320585MA1P 1GPBXM001V	Suzhou Municipal Ecological Environment Bureau	February 29, 2028
7	Shuangtu New Materials	Emission Permit	9133010056605 0736P001Y	Hangzhou Municipal Ecology and Environment Bureau	November 26, 2026
8	Shuangtu New Materials	Radiation Safety Permit	ZHFZ NO. A3048	Hangzhou Municipal Ecology and Environment Bureau	December 12, 2028
9	Fujian Yijin	Emission Permit	91350582MA31 G07Q8C001V	Quanzhou Municipal Ecological Environment Bureau	April 07, 2026
10	Suqian	Emission Permit	91321311MA1	Suqian Municipal	November

	Yida		UXUC8XJ001R	Ecological Environment Bureau	05, 2028
11	Suqian Yida	Radiation Safety Permit	SHFZ No. N0199	Suqian Municipal Ecological Environment Bureau	January 12, 2027
12	Suqian Hengyuan Thermal Energy	Emission Permit	91321311MA25 ADT26R001V	Suqian Municipal Ecological Environment Bureau	December 27, 2028
13	Haining Thermal Power	Emission Permit	91330481MA29 HXML34001R	Jiaxing Municipal Ecological Environment Bureau	July 22, 2025
14	Haining New Materials	Emission Permit	91330481MA29 HRX724001V	Jiaxing Municipal Ecological Environment Bureau	July 27, 2025
15	Hengyi Caprolactam	Emission Permit	9133010067060 49462	Hangzhou Municipal Ecology and Environment Bureau	August 20, 2028
16	Hengyi Caprolactam	Radiation Safety Permit	ZHFZ NO. A3044	Department of Ecology and Environment of Zhejiang Province	January 16, 2027
17	Zhejiang Yisheng	Emission Permit	9133020074497 3411W001W	Beilun Branch of Ningbo Municipal Bureau of Ecology and Environment	2028. August, 02
18	Zhejiang Yisheng	Radiation Safety Permit	ZHFZ NO. B2005	Department of Ecology and Environment of Zhejiang Province	November 17, 2024
19	Hainan	Emission Permit	9146030055279	Yangpu Economic	May 14,

	Yisheng		89627001P	Development Zone Ecological Environment Bureau	2026
20	Hainan Yisheng	Radiation Safety Permit	QHFZ No.00153	Department of Ecology and Environment of Hainan Province	December 26, 2026
21	Hainan Yisheng	Safety Production Licence	(Qiong) WH Security Licence No. (2024) 10	Hainan Provincial Department of Emergency Management	March 29, 2027
22	Hainan Yisheng	Hazardous Chemicals Business Licence	Qiongpu Dangerous and Chemical Economic [2022]0084	Yangpu Economic Development Zone Administrative Approval Service Bureau	March 08, 2025
23	Hainan Yisheng	Port Operation Licence of the People's Republic of China	(Qiongpu) HKEX (0017)	Yangpu Economic Development Zone Transport and Harbour Bureau	2025.Sept ember 30, 2025
24	Hainan Yisheng	Production Safety Standardisation Level 3 Enterprises (Hazardous Chemicals)	QIONG AQB469034HG M202100002	Hainan Geological Testing and Research Centre	2024.July0 6, 2024
25	Hainan Yisheng	Certificate of the People's Republic of China for the Use of Port Shoreline	Cross Harbour Coast 2015 No. 50	Ministry of Transport of the People's Republic of China	May 20, 2065
26	Hainan Yisheng	Certificate of Registration of Dangerous Chemicals	46902400021	Chemical Registration Centre of the Ministry of Emergency Management	February 03, 2027

27	Hainan Yisheng	Certificate of Registration of Special Equipment	Pot 12 Joan A0007(13)	Hainan Provincial Bureau of Quality and Technical Supervision	Reference boiler inspection qualification period
28	Hainan Yisheng	Certificate of Conformity for Port Facility Security	HNSGHI ISPS-2021-004HNSGHI ISPS-2021-007	Hainan Provincial Port and Maritime Administration	August 09, 2026
29	Hainan Yisheng	Radio Registration Certificate	460420140001/V0001460420140001/LM0001 Qiong ground (2021)00022	Hainan Provincial Department of Industry and Information Technology	June 09, 2031
30	Yisheng Dahua	Emission Permit	912102137873094570001R	Dalian Municipal Ecology and Environment Bureau	October 13, 2028
31	Yisheng Dahua	Radiation Safety Permit	LHFZ No. (B0001)	Dalian Municipal Ecology and Environment Bureau	November 25, 2026

Engaged in petroleum processing and petroleum trading Yes No**Engaged in fertilizer industry** Yes No**Engaged in pesticide industry** Yes No**Engaged in chlor-alkali and soda ash industry** Yes No

III. Analysis of core competitiveness

1. Focus on the main business, strategic leadership

The company has been investing in the petrochemical and chemical fiber industries for many years, accumulating significant expertise and resources. The company continues to focus on the main business of "one drop of oil, two threads", and has formed a highly integrated and deeply synergistic integrated industrial cluster, with three core businesses of refining, PTA and polyester fibre, and is actively building a platform, two centers and six bases in accordance with the trinity model of "headquarters + scientific research + base", constructing "backed by the Yangtze River Delta, Pearl River Delta, Bohai Bay and facing the South China Sea". In accordance with the "headquarters + scientific research + base" trinity mode, the company is actively building a platform, two centres and six bases, constructing a market pattern of "backing the Yangtze River Delta, Pearl River Delta, Bohai Bay and facing the South China Sea", helping to cross the cycle with sound operation and comprehensively enhancing the company's development kinetic energy.

Strategic layout of the Southeast Asian market, accelerating the internationalization process. The company took the lead in deploying the first phase of the Brunei project overseas, actively responding to the "Belt and Road" initiative, seizing the development opportunities in the Southeast Asian market, promoting the expansion of the industry in the direction of internationalization, realizing the extension of the industrial chain upwards, and assisting the integration of the strategic blueprint to move forward steadily.

Hengyi (Brunei) PMB Petrochemical Project is the first large-scale overseas petrochemical project that fully implements Chinese standards. It is the first private refining and chemical project of the Company to realize the international layout of its production capacity and to put into practice China's "One Belt, One Road" initiative, and it has received unanimous and high level of support from the governments of the

Chinese and English-speaking countries. At present, Brunei Project Phase II is carrying out the work of dike blowing and filling construction, and all the work is progressing in an orderly manner. The completion of Brunei Project Phase II will help the Company to further reduce production costs, stabilize the supply of raw materials, optimize the product structure and continue to enhance the overall profitability of the Company.

2. Enabling research and development, leading by science and technology

Deep research and development heritage, and continue to enhance the industry's leading power. The company attaches great importance to technological research and development innovation, and constantly explores cutting-edge technologies to lead product and process innovation. Closely focusing on the strategic policy of "consolidating, highlighting and optimising the competitiveness of the main business", the company has taken the lead in applying polyester melt spinning technology, large-scale PTA technology and caprolactam green high-end technology, highly leading the development of the industry.

Focusing on high-end fields and accelerating the implementation of scientific research results. The company has long been focusing on the R&D and application of high-end technologies and products in the field of petrochemicals and chemical fibres. Relying on the platform of schools and enterprises, the company realizes the leading technology and "diversification, serialization, quality and uniqueness" of product structure, carries out the R&D of new products and technologies related to the whole industrial chain, and realizes the development of new and high-tech products and the transformation of scientific and technological achievements with the full-process, flexible technology, development and transformation of scientific and technological achievements, with leading technology level in the industry.

Dedicated research organisation to achieve synergistic transformation of production, learning, research and application. Hengyi Research Institute under the company is

committed to the research and development of advanced materials and green chemicals, actively enhancing its innovation leading ability, taking the initiative to assume the main responsibility for the transformation of scientific and technological achievements, launching new products into the market and realising economic benefits, so as to accelerate the landing of cutting-edge technological achievements. In addition, the company has invested in the construction of the Hengyi Global Innovation Centre in Hangzhou for research and development of future-oriented advanced technologies, and has established joint research and development platforms with Zhejiang University and Donghua University to promote synergistic innovation between schools and enterprises and provide innovation power for the company's long-term development. At present, the company has formed a complete combination of "production, learning, research and use" of scientific and technological innovation mechanism, can effectively achieve the sharing of technological innovation resources and complement each other, so as to continuously improve the company's technological innovation ability, scientific research level and market responsiveness.

Adhering to the concept of green environmental protection and sustainable development. The company pays attention to the recycling of polyester throughout its life cycle, breaks through the existing technical difficulties, and realises high-quality recycling of polyester. At the same time, through independent projects and research and development, the company has produced safe, high-quality, environmentally friendly green polyester products, such as the company's innovative green polyester products "Yitaikang", and high-performance polyester materials prepared from bio-based raw materials. By promoting green manufacturing, the company is able to effectively reduce pollutants in the production process of downstream enterprises and contribute to the green cycle of the entire life cycle of textiles.

3. Integration and synergy, significant scale

It is a leading chemical and chemical fibre enterprise, continuously extending,

supplementing and strengthening the chain. The company has developed into a leading enterprise in the integration of "PX-Polyester" and "Benzene-Nylon" industry chain, and has continuously extended, supplemented and strengthened the chain through the construction of upstream refineries overseas and the expansion of middle and downstream in China. The company has built a balanced and balanced integrated industry chain of "crude oil-PX-PTA-polyester" and "crude oil-benzene-CPL-nylon" by constructing upstream refineries overseas and expanding downstream at home. The company's upstream, midstream and downstream raw materials are coordinated to achieve the balanced and coordinated development of the whole industrial chain from the unique large refining to the matching of PX, PTA and polyester (PET) production capacity.

The company's production capacity is at the forefront of the industry, with obvious scale advantages. The company has an existing refining design capacity of 8 million tons, a holding capacity of 21.5 million tons of PTA, a holding capacity of 11.115 million tons of polyester and a holding capacity of 400,000 tons of caprolactam. The company continuously consolidates and expands the advantages of production capacity scale in each segment, optimises and upgrades the industrial model, promotes the quantitative change of the company's operation scale and the qualitative change of the business structure, pushes forward the investment and application of large-scale devices and energy-saving and consumption-reduction technologies, continues to guarantee the operation of the production devices and the stability of the products' quality, and continuously improves the production efficiency, which greatly reduces the investment cost per unit and the energy consumption per unit and the unit cost of the products has a significant advantage in the same industry. At the same time, large-scale procurement, domestic and international project integration and centralised procurement enable the company to have strong operational capability, obtain advantageous prices and save procurement costs, which provides a strong guarantee for the profitability of the final products.

4. Excellent talents and advanced management

The management and operation team has outstanding professional ability and advanced management experience. The Company has an international, professional and vocational management and operation team with solid professional knowledge and rich experience in the industry, which constantly injects vitality into the Company's high-quality development. At the same time, the Company has established a perfect internal system by drawing on the management experience of advanced organisations at home and abroad, and continues to implement organisational structure optimisation to continuously improve the efficiency of the Company's organisational management and operation and give full play to the synergy advantage of scale.

Solidly promote the construction of industrial talent team, and strongly guarantee the strategic transformation and upgrading of science and technology. The Company attaches importance to talent introduction and talent cultivation, strengthens the construction of management and technical talents, actively introduces domestic and foreign senior management and technical talents through various channels, and improves the internal talent cultivation mode combining "production, study, research and application" to provide employees with good career development channels. The company's Brunei project steadily improves the degree of staff localisation, and strongly supports the growth of Brunei's local youth to achieve win-win talent cooperation.

Improve the incentive mechanism, employees share the same creation. In terms of employee incentives, in addition to providing employees with competitive benefits in the industry, the Company has implemented two phases of Restricted Share Incentive Plan and six phases of Employee Share Ownership Plan since 2015. As of the date of disclosure of this report, the Company is continuing to promote the fourth phase of the share repurchase plan to reserve for the subsequent implementation of the Employee Share Ownership Plan or equity incentives, which has fully mobilised employees'

motivation and attracted high-calibre talents to join the Company. The establishment of the long-term development and sharing mechanism has effectively enhanced the sense of belonging and cohesion of employees and provided a talent base for the Company's long-term development.

5. Digital Intelligence Integration, Efficient Operation

Closely integrated with information technology, the company has established a digital intelligence system. The company has established the information strategy of "Petrochemical + Industrial Internet", actively carried out industrial digital and intelligent transformation, promoted the deep integration of new-generation information technology and petrochemical manufacturing industry, and realised a high degree of collaboration across the whole industry chain. As an industry leader, the company actively builds digital workshops and intelligent factories, completing the first full-process intelligent polyester factory and the first digital benchmark factory in China; creatively proposes the single ingot data flow system to achieve the full life cycle management of single ingot products; develops its own finished product warehousing system to realize the efficient flow of products in the factory, optimize the operation process and enhance the ability of resource integration; and opens up the data barriers through intelligent manufacturing. The company is the first in the industry to create a whole-life product quality traceability system and an intelligent sales supply chain system, and has independently developed the visual "Hengyi Brain" to help the company realise digital upgrading. The company's intelligent construction has won the 2nd China Benchmark Intelligent Factory, China Intelligent Manufacturing Best Practice Award, the first batch of enterprise CDO pilot enterprises in Zhejiang Province, China Textile Union Product Development Contribution Award, China Computer Federation Outstanding Cases of Enterprise Digitalisation Development, and China Industrial Internet Distinguished Application Award, among other awards.

Integrated supply chain platform, forming efficient closed-loop operation. The

company innovates the customer service ecosystem, builds the integrated platform of chemical fibre supply chain with micro-mall, supply chain finance and warehousing and logistics, externally combines the internet marketing and customer social experience management, from the customer placing order independently to the supporting supply chain service, from realizing the full process of sales data display to providing the multi-dimensional portrait data service; internally realizes the data sharing of each business system, improves the data interaction efficiency, and eliminates the information circulation obstacles. It has also achieved data sharing among business systems, improved data interaction efficiency, eliminated information circulation barriers, and formed a closed-loop process of supply chain business, such as sales, collection, scheduling, delivery, dispatching, loading, and invoicing.

At the same time, the company aims to become the leader of chemical fibre industrial Internet, play its own supply chain supporting advantages, actively build the industry ecosystem, and strive to build an integrated platform with the characteristics of the chemical fibre industry, providing digital management, intelligent manufacturing, online trading, logistics services, market analysis, production, supply and marketing coordination, supply chain finance and other types of digital solutions for the chemical fibre industry, to deeply empower the development of the chemical fibre industry, and to do a good job as the industry digital leader. The industry digitalisation leader.

IV. Analysis of main business

1. Overview

In 2023, the Company achieved total operating revenue of RMB136.148 billion, net profit attributable to shareholders of the listed company of RMB 435 million, and net profit attributable to shareholders of the listed company of RMB 53.6858 million after deducting non-recurring gains and losses, achieving a turnaround.

2. Revenue and costs

(1) Composition of operating income

Currency unit: RMB

	2023		2022		Year-on-year increase/decrease
	Amount	Percentage in operating income	Amount	Percentage in operating income	
Total operating income	136,148,114,082.34	100%	152,050,274,944.64	100%	-10.46%
By industry					
Petrochemical industry	56,484,387,971.19	41.49%	59,269,682,296.57	38.98%	-4.70%
Chemical fibre industry	52,243,154,781.06	38.37%	46,316,793,158.99	30.46%	12.80%
Supply chain services	27,420,571,330.09	20.14%	46,463,799,489.08	30.56%	-40.99%
By product					
Refinery products	31,841,158,971.62	23.39%	41,531,346,473.30	27.31%	-23.33%
Chemical products	12,145,808,146.64	8.92%	8,599,075,610.04	5.66%	41.25%
PTA	11,572,721,877.37	8.50%	8,966,680,849.79	5.90%	29.06%
PIA	924,698,975.56	0.68%	172,579,363.44	0.11%	435.81%
Polyester yarn	46,359,718,319.18	34.05%	41,123,434,064.32	27.05%	12.73%
Flake	5,883,436,461.88	4.32%	5,193,359,094.67	3.42%	13.29%
Supply chain services	27,420,571,330.09	20.14%	46,463,799,489.08	30.56%	-40.99%
By region					
Domestic	84,946,111,780.67	62.39%	98,119,165,712.07	64.53%	-13.43%
Overseas	51,202,002,301.67	37.61%	53,931,109,232.57	35.47%	-5.06%
By sales model					
Direct sales	132,413,772,035.05	97.26%	150,056,276,149.80	98.69%	-11.76%

Distribution	3,734,342,047.29	2.74%	1,993,998,794.84	1.31%	87.28%
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(2) Industries, products, regions, and sales models that account for more than 10% of the Company's operating income or profit

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

Currency unit: RMB

	Operating income	Operating cost	Gross profit margin	Increase or decrease in operating income compared with the same period of the previous year	Increase or decrease in operating cost compared with the same period of the previous year	Increase or decrease in gross profit margin compared with the same period of previous year
By industry						
Petrochemical industry	56,484,387,971.19	54,021,381,180.67	4.36%	-4.70%	-4.80%	0.10%
Chemical fibre industry	52,243,154,781.06	50,038,957,948.78	4.22%	12.80%	9.66%	2.74%
Supply chain services	27,420,571,330.09	26,969,894,553.43	1.64%	-40.99%	-41.55%	0.95%
By product						
Refinery products	31,841,158,971.62	30,756,174,029.44	3.41%	-23.33%	-21.28%	-2.51%
Chemical products	12,145,808,146.64	10,728,464,028.04	11.67%	41.25%	28.08%	9.08%
PTA	11,572,721,877.37	11,671,156,811.34	-0.85%	29.06%	28.42%	0.51%
PIA	924,698,975.56	865,586,311.85	6.39%	435.81%	320.13%	25.77%
Polyester yarn	46,359,718,319.18	44,281,108,046.88	4.48%	12.73%	9.10%	3.17%
Flake	5,883,436,461.88	5,757,849,901.90	2.13%	13.29%	14.15%	-0.74%
Supply chain services	27,420,571,330.09	26,969,894,553.43	1.64%	-40.99%	-41.55%	0.95%

By region						
Domestic	84,946,111,780.67	82,286,414,562.98	3.13%	-13.43%	-15.52%	2.40%
Overseas	51,202,002,301.67	48,743,819,119.90	4.80%	-5.06%	-4.63%	-0.43%
By sales model						
Direct sales	132,413,772,035.05	127,509,011,660.83	3.70%	-11.76%	-12.96%	1.33%
Distribution	3,734,342,047.29	3,521,222,022.05	5.71%	87.28%	74.30%	7.02%

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

Applicable Not applicable

Currency unit: RMB, 10,000 tons

Product name	Capacity	Sales volume	Income realized	Price trend during the reporting period	Reason for change
Refinery products	580.24	582.50	31,841,158,971.62	First down, then up, overall, down	Market reasons
Polyester yarn	672.71	677.44	46,359,718,319.18	First up and then down; overall stable	Market reasons

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

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

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

Yes No

Industry	Item	Units	2023	2022	Year-on-year increase/decrease
Refinery products	Sales volume	10,000 tons	582.50	639.12	-8.86%
	Production volume	10,000 tons	580.24	642.25	-9.66%
	Inventory	10,000 tons	12.47	14.73	-15.34%
Chemical products	Sales volume	10,000 tons	182.77	201.79	-9.43%
	Production volume	10,000 tons	181.84	202.39	-10.15%
	Inventory	10,000 tons	7.87	8.80	-10.57%
PTA	Sales volume	10,000 tons	391.78	286.27	36.86%
	Production volume	10,000 tons	392.25	285.13	37.57%
	Inventory	10,000 tons	2.44	1.97	23.86%
PIA	Sales volume	10,000 tons	11.93	2.11	465.40%
	production volume	10,000 tons	14.25	1.07	1,231.78%
	Inventory	10,000 tons	2.33	0.01	23,200.00%
Polyester Products	Sales volume	10,000 tons	772.03	684.97	12.71%
	Production volume	10,000 tons	770.79	692.19	11.36%
	Inventory	10,000 tons	51.23	52.47	-2.36%

Note: The above PTA sales, production and inventory data only include the company's holding subsidiary, Zhejiang Yisheng, and do not include other shareholding companies.

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

During the reporting period, the output and sales of PIA and PTA of the Company increased by more than 30% as compared with the same period in 2022, which was mainly due to the impact of the Company's shutdown and maintenance during the same period in 2022, which resulted in a low start-up load, and a gradual increase in the start-up load during the reporting period.

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

Applicable Not applicable

(5) Composition of operating cost

By industry and product

Product Classification of Hengyi Brunei

Currency unit: RMB

Industry	Item	2023		2022		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
Refinery products	Raw materials	29,630,498,059.96	96.34%	37,827,012,569.00	96.82%	-21.67%
	Energy	246,049,392.24	0.80%	425,050,466.17	1.09%	-42.11%
	Depreciation and others	879,626,577.24	2.86%	819,346,406.17	2.09%	7.36%
	Total	30,756,174,029.44	100.00%	39,071,409,441.34	100.00%	-21.28%
Chemical products	Raw materials	9,681,365,938.90	90.24%	7,647,487,621.92	91.30%	26.60%
	Energy	637,270,763.27	5.94%	500,515,083.07	5.98%	27.32%
	Depreciation	409,827,325.87	3.82%	228,246,923.84	2.72%	79.55%

	and others					
	Total	10,728,464,028.04	100.00%	8,376,249,628.83	100.00%	28.08%

By domestic industry and product

Currency unit: RMB

Industry	Item	2023		2022		Year-on-year increase/decrease
		Amount	Percentage in operating cost	Amount	Percentage in operating cost	
PIA products	Raw materials	666,934,253.28	77.05%	144,253,439.63	70.02%	362.34%
	Energy	89,588,183.28	10.35%	16,491,918.19	8.00%	443.22%
	Depreciation and others	109,063,875.29	12.60%	45,280,680.01	21.98%	140.86%
	Total	865,586,311.85	100.00%	206,026,037.83	100.00%	320.13%
PTA products	Raw materials	10,689,612,523.50	91.59%	8,104,904,977.86	89.18%	31.89%
	Energy	263,768,143.94	2.26%	263,544,052.57	2.90%	0.09%
	Depreciation and others	717,776,143.90	6.15%	720,052,888.16	7.92%	-0.32%
	Total	11,671,156,811.34	100.00%	9,088,501,918.59	100.00%	28.42%
Polyester products	Raw materials	41,517,323,410.10	82.97%	37,624,877,259.76	82.46%	10.35%
	Energy	2,987,325,789.54	5.97%	3,093,599,154.96	6.78%	-3.44%
	Depreciation and others	5,534,308,749.14	11.06%	4,911,638,564.92	10.76%	12.68%
	Total	50,038,957,948.78	100.00%	45,630,114,979.64	100.00%	9.66%

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

The total number of subsidiaries included in the scope of consolidation in fiscal year

2023 was 52, an increase of 6 subsidiaries and a decrease of 2 subsidiaries compared with the previous year. For details, please refer to "VII. Interests in Other Entities" in "Section X. Financial Reporting".

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

Applicable Not applicable

(8) Major customers and suppliers Major customers

Total sales amount of the top five customers (RMB)	30,300,809,498.37
Percentage of the total sales amount of the top five customers in total annual sales amount	22.26%
Percentage of sales amount of related parties among the top five customers in total annual sales amount	0.00%

Top 5 customers

SN	Customer name	Sales amount (RMB)	Percentage in total annual sales amount
1	Customer 1	8,474,515,955.22	6.22%
2	Customer 2	6,361,948,805.59	4.67%
3	Customer 3	6,033,936,095.69	4.43%
4	Customer 4	5,201,344,726.29	3.82%
5	Customer 5	4,229,063,915.58	3.11%
Total	--	30,300,809,498.37	22.26%

Other information about major customers

Applicable Not applicable

Major suppliers

Total purchase amount of top five suppliers (RMB)	48,898,927,197.17
Percentage of the total purchase amount of the top five suppliers in the total annual purchase amount	37.32%
Percentage of purchase amount of related parties among the top five suppliers in total annual sales amount	18.51%

Top 5 suppliers

SN	Supplier name	Purchase amount (RMB)	Percentage in total annual purchase amount
1	Supplier 1	24,077,350,046.95	18.38%
2	Supplier 2	8,882,321,610.32	6.78%
3	Supplier 3	6,114,575,959.58	4.67%
4	Supplier 4	5,650,282,142.12	4.31%
5	Supplier 5	4,174,397,438.20	3.19%
Total	--	48,898,927,197.17	37.32%

Other information about major suppliers

Applicable Not applicable

3. Expense

	2023	2022	Year-on-year increase/decrease	Description of major changes
Selling expenses	229,284,289.09	247,443,749.81	-7.34%	-
Administration expenses	1,434,227,935.73	1,084,986,983.70	32.19%	This was mainly due to the implementation of technological renovation and

				upgrading work at the Brunei Refinery, and the cost of technological renovation was included in administrative expenses, resulting in an increase in administrative expenses year-on-year.
Financial expenses	3,243,902,745.47	2,787,697,495.20	16.36%	Mainly due to the increase in interest expense as a result of the year-on-year increase in the USD LIBOR rate, which led to an increase in interest expense -
R&D expenses	716,319,527.66	668,706,028.57	7.12%	Mainly due to the company's increased investment in research and development

4. R&D investment

Name of major R&D projects	Project purpose	Project progress	Intended goal	Name of major R&D projects
R&D of preparation technology of polyester titanium-based polycondensation catalyst	To improve and optimize the preparation process of titanium-based polyester catalyst to produce titanium-based PET flakes with excellent performance and good hue, and then conduct spinning and post-processing as needed to produce heavy metal-free titanium-based polyester products.	Completed and industrialized	The self-developed titanium catalysts are used in the production of large lines, and the resulting products meet the indicators of superior polyester chips and fibres for large line production.	By further optimizing the catalyst preparation process and polymerization process to improve product quality, the project has high eco-friendliness value and social significance.
Green manufacturing of TiO ₂ matting agent for nylon and complete set of technology for industrial application of full matting nylon	TiO ₂ matting agent is an important auxiliary for nylon production, used to improve the performance of fibre, due to the technical difficulty and European and American technology blockade, the supply has long been subject to European and American constraints, the domestic does not yet have a high-quality matting agent mature production technology. In recent years, China's nylon fibre into high-quality development stage, the demand for high-quality matting agent is urgent, breakthrough	Completed and industrialized	We have designed and built a 10,000-ton green production demonstration plant for nylon titanium dioxide matting agent paste, and combined with the characteristics of the matting agent paste, we have carried out engineering system modification to form a set of complete set of industrialised application technology for nylon titanium dioxide matting	Breaking the monopoly of foreign technology, successfully solving the "necklace" problem of matting agent in nylon industry, improving the relationship between supply and demand, improving production efficiency, reducing the production cost of domestic nylon manufacturers, promoting the healthy and rapid development of nylon chemical fibre industry, and guaranteeing the security

Name of major R&D projects	Project purpose	Project progress	Intended goal	Name of major R&D projects
	technology blockade, is of great significance.		agent paste.	of supply of important fibre materials.
Research and development of zinc oxide antimicrobial polyester fibres	Nano-zinc oxide antimicrobial polyester fibre has green, safe, healthy and other characteristics, with people's consumer attitudes and changes in the concept of health and the enhancement of the concept of health, which will be favoured by more and more consumers in the field of home, medical and health care, military apparel, and so on, and zinc antimicrobial textiles will be more and more in demand.	Completed and industrialized	Study the effect of zinc oxide particle size and content on the mechanical properties and antimicrobial properties of fibres, develop antimicrobial masterbatch or antimicrobial polyester chips to meet the production needs, melt spinning into antimicrobial polyester fibres.	Open up the market of functional fibre products, increase market competitiveness and enhance the added value of products.
Research and Development Project on Flame Retardant Cationic Polyester Fibre	Starting from the future development direction of flame-retardant polyester fibre and market demand, based on the R&D and production of flame-retardant polyester fibre, high shrinkage fibre and cationic dyeable fibre, the feasibility of preparing flame-retardant high shrinkage, flame-retardant cationic dyeable and other composite functional polyester fibre is investigated, aiming at launching high-quality and functionalized composite flame-retardant polyester fibre	Pilot conversion to industrialisation for stable mass production and wider use	Determine the technical solutions of flame-retardant cation polyester and flame-retardant high shrinkage polyester, and prepare flame-retardant cation and flame-retardant high shrinkage polyester chips. The spinning process is also researched and confirmed, and flame-retardant cation and flame-retardant high shrinkage fibres are prepared to meet	Enrich the company's differentiated products, increase market competitiveness, enhance the added value of products and achieve better economic benefits.

Name of major R&D projects	Project purpose	Project progress	Intended goal	Name of major R&D projects
	products.		customers' requirements. The technology of this project is the enterprise's own technology, and makes full use of our existing equipment, technology and relevant supporting conditions.	

R&D personnel

	2023	2022	Change ratio
Number of R&D staff (person)	1,027	1,065	-3.57%
Percentage of R&D personnel	6.61%	6.81%	-0.20%
Educational background of R&D personnel		—	—
PhD	79	69	14.49%
Master	125	118	5.93%
Bachelor	375	335	11.94%
Junior college degree and below	448	543	-17.50%
Age of R&D personnel		—	—
Under 30	414	457	-9.41%
30~40	401	373	7.51%
40~50	176	166	6.02%
50~60	34	64	-46.88%
60 and above	2	5	-60.00%

R&D investment

	2023	2022	Change ratio
R&D investment amount (RMB)	743,797,778.86	688,229,267.31	8.07%
R&D investment as a percentage of operating income	0.55%	0.45%	0.10%
Capitalized R&D investment (RMB)	27,478,251.20	19,523,238.74	40.75%
Capitalized R&D investment as a percentage of R&D investment	3.69%	2.84%	0.85%

Notes: R&D investment= R&D expenses + Capitalized R&D investment during the period

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash flow

Item	2023	2022	Year-on-year increase/decrease
Subtotal of cash inflows from operating activities	151,342,732,624.92	162,080,383,545.53	-6.62%
Subtotal of cash outflows from operating activities	146,810,897,819.77	159,374,850,062.17	-7.88%
Net cash flow from operating activities	4,531,834,805.15	2,705,533,483.36	67.50%
Subtotal of cash inflows from investing activities	1,597,063,826.52	2,401,958,320.75	-33.51%
Subtotal of cash outflows from investing activities	6,899,721,564.69	4,528,249,402.63	52.37%
Net cash flows from investing activities	-5,302,657,738.17	-2,126,291,081.88	-149.39%
Subtotal of cash inflows from financing activities	61,611,945,020.67	67,702,995,578.82	-9.00%
Subtotal of cash outflows from financing activities	65,350,940,711.86	66,030,295,613.61	-1.03%
Net cash flows from financing activities	-3,738,995,691.19	1,672,699,965.21	-323.53%
Net increase in cash and cash equivalents	-4,415,951,490.91	2,689,332,661.19	-264.20%

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

(1) Net cash flow from operating activities increased, mainly due to the polyester segment downstream demand in the current period, price difference repair, improved operating efficiency, compared with last year's sales volume rose, inventory realization inflow increased in the current period, and inventory at the end of the reporting period decreased year-on-year.

(2) Net cash flow from investing activities decreased, mainly due to the increase in cash outflow from investing activities as a result of the payment of equipment for Guangxi

project and the purchase of equity shares of Zheshang Bank allotment.

(3) The decrease in net cash flows from financing activities was mainly due to the fact that cash outflows for debt repayment exceeded cash inflows for new borrowings during the period.

(4) The net decrease in cash and cash equivalents was mainly due to the combined effect of changes in cash flows from operating activities, investing activities and financing activities during the reporting period.

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

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

V. Analysis of non-main business

Currency unit: RMB

	Amount	Percentage of total profit	Reasons	Sustainable or not
Investment income	985,476,736.48	246.47%	Mainly attributable to the accrual of investment income on participating companies and investment income on disposal of subsidiaries	Yes (of which investment gains on disposal of subsidiaries are not sustainable)
Profits and losses from changes in	-45,121,198.68	-11.28%	It was mainly attributable to changes in fair value of foreign exchange and commodity	No

fair value			derivatives during the reporting period	
Assets impairment loss	-71,262,509.77	-17.82%	It was mainly attributable to the Company's provision of inventory depreciation reserves	No
Non-operating income	35,920,509.46	8.98%	Mainly represents non-operating income recognized under the equity method by adjusting the initial investment cost of long-term equity investments, and income from compensation and penalties.	No
Non-operating expenses	65,971,503.46	16.50%	Mainly due to loss on fixed assets, donations and fines during the reporting period.	No

VI. Analysis of assets and liabilities

1. Significant changes in asset composition

Currency unit: RMB

	End of 2023		Early 2023		Proportion increase or decrease	Description of major changes
	Amount	Percentage in total assets	Amount	Percentage in total assets		
Monetary funds	13,827,903,087.40	12.80%	17,358,475,538.50	15.50%	-2.70%	
Accounts receivable	5,925,174,959.59	5.48%	6,857,913,648.22	6.13%	-0.65%	
Inventory	13,060,195,863.37	12.09%	14,083,484,571.18	12.58%	-0.49%	
Long-term equity investments	13,669,254,123.61	12.65%	12,831,505,320.53	11.46%	1.19%	

Fixed assets	45,430,020,661.94	42.04%	47,466,461,676.63	42.39%	-0.35%	
Construction in progress	4,610,305,760.02	4.27%	3,751,889,400.94	3.35%	0.92%	
Right-of-use assets	414,782,305.73	0.38%	430,002,663.24	0.38%	0.00%	
Short-term loans	41,122,258,268.86	38.06%	37,875,833,338.09	33.83%	4.23%	
Contract liabilities	756,571,793.30	0.70%	989,622,772.97	0.88%	-0.18%	
Long-term loans	14,739,441,863.92	13.64%	16,107,140,036.35	14.39%	-0.75%	
Lease liabilities	449,163,796.50	0.42%	431,285,378.29	0.39%	0.03%	

High proportion of foreign assets

Specific content of assets	Reason	Asset size	Location	Operation mode	Controls to ensure asset security	Income status	Proportion of overseas assets in the Company's net assets	Whether there is significant risk of impairment
Subsidiaries controlled by the Company	Overseas investment	USD 6209.6358 million	Hong Kong/Brunei/Singapore	Built by the Company	Strengthen the parent Company's management control over overseas subsidiaries	Good	174.45%	No

2. Assets and liabilities measured at fair value

Currency unit: RMB

Item	Beginning balance	Ending balance
1. Held-for-trading financial assets (excluding derivative financial assets)	251,021,508.33	366,311,518.38
2. Derivative financial assets	1,872,460.80	0.00
3. Investment in other equity instruments	5,600,000.00	5,600,000.00
Subtotal of financial assets	258,493,969.13	371,911,518.38
Financial liabilities	62,965,410.64	108,194,619.69

Other changes

Not applicable

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

Yes No

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

Currency unit: RMB

Item	Ending book value of the year	Reason for restriction
Monetary funds	5,309,784,965.28	Margin
Notes and receivables financing	147,675,900.00	Pledge to open acceptance bills
Long-term equity investments	6,837,853,788.22	Mortgage, pledge loan
Fixed assets	20,145,141,526.55	Sale and leaseback finance leases, secured loans
Intangible assets	2,031,649,175.86	Mortgage loan
Total	34,472,105,355.91	

VII. Analysis of investment status

1. General situation

Investment amount during the reporting period (RMB)	Investment amount in the same period of previous year (RMB)	Range of change
13,669,254,123.61	12,831,505,320.53	6.53%

2. Significant equity investments acquired during the reporting period

Name of investee company	Main business	Investment Approach	Investment amount	Percentage of shareholding	Source of funds	Co-operating party	Investment period	Product Type	Progress as at the balance sheet date	Whether or not involved in litigation	Date of disclosure (if any)	Disclosure index (if any)
China Zheshang Bank Co.,Ltd.	Financial industry	Capital increase	453,329,985.70	3.54%	Equity fund	Hong Kong Securities Clearing Company (Nominees) Limited, Zhejiang Provincial Financial Holdings Company Limited, etc.	Lump sum	Corporate and retail banking services, treasury and other commercial banking operations	Completed	No	June 17, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1217085275&announcementTime=2023-06-17
Total	--	--	453,329,985.70	--	--	--	--	--	--	--	--	--

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

Project name	Investment method	Whether it is fixed asset investment	Industry involved in the project	Amount invested during the reporting period	Cumulative actual investment amount as of the end of the reporting period	Sources of funds	Project progress	Disclosure date (if any)	Disclosure index (if any)
Brunei Phase II Project	Built by the Company	Yes	Petrochemical industry	455,933,849.94	2,535,847,842.18	Self-raised funds and loans	2.86%	September 16, 2020	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1208444483&announcementTime=2020-09-16
Suqian Yida New Environment-friendly Differentiated Fibre Project	Built by the Company	Yes	Chemical fibre industry	451,809,220.82	973,324,107.87	Self-financing, borrowing and fund-raising	30.00%	June 1, 2021	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1210132115&announcementTime=2021-06-01
The 1.2 mtpa Caprolactam-Polyamide Industry Integration and Supporting Project	Built by the Company	Yes	Petrochemical chemical fibre industry	744,043,388.55	887,509,283.57	Self-financing and borrowing	18.18%	January 22, 2022	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1212243026&announcementTime=2022-01-22
Total	--	--	--	1,651,786,459.31	4,396,681,233.62	--	--	--	--

4. Investment in financial assets

(1) Investment in securities

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

(2) Investment in derivatives

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

Currency unit: RMB 10,000

Type of Hedging Investment	Beginning investment amount	Profits and losses from changes in fair value in the reporting period	Accumulated fair value changes recognized in equity	Ending amount	Ending investment amount as a percentage of the Company's net assets at the end of the reporting period	Type of Hedging Investment	Beginning investment amount	Profits and losses from changes in fair value in the reporting period
Foreign exchange hedging	-1,165	-1,165	-10,134	814	279,991	289,645	-10,819	-0.43%

Commodity hedging	20,158	20,158	5,622	2,540	420,544	404,071	36,631	1.45%
Total	18,993	18,993	-4,512	3,354	700,535	693,716	25,812	1.02%
Explanation on whether there is any significant change in the accounting policy and specific principles of accounting for hedging business of the Company in the reporting period compared with that in the previous reporting period	No. The Company accounted for the hedging investment carried out in accordance with the relevant provisions of the Ministry of Finance's 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.							
Explanation on actual profit or loss in the reporting period	During the reporting period, the actual gain or loss amounted to RMB 0.4918 million, of which the floating loss on positions was RMB 45.1212 million and the gain on closing positions was RMB 45.6130 million.							
Explanation on hedging effects	The profits and losses generated from the Company's hedging tools can offset the value changes of the hedged items, and the hedging business has a good hedging effect.							
Source of funding for investments in derivatives	Self-owned funds							

<p>Risk analysis and description of control measures for derivatives positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, and legal risk)</p>	<p>1. Market risks When the market changes drastically, the Company may not be able to fully lock in the price of raw materials or products, thereby resulting in losses. 2. Liquidity risks Commodity hedging transactions are ordered within the authority specified in the Company's 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 risks as futures and forward transactions are highly specialized and complex, unexpected losses may be caused due to defects in information systems or internal controls. 4. Credit risks When the price fluctuates greatly to the disadvantage of the counterparty, the counterparty may violate the relevant provisions of the contract and cancel the contract, resulting in losses to the Company. 5. Legal risks Due to changes in relevant legal systems or violations of relevant legal systems by the counterparty, the contract may not be executed normally, resulting in losses to the Company. Risk control measures taken by the Company: The BOD of the Company has reviewed and approved the 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 transactions are prohibited. The systems clearly stipulate the principles of the Company's business operations, approval authority, internal audit process, responsible departments and responsible persons, information isolation measures, internal risk reporting system and risk handling procedures, which are in line with the relevant requirements of regulatory authorities and meet the needs of actual operations. The specified risk control measures are practical and effective.</p>
<p>Changes in market price or fair value of products involved in invested derivatives during the reporting period; the analysis of the fair value of derivatives shall disclose the specific methods used and the setting of relevant assumptions and parameters</p>	<p>Amount of current profit or loss affected by the Company's hedging investments during the reporting period: RMB 0.4918 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>Involvement in lawsuits</p>	<p>None</p>

(if applicable)	
Date of disclosure of announcement of the BOD for approval of derivatives investment (if any)	December 07, 2022
Date of disclosure of announcement of shareholders meeting for approval of derivatives investment (if any)	December 23, 2022
Special opinions of independent directors on the Company's derivatives investment and risk control	The hedging investment carried out by the Company for the purpose of hedging was closely related to the Company's daily business needs and complied with relevant laws and regulations. The Company formulated the Management System for Foreign Exchange Derivatives Transactions and the Management System for Commodity Derivatives Transactions, which have strengthened the Company's risk management and control abilities and improved the Company's ability to withstand market risks, causing no damage to the interests of the Company and all shareholders.

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

During the reporting period, the Company carried out hedging investment for the purpose of reasonably avoiding the risk of price and exchange rate fluctuations of raw materials and finished products, reducing the impact of price and exchange rate fluctuations of raw materials and finished

products on the normal operation of the Company, and ensuring the stable operation and sustainable profitability of the Company. The commodities involved in the hedging transactions included raw materials, finished products, and foreign exchange related to the Company's production and operation.

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

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

5. overall of raised funds

(1) Overall use of raised funds

Currency unit: RMB 10,000

Year of fund raising	Mode of fund raising	Total funds raised	Total amount of raised funds used in this period	Total amount of raised funds used cumulatively	Total amount of raised funds with changed usage during	Cumulative total amount of raised funds with changed usage	Proportion of cumulative total amount of raised funds with changed	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
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					the reporting period		usage			years
2019	Issue of shares to purchase assets and raise supporting funds	291,091.12	0	288,785.36	0	156,300	53.69%	0	On April 25, 2022, the seventeenth meeting of the eleventh session of the BOD of the Company reviewed and approved the Proposal on Closing Investment Projects with Raised Funds and Permanently Replenishing Working Capital with Surplus Raised Funds, agreeing to permanently supplement the working capital with the balance of supporting funds from share issuance by the Company in 2019. As of December 31, 2023, the Company's remaining sporadic idle proceeds have been permanently transferred out to supplement liquidity and the special account for proceeds has been cancelled in full.	0
2022	Public issuance of convertible corporate	298,367.92	25,689.16	153,383.8	0	0	0.00%	144,984.13	As of December 31, 2023, the unused raised funds amounted to RMB 1449.8413 million, of which RMB 1451.5893 million had not yet been returned as temporary supplementary working	0

	bonds in 2022								capital due to the balance of the Company's special account for fund-raising funds was RMB 1.7856 million, and the sum of the amount of temporary supplementary liquidity not yet due for return and the balance of the special account for fund-raising funds exceeded the amount of fund-raising funds not yet used by RMB 3.5336 million, which represented the interest income from the special account for fund-raising funds less the net amount of the handling fee and the issuance fee not yet paid.	
Total	--	589,459.04	25,689.16	442,169.16	0	156,300	26.52%	144,984.13	--	0
General description of the use of raised funds										
<p>1. As approved by the [2018] No. 1937 CSRC Permit issued by the China Securities Regulatory Commission and agreed by the Shenzhen Stock Exchange, the Company raised a total of RMB 2,949,999,987.00 through non-public issuance of 213,768,115 ordinary shares (A shares) to eligible investors, which was verified by Ruihua Certified Public Accountants (Special General Partnership). After deducting the broker's underwriting fees and related issuance expenses, the actual net amount of funds raised was RMB 2,910,911,218.99. As of December 31, 2023, the Company has used RMB 2887.8536 million from the funds.</p> <p>2. As approved by CSRC Permit [2022] No. 565 issued by the China Securities Regulatory Commission and agreed by the Shenzhen Stock Exchange, the Company publicly issued 30 million convertible corporate bonds to eligible investors, each with a face value of RMB 100. The total issuance amount was RMB 3 billion, the conversion price was RMB 10.50 per share, and the bonds were listed on the Shenzhen Stock Exchange on August 11, 2022. The total amount of funds raised from the public issuance of convertible corporate bonds was RMB 3 billion. After deducting the underwriting and recommendation fees excluding taxes and related issuance fees, the actual net amount of funds raised was RMB 2983.6792 million. As of December 31, 2023, the Company has used RMB 1553.8380 million from the funds.</p>										

(2) Projects for committed investment with raised funds

Currency unit: 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										
500,000 tpa differentiated functional fibre upgrading and transformation project	No	No more than 93,500	93,500	0	93,647.49	100.16%	August 2020	7,257.25	No	No
Intelligent upgrading and transformation project	No	No more than 28,170	28,170	0	25,621.7	90.95%	August 2020	Not applicable	Not applicable	No
Differentiated chemical fibre energy saving and consumption reduction upgrading and transformation project	No	No more than 8,500	8,500	0	8,399.34	98.82%	May 2019	Not applicable	Not applicable	No

250,000 tpa environmentally-friendly functional fibre upgrading and transformation project	Yes	No more than 141,500	416.05	0	416.05	100.00%	Not applicable	Not applicable	Not applicable	Yes
Intelligent upgrading and transformation project	Yes	No more than 20,500	5,283.95	0	3,406.99	64.48%	Not applicable	Not applicable	Not applicable	Yes
500,000 tpa New-type Functional fibre technological transformation projects	No	No more than 70,000	70,000	33,398.74	33,398.74	47.71%	January and August 2021	6,105.52	No	No
1.1 mtpa New Environment-friendly Differentiated Fibre Project	No	No more than 230,000	230,000	25,689.16	119,985.06	52.17%	Partially commissioned in May and December 2023	-3,415.06	Not applicable	No
Subtotal of committed investment for the projects	--	No more than 592,170	435,870.00	25,689.16	284,875.37	--	--	/	--	--
Investment direction of over-raised funds										
None										
Total	--	No more than 592,170	435,870.00	25,689.16	284,875.37	--	--	/	--	--

<p>Description of the situation and reasons why the planned progress and expected benefits have not been achieved by projects (including the reason for selecting "not applicable" for "whether the expected benefits have been achieved")</p>	<p>Due to significant fluctuations in raw material prices and the weak downstream demand, some project benefits did not meet expectations.</p>
<p>Description of significant changes in project feasibility</p>	<p>Not applicable</p>
<p>Amount, purpose and progress of use of over-raised funds</p>	<p>Not applicable</p>
<p>Change of location for implementation of projects for committed investment</p>	<p>Not applicable</p>

Adjustment of implementation mode of projects for committed investment	Not applicable
Preliminary investment and replacement of projects for committed investment	<p data-bbox="1182 424 1290 448">Applicable</p> <p data-bbox="405 488 2069 762">1. On February 1, 2019, the twenty-fourth meeting of the tenth 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 thirtieth meeting of the tenth 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</p> <p data-bbox="405 799 2069 1153">2. According to the resolution of the tenth meeting of the eleventh session of the BOD on May 31, 2021, and the Proposal on the Company's Public Issuance of Convertible Corporate Bonds reviewed and approved at the third Extraordinary General Meeting (EGM) of Shareholders 2021 on June 16, 2021, it is agreed that if the Company has invested self-raised funds in the construction of the above projects first before the funds raised from the issuance of convertible corporate bonds are in place, the funds can be replaced in accordance with the procedures prescribed by relevant laws and regulations after the funds raised are available. As of July 28, 2022, the Company has invested RMB 1,042,688,264.58 in the above-mentioned raised funds investment project with self-raised funds in advance, and has made the advance payment of intermediary fees and related taxes of RMB 1,550,000.00 with self-owned funds. After the review of the BOD of the Company, it was decided to replace the self-raised funds invested in the raised funds investment project with the raised funds, with an amount of RMB 1,042,688,264.58, and to replace the self-raised funds with the raised funds for the paid issuance fees, with an amount of RMB 1,462,264.15 (excluding tax). As of December 31, 2023, the Company has replaced the self-raised funds invested in advance of RMB 1,044,150,528.73.</p>
Temporary replenishment of working capital with idle raised funds	Applicable

	As of December 31, 2023, the Company has temporarily replenished its working capital with idle raised funds of RMB 1451.5893 billion, and there is no situation where any fund has not been returned upon maturity.
Amount and reasons for the balance of raised funds in project implementation	Applicable
	Due to the long payment cycle of contract payments agreed with some suppliers, the Company will continue to make relevant payments as agreed in the contract after the project is completed.
Usage and destination of unused raised funds	As of December 31, 2023, the unused proceeds amounted to RMB1,449,841,300, of which RMB1,451,589,300 had not yet been due for the return of temporary supplementary liquidity, and the balance of the Company's special account for proceeds was RMB1,785,600, and the sum of the amount of temporary supplementary liquidity that had not yet been due for the return of temporary supplementary liquidity and the balance of the special account for proceeds exceeded the amount of the unused proceeds by RMB3,533,600, which was the amount of the special account for proceeds. Interest income net of handling fees and outstanding issue fees.
Problems or other situations in the use and disclosure of raised funds	Not applicable

(3) Changes of projects for investment with raised funds

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

VIII. Sales of major assets and equity

1. Sales of major assets

The company did not sell any significant assets during the reporting period.

2. Sales of major equity

Counter party	Sold equity	Date of sale	Transaction price (RMB 10,000)	Net profit contributed by the equity to the listed company from the beginning of current period to the date of sale (RMB10,000)	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 related-party transaction	Relationship with the counter party	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	Data of disclosure	Disclosure index (if any)
Zhejiang Hengyi Group Co.,Ltd.	100% equity interest in Hangzhou Yijing Chemical Fibre Co.,Ltd.	December 19, 2023	88,000	2,582.01	The disposal of equity interest will not adversely affect the Company's business continuity, management stability and daily production and operation	121.78%	Determined with reference to the book value and appraised value of the net assets of the subject company as at 31 October 2023	Yes	Hengyi Group is the controlling shareholder of the Company; Mr Qiu Yibo, Chairman and President of the Company, is a shareholder and director of Hengyi Group; Mr Fang Xianshui, Vice Chairman of the Company, is also a director of Hengyi Group; and Mr Ni Defeng, Director, is the President	Yes	Yes	December 08, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1218547547&announcementTime=2023-12-08

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

Currency unit: RMB

Company name	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Hengyi Brunei (Single unit)	Subsidiary	Refining and petrochemical	USD 1.0548 billion	37,786,868,368.92	10,246,578,199.96	44,088,120,113.95	46,457,509.55	13,984,311.35
Hainan Yisheng	JV company	PTA and bottle flake	4,580,000,000.00	16,886,352,145.66	6,782,363,911.16	17,995,790,974.30	406,311,358.76	364,367,774.59
Yisheng Investment	JV company	PTA and bottle flake	2,018,000,000.00	16,216,384,823.21	7,700,142,596.37	30,081,391,445.25	3,961,933.76	57,567,769.18
Yisheng New Materials	JV company	PTA	3,000,000,000.00	11,939,894,488.83	2,291,993,920.94	34,389,876,066.56	-784,303,905.25	-567,448,779.11
Hengyi Limited	Subsidiary	DTY	3,000,000,000.00	41,061,996,420.47	8,599,478,026.72	62,888,166,435.20	245,694,203.90	254,352,818.12
Hengyi High-Tech	Subsidiary	Flakes, POY, etc.	2,757,250,000.00	11,607,580,622.29	4,898,283,462.40	10,358,224,455.18	441,336,470.83	432,448,585.91
Shuangtu New Materials	Subsidiary	POY, FDY, and flakes	600,000,000.00	5,184,969,615.15	2,248,516,210.90	7,148,921,932.66	139,284,403.28	121,053,026.00
Jiaxing Yipeng	Subsidiary	FDY	3,000,000,000.00	5,334,717,810.95	2,746,345,202.72	4,605,245,658.41	64,957,382.37	65,077,779.99
Hong Kong Tianyi	Subsidiary	Investment and trade	USD 1.5095 billion	14,995,526,709.40	11,292,819,604.28	1,019,114,286.03	-123,246,933.21	-123,246,933.21
China Zheshang Bank	JV company	Finance	27,464,635,963.00	3,143,879,000,000.00	189,577,000,000.00	63,704,000,000.00	17,523,000,000.00	15,493,000,000.00

Acquisition and disposal of subsidiaries during the reporting period

Company name	Methods of acquiring and disposing of subsidiaries during the reporting period
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Hangzhou Yijing Chemical Fibre Co.,Ltd.	Disposal
Zhejiang Yi Zhi Information Technology Co.	Cancellation
Hangzhou Lantong Technology Co.	Establishment
Hangzhou Lanfang High-tech Material Co.	Establishment
Hangzhou Lanshun Technology Co.	Establishment
Hangzhou Lanbiao Testing Service Co.	Establishment
Hangzhou Yigao Environmental Protection Technology Co.	Establishment
Hangzhou Yixian Energy Technology Co.	Establishment

Description of major subsidiaries and JV companies

(1) Hengyi Brunei

The Company holds 70% of the shares of Hengyi Industries Sdn. Bhd. through Hong Kong Tianyi International Holding Co., Ltd. Hengyi Brunei has a registered capital of USD 1.0548 billion, and the scope of business covers: Petroleum refining and petrochemical.

(2) Hainan Yisheng

The Company holds 50% of the shares of Hainan Yisheng Petrochemical Co., Ltd. through Ningbo Hengyi Commerce Co., Ltd. a subsidiary of Zhejiang Hengyi Petrochemical Co., Ltd. Hainan Yisheng has a registered capital of RMB 4.58 billion. The scope of business: production, processing, wholesale and retail of purified terephthalic acid, PET flakes, polyester bottle flakes, polyester staple fibres, POY yarns, FDY yarns, crude cobalt oxide and manganese oxide, and chemical fibre 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) Yisheng Investment

The Company holds 30% of the shares of Dalian Yisheng Investment Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Scope of Business: Project investment, domestic general trade, import and export of goods, technology import and export, and trade intermediary agency. (Except for business prohibited by laws and administrative regulations, business restricted by laws and administrative regulations can be operated only after obtaining corresponding permit). (Business activities subject to approval according to laws can be carried out only after by relevant departments.) The legal representative is Li Shuirong, and the registered capital is RMB 2.018 billion.

(4) Yisheng New Materials

The Company holds 49% of the shares of Zhejiang Yisheng New Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. The scope of business: import and export of technologies; import and export of goods; import and export of agency (Business activities subject to approval according to laws can be carried out only after approved by relevant departments. Specific business activities are subject to the approval results). General business: Sales of new membrane materials; sales of synthetic materials; sales of chemical products (excluding chemical products subject to license); sales of petroleum products (excluding hazardous chemicals); production of chemical products (excluding chemical products subject to license); manufacturing of synthetic materials (excluding hazardous chemicals); technical services, technical development, technical consultation, technical exchange, technology transfer, and technology promotion (except for business subject to approval according to laws,

business activities shall be carried out independently and legally with the business license). The legal representative is Xu Baoyue, and the registered capital is RMB 3 billion.

(5) Hengyi Limited

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

(6) Hengyi High-Tech

The Company holds 100% of the shares of Zhejiang Hengyi High-Tech Materials Co., Ltd. through Zhejiang Hengyi Petrochemical Co., Ltd. Hengyi High-Tech has a registered capital of RMB 2.75725 billion, and the scope of business covers: production, processing and sales of PET flakes, POY yarns, FDY yarns, and chemical fibre raw materials; export of the company's own products and technologies and import of self-use products and technologies (except for those that are prohibited or restricted according to national laws and regulations); all other legal business not subject to approval.

(7) Shuangtu New Materials

The Company holds 100% of the shares of Zhejiang Shuangtu New Materials Co., Ltd., and the registered capital of Shuangtu New Materials is RMB 600 million. Scope of Business: General business: general business: production of chemical products (excluding chemical products subject to license); sales of chemical products (excluding chemical products subject to license); sales of synthetic fibres; synthetic fibre

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 fibre grade PET flakes.

(8) Jiaxing Yipeng

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

(9) Hong Kong Tianyi

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

(10) China Zheshang Bank

The Company holds a total of 972,490,068 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 3.54% of

the total share capital of China Zheshang Bank. Scope of Business: financial business (For details, please refer to the approval of the China Banking and Insurance Regulatory Commission). Established in 2004, the company is one of the 12 national joint-stock commercial banks approved by the China Banking and Insurance Regulatory Commission. China Zheshang Bank was listed on the main board of the Hong Kong Stock Exchange on March 30, 2016 (stock code: 02016.HK) and on the Shanghai Stock Exchange on November 26, 2019 (stock code: 601916.SH).

X. Information on structured entities controlled by the Company

Applicable Not applicable

XI. Prospects for the future development of the Company

(I) Strategic prospects for the development of the Company

In 2024, HengYi Petrochemical will continue to adhere to high-quality development, taking technological innovation, product innovation and process innovation as the basis for its strategic transformation from "Industrial HengYi" to "Technological HengYi". At the same time, the company will continue to consolidate its integration advantages, strengthen the linkage between domestic and overseas markets, further improve the "polyester + polyamide" double "spandex" driven industrial chain, and deepen the "petrochemical +" multi-level three-dimensional industrial layout to achieve resource sharing, and to achieve the "petrochemical +" multi-level three-dimensional industrial layout. We will continue to consolidate our integration advantages, strengthen the linkage between home and abroad, further improve the "polyester+nylon" dual "spandex"-driven industrial chain, deepen the "petrochemical+" multi-layered and three-dimensional industrial layout, share resources, systematically build upstream and downstream synergies, and comprehensively enhance our comprehensive competitiveness, so as to develop into a leading domestic and first-class "refining-

chemicals-chemicals-chemical fibres" private multinational industrial group.

(II) Prospects for the industrial development of the Company

For details, please refer to the section headed (II) Industry in which the Company's three major businesses operate" under the heading "I. Industry in which the Company operated during the reporting period".

(III) Business strategy of the Company for 2024

Based on the requirements of high-quality development in the new era and the new pattern of industrial development, the company will continue to promote the transformation of "Industrial Hengyi" to "Science and Technology Hengyi", and take "Green Manufacturing" and "Circular Economy" as the guide. With "Green Manufacturing" and "Circular Economy" as the guiding principles, we will increase investment in scientific and technological research and development to improve the transformation efficiency of new materials and technologies; promote the planning and construction of key strategic projects to enhance the company's sustained profitability and risk-resistance; deepen the strategy of digital transformation, strengthen data-driven, and empower the work of production, sales, operation, and management decision-making at multiple levels; Optimise the grass-roots organisation model, build up the talent team and introduce advanced management experience, so as to build up momentum and energy for the company to achieve strategic transformation and long-term high-quality development.

1. Promote the transformation from "Industrial Hengyi" to "Science and Technology Hengyi", and create an innovation-driven science and technology enterprise.

In 2024, the company will continue to give full play to the functional positioning and advantageous features of linkage with universities and research institutes, participate in basic research through various forms and channels, carry out scientific and technological collaboration in the front-end, and promote the application of landing in the back-end to create a flexible mechanism with strong R&D momentum, high transformation efficiency and smooth management and operation, to continuously give rise to new results, promote the transformation of results, and to actively play a role in the innovation of the back-end. We will build a multi-body synergistic innovation ecology of technological innovation, application demonstration, talent training, model innovation and business integration. The company will closely surround the industrial layout, aim at the world's scientific and technological frontiers, gather global innovation resources, cultivate high-end innovation achievements, build a world-class R&D base for key common technologies of refining and chemical integration and high-end chemical products, and will devote itself to the research and development of green chemicals and advanced materials to become a technology leader in the whole industry.

The company has begun to enter the forefront of industry technology in some of its advantageous areas, and will continue to give full play to the spirit of independent innovation of the Enterprise Research Institute, continue to increase investment in research and development, product development and transformation of results around three major themes: environmental protection, functionality, and biobased categories. We will continue to promote "Yitaikang" products and increase the promotion and application of environmentally friendly polyester technology and product sales. We have successfully completed the research on the "catalytic + solvent" system for the efficient dehydration reaction for the preparation of bio-based polyester monomers, and solved the key technical problems in the preparation of HMF with high selectivity; we will accelerate the industrialisation of functional composite materials such as flame-retardant and anti-static materials. At the same time, the company will focus on promoting the research and development of gas-phase reformulation, ammonia,

hydrogen peroxide, chemical fibre oiling agent and other technologies, so as to promote the high-quality development of the green petrochemical industry.

2. Stable operation of existing production capacity, and actively promote the construction of major strategic projects

In 2024, the company will continue to deepen the integration of industrial chain and strengthen the linkage between domestic and overseas advantages. On the domestic front, the Company will safely and stably operate the two major segments of PTA and polyester, strengthen the implementation and effect of the construction of the "1.2 million tons per annum caprolactam-polyamide industrial integration and ancillary projects" in Qinzhou, and continue to build up the nylon industry.

Overseas, the Company will continue to do a good job in the production and operation of Brunei Project Phase I, always put safety and environmental protection in the first place in the operation of the refinery, insist on the operation of the plant to be "affordable, stable, and long-cycle", and strive to maximise the operational efficiency and profitability after the completion of the technological transformation in 2023, and to maintain good performance in HSE. At the same time, the Company will continue to adhere to the tenet of "market-oriented, benefit-oriented and production service", grasp the whole process of control of raw materials entering the plant, product production, blending and transferring, and sales, and further improve and optimise the processing flow of the whole plant, so as to effectively ensure the safe production of the plant, increase production capacity, optimise the process, and reduce costs and increase efficiency. At the same time, the company will continue to steadily push forward the construction of Brunei Project Phase II, the completion of Brunei Project Phase II will further increase the company's overseas market share, thickening the company's profits, injecting new blood for growth, and is conducive to strengthening the integration of the industrial chain and the advantages of scale, reducing the cost of production, ensuring

the stability of the supply of raw materials, and enhancing the company's sustained profitability and risk-resistant ability.

3. Deepen the integration of digital intelligence and strengthen data-driven empowerment

Taking the digital intelligent factory as a blueprint, the company will accelerate the construction of information operation standardisation system. In 2024, the company will continue to consolidate and improve the service experience of HengYi Brain, continue to upgrade the comprehensive application based on AI technology, and provide the company's top management with a scientific decision-making system for the integration of production and sales. At the same time, it will achieve online management of information assets, operation knowledge base and system operation configuration, online display and analysis of operation data, improve the information infrastructure construction, promote the value mining of production and operation big data, establish the construction of daily operation standardisation system, and realise the development of digital transformation of traditional industries. In addition, with the increasing demand for intelligent logistics technology in the petrochemical industry, the Company will continue to focus on the construction of a highly efficient MES system to achieve consistency and interconnection of data throughout the plant, and continue to improve and upgrade the chemical fibre industrial internet platform with the trinity of "online trading + online finance + warehousing and logistics", so as to effectively reduce the cost of logistics of raw materials and products and realise the development of digital transformation in the Company. This will effectively reduce the logistics costs of raw materials and products, realise upstream and downstream synergy, and provide powerful assistance for the development of the main industry, so as to comprehensively enhance the comprehensive competitive strength.

4. Improve the company's management system, help the steady progress of

strategic objectives

In 2024, the Company will continue to build a management team that matches the Company's strategy, stimulate the vitality of the organisation and mechanism, carry forward the guiding spirit of hard work, and mobilise the enthusiasm and creativity of employees to the greatest extent possible. The Company will continue to strengthen the construction of the talent ladder, promote steady front-line work on a regular basis, increase the sense of belonging of employees and stimulate the endogenous force of the enterprise through continuous improvement of the system, enhancement of the transparency of the policy, and enhancement of the grass-roots atmosphere.

At the same time, the company will continue to establish and improve the advanced operation management system, continue to improve the efficiency of production organisation and management performance, actively promote the construction of lean production system, strengthen the awareness of cost reduction and efficiency from top to bottom, deeply implement the whole process, all elements, all-directional cost reduction and control, build a scientific and efficient management system, and further refine the management of purchasing cost, production cost, operation cost, etc. to effectively reduce the costs and expenses of the company, and achieve the goal of reducing costs and expenses. Effectively reduce the company's costs and expenses, achieve synergistic improvement of operational efficiency, and ensure the company's sustainable, stable and healthy development.

(IV) Risks faced by the company and countermeasures

1. Macroeconomic risk

The company is engaged in the business of petrochemical and polyester fibre products production and sales, petrochemical and polyester chemical fibre industry and the world economy and China's economic development is closely related to the state of the

economy, but also an industry closely related to national economy and people's livelihood, and the price and sales of its products are affected by macro-economic fluctuations and changes in supply and demand and other factors. With the acceleration of economic globalisation and integration, national macro-controls and cyclical fluctuations in the world economy will have an impact on the development of the industry, and if the global economic growth slows down or there is a recession, it will have a direct impact on the Company's business, operating results and financial position and demand.

2. Safety and environmental production risks

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

In order to reduce industrial safety and environmental production risks, the Company strengthens subsequent investment in eco-friendliness, including but not limited to the purchase and update of equipment and facilities, the construction and implementation of organizational systems, etc. The Company will actively carry out safety standardization and acceptance work in accordance with the arrangements for the construction of Class 1, 2, and 3 national safety standards, and focus on building a safety standard management system. The Company will implement the dual-prevention work mechanism combining safety risk classification and control and hidden danger

investigation and management, strengthen safety training, increase safety investment, practice the strategy of promoting safety based on science and technology, promptly remove safety and eco-friendliness hazards, and eliminate all possibilities of major accidents.

3. Risk of significant fluctuations of raw materials price

More than 80% of the cost composition of the industry chain in which the Company operates is determined by upstream raw materials, in particular, the price fluctuation of crude oil has a greater impact on the Company's production and operation. 2024, the price of crude oil is likely to fluctuate significantly in line with the international situation, geopolitics, etc., which will in turn affect the price change of various products in the industry chain, aggravate the uncertainty of raw material costs and operating costs, and may bring about greater fluctuations in the Company's efficiency. The Company will continue to optimise its inventory strategy to reduce the adverse impact caused by price fluctuations of crude oil and other raw materials.

4. Environmental protection risks

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

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

5. Risk of exchange rate and interest rate fluctuations

The main operations of the Company's subsidiary, Hengyi Brunei, are located outside of China, and its main business is settled in US dollars. The exchange rate and interest rate between the settlement currency and RMB may fluctuate in line with changes in the international political and economic environment, and is subject to a certain degree of uncertainty. With the expansion of the Company's overseas business layout and the increase in overseas sales revenue in the future, the Company's asset position and operating results are exposed to risks arising from exchange rate fluctuations.

The Company's interest rate risk mainly comes from bank borrowings. The Company, through establishing a good cooperative relationship with banks, has made reasonable designs for credit limits, credit varieties and credit terms to ensure sufficient bank credit limits to meet the Company's various long and short-term financing needs and to reasonably reduce the risk of interest rate fluctuations.

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

Time	Location	Reception method	Visitor type	Visitor	Main content of communication and information provided	Index of basic facts of research
January 10, 2023	The Company's meeting room	Field research	Institution	Guosen Securities,	Company operation	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of

				China Shipping Fund and 2 other institutions	and industry development trend	January 11, 2023 on SZSE (cninfo.com.cn): 1215576894.PDF (cninfo.com.cn)
February 14, 2023	The Company's meeting room	Field research	Institution	Tianfeng Securities, Haitong Securities and other 12 institutions	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of February 15, 2023 on SZSE (cninfo.com.cn): 1215871172.PDF (cninfo.com.cn)
February 21, 2023	The Company's meeting room	Field research	Institution	CRE Securities, CICC and 16 other institutions	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of February 22, 2023 on SZSE (cninfo.com.cn): 1215939225.PDF (cninfo.com.cn)
February 28, 2023	The Company's meeting room	Field research	Institution	Changjiang Securities, CITIC Capital Securities and other 10 institutions	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of March 1, 2023 on SZSE (cninfo.com.cn): 1216023145.PDF (cninfo.com.cn)
March 09, 2023	The Company's meeting room	Field research	Institution	Shenwan Hongyuan Securities, Shenwan Hongyuan Capital Management and other 7 institutions	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of March 10, 2023 on SZSE (cninfo.com.cn): 1216091308.PDF (cninfo.com.cn)
April 20, 2023	Teleconference and the Company's meeting	Telephone communication	Institution	Changjiang Securities, Shenwan Hongyuan	Company operation and industry development	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of April 21, 2023 on SZSE

	room			Securities and other 182 institutions	trend	(cninfo.com.cn): 1216516849.PDF (cninfo.com.cn)
April 26, 2023	Teleconference and the Company's meeting room	Telephone communication	Institution	54 institutions such as CRE Securities, China Pacific Securities and others	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of April 27, 2023 on SZSE (cninfo.com.cn): 1216656021.PDF (cninfo.com.cn)
May 08, 2023	p5w.net "Investor Relations Interactive Platform"	Telephone communication	Institutions and individuals	Investors participating in the Company's 2022 annual online earnings presentation	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of May 09, 2023 on SZSE (cninfo.com.cn): 1216782053.PDF (cninfo.com.cn)
August 23, 2023	Teleconference and the Company's meeting room	Telephone communication	Institution	Shenwan Hongyuan Securities, CITIC Capital Securities and other 124 institutions and individuals	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of August 24, 2023 on SZSE (cninfo.com.cn): 1217630484.PDF (cninfo.com.cn)
September 11, 2023	p5w.net "Investor Relations Interactive Platform"	Others	Institutions and individuals	Investors participating in the Company's 2023 Half-Year Annual	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of September 12, 2023 on SZSE (cninfo.com.cn): 1217835096.PDF (cninfo.com.cn)

				Online Earnings Conference		
October 30, 2023	Teleconference	Telephone communication	Institutions and	CITIC Capital Securities, Huachuang Securities and 72 other institutions and individuals	Company operation and industry development trend	Record Form of 2022 Hengyi Petrochemicals' Investor Relation Activities as of October 31, 2023 on SZSE (cninfo.com.cn): 1218216180.PDF (cninfo.com.cn)

XIII. Implementation and enforcement of the action programme "Quality Returns and Double Improvement"

Whether the company has disclosed the "Quality Returns Double Improvement" action programme.

Yes No

Section IV Corporate Governance

I. Basic status of corporate governance

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

1. Shareholders and shareholders' general meetings

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

2. The Company and the controlling shareholder

The Company is completely independent from the controlling shareholder and its subsidiaries in terms of business, personnel, assets, organization, and finance. The Company has independent and complete business and the ability to operate independently. The Company's BOD, BOS and internal organizations operate independently. The controlling shareholder of the Company can strictly regulate its behavior. Major decisions of the Company were made by the shareholders' general meetings in accordance with the law. The controlling shareholder exercised its shareholder rights in accordance with the law, and did not directly or indirectly interfere with the decision-making and operating activities of the Company beyond the shareholders' general meetings of the Company.

3. Directors and the BOD

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

During the reporting period, the procedures of the meetings of the BOD of the Company were in compliance with relevant regulations, the minutes of the meeting were complete and true, and the disclosure of relevant information at the meetings was timely, accurate

and adequate. The BOD of the Company set up four special committees, namely the Remuneration Assessment and Nomination Committee, the Risk Control Committee, the Audit Committee and the Strategy and Investment Committee, which have played an important role in promoting the standardized operation and healthy development of the Company.

4. Supervisors and the BOS

The Company's BOS consists of three supervisors, one of whom is an employee representative. The number and personnel of the Company's BOS met the requirements of relevant laws and regulations and the Company's Articles of Association. All the supervisors of the Company could perform their duties conscientiously in accordance with the requirements of the Company's Rules of Procedure of the BOS and other relevant regulations, attend the shareholders' general meeting, attend the meetings of the BOD as nonvoting delegates, convene the meetings of the BOS according to the prescribed procedures, diligently and conscientiously supervise the legality and compliance of the Company's financial situation, directors and senior executives, and safeguard the legitimate rights and interests of the Company and its shareholders.

5. Stakeholders

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

6. Information disclosure and transparency

The Company strictly followed the requirements of relevant laws and regulations as well as the Information Disclosure Management System and the Investor Relations Management System to conscientiously fulfill our information disclosure obligations, disclose the Company's operation and management and matters that have significant

impact on the Company in a true, accurate, complete and timely manner, coordinate the relationship between the Company and investors, receive investors' visits, and answer investors' inquiries. The Company's designated newspapers and websites such as STCN, China Securities Journal, Shanghai Securities News, Securities Daily and CNINFO (<http://www.cninfo.com.cn>) for the Company's information disclosure.

7. Performance evaluation and incentive and restraint mechanisms

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

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

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

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

The Company carried out operations in strict accordance with the Company Law, Articles of Association and other laws, regulations and rules, established a sound corporate governance structure of the Company, and maintained independent from the controlling shareholder in terms of business, personnel, assets, organization, and

finance. The Company has an independent and complete business system and the ability to operate independently.

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

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

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

4. Organization: The Company established a sound organizational system to meets its own production and operation needs. The functional departments operate independently

and smoothly, and there is no subordination relationship between the controlling shareholder and the functional departments.

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

III. Competition in the same industry

Applicable Not applicable

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

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

Session of meeting	Session of meeting	Type of meeting	Percentage of investors	Date of meeting	Disclosure date
2022 Annual General Meeting of shareholders	Annual shareholders' meeting	56.96%	May 10, 2023	May 11, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Proposal on the Company's fulfilment of the conditions for the issuance of A shares to specific targets; 2. Reviewed and approved the Proposal to amend the Company's proposal for the issuance of A shares to specific targets; 3. Reviewed and approved the Proposal on the Company's <Proposed Issue of A Shares to Specific Targets in FY2023 (Revised)>; 4. Reviewed and approved the Resolution on the Feasibility Analysis Report on the Utilisation of Proceeds from the Issue of A-Shares to Specific Targets in FY2023 (Revised); 5. Reviewed and approved the Motion on the signing of the "Conditionally Effective Share Subscription Agreement" between the Company and the Specified Objects; 6. Reviewed and approved the Resolution on the signing of the Supplemental Agreement to the Conditionally Effective Share Subscription Agreement between the Company and the Specified Parties; 7. Reviewed and approved the Proposal on the Issue of Shares to Specific Targets Constituting a Connected Transaction; 8. Reviewed and approved the Proposal on the Company's Shareholder Return Plan for the Next Three Years (2023-

					<p>2025);</p> <p>9. Reviewed and approved the Resolution on the Diluted Immediate Return on the Issue of A Shares to Specific Targets, Filling Measures and Commitments of Relevant Entities;</p> <p>10. Reviewed and approved the Proposal to propose to the Shareholders' General Meeting to authorize the Board of Directors to handle the specific matters relating to the issuance of A shares to specific targets in an all-embracing manner;</p> <p>11. Reviewed and approved the Proposal to submit to the General Meeting of Shareholders for approval of the exemption of subscribers from the issue of the offer;</p> <p>12. Reviewed and approved the Motion on the Annual Report <2022> and its Summary;</p> <p>13. Reviewed and approved the Report on the work of the Board of Directors for the year 2022;</p> <p>14. Reviewed and approved the Report on the work of the Supervisory Board for the year 2022;</p> <p>15. Reviewed and approved the Report on the Financial Accounts for the year 2022;</p> <p>16. Reviewed and approved the Motion on the Proposed Non-distribution of Profit for FY2022;</p> <p>17. Reviewed and approved the Annual Internal Control Self-Evaluation Report 2022;</p> <p>18. Reviewed and approved the Motion on the Deposit and Use of Proceeds in FY2022;</p> <p>19. Reviewed and approved the Motion on the Report on the Use of Previously Raised Funds;</p> <p>20. Reviewed and approved the Motion on the Renewal of Appointment of Accounting Firm</p>
First Extraordinary General Meeting 2023	Extraordinary general meeting of shareholders	53.01%	August 15, 2023	August 16, 2023	<p>1. Reviewed and approved the Motion on < Hengyi Petrochemical Company Limited Fifth Employee Stock Ownership Plan (Draft) > and Abstract;</p> <p>2. Reviewed and approved the Motion on <Administrative Measures for the Fifth Employee Stock Ownership Plan of Hengyi Petrochemical Co.;</p> <p>3. Reviewed and approved the Proposal on Requesting the Shareholders' General Meeting to Authorise the Board</p>

					of Directors to Handle Matters Related to the Fifth Employee Share Ownership Plan of the Company
The second Extraordinary General Meeting 2023	Extraordinary general meeting of shareholders	68.16%	September 28, 2023	September 29, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Resolution on the Election of Non-Independent Directors for a New Term of the Board of Directors of the Company; 2. Reviewed and approved the Resolution on the Election of Independent Directors by the Company's Board of Directors for a New Term of Office; 3. Reviewed and approved the Proposal for the Election of Shareholders' Representative Supervisors for a New Session of the Supervisory Committee of the Company; 4. Reviewed and approved the Resolution on the Estimation of the Amount of New Daily Connected Transactions for FY2023
The third Extraordinary General Meeting 2023	Extraordinary general meeting of shareholders	60.26%	November 14, 2023	November 15, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Resolution on the Provision of Affiliated Entrusted Loans to Yisheng New Material, a Participating Company;
The fourth Extraordinary General Meeting 2023	Extraordinary general meeting of shareholders	51.00%	December 25, 2023	December 26, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Proposal to Amend the Articles of Association of the Company; 2. Reviewed and approved the Proposal to Amend the Working System of Independent Directors; 3. Reviewed and approved the Motion to Amend the Rules of Procedure of the Board of Directors

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

Applicable Not applicable

V. Directors, supervisors and senior executives

1. Basic information

Name	Gender	Age	Title	Employment status	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)
Qiu Yibo	Male	37	President	Current	May 15, 2015	September 27, 2026	1,365,000				1,365,000	
			CEO	Current	September 15, 2020	September 27, 2026						
Fang Xianshui	Male	60	Vice President	Current	May 16, 2011	September 27, 2026	4,777,500				4,777,500	
			Financial Director	Leave the position	December 6, 2022	December 7, 2023						
Ni Defeng	Male	46	Director	Current	August 25, 2017	September 27, 2026	6,051,500				6,051,500	
Wu Zhong	Male	35	Vice President	Current	January 15, 2020	September 27, 2026	109,200				109,200	
			Director	Current	September 15, 2021	September 27, 2026						
Zhao Donghua	Male	39	Vice President	Current	January 16, 2020	September 27, 2026	327,600				327,600	
			Director	Current	September 28, 2023	September 27, 2026						
Luo Dan	Female	41	Director	Current	December 22, 2022	September 28, 2026	0				0	
Chen Sanlian	Male	60	Independent Director	Step down	August 25, 2017	September 28, 2023	0				0	
Yang Baizhang	Male	67	Independent Director	Step down	August 25, 2017	September 28, 2023	0				0	
Yang Liuyong	Male	60	Independent Director	Step down	August 25, 2017	September 28, 2023	0				0	
Chen Linrong	Male	53	Independent Director	Current	September 28, 2023	September 27, 2026	0				0	
Hou Jiangtao	Male	50	Independent Director	Current	September 28, 2023	2026年09月27日	0				0	

Hong Xin	Male	40	Independent Director	Current	September 28, 2023	September 27, 2026	0				0	
Wang Songlin	Male	54	Executive Vice President	Current	May 15, 2011	September 27, 2026	5,778,500				5,778,500	
Chen Liancai	Male	57	Vice President	Current	August 25, 2017	September 27, 2026	3,640,000				3,640,000	
Lou Jianchang	Male	37	Vice President	Retire and leave office	September 15, 2021	March 1, 2024	0				0	
Zheng Xingang	Male	37	Secretary of the BOD	Current	August 28, 2017	September 27, 2026	2,912,000				2,912,000	
			Vice President and Financial Director	Current	December 7, 2023	September 27, 2026						
Li Yugang	Male	37	Chairman of the BOS	Current	September 15, 2021	September 27, 2026	218,400				218,400	
Jin Danwen	Female	38	Supervisor	Current	September 14, 2021	September 27, 2026	109,200				109,200	
Wang Peng	Male	37	Supervisor	Current	September 28, 2023	September 27, 2026	0				0	
Ni Jinmei	Female	48	Supervisor	Leave the position	August 28, 2021	September 28, 2023	273,000				273,000	
Total	--	--	--	--	--	--	25,561,900	0	0		25,561,900	--

Whether there was any departure of directors and supervisors and dismissal of senior management during the term of office during the reporting period

Yes No

Changes in directors, supervisors and senior executives of the Company

Name	Positions held	Type	Date	Reason
Chen Sanlian	Independent Director	Step down	September 28, 2023	Step down
Yang Baizhang	Independent Director	Step down	September 28, 2023	Step down
Yang Liuyong	Independent Director	Step down	September 28, 2023	Step down
Fang Xianshui	Financial Director	Leave the position	December 7, 2023	Job changes
Zheng Xingang	Vice President and Financial Director	Currently employed	December 7, 2023	Currently employed
Chen Linrong	Independent Director	Currently employed	September 28, 2023	Currently employed
Hou Jiangtao	Independent Director	Currently employed	September 28, 2023	Currently employed
Hong Xin	Independent Director	Currently employed	September 28, 2023	Currently employed

2. Employment status

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

(1) Directors

Qiu Yibo, male, born in December 1987, Chinese nationality, EMBA of China Europe International Business School (CEIBS), has worked in the East China Branch of SINOPEC Chemical Sales Co., Ltd. and the manager of the Investment and Development Department of Zhejiang Hengyi Group Co. He is now the Chairman and President of Hengyi Petrochemical Co., Ltd. and also serves as a director of Zhejiang Hengyi Group Co., Ltd., an executive director of Suqian Yida New Material Co., Ltd., the Chairman of Fujian Yijin Chemical Fibre Co, director of Zhejiang Baling Hengyi Caprolactam Co., Ltd, Director of Dongzhan Shipping Co., Ltd, Manager and

Executive Director of Ningbo Jinhou Industrial Investment Co., Ltd, Director of Zhejiang FibreBee Data Technology Co. He is also one of the important shareholders of Zhejiang Hengyi Group Co.

Fang Xianshui, male, born in March 1964, Chinese nationality, bachelor degree, senior economist, has more than 30 years of experience in production management in chemical fibre industry. He has served as the general manager of Hangzhou Hengyi Industrial Corporation, the general manager of Hangzhou Hengyi Chemical Fibre Company Limited, the general manager of Zhejiang Hengyi Group Company Limited, and the financial controller of Hengyi Petrochemical Company Limited. He is currently the vice chairman of Hengyi Petrochemical Co., Ltd. and also serves as a director of Zhejiang Hengyi Group Co., Ltd., chairman of Hangzhou Hengyi Investment Co., Ltd., executive director and general manager of Zhejiang Hengyi Petrochemical Co., Ltd., chairman of Zhejiang Hengyi Polymers Co, Chairman of Zhejiang Yisheng Petrochemical Co., Ltd, Chairman and General Manager of Zhejiang Hengyi High-tech Material Co., Ltd, Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd, Director of Hong Kong Tianyi International Holding Co. Ltd., Executive Director and General Manager of Ningbo Hengyi Trading Co., Ltd., Director of Hong Kong Hengyi Fibre Co. Ltd., executive director and general manager of Zhejiang Hengkai Energy Co., Ltd., executive director and general manager of Zhejiang Hengyi Energy Co., Ltd., executive director and general manager of Zhejiang Xiaoyi Supply Chain Management Co., Ltd. and director of Dalian Yisheng Investment Co., Ltd., he is also one of the significant shareholders of the Company's controlling shareholder, Zhejiang Hengyi Group Co.

Ni Defeng, male, born in January 1978, Chinese nationality, doctoral degree, full senior economist, has nearly 20 years of experience in finance and investment. He has worked as an auditor in Zhejiang Tianjian Accounting Firm, Manager of Finance Department, Manager of Investment and Development Department, Assistant to the President of Zhejiang Hengyi Group Company Limited, and Investment Director of Hengyi

Petrochemical Company Limited. He is currently a director of Hengyi Petrochemical Co., Ltd. and also serves as a director and president of Zhejiang Hengyi Group Co., Ltd., a director of Zhejiang Fibre Bee Data Technology Co., Ltd., a director and general manager of Hangzhou Hengyi Investment Co. Ltd., Director of Dalian Yishengyuan Real Estate Co., Ltd. and Chairman and General Manager of Hangzhou Jingyi Industry Co.

Wu Zhong, male, born in July 1989, with Chinese nationality, has a bachelor's degree from Zhejiang Gongshang University and a master's degree from Shanghai Jiaotong University. He was the deputy general manager of Zhejiang Hengyi Petrochemical Sales Co., Ltd. and is currently a director and vice president of Hengyi Petrochemical Co., Ltd. and a director of Fujian Yijin Chemical Fibre Co., Ltd., an executive director and manager of Hainan Henggeli Trading Co., Ltd., an executive director and general manager of Zhejiang Hengyi International Trading Co., Ltd. and a director of Ningbo Qingzhi Chemical Terminal Co.

Zhao Donghua, male, born in February 1985, with Chinese nationality, Master of Laws from Zhejiang University, EMBA from China Europe International Business School, intermediate economist. He has worked as a securities affair representative, deputy manager of the Legal Affairs Department and assistant to the general manager of the marketing centre of Hengyi Petrochemical Company Limited, and is currently the vice president of Hengyi Petrochemical Company Limited.

Luo Dan, female, born in September 1983, Chinese nationality, bachelor degree from Zhejiang Agriculture and Forestry University and master degree from Wuhan University of Technology. She was the manager of the General Department of the Integrated Management Centre of Hengyi Petrochemical Company Limited and is now the general manager of the Investment Management Department of Hengyi Petrochemical Company Limited.

Hou Jiangtao, male, born in October 1974, Chinese nationality, obtained a master's degree in Professional Accounting from the Chinese University of Hong Kong and a bachelor's degree in Economics from the Shanghai University of Finance and Economics respectively, and has worked for Tianan Insurance Company Limited, Far East Credit Rating Company Limited and Jianyin Engineering and Consulting Company Limited, and is currently the general manager of Silicon Power Technology (Hainan) Company Limited, an independent director of Zhejiang Xiangyuan Culture Company Limited and an expert advisor to a number of enterprises. He is currently the general manager of Silicon Power Technology (Hainan) Co., Ltd, an independent director of Zhejiang Xiangyuan Culture Co., Ltd. and an expert consultant of many enterprises.

Chen Linrong, male, born in November 1971, member of CPC, PhD, postdoctoral fellow, associate professor, master's supervisor, certified public accountant of China, independent director of listed companies, graduated from Jiangxi University of Finance and Economics with master's degree, graduated from Central South University with doctorate degree, completed postdoctoral research at Fudan University, and was a senior visiting scholar at Tokyo Keizai University (Japan) and Tsinghua University. He is now an associate professor and master's supervisor at the School of Accounting of Zhejiang Gongshang University, the director of the doctoral programme in accounting, and an independent director of Founder Electric.

Hong Xin, male, born in March 1984, is a doctor of finance, associate professor, doctoral tutor, and Zhejiang University QiuYue Young Scholar. He obtained a bachelor's degree in finance from Peking University and a doctoral degree in finance from the University of Kentucky. He is currently the deputy director of the Asset Management Research Centre of Zhejiang University, an associate professor at the School of Economics of Zhejiang University, a researcher at the Institute of Financial Research of Zhejiang University, a member of the Academic Committee of Zhejiang

Equity Investment Industry Association, and a former deputy director of the Development and Reform Bureau of Xiaoshan District, Hangzhou.

(2) Supervisors

Li Yugang, male, born in November 1977, Chinese nationality, Master, Economist, Internationally Certified Internal Auditor, Company Lawyer, with more than 20 years of experience in auditing, was the First Deputy Director of the Audit Department of the Board of Directors of Shagang Group, the Deputy Director of the Legal Department, and is currently the Director of Audit and Legal Affairs of Hengyi Petrochemical Company Limited.

Jin Danwen, female, born in April 1986, Chinese nationality, Master of Accounting from Hangzhou University of Electronic Science and Technology, Certified Public Accountant of China, Senior Accountant. She has served as Finance Director of Hengyi Industry (Brunei) Co., Ltd. and Deputy General Manager of Finance Management Department of Hengyi Petrochemical Co. Ltd. and General Manager of Capital Management Department of Hengyi Petrochemical Company Limited. She is also a director of Hangzhou Jinyi Industry Co., Ltd., a supervisor of Hainan Henggeling Trading Co., Ltd., a supervisor of Zhejiang Hengyi Engineering Management Co., Ltd., a supervisor of Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd. and a supervisor of Haining Hengyi New Material Co.

Wang Peng, male, born in July 1979, with Chinese nationality and no permanent foreign residency, graduated from Donghua University with a master's degree in materials science, and has more than 20 years of experience in the petrochemical industry. He has worked as a R&D specialist in the R&D management centre of Zhejiang Henglan Technology Co., Ltd, a chief engineer of Hengyi Industry (Brunei) Co., Ltd, a deputy general manager of the strategic investment department of Hengyi

Group, and since March 2018, he has been the general manager of the production management centre.

(3) Senior management

Wang Songlin, male, born in April 1970, Chinese nationality, master degree, has more than 20 years of experience in petrochemical and chemical fibre industry. He has served as deputy director of China Textile Construction Planning Institute, office director of China National Chemical Fibre Corporation, general manager of China Chemical Fibre Economic Information Network, and general manager of Beijing Cotton Outlook Company. He is currently the Executive Vice President of Hengyi Petrochemical Company Limited, as well as the Executive Director and General Manager of Zhejiang Hengyi Petrochemical Research Institute Co., Ltd. and the Supervisor of Jiangsu New Vision Advanced Functional Fibre Innovation Centre Co.

Chen Liancai, male, born in June 1967, Chinese nationality, postgraduate degree, senior engineer, has more than 20 years of experience in petrochemical industry. He has served as Deputy General Manager of SINOPEC Zhenhai Refining and Chemical Industry, Deputy General Manager (General Manager of Chemical Branch) of Guodian SINOPEC Ningxia Energy Chemical Co. Currently, he is the Chief Executive Officer (CEO) of Hengyi Brunei and Vice President of Hengyi Petrochemical Co.

Lou Jianchang, male, born in November 1962, Chinese nationality, Master of Engineering from China University of Petroleum (Beijing), MBA from University of Houston, professor of senior engineering. He has served as Deputy Chief Dispatcher of the General Dispatch Office of SINOPEC Yanshan Petrochemical Company, Deputy Director and Director of the Refinery Plant of SINOPEC Yanshan Petrochemical Company, Deputy General Manager of SINOPEC Yanshan Petrochemical Company, Deputy Director of SINOPEC's Material and Equipment Department and Deputy

General Manager of SINOPEC International Business Company Limited, and Director of Hengyi Petrochemical Company Limited. He is currently a director of Fujian Yijin Chemical Fibre Co., Ltd. and a director of Zhejiang Baling Hengyi Caprolactam Co., Ltd. and retired as a vice president of Hengyi Petrochemical Co.

Zheng Xingang, male, born in December 1979, Chinese nationality, bachelor's degree from Huazhong University of Science and Technology, master's degree from Wuhan University, EMBA from Fudan University, master's degree, senior economist. He has nearly 20 years of experience in investment and financing, capital market operation and finance. He has served as Deputy Manager of Capital Operation Department, Deputy Manager of Investment and Development Department and Director of the Board of Directors Office of Hengyi Petrochemical Co. He is now the Vice President, Secretary of the Board of Directors and Chief Financial Officer of Hengyi Petrochemical Co.

Posts held in corporate shareholders

Name of incumbent	Name of corporate shareholder	Post held	Start date of term	Whether to receive remuneration allowance in shareholder units
Qiu Yibo	Zhejiang Hengyi Group Co., Ltd.	Director	September 26, 2017	No
Fang Xianshui	Zhejiang Hengyi Group Co., Ltd.	Director	October 18, 1994	No
Fang Xianshui	Hangzhou Hengyi Investment Co., Ltd.	President	October 8, 2022	No
Ni Defeng	Zhejiang Hengyi Group Co., Ltd.	Director & President	September 26, 2017	Yes
Ni Defeng	Hangzhou Hengyi Investment Co., Ltd.	Director & General Manager	December 28, 2016	No
Description of the position in the shareholder unit			None	

Posts held in other entities

Name of incumbent	Name of other entities	Posts held in other entities	Start date of term	Is remuneration paid by other entities?
Qiu Yibo	Hangzhou Yibo Investment Management Co., Ltd.	Executive Director	March 17, 2016	No
Qiu Yibo	Ningbo Jinhou Industry Investment Co., Ltd.	Manager & Executive Director	May 3, 2016	No
Qiu Yibo	Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd.	Executive Director & GM	August 20, 2021	No
Qiu Yibo	Fujian Yijin Chemical Fibre Co., Ltd.	President	January 26, 2018	No
Qiu Yibo	Zhejiang Hengyi Polyamide Co., Ltd.	Vice President	January 14, 2022	No
Qiu Yibo	Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Director	June 9, 2022	No
Qiu Yibo	Suqian Yida New Materials Co., Ltd.	Executive Director	January 19, 2018	No
Qiu Yibo	Dongzhan Shipping Co., Ltd.	Director	November 30, 2017	No
Qiu Yibo	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	June 7, 2016	No
Qiu Yibo	Zhejiang Hengyi Polymer Co., Ltd.	Director	November 29, 2022	No
Fang Xianshui	Zhejiang Yixin Chemical Fibre Co., Ltd.	Executive Director	July 26, 2017	No
Fang Xianshui	Hainan Yisheng Trading Co., Ltd.	Executive Director	August 14, 2014	No
Fang Xianshui	Zhejiang Hengkai Energy Co., Ltd.	Executive Director	December 18, 2017	No
Fang Xianshui	Ningbo Hengyi Trading Co., Ltd.	President	May 24, 2011	No

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Fang Xianshui	Ningbo Hengyi Engineering Management Co., Ltd.	GM & Executive Director	November 27, 2014	No
Fang Xianshui	Zhejiang Hengyi Energy Co., Ltd.	Executive Director & GM	September 24, 2022	No
Fang Xianshui	Zhejiang Xiaoyi Supply Chain Management Co., Ltd. (Zhejiang Xiaoyi Supply Chain Management Co., Ltd.)	Executive Director & GM	April 19, 2022	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Co., Ltd.	Executive Director & GM	July 26, 2004	No
Fang Xianshui	Zhejiang Hengyi High-Tech Materials Co., Ltd.	Executive Director & GM	October 15, 2007	No
Fang Xianshui	Zhejiang Hengyi Polymer Co., Ltd.	President	September 5, 2000	No
Fang Xianshui	Zhejiang Yisheng Petrochemical Co., Ltd.	President	May 12, 2015	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Sales Co., Ltd.	Manager & Executive Director	July 24, 2017	No
Fang Xianshui	Hainan Yisheng Petrochemical Co., Ltd.	President	June 23, 2014	No
Fang Xianshui	Shanghai Hengyi Polyester Fibre Co., Ltd.	Executive Director	May 14, 2015	No
Fang Xianshui	Fujian Yijin Chemical Fibre Co., Ltd.	Director	January 26, 2018	No
Fang Xianshui	Zhejiang Yixin Chemical Fibre Co., Ltd.	Executive Director	July 26, 2017	No
Fang Xianshui	Hainan Yisheng Trading Co., Ltd.	Executive Director	August 14, 2014	No
Fang Xianshui	Zhejiang Hengkai Energy Co., Ltd.	Executive Director	December 18, 2017	No
Fang Xianshui	Ningbo Hengyi Trading Co., Ltd.	President	May 24, 2011	No
Fang Xianshui	Ningbo Hengyi Engineering Management Co., Ltd.	GM & Executive Director	November 27, 2014	No

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Fang Xianshui	Zhejiang Hengyi Energy Co., Ltd.	Executive Director & GM	September 24, 2022	No
Fang Xianshui	Zhejiang Xiaoyi Supply Chain Management Co., Ltd. (Zhejiang Xiaoyi Supply Chain Management Co., Ltd.)	Executive Director & GM	April 19, 2022	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Co., Ltd.	Executive Director & GM	July 26, 2004	No
Fang Xianshui	Zhejiang Hengyi High-Tech Materials Co., Ltd.	Executive Director & GM	October 15, 2007	No
Fang Xianshui	Zhejiang Hengyi Polymer Co., Ltd.	President	September 5, 2000	No
Fang Xianshui	Zhejiang Yisheng Petrochemical Co., Ltd.	President	May 12, 2015	No
Fang Xianshui	Zhejiang Hengyi Petrochemical Sales Co., Ltd.	Manager & Executive Director	July 24, 2017	No
Fang Xianshui	Hainan Yisheng Petrochemical Co., Ltd.	President	June 23, 2014	No
Fang Xianshui	Shanghai Hengyi Polyester Fibre Co., Ltd.	Executive Director	May 14, 2015	No
Fang Xianshui	Fujian Yijin Chemical Fibre Co., Ltd.	Director	January 26, 2018	No
Ni Defeng	Zhejiang Xianfeng Data Technology Co., Ltd.	Director	June 7, 2016	No
Wu Zhong	Ningbo Qingchi Chemical Terminal Co.	Director	September 1, 2023	No
Wu Zhong	Hainan Hengjing Trading Co., Ltd.	Executive Director & manager	August 21, 2021	No
Wu Zhong	Zhejiang Hengyi International Trade Co., Ltd.	Executive Director & GM	July 1, 2022	No
Wu Zhong	Fujian Yijin Chemical Fibre Co., Ltd.	Director	October 22, 2021	No
Jin Danwen	Hainan Hengjing Trading Co., Ltd.	Supervisor	August 21, 2021	No

Jin Danwen	Hangzhou Jinyi Industrial Co., Ltd.	Director	February 28, 2021	No
Jin Danwen	Zhejiang Hengyi Engineering Management Co., Ltd.	Supervisor	January 29, 2018	No
Jin Danwen	Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd.	Supervisor	August 20, 2021	No
Jin Danwen	Haining Hengyi New Materials Co., Ltd.	Supervisor	October 27, 2021	No
Wang Songlin	Zhejiang Hengyi Petrochemical Research Institute Co., Ltd.	Executive Director & GM	August 4, 2021	No
Wang Songlin	Jiangsu New Horizon Advanced Functional Fibre Innovation Center Co., Ltd.	Supervisor	July 19, 2018	No
Posts held in other entities			None	

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

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

3. Remuneration of directors, supervisors and senior management

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

The Company passed the Salary and Performance Appraisal Management System for Senior Management Staff (reviewed and approved at the third meeting of the eighth session of the BOD) to conduct performance appraisal and pay remuneration to the Company's directors, supervisors and senior management. The annual remuneration of directors, supervisors and senior managers who receive remuneration from the Company in 2022 (including total remuneration of basic salary, bonuses, allowances, subsidies, employee benefits and various insurance premiums, public reserve funds and other forms of pre-tax payment from the Company) is released in accordance with the Company's relevant regulations, and based on the Company's operating conditions and the duties and work performance evaluation of relevant personnel by BOD. During the reporting period, the remunerations of the Company's directors, supervisors and senior management have been paid on a monthly basis.

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

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

Name	Gender	Age	Title	Employment status	Total pre-tax remuneration received from the Company	Whether to get remuneration from related parties of the Company
Qiu Yibo	Male	37	President and CEO	Current	92.63	No

Fang Xianshui	Male	60	Vice President	Current	95.63	No
Ni Defeng	Male	46	Director	Current	-	Yes
Wu Zhong	Male	35	Director, Vice President	Current	68.83	No
Zhao Donghua	Male	39	Director, Vice President	Current	68.83	No
Luo Dan	Female	41	Director	Current	23.7	No
Chen Sanlian	Male	60	Independent Director	Step down	10	No
Yang Baizhang	Male	67	Independent Director	Step down	10	No
Yang Liuyong	Male	60	Independent Director	Step down	10	No
Chen Linrong	Male	53	Independent Director	Current	3.88	No
Hou Jiangtao	Male	50	Independent Director	Current	3.88	No
Hong Xin	Male	40	Independent Director	Current	3.88	No
Wang Songlin	Male	54	Executive Vice President	Current	74.94	No
Chen Liancai	Male	57	Vice President	Current	88.08	No
Lou Jianchang	Male	62	Vice President	Retire and leave office	77.48	No
Zheng Xingang	Male	45	Vice President, Secretary of the BOD, Financial Director	Current	47.93	No
Li Yugang	Male	47	Chairman of the BOS	Current	45.71	No
Jin Danwen	Female	38	Supervisor	Current	35.51	No
Wang Peng	Male	45	Supervisor	Current	7.33	No
Ni Jinmei	Female	48	Supervisor	Leave the position	37.13	No
Total	--	--	--	--	805.37	--

Note: The Company disclosed the "Announcement of Resolutions of the Second Extraordinary General Meeting of HengYi Petrochemical Company for the Year 2023" (Announcement No. 2023-096) on 29 September 2023, appointing Mr. Wang Peng as a Supervisor of the Company and Ms. Ni Jinmei stepping down from her position upon expiry of her term of office. Accordingly, the remuneration disclosed by Mr Wang Peng and Ms Ni Jinmei represents the total remuneration received by them during their tenure as Supervisors.

Other information notes

Applicable Not applicable

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

1. Performance of the BOD during the reporting period

Session of meeting	Date of meeting	Disclosure date	Resolutions
Twenty-sixth meeting of the Eleventh Board of Directors	February 07, 2023	February 08, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Resolution on the Company's fulfilment of the conditions for the non-public offering of A-share shares; 2. Reviewed and approved the Motion on the Programme of the Company's Non-public Offering of A Shares; 3. Reviewed and approved the Proposal on the Company's <Proposed Non-Public Offering of A Shares for the Year 2023; 4. Reviewed and approved the Motion on the Feasibility Analysis Report on the Utilisation of Proceeds from the Company's Non-public Offering of A Shares in FY2023; 5. Reviewed and approved the Motion on the Signing of the "Conditionally Effective Share Subscription Agreement" between the Company and the Targets of the Private Offering; 6. Reviewed and approved the Motion on the Non-public Offering of Shares

			<p>Constituting a Connected Transaction;</p> <p>7. Reviewed and approved the Proposal on the Company’s Shareholder Return Plan for the Next Three Years (2023-2025);</p> <p>8. Reviewed and approved the Resolution on the Diluted Immediate Return on the Non-public Issue of A Shares, Filling Measures and Commitments of Relevant Entities;</p> <p>9. Reviewed and approved the Motion on the Company’s Inability to Provide a Report on the Use of Previously Raised Funds for the Time Being;</p> <p>10. Reviewed and approved the Proposal on Requesting the Shareholders’ General Meeting to Authorise the Board of Directors to Exclusively Handle the Specific Matters of the Non-public Offering of A Shares;</p> <p>11. Reviewed and approved the Proposal to submit to the General Meeting of Shareholders for approval of the exemption of subscribers from the issue of the offer;</p> <p>12. Reviewed and approved the Motion to suspend the General Meeting of Shareholders</p>
Twenty-seventh meeting of the Eleventh Board	March 17, 2023	March 18, 2023	<p>1. Reviewed and approved the Motion on Not Amending the Conversion Price of “Heng Yi Convertible Bonds” Downwards;</p>

of Directors			
Twenty-eighth meeting of the Eleventh Board of Directors	April 19, 2023	April 20, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Proposal on the Company's fulfilment of the conditions for the issuance of A shares to specific targets; 2. Reviewed and approved the Proposal to amend the Company's proposal for the issuance of A shares to specific targets; 3. Reviewed and approved the Proposal on the Company's <Proposed Issue of A Shares to Specific Targets in FY2023 (Revised); 4. Reviewed and approved the Motion Regarding the Feasibility Analysis Report on the Utilisation of Proceeds from the Issue of A Shares by the Company to Specific Targets in FY2023 (Revised Draft); 5. Reviewed and approved the Resolution on the signing of the Supplemental Agreement to the Conditionally Effective Share Subscription Agreement between the Company and the Specified Parties; 6. Reviewed and approved the Proposal on the Issue of Shares to Specific Targets Constituting a Connected Transaction; 7. Reviewed and approved the Resolution on the Diluted Immediate Return on the Issue of A Shares to Specific Targets, Filling Measures and Commitments of Relevant Entities; 8. Reviewed and approved the Proposal to propose to the Shareholders' General

			<p>Meeting to authorise the Board of Directors to fully handle the specific matters relating to the issue of A shares to specific targets;</p> <p>9. Reviewed and approved the Motion on the Annual Report <2022> and its Summary;</p> <p>10. Reviewed and approved the Report on the work of the Board of Directors for the year 2022;</p> <p>11. Reviewed and approved the Report on the Financial Accounts for the year 2022;</p> <p>12. Reviewed and approved the Motion on the Proposed Non-distribution of Profit for FY2022;</p> <p>13. Reviewed and approved the Annual Social Responsibility Report 2022;</p> <p>14. Reviewed and approved the Annual Internal Control Self-Evaluation Report 2022;</p> <p>15. Reviewed and approved the Motion on the Deposit and Use of Proceeds in FY2022;</p> <p>16. Reviewed and approved the Motion on the Report on the Use of Previously Raised Funds;</p> <p>17. Reviewed and approved the Motion on the Renewal of Appointment of</p>
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			Accounting Firm; 18. Reviewed and approved the Proposal to submit to the General Meeting of Shareholders for approval of the exemption of subscribers from the issue of the offer; 19. Reviewed and approved the Motion on Changes in Accounting Policies; 20. Reviewed and approved the Proposal to Convene the 2022 Annual General Meeting of Shareholders
Twenty-ninth meeting of the Eleventh Board of Directors	April 25, 2023	-	1. Reviewed and approved the Full text of the <First Quarter Report 2023>
Thirtieth meeting of the eleventh Board of Directors	May 09, 2023	May 10, 2023	1. Reviewed and approved the Motion on Not Amending the Conversion Price of “Heng Yi Conversion 2” Downwards
Thirty-first meeting of the Eleventh Board of Directors	June 16, 2023	June 17, 2023	1. Reviewed and approved the Motion on the Proposed Participation in the Capital Increase by Share Allotment of Zheshang Bank Co.

Thirty-second meeting of the eleventh Board of Directors	July 28, 2023	July 29, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Motion on < Hangyi Petrochemical Company Limited Fifth Employee Stock Ownership Plan (Draft) > and Abstract; 2. Reviewed and approved the Motion on <Administrative Measures for the Fifth Employee Stock Ownership Plan of Hengyi Petrochemical Co.; 3. Reviewed and approved the Proposal on Requesting the Shareholders' General Meeting to Authorise the Board of Directors to Handle Matters Related to the Fifth Employee Share Ownership Plan of the Company; 4. Reviewed and approved the Motion on the Use of Part of the Idle Proceeds to Temporarily Supplement Liquid Funds; 5. Reviewed and approved the Proposal to Call for the First Extraordinary General Meeting of Shareholders for the Year 2023;
Thirty-third meeting of the Eleventh Board of Directors	August 22, 2023	August 23, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Full and summary of the Half Year Report 2023; 2. Reviewed and approved the Motion on the Company's <Special Report on the Deposit and Use of Proceeds for the Semi-Annual Period in 2023;
Thirty-fourth meeting of the Eleventh Board of Directors	September 12, 2023	September 13, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Resolution on the Election of Non-Independent Directors for a New Term of the Board of Directors of the Company; 2. Reviewed and approved the Resolution on the Election of Independent Directors by the Company's Board of Directors for a New Term of Office;

			<p>3. Reviewed and approved the Resolution on the Estimation of the Amount of New Daily Connected Transactions for FY2023;</p> <p>4. Reviewed and approved the Proposal to propose the convening of the Second Extraordinary General Meeting of Shareholders for the year 2023</p>
<p>First meeting of the twelfth session of the Board of Trustees</p>	<p>September 28, 2023</p>	<p>September 29, 2023</p>	<p>1. Reviewed and approved the Resolution on the Election of the Chairman of the Twelfth Session of the Board of Directors of the Company;</p> <p>2. Reviewed and approved the Resolution on the Election of the Vice Chairman of the Twelfth Session of the Board of Directors of the Company;</p> <p>3. Reviewed and approved the Resolution on the Election of Members of the Specialised Committees of the Twelfth Session of the Board of Directors of the Company;</p> <p>4. Reviewed and approved the Motion on the Appointment of the President of the Company;</p> <p>5. Reviewed and approved the Motion on the Appointment of the Company's Vice President;</p> <p>6. Reviewed and approved the Motion on the Appointment of the Chief Financial Officer of the Company;</p> <p>7. Reviewed and approved the Resolution on the Appointment of the Secretary</p>

			<p>of the Board of Directors of the Company;</p> <p>8. Reviewed and approved the Motion on the Appointment of the Head of Internal Audit of the Company ;</p> <p>9. Reviewed and approved the Proposal on the Appointment of the Company’s Securities Affairs Representative</p>
Second meeting of the twelfth session of the Board of Trustees	October 16, 2023	October 17, 2023	1. Reviewed and approved the Motion on Not Amending the Conversion Price of “Heng Yi Convertible Bonds” Downwards
Third meeting of the twelfth session of the Board of Trustees	October 27, 2023	October 28, 2023	<p>1. Reviewed and approved the Third Quarterly Report 2023;</p> <p>2. Reviewed and approved the Resolution on the Provision of Affiliated Entrusted Loans to Yisheng New Material, a Participating Company;</p> <p>3. Reviewed and approved the Proposal to convene the Third Extraordinary General Meeting of Shareholders for the year 2023</p>
Fourth meeting of the twelfth session of the Board of Trustees	November 29, 2023	November 30, 2023	1. Reviewed and approved the Motion on Not Amending the Conversion Price of “Heng Yi Conversion 2” Downwards;

Trustees			
Fifth meeting of the twelfth session of the Board of Trustees	December 07, 2023	December 08, 2023	<ol style="list-style-type: none"> 1. Reviewed and approved the Proposal to Amend the Articles of Association of the Company; 2. Reviewed and approved the Proposal to Amend the Working System of Independent Directors; 3. Reviewed and approved the Motion to Amend the Rules of Procedure of the Board of Directors; 4. Reviewed and approved the Motion to Amend the Rules of Work of the Audit Committee; 5. Reviewed and approved the Motion to Amend the Rules of Work of the Risk Control Committee; 6. Reviewed and approved the Motion to Amend the Rules of Work of the Remuneration, Evaluation and Nomination Committee; 7. Reviewed and approved the Motion to Amend the Rules of Work of the Strategy and Investment Committee; 8. Reviewed and approved the Resolution on the Transfer of 100% Equity Interests in Hangzhou Yi Maizi Chemical Fibre Company Limited and Connected Transaction;

			<p>9. Reviewed and approved the Motion on the Appointment of Deputy General Manager and Financial Controller;</p> <p>10、 Reviewed and approved the Proposal to convene the Fourth Extraordinary General Meeting of Shareholders for the year 2023</p>
Sixth meeting of the Twelfth Board of Trustees	December 15, 2023	December 16, 2023	1. Reviewed and approved the Motion on Share Repurchase Programme by means of Centralised Auction Trading (Phase IV)

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 attendances of board meetings	Number of attendances of board meetings by means of telecommunications	Number of attendances of board meetings by trustees	Number of absences at board meetings	Whether absent from board meetings in person for two consecutive times	Number of attendances of General Shareholders Meetings
Qiu Yibo	15	9	6	0	0	No	5
Fang Xianshui	15	9	6	0	0	No	5
Ni defeng	15	9	6	0	0	No	5
Lou Jianchang	9	5	4	0	0	No	2
Wu Zhong	15	9	6	0	0	No	5
Zhao Donghua	6	4	2	0	0	No	3
Luo Dan	15	9	6	0	0	No	5
Chen Sanlian	9	5	4	0	0	No	2
Yang Baizhang	9	5	4	0	0	No	2
Yang Liuyong	9	5	4	0	0	No	2
Chen Linrong	6	4	2	0	0	No	3
Hou Jiangtao	6	4	2	0	0	No	3

Hong Xin	6	4	2	0	0	No	3
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Description of the failure to physically attend board meetings for two consecutive times

Not applicable

3. Objections of directors to related issues of the Company

Whether the directors raise objections to relevant matters of the Company

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

4. Other information on directors' performance of duties

Whether directors' suggestions to the Company are accepted

Yes No

Description of the directors' recommendations that were adopted or refused

During the reporting period, all directors of the Company strictly followed the Company Law, Securities Law, Code of Corporate Governance for Listed Companies in China, Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 - Standardized Operation of Listed Companies on the Main Board and the Articles of Association and Rules of Procedure for the BOD to diligently carry out their work and perform their duties. They took the initiative to pay attention to the Company's operation and management information, financial position, important matters, etc., put forward opinions on the Company's important decisions regarding its governance and operation, deeply discussed the proposals submitted to the BOD for review, expressed their own views and reached unanimous options after full communication and

discussion. They fully considered the interests and demands of minority shareholders when making decisions, and resolutely supervised and promoted the implementation of the resolutions adopted at the BOD in order to make the decisions scientific, timely and efficient and protect the legitimate rights and interests of the Company and all shareholders.

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

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
Audit Committee	Yang Baizhang, Chen Sanlian, Yang Liuyong, Lou Jianchang, Fang Xianshui	3	April 14, 2023	1. Reviewed Internal Audit Performance Report 2022; 2. Reviewed Report on the Financial Accounts for the year 2022 (preliminary draft); 3. Reviewed Annual Audit Report 2022 (preliminary draft); 4. Reviewed Annual Report 2022 (preliminary draft); 5. Reviewed Annual Internal Control Self-Evaluation Report 2022; 6. Reviewed Motion on the Annual Deposit and Use of Proceeds in FY2022; 7. Reviewed Special Audit Report on Funds Utilisation by Related Parties for the Year 2022 (Preliminary Draft); 8. Reviewed Motion on the Renewal of Appointment of Accounting Firm	The Audit Committee carried out its work in strict accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association of the Company, the Rules of Procedure of the Board of Directors and other laws and	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)	
			April 21, 2023	1. Reviewed First Quarterly Report 2023 (preliminary draft) 2. Reviewed Report on the Work of Internal Audit for the First Quarter of 2023	regulations, with diligence and due diligence, and made relevant comments in accordance with the actual situation of the Company, and unanimously passed all the motions after full communication and discussion.			
			August 18, 2023	1. Reviewed Half Yearly Report of the Company 2023 (preliminary draft); 2. Reviewed Motion on the Special Report on the Deposit and Use of Proceeds for the Semi-Annual Period of 2023; 3. Reviewed Report on the Semi-Annual Internal Audit Exercise 2023 (preliminary draft)				
		Chen Linrong, ChongXin, Hou Jiangtao, Ni Defeng,	3	September 28, 2023				1. Reviewed Resolution on the Election of the Chairman of the Audit Committee of the Twelfth Session of the Board of Directors of the Company
				October 13, 2023				1. Reviewed Third Quarterly Report 2023 (preliminary draft); 2. Reviewed Report on the Work of Internal Audit for the Third

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
	Luo Dan			Quarter of 2023			
			December 07, 2023	1. Reviewed Motion to Amend the Rules of Work of the Audit Committee; 2. Reviewed Motion on the Appointment of Deputy General Manager and Financial Controller			
Strategy and Investment Decision-making Committee	Qiu Yibo, Fang Xianshui, Ni Defeng, Yang Liuyong	3	February 08, 2023	1. Reviewed and approved Resolution on the Company's fulfilment of the conditions for the non-public offering of A-share shares; 2. Reviewed Motion on the Programme of the Company's Non-public Offering of A Shares; 3. Reviewed Proposal on the Company's <Proposed Non-Public Offering of A Shares for the Year 2023>; 4. Reviewed Motion on the Feasibility Analysis Report on the Utilisation of Proceeds from the Company's Non-public Offering of A Shares in FY2023;	The Strategy and Investment Committee worked strictly in accordance with the Company Law, the regulatory rules of the CSRC and the Articles of Association of the	Not applicable	Not applicable

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
				<p>5. Reviewed Motion on the Signing of the “Conditionally Effective Share Subscription Agreement” between the Company and the Targets of the Private Offering;</p> <p>6. Reviewed Motion on the Non-public Offering of Shares Constituting a Connected Transaction;</p> <p>7. Reviewed Proposal on the Company’s Shareholder Return Plan for the Next Three Years (2023-2025);</p> <p>8. Reviewed Resolution on the Diluted Immediate Return on the Non-public Issue of A Shares, Filling Measures and Commitments of Relevant Entities;</p> <p>9. Reviewed Motion on the Company’s Inability to Provide a Report on the Use of Previously Raised Funds for the Time Being</p>	Company and the Rules of Procedure of the Board of Directors, diligently and responsibly, and put forward relevant opinions in accordance with the actual situation of the Company, and unanimously passed all the motions after full communication and discussion.		
		April 20, 2023	1. Reviewed Proposal on the Company’s fulfilment of the conditions for the issuance of A shares to specific targets;				

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
				<p>2. Reviewed Proposal to amend the Company's proposal for the issuance of A shares to specific targets;</p> <p>3. Reviewed Proposal on the Company's <Proposed Issue of A Shares to Specific Targets in FY2023 (Revised);</p> <p>4. Reviewed Motion Regarding the Feasibility Analysis Report on the Utilisation of Proceeds from the Issue of A Shares by the Company to Specific Targets in FY2023 (Revised Draft);</p> <p>5. Reviewed Resolution on the signing of the Supplemental Agreement to the Conditionally Effective Share Subscription Agreement between the Company and the Specified Parties;</p> <p>6. Reviewed Proposal on the Issue of Shares to Specific Targets Constituting a Connected Transaction;</p> <p>7. Reviewed Resolution on the Diluted Immediate Return on the Issue of a Shares to Specific Targets, Filing Measures and Commitments of Relevant Entities</p>			

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
			June 17, 2023	1. Reviewed Motion on the Proposed Participation in the Capital Increase by Share Allotment of Zheshang Bank Co.			
	Qiu Yibo, Fang Xianshui, Ni Defeng, Hou Jiangtao	2	September 28, 2023	1. Reviewed Resolution on the Election of the Chairman of the Strategy and Investment Committee of the Twelfth Session of the Board of Directors of the Company			
			September 7, 2023	1. Reviewed Motion to Amend the Rules of Work of the Strategy and Investment Committee			
Risk Control Committee	Chen Sanlian, Yang Baizhang, Lou Jianchang	1	April 14, 2023	1. Reviewed Report on the Financial Accounts for the year 2022 (preliminary draft); 2. Reviewed Motion on the Renewal of Appointment of Accounting Firm	The Risk Control Committee worked strictly in accordance with 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)
	Hou Jiangtao, Chen Linrong, Zhao Donghua	2	September 28, 2023	1. Reviewed Motion on the Election of the Chairman of the 12th Risk Control Committee of the Company	the CSRC and the Articles of Association of the Company and the Rules of Procedure of the Board of Directors, diligently and responsibly, and put forward relevant opinions in accordance with the actual situation of the Company, and unanimously passed all the motions after full communication		
			December 07, 2023	1. Reviewed Motion to Amend the Rules of Work of the Risk Control Committee			

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
					and discussion.		
Remuneration, Evaluation and Nomination Committee	Yang Liuyong, Qiu Yibo, Wuzhong, Yang Baizhang, Chen Sanlian	2	July 28, 2023	1. Reviewed Motion on <Hangyi Petrochemical Company Limited Fifth Employee Stock Ownership Plan (Draft) > and Abstract; 2. Reviewed Motion on <Administrative Measures for the Fifth Employee Stock Ownership Plan of Hengyi Petrochemical Co.	The Remuneration, Evaluation and Nomination Committee worked strictly in accordance with the	Not applicable	Not applicable
			September 07, 2023	1. Reviewed Proposal on the Nomination of Non-Independent Directors for the Twelfth Session of the Board of Directors of the Company; 2. Reviewed Proposal on the Nomination of Independent Directors for the Twelfth Session of the Board of Directors of the Company	Company Law, the regulatory rules of the CSRC and the Articles of Association of the Company and the		
	September 28, 2023	1. Reviewed Motion on the Nomination of Senior Management of the Company; 2. Reviewed Resolution on the Election of the Chairman of the	Rules of Procedure of the Board of Directors, diligently				

Committee	Members	Number of meetings held	Date of meeting	Contents	Important opinions and recommendations made	Other performance of duties	Details of objections (if any)
	Zhong, Chen Linrong, Hou Jiangtao	2	December 07, 2023	Twelfth Remuneration, Evaluation and Nomination Committee of the Company 1. Reviewed Motion to Amend the Rules of Work of the Remuneration, Evaluation and Nomination Committee; 2. Reviewed Motion on the Nomination of Deputy General Manager and Chief Financial Officer	and responsibly, and put forward relevant opinions in accordance with the actual situation of the Company, and unanimously passed all the motions after full communication and discussion.		

VIII. Performance of Duties by the BOS**Whether there are any risks found by the BOS in its supervisory activities during the reporting period**

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

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

Number of employees in the parent company at the end of the reporting period (person)	0
Number of employees of service in major subsidiaries at the end of the reporting period (person)	15,548
Total number of employees in service at the end of the reporting period (person)	15,548
Total number of employees receiving salaries in current period (person)	15,548
Number of retired employees whose expense is borne by the parent company and major subsidiaries (person)	153
Composition	
Professional composition category	Number of professional composition (person)
Production personnel	12,547
Sales staff	359
Technical staff	2,015
Finance staff	150
Administrative staff	477
Total	15,548

Education level	
Education level category	Quantity (person)
Master degree or above	318
Bachelor degree	1,959
College degree or below	13,271
Total	15,548

2. Compensation policies

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

3. Training plans

The Company established Hengyi Enterprise University according to the needs of production and operation and talent training, aiming to build a competitive enterprise university and support Hengyi's global development. It serves as the power center and load bearing platform for Hengyi's organizational development, talent training,

technology accumulation, and corporate transformation. The "Blue" series of talent projects are implemented in Hengyi University, to establish talent echelons at different levels; meanwhile, it attaches importance to continuous improvement, job skill assessment, and on-the-job education promotion to enhance professional skills and effectiveness. The Company develops training plans for different types of employees, organizes internal and outbound trainings according to the plan, pays special attention to job skills training, and provides certification for special positions and hazardous chemical operators to ensure safe production and normal operation. The Company also trains technical and business backbones through targeted training to improve their business capabilities.

4. The situation of labor outsourcing

Total number of working hours of labor outsourced (hours)	11,004,208
Total remuneration paid for labor outsourced (RMB)	284,188,115.00

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

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

According to the China Securities Regulatory Commission's Notice on Further Implementing Issues Related to Cash Dividends of Listed Companies (ZJF [2012] No. 37), and Guidelines for the Supervision of Listed Companies No. 3 - Cash Dividends of Listed Companies Securities Regulatory Commission Announcement (Revised

December 2023), Provisions and requirements of the Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 1 - Standardised Operation of Main Board Listed Companies (Revised in December 2023) and other documents, combined with the actual situation of the Company, specific provisions has been made for the profit distribution decision-making procedures and profit distribution policy in the Articles of Association. In addition, it has formulated the Shareholder Dividend Return Plan for the Next Three Years (2023-2025) to better guarantee the reasonable return of all shareholders, further refine the provisions of the profit distribution policy in the Articles of Association, and increase the transparency and operability in dividend distribution decision, establish a continuous, stable and scientific return plan and mechanism for investors to ensure the continuity and stability of the profit distribution policy. During the reporting period, the Company shall strictly implement the above profit distribution policy.

According to the Company's 2022 annual general meeting held on 10 May 2023, which considered and passed the "Proposal on the Proposed No Profit Distribution for the Year 2022", based on the negative net profit attributable to shareholders of the listed company for the year 2022, and taking into account the current situation of the industry, the Company's development strategy, the operating situation and other factors, the profit distribution plan for the year 2022 is as follows: for the year 2022, there will be no cash dividend, no bonus shares, no capitalisation of capital with provident fund, and the undistributed profits will be carried forward to the next year.

Special description of cash dividend policy	
Whether it meets the requirements of the Company's Articles of Association or the resolutions of the General Meeting of Shareholders:	Yes
Whether the dividend standard and proportion are clear and definite:	Yes
Were the relevant decision-making procedures and mechanisms are complete:	Yes

Whether independent directors have performed their due diligence and played their due role:	Yes
If the company has not made cash dividends, it should disclose the specific reasons and the next steps it intends to take to enhance the level of investor returns:	Not applicable
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

Distribution of profit and capitalisation of capital reserve for the reporting period

Number of bonus shares per 10 shares (shares)	0
Dividend per 10 shares (RMB) (inclusive of tax)	1.00
Number of shares transferred per 10 shares (shares)	0
Equity base for the proposed distribution (shares)	3,387,209,237
Cash dividend amount (RMB) (including tax)	338,720,923.70
Amount of cash dividends in other ways (e.g. share buybacks) (RMB)	885,407,742.07
Total cash dividends (including other means) (RMB)	1,224,128,665.77
Distributable profit (RMB)	436,055,598.07
Total cash dividends (including other methods) Percentage of total profit distribution	100%
The current cash dividend	
If the company's development stage is in the growth period and there are arrangements for major	

capital expenditure, when profit distribution is made, the proportion of cash dividends in the profit distribution should be at least 20%.

Detailed description of the proposed distribution of profits or capitalisation of capital reserves

(1) Basic information on the proposed profit distribution for FY2023

On 19 April 2024, as considered and approved at the Eighth Meeting of the Twelfth Session of the Board of Directors of the Company, the Company proposed to distribute a cash dividend of RMB1.00 (inclusive of tax) for every 10 shares to all shareholders, based on the total share capital as at the date of shareholding registration at the time of implementation of the equity distribution. There will be no capitalisation of capital reserves and no bonus shares for the year.

As at 29 March 2024, the total share capital of the Company was 3,666,302,286 shares, of which 279,093,049 shares of the Company held by the Company's special securities account for repurchase will not be involved in the profit distribution, and the total share capital of the Company after excluding the shares held by the special securities account for repurchase will be 3,387,209,237 shares, and the total cash dividend to be distributed based on this calculation will be RMB 338,720 923.70 (including tax).

If the total share capital on the date of equity registration for dividend distribution changes due to additional issue, share repurchase, conversion of convertible bonds to share capital, etc. before the date of equity registration for implementation of equity distribution, the Company intends to maintain the same amount of distribution per share and adjust the corresponding total share capital.

(2) Basic information on the interim cash dividend for FY2024

In order to increase investor returns, share operating results and boost investor confidence in shareholding, the Company has decided to request the General Meeting of Shareholders to authorise the Board of Directors to fully handle the interim profit distribution in accordance with the relevant provisions of the "Supervisory Guidelines for Listed Companies No. 3 - Cash Dividends for Listed Companies", "Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange" and "Articles of Association of the Company", and other relevant regulations. Related Matters. The Board of Directors will formulate the Company's 2024 interim profit distribution plan in accordance with the Company's profitability and capital requirements and implement it within the prescribed period.

The above proposal is subject to the approval of the Company's 2023 Annual General Meeting.

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

Applicable Not applicable

1. Equity incentive

Applicable Not applicable

2. Implementation of the Employee Share Ownership Plan

Employee Share Ownership Schemes in force during the reporting period

Name	Scope of employees	Number of employees	Total number of shares held (shares)	Status of changes	Percentage of total share capital of listed companies	Implementation plan Sources of funding for the implementation of the plan
Fourth Employee Share Ownership Plan	Directors, Supervisors, senior management of the Company, regular employees of the Company and its subsidiaries, and other persons as determined by the Board of Directors	No more than 4,011	113,754,600	/	3.10%	Legal remuneration of employees, self-financing and other means permitted by laws and regulations
Fifth Employee Share Ownership Plan	Directors, Supervisors, senior management of the Company, regular employees of the Company and its subsidiaries, and other persons as determined by the Board of Directors	No more than 6,000	87,167,750	/	2.38%	Legal remuneration of employees, self-financing and other means permitted by laws and regulations

Shareholdings of directors, supervisors and senior management in the Employee Share Ownership Plan 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)	Percentage of total share capital of listed companies
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		(shares)		
Fang Xianshui	Vice president	0	1,550,388	0.0423%
Ni Defeng	Director	408,163	1,958,551	0.0534%
Wu Zhong	Director, Vice president	408,163	924,959	0.0252%
Zhao Donghua	Director, Vice president	408,163	924,959	0.0252%
Luo Dan	Director	97,959	356,357	0.0097%
Wang Songlin	Vice president	408,163	408,163	0.0111%
Chen Liancai	Vice president	408,163	924,959	0.0252%
Lou Jianchang	Vice president	408,163	924,959	0.0252%
Zheng Xingang	Vice president, Secretary of BOD, Financial Director	244,898	761,694	0.0208%
Li Yugang	Supervisor	244,898	503,296	0.0137%
Jin Danwen	Supervisor	122,449	380,847	0.0104%
Wang Peng	Supervisor	122,449	380,847	0.0104%
Ni Jinmei	Supervisor	244,898	503,296	0.0137%

Changes in asset management organisations during the reporting period

Applicable Not applicable

Changes in equity during the reporting period arising from holders' disposals of shares, etc.

Applicable Not applicable

Exercise of shareholders' rights during the reporting period

Applicable Not applicable

Other relevant circumstances and description of the Employee Share Ownership Plan during the reporting period

Applicable Not applicable

Changes in the membership of the Management Committee of the Employee Share Ownership Plan

Applicable Not applicable

Financial impact of the Employee Share Ownership Plan on listed companies during the reporting period and related accounting treatment

Applicable Not applicable

Termination of the Employee Share Ownership Plan during the reporting period

Applicable Not applicable

Other notes:

None

3. Other employee incentives

Applicable Not applicable

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

1. Establishment and implementation

During the reporting period, the Company continuously updated and optimized its internal control system in accordance with the Basic Standard for Enterprise Internal

Control and other relevant regulations to adapt to the changing external environment and internal management requirements. The Company's internal control system is sound and reasonable and covers the main aspects of its operation and management. It works well and there is no significant omission.

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

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

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

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

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

independently according to law in order to realize the effective supervision of the management and effective operation of the internal control system.

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

Yes No

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

As of the end of the reporting period, the Company has 53 subsidiaries. During the reporting period, in order to strengthen the management, regulate the internal operation and promote the healthy development of subsidiaries, the Company developed and improved the Comprehensive Management System of Subsidiaries in accordance with the requirements for the standardized operation of listed companies, to provide for the establishment of a sound governance structure and its operation, operational business decision-making, financial management, information management, investment decision-making management, inspection and assessment, etc. Also, the Company requires subsidiaries to implement the Internal Reporting System for Important Information, etc., which clearly stipulates the procedures for reporting and reviewing important matters, to timely track the governance, financial position, production and operation, project construction, safety and environmental protection and other significant matters of the subsidiaries, in order to timely fulfil the information disclosure obligations. To improve the standardized operation of its subsidiaries, the Audit Department and Legal Department of the Company provides guidance on, supervision and evaluation of the establishment and implementation of the internal control system of each subsidiary, and supervises the continuous improvement and effective operation of each internal control system of the Company.

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

1. Internal control self-evaluation report

Disclosure date of full text of Internal Control Evaluation Report	April 20, 2024	
Disclosure index of full text of Internal Control Evaluation Report	http://www.cninfo.com.cn	
Proportion of total assets included in the evaluation scope to that of the Company's consolidated financial statements	100.00%	
Proportion of operating income included in the evaluation to that of the Company's consolidated financial statements	100.00%	
Defect Identification Standard		
Category	Financial reports	Financial reports Non-financial reports
	<p>(1) Identification standard of major defects: ① lack of democratic decision-making process; ② huge errors caused by decision-making process; ③ violation of national laws and regulations and punishment; ④ serious loss of middle or senior management members and senior technicians; ⑤ frequent negative news in the media, involving a wide range; ⑥ lack of system or system failures in major business; ⑦ failure to rectify major or significant internal control defects. (2) Identification standard of significant defects: ① Imperfect democratic decision-making procedures; ② decision</p>	<p>(1) Major defects: The negative news about the safety, eco-friendliness, social responsibility, practice ethics and operation of the enterprise has been spread all over the country, has been specially investigated by the government or regulatory agencies, and has caused continuous special reports by the public media. As a result, the enterprise has adverse events such as capital loan and recovery, suspension or revocation of administrative license, pledge of assets, and a large number of claims</p>

Qualitative criteria	<p>making procedures leading to general errors; ③ violation of internal regulations of the Company, resulting in losses; ④ outflow of many business personnel in key positions; ⑤ negative news appeared on the media, involving local region; ⑥ defects in important business systems or systems; ⑦ failure to rectify material or general deficiencies in internal control. (3) Identification standard of general defects: ① low efficiency of decision-making process; ② violation of internal rules and regulations without losses; ③ serious loss of business personnel in general positions; ④ negative news in the media, with little impact; ⑤ defects in general business systems; ⑥ failure to rectify general defects; ⑦ other defects.</p>	<p>(occurrence of level-I mass disturbance). (2) Significant defects: The negative news about the safety, eco-friendliness, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-II mass disturbance). (3) General defects: The negative news about the safety, eco-friendliness, social responsibility, practice ethics and operation of the enterprise has been reported by the public media for three times in a row, and has been concerned and investigated by the industry or regulatory agencies, and has caused adverse effects within the industry (occurrence of level-III or level-IV mass disturbance)</p>
Quantitative standard	(1) Major defects: The overall impact level is higher than the importance level (1% of the audited net assets of the previous year). (2) Significant defects: 0.2% of the audited net assets of the previous year < overall importance level < 1% of the audited net assets of the previous year. (3) General defects: The overall importance level is less than 0.2% of the audited net assets of the previous year.	(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 (included) to RMB 50 million; personnel health and safety impact: death of more than 3 (included) but less than 10 people, or serious injury of more than 10 (included) but less than 50 people. (3) General defects:

		direct financial loss: less than RMB 10 million; personnel health and safety impact: death of less than 3 people, or serious injury of less than 10 people.
Number of major defects in financial report (piece)		0
Number of major defects in non-financial report (piece)		0
Number of significant defects in financial report (piece)		0
Number of significant defects in non-financial report (piece)		0

2. Internal control audit report

Reviewed parts in the internal control audit report	
In our opinion, Hengyi Petrochemical Co., Ltd. maintained effective internal control, in all material respects, in accordance with the Basic Norms for Enterprise Internal Control and relevant regulations at December 31, 2023.	
Disclosure of internal control audit report	Disclosure
Date of full-text disclosure for Internal Control Audit Report	April 20, 2024

Full-text disclosure index for the Internal Control Audit Report	CNINFO (http://www.cninfo.com.cn)
Category of opinions	Opinion type in the Internal Control Audit Report
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

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

Not applicable

Section V Environmental and Social Responsibilities

I. Major environmental issues

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

Yes No

Environmental protection related policies and industry standards

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

Environmental protection administrative permits

SN	Holder	Certificate name	Certificate No.	Issuer	Validity period
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1	Hengyi Limited	Emission Permit	91330000765215943G001Y	Hangzhou Municipal Ecology and Environment Bureau	August 27, 2028
2	Hengyi High-Tech	Emission Permit	913301006680033406001Q	Hangzhou Municipal Ecology and Environment Bureau	November 25, 2026
3	Hengyi Polymer	Emission Permit	913301097245283880001P	Hangzhou Municipal Ecology and Environment Bureau	November 2, 2026
4	Hengyi Polymer	Radiation Safety Permit	ZHFZ No. A2255	Department of Ecology and Environment of Zhejiang Province	September 19, 2024
5	Jiaxing Yipeng	Emission Permit	91330411MA28BLMY30001V	Jiaxing Ecology and Environment Bureau	September 21, 2026
6	Taicang Yifeng	Emission Permit	91320585MA1P1GPBXM001V	Suzhou Municipal Ecology and Environment Bureau	February 29, 2028
7	Shuangtu New Materials	Emission Permit	91330100566050736P001Y	Department of Ecology and Environment of Zhejiang Province	November 26, 2026
8	Shuangtu New Materials	Radiation Safety Permit	ZHFZ No. A3048	Department of Ecology and Environment of Zhejiang Province	December 12, 2028
9	Fujian Yijin	Emission Permit	91350582MA31G07Q8C001V	Quanzhou Municipal Ecology and Environment Bureau	April 7, 2026

10	Suqian Yida	Emission Permit	91321311MA1UXUC8XJ001R	Suqian Municipal Ecology and Environment Bureau	November 5, 2028
11	Suqian Yida	Radiation Safety Permit	SHFZ No. 0199	Suqian Municipal Ecology and Environment Bureau	January 12, 2027
12	Suqian Hengyu an Thermal Energy	Emission Permit	91321311MA25ADT26R001 V	Suqian Municipal Ecology and Environment Bureau	December 27, 2028
13	Haining Thermal Power	Emission Permit	91330481MA29HXML34001R	Jiaying Ecology and Environment Bureau	July 22, 2025
14	Haining New Materials	Emission Permit	91330481MA29HRX724001 V	Jiaying Ecology and Environment Bureau	July 2, 2025
15	Hengyi Caprolactam	Emission Permit	913301006706049462	Hangzhou Municipal Ecology and Environment Bureau	August 20, 2028
16	Hengyi Caprolactam	Radiation Safety Permit	ZHFZ No. A3044	Department of Ecology and Environment of Zhejiang Province	January 16, 2027
17	Zhejiang Yisheng	Emission Permit	91330200744973411W001 W	Beilun Branch of Ningbo Municipal Ecology and Environment Bureau	August 02, 2028

18	Zhejiang Yisheng	Radiation Safety Permit	ZHFZ No. B2005	Department of Ecology and Environment of Zhejiang Province	November 17, 2024
19	Hainan Yisheng	Emission Permit	914603005527989627001P	Yangpu Economic Development Zone Ecological Environment Bureau	May 14, 2026
20	Hainan Yisheng	Radiation Safety Permit	QHFZ No.00153	Department of Ecology and Environment of Hainan Province	December 26, 2026
21	Yisheng Dahua	Emission Permit	912102137873094570001R	Dalian Municipal Ecology and Environment Bureau	October 13, 2028
22	Yisheng Dahua	Radiation Safety Permit	ZHFZ No. B0001	Dalian Municipal Ecology and Environment Bureau	November 25, 2026

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

Name of Company or subsidiary	Main pollutants and characteristic pollutants	Name of main pollutants and characteristic pollutants	Way to discharge	Number of discharge ports	Distribution of discharge ports	Emission concentration	Pollutant discharge standards implemented	Total emissions	Total approved emissions	Excessive emissions
Zhejiang Yisheng	Process waste water	COD	Discharge after treatment	2	Sewage station	46.03/32.08mg/L	GB31571-2015	606.84 t	1039.84 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	2	Sewage station	0.17/0.15mg/L	GB31571-2015	2.25 t	15.59 t	Up to standard
	Waste gas	SO ₂	Discharge after treatment	2	Boiler Island	7.61 /9.68mg/ m ³	DB33/2147-2018	39.24 t	197.45 t	Up to standard
		NO _x	Discharge after treatment	2	Boiler Island	14.98/21.53mg/ m ³	DB33/2147-2018	72.98 t	409.53 t	Up to standard
		Particulate matter	Discharge after treatment	2	Boiler Island	1.76 /3.26mg/ m ³	DB33/2147-2018	14.84 t	78.99 t	Up to standard
Hainan Yisheng	Waste gas	SO ₂	Discharge after treatment	2	Boiler/thermal furnace	12.25/39.54mg/ m ³	GB13223-2011、GB13271-2014	128.07 t	679.90 t	Up to standard
		NO _x	Discharge after treatment	2	Boiler/thermal furnace	22.86/100.43mg/ m ³	GB13223-2011、GB13271-2014	274.13 t	989.90 t	Up to standard

		Smoke and ashes	Discharge after treatment	2	Boiler/thermal furnace	4.91/12.75mg/ m ³	GB13223-2011、GB13271-2014	41.92 t	232.00 t	Up to standard
	Process waste water	COD	Discharge after treatment	1	Sewage station	27.67mg/ m ³	GB31571-2015、GB31572-2015	121.35 t	236.15 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage station	0.17mg/ m ³	GB31571-2015、GB31572-2015	0.67 t	17.7 t	Up to standard
Hengyi Caprolactam	Process waste water	PH	Discharge after treatment	1	Sewage treatment	8.26	GB31571-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment	124.4mg/L	GB31571-2015	124.57 t	146.258 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.51mg/L	GB31571-2015	6.23 t	7.313 t	Up to standard
		total phosphorus	Discharge after treatment	1	Sewage treatment	0.85mg/L	DB33-887-2013	/	/	Up to standard
Hengyi High-Tech	Process waste water	PH	Discharge after treatment	1	Sewage treatment	7.22	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment	12.767mg/L	GB31572-2015	0.39 t	3.68 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.731mg/L	GB31572-2015	0.022 t	0.15 t	Up to standard
	Waste gas	Smoke and ashes	Discharge after treatment	2	Power station	1.51/1.10mg/ m ³	GB13271-2014	1.18 t	21.51 t	Up to standard

		SO ₂	Discharge after treatment	2	Power station	5.67/6.38mg/ m ³	GB13271-2014	4.91 t	60.4 t	Up to standard
		NO _x	Discharge after treatment	2	Power station	23.91/31.62mg/ m ³	GB13271-2014	25.82 t	181.21 t	Up to standard
Hengyi Polymer	Process wastewater	PH	Discharge after treatment	1	Sewage treatment	7.98	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage station	77.81mg/L	GB31572-2015	3.27 t	34.5 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	11.49mg/L	GB31572-2015	0.48 t	2.42 t	Up to standard
	Waste gas	Smoke and ashes	Discharge after treatment	3	Power station	7.27/5.53/3.12mg/ m ³	GB13271-2014	2.96 t	14.02 t	Up to standard
		SO ₂	Discharge after treatment	3	Power station	16.31/14.27/9.81mg/ m ³	GB13271-2014	8.94 t	29.22 t	Up to standard
		NO _x	Discharge after treatment	3	Power station	123.91/110.62/82.71mg/ m ³	GB13271-2014	69.68 t	87.67 t	Up to standard
Shuangtu New Materials	Waste gas	Smoke and ashes	Discharge after treatment	2	Power station	2.51/1.4mg/ m ³	GB13271-2014	1.39 t	28.32 t	Up to standard
		SO ₂	Discharge after treatment	2	Power station	12.58/20.54mg/ m ³	GB13271-2014	17.51 t	75.92 t	Up to standard
		NO _x	Discharge after treatment	2	Power station	35.35/41.98mg/ m ³	GB13271-2014	55.91 t	168 t	Up to standard

Hainin g Hengyi Thermal Power	Processes waste water	PH	Discharge after treatment	1	Sewage treatment	7.95	GB8978-1996	/	/	Up to standar d
		COD	Discharge after treatment	1	Sewage treatment	24.59mg/L	GB8978-1996	6.84 t	21.33 t	Up to standar d
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.187mg/L	GB8978-1996	0.0682 t	2.13 t	Up to standar d
	Waste gas	Smoke and ashes	Discharge after treatment	1	Power station	0.544 mg/ m ³	DB33/2147-2018	1.01 t	8.83 t	Up to standar d
		SO ₂	Discharge after treatment	1	Power station	12.57mg/ m ³	DB33/2147-2018	24.59 t	61.52 t	Up to standar d
		NO _x	Discharge after treatment	1	Power station	40.16mg/ m ³	DB33/2147-2018	76.2 t	88.33 t	Up to standar d
Hainin g Hengyi New Materials	Processes waste water	PH	Discharge after treatment	1	Sewage treatment	7.2	GB31572-2015	/	/	Up to standar d
		COD	Discharge after treatment	1	Sewage treatment	14.39mg/L	GB31572-2015	0.038 t	4.26 t	Up to standar d
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.16mg/L	GB31572-2015	0.0002 t	0.42 t	Up to standar d
Jiaxing Yipeng	Processes waste water	PH	Discharge after treatment	1	Sewage treatment	7.43	GB31572-2015	/	/	Up to standar d
		COD	Discharge after treatment	1	Sewage treatment	11.30mg/L	GB31572-2015	0.123 t	5.028 t	Up to standar d

		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.35mg/L	GB31572-2015	0.004 t	0.503 t	Up to standard
Taicang Yifeng	Process waste water	PH	Discharge after treatment	1	Sewage treatment	8.25	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment	33.71mg/L	GB31572-2015	1.182 t	13.27 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.63mg/L	GB31572-2015	0.022 t	0.46 t	Up to standard
	Waste gas	Smoke and ashes	Discharge after treatment	1	Power station	5.11mg/ m ³	GB31572-2015	2.001 t	9.72 t	Up to standard
		SO ₂	Discharge after treatment	1	Power station	2.0mg/ m ³	GB31572-2015	0.752 t	3.8 t	Up to standard
		NOx	Discharge after treatment	1	Power station	73.49mg/ m ³	GB31572-2015	26.15 t	26.6 t	Up to standard
Suqian Yida	Process waste water	PH	Discharge after treatment	1	Sewage treatment	7.86	GB31572-2015	/	/	Up to standard
		COD	Discharge after treatment	1	Sewage treatment	33.32mg/L	GB31572-2015	2.59 t	7.85 t	Up to standard
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.49mg/L	GB31572-2015	0.041 t	0.089 t	Up to standard
Suqian Hengy	Waste gas	Smoke and ashes	Discharge after treatment	1	Boiler Island	0.32mg/ m ³	DB33/2147-2018	0.3 t	12.405 t	Up to standard

uan Therm al Energy		SO ₂	Discharge after treatment	1	Boiler Island	2.95mg/ m ³	DB33/2147-2018	2.1 t	46.21 t	Up to standar d
		NO _x	Discharge after treatment	1	Boiler Island	13.78mg/ m ³	DB33/2147-2018	9.1 t	59.33 t	Up to standar d
Fujian Yijin	Proces s waste water	PH	Discharge after treatment	1	Sewage treatment	8.044	GB31572-2015	/	/	Up to standar d
		COD	Discharge after treatment	1	Sewage treatment	17.81mg/L	GB31572-2015	0.38 t	3.45 t	Up to standar d
		Ammonia nitrogen	Discharge after treatment	1	Sewage treatment	0.09mg/L	GB31572-2015	0.002 t	0.46 t	Up to standar d
	Waste gas	Smoke and ashes	Discharge after treatment	1	Power station	1.45mg/ m ³	GB13271-2014	0.82 t	49.5 t	Up to standar d
		SO ₂	Discharge after treatment	1	Power station	33.67mg/ m ³	GB13271-2014	20.17 t	143.29 t	Up to standar d
		NO _x	Discharge after treatment	1	Power station	158.87mg/ m ³	GB13271-2014	93.25 t	179.12 t	Up to standar d
Yishen g Dahua	Proces s waste water	COD	Discharge after treatment	2	Sewage station	56.28mg/L	300mg/L	708.77 t	1680 t	Up to standar d
		Ammonia nitrogen	Discharge after treatment	2	Sewage station	0.2mg/L	30mg/L	4.88 t	182 t	Up to standar d
	Waste gas	NO _x	Discharge after treatment	3	Boiler Island	23.48mg/m ³	50mg/m ³	107.04 t	405 t	Up to standar d

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		SO2	Discharge after treatment	3	Boiler Island	1.15mg/m ³	35mg/m ³	3.54 t	251 t	Up to standard
		Smoke and ashes	Discharge after treatment	3	Boiler Island	1.32mg/m ³	5mg/m ³	4.84 t	51 t	Up to standard

Treatment of pollutants

(1) Sewage treatment

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

(2) Waste gas treatment

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

The organized emissions of dust, non-methane total hydrocarbons, and acetaldehyde were in compliance with the relevant standards in the Emission Standards of Pollutants for Synthetic Resin Industry (GB31752-2015), the flue gas emissions from coal water

slurry boilers in Hangzhou were in compliance with the Hangzhou Emission Standard of Air Pollutants for Boilers, other regions were in compliance with the relevant standards in the Emission Standard of Air Pollutants for Boilers (GB13271-2014), and the emission of odor pollutants was in compliance with the relevant standards in the Emission Standards for Odor Pollutants (GB14554-93).

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

According to the principles of "resource utilization, reduction, and harmless disposal", the Company established a ledger system, set up temporary waste storage warehouses, classified, collected, stacked, and disposed of hazardous waste and general solid waste according to their quality, and achieved comprehensive utilization of resources. Waste oils and other hazardous wastes were entrusted to companies with corresponding hazardous waste treatment qualifications and processing capabilities for disposal, hazardous waste transfer approval procedures were handled in accordance with relevant regulations, and the hazardous waste transfer receipt system was strictly implemented. The temporary storage of hazardous waste was strictly in compliance with the relevant provisions of the Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001), and general solid waste were in compliance with the Standard for Pollution Control of General Industrial Solid Waste Storage and Disposal Sites (GB18599-2020).

Environmental emergency response plan

1. Emergency Plan for Emergent Environmental Incidents of Zhejiang Baling Hengyi Caprolactam Co., Ltd. was filed by the local environmental protection department in April 2022, and a new Emergency Plan for Emergent Environmental Incidents is being prepared.
2. Emergency Plan for Emergent Environmental Incidents of Zhejiang Hengyi High-

Tech Materials Co., Ltd. was filled by the local environmental protection department in March 2022.

3. Emergency Plan for Emergent Environmental Incidents of Zhejiang Hengyi Polymer Co., Ltd. was filled by the local environmental protection department in August 2021.

4. Emergency Plan for Emergent Environmental Incidents of Zhejiang Shuangtu New Materials Co., Ltd. was filled by the local environmental protection department in October 2022.

5. Emergency Plan for Emergent Environmental Incidents of Haining Hengyi Thermal Power Co., Ltd. was filled by the local environmental protection department authority in June 2021.

6. Emergency Plan for Emergent Environmental Incidents of Haining Hengyi New Materials Co., Ltd. was filled by the local environmental protection department in June 2021.

7. Emergency Plan for Emergent Environmental Incidents of Jiaxing Yipeng Chemical Fibre Co., Ltd. was filled by the local environmental protection department in November 2023.

8. Emergency Plan for Emergent Environmental Incidents of Taicang Yifeng Chemical Fibre Co., Ltd. was filled by the local environmental protection department in March 2022.

9. Emergency Plan for Emergent Environmental Incidents of Suqian New Materials Co., Ltd. was filled by the local environmental protection department in December 2021.

10. Emergency Plan for Emergent Environmental Incidents of Suqian Hengyuan

Thermal Energy Co., Ltd. was filled by the local environmental protection department in July 2023.

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

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

13. Emergency Plan for Emergent Environmental Incidents of Zhejiang Yisheng Petrochemical Co., Ltd. was revised, reviewed and filled by the local environmental protection department in September 2023.

14. Emergency Plan for Emergent Environmental Incidents of Yisheng Dahua Petrochemical Co., Ltd. was filled by the local environmental protection department in March 2023.

Environmental self-monitoring program

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

qualified third-party monitoring entities to carry out regular monitoring.

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

In 2023, the Company invested a total of RMB 51,248,400 in the environmental governance and protection of each key emission unit and paid environmental protection tax of RMB 22,421,500. Among them, the joint venture subsidiary Zhejiang Baling Hengyi Caprolactam Co., Ltd. continued to invest approximately RMB 18 million in upgrading the two waste furnaces (which included the renovation of the denitrification system), and invested approximately RMB 7 million in upgrading and renovating the peroxide tail gas adsorption device of Unit 43; Zhejiang Shuangtu New Materials Co., Ltd. continued to invest approximately RMB 15 million in renovating the boiler flue gas denitrification and dedusting facilities, and added an oil smoke purifier in the spinning B workshop, which reduced the emission of exhaust gases; Suqian Yida New Material Co., Ltd. invested nearly RMB 4 million, supporting VOCs exhaust gas facilities for short staple fibre C workshop, adopting VOC absorption coupled with de-whitening integrated equipment, absorbing VOCs while reducing water vapour emissions; Zhejiang Hengyi Petrochemical Co., Ltd. invested about RMB 500,000, renewing the oil fume purifier; Zhejiang Hengyi Polymers Co., Ltd. invested about RMB 400,000, carrying out cinder block stacking yards and boiler flues Ltd.

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

The quality of coal was improved to make chemical raw materials lighter; a series of measures such as renovation of energy-saving lamps, combined use of air compressors and renewal of equipment to reduce the electricity consumption. Solar thermal power was used for power generation by establishing a pilot base for solar thermal power

generation and PV power generation on the roof of the Company's factory. Employees were encouraged to use new energy vehicles and new energy non- road mobile machinery and equipment were additionally arranged in the factory. Employees were trained with knowledge of ecological civilization, to make them to practice the green low-carbon concept in life and production, thematic publicity activities such as All Staff Environment Day and Low Carbon Day were carried out to make employees know more about green low-carbon.

Administrative punishment for environmental issues during the reporting period

Name of Company or subsidiary	Reasons for punishment	Violations	Penalty results	Impacts on the production and operation of listed companies	Rectification measures of the Company
Hengyi Polymers	Heng Yi polymer plant west of the coal-fired boiler west of the cinder yard storage of cinder, coal ash and other general industrial solid waste, and part of the solid waste piled up in the open air, did not take protective measures in line with national environmental protection standards	Violation of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (2020 Edition), Article 40(1) of the Law on the Prevention and Control of Environmental Pollution by Solid Wastes (2020 Edition) There are general industrial solid wastes such as coal slag and coal ash stored in the coal slag dump on the west side of the Hengyi Polymer factory	Fine RMB 100,000	No impacts on the production and operation of the Company	Upon receipt of the notice of administrative penalty, the company immediately carried out rectification and renovated the cinder yard

		west of the coal-fired boiler, and some of the solid wastes are piled up in the open air without taking protective measures in line with national environmental protection standards			
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Other environmental information that shall be made public

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

Other environmental protection information

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

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

Relevant situations of environmental accidents in listed companies

Not applicable

II. Social responsibility

Please see the Social, Environmental, Governance (ESG) report of 2023 for details.

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

In 2023, the company's production safety situation was stable, with no major production safety accidents and zero new cases of occupational diseases. The company always takes safety as the first element of development, fully fulfils the main responsibility of safety management, and pays close attention to safety management in all aspects.

Firstly, the company actively implements the safety responsibility, and at the beginning of the year, it signed the "Safety and Environmental Protection Production Target Responsibility Letter" with each subsidiary and relevant department, clarifying the responsibility of safety production, strengthening the awareness of safety production, and forming a good pattern of promoting one level and implementing one level at a time.

Secondly, we actively promote the construction of safety standardisation system and dual prevention mechanism in our subsidiaries. The company maintains the first level of safety standardisation in the field of road traffic and transportation, the second level of safety standardisation in the field of hazardous chemicals production, and 80% of the enterprises in the field of chemical fibre manufacturing have achieved the third level of safety standardisation, while the other subsidiaries are being gradually created and perfected.

Thirdly, it has comprehensively carried out special inspections of the production safety

investigation and remediation and the implementation of the system of full responsibility for production safety, and strengthened the depth and professionalism of safety supervision and inspection by means of comprehensive inspections, special inspections by external experts, and squatting inspections, so as to achieve a 100 per cent completion rate for the annual rectification and rectification of hidden dangers.

Fourthly, we increased investment in safety production, actively adopted new technologies, new techniques and new equipment, continuously improved safety production conditions, and continuously upgraded the enterprise's intrinsic safety level. Throughout the year, the Company invested a total of RMB 139,868,600 in safety expenses.

Fifthly, the company focuses on safety education and training to improve the safety awareness of all staff. The safety training system covers the main person in charge, safety production management personnel, special operation and equipment operators, other employees, as well as contractors (sub)contractors and labourers. 49,177 education and training sessions were conducted throughout the year, and the training completion rate and qualification rate reached 100%, achieving a focused and full coverage.

Sixthly, we built a dual prevention mechanism for production safety, and built a solid defence line for production safety. Throughout the year, the subsidiaries of the Company accepted 62 routine safety inspections by the competent units, without any violations or penalties, and no major production safety hazards were found.

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

The company has always advocated the concept of public welfare and charity, actively

participate in volunteer services, education donations, community building and other types of public welfare activities, to give a helping hand to the needy groups, and continue to promote the healthy development of society, to show a responsible and responsible corporate image, and to contribute to the building of a harmonious and beautiful society.

In order to support the development of education in the west, the Company has increased its support for education. In 2023, the Company donated RMB 6 million to the Red Cross Society of Wuzhong City, Ningxia for the construction of Hongde Hope School in Hongsibao District, Wuzhong City, Ningxia, and the cumulative donation has reached RMB 30 million, which has completed all the donations for the project, and has pushed forward the consolidation of the results of poverty alleviation and the effective convergence of rural revitalisation.

In the future, the Company will continue to participate in poverty alleviation and relief activities, take the initiative to interact with local governments in the public interest, give full play to the Company's role as an important player in local enterprises, and give back to the community at the right time to build a harmonious development atmosphere.

Section VI Important Matters

I. Fulfilment of commitments

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

Applicable Not applicable

Commitment item	Promising party	Commitment type	Commitment content	Commitment time	Commitment period	Performance
Commitments made in the acquisition report or	Qiu Jianlin, the actual controller of Hengyi Group and the Company	Commitment on independent operation	He ensures the independence of Hengyi Group and its actual controller's affiliates and the Company in terms of personnel, assets, finance, organization and business in the commitment.	April 29, 2010	Long-term effective	Up to now, Hengyi Group and the actual controller Qiu Jianlin have not violated this commitment.

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

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

Applicable Not applicable

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

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

III. External Guarantees Against the Rules and Regulations

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

IV. Explanation of the BOD on the latest “Non-standard Audit Report”

Applicable Not applicable

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

Applicable Not applicable

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

- Applicable Not applicable

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

The total number of subsidiaries included in the scope of consolidation in fiscal year 2023 was 52, an increase of 6 subsidiaries and a decrease of 2 subsidiaries compared with the previous year. For details, please refer to "VII. Interests in Other Entities" in "Section X. Financial Reporting".

VIII. Appointment and dismissal of the accounting firms

Currently employed accounting firm

Name of the domestic accounting firm	Zhongxinghua Certified Public Accountants LLP
Remuneration of domestic accounting firms (RMB 10,000)	325
Consecutive years of audit services of domestic accounting firms	5
Name of CPA in domestic accounting firms	Liu Hongyue, Wang Guohai
Consecutive years of audit services provided by the domestic accounting firm's CPAs	5
Name of overseas accounting firms (if any)	None
Remuneration of overseas accounting firms (RMB 10,000) (if any)	0
Consecutive years of audit services of overseas accounting firms (if any)	None

Name of the certified public accountant of the overseas accounting firms (if any) (if any)	None
Consecutive years of CPA audit services of overseas accounting firms (if any)	None

Whether to reappoint an accounting firm in current period

Yes No

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

IX. Delisting after the disclosure of annual report

Applicable Not applicable

X. Matters Related to bankruptcy and reorganization

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

XI. Major litigations and arbitrations

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

XII. Penalties and rectifications

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

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

Applicable Not applicable

XIV. Significant related-party transactions

1. Related-party transactions related to daily operations

Related party	Related party relations	Type of related- party transactions	Contents of related- party transactions	Pricing principle for related- party transactions	Price of related- party transactions	Amount of related- party transactions (RMB 10,000)	Proportion s in the amount of similar transactions (%)	Approved transaction limit (RMB 10,000)	Whether it exceeds the approve d quota	Settlement method of related- party transactions	Available market prices for similar transaction s
Yisheng Dahua	Associated enterprises	Procurement of goods	PTA	Market price	Market price	15,459.25	0.72%	80,300	No	Bill/cash	Market price
Yisheng Dahua	Associated enterprises	Sales of goods	PIA	Market price	Market price	10,229.64	11.06%	12,200	No	Bill/cash	Market price
Hainan Yisheng	JV	Procurement of goods	PTA	Market price	Market price	2,000.52	0.09%	20,000	No	Bill/cash	Market price
Hainan Yisheng	JV	Sales of goods	PX	Market price	Market price	97,713.84	10.80%	203,000	No	Bill/cash	Market price
Hainan Yisheng	JV	Sales of goods	PIA	Market price	Market price	27,670.09	29.92%	40,100	No	Bill/cash	Market price
Hainan Yisheng	JV	Provision of labor	Transportation of goods	Market price	Market price	166.48	0.20%	1,000	No	Bill/cash	Market price

		services									
Yisheng New Materials	Associated enterprises	Procurement of goods	PTA	Market price	Market price	1,521,384.95	70.54%	2,000,000	No	Bill/cash	Market price
Yisheng New Materials	Associated enterprises	Provision of labor services	Transportation of goods	Market price	Market price	7,101	8.39%	7,700	No	Bill/cash	Market price
Hengyi Caprolactam	JV	Procurement of goods	Steam	Market price	Market price	14,712.15	100.00%	17,000	No	Bill/cash	Market price
Hengyi Caprolactam	JV	Procurement of goods	Electricity	Market price	Market price	30,789.99	100.00%	33,000	No	Bill/cash	Market price
Hengyi Caprolactam	JV	Sales of goods	Power and energy-related products	Market price	Market price	129,207.49	71.58%	186,800	No	Bill/cash	Market price
Hengyi Caprolactam	JV	Sales of goods	Benzene	Market price	Market price	44,877.8	65.49%	60,000	No	Bill/cash	Market price
Hengyi Caprolactam	JV	Provision of labor services	Transportation of goods	Market price	Market price	483.16	0.57%	1,000	No	Bill/cash	Market price
Hengyi Caprolactam	JV	Provision of labor services	Engineering management	Market price	Market price	3,260.78	70.09%	3,200	Yes	Bill/cash	Market price

Hengyi Jinlun	A holding subsidiary of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	1,452.94	1.72%	1,900	No	Bill/cash	Market price
Hengyi Jinlun	A holding subsidiary of the ultimate parent company	Sales of goods	Auxiliary materials	Market price	Market price	2,334.88	9.03%	2,600	No	Bill/cash	Market price
Hengyi Jinlun	A holding subsidiary of the ultimate parent company	Procurement of goods	Polyester products	Market price	Market price	337.96	2.86%	2,500	No	Bill/cash	Market price
Shaoxing Hengming	Associates of the ultimate parent company	Procurement of goods	Packing materials	Market price	Market price	883,802.92	14.03%	900,000	No	Bill/cash	Market price
Shaoxing Hengming	Associates of the ultimate parent company	Procurement of goods	Packing materials	Market price	Market price	3,442.57	42.25%	4,000	No	Bill/cash	Market price
Shaoxing Hengming	Associates of the ultimate parent company	Sales of goods	Polyester products	Market price	Market price	2,839.99	32.15%	3,700	No	Bill/cash	Market price
Shaoxing Hengming	Associates of the ultimate parent company	Sales of goods	Auxiliary materials	Market price	Market price	3,024.08	11.69%	2,500	Yes	Bill/cash	Market price
Shaoxing Hengming	Associates of the ultimate parent company	Sales of goods	Energy-related products	Market price	Market price	31,840	17.64%	41,500	No	Bill/cash	Market price
Shaoxing Hengming	Associates of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	11,594.21	13.70%	10,000	Yes	Bill/cash	Market price

Shaoxing Hengming	Associates of the ultimate parent company	Provision of labor services	Engineering management	Market price	Market price	1,183.83	25.45%	1,100	Yes	Bill/cash	Market price
Hangzhou Yichen	A holding subsidiary of the ultimate parent company	Procurement of goods	Polyamide flake	Market price	Market price	11,474.32	97.14%	15,000	No	Bill/cash	Market price
Hangzhou Yichen	A holding subsidiary of the ultimate parent company	Sales of goods	PTA	Market price	Market price	413.15	0.02%	350	Yes	Bill/cash	Market price
Hangzhou Yichen	A holding subsidiary of the ultimate parent company	Provision of labor services	Transportation of goods	Market price	Market price	2,860.83	3.38%	3,100	No	Bill/cash	Market price
Hangzhou Yichen	A holding subsidiary of the ultimate parent company	Sales of goods	Auxiliary materials	Market price	Market price	1,907.13	7.37%	2,100	No	Bill/cash	Market price
Hengqi Environmental Protection	Joint ventures of ultimate parent company	Sales of goods	Power and energy products	Market price	Market price	1,880.02	1.04%	4,500	No	Bill/cash	Market price
Qingzhi Marina	Affiliated corporations of which a director of a listed company is a director	Procurement of labour	Loading and unloading of goods	Market price	Market price	1,352.16	9.21%	1,800	No	Bill/cash	Market price
Hong	A holding subsidiary of the ultimate parent company	Procurement of goods	Crude oil	Market price	Market price	152,581.08	4.96%	306,000	No	Bill/cash	Market price

Kong Tianyi											
Total				--	--	3,019,379.21	--	3,967,950	--	--	--
Disclosure date				December 07 2022, September 13 2023							
Details of returns of large sales				None							
Actual performance during the reporting period, if the total amount of the daily related-party transactions that are expected to take place in current period is forecasted by category (if any)				The above-mentioned related-party transactions are conducive to utilization of the superior resources of the Company and important related parties, ensuring the stable supply of important raw materials and the stable and continuous supply of electricity and other auxiliary materials, broadening the Company's downstream product sales channels, and realizing the Company's attempts to operate upstream products. It is conducive to consolidating and enhancing the advantages of industrial chain integration.							
Reasons for the large difference between the transaction price and the market reference price (if applicable)				The related-party transactions between the Company and the above-mentioned related parties are closely related to the Company's daily operations. Related party transactions are based on market prices or prices determined by regulatory authorities, and follow the principles of fairness, justice, and openness, and will not harm the interests of the Company and small and medium shareholders. The main business will not form a significant dependence on related parties due to the above-mentioned related transactions, nor affect the Company's independence, and will have a positive impact on the Company's current and future financial status and operating results.							

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

Related Party	Related party relations	Type of related-party transactions	Contents of related-party transactions	Pricing principle for related-party	Book value of transferred assets(RMB	Assessed value of transferred	Transfer price (RMB 10,000)	Settlement met	Profit and loss of transactions	Disclosure date	Disclosure index
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				transactions	10,000)	assets (RMB 10,000)		hod of related -party transac tions	(RMB 10,000)		
Hengyi Group	The parent company of the Company	Transfer of assets	Sell 100% equity of Hangzhou Yijing	Market value	43,102.66	88,755.42	88,000	Cash	44,897.34	December 08, 2023	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1218547&announcementTime=2023-12-08
Reasons for significant differences between the transfer price and the book value or assessed value (if any)						The total price of the equity transfer is based on the book value and appraised value of the net assets of the Subject Company as at 31 October 2023, which has been objectively and prudently assessed and determined through negotiation between the parties to the transaction, and the pricing of the connected transaction is fair.					
Impacts on the operating results and financial conditions of the Company						The transaction price is fair and reasonable and will not adversely affect the Company's financial condition and results of operations.					
Achievements of performance during the reporting period in case the relevant transaction involves performance agreements						Not applicable					

3. Related-party transactions for joint overseas investment

Applicable Not applicable

4. Related credit and debt transactions

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

5. Transactions with related finance companies

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

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

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

7. Other major related-party transactions

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

XV. Major contracts and their performance

1. Custody, contracting and leasing matters

(1) Custody situation

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

(2) Contracting situation

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

(3) Leasing situation

During the reporting period, there was no leasing situation.

2. Major guarantees

Currency unit: 10,000

The Company and its subsidiaries' external guarantees (excluding guarantees to subsidiaries)								
Name of the guaranteed object	Date of disclosure of announcement on guaranteed quota	Guaranteed limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hainan Yisheng	December 07, 2022	70,000	March 10, 2023	53,662.78	General guaranty	May 22, 2023 to December 24, 2024	No	Yes
Total amount of external guarantees approved during the reporting period (A1)			70,000		Total amount of external guarantees actually incurred during the reporting period (A2)		53,662.78	
Total amount of external guarantees approved at the end of the reporting period (A3)			70,000		Total balance of actual external guarantees at the end of the reporting period (A4)		53,662.78	
The Company's guarantees for subsidiaries								
Name of the guaranteed object	Date of disclosure of announcement on guaranteed quota	Guaranteed limit	Actual date	Actual guarantee amount	Type of guarantee	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hengyi Limited	January 16, 2020	2,207.41	May 31, 2020	2,207.41	General	May 31, 2020 to February 20, 2023	Yes	Yes

					guaranty			
	January 16, 2020	5,559.94	July 24, 2020	5,559.94	General guaranty	July 24, 2020 to March 15, 2023	Yes	Yes
	January 16, 2020	2,237.45	May 31, 2020	2,237.45	General guaranty	May 31, 2020-5-31to May 31, 2023	Yes	Yes
	January 22, 2021	4,482.13	March 31, 2021	4,482.13	General guaranty	March 31, 2021to March 31, 2024	No	Yes
	January 22, 2022	72,732.66	March 28, 2022	72,732.66	General guaranty	March 28, 2022 to November 21, 2023	Yes	Yes
	December 07, 2022	17,025.41	January 1, 2023	17,025.41	General guaranty	January 1, 2023 to December 26, 2023	Yes	Yes
	December 07, 2022	113,183.62	April 12, 2023	113,183.62	General guaranty	April 12, 2023 to December 28, 2024	No	Yes
	December 07, 2022	137,809.85	January 5, 2023	137,809.85	General guaranty	January 5, 2023 to September 10, 2024	No	Yes
Hengyi High-Tech	January 16, 2020	14,000	May 29, 2020	14,000	General guaranty	May 29, 2020 to May 25, 2023	Yes	Yes
	January 22, 2022	52,280	March 31, 2022	52,280	General guaranty	March 31, 2022 to August, 2023	Yes	Yes
	December 07, 2022	83,780	February 07, 2023	83,780	General guaranty	February 07, 2023 to December 27, 2024	No	Yes
	December 07, 2022	156,012	February 03, 2023	156,012	General guaranty	February 03, 2023 to December 09, 2024	No	Yes

Hengyi Polymer	January 22, 2022	31,250	March 10, 2022	18,750	General guaranty	March 10 to November 16	Yes	Yes
	December 07, 2022	6,400	December 16, 2022	3,840	General guaranty	December 16, 2022 to December 16, 2023	Yes	Yes
	December 07, 2022	1,000	January 1, 2023	600	General guaranty	January 1, 2023 to December 26, 2023	Yes	Yes
	December 07, 2022	39,300	January 4, 2023	23,580	General guaranty	January 4, 2023 to December 28, 2024	No	Yes
	December 07, 2022	12,595	August 1, 2023	7,557	General guaranty	August 1, 2023 to May 1, 2024	No	Yes
	December 07, 2022	13,500	February 21, 2023	8,100	General guaranty	February 21, 2023 to June 7, 2024	No	Yes
	December 07, 2022	5,000	November 30, 2023	3,000	General guaranty	November 30, 2023 to November 29, 2024	No	Yes
Shuangtu New Materials	January 16, 2020	4,000	September 30, 2020	4,000	General guaranty	September 30, 2020 to September 2023-9-20	Yes	Yes
	January 22, 2022	48,800	May 6, 2022	48,800	General guaranty	May 6, 2022 to July 25, 2023	Yes	Yes
	December 07, 2022	15,600	January 1, 2023	15,600	General guaranty	January 1, 2023 to December 27, 2023	Yes	Yes
	December 07, 2022	73,400	March 24, 2023	73,400	General guaranty	March 24, 2023 to December 28, 2024	No	Yes
	December 07, 2022	59,999.75	July 11, 2023	59,999.75	General	July 11, 2023 to December 12,	No	Yes

					guaranty	2024		
Zhejiang Yisheng	January 22, 2021	20,000	January 19, 2022	14,000	General guaranty	January 19, 2022 to January 19, 2023	Yes	Yes
	January 22, 2022	103,654.04	April 13, 2022	72,557.83	General guaranty	April 13, 2022 to November 22, 2023	Yes	Yes
	January 22, 2022	20,000	March 22, 2022	14,000	General guaranty	March 22, 2022 to March 21, 2024	No	Yes
	December 07, 2022	31,000	December 13, 2022	21,700	General guaranty	December 13, 2022 to January 19, 2024	Yes	Yes
	December 07, 2022	43,662.82	February 21, 2023	30,563.97	General guaranty	February 21, 2023 to December 27, 2023	Yes	Yes
	December 07, 2022	109,675	January 4, 2023	76,772.50	General guaranty	January 4, 2023 to November 12, 2025	No	Yes
	December 07, 2022	18,800	August 10, 2023	13,160	General guaranty	August 10, 2023 to June 26, 2024	No	Yes
Taicang Yifeng	January 22, 2021	1,500	January 17, 2022	1,500	General guaranty	January 17, 2022 to January 16, 2023	Yes	Yes
	January 22, 2022	18,000	February 16, 2022	18,000	General guaranty	February 16, 2022 to July 25, 2023	Yes	Yes
	December 07, 2022	30	February 24, 2023	30	General guaranty	February 24, 2023 to August 23, 2023	Yes	Yes
	December 07, 2022	20,370	January 3, 2023	20,370	General guaranty	January 3, 2023 to July 11, 2024	No	Yes

	December 07, 2022	5,000	February 21, 2023	5,000	General guaranty	February 21, 2023 to February 22, 2024	No	Yes
Suqian Yida	January 22, 2022	5,000	June 24, 2022	4,550.00	General guaranty	June 24, 2022 to July 27, 2023	Yes	Yes
	December 07, 2022	7,000	June 25, 2023	6,370.00	General guaranty	June 25, 2023 to June 19, 2024	No	Yes
	December 07, 2022	13,000	March 24, 2023	11,830.00	General guaranty	March 24, 2023 to July 22, 2024	No	Yes
Hng Kong Tianyi	January 22, 2022	1,528.55	November 2, 2022	1,528.55	General guaranty	November 2, 2022 to February 7, 2023	Yes	Yes
	December 07, 2022	28,598.22	January 19, 2023	28,598.22	General guaranty	January 19, 2023 to December 26, 2023	Yes	Yes
	December 07, 2022	16,304.53	October 07, 2023	16,304.53	General guaranty	October 07, 2023 to March 21, 2024	No	Yes
Jiaxin Yipeng	January 22, 2022	5,000	October 31, 2022	5,000	General guaranty	October 31, 2022 to October 30, 2023	Yes	Yes
	December 07, 2022	5,000	January 13, 2023	5,000	General guaranty	January 13, 2023 to January 12, 2024	Yes	Yes
	December 07, 2022	10,000	October 10, 2023	10,000	General guaranty	October 10, 2023 to April 9, 2024	No	Yes
	December 07, 2022	25,996	July 18, 2023	25,996	General guaranty	July 18, 2023 to April 19, 2024	No	Yes
	December 07, 2022	60,000	September 1, 2023	60,000	General	September 1, 2023 to November	No	Yes

					guaranty	23, 2024		
Haining Thermal Power	January 16, 2020	6,250	April 24, 2020	6,250	General guaranty	April 24, 2020 to December 10, 2023	Yes	Yes
	January 16, 2020	31,500	April 24, 2020	31,500	General guaranty	April 24, 2020 to December 10, 2029	No	Yes
Haining New Materials	January 22, 2021	1,500	January 4, 2022	1,500	General guaranty	January 4, 2022 to July 4, 2023	Yes	Yes
	January 22, 2021	12,750	January 4, 2022	12,750	General guaranty	January 4, 2022 to January 4, 2024	No	Yes
	January 22, 2021	114,886	April 20, 2021	114,886	General guaranty	April 20, 2021 to April 26, 2029	No	Yes
	January 22, 2022	75	October 21, 2022	75	General guaranty	October 21, 2022 to October 21, 2023	Yes	Yes
	January 22, 2022	675	October 21, 2022	675	General guaranty	October 21, 2022 to October 21, 2024	No	Yes
	December 07, 2022	10,825	November 20, 2023	10,825	General guaranty	November 20, 2023 to November 21, 2024	No	Yes
	December 07, 2022	750	January 6, 2023	750	General guaranty	January 6, 2023 to January 4, 2024	No	Yes
	December 07, 2022	44,000	January 13, 2023	44,000	General guaranty	January 13, 2023 to March 27, 2024	No	Yes
Fujian Yijin	January 16, 2020	10,224.89	May 26, 2020	9,202.40	General guaranty	May 26, 2020 to November 21, 2023	Yes	Yes

	January 16, 2020	33,682	May 26, 2020	30,313.80	General guaranty	May 26, 2020 to May 21, 2028	No	Yes
	January 22, 2022	3,000	July 15, 2022	2,700	General guaranty	July 15, 2022 to July 14, 2023	Yes	Yes
Hengyi Singapore	January 22, 2022	175,650.96	July 15, 2022	122,955.67	General guaranty	July 15, 2022 to April 24, 2025	Yes	Yes
	December 07, 2022	11,617.18	December 21, 2022	8,132.03	General guaranty	December 21 to June 19, 2023	Yes	Yes
	December 07, 2022	44,341.93	March 24, 2023	31,039.35	General guaranty	March 24, 2023 to October 20, 2023	Yes	Yes
	December 07, 2022	72,789.39	July 6, 2023	50,952.57	General guaranty	July 6, 2023 to March 22, 2024	No	Yes
Hengyi Brunei	December 07, 2022	191,654	June 12, 2023	134,157.80	General guaranty	June 12, 2023-6-12 to December 14, 2023	Yes	Yes
	December 07, 2022	200,142.27	October 9, 2023	140,099.59	General guaranty	October 9, 2023 to May 30, 2024	No	Yes
Guangxi New Materials	December 07, 2022	278,146.80	January 13, 2023	278,146.80	General guaranty	January 13, 2023 to December 25, 2032	No	Yes
Total amount of guarantees to subsidiaries approved during the reporting period (B1)		3,318,000		Total amount of guarantees to subsidiaries actually incurred during the reporting period (B2)		1,699,613.97		
Total amount of guarantees to		3,318,000		Total balance of guarantees to		1,645,606.14		

subsidiaries approved at the end of the reporting period (B3)				subsidiaries actually incurred at the end of the reporting period (B4)				
Subsidiary guarantees for subsidiaries								
Name of the guaranteed object	Date of disclosure of announcement on guaranteed quota	Guaranteed limit	Actual date	Actual guarantee amount	Type of guaranty	Guarantee period	Whether it has been fulfilled	Whether it is a related party guarantee
Hengyi Limited	January 22, 2021	9,600	November 17, 2021	9,600.00	General guaranty	November 17, 2021 to November 13, 2023	Yes	Yes
	January 22, 2022	27,620	July 20, 2022	27,620.00	General guaranty	July 20, 2022 to February 17, 2023	Yes	Yes
	January 22, 2022	3,599.85	November 28, 2022	3,599.85	General guaranty	November 28, 2022 to February 24, 2023	Yes	Yes
	December 07, 2022	40,300	March 16, 2023	40,300.00	General guaranty	March 16, 2023 to December 10, 2024	No	Yes
Hengyi High-Tech	January 22, 2022	19,790	July 15, 2022	19,790.00	General guaranty	July 15, 2022-7-15 to December 2, 2023	Yes	Yes
	January 22, 2022	10,000	March 14, 2022	10,000	General guaranty	March 14, 2022 to April 14, 2023	Yes	Yes
	December 07, 2022	16,825	December 09, 2022	16,825.00	General guaranty	December 9, 2022 to June 20, 2023	Yes	Yes
	December 07, 2022	19,014.35	January 12, 2023	19,014.35	General guaranty	January 12, 2023 to December 4, 2023	Yes	Yes

	December 07, 2022	20,000	January 1, 2023	20,000	General guaranty	January 1, 2023 to December 29, 2023	Yes	Yes
	December 07, 2022	44,881.89	June 21, 2023	44,881.89	General guaranty	June 21, 2023 to December 5, 2024	No	Yes
	December 07, 2022	20,000	December 28, 2023	20,000	General guaranty	December 28, 2023 to December 26, 2024	No	Yes
	December 07, 2022	23,000	February 07, 2023	23,000	General guaranty	February 7, 2023 to April 26, 2024	No	Yes
Hengyi Polymer	January 22, 2022	33,370	July 14, 2022	20,022	General guaranty	July 14, 2022 to April 26, 2023	Yes	Yes
	December 07, 2022	21,570	January 17, 2023	12,942	General guaranty	January 17, 2023 to October 23, 2023	Yes	Yes
	December 07, 2022	20,000	January 5, 2023	12,000.00	General guaranty	January 5, 2023 to December 22, 2023	Yes	Yes
	December 07, 2022	34,355	February 16, 2023	20,613	General guaranty	February 16, 2023 to August 23, 2024	No	Yes
	December 07, 2022	20,000	December 27, 2023	12,000.00	General guaranty	December 27, 2023 to November 1, 2024	No	Yes
Zhejiang Yisheng	January 22, 2022	110,024	February 25, 2022	77,016.80	General guaranty	February 25, 2022 to December 1, 2023	Yes	Yes
	January 22, 2022	12,500	February 25, 2022	8,750.00	General guaranty	February 25, 2022 to February 22, 2026	No	Yes
	December 07, 2022	2,000	December 28, 2022	1,400.00	General	December 28, 2022 to December	Yes	Yes

					guaranty	27, 2023		
	December 07, 2022	83,200	January 1, 2023	58,240.00	General guaranty	January 1, 2023 to September 10, 2024	Yes	Yes
	December 07, 2022	17,000	December 16, 2022	11,900.00	General guaranty	December 16, 2022 to April 29, 2023	Yes	Yes
	December 07, 2022	17,000	June 1, 2023	11,900.00	General guaranty	June 1, 2023 to November 23, 2023	Yes	Yes
	December 07, 2022	20,000	March 1, 2023	14,000.00	General guaranty	March 1, 2023 to August 18, 2023	Yes	Yes
	December 07, 2022	79,650	February 27, 2023	55,755.00	General guaranty	February 27, 2023 to December 4, 2024	No	Yes
	December 07, 2022	40,416	September 26, 2023	28,291.20	General guaranty	September 26, 2023 to April 15, 2024	No	Yes
	December 07, 2022	13,290	August 8, 2023	9,303.00	General guaranty	August 8, 2023 to April 20, 2024	No	Yes
Hong Kong Tianyi	January 22, 2021	19,619.08	January 21, 2022	19,619.08	General guaranty	January 21, 2022 to January 19, 2023	Yes	Yes
	January 22, 2022	46,887.47	January 27, 2022	46,887.47	General guaranty	January 17, 2022 to February 17, 2023	Yes	Yes
	January 22, 2022	9,500	June 27, 2022	9,500	General guaranty	June 27, 2022 to June 26, 2023	Yes	Yes
Haining New Materials	January 23, 2019	6,742.33	September 15, 2019	6,742.33	General guaranty	September 15, 2019 to November 26, 2023	Yes	Yes

	January 23, 2019	39,627.05	September 15, 2019	39,627.05	General guaranty	September 15, 2019 to December 23, 2029	No	Yes
	January 16, 2020	4,274.11	March 29, 2020	4,274.11	General guaranty	March 29, 2020 to November 11, 2023	Yes	Yes
	January 16, 2020	27,781.73	March 29, 2020	27,781.73	General guaranty	March 29, 2020 to May 11, 2030	No	Yes
Hengyi Brunei	January 22, 2022	185,225.75	May 27, 2022	129,658.03	General guaranty	May 27, 2022-5-27 to November 27, 2023	Yes	Yes
	January 22, 2022	130,392.51	May 27, 2022	91,274.76	General guaranty	May 27, 2022-5-27 to May 26, 2027	No	Yes
	December 07, 2022	70,827	December 12, 2022	49,578.90	General guaranty	December 12, 2022, to June 12, 2023	Yes	Yes
	December 07, 2022	70,827	May 22, 2023	49,578.90	General guaranty	May 22, 2023 to November 20, 2023	Yes	Yes
	December 07, 2022	31,368.57	December 12, 2022	21,958.00	General guaranty	December 12, 2022 to March 15, 2023	Yes	Yes
	December 07, 2022	426,011.91	February 15, 2023	298,208.34	General guaranty	February 15, 2023-2-15 to December 22, 2023	Yes	Yes
	December 07, 2022	42,496.20	November 20, 2023	29,747.34	General guaranty	November 20, 2023 to May 20, 2024	No	Yes
	December 07, 2022	239,972.30	October 27, 2023	167,980.61	General guaranty	October 27, 2023 to March 26, 2024	No	Yes
Total amount of guarantees to		1,612,000		Total amount of guarantees to		947,755.63		

subsidiaries approved during the reporting period (C1)		subsidiaries actually incurred during the reporting period (C2)	
Total amount of guarantees to subsidiaries approved at the end of the reporting period (C3)	1,612,000	Total balance of guarantees to subsidiaries actually incurred at the end of the reporting period (C4)	619,305.58
Total amount of company guarantees (i.e., the total of the first three items)			
Total amount of guarantees approved during the reporting period (A1+B1+C1)	5,000,000	Total amount of guarantees actually incurred during the reporting period (A2+B2+C2)	2,701,032.38
Total amount of guarantees approved at the end of the reporting period (A3+B3+C3)	5,000,000	Total balance of guarantees actually incurred at the end of the reporting period (A4+B4+C4)	2,318,574.50
Proportion of the actual total amount of guarantee (A4+B4+C4) to the Company's net assets			91.97%
Wherein:			
Balance of guarantees provided for shareholders, actual controllers and their related parties (D)			0
Balance of debt guarantees provided directly or indirectly for the guaranteed object whose asset-liability ratio exceeds 70% (E)			1,163,789.05
Total amount of the total guarantee exceeding 50% of the net assets (F)			1,058,016.96

Total amount of the above three guarantees (D+E+F)	1,646,160.28
For unexpired guarantees, the statement of the situation where guarantee liability has occurred or may bear joint liability for repayment during the reporting period (if any)	None
Description of external guarantees against the rules and regulations (if any)	None

Description of the specific circumstances of the use of composite guarantees

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

3. Entrust others to manage cash asset

(1) Entrusted financing management

The Company has no entrusted financial management during the reporting period.

(2) Entrusted loans

Overview of entrusted loans during the reporting period

Currency unit: RMB 10,000

Total amount	Sources of funds	Outstanding balance	Overdue amount
177,400	Self-owned capital	78,600	0

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

Currency unit: RMB 10,000

Loan object	Loan object type	Loan interest rate	Loan amount	Sources of funds	Start date	End date	Expected return (if any)	Actual profit and loss during the reporting period	Actual recovery of profits and losses during the reporting period	Amount of provision for impairment reserves (if any)	Whether it goes through legal procedures	Whether there is any entrusted loan plan in the future	Summary of matters and related query index (if any)
Yisheng New Materials	Associated company	4.785%	98,800	Self-owned capital	January 14, 2022	December 21, 2023	1,872.22	1,872.22	1,872.22	0	Yes	Yes	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1211403679&announcementTime=2021-10-28
Yisheng New Materials	Associated company	4.785%	78,600	Self-owned capital	January 9, 2023	December 20, 2024	1,967.17	1,967.17	1,967.17	0	Yes	Yes	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&orgId=gssz0000703&stockCode=000703&announcementId=1214941035&announcementTime=2022-10-28
Total			177,400	--	--	--	3,839.39	3,839.39	--	--	--	--	--

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

Applicable Not applicable

4. Other major contracts

There were no other major contracts during the reporting period.

XVI. Description of other important matters

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

SN	Date of announcement	Title of announcement
1	January 31,2023	Annual Results Announcement 2022 (Announcement No. 2023-004)
2	February 08, 2023	Proposed Non-public Offering of a Shares for the Year 2023 (Announcement No. 2023-008)
3	July 15, 2023	2023 Half-Yearly Results Announcement (Announcement No. 2023-067)
4	July 29, 2023	Draft Fifth Employee Share Ownership Plan of Heng Yi Petrochemical Co.
5	July 29, 2023	Announcement on the Establishment of Specialised Financial Products by Some Employees of the Company's Controlling Shareholders and Subsidiary Enterprises to Increase Their Holdings of the Company's Shares (Announcement No. 2023-072)
6	September 29, 2023	Announcement on Completion of the Replacement of the Board of Directors and the Board of Supervisors and Appointment of Senior Management and Securities Affairs Representatives (Announcement No. 2023-099)
7	October 27, 2023	Announcement on Completion of Share Repurchase and Changes in Shares (Announcement No. 2023-108)
8	December 08, 2023	Announcement on the Appointment of the Secretary of the Board of Directors of the Company as Deputy General Manager and Chief Financial Officer (Announcement No. 2023-124)
9	December 16, 2023	Announcement on Share Repurchase Programme (Phase IV) by means of Centralised Auction Trading (Announcement No. 2023-129)

XVII. Important matters of subsidiaries of the company

Applicable Not applicable

Section VII Changes in Shares and Shareholders

I. Changes in shares

1. Changes in shares

Currency unit: Share

	Before the change		Increase or decrease in current period (+, -)					After the change	
	Quantity	Proportion (%)	Issue of new shares	Quantity	Proportion (%)	Issue of new shares	Quantity	Proportion (%)	Issue of new shares
I. Shares with Restrictions on Sales	19,171,425	0.52%				68,250	68,250	19,239,675	0.52%
1. State shares									
2. State-									

owned legal person shares									
3. Other domestic shares	19,171,425	0.52%				68,250	68,250	19,239,675	0.52%
Wherein: Domestic corporate shares									
Domestic natural person shares	19,171,425	0.52%				68,250	68,250	19,239,675	0.52%
I. Shares with Restrictions on Sales									
1. State shares									
2. State-owned legal person shares									

II. Shares without Restrictions on Sales	3,647,109,381	99.48%				-47,031	-47,031	3,647,062,350	99.48%
1. Ordinary shares in RMB (A shares)	3,647,109,381	99.48%				-47,031	-47,031	3,647,062,350	99.48%
2. Domestically listed foreign shares (B shares)									
3. Overseas listed foreign shares									
4. Others									
III. Total Number of Shares	3,666,280,806	100.00%				21,219	21,219	3,666,302,025	100.00%

Reason for changes in shares

(1) During the reporting period, due to the expiry of the term of office of Ms Ni Jinmei, Supervisor of the Company, all of her shares were converted into shares subject to lock-up conditions, and 68,250 shares were newly added to the list of shares subject to lock-up conditions.

(2) As at 29 December 2023, a total of 120 "HengYi Convertible Bonds" were converted into a total of 1,084 shares of "HengYi Petrochemicals", and a total of 2,116 "Heng Yi Conversion 2" shares were converted into a total of 20,135 shares of "HPC", and the total number of shares to be converted from "Heng Yi Convertible Bonds" and "Heng Yi Convertible 2" in 2023 is 21,219 shares of "Heng Yi Petrochemical".

Approval of changes in shares

(1) As agreed by the Shenzhen Stock Exchange in the document "SZSE [2020] No. 1027", the Company's RMB 2 billion convertible bonds have been listed for trading on the Shenzhen Stock Exchange since 16 November 2020, with the short name of the bonds being "Hengyi Convertible Bonds" and the bond code being "127022".

(2) As agreed by the Shenzhen Stock Exchange in "SZSE [2022] No. 782", the convertible bonds of the Company amounting to RMB 3 billion will be listed and traded on the Shenzhen Stock Exchange with effect from 18 August 2022, with the short name of the bonds being "Heng Yi Convertible Bond 2" and the bond code being "Heng Yi Convertible Bond 2".

Transfer of changed shares

Applicable Not applicable

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

The Company's share capital was 3,666,280,806 shares at the beginning of the reporting period and was 3,666,302,025 shares as at the end of the reporting period. The change in shares resided in the conversion of convertible corporate bonds into shares. In accordance with Accounting Standards for Business Enterprises - Earnings Per Share, the most recent share capital was recalculated on the basis of the adjusted number of shares, and therefore the basic earnings per share over the past period was RMB 0.13/share and the diluted earnings per share after the change was RMB 0.13/share.

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

Applicable Not applicable

2. Changes in restricted shares

Currency unit: share

Name of shareholders	Number of restricted shares at the beginning of period	Number of restricted shares increased during the period	Number of restricted shares released in current period	Number of restricted shares at the end of period	Reason for restrictions	Date of restriction release
Ni Jinmei	204,750	68,250	0	273,000	Expiry of the term	March 27, 2024

					of office	
Total	204,750	68,250	0	273,000	--	--

II. Securities issuance and listing

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

Applicable Not applicable

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

During the reporting period, the Company's conversion of convertible corporate bonds into shares resulted in change in the total number of shares, which was 3,666,280,806 at the beginning of period and was 3,666,302,025 as at the disclosure date of the report.

3. Existing employee stocks

Applicable Not applicable

III. Shareholders and actual controller

1. The number of shareholders and shareholding of the Company

The total number of common shareholders at the end of period	46,706	The total number of shareholders as at March 31, 2024	46,590	Total number of preference shareholders with voting rights restored at the end of the reporting period (if any)	0	Total number of preference shareholders with voting rights restored at the end of the previous month before the annual report disclosure date, if any	0	
Shareholders holding more than 5 per cent of shares or top 10 shareholders' shareholdings (excluding shares lent through the transfer facility)								
Name of shareholders	Nature of shareholders	Shareholding ratio	Number of shares held at the end of the reporting period	Increase/decrease in the reporting period	Number of shares with restrictions held	Number of shares without restrictions held	Pledged or frozen	
							Status of shares	Quantity
Zhejiang Hengyi Group Co., Ltd.	Domestic non-state-owned legal person	40.61%	1,488,933,728	0	0	1,488,933,728	Pledged	1,149,144,523

Hangzhou Hengyi Investment Co., Ltd.	Domestic non- state-owned legal person	6.99%	256,338,027	0	0	256,338,027		
Gongqingcheng Shengbang Investment Management Co., Ltd. - Gongqingcheng Shengbang Kaimi Investment Partnership (limited partnership)	Others	2.68%	98,111,801	0	0	98,111,801		
Xinghui Chemical Fibre Group Co., Ltd.	Domestic non- state-owned legal person	2.66%	97,662,383	0	0	97,662,383		
Hengyi Petrochemical Company Limited - Fifth Employee Share Ownership Plan	Others	2.38%	87,167,750	87,167,750	0	87,167,750		
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinyi Xincheng Assembled Funds Trust Program	Others	1.96%	72,030,334	0	0	72,030,334		
Shenwan Hongyuan Securities Co.,Ltd.	State-owned	1.69%	62,078,197	51,966,232	0	62,078,197		

	legal person							
Hong Kong Securities Clearing Company Limited (HKSCC)	Overseas legal person	1.47%	53,980,063	-25,813,710	0	53,980,063		
Bersegold Asset Management Co., Ltd. – Bersegold Hui Xin No. 8 Private Securities Investment Fund	Others	1.36%	49,936,900	0	0	49,936,900		
Tibetan Trust Co., Ltd. - Tibetan Trust - Hong Jing No. 29 Assembled Funds Trust Program	Others	1.30%	47,841,104	0	0	47,841,104		
Strategic investors or general legal persons ranked the top 10 shareholders due to placing (if any) (Please refer to Note 3)	None							
Statement of the connected relation or parties acting in concert among the above shareholders	Among the top 10 shareholders, Hangzhou Hengyi Investment Co., Ltd. is a controlled subsidiary of Hengyi Group. It is unknown whether connected relation exists among other shareholders and it is unknown whether they are shareholders acting in concert either.							
Statement of the above shareholders involvement in entrustment /trustee voting and waiver of voting	Among the top 10 shareholders, holders of Hengyi Petrochemical Company Limited - Phase V Employee Share Ownership Plan voluntarily waived their voting rights in respect of the Company's shares indirectly held as a result of their participation in the Employee Share Ownership Plan.							
Special statement of the existence of special	Among the top 10 shareholders, Hengyi Petrochemical Co., Ltd. held 270,165,581 shares of the							

account for repurchase among top 10 shareholders (if any) (Please refer to Note 10)	Company in its special securities account for repurchases, accounting for 7.37 per cent of the total share capital of the Company, and was not included in the list of top 10 shareholders.		
Top 10 shareholders holding of shares without restrictions			
Name of shareholders	Number of shares without restrictions held at the end of the reporting period	Stock class	
		Stock class	Quantity
Zhejiang Hengyi Group Co., Ltd.	1,488,933,728	Ordinary shares in RMB	1,488,933,728
Hangzhou Hengyi Investment Co., Ltd.	256,338,027	Ordinary shares in RMB	256,338,027
Gongqingcheng Shengbang Investment Management Co., Ltd. - Gongqingcheng Shengbang Kaimi Investment Partnership (limited partnership)	98,111,801	Ordinary shares in RMB	98,111,801
Xinghui Chemical Fibre Group Co., Ltd.	97,662,383	Ordinary shares in RMB	97,662,383
Hengyi Petrochemical Company Limited - Fifth Employee Share Ownership Plan	87,167,750	Ordinary shares in RMB	87,167,750
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinyi Xincheng Assembled Funds Trust Program	72,030,334	Ordinary shares in RMB	72,030,334
Shenwan Hongyuan Securities Co.,Ltd.	62,078,197	Ordinary shares in RMB	62,078,197
Hong Kong Securities Clearing Company Limited (HKSCC)	53,980,063	Ordinary shares in RMB	53,980,063
Berseagold Asset Management Co., Ltd. - Berseagold Hui Xin No. 8 Private Securities Investment Fund	49,936,900	Ordinary shares in RMB	49,936,900
Tibetan Trust Co., Ltd. - Tibetan Trust - Hong Jing No. 29 Assembled	47,841,104	Ordinary shares in RMB	47,841,104

Funds Trust Program			
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 general securities account and held 88,462,186 shares through CITIC Securities customer credit collateral securities trading account, both of which sum up to 1,488,933,728 shares.</p> <p>2.The shareholder Hangzhou Hengyi Investment Co., Ltd. held 0 shares through ordinary securities account and held 256,338,027 shares through Soochow Securities Co., Ltd. customer credit collateral securities trading account, both of which sum up to 256,338,027 shares.</p> <p>3. A shareholder of the Company, Hengyi Petrochemical Company Limited - Phase V Employee Share Ownership Plan, held 0 shares through an ordinary securities account, and also held 87,167,750 shares through a customer credit transaction guarantee securities account of Guoxin Securities Company Limited, totalling 87,167,750 shares.</p> <p>4. The shareholder Berseagold Asset Management Co., Ltd. - Berseagold Hui Xin No. 8 private securities investment fund held zero share through general securities account and held 49,936,900 shares through Guosen Securities Co., Ltd. customer credit collateral securities trading account, both of which sum up to 49,936,900 shares.</p>		

Participation of top ten shareholders in lending of shares in the transfer business

Applicable Not applicable

Change in the top ten shareholders from the previous period

Currency unit: share

Changes in the top ten shareholders from the end of the previous period					
Name of shareholder (full name)	Additions/wit hdrawals during the reporting period	Lending shares on transfer at the end of the period and not yet returned		Number of shares held in shareholders' ordinary accounts, credit accounts and shares lent on transfer and not yet returned at the end of the period	
		Total number	Percentage of total share capital	Total number	Percentage of total share capital
Hengyi Petrochemical Company Limited - Fifth Employee Share Ownership Plan	Additions	0	0.00%	0	0.00%
Shenwan Hongyuan	Additions	0	0.00%	0	0.00%

Securities Co.,Ltd.					
Huaneng Guicheng Trust Co., Ltd. - Huaneng Trust Jinxing Assembled Funds Trust Program	Withdrawal	0	0.00%	0	0.00%
Fulida Group Holdings Company	Withdrawal	0	0.00%	0	0.00%

Whether there are agreed repurchase securities transactions among the top 10 ordinary shareholders and top 10 ordinary shareholders of shares without restrictions

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

2. The majority shareholder of the Company

Nature of controlling shareholder: natural person holding

Type of controlling shareholder: legal person

Name of majority shareholder	Legal representative /Head of company	Date of establishment	Organization code	Primary business
Hengyi Group	Qiu Jianlin	October 18, 1994	91330109143586141L	Industrial investment, production and marketing of textile materials and products
Holding of and involvement in other domestically and overseas listed equity by majority shareholders in the reporting period	As at the disclosure date hereof, Hengyi Group held 643,052,319 shares of China Zheshang Bank Co., Ltd. (Security code: 601916.SH, 02016.HK), accounting for 2.34% of its total share capital.			

Change in majority shareholder in the reporting period

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

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

Nature of actual controller: domestic natural person

Type of actual controller: natural person

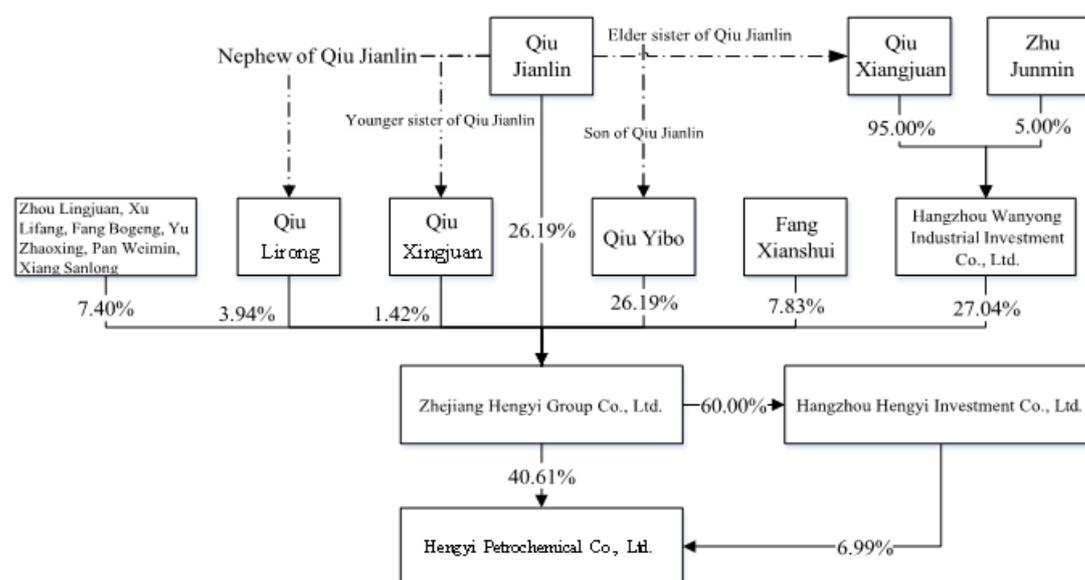
Name of actual controller	Relation with the actual controller	Nationality	Whether the right of residence in other countries or regions is acquired or not
Qiu Jianlin	Himself	China	No
Primary occupation and title	Since 1994, Mr. Qiu Jianlin has been serving as the President of Zhejiang Hengyi Group Co., Ltd. Currently, he holds social positions such as the Special Vice President of the China Textile Industry Federation and the Senior Vice President of the China Chemical Fibres Association.		

Domestically and overseas listed companies controlled over the past 10 years	As at the disclosure date hereof, Mr. Qiu Jianlin is the actual controller of Hengyi Group that directly holds 40.61% of the Company shares and holds 6.99% of the Company shares through Zhejiang Hengyi Investment Co., Ltd., a controlled subsidiary of Hengyi Group (Hengyi Group holds 60% of the shares of Zhejiang Hengyi Investment Co., Ltd.). Therefore, Mr. Qiu Jianlin is the actual controller of the Company.
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Change in actual controller in the reporting period

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

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



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

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

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

Applicable Not applicable

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

Applicable Not applicable

5. Other corporate shareholders with the holding over 10%

Applicable Not applicable

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

Applicable Not applicable

IV. Implementation details of repurchase in the reporting period

Implementation progress of repurchase

Disclosure date of the plan	Proposed number of shares repurchased	Proportion to total share capital	Proposed amount of repurchase	Proposed period of repurchase	Purpose of repurchase	Repurchased shares	Proportion of repurchased shares to the

							underlying stocks relating to share incentive plan (if any)
October 28, 2022	/	/	Not less than RMB 1 billion , No more than RMB 2 billion	October 27, 2022 to October 26, 2023	Convert the Convertible corporate bonds issued by listed companies into shares	150,813,800	/
December 16, 2023	/	/	Not less than RMB 500 million and not more than RMB 1 billion	December 16, 2023 to December 15, 2024	Implement employee stock ownership plan or share incentive plan later	18,481,900	/

Implementation progress of reducing the holding repurchased shares through centralized bidding

Applicable Not applicable

Section VIII Preferred Shares

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

Section IX Bonds

I. Enterprise bonds

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

II. Corporate bonds

1. Basic information about corporate bonds

Currency unit: 10,000

Bond name	Bond abbreviation	Bond code	Date of issuance	Value date	Maturity date	Bond balance	Interest rate	Method for interest and principal repayment	Place of trading
Hengyi Petrochemical Co., Ltd. issued corporate bonds (Tranche 1) publicly to eligible investors in 2020	20Hengyi01	149061.SZ	March 11, 2020	March 13, 2020	March 13, 2023	0	5.50%	Yearly accrual of simple interest is to be calculated without consideration of compound interest. Interest will be paid per	Shenzhen Stock Exchange

								annum and the last instalment of interest will be paid together with principal payment.	
Investor suitability arrangement (if any)	Corporate bonds are issued publicly to the eligible institutional investors who are in compliance with the provisions of Measures for Administration of Issuance and Trading of Corporate Bonds and have opened eligible securities account for A-share trading at China Securities Depository and Clearing Corporation Limited (CSDC) Shenzhen Branch.								
Applicable trading mechanism	The principal and interest payments of "20 Hengyi 01" were paid in full and on time and was delisted on 13 March 2023.								
Risks of terminating the listing (if any) and countermeasures	None								

Overdue outstanding bonds

Applicable Not applicable

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

"20 Hengyi 01" provides the coupon rate adjustment option for the issuer:

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

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

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

Securities Depository and Clearing Corporation Limited, and the funds will be transferred to the investors' fund accounts on the receipt date of the put funds, March 14, 2022.

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

3. Intermediary

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

Whether there are changes to the said agency in the reporting period

Yes No

4. Utilization of funds raised

Currency unit: RMB

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

Funds raised are used for construction projects

Applicable Not applicable

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

Applicable Not applicable

5. Change in credit rating results in the reporting period

Applicable Not applicable

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

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

III. Non-financial corporate debt financing instruments

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

IV. Convertible corporate bonds

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

1. Historic changes in conversion price

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

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

2. Cumulative conversion

Abbreviation of the convertible bonds	Beginning and ending dates of conversion	Total number of issues	Total amount of issuance (RMB)	Accumulative amount of conversion (RMB)	Accumulative number of bonds converted into shares (share)	Proportion of converted quantity to total shares in issue before the conversion beginning date	Amount of bonds not converted (RMB)	Proportion of amount of bonds not converted to total amount of issuance
Hengyi Convertible Bonds	April 22, 2021 to October 15, 2026	20,000,000	2,000,000,000	184,800	16,213	0.0004%	1,999,815,200	99.99%

3. Top 10 convertible bond holders

SN	Name of convertible bonds holders	Nature of convertible bonds holders	Number of convertible bonds held at the end of the reporting period	Amount of convertible bonds held at the end of the reporting period (RMB)	Proportion of convertible bonds held at the end of the reporting period
1	Industrial Bank Co., Ltd. - Tianhong Yongli Bond Securities Investment Fund	Others	1,454,510	145,451,000	7.27%
2	Agricultural Bank of China Co., Ltd. (ABC) - Penghua Convertible Bond Securities Investment Fund	Others	454,662	45,466,200	2.27%
3	Efatar Yi Tian Allocation Mixed Pension Product-Industrial and Commercial Bank of China Limited	Others	445,997	44,599,700	2.23%
4	China Construction Bank Corporation - China Merchants Anqing Bond Securities Investment Fund	Others	391,568	39,156,800	1.96%
5	UBS AG	Overseas legal person	368,987	36,898,700	1.85%
6	Taikang Asset LOF Fixed Income Pension Products - Bank of China Limited	Others	309,837	30,983,700	1.55%
7	ICBC Credit Suisse Tianli Convertible Bond Fixed Income Pension Product - Bank of China Limited	Others	275,564	27,556,400	1.38%

8	Industrial and Commercial Bank of China Limited - BOC Industrial Bond Bond Fund	Others	220,302	22,030,200	1.10%
9	Fortune Fortune Progressive Fixed Income Pension Product-Industrial and Commercial Bank of China Limited	Others	216,859	21,685,900	1.08%
10	China National Petroleum Corporation Corporate Pension Scheme-Industrial and Commercial Bank of China Ltd.	Others	208,923	20,892,300	1.04%

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

Applicable Not applicable

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

(1) Relevant accounting data and financial indicators

Item	End of current reporting period	End of previous year	Add/deduct at the end of current reporting period over the end of previous year
Liquidity ratio	0.66	0.75	-12.00%
Debt-to-asset ratio	70.42%	70.83%	-0.41%
Acid-test ratio	0.43	0.50	-14.00%

Item	Current reporting period	The same period of previous year	Year-on-year add/deduct in the reporting period
Interest coverage ratio	1.10	0.58	89.66%
Loan repayment ratio (%)	100.00%	100.00%	0.00%
Interest repayment rate (%)	100.00%	100.00%	0.00%

(2) Credit rating of convertible bonds

During the reporting period, Shanghai New Century Credit Appraisal & Investment Services Co., Ltd. conducted follow-up ratings on the long-term credit status of the main body of the Company and the HengYi Convertible Bonds and HengYi Convertible Bonds 2 issued by the Company, and maintained the main body of the Company's credit rating at AA+, and assigned the abovementioned bonds a credit rating of AA+. During the term of this convertible bond, Shanghai New Century Credit Appraisal & Investment Services Co., Ltd. will conduct regular follow-up ratings once a year.

(3) Cash arrangement for debt repayment in the coming years

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

(II) Hengyi Convertible 2 (Bond Code: 127067)

1. The conversion price adjustment history for Hengyi Convertible 2 (Bond Code: 127067) is as follows:

On March 31, 2021, the company received approval from the China Securities Regulatory Commission (CSRC) regarding the public issuance of convertible corporate bonds, with approval document number [Approval No. [CSRC Approval (2022) No. 565]. The issuance of convertible bonds, abbreviated as "Hengyi Convert 2," with bond code "127067," has been approved by the CSRC. On July 21, 2022, the company publicly issued 30 million convertible corporate bonds, with each bond having a face value of 100 RMB, totalling 3 billion RMB. The conversion price was set at RMB 10.50 per share, and the bonds were listed on the Shenzhen Stock Exchange on August 18, 2022.

As of the disclosure date of this report, there have been no adjustments to the conversion price of the company's convertible bonds.

2. The cumulative conversion situation

Convertible Bond Abbreviation	Translates to "Conversion Period"	Total number of issues (units)	Total Issued Amount (RMB)	Cumulative Conversion Amount (RMB)	Cumulative Conversion Quantity (Shares)	The proportion of the conversion quantity to the total issued share capital of the company as of the commencement date of conversion	Outstanding Conversion Amount (RMB)	Proportion of Outstanding Conversion Amount to Total Issued Amount
Heng	January 30, 2023 to	30,000,000	3,000,000,000	211,600	20,135	0.0005%	2,999,788,400	99.99%

yi Conv ertibl e 2	July 20, 2028							
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3. Top 10 holders of convertible bonds

Currency unit: Share

SN	Name of convertible bonds holders	Nature of convertible bonds holders	Number of convertible bonds held at the end of the reporting period	Amount of convertible bonds held at the end of the reporting period (RMB)	Proportion of convertible bonds held at the end of the reporting period
1	China Life Asset Management - Bank of China - China Life Insurance Asset Management - Dingkun Advantage Selection 2383 Asset Management Product	Others	5,095,499	509,549,900	16.99%
2	Hangzhou Hengyi Investment Co., Ltd.	Domestic non-state-owned legal person	2,144,011	214,401,100	7.15%
3	CITIC Securities Co., Ltd.	State-owned Legal Person	1,986,500	198,650,000	6.62%
4	Guotai Junan Securities Co., Ltd.	State-owned Legal Person	1,631,940	163,194,000	5.44%
5	Bank of China Limited - E Fund Stable Income Bond Fund	Others	1,128,362	112,836,200	3.76%
6	Shenwan Hongyuan Securities Co., Ltd.	State-owned Legal Person	884,400	88,440,000	2.95%
7	China Life Asset Management - Bank of China - China Life Insurance Asset Management - Dingkun Advantage Selection 2384 Asset Management Product	Others	720,000	72,000,000	2.40%
8	Guosen Securities Co., Ltd.	State-owned Legal Person	581,709	58,170,900	1.94%
9	Shanghai Pudong Development Bank Co., Ltd. - E Fund Yu Xiang Return Bond Fund	Others	567,419	56,741,900	1.89%
10	Fortune SG Fuyi Progressive Fixed Income Pension Product - Industrial and Commercial Bank of China Limited	Others	514,037	51,403,700	1.71%

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

Applicable Not applicable

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

Same as Hengyi Convertible Bonds (Bond Code: 127022)

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

Applicable Not applicable

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

Applicable Not applicable

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

Yes No

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

Currency unit: RMB 10,000

Item	End of current reporting period	End of previous year	Add/deduct at the end of current reporting period over the end of previous year
Liquidity ratio	0.66	0.75	-12.00%
Debt-to-asset ratio	70.42%	70.83%	-0.41%

2023 Annual Report of Hengyi Petrochemical Co., Ltd.

Acid-test ratio	0.43	0.50	-14.00%
	Current reporting period	The same period of previous year	Year-on-year add/deduct in the reporting period
Net profit after deducting non- recurring profit and loss	5,368.58	-109,233.45	104.91%
Debts to EBITDA	9.55%	6.26%	3.29%
Times interest earned ratio	1.10	0.58	89.66%
Times cash interest earned ratio	2.72	1.98	37.37%
EBITDA times interest earned ratio	2.10	1.79	17.32%
Loan repayment ratio	100.00%	100.00%	0.00%
Interest coverage	100.00%	100.00%	0.00%

Section X Financial Report

Audit Report

ZXHSZ [2024] No. 013504

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

I. Auditor's opinions

We have audited the financial statements of Hengyi Petrochemical Co., Ltd. (hereinafter referred to as "Hengyi Petrochemical"), which comprise the parent company's balance sheets as of December 31, 2023 and the consolidated statement, the parent company's income statements and the consolidated statement, the parent company's cash flow statements and the consolidated statement, the parent company's statements of changes in shareholders' equity and the consolidated statement, and notes to the financial statements for the year 2023.

In our opinion, the attached financial statements are prepared and present fairly, in all material aspects, the consolidated financial position of Hengyi Petrochemical and parent company's financial position as of December 31, 2023, and the results of their operations and cash flows for the year 2023 in accordance with the Accounting Standards for Business Enterprises.

II. Basis for Auditor's Opinions

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

III. Key audit matters

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

(I) Recognition of operating income

1. Description of matters

"The relevant disclosure information can be found in Note 3 and 26 of the financial statements, regarding income, and Note 5 and 48, regarding operating revenue and operating costs.

In the fiscal year 2023, the combined operating revenue of Hengyi Petrochemical Company was RMB 136,148,114.10 thousand, a decrease of 10.46% compared to the same period last year. Considering the significance of income recognition to the overall financial statements and the inherent risk of management manipulation of income

recognition to achieve specific objectives or expectations, we identified the recognition of operating revenue as a key audit matter."

2. Audit response

The main audit procedures we performed are as follows:

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

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

(3) Performing analytical procedures on revenues and costs; analyzing fluctuations in revenue, cost,

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

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

- (5) Selecting samples from the customers involved in the reporting period, implementing transaction confirmation procedure, and evaluating the authenticity and accuracy of the revenue;
- (6) For some major clients, implementing field-visit procedures to understand and evaluate the transaction purpose and business background of relevant businesses;
- (7) For export sales, checking the relevant information via China Export & Credit Insurance Corporation and the People's Insurance Company of China APPs against the book sales records, export declarations, sales invoices, etc. to verify the authenticity of the export income;
- (8) Performing a cut-off test for revenue; selecting samples from revenue recognition transactions before and after the balance sheet date, obtaining relevant documents such as contracts, invoices, and delivery notes etc., and evaluating whether revenue has been recognized in an appropriate period.

(II). Measurement of Fixed Assets and Construction in Progress

1. The description of the matter

For detailed disclosure, please refer to Note 3, 16 (Fixed Assets), 17 (Construction in Progress), and Note 5, 14 (Fixed Assets), 15 (Construction in Progress) in the financial statements.

As of December 31, 2023, the book value of fixed asset projects of Hengyi Petrochemical Company amounted to RMB 45,430,020,700. These primarily consist of machinery and equipment used for the production of aromatic hydrocarbons, finished

oil products, polyester filament, purified terephthalic acid, and corresponding factory buildings. These fixed assets are capitalized when they are ready for intended use and are depreciated using the straight-line method over their estimated useful lives.

As of December 31, 2023, the book balance of construction in progress projects of Hengyi Petrochemical Company amounted to RMB 4.6103057 billion. This mainly comprises projects such as Phase II of the Brunei Refining Project and Phase I of the Guangxi Ji Jin Project. Construction in progress is measured at actual costs incurred, including construction costs, installation costs, borrowing costs that meet the capitalization criteria, and other necessary expenses incurred to bring the construction project to its intended use state, including engineering design, supervision, and cost consulting expenses. Management's judgment on determining which expenses meet the capitalization criteria, determining the timing of transferring construction in progress to fixed assets and commencing depreciation, and estimating the economic useful lives and residual values of corresponding fixed assets may impact the book value of fixed assets and the fixed asset depreciation policy.

Due to the significant management judgments involved in evaluating the book value of fixed assets and construction in progress, and their significant proportion in the consolidated financial statements, we have identified the measurement of fixed assets and construction in progress as a key audit matter.

2. Audit response

For the measurement of fixed assets and construction in progress, our audit procedures primarily include:

- (1) Understanding, evaluating, and testing the effectiveness of management's key

internal controls related to the recognition of fixed assets and construction in progress.

(2) Sampling inspection of the capitalization of newly invested construction in progress during the year to assess whether the expenditures meet the criteria for capitalization. For example, sampling major construction and installation costs incurred during the year, examining related engineering contracts, and reconciling actual payment amounts to invoices and payment vouchers.

(3) Obtaining loan contracts and, based on the investment situation in construction in progress, examining the completeness and accuracy of the evaluation of capitalized borrowing costs attributable to assets meeting the capitalization criteria.

(4) Conducting on-site inspections of construction sites to understand and evaluate the progress of the projects and reconcile them with the recorded amounts.

(5) Selecting samples of fixed asset transfer approval procedures for newly added assets during the period and confirming the accuracy of the transfer dates in conjunction with physical inventory.

(6) Assessing the reasonableness of accounting estimates related to fixed assets and calculating their reasonableness accordingly.

(7) Reviewing the reporting and disclosure of fixed assets and construction in progress in the financial statements.

IV. Other information

The management is responsible for the “other information”. The “other information” comprises the information included in Hengyi Petrochemical's 2022 Annual Report, but

does not include the financial statements and our audit report.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Auditing Standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are generally considered material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions made by users based on the financial statements.

As part of an audit in accordance with Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. At the same time, we also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; The risk of not detecting a material misstatement resulting from fraud is higher than resulting from error, as fraud may involve collusion, forgery, wilful omission, misrepresentation or override of internal control;
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances;
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by management;

(4) Conclude on the appropriateness of using the going concern assumption by the management; and, based on the audit evidence obtained, conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Hengyi Petrochemical to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the Auditing Standards to draw attention in our report to the related disclosures in the financial statements; if such disclosures are inadequate, we shall express a modified opinion. Our conclusions are based on information available as of the date of our Audit Report. However, future events or conditions may cause Hengyi Petrochemical to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements fairly represent the relevant transactions and events.

(6) Obtain sufficient and appropriate audit evidence on the financial information of Hengyi Petrochemical's entities or business activities to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and are solely responsible for our audit opinion.

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

We also provided a statement to those charged with governance that we had complied with ethical requirements related to independence and communicated with those charged with governance about all relationships and other matters that may reasonably

be deemed to affect our independence, and related precautions, if applicable.

From the matters communicated with those charged with governance, we determined which matters were most significant to the audit of the financial statements for current period and therefore constituted key audit matters. We described these matters in our audit report except public disclosure of such matters is prohibited by laws and regulations, or in rare cases where we determine that a matter shall not be communicated in an audit report if there is a reasonable expectation that the negative consequences of communicating such matter in the audit report would outweigh the benefits in the public interest.

Consolidated balance sheet

December 31, 2022

Prepared by: Hengyi Petrochemical Co.,
Ltd.

Currency unit: RMB

Item	Note	Ending balance	Ending balance of previous year
Current assets:			
Monetary funds	V.1	13,827,903,087.40	17,358,475,538.50
Held-for-trading financial assets	V.2	366,311,518.38	251,021,508.33
Derivative financial assets	V.3		1,872,460.80
Notes receivable	V.4	167,871,662.32	246,560,954.07
Accounts receivable	V.5	5,925,174,959.59	6,857,913,648.22
Accounts receivable financing	V.6	36,904,996.06	129,579,710.85
Advance payments	V.7	1,820,494,475.73	1,792,696,846.85
Other receivables	V.8	187,541,184.46	133,782,632.86
Inventory	V.9	13,060,195,863.37	14,083,484,571.18
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets	V.10	1,533,885,409.09	1,711,232,831.86
Total current assets		36,926,283,156.40	42,566,620,703.52
Non-current assets:			
Debt investment			
Other debt investment			
Long-term receivables	V.11	140,987,280.45	176,482,501.78
Long-term equity investments	V.12	13,669,254,123.61	12,831,505,320.53
Investments in other equity instruments	V.13	5,600,000.00	5,600,000.00
Other non-current financial assets			
Investment property			
Fixed assets	V.14	45,430,020,661.94	47,466,461,676.63
Construction in progress	V.15	4,610,305,760.02	3,751,889,400.94
Capitalized biological assets			
Oil and gas assets			
Right-of-use assets	V.16	414,782,305.73	430,002,663.24
Intangible assets	V.17	2,734,338,605.88	2,938,530,705.96

Development expenditure	V.18	48,821,220.24	21,381,548.20
Goodwill	V.19	221,865,586.69	221,865,586.69
Long-term deferred and prepaid expenses	V.20	460,659,030.78	443,731,817.67
Deferred income tax assets	V.21	339,577,579.58	351,648,873.24
Other non-current assets	V.22	3,049,611,614.62	759,076,912.93
Total non-current assets		71,125,823,769.54	69,398,177,007.81
Total assets		108,052,106,925.94	111,964,797,711.33

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

Legal representative:
agency:

Person in charge of accounting activities::

Head of accounting

Consolidated balance sheet (continued)

December 31, 2022

Prepared by: Hengyi Petrochemical
Co., Ltd.

Currency unit: RMB

Item	Note	Ending balance	Ending balance of previous year
Current liabilities:			
Short-term loans	V.23	41,122,258,268.86	37,875,833,338.09
Held-for-trading financial liabilities	V.24	108,194,619.69	21,353,552.33
Derivative financial liabilities	V.25		41,611,858.31
Notes payable	V.26	740,998,553.81	815,169,321.16
Accounts payable	V.27	6,562,123,368.59	9,768,477,976.21
Advance receipts			
Contract liabilities	V.28	756,571,793.30	989,622,772.97
Wages payable	V.29	177,419,198.25	191,287,035.07
Taxes and dues payable	V.30	306,721,370.31	389,310,729.61
Other payables	V.31	188,374,004.43	235,619,327.94
Held for sale liabilities			
Non-current liabilities due within one year	V.32	5,809,708,815.79	6,533,334,680.84
Other current liabilities	V.33	76,672,908.46	90,760,675.06
Total current liabilities		55,849,042,901.49	56,952,381,267.59
Non-current liabilities:			
Long-term loans	V.34	14,739,441,863.92	16,107,140,036.35
Bonds payable	V.35	4,278,805,701.33	4,061,538,995.85
Wherein: Preference shares			
Perpetual bonds			
Lease liabilities	V.36	449,163,796.50	431,285,378.29
Long-term payables	V.37	464,759,585.87	1,433,381,038.10
Long-term wages payable			
Estimated liabilities	V.38	819,949.97	360,508.08
Deferred income	V.39	223,722,228.38	238,413,108.05
Deferred income tax liabilities	V.21	83,862,227.74	82,151,983.86
Other non-current liabilities			
Total non-current liabilities		20,240,575,353.71	22,354,271,048.58

Total liabilities		76,089,618,255.20	79,306,652,316.17
Stockholders' equity:			
Share capital	V.40	3,666,302,025.00	3,666,280,806.00
Other equity instruments	V.41	1,159,031,770.29	1,159,082,382.38
Wherein: Preference shares			
Perpetual bonds			
Capital reserve	V.42	9,085,229,180.87	9,170,637,734.40
Minus: Treasury Stock	V.43	2,368,941,966.92	1,483,566,737.98
Other comprehensive income	V.44	680,732,360.18	380,920,744.19
Special reserve	V.45		
Surplus reserve	V.46	807,136,900.99	781,701,619.18
Undistributed profit	V.47	12,181,660,569.68	11,771,637,510.92
Total stockholders' equity attributable to parent company		25,211,150,840.09	25,446,694,059.09
Minority stockholders' equity		6,751,337,830.65	7,211,451,336.07
Total stockholders' equity		31,962,488,670.74	32,658,145,395.16
Total liabilities and stockholders' equity		108,052,106,925.94	111,964,797,711.33

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

Legal representative:
agency:

Person in charge of accounting activities::

Head of accounting

Consolidated income statement

FY2023

Prepared by: Hengyi Petrochemical
Co., Ltd.Currency unit:
RMB

Item	Note	Current period amount	Last period amount
I. Gross revenue		136,148,114,082.34	152,050,274,944.64
Wherein: Operating income	V.48	136,148,114,082.34	152,050,274,944.64
II. Total operating cost		136,903,509,470.71	153,530,837,892.16
Wherein: Operating cost	V.48	131,030,233,682.88	148,515,510,522.38
Tax and associate charge	V.49	249,541,289.88	226,493,112.50
Selling expenses	V.50	229,284,289.09	247,443,749.81
Administration expenses	V.51	1,434,227,935.73	1,084,986,983.70
R&D expenses	V.52	716,319,527.66	668,706,028.57
Financial expenses	V.53	3,243,902,745.47	2,787,697,495.20
Wherein: Interest expenses		3,306,322,914.56	2,682,684,624.12
Interest income		217,648,751.41	193,688,404.54
Plus: Other incomes	V.54	336,961,048.78	236,242,477.21
Income from investment (loss expressed with a minus sign “-”)	V.55	985,476,736.48	745,260,076.32
Wherein: Income from investment in associates and joint ventures		490,890,359.42	823,499,882.13
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 “-”)	V.56	-45,121,198.68	-211,436,484.36
Credit impairment loss (loss expressed with a minus sign “-”)	V.57	-11,426,732.92	-1,101,785.57
Asset impairment loss (loss expressed with a minus sign)	V.58	-71,262,509.77	-368,677,441.03
Gains on asset disposal (loss expressed with a minus sign “-”)	V.59	-9,342,790.49	-23,661,125.27
III. Business profit (loss expressed with a minus sign “-”)		429,889,165.03	-1,103,937,230.22
Plus: Non-operating income	V.60	35,920,509.46	14,943,253.23

Minus: Non-operating expenses	V.61	65,971,503.46	20,261,590.79
IV. Total profit (total loss expressed with a minus sign “-”)		399,838,171.03	-1,109,255,567.78
Minus: Income Tax Expenses	V.62	31,159,461.25	-184,856,758.54
V. Net profit (net loss expressed with a minus sign “-”)		368,678,709.78	-924,398,809.24
(I) Classified by operation continuity:			
1. Net profit from continuing operations (net loss expressed with a minus sign)		368,678,709.78	-924,398,809.24
2. Net profit from discontinued operation (net loss expressed with a minus sign)			
(II) Classification by attribution of the ownership:			
1. Net profit attributable to shareholders of parent company (net loss expressed with a minus sign)		435,458,340.57	-1,079,547,699.72
2. Minority interest income (net loss expressed with a minus sign)		-66,779,630.79	155,148,890.48
VI. Other comprehensive income, net of tax	V.63	301,662,130.69	1,473,875,713.20
(I) Other comprehensive income, net of tax, attributable to owners of the parent company		299,811,615.99	1,451,779,958.81
1. Other comprehensive income that cannot be re-classified into profit and loss		790,515.39	
(1) Remeasurement gains or losses of a defined benefit plan			
(2) Other comprehensive income cannot be recognized in profit and loss under equity method		790,515.39	
(3) Changes in fair value of investments in other equity instruments			
(4) Changes in fair value of enterprise credit risks			
(5) Others			
2. Other comprehensive income to be reclassified into profit and loss		299,021,100.60	1,451,779,958.81

(1) Other comprehensive income that can be recognized in profit and loss under equity method		41,753,641.58	99,931,282.10
(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		22,418,946.16	-4,627,201.60
(6) Exchange differences from translation of financial statements		234,848,512.86	1,356,475,878.31
(7) Others			
(II) Net amount after taxes of other comprehensive income attributable to minority shareholders		1,850,514.70	22,095,754.39
VII. Total comprehensive income		670,340,840.47	549,476,903.96
(I) Total comprehensive income attributable to parent company shareholders		735,269,956.56	372,232,259.09
(II) Net amount after taxes of other comprehensive income attributable to minority shareholders		-64,929,116.09	177,244,644.87
VIII. Earnings per Share (EPS):			
(I) Basic earnings per share	XVI.2	0.13	-0.30
(II) Diluted earnings per share	XVI.2	0.13	-0.30

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

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Consolidated Statement of Cash Flow
FY2023

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Current period amount	Last period amount
I. Cash flow from operating activities:			
Cash received from the sales of goods and the rendering of labor services		149,171,462,352.96	159,672,411,042.94
Tax refunds received		1,704,518,936.01	1,820,864,021.53
Other cash received relating to operating activities	V.64	466,751,335.95	587,108,481.06
Subtotal of cash inflows from operating activities		151,342,732,624.92	162,080,383,545.53
Cash payments for goods purchased and labor services received		141,837,557,690.06	154,044,175,073.74
Cash payments to and on behalf of employees		2,447,999,748.11	2,515,740,844.55
Payments of all types of taxes		1,235,348,190.93	1,892,421,845.68
Other cash payments relating to operating activities	V.64	1,289,992,190.67	922,512,298.20
Subtotal of cash outflows from operating activities		146,810,897,819.77	159,374,850,062.17
Net cash flow from operating activities		4,531,834,805.15	2,705,533,483.36
II. Cash flow from investment activities:			
Cash received from disposals and withdrawn on investments		988,000,000.00	1,375,000,000.00
Cash received from return on investment		301,046,977.47	637,798,059.48
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		23,009,592.59	14,502,494.60
Net cash received from disposal of subsidiaries and other business units		138,494,181.97	
Other cash received relating to investment activities	V.64	146,513,074.49	374,657,766.67
Subtotal of cash inflows from investing activities		1,597,063,826.52	2,401,958,320.75
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		4,934,677,342.08	2,955,334,534.93
Cash payments to acquire investment		1,820,698,257.11	1,541,765,980.81
Net cash payments for acquisition of subsidiaries and other business units			

Other cash payments relating to investment activities	V.64	144,345,965.50	31,148,886.89
Subtotal of cash outflows from investing activities		6,899,721,564.69	4,528,249,402.63
Net cash flows from investing activities		-5,302,657,738.17	-2,126,291,081.88
III. Cash flow from financing activities:			
Cash received from investors in making investment in the enterprise			3,029,697,000.00
Wherein: Cash received by subsidiaries from issuing shares of minority shareholders			44,297,000.00
Cash received from borrowings		54,367,260,691.80	57,429,242,118.33
Other cash received relating to financing activities	V.64	7,244,684,328.87	7,244,056,460.49
Subtotal of cash inflows from financing activities		61,611,945,020.67	67,702,995,578.82
Cash repayments of amounts borrowed		52,009,598,096.99	55,105,512,814.65
Cash payments for distribution of dividends or profit or for interest payment		2,671,790,544.07	3,065,324,736.57
Wherein: Subsidiaries' cash payments to minority shareholders for distribution of dividends or profit			235,986,111.11
Other cash payments relating to financing activities	V.64	10,669,552,070.80	7,859,458,062.39
Subtotal of cash outflows from financing activities		65,350,940,711.86	66,030,295,613.61
Net cash flows from financing activities		-3,738,995,691.19	1,672,699,965.21
IV. Effect of foreign exchange rate change on cash and cash equivalents		93,867,133.30	437,390,294.50
V. Net increase in cash and cash equivalents	V.65	-4,415,951,490.91	2,689,332,661.19
Plus: Beginning balance of cash and cash equivalents	V.65	12,934,069,613.03	10,244,736,951.84
VI. Ending balance of cash and cash equivalents	V.65	8,518,118,122.12	12,934,069,613.03

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

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Consolidated Statement of Stockholders Equity
FY2023

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Current period amount												
	Stockholders' equity attributable to parent company											Minority stockholders' equity	Total stockholders' equity
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surplus	Undistributed profit	Subtotal		
	Preference shares	Perpetual bonds	Other										
I. Ending balance of previous year	3,666,280,806.00			1,159,082,382.38	9,170,637,734.40	1,483,566,737.98	380,920,744.19		781,701,619.18	11,771,637,510.92	25,446,694,059.09	7,211,451,336.07	32,658,145,395.16
Plus: Changes in accounting policies													
Correction of previous accounting errors													
Other													
II. Beginning balance of current year	3,666,280,806.00			1,159,082,382.38	9,170,637,734.40	1,483,566,737.98	380,920,744.19		781,701,619.18	11,771,637,510.92	25,446,694,059.09	7,211,451,336.07	32,658,145,395.16

III. Amount increase or decrease in current period (decrease expressed with a minus sign “-”)	21,219.00				- 85,408,553 .53	885,375,22 8.94	299,811,6 15.99			25,435,28 1.81	410,023,05 8.76	- 235,543,21 9.00	- 460,113,50 5.42	- 695,656,72 4.42
(I) Total comprehe nsive income							299,811,6 15.99				435,458,34 0.57	735,269,95 6.56	- 64,929,116 .09	670,340,84 0.47
(II) Sharehol ders investme nt and capital reduction	21,219.00				- 50,612.09	106,188.81	885,375,22 8.94					- 885,298,43 3.22	- 188,768,43 2.00	- 1,074,066,8 65.22
1. Ordinary shares invested by sharehold ers					-86,407.31	885,375,22 8.94						- 885,461,63 6.25	- 188,768,43 2.00	- 1,074,230,0 68.25
2. Capital invested by holders of other equity instrumen ts	21,219.00				- 50,612.09	192,596.12						163,203.03		163,203.03

3. Amount of share-based payment that recognized in stockholders' equity													
4. Others													
(III) Profit distribution									25,435,281.81	25,435,281.81		50,981,568.00	50,981,568.00
1. Appropriation of earned surplus									25,435,281.81	25,435,281.81			
2. Profit distributed to shareholders												50,981,568.00	50,981,568.00
3. Others													
(IV) Internal carry-forward of stockholder's equity													
1. Capital reserve carried over into													

share capital													
2. Earned surplus carried over into share capital													
3. Earned surplus carried over to cover loss													
4. Gains or losses of a defined benefit plan carried over into retained earning													
5. Other comprehensive income carried over into retained earning													
6. Others													
(V) Appropri ative reserve													
1. Reserve withdraw								56,840,83 0.32			56,840,830. 32		56,840,830. 32

n in current period													
2. Reserve used in current period								56,840,830.32			56,840,830.32		56,840,830.32
(VI) Others					-85,514,742.34						-85,514,742.34	-155,434,389.33	-240,949,131.67
IV. Ending balance of current year	3,666,302,025.00			1,159,031,770.29	9,085,229,180.87	2,368,941,966.92	680,732,360.18		807,136,900.99	12,181,660,569.68	25,211,150,840.09	6,751,337,830.65	31,962,488,670.74

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

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Consolidated Statement of Stockholders Equity (continued)
FY2023

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Last period amount												
	Stockholders' equity attributable to parent company											Minority stockholders' equity	Total stockholders' equity
	Share capital	Other equity instruments		Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surpluses	Undistributed profit	Subtotal			
Preference shares		Perpetual bonds	Other										
I. Ending balance of previous year	3,666,280,014.00		478,506,692.86	9,165,586,160.07	718,150,457.23	1,070,859,214.62	-	751,895,667.87	13,623,601,273.27	25,896,860,136.22	7,043,319,140.59	32,940,179,276.81	
Plus: Changes in accounting policies				-3,697,493.97					-29,714,854.19	-33,412,348.16	-1,438,761.58	-34,851,109.74	
Correction of previous accounting errors													
Other													

II. Beginning balance of current year	3,666,280,014.00		478,506,692.86	9,161,888,666.10	718,150,457.23	1,070,859,214.62	-	751,895,667.87	13,593,886,419.08	25,863,447,788.06	7,041,880,379.01	32,905,328,167.07
III. Amount increase or decrease in current period (decrease expressed with a minus sign “-”)	792.00		680,575,689.52	8,749,068.30	765,416,280.75	1,451,779,958.81		29,805,951.31	1,822,248,908.16	416,753,728.97	169,570,957.06	247,182,771.91
(I) Total comprehensive income						1,451,779,958.81			1,079,547,699.72	372,232,259.09	177,244,644.87	549,476,903.96
(II) Shareholders investment and capital reduction	792.00		680,575,689.52	139,851.09	765,416,280.75					84,979,650.32	96,408,075.00	11,428,424.68
1. Ordinary shares invested by shareholders				147,916.45	765,416,280.75					765,564,197.20	96,408,075.00	669,156,122.20
2. Capital invested by holders of other equity instruments	792.00		680,575,689.52	8,065.36						680,584,546.88		680,584,546.88
3. Amount of share-based payment that recognized in stockholders' equity												
4. Others												
(III) Profit distribution								29,805,951.31	744,790,079.91	714,984,128.60	102,597,186.11	817,581,314.71
1. Appropriation of earned surplus								29,805,951.31	-			

										29,805,951.31			
2. Profit distributed to shareholders										-714,984,128.60	-714,984,128.60	-102,597,186.11	-817,581,314.71
3. Others													
(IV) Internal carry-forward of stockholder's equity													
1. Capital reserve carried over into share capital													
2. Earned surplus carried over into share capital													
3. Earned surplus carried over to cover loss													
4. Gains or losses of a defined benefit plan carried over into retained earning													
5. Other comprehensive income carried over into retained earning													
6. Others													
(V) Appropriative reserve													
1. Reserve withdrawn in current period								66,593,026.55		66,593,026.55			66,593,026.55
2. Reserve used in current period								66,593,026.55		66,593,026.55			66,593,026.55

(VI) Others					8,888,919.39					2,088,871.47	10,977,790.86	-1,484,576.70	9,493,214.16
IV. Ending balance of current year	3,666,280,806.00		1,159,082,382.38	9,170,637,734.40	1,483,566,737.98	380,920,744.19		781,701,619.18	11,771,637,510.92	25,446,694,059.09	7,211,451,336.07		32,658,145,395.16

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

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Balance sheet
December 31, 2023

Prepared by: **Hengyi Petrochemical**
Co., Ltd.

Currency unit: **RMB**

Item	Note	Ending balance	Ending balance of previous year
Current assets:			
Monetary funds		460,230,369.89	384,399,115.21
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable		199,750,000.00	
Accounts receivable			
Accounts receivable financing			
Advance payments		112,674.42	8,680,068.00
Other receivables	XIV.1	5,912,890,574.22	6,026,278,001.08
Inventory			
Contract assets			
Held for sale assets			
Non-current assets due within one year			
Other current assets		6,225,369.08	697,863.98
Total current assets		6,579,208,987.61	6,420,055,048.27
Non-current Assets			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments	XIV.2	15,955,924,520.80	15,946,023,143.22
Equity instruments			
Other non-current financial assets			
Investment property			
Fixed assets		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			
Total non-current assets		15,955,925,170.20	15,946,023,792.62
Total assets		22,535,134,157.81	22,366,078,840.89

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

Legal representative:

Person in charge of accounting activities:

Head of

accounting agency:

Balance sheet (continued)**December 31, 2023**Prepared by : Hengyi
Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Ending balance	Ending balance of previous year
Current liabilities:			
Short-term loans		199,750,000.00	500,545,833.33
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable		847,800,000.00	117,600,000.00
Accounts payable		60,008,624.46	708,624.46
Advance receipts			
Contract liabilities			
Wages payable			
Taxes and dues payable		296,916.07	531,317.09
Other payables		572,827,721.60	576,035,092.59
Held for sale liabilities			
Non-current liabilities due within one year		10,092,304.09	6,828,015.61
Other current liabilities			
Total current liabilities		1,690,775,566.22	1,202,248,883.08
Non-current Liabilities			
Long-term loans			
Bonds payable		4,278,805,701.33	4,061,538,995.85
Wherein: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term wages payable			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			

Total non-current liabilities		4,278,805,701.33	4,061,538,995.85
Total liabilities		5,969,581,267.55	5,263,787,878.93
Owner's equity			
Paid-up capital		3,666,302,025.00	3,666,280,806.00
Other equity instruments		1,159,031,770.29	1,159,082,382.38
Wherein: Preference shares			
Perpetual bonds			
Capital reserve		13,008,445,718.54	13,008,339,529.73
Minus: Treasury Stock		2,368,941,966.92	1,483,566,737.98
Other comprehensive income			
Special reserve			
Surplus reserve		664,659,745.28	629,803,709.13
Undistributed profit		436,055,598.07	122,351,272.70
Total owner's equity		16,565,552,890.26	17,102,290,961.96
Total liabilities and owner's equity		22,535,134,157.81	22,366,078,840.89

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

Legal representative:
of accounting agency:

Person in charge of accounting activities:

Head

Income Statement**FY2023**

Prepared by : Hengyi
Petrochemical Co., Ltd.

Currency unit: RMB

Item	Note	Current period amount	Last period amount
I. Operating income	XIV.3		1,437,239,380.54
Minus: Operating cost	XIV.3		1,413,310,442.21
Tax and associate charge		1,586,855.08	1,257,958.97
Selling expenses			
Administration expenses		5,089,989.92	5,131,757.12
R&D expenses			
Financial expenses		-12,982,277.77	-22,743,899.98
Wherein: Interest expenses		266,658,832.11	177,581,595.81
Interest income		288,732,193.54	203,043,659.19
Plus: Other incomes		2,128,804.24	358,091.71
Income from investment (loss expressed with a minus sign “-”)	XIV.4	339,901,377.58	-37,178.87
Wherein: Income from investment in associates and joint ventures		-98,622.42	-37,178.87
Gains from derecognition of financial assets measured at amortized cost			
Net exposure hedging gains (loss expressed with a minus sign “-”)			
Income from changes in fair value (loss expressed with a minus sign “-”)			
Credit impairment loss (loss expressed with a minus sign “-”)		-10,000.00	
Asset impairment loss (loss expressed with a minus sign)			
Gains on asset disposal (loss expressed with a minus sign “-”)			

II. Business profit (loss expressed with a minus sign “-”)		348,325,614.59	40,604,035.06
Plus: Non-operating income		234,746.93	21,090.30
Minus: Non-operating expenses			3,643.29
III. Total profit (total loss expressed with a minus sign “-”)		348,560,361.52	40,621,482.07
Minus: Income Tax Expenses			
IV. Net profit (net loss expressed with a minus sign “-”)		348,560,361.52	40,621,482.07
(I) Net profit from continuing operations (net loss expressed with a minus sign)		348,560,361.52	40,621,482.07
(II) Net profit from discontinued operation (net loss expressed with a minus sign)			
V. Net amount after taxes of other comprehensive income			
(I) Other comprehensive income cannot be reclassified into profit and loss			
1. Remeasurement gains or losses of a defined benefit plan			
2. Other comprehensive income cannot be recognized in profit and loss			
under equity method			
3. Changes in fair value of investments in other equity instruments			
(4) Changes in fair value of enterprise credit risks			
5. Others			

(II) Other comprehensive income to be reclassified into profit and loss			
1. Other comprehensive income can be recognized in profit and loss under equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences from translation of financial statements			
7. Others		348,560,361.52	40,621,482.07

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

Legal representative:
accounting agency:

Person in charge of accounting activities:

Head of

Statement of Cash Flow

FY2023

Prepared by : Hengyi
Petrochemical Co., Ltd.Currency unit:
RMB

Item	Note	Current period amount	Last period amount
I. Cash flow from operating activities:			
Cash received from the sales of goods and the rendering of labor services			1,624,080,500.11
Tax refunds received			
Other cash received relating to operating activities		1,040,086,300.14	636,125,692.27
Subtotal of cash inflows from operating activities		1,040,086,300.14	2,260,206,192.38
Cash payments for goods purchased and labor services received		109,000,000.00	1,723,040,799.70
Cash payments to and on behalf of employees			2,129,443.97
Payments of all types of taxes		1,821,256.10	1,369,758.25
Other cash payments relating to operating activities		18,375,813.22	99,176,944.28
Subtotal of cash outflows from operating activities		129,197,069.32	1,825,716,946.20
Net cash flow from operating activities		910,889,230.82	434,489,246.18
II. Cash flow from investment activities:			
Cash received from disposals and withdrawn on investments			
Cash received from return on investment			744,772,962.00

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		490,259,339.49	1,091,801,527.22
Other cash received relating to investment activities		490,259,339.49	1,836,574,489.22
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets			
Cash payments to acquire investment		10,000,000.00	14,000,000.00
Net cash payments for acquisition of subsidiaries and other business units			
Other cash payments relating to investment activities		81,350,573.14	2,903,987,361.80
Subtotal of cash outflows from investing activities		91,350,573.14	2,917,987,361.80
Net cash flows from investing activities		398,908,766.35	-1,081,412,872.58
III. Cash flow from financing activities:			
Cash received from investors in making investment in the enterprise			2,985,400,000.00
Cash received from borrowings		199,750,000.00	800,000,000.00
Other cash received relating to financing activities		1,137,694,931.25	634,250,000.00
Subtotal of cash inflows from financing activities		1,337,444,931.25	4,419,650,000.00
Cash repayments of amounts borrowed		500,811,000.00	1,299,189,000.00
Cash payments for distribution of dividends or profit or for interest payment		46,494,106.24	790,996,700.78

Other cash payments relating to financing activities		2,446,291,636.25	1,383,685,128.45
Subtotal of cash outflows from financing activities		2,993,596,742.49	3,473,870,829.23
Net cash flows from financing activities		-1,656,151,811.24	945,779,170.77
IV. Effect of foreign exchange rate change on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-346,353,814.07	298,855,544.37
Plus: Beginning balance of cash and cash equivalents		366,704,183.96	67,848,639.59
VI. Ending balance of cash and cash equivalents		20,350,369.89	366,704,183.96

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

Legal representative:

Person in charge of accounting

activities:

Head of accounting agency:

Statement of Stockholders Equity
FY2023

Prepared by: Hengyi Petrochemical Co., Ltd.

Currency unit: RMB

Item	Current period amount										
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surplus	Undistributed profit	Total stockholders' equity
		Preference shares	Perpetual bonds	Other							
I. Ending balance of previous year	3,666,280,806.00			1,159,082,382.38	13,008,339,529.73	1,483,566,737.98			629,803,709.13	122,351,272.70	17,102,290,961.96
Plus: Changes in accounting policies											
Correction of previous accounting errors											
Other											
II. Beginning balance of current year	3,666,280,806.00			1,159,082,382.38	13,008,339,529.73	1,483,566,737.98			629,803,709.13	122,351,272.70	17,102,290,961.96
III. Amount increase or decrease in current period (decrease expressed	21,219.00			-50,612.09	106,188.81	885,375,228.94			34,856,036.15	313,704,325.37	-536,738,071.70

with a minus sign “-”)											
(I) Total comprehensive income										348,560,361.52	348,560,361.52
(II) Shareholders investment and capital reduction	21,219.00			-50,612.09	106,188.81	885,375,228.94					-885,298,433.22
1. Ordinary shares invested by shareholders					-86,407.31	885,375,228.94					-885,461,636.25
2. Capital invested by holders of other equity instruments	21,219.00			-50,612.09	192,596.12						163,203.03
3. Amount of share-based payment that recognized in stockholders' equity											
4. Others											
(III) Profit distribution									34,856,036.15	-34,856,036.15	
1. Appropriation of earned surplus									34,856,036.15	-34,856,036.15	
2. Profit distributed to											

shareholders											
3. Others											
(IV) Internal carry-forward of stockholder's equity											
1. Capital reserve carried over into share capital											
2. Earned surplus carried over into share capital											
3. Earned surplus carried over to cover loss											
4. Gains or losses of a defined benefit plan carried over into retained earning											
5. Other comprehensive income carried over into retained earning											
6. Others											
(V) Appropriative reserve											
1. Reserve withdrawn in current period											
2. Reserve used in current											

period											
(VI) Others											
IV. Ending balance of current year	3,666,302,025.00			1,159,031,770.29	13,008,445,718.54	2,368,941,966.92			664,659,745.28	436,055,598.07	16,565,552,890.26

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

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Statement of Stockholders Equity(continued)
FY2023

Prepared by: Hengyi
Petrochemical Co., Ltd.

Currency unit:
RMB

Item	Last period amount										
	Share capital	Other equity instruments			Capital reserve	Minus: Treasury Stock	Other comprehensive income	Appropriative reserve	Earned surplus	Undistributed profit	Total stockholders' equity
		Preference shares	Perpetual bonds	Others							
I. Ending balance of previous year	3,666,280.01 4.00			478,506,692. 86	13,008,479.38 0.82	718,150,457. 23			625,741,56 0.92	800,776,06 7.44	17,861,633,258.8 1
Plus: Changes in accounting policies											
Correction of previous accounting errors											
Others	3,666,280.01 4.00			478,506,692. 86	13,008,479.38 0.82	718,150,457. 23			625,741,56 0.92	800,776,06 7.44	17,861,633,258.8 1
II. Beginning balance of current year	792.00			680,575,689. 52	-139,851.09	765,416,280. 75			4,062,148.2 1	- 678,424,79 4.74	-759,342,296.85

III. Amount increase or decrease in current period (decrease expressed with a minus sign “-”)										40,621,482.07	40,621,482.07
	792.00		680,575,689.52	-139,851.09	765,416,280.75						-84,979,650.32
(I) Total comprehensive income				-147,916.45	765,416,280.75						-765,564,197.20
(II) Shareholders investment and capital reduction	792.00		680,575,689.52	8,065.36							680,584,546.88
1. Ordinary shares invested by shareholders											
2. Capital invested by holders of other equity											
instruments								4,062,148.21	-719,046,276.81	-	-714,984,128.60
3. Amount of share-based payment that recognized in stockholders' equity								4,062,148.21	4,062,148.21	-	
4. Others										-	-714,984,128.60

										714,984,12	
										8.60	
(III) Profit distribution											
1. Appropriation of earned surplus											
2. Profit distributed to shareholders											
3. Others											
(IV) Internal carry-forward of stockholder's equity											
1. Capital reserve carried over into share capital											
2. Earned surplus carried over into share capital											
3. Earned surplus carried over to cover loss											
4. Gains or losses of a defined benefit plan carried											
over into retained earning											

5. Other comprehensive income carried over into retained earning											
6. Others											
(V) Appropriative reserve	3,666,280,80			1,159,082,38	13,008,339,52	1,483,566,73			629,803,70	122,351,27	17,102,290,961.9
	6.00			2.38	9.73	7.98			9.13	2.70	6

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

Legal representative:

Person in charge of accounting activities:

Head of accounting agency:

Hengyi Petrochemical Co., Ltd.

Notes to Financial Statements 2023

(Unless otherwise specified, the currency unit is RMB)

I. Basic information about the Company

1. Historical development

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

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

shares in Centennial Brilliance to Zhejiang Hengyi Group Co., Ltd. (hereinafter referred to as Hengyi Group) in form of agreement, and Hengyi Group paid the consideration in cash.

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

According to the resolutions of the Company's 2011 Annual General Meeting of Shareholders and the revised Articles of Association, three bonus shares for every 10 shares were distributed to all shareholders on the basis of the Company's original total share capital of RMB 576,793,813.00, and the capital reserve was transferred to increase 7 shares for every 10 shares to all shareholders at the same time. The Company increased its registered capital by RMB 576,793,813.00. The base date of the increase by transfer was March 27, 2012, and the registered capital after the change was RMB 1,153,587,626.00.

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

According to the resolutions of the 2014 Annual General Meeting of Shareholders and the revised Articles of Association, upon the approval of China Securities Regulatory Commission with the Reply on Approval of Hengyi Petrochemical Co., Ltd.'s Non-

public Issuance of Stocks (ZJXK [2015] No. 2085), the Company privately issued 140,845,070 RMB ordinary shares (A-shares) with a par value of RMB 1 per share in 2015. The Company increased its registered capital by RMB 140,845,070.00, and the registered capital after the change was RMB 1,306,132,696.00.

According to the resolutions of the twenty-sixth meeting of the ninth session of the BOD of the Company in 2016 and the revised Articles of Association, the Company's repurchased and cancelled 25% of the granted restricted stocks that were held by incentive objects and did not meet the unlocking conditions for the first unlocking period, i.e. 2,925,000 restricted stocks. The Company reduced the registered capital by RMB 2,925,000.00, and the registered capital after the change was RMB 1,303,207,696.00.

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

According to the resolutions of the Second Extraordinary General Meeting of Shareholders of the Company in 2017 and the Company's revised Articles of Association, the Company implemented the second restricted stock incentive plan in 2017. The incentive form adopted in this incentive plan was restricted stocks, and 50 incentive objects were granted the restricted stocks in this time. 28.55 million restricted stocks with a par value of RMB 1 per share were granted to incentive objects by means

of targeted issuance. The Company increased its registered capital by RMB 28,550,000.00, and the registered capital after the change was RMB 1,648,424,362.00.

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

In October 2018, due to the resignation of restricted stock incentive objects, the Company repurchased and cancelled 679,000 restricted stocks. The Company reduced its registered capital (share capital) by RMB 679,000. After the change, the registered capital was RMB 2,307,115,106, and the share capital was RMB 2,307,115,106.

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

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

According to the resolutions of the Company's 2019 Annual General Meeting of Shareholders and the revised Articles of Association, the capital reserve was transferred

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

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

Upon approval by Shenzhen Stock Exchange (SZSE) (approval document SZS [2020] No. 1027), the Company's convertible corporate bonds amounting to RMB 2 billion were listed on Shenzhen Stock Exchange on November 16, 2020 with the bond name of Hengyi Convertible Bonds, the conversion period of which was from April 22, 2021 to October 15, 2026. Through 2021, a total of 1,639 Hengyi Convertible Bonds were converted into 14,337 Hengyi Petrochemical shares.

On July 28, 2021, in accordance with the Proposal on Achievement of Performance Commitments and Performance Compensation Plan in 2020 through the Share Issuance for Asset Acquisition and related-party transactions, the Company cancelled 15,379,730 shares, and the registered capital after the change was RMB 3,666,265,677.00.

Upon approval by Shenzhen Stock Exchange (SZSE) (approval document SZS [2020] No. 1027), the Company's convertible corporate bonds amounting to RMB 2 billion were listed on Shenzhen Stock Exchange on November 16, 2020 with the bond name

of Hengyi Convertible Bonds, the conversion period of which was from April 22, 2021 to October 15, 2026.

Approved document SZS [2022] No. 782, the company's convertible corporate bonds amounting to RMB 3 billion were listed on Shenzhen Stock Exchange on August 18, 2022 with the bond name of Hengyi convertible bond 2, the conversion period of which was from January 30, 2023 to July 20, 2028.

In fiscal year 2021, a total of 1,639 Heng Yi Convertible Bonds were converted into a total of 14,337 HPC shares; in fiscal year 2022, a total of 89 HPC Bonds were converted into a total of 792 HPC shares; and in fiscal year 2023, a total of 120 HPC Bonds were converted into a total of 1,084 HPC shares; a total of 2,116 "Heng Yi Convertible 2" were converted into a total of 20,135 shares of "Heng Yi Petrochemical".

Upon completion of the conversion of 36,348 shares by the aforesaid "HengYi Convertible Bonds" and "HengYi Convertible 2", as at 31 December 2023, the registered capital of the Company was RMB3,666,265,677.00, and the share capital was changed to RMB3,666,302,025.00.

The unified credit code of the Company is 9145050019822966X4; Domicile: Qinzhou, Guangxi; currently headquartered at: No. 260 North Shixin Road, Xiaoshan District, Hangzhou City, Zhejiang Province; legal representative: Qiu Yibo.

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

2. Industry Involved

The Company involves petrochemical and chemical fibre products manufacturing.

3. Line of Business

The approved business scope of the Company: production, processing and sales of chemical fibres, chemical raw materials (excluding hazardous chemicals); imports and exports (except the items banned and restricted under national laws and regulations).

4. Key Products

The Company's main products include purified terephthalic acid (PTA), polyethylene terephthalate (PET) flakes, polyester pre-oriented yarn (POY), polyester fully drawn yarn (FDY), polyester drawn textured yarn (DTY), polyester staple fibre, paraxylene (PX), gasoline, diesel and jet fuel etc.

5. Statement of Changes in Line of Business, Major Changes in Equity, Major Mergers and Acquisitions of the Company

For details, please refer to “Historical Development”.

6. The Financial Statements were approved for submission by the BOD of the Company on April 19, 2024.

II. Basis for the preparation of the financial statements

1. Basis for the preparation

The Company's financial statements are prepared on the basis of the actual transactions and affairs of the Company on the going concern assumption in accordance with the Accounting Standards for Business Enterprises - Basic Standard and the specific accounting standards, guidelines for the application of and explanations to Accounting Standards for Business Enterprises and other relevant provisions issued (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 (2023

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.

2. Going concern

This financial statement is presented on a going concern basis, and the Company has going-concern ability for at least 12 months from the end of the reporting period.

III. Important accounting policies and estimates

The Company and its subsidiaries have formulated a number of specific accounting policies and accounting estimates in respect of transactions and matters, such as bad debt provision of receivables, depreciation of fixed assets, amortization of intangible assets, income recognition, etc. according to the actual production and operation characteristics and in accordance with the provisions of the Accounting Standards for Business Enterprises.

1. Statement of compliance with enterprise accounting standards

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete picture of the Company's consolidated and parent company's financial position as at 31 December 2023 and of the consolidated and parent company's results of operations and consolidated and parent company's cash flows for the year ended 31 December 2023, and other related information.

2. 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.

3. 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.

4. Recording currency

The Company uses RMB as the benchmark currency for its operations in the primary economic environment, in which the Company and its domestic subsidiaries operate. The Company's subsidiaries outside China may decide US dollars as their recording currency pursuant to the prevailing economic environment of their locations. In preparing these financial statements, the Company has used RMB as recording currency.

5. Methodology for determining materiality criteria and basis for selection

The preparation and disclosure of financial statements by the company follow the principle of materiality. The items disclosed in the notes to the financial statements include matters related to the judgment of materiality criteria and the methods and bases for determining materiality criteria as follows:

Disclosures involving judgements on materiality criteria	Location of disclosure of this matter in the notes to the present financial statements	Methodology for identifying materiality criteria and basis for selection
Significant construction in progress	V、15	The Company considers construction in progress projects

Disclosures involving judgements on materiality criteria	Location of disclosure of this matter in the notes to the present financial statements	Methodology for identifying materiality criteria and basis for selection
		with individual amounts exceeding 0.25 per cent of total assets to be significant construction in progress projects
Significant non-wholly owned subsidiaries	VIII、 1、 (2)	The company considers non-wholly owned subsidiaries to be significant if their revenues account for more than 0.5 per cent of the company's total revenues, or if their total assets account for more than 1 per cent of total assets
Significant joint ventures or associates	VIII、 3、 (3)	The company considers a joint venture or an associate to be significant if the proportion of its revenue to the company's total revenue exceeds 0.5 per cent, or if the proportion of its total assets to its total assets exceeds 1 per cent.

6. Accounting treatment of business combination under common control and business combination not under common control

Business combination refers to the transaction or matter where two or more than two individual enterprises merge into one report subject. Business combination is divided into combination of enterprises under the same control and combination of enterprises not under the same control.

(1) Combination of businesses under common control

Business combination under common control refers to the combination of businesses that are under the ultimate control of the same party or parties on a non-temporary basis before and after the combination. Under a combination of enterprises under the same control, the party acquiring the controlling interests in other enterprises involved in the combination at the combination date is the acquirer and such other enterprises are the acquiree. The combination date refers to the day when the acquirer substantially acquires the controlling interests of the acquiree.

Assets and liabilities the acquirer acquires through the business combination are measured at the book value of the acquiree on acquisition date. Capital reserve (stock premium) is adjusted based on the difference between the net book value of assets acquired by the acquirer and the book value of the consideration for the combination paid (or the total nominal value of issued shares), and if the capital reserve (stock premium) is insufficient to offset such difference, the difference will be offset against retained earnings.

Costs directly incurred by the acquirer in the course of the business combination are recorded in current profit and loss.

(2) Combination of enterprises not under the same control

Combination of enterprises not under the same control means that enterprises involved in combination are not controlled finally by the same party or parties before combination. Under a combination of enterprises not under the same control, the party acquiring the controlling interests in other enterprises involved in the combination at the acquisition date is the acquirer and such other enterprises are the acquiree. The acquisition date refers to the day when the acquirer substantially acquires the controlling interests of the acquiree.

In case of combination of businesses not under common control, costs for the combination include assets paid and liabilities incurred or assumed to acquire the control of the acquirees on the Acquisition Date as well as the fair value of the equity securities. Intermediary costs incurred for audit, legal and valuation services and other administrative services are recorded in current profit and loss. Transaction costs incurred by the acquirer for equity securities or debt securities issued as consideration for the combination are recorded as the initial recognition amounts for equity securities or debt securities. Contingent considerations paid are recorded as cost for the combination at the fair value on the Acquisition Date. If any new or further evidence is found as to the circumstances within 12 months after the Acquisition Date and it is necessary to adjust the contingent consideration, the goodwill for the combination is adjusted accordingly. Combination costs incurred by the acquirer and identifiable net assets obtained from combinations shall be measured at fair value on the date of acquisition. The balance of the combination cost less the fair value of the net identifiable assets acquired is recognized as goodwill. If the merging cost is less than the net fair value of the identifiable assets of the acquiree, the fair values of the identifiable assets, liabilities and contingent liabilities as well as the merging cost are reviewed; if verified, the difference is recognized in current profit and loss.

Where an acquirer acquires the acquiree's deductible temporary difference which is not recognized due to incompliance with the recognition condition for deferred income tax assets on the acquisition date, within the 12 months since acquisition date, if new or further information appears to demonstrate the existence of related situation on the acquisition date, and the economic benefits brought by the acquiree's deductible temporary difference on the acquisition date are expected to be realized, the relevant deferred tax assets are recognized and the business reputation is written off; if the business reputation is not enough for write-off, the difference is recognized as profit and loss for the period. Except for the above, the deferred tax assets as recognized

relevant to the merger are included in profit and loss for the period.

For non-identical control business combinations achieved step by step through multiple transactions, if qualified as a package deal, the transactions are treated with reference to the foregoing paragraphs and Note III, 15 “Long-term Equity Investment”; if they are not qualified, individual financial statements are separated from consolidated financial statements for relevant accounting treatment:

In the Consolidated Financial Statements, the equity held by the acquiree before the Acquisition Date is remeasured at the fair value on the Acquisition Date and the difference between the fair value and the book value is recorded in the income from investments of current period; if the equity held by the acquiree before the Acquisition Date involves other comprehensive income, the relevant comprehensive income is treated in the same manner the acquiree disposes of relevant assets or liabilities (i.e., the income, except the portion in the change resulted from the acquiree's remeasurement of the net liabilities or net assets of the defined benefit plan accounted using the equity method, is recorded in the income from investment of the period to which the Acquisition Date belongs).

In consolidated financial statements, the acquiree's equity held before the acquisition date is remeasured at the fair value of such equity on the acquisition date and the difference between the fair value and the book value is included in current investment income; where the acquiree's equity held before the acquisition date involves other comprehensive income, the accounting of other comprehensive income related to the investment is on the same basis as the accounting of the related assets or liabilities disposed directly by the acquiree (that is, other comprehensive income is transferred to the investment income for the period covering the acquisition date, except for the shares by equity method proportional to changes in the net defined benefit liability or asset

caused by the acquiree's remeasurement).

7. Criteria for judgement of control and presentation of consolidated financial statements

(1) Criteria for judgement of control

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. Typically includes investees in which the parent company owns more than one-half of the voting power and investees in which the Company owns less than one-half of the voting power but owns more than one-half of the voting power of the investee through agreements with other investors in the investee; has the power to determine the financial and operating decisions of the investee pursuant to the Company's bylaws or an agreement; has the power to appoint or remove a majority of the members of the board of directors of the investee; and has a majority of the voting power on the board of directors of the investee.

(2) Presentation of consolidated financial statements

The Company includes a subsidiary in the scope of the combination on the date the Company acquires the actual control over the net assets and production operations of such subsidiary and discontinues the combination on the date the Company loses the control. For a subsidiary disposed of during the period, the business results and cash flow before the disposal are properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the year beginning data contained in the Consolidated Balance Sheet are not adjusted. For a subsidiary included in the period as a result of combination of businesses not under common control, the business

results and cash flow after the Acquisition Date have been properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the year beginning data and the comparison data contained in the Consolidated Balance Sheet are not adjusted. For a subsidiary under combination of businesses under common control and a acquiree under consolidation by merger, the business results and cash flow during the period from the beginning of the period to which the acquisition date belongs to the acquisition date have been properly included in the Consolidated Statement of Income and the Consolidated Statement of Cash Flow, while the comparison data contained in the Consolidated Balance Sheet are adjusted.

When preparing the Consolidated Financial Statements, if there is any inconsistency between the accounting policies and accounting period of the subsidiary and those of the Company, the financial statements of the subsidiary are adjusted accordingly where necessary. For a subsidiary acquired through business combinations not under common control, its financial statements shall be adjusted on the basis of the fair value of its identifiable net assets on the date of acquisition.

Balances of major transactions, transactions and unrealized profits within the scope of the Company are offset when preparing the Consolidated Financial Statements.

The shareholder equity and net profits or losses of the subsidiary not attributable to the Company are separately presented in the categories of the shareholder equity and net profit as minority shareholder's equity and net profit in the Consolidated Financial Statements. The portion of net profits or losses of the subsidiary in the period that is taken as the minority shareholder's equity is presented in the category of Minority Shareholder's Equity under the net profit in the Consolidated Statement of Income. The balance of the loss of the subsidiary attributable to minority shareholders less the shareholder equity of the subsidiary attributable to minority shareholders at the year beginning is set off against the minority shareholder's equity.

If the control over a subsidiary is lost due to disposal of partial equity investment in the subsidiary or any other reason, the remaining equity is remeasured at its fair value on the date the control is lost. The aggregate of the consideration obtained by disposing of the equity and the fair value of the remaining equity less the portion of the net assets of the subsidiary that has been measured, as calculated at the original shareholding proportion, from the Acquisition Date is recognized in the income from investments of the period, in which the control is lost. When the control is lost, the comprehensive income related to the equity investment in the original subsidiary is treated in the same manner the acquiree disposes of relevant assets or liabilities (i.e., the comprehensive equity, except the portion in the change resulted from the remeasurement of the net liabilities or net assets of the defined benefit plan, is recorded in the income from investment of the period). This portion of the remaining equity is subsequently measured following the Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment or the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, as noted in Note III, 15 “Long-term Equity Investment” and Note III, 11 “Financial Instruments”.

If the control is lost through several transactions of disposing of equity investment in the relevant subsidiary, the transactions are tested to determine whether they are qualified as a package deal. A number of transactions of disposing of equity investments are usually accounted for as a package deal if the conditions, terms and economic impacts of such transactions meet one or more of the following conditions: ①The transactions are done at the same time or in consideration of mutual impacts on each other; ②The transactions collectively achieve a complete business effect; ③The completion of one transaction depends on the completion of at least one of the other transactions; ④A transaction does not appear to be economic if considered alone but is economic if considered in connection with other transactions. If the transactions are determined not to be a package deal, each of them is accounted following the principles

for “disposing of long-term equity investments when the control is not lost” 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.

8. Classification of joint arrangements and accounting of joint operations

A joint arrangement refers to an arrangement between two or more parties participating in jointly control. The Company divides joint arrangements into joint operations and joint ventures on the basis of the rights enjoyed and liabilities assumed in the joint arrangements. A joint operation refers to a joint arrangement in which the Company enjoys rights and assumes liabilities. A joint venture refers to a joint arrangement of which the Company enjoys only the rights to the net asset.

The Company adopts equity method for investment accounting of joint ventures, in accordance with the accounting policies as specified in Note III. 15. (2) ② “equity-accounted long-term equity investment”.

The Company, as a party of joint operation, recognizes the assets and liabilities it is entitled to individually and recognizes at its share the assets and liabilities to which the parties of joint operation are entitled jointly; it recognizes the income from selling the share arising from joint operation to which the Company is entitled and recognizes at its shares the income from joint operation due to selling such share; it recognizes the expenses it incurs individually and recognizes at its share the expenses arising from

joint operation.

When the Company makes investments in the joint operation or sells assets to the joint operation to which the Company is a party (such assets do not constitute business of the joint operation, as is also applicable below) or purchases assets from the joint operation, the Company recognizes only the part of the profits or losses arising from such transactions attributable to other parties to the joint operation. If impairment loss occurs to an asset defined in the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets and other regulatory documents, the Company fully recognizes the loss occurs to such an asset as the Company has invested in or sold to the joint operation, or only the loss occurs to such an asset as the Company has purchased from the joint operation in proportion to the share in the joint operation the Company is entitled to.

9. 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.

10. Foreign currency business and conversion of foreign currency statement

(1) Translation of transactions in foreign currencies

A transaction in a foreign currency of the Company, when initially recognized, is translated into the benchmark currency at the spot rate (the middle rate of the foreign exchange quotation published by the People's Bank of China; the same below) on the transaction date, provided that foreign currency translation transactions and transactions involving conversion of foreign currencies are translated into the

benchmark currency at the exchange rate actually adopted for the transactions.

(2) Translation of monetary and non-monetary assets in foreign currencies

On the balance sheet date, monetary assets in foreign currencies are translated at the spot rate on the balance sheet date and the exchange difference arising therefrom is recognized in current profit and loss except that ①the exchange difference arising from special loans in foreign currencies used to purchase assets eligible for capitalization is treated following the principle of capitalization of borrowing cost; ②the exchange difference arising from the hedging instruments used for effective hedging of net investment in overseas operations is recognized in other comprehensive income, and after the net investment is disposed, recognized in current profit and loss; ③the exchange difference arising from changes in the book balance of monetary assets available for sale, except the amortized cost, is recognized in other comprehensive income.

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference arising due to a change in the exchange rate is recognized in other comprehensive income and transferred to current profit and loss upon the disposal of the overseas operation.

Non-monetary transactions in foreign currencies that are measured at the historical costs are translated at the spot rate prevailing on the Transaction Date. A non-monetary asset in a foreign currency measured at the fair value, is translated at the spot rate on the date on which the fair value is determined and the difference between the amounts recorded in the benchmark currency after the translation and that recorded in the original currency is treated as changes in the fair value (including change in exchange rate) and recognized in current profit and loss or other comprehensive income.

(3) Translation of accounting statements in foreign currencies

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference arising due to a change in the exchange rate is recognized in other comprehensive income as a difference from translation of accounting statements in foreign currencies and transferred to current profit and loss upon the disposal of overseas operation.

Financial statements in foreign currencies of overseas operations are translated into RMB and assets and liabilities in the balance sheet are translated at the spot rate on the Balance Sheet Date; all transactions in Shareholders' Equity, except those in Undistributed Profit, are translated at the current exchange rate on the Transaction Date. Income and expense in the balance sheet are translated at the prevailing exchange rate on the Transaction Date. Undistributed profit at the end of previous year is the undistributed profit at the end of previous year; the undistributed profit at the yearend is measured and presented by the items of the translated profit distribution; the difference between the translated assets/liabilities and the total shareholders' equity is recognized in other comprehensive income as the difference of foreign currency translation. If an overseas operation is disposed of and the control over it is lost, the difference of foreign currency translation related to the overseas operation listed in Shareholders' Equity in the Balance Sheet is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

For cash flows in foreign currencies, the weighted-average exchange rate on the occurrence day of cash flow shall apply. The difference of cash caused by change of exchange rate shall be separately presented in Cash Flow Statement.

The amounts at the end of the previous year and the actual amounts of the previous year are presented as translated from the financial statements of the previous year.

If all the shareholders' equity in an overseas operation is disposed of or if the control over it is lost as a result of disposal of part of the owner's equity or for any other reason, the difference of foreign currency translation related to the overseas operation that is attributable to shareholders of the parent company, as listed in Owners' Equity in the Balance Sheet is wholly transferred to current profit and loss in which the same is disposed of.

If the share of the equity in an overseas operation held by the Company decreases as a result of disposal of part of the equity investment or for any other reason but the decrease does not result in the loss of control over the overseas operation, the difference of foreign currency translation related to the part of the overseas operation is classified as minority shareholder's equity and is not transferred to current profit and loss. If part of the equity in an overseas operation that is an associate or a joint venture is disposed of, the difference of foreign currency translation related to the overseas operation is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

11. Financial instruments

(1) Translation of transactions in foreign currencies

A transaction in a foreign currency of the Company, when initially recognized, is translated into the benchmark currency at the spot rate (the middle rate of the foreign exchange quotation published by the People's Bank of China; the same below) on the transaction date, provided that foreign currency translation transactions and transactions involving conversion of foreign currencies are translated into the benchmark currency at the exchange rate actually adopted for the transactions.

(2) Translation of monetary and non-monetary assets in foreign currencies

On the balance sheet date, monetary assets in foreign currencies are translated at the

spot rate on the balance sheet date and the exchange difference arising therefrom is recognized in current profit and loss except that ①the exchange difference arising from special loans in foreign currencies used to purchase assets eligible for capitalization is treated following the principle of capitalization of borrowing cost; ②the exchange difference arising from the hedging instruments used for effective hedging of net investment in overseas operations is recognized in other comprehensive income, and after the net investment is disposed, recognized in current profit and loss; ③the exchange difference arising from changes in the book balance of monetary assets available for sale, except the amortized cost, is recognized in other comprehensive income.

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference arising due to a change in the exchange rate is recognized in other comprehensive income and transferred to current profit and loss upon the disposal of the overseas operation.

Non-monetary transactions in foreign currencies that are measured at the historical costs are translated at the spot rate prevailing on the Transaction Date. A non-monetary asset in a foreign currency measured at the fair value, is translated at the spot rate on the date on which the fair value is determined and the difference between the amounts recorded in the benchmark currency after the translation and that recorded in the original currency is treated as changes in the fair value (including change in exchange rate) and recognized in current profit and loss or other comprehensive income.

(3) Translation of accounting statements in foreign currencies

When preparing the Consolidated Financial Statements, if a monetary asset in foreign currency constitutes a net investment in an overseas operation, the exchange difference

arising due to a change in the exchange rate is recognized in other comprehensive income as a difference from translation of accounting statements in foreign currencies and transferred to current profit and loss upon the disposal of overseas operation.

Financial statements in foreign currencies of overseas operations are translated into RMB and assets and liabilities in the balance sheet are translated at the spot rate on the Balance Sheet Date; all transactions in Shareholders' Equity, except those in Undistributed Profit, are translated at the current exchange rate on the Transaction Date. Income and expense in the balance sheet are translated at the prevailing exchange rate on the Transaction Date. Undistributed profit at the end of previous year is the undistributed profit at the end of previous year; the undistributed profit at the yearend is measured and presented by the items of the translated profit distribution; the difference between the translated assets/liabilities and the total shareholders' equity is recognized in other comprehensive income as the difference of foreign currency translation. If an overseas operation is disposed of and the control over it is lost, the difference of foreign currency translation related to the overseas operation listed in Shareholders' Equity in the Balance Sheet is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

For cash flows in foreign currencies, the weighted-average exchange rate on the occurrence day of cash flow shall apply. The difference of cash caused by change of exchange rate shall be separately presented in Cash Flow Statement.

The amounts at the end of the previous year and the actual amounts of the previous year are presented as translated from the financial statements of the previous year.

If all the shareholders' equity in an overseas operation is disposed of or if the control over it is lost as a result of disposal of part of the owner's equity or for any other reason, the difference of foreign currency translation related to the overseas operation that is

attributable to shareholders of the parent company, as listed in Owners' Equity in the Balance Sheet is wholly transferred to current profit and loss in which the same is disposed of.

If the share of the equity in an overseas operation held by the Company decreases as a result of disposal of part of the equity investment or for any other reason but the decrease does not result in the loss of control over the overseas operation, the difference of foreign currency translation related to the part of the overseas operation is classified as minority shareholder's equity and is not transferred to current profit and loss. If part of the equity in an overseas operation that is an associate or a joint venture is disposed of, the difference of foreign currency translation related to the overseas operation is transferred to current profit and loss in which the same is disposed of, wholly or in proportion to the share of the overseas operation thus disposed of.

12. Impairment of financial assets

Financial assets for which impairment loss is required to be recognized by the Company are financial assets measured at amortized cost, investment in debt instruments measured at fair value through other comprehensive income, these mainly include bills receivable, accounts receivable, other receivables, debt investments, other debt investments and long-term receivables. Furthermore, for certain financial guarantee contracts, impairment reserves are provided and credit impairment losses are recognized according to the accounting policies mentioned in this section.

(1) Method for recognizing impairment reserves

Based on expected credit loss, the Company recognizes impairment reserves and credit impairment loss in respect of the above-mentioned items according to the applicable method for measuring expected credit loss (the general approach or simplified approach).

Credit loss is the difference between all contractual cash flow receivable by the Company under contracts which are discounted according to the original effective interest rate, and all the cash flow expected to be received, namely the present value of all cash shortfall. Particularly, financial assets acquired or derived to which credit impairment has occurred are discounted by the Company according to the credit-adjusted effective interest rate.

The general approach for measuring expected credit loss means that, at each balance sheet date, the Company assesses the financial assets to see if the credit risk has significantly increased after initial recognition, if credit risk has significantly increased after initial recognition, the Company calculates provision for loss according to the amount of expected credit loss over the life-time of the assets; if credit risk has not significantly increased after initial recognition, the Company calculates loss provision based on expected credit loss in the future twelve-month. When evaluating expected credit loss, the Company considers all reasonable information that is supported by evidence, including forward-looking information.

For financial instruments that have relatively low credit risk at the balance sheet date, the about assumes that the credit risk of such instruments has not significantly increased after initial recognition, and chooses to calculate loss provision according to the twelve-month expected credit loss.

(2) Criteria for determining whether credit risk has significantly increased since initial recognition

If the probability of default of a certain financial asset within the expected lifetime of the asset, as determined at the balance sheet date, is significantly higher than the probability of default within the expected lifetime determined at the time of initial recognition, then it indicates that the credit risk of such asset has significantly increased.

Except for special circumstances, the Company regards the change in default risk occurring in the future twelve-month period as the reasonable estimate of the change in default risk occurring over the entire lifetime of an asset, thereby determining whether the credit risk has increased significantly after initial recognition. Usually in case of more than 30 days overdue, the Company deems that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence showing that the credit risk of the financial instrument has not increased significantly since its initial recognition.

The Company will take into account the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the regulatory, economic or technological environment of the debtor has been subject to significant adverse changes;
- 3) Whether the value of the collateral mortgaged for debt or the quality of guarantee provided by a third party or credit enhancement has changed significantly with these changes expected to reduce the debtor's economic motivation to repay the debt within the term set out in the contract or affect the probability of breach;
- 4) Whether the expected performance and repayment behaviors of the debtor have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company determines that a financial instrument has only low credit risk, the Company will assume that the credit risk of the financial instrument has not increased significantly since its initial recognition. If the default risk of financial instruments is low, the borrower has a strong capacity to fulfill its cash flow obligations under contract in the short term, and the borrower's performance of its cash

obligations under contract may not necessarily be reduced even if there are unfavorable changes in the economic situation and operating environment in a long period of time, then the financial instrument will be deemed to have low credit risk.

(3) Criteria for determining financial assets that have been subject to credit impairment

When one or more events that adversely affects the expected future cash flow of a financial asset has occurred, such financial asset is considered to be an asset which has suffered credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

A serious financial difficulty occurs to the issuer or debtor;

The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

Due to the economic or contractual considerations related to the debtor's financial difficulties, the creditor gives the debtor a compromise that the debtor would not make under any other circumstances;

The debtor will probably become bankrupt or carry out other financial reorganizations;

The issuer or the debtor's financial difficulties result in the disappearance of the active market for the financial asset;

A financial asset is purchased or originated at a heavy discount, and this discount reflects the fact that the credit loss has occurred.

The credit impairment of a financial asset may be caused by the combined effects of several events, and may not necessarily be caused by a separately identifiable event.

(4) Method for evaluating the expected credit risk on a portfolio basis

For financial assets which have significantly different credit risk, the Company evaluates the credit risk on an individual basis, for example, amounts due from related parties; receivables from a debtor with which the Company has a dispute or which involve a lawsuit or arbitration; and receivables for which there is a clear indication

that the debtor thereof is very likely to be unable to meet its payment obligation.

In addition to financial assets with credit risk assessed individually, the Company divides financial assets into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Company include types of financial instruments, credit risk ratings, aging combination, etc., and it assesses credit risk on the basis of combination.

(5) Accounting treatment for the impairment of financial assets

At the end of period, the Company calculates the expected credit loss of various financial assets, if the expected credit loss is greater than the carrying amount of the current impairment reserves, the difference between the two amounts is recognized as an impairment loss; if the expected credit loss is smaller than the carrying amount of impairment reserves, then the difference is recognized as an impairment gain.

(6) Method for determining the credit loss of financial assets

With regard to the notes receivable, accounts receivable and financing of accounts receivable arising from daily business activities such as selling goods, providing labor services, etc., the Company measures the loss provision based on the expected credit loss for the entire duration, regardless of whether there is a significant financing component.

① Notes receivable

Based on the credit risk characteristics, the notes receivable will be classified into different combinations.

Item	Basis for grouping	Method for measuring of expected credit loss
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Bank acceptance bills and domestic letter of credit	Acceptor: banks at low credit risk	The Company deems that this type of funds has a relatively low credit risk and does not recognize the expected credit loss.
Commercial acceptance bills	This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	Confirm the expected credit rate with reference to corresponding policy of receivables

② Accounts receivable

Except for other receivables for which credit risk is assessed individually, assets are classified into different portfolios based on credit risk characteristic:

Item	Basis for grouping	Method for measuring of expected credit loss
Related parties' receivables within the scope of consolidation (note)	This portfolio represents receivables due from related parties with relatively low risk which are included within the scope of consolidation.	The Company deems that this type of funds has a relatively low credit risk and does not recognize the expected credit loss.
Receivables from third parties	This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	With reference to historical credit loss experience and based on the current conditions and the forecasts of future economic conditions, a comparison table between the aging of accounts receivable and the expected credit loss rate for the entire duration are prepared and the expected credit losses are calculated.

Note: "Related parties included in the scope of consolidation" refer to Hengyi Petrochemical and those companies recorded in the scope of its consolidated financial statement (the same below).

Comparison table showing the account age of the portfolio of accounts receivable and other receivables based on credit risk characteristic and the full lifetime expected credit loss:

Aging	Expected credit loss rate (%)
7-12 months (included)	5.00
1-2 years (included)	30.00
Within six (6) months (included)	0.00
2-3 years (included)	50.00
Over three years	100.00

③ Other receivables

Based on the determination as to whether the credit risk of other receivables has increased significantly since initial recognition, the Company calculates impairment loss according to the twelve-month expected credit loss or life-time expected credit loss. Except for other receivables for which credit risk is assessed individually, assets are classified into different portfolios based on credit risk characteristic:

Item	Basis for grouping	Method for measuring of expected credit loss
Related party funds within the scope of consolidation	The nature of other receivables is used edit risk characteristics	With reference to historical credit loss experience and based on the current conditions and the forecasts of future economic conditions, the expected credit loss is calculated based on the default risk exposure and the expected credit loss rate within the next 12 months or for the entire duration.
Receivables and payables such as advance from entities beyond the scope of consolidation		
Combination of consumption taxes and export tax rebates receivable		
Combination of tax refunds receivable and other government subsidies		
Portfolio of deposits and security		
Employee loan and petty cash		
Other groups		

④ For other financial assets, with regard to financial assets other than those under the aforesaid measurement methods, the Company measures impairment at an amount equivalent to expected credit losses within the next 12 months or for the entire duration based on whether its credit risk has increased significantly since initial recognition loss.

13. Inventory

(1) Classification of inventory

Inventories refer to finished goods or commodities for sale held in daily activities, unfinished goods in manufacturing process, and materials and supplies consumed in process of manufacturing products or providing services, etc. including large categories such as materials in transit, raw materials, products in progress, commodities in stock, etc.

(2) Pricing method for acquisition and distribution of inventories

Inventories are measured at the weighted average method upon receiving and sending. If the daily accounting of inventories is valued at planned cost, the cost difference of materials shall be carried over at the end of the year and the planned cost shall be adjusted to the actual cost.

(3) Inventory system

The Company adopts the perpetual inventory system.

(4) Amortization of low-value consumables and packing materials

One-time amortization method will be used for low-value consumables and packing materials.

(5) Methods for recognition of net realizable value of inventories and retaining the provision for depreciation

The net realizable value of the inventory is determined at the estimated selling price less the estimated cost and sales cost at the time it is distributed as well as related taxes and charges. The net realizable value of the inventory is determined on the basis of

conclusive evidence obtained while considering the purpose of keeping the inventory and effect of events after the balance sheet date.

On the balance sheet date, the inventories are measured at the lower of cost and net realizable value. If the net realizable value is lower than the cost, then the inventory depreciation reserves is retained for the inventory. The inventory depreciation reserves are retained by the difference of the cost less its net realizable value.

If the factors leading to the write-down of the price of an inventory no longer exist and the net realizable value is higher than the book value of the inventory after the inventory depreciation reserves are retained, the difference is reversed from the provision and recognized in current profit and loss.

14. Assets available for sale and disposal group

Where the Company recovers the book value of one non-current asset or disposal group mainly through sales (including the non-monetary asset exchange with commercial substance, similarly hereinafter) rather than sustained use, upon satisfaction of following conditions, it is categorized to the held-for-sale category. The specific standard is that the following conditions are met simultaneously: some non-current assets or disposal group can be sold immediately under current conditions according to the practices of selling similar asset or disposal group in similar transactions; the Company has made a decision on the selling plan and obtained the positive purchase commitment. It's predicted that the selling will be completed within a year. Disposal group refers to a group of assets disposed together through selling or other methods in a transaction as a whole and liabilities directly related to these assets transferred in the transaction. If the goodwill from the business merger is apportioned to the asset group or combination of asset groups that the disposal group belongs to according to the Accounting Standards for Business Enterprises No. 8 - Impairment of Asset, the disposal group shall include the goodwill apportioned to the disposal group.

Upon initial measurement or re-measurement upon balance sheet date of held-for-sale

non-current asset or disposal group, where the book value is higher than the net amount that the fair value minus the selling expense, the book value is written down the net amount after the fair value minus selling expense, the write-down amount is determined as the asset impairment loss and included into current profits and losses, and the held-for-sale asset impairment reserves are retained at the same time. For the disposal group, the recognized assets depreciation loss shall be used to firstly offset against the book value of goodwill in the disposal group and then against the book value of each non-current asset applicable to the measurement rules in the Accounting Standards for Business Enterprises No. 42 Non-current Assets Held for Sale, Disposal Groups, and Discontinued Operations (hereinafter referred to as “No. 42 Standard”). The reversed amount shall be included in the current profit and loss, and its book value shall be increased proportionally according to the portion of the book value of each non-current asset in the disposal group applicable to the measurement rules of No. 42 Standard, except goodwill. The written-down book value of goodwill and the assets impairment loss recognized before the non-current assets is classified into those held for sale applicable to the measurement rules of No. 42 Standard shall not be reversed.

No depreciation or amortization is provisioned for the non-current asset in the held-for-sale non-current asset or disposal group, and the interest of liability in held-for-sale disposal group and other expenses shall continue recognition.

When the non-current asset or disposal group no longer meets the classification condition of held-for-sale category and no longer continues to classify the held-for-sale category, or the non-current asset is removed from the held-for-sale disposal group, measurement is made at whichever is lesser: (1) for the book value prior to classification into the held-for-sale category, the amount after adjustment of depreciation, amortization or impairment to be recognized in case of assuming no classification into the held-for-sale category; (2) Recoverable amount.

15. Long-term equity investments

Long-term equity investments in this part refer to the Company's long-term equity investments having control, joint control or significant influence on the invested unit. Long-term equity investments in this section refer to the long-term equity investments by the Company in the investee with control, joint control or significant influence. Long-term equity investments which do not enable the Company to exert control, common control or significant influence over the investee entity are accounted for as financial assets at fair value through profit or loss, in particular, if such long-term equity investments are not held for trading, they may be designated by the Company on initial recognition as financial assets at fair value through other comprehensive income, for the relevant accounting policy, refer to Note III, 11 "Financial Instruments".

Joint control refers to the control the Company shares with other entities over a certain arrangement following relevant agreement by which any activity under the arrangement may be conducted only with unanimous agreement of all participants sharing the power of control. Significant influence refers to the situation where the Company is entitled to participate in but is not authorized to control the financial and/or business decisions, either alone or in joint efforts with other participants.

(1) Determination of investment cost

For a long-term equity investment acquired through combination of businesses under common control, the share of the shareholders' equity of the acquiree in the book value of the shareholders' equity in the consolidated financial statements of the ultimate controlling party on acquisition date shall be taken as the initial investment cost for the long-term equity investment. Capital reserve is adjusted based on the difference between the initial cost for the long-term equity investment and the book values of cash paid, non-cash asset transferred and debt assumed, and if the capital reserve is

insufficient to offset such difference, the difference will be offset against retained earnings. If the consideration is paid in the form of equity securities, the share of the shareholders' equity of the acquiree in the book value of the owners' equity in the consolidated financial statements of the ultimate controlling party on acquisition date is taken as the initial investment cost for the long-term equity investment on the date of combination. The face value of the shares issued is taken as the equity, and the capital reserve is adjusted by the difference between the initial investment cost for the long-term equity investment and the total face value of the shares issued; and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. If the combination of businesses under common control is realized through a series of transactions in acquiring the equity of the acquiree, the transactions are determined whether to be a package deal and treated in either of the following manners: If the whole series of transactions are determined to constitute a package deal, then they are treated as one transaction realizing the acquisition of the control. If not, the share of the shareholders' equity of the acquiree in the book value of the owners' equity in the consolidated financial statements of the ultimate controlling party on acquisition date is taken as the initial investment cost for the long-term equity investment on the date of combination. Capital reserve is adjusted based on the difference between the initial investment cost for the long-term equity investment and the book value of the long-term equity investment before the combination plus the total book value of newly paid consideration for acquiring shares on acquisition date; and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings. The other comprehensive income accounted for the adoption of equity method for the equity investment held or recognized for financial assets available for sale before acquisition date is not accounted for upon the acquisition.

For a long-term equity investment acquired through combination of businesses not under common control, the cost for the combination, which is fair value of the total of

the assets paid, liabilities incurred or assumed and the equity securities issued by the acquiring party, is taken as the initial investment cost for the long-term equity investment on acquisition date. If the combination of businesses not under common control is realized through a series of transactions in acquiring the equity of the acquiree, the transactions are determined whether to be a package deal and treated in either of the following manners: If the whole series of transactions are determined to constitute a package deal, then they are treated as one transaction realizing the acquisition of the control. If not, the aggregate of the book value of the equity investment in the acquiree held by the Company and the increase in the investment cost is taken as the initial cost for the long-term equity investment remeasured using the cost method. If the originally held equity is measured by the equity method, the relevant other comprehensive income is not accounted.

Intermediary costs incurred by the acquirer in the course of combination for audit, legal and valuation services and other administrative services are recorded in current profit and loss.

Equity investments, except long-term equity investments derived from business combination, are initially measured at the cost. The cost is determined, depending on the means of acquisition, at the purchase price actually paid in cash, the fair value of the equity securities issued by the Company, the value determined in the investment contract or agreement, the fair value of the original book value of the asset traded off by means of exchange trade of non-monetary asset or the fair value of long-term equity investment itself. Charges, taxes and other necessary expenses related to the acquisition of long-term equity investments are recognized in Investment Costs. In case of a long-term equity investment made in addition to other investment, if the investment results in the Company's ability to exercise significant influence over the investee but does not constitute the control over the same, the cost is the aggregate of the fair value of the

equity investment originally held, as determined following the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the newly increased cost.

(2) Methods for subsequent measurement and recognition of profit and loss

If the entity in which the Company invests exercises joint control (except those constitute a joint operation) or significant influence over the long-term equity investments, equity method is adopted for such long-term equity investments. Also, a long-term equity investment that grants control over the investee is accounted for in the financial statements of the Company using the cost method.

① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at the initial investment cost, which is adjusted by the increased or recovered investment. Except the price actually paid upon acquisition of an investment or the cash dividend or profit that has been declared but not

granted and included in the consideration for the acquisition, cash dividend or profit in the investee attributable to the Company shall be recognized as income from investments.

② Long-term equity investments accounted for using the equity method

If the long-term equity investment is accounted using the equity method and the initial cost for the investment is greater than the share of the total fair value of the identifiable assets of the investee, the initial cost for the investment is not adjusted; if the former is less than the latter, the difference is recognized in current profit and loss and the cost for the long-term equity investment is adjusted accordingly.

When accounted for using the equity method, the share in the net profits or losses that have been realized by the investee and which the Company is entitled to receive or obliged to assume and the share in other comprehensive income are recognized in income from investments and other comprehensive income, respectively, and the book

value of the long-term equity investment is adjusted accordingly; the book value of the long-term investment is adjusted according to the portion of the profit or cash dividend declared and distributed by the investee; In case of any change in the owners' equity in the invested equity, except the net profits or losses, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and the balance is recognized in the capital surplus. The share in the net profits or losses of the investee is recognized after adjustment is made on the basis of the fair values of all identifiable assets of the investee upon the investment is realized. If the accounting policies and accounting periods adopted by the investee are inconsistent with those adopted by the Company, the financial statements of the investee are adjusted in accordance with the accounting policies and accounting period of the Company and the investment income and other comprehensive income from the investee is recognized according to the adjustment. In case of a transaction between the Company and its associate or joint venture, where the investment or sale does not constitute a business transaction, the unrealized profits or losses within the scope of the Company are calculated and offset according to the share attributable to the Company, with the balance recognized as profits or losses from investment. However, the losses arising from unrealized transactions with the investee within the Company, if being impairment loss of the asset to be transferred, may not be offset. In case of an investment of an asset in a joint venture or an associated enterprise that constitutes a business transaction and a long-term equity investment without realizing the control over the investee, the fair value of the asset is taken to be the initial investment cost for the long-term equity investment and the whole difference between the initial investment cost and the book value of the asset is recognized in current profit and loss. In case of an investment of an asset sold to a joint venture or an associated enterprise that constitutes a business transaction, the whole difference between the consideration acquired and the book value of the asset is recognized in current profit and loss. An asset acquired from a joint venture or an associate, if constitutes a business transaction, is treated following

Accounting Standards for Business Enterprises No. 20 - Business Combinations and wholly recognized as profits or losses related to the transaction.

Net loss from an investment in an investee is written down against the total of the book value of the long-term equity investment and the long-term equity from other actual net investment in the investee, but only to that extent. In addition, if the Company assumes liability for any extra loss of the investee, the obligation is recognized as an estimated liability in Losses from Investment of the period. If the investee realizes net profit subsequently, the share in the profit payable to the Company is recognized as a share of income after the unrecognized loss arising from the investment.

For the long-term equity investments to joint ventures and associates already held before the first implementation of the new accounting standards, if there is the debit balance of equity investments related to the investments, the amount amortized using the straight-line method over the remaining period shall be included in the current profit and loss.

③ Acquisition of minority equity

When preparing the Consolidated Financial Statements, the difference between the newly increased long-term equity investment due to the acquisition of minority equity and the share in the net asset of the subsidiary attributable to the Company calculated at the newly increased shareholding ratio on acquisition date or (the Consolidation Date) is recognized as an adjustment to the capital surplus and, and if the capital reserve is insufficient to offset such difference, the difference will be offset against retained earnings.

④ Disposal of long-term equity investment

If the Parent Company disposes of part of its long-term equity investment in a subsidiary without losing the control over the latter, the difference between the price of

the disposal and the share in the net asset of the subsidiary corresponding to the long-term equity investment disposed of is recognized in Shareholders' Equity in the Consolidated Financial Statements; if the Parent Company disposes of part of its long-term equity investment in a subsidiary resulting in the loss of control over the latter, the disposal price is treated following accounting policies described in Note III, 7 (2) “Methods for Preparing Consolidated Financial Statements.”

In case of a long-term equity investment disposed of in other circumstances, the difference between the book value and the price actually acquired is recognized in current profit and loss.

In case of a long-term equity investment accounted for using the equity method, if the remaining equity after disposal continues to be accounted for using the equity method, the corresponding share in the other comprehensive income originally recognized in Shareholders' Equity is treated on the same basis on which the investee directly disposes of the relevant asset or liability. All other shareholders' equity of the investee recognized because of changes in the shareholders' equity, other than those in the net profits or losses, other comprehensive income and profit distribution are carried over to current profit and loss in proportion.

Long-term equity investments accounted for using the cost method, if the remaining equity after disposal continues to be accounted for using the cost method, the other comprehensive income originally accounted for using the equity method or the standards for recognition and measurement of financial instruments before the acquisition of the control over the investee is treated on the same basis on which the investee directly disposes of the relevant asset or liability and is carried forward in proportion; all other shareholders' equity in the net asset of the investee, as accounted for and recognized using the equity method, except net profits or losses, other

comprehensive income and profit distributions, are carried forward in proportion. If the Company loses the control over the investee due to disposal of part of its equity investment but the remaining equity constitutes joint control or significant influence over the investee, the remaining equity is re-accounted for using the equity method and adjustment is made, as if the remaining equity were accounted for using the equity method since the acquisition; the remaining equity, if it does not constitute joint control or significant influence over the investee, is re-accounted for following the standards for recognition and measurement of financial instruments and the difference between the fair value on the date the control is lost and the book value of the equity is recognized in current profit and loss. When the control over the investee is lost, the other comprehensive income accounted for using the equity method or following the standards for the recognition and measurement of financial instruments before the acquisition of the control over the investee is treated on the same basis on which the investee directly disposes of the relevant asset or liability. All changes in other shareholders' equity in the net asset of the investee, as accounted for and recognized using the equity method, except net profits or losses, other comprehensive income and profit distributions, are carried forward in proportion upon the loss of control. If the remaining equity is accounted for using the equity method, the other comprehensive income and other shareholders' equity are carried forward in proportion; if the remaining equity is accounted for following the standards for recognition and measurement of the financial instruments, the other comprehensive income and other shareholders' equity are fully carried forward.

If the Company loses the joint control or significant influence over the investee due to partial disposal of equity investments, the remaining equity is re-accounted for following the standards for recognition and measurement of financial instruments and the difference between the fair value on the date the control or significant effect is lost and the book value of the remaining equity is recognized in current profit and loss.

When the control of the investee is terminated, the other comprehensive income from the original equity investment, as accounted for the adoption of equity method or following the standards for the recognition and measurement of financial instruments is treated on the same basis on which the investee directly disposes of the relevant asset or liability; all changes in other shareholders' equity in the net asset of the investee, as accounted for and recognized because of the adoption of the equity method, except net profits or losses, other comprehensive income and profit distributions, are carried forward in proportion upon the loss of control.

If several transactions through which the Company disposes its subsidiary's equity investment till losing the right of control belong to "package deal", such transactions shall be subject to accounting treatment as one transaction for treatment of the subsidiary's equity investment and for losing the right of control. Prior to losing the right of control, the balance between every disposal price and the book value of long-term equity investment corresponding to the disposed equities shall be confirmed as other comprehensive income. On the point of losing such right, it shall be jointly shifted into current profits and losses of losing the right of control.

16. Fixed assets

(1) Conditions for recognition of fixed assets

The fixed assets of the Company refer to tangible assets held for production of goods, provision of labor services, lease or business with a service life of over a fiscal year. A fixed asset is recognized only when the related economic benefit is likely to flow in and the cost can be reliably measured. A fixed asset is initially measured at cost and the estimated abandonment cost.

(2) Method for depreciating fixed assets

Provision for depreciation of a fixed asset is retained using the straight-line method

from the month after the fixed asset reaches the expected serviceable condition. Estimated service life, estimated residual values and annual depreciation rates of different types of fixed assets are as follows:

Category	Depreciable life (year)	Residual ratio (%)	Yearly depreciation rate (%)
Houses & buildings	20 years, 30 years and 50 years	5.00	4.75, 4.50
		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	3 years and 5 years	5.00	31.67, 30.00
		10.00	19.00, 18.00

Estimated net residual value refers to the value the Company is expected to acquire by disposing of the fixed asset in its status upon the expiry of its using life.

(3) Method for impairment test of fixed assets and impairment reserves retention

Refer to Note III, 20 “Impairment of Long-term Assets” for methods for depreciation test and impairment reserves retention for fixed assets.

(4) Other description

Subsequent expenditures relating to fixed assets, if the asset's economic benefits are likely to flow in and its cost can be reliably measured, are recognized in cost for fixed assets and the book value of the substituted part is derecognized. Other subsequent

expenditures are recognized in current profit and loss in which they are incurred.

Fixed assets are derecognized if they are disposed of or no economic benefit can be realized through use or disposal of the same. Income from disposal of fixed assets by means of sale, transfer, etc., is accounted as current profit and loss less the book value and relevant taxes and charges.

The Company reviews the serviceable life, expected residual value and the method of depreciation at the latest at the end of the accounting year. If any change is found in the original estimates, adjustment is made to the relevant accounting estimate.

17. Construction in progress

The Company's construction in progress is classified into two types: self-owned construction and contracted construction. Construction in progress is carried forward to fixed assets when the construction work is completed and reaches the state of intended use. The criteria for determining the state of intended use shall be one of the following: the physical construction (including installation) of the fixed assets has been completed in full or substantially completed; trial production or trial operation has been carried out and the results indicate that the assets are capable of normal operation or capable of producing qualified products on a stable basis, or the results of the trial operation indicate that they are capable of normal operation or business operation; the expenditures on the constructed fixed assets are minimal or almost no longer incurred; the purchased fixed asset has met the design or contract requirements or is in substantial conformity with the design or contract requirements.

When the construction in progress reaches the intended state of use, it is transferred to fixed assets at the actual cost of construction. If the project has reached the intended state of use but has not yet been finalised, it will be transferred to fixed assets at the estimated value first, and the original provisional value will be adjusted according to

the actual cost after the finalisation of the project, but no further adjustment will be made to the depreciation that has already been provided for.

Refer to Note III, 20. “Impairment of Long-term Assets” for methods for depreciation test and impairment reserves retention for constructions-in-progress.

18. Borrowing costs

Borrowing costs of the Company include the interest accrued on loans, the amortization of discount or premium and auxiliary expenses as well as the translation differences incurred by loans in foreign currencies. Borrowing costs related to the purchase, construction or production of assets that meet the conditions for capitalization are capitalized when the asset expenditure has been made, the borrowing costs have been incurred and the purchase, construction or production activities necessary to work the asset into its serviceable or marketable status have begun; the capitalization ceases when the asset that meets the conditions for capitalization under construction or production reaches its expected serviceable or marketable status. Other borrowing costs are recognized as expenses in the period they are incurred.

The interest expenses incurred in the period for special loans less the interest income from the loan fund deposited in a bank or income from temporary investments made out of the loans are capitalized; general loans are capitalized on the basis of result of the accumulated capital expenditures excessive of weighted average of the capital expenditures of the special loan multiplied by the capitalization ratio of the general loans. The capitalization rate is determined on the basis of the weighted average interest rate of general borrowings.

During the capitalization, the difference arising from special loans in foreign currencies is fully capitalized while that arising from general loans in foreign currencies is

recognized in current profit and loss.

Assets qualified for capitalization refer to fixed assets, investment real properties and inventories that take a reasonable period of purchase, construction or production to be developed into the ready-for-sale or ready-for-use status.

If the purchase, construction or production of the asset qualified for capitalization is suspended for over 3 months, the capitalization of the borrowing cost is suspended until the resumption of purchase, construction or production.

19. Intangible assets

Intangible asset refers to invisible recognizable non-currency assets owned or controlled by the Company.

Intangible assets are initially measured at cost. Expenses related to intangible assets are recognized in cost for intangible assets when related economic gains are likely to flow in and the cost can be reliably measured. Other subsequent expenditures are recognized in current profit and loss in which they are incurred.

Land use rights acquired are usually accounted for as intangible assets. Expenditures on the land use right and the cost for the construction of self-developed plants and other buildings are accounted for as intangible assets and fixed assets. In case of houses and buildings purchased, the purchase price is allocated onto the land use right and the buildings and treated accordingly; if the allocation cannot be done reasonably, the whole price is treated as fixed assets.

In case of an intangible asset of limited serviceable life, the original value, net of expected residual value and the accumulated impairment reserves retained, is amortized

over the expected serviceable life using the straight-line method. Intangible assets with uncertain service life are not amortized.

The useful lives, the basis for determining them and the amortisation method for items of intangible assets with finite useful lives are as follows:

Item	life span	Basis for determining useful life	Amortisation method
land use right	50 years etc.	Years of use registered on land use certificates	Straight-line method
Concession	10 years etc.	Contractual life span	Straight-line method
Franchises	10 years	Expected duration of benefits	Straight-line method
Trademark right	10 years	Expected duration of benefits	Straight-line method
Software and others	5 years, 10 years, etc.	Estimated useful life and serviceable life	Straight-line method

The service life and the amortization method adopted for intangible assets of a limited serviceable life is reviewed at the year end, and if any change has occurred, adjustments are made accordingly to the accounting estimates. The serviceable life of each intangible asset with uncertain serviceable life is reviewed at the end of year. If there is evidence that the period in which the intangible asset can bring in economic benefit can be predicted, the serviceable life is estimated and the intangible asset is amortized following the policy for amortization of intangible assets with limited serviceable life.

(2) R&D expenses

Internal R&D expenses of the Company include expenses on the research stage and those on the development stage.

Expenses incurred on the research stage are recognized in current profit and loss.

The Company's specific criteria for classifying research-phase expenditures and development-phase expenditures for internal research and development projects:

The research phase is the stage of original and planned investigation and research activities to acquire and understand new scientific or technological knowledge, etc.; the development phase is the stage of activities to apply research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

Expenses incurred on the development stage, if satisfying all of the following conditions, are recognized as an intangible asset, otherwise, in current profit and loss.

- ① The expenses contribute to the completion of intangible asset so that it can be technically usable or salable;
- ② Having the intention to complete the intangible asset and use or sell it;
- ③ The intangible asset is able to generate economic benefits, with evidence that there is a market for the intangible asset or products produced using the intangible asset, or that the intangible asset is useful if it is intended to be internally used;
- ④ With enough supports from technical/financial and other resources to finish the development of such intangible assets, and be capable of using or selling such intangible assets;
- ⑤ The expenditure attributable to the development stage of the intangible asset can be reliably measured.

Expenses on the research stage and the development stage, if not able to be distinguished, are both recognized in current profit and loss.

(3) Impairment test of intangible assets and methods for withholding the impairment reserves. For detail test method and calculation method of provisions for impairment reserves of intangible assets, please refer to Note III (20. "Impairment of Long-term Assets").

20. Impairment of long-term assets

The Company determines on the balance sheet date whether there are signs that impairment has occurred to fixed assets, constructions-in-progress, intangible assets with limited serviceable life, right-of-use assets, investment properties measured at cost and non-current non-financial assets including long-term equity investments in its subsidiaries, joint ventures and associates. If there are signs of impairments, the recoverable amount is estimated and an impairment test is done. Goodwill, intangible assets with uncertain serviceable life and intangible assets that have not reached the serviceable status are subject to impairment tests every year regardless of whether there are signs of impairments.

If the impairment test results indicate that the recoverable amount of assets is lower than its book value, provisions for impairment reserves shall be calculated in accordance with its balance, and then recorded into impairment loss. The recoverable amount shall be the higher of the fair value minus disposal expenses and the present value of expected future cash flows of the asset. The fair value of an asset is determined based on contract price of fair trade; if there is no sales agreement but there is an active market, the bid price the buyer offers for the asset is taken to be the fair value; if there is no sales agreement or active market, the fair value of the asset is estimated on the basis of the best information available. Disposal expenses include legal fees related to assets disposal, related taxes, carriage expenses and direct expenses for making the assets reach the marketable condition. The present value of the expected future cash flow from an asset is determined by discounting the expected future cash flow from the asset while it is used on an on-going basis and the at the final disposal at a suitable discount rate. Asset impairment reserves shall be calculated and confirmed on the basis of single assets. The recoverable amount of this asset group shall be determined with such assets' group, if it is difficult to estimate the recoverable amount of single assets. Asset group is the minimum asset portfolio capable of generating cash inflow independently.

When conducting impairment loss of goodwill separately listed in the financial statements, the book value of the goodwill is allocated to the asset group or combination of asset groups that benefit from the synergies of the business combination. The corresponding impairment loss shall be recognized when impairment test indicates that the recoverable amount of the asset group or combination of asset groups to which goodwill is apportioned is lower than its book value. Firstly, the amount of impairment losses shall be amortized to the book value of goodwill of this asset group or asset portfolio. Secondly, the book value of other assets shall be amortized in proportion based on the book value of other assets (excluding goodwill) in the asset group or asset portfolio.

Once impairment losses on above assets are confirmed, the part with recovered value cannot be rolled back in subsequent periods.

21. Long-term deferred expenses

Long-term deferred expenses refer to expenses that have been incurred and shall be amortized over a period of longer than one year, including the current period and periods yet to come. Long-term deferred expenses are recorded at actual expense and amortized using the straight- line method over estimated period of benefit.

22. Contract liability

Contract liabilities mean the obligation for which the Company shall transfer goods to customers for the consideration received or receivable from customers. If the customer has already paid the contract consideration or the Company has obtained the unconditional right to receive payment before the Company transfers the goods to the customer, the Company shall present the received amounts or receivables as contract liabilities at the earlier of the time when the actual payment is received by the Company

from the customer and the due date of payment. Contract assets and contract liabilities under the same contract are presented at net amount. If the net amount is the debit balance, the contract asset and contract liability shall be presented in the item of "contract assets" or "other non-current assets" according to its liquidity; if the net amount is the credit balance, the contract asset and contract liability shall be presented in the item of "contract liabilities" or "other non-current liabilities" according to its liquidity. Contract assets and contract liabilities under different contracts are not offset.

23. Staff remuneration

Employee benefits mainly include short-term employee remunerations, post-employment benefits, termination benefits and other long-term employee benefits. Wherein:

The short-term remunerations include salaries, bonuses, allowance and subsidies, welfare, medical insurance premium, maternity insurance premium, industrial injury insurance premium, housing fund contributions, labor union fund contribution, employee education fund contributions and non-monetary benefits. The Company treats short-term employee remunerations actually incurred during the accounting period in which employees provide services for the Company as liabilities and recognizes the same in current profit and loss or relevant cost for assets of the period. Non-monetary benefits are measured at fair value.

Post-employment benefits mainly include basic pension insurance, unemployment insurance and annuities. Post-employment benefit plans include defined contribution plans. If a defined contribution plan is in place, the corresponding amounts payable is included in relevant costs for assets or current profit and loss in which they are incurred.

If the labor relationship with employees terminates before the employment contracts expire or if the Company offers compensation with the view of encouraging employees

to voluntarily accept redundancy, payroll liabilities arising from the termination benefits are recognized in current profit and loss on the earlier of the date on which it is determined that the Company may not withdraw the termination benefits offered through labor relationship plans or redundancy proposals and the date on which the Company recognizes the cost for the restructure involving the payment of termination benefits. However, if the demission welfare cannot be completely paid within 12 months after the termination of the annual report period, it shall be dealt with according to the remuneration of another 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 stop to provide services for the Company and the date of normal retirement, if satisfying the conditions for the recognition of estimated liabilities.

Other long-term employee benefits provided by the Company to its staff that conform to the defined contribution plans shall be subject to accounting treatment in accordance with the defined contribution plans. Others shall be shall be subject to accounting treatment in accordance with the defined benefit plans.

24. Estimated liabilities

When an obligation arising from contingencies such as guarantees provided to external parties, litigation matters, product quality assurance, loss contracts, etc. becomes a present obligation incurred by the Company, and it is probable that the fulfilment of the obligation will result in an outflow of economic benefits to the Company and the amount of the obligation can be measured reliably, the Company recognises the obligation as a projected liability.

The Company initially measures a projected liability at the best estimate of the expenditure required to settle the related present obligation and reviews the carrying amount of the projected liability at the balance sheet date.

If the expenditures required to settle the projected liability are expected to be reimbursed, in whole or in part, by a third party, the amount of reimbursement is separately recognised as an asset when it is virtually certain that the reimbursement will be received and the amount of reimbursement recognised does not exceed the carrying amount of the projected liability.

25. Preference shares, perpetual bonds and other financial instruments

In accordance with the relevant standards on financial instruments and the "Regulations on the Distinction between Financial Liabilities and Equity Instruments and Related Accounting Treatment" (Caijing [2014] No. 13), for financial instruments such as convertible corporate bonds issued, the Company, based on the contractual terms of the financial instruments issued and their economic substance as reflected in the contracts rather than in legal form only, and in conjunction with the definitions of financial assets, financial liabilities and equity instruments, classifies such financial instruments or their components as financial assets, financial liabilities or equity instruments upon initial recognition. financial instruments or their components are classified as financial assets, financial liabilities or equity instruments at initial recognition.

At the balance sheet date, for financial instruments classified as equity instruments, their interest expense or dividend distribution is treated as profit distribution of the Company, and their repurchase or cancellation is treated as a change in equity; for financial instruments classified as financial liabilities, their interest expense or dividend

distribution is treated as a borrowing cost, and their gains or losses arising from their repurchase or redemption are recognised in profit or loss for the current period.

26. Revenue

1) Principles of revenue recognition

Revenue from a contract between the Company and a customer is recognised when the customer obtains control of the underlying commodity when the following conditions are simultaneously met: the parties to the contract have approved the contract and have committed themselves to performing their respective obligations; the contract specifies the rights and obligations of the parties to the contract with respect to the transferred commodity or the provision of services; the contract has clear payment terms with respect to the transferred commodity; the contract has a commercial substance in the sense that the performance of the contract will change the Company's risk, time distribution or amount of future cash flows; and it is probable that the consideration to which the Company is entitled as a result of the transfer of goods to customers will be recovered. On the commencement date of the contract, the Company evaluates the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain time point.

It belongs to performance within a period when satisfying any one of the following conditions. Otherwise, it belongs to performance at a time point.

- ① The client obtains and consumes corresponding economic benefits while the Company performs its obligations;
- ② The client is able to control in-process commodities or services in the process of performance by the Company;
- ③ Commodities or services in the process of performance by the Company have irreplaceable usage, and the Company has, within the entire contract period, the right to collect money for the part performed so far.

For the contract performance obligations fulfilled within a certain period of time, the Company recognizes revenue according to the performance progress during that period of time. When the contract performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the revenue shall be recognized according to the amount of cost incurred until the performance progress can be reasonably determined. For the contract performance obligations fulfilled at a certain time point, revenue is recognized at the time point when the customer obtains the control over the relevant goods or services. The Company shall take the following signs into consideration while judging whether the client has obtained the control right of commodity or not: ① The Company has the right of current collection over such commodity. In other words, the client is obligated to pay for this commodity currently; ② The Company has already transferred legal ownership of this commodity to the client. In other words, the client has legal ownership of this commodity; ③ The Company has already transferred this commodity to the client. In other words, the client has already occupied this commodity in real material; ④ The Company has already transferred to the client main risks and remunerations related to the ownership of this commodity. In other words, the client has already obtained main risks and remunerations related to the ownership of this commodity; ⑤ The client has already accepted this commodity; ⑥ Other signs indicating that the client has already obtained the control right of this commodity

2) Principles of revenue measurement

- ① The Company measures revenue based on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the Company expects to have the right to receive due to the transfer of goods or services to the customer, excluding the amounts collected on behalf of a third party and the amounts expected to be returned to the customer.

- ② If there is variable consideration in the contract, the Company will determine the best estimate of the variable consideration according to the expected value or the most likely amount, but the transaction price including the variable consideration shall not exceed the amount of the accumulated recognized income that is likely to have no major reversal when the relevant uncertainty is eliminated.
- ③ If there is a significant financing component in the contract, the Company will determine the transaction price based on the amount payable that is assumed to be paid in cash when the customer obtains the control over the goods or services. The difference between the transaction price and the contract consideration is amortized by the effective interest method during the contract term. On the commencement date of the contract, the Company expects that the interval between the customer's acquisition of control of the goods or services and the customer's payment of price will not exceed one year, regardless of the significant financing components in the contract.
- ④ If the contract contains two or more performance obligations, the Company will allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the separate selling price of the goods promised under each individual performance obligation on the contract commencement date.

3) Specific method of revenue recognition

The Company mainly sells crude oil, chemical products, PTA, PET flakes, polyester yarns, etc., and the sales shall be the fulfilment of contract performance obligation at a certain time point. In combination with the Company's actual production and management features, its internal product sales revenues shall be confirmed in accordance with the following conditions: The Company has already delivered corresponding products to the client in accordance with the contract agreement; the amount of product sales revenues has been determined already; the Company has

already taken back relevant loans or obtained the receipt voucher, and relevant economic interests are likely to flow in; the product control right has already been transferred to the acquirer; product-related costs can be measured reliably. For exported goods, the income is recognized when the goods are declared for export. For the sales of trade goods, the income is recognized when the Company has delivered the goods property in goods to the purchaser in accordance with the contract provisions. For the goods in the Company's overseas subsidiary international trade business, the income is recognized according to the time point for the transfer of goods risk as set out in the contract.

27. Contract cost

Contract costs are classified as contract performance costs and contract acquisition costs.

Costs incurred by the Company's enterprises to perform contracts are recognised as an asset as contract performance costs when both of the following conditions are met:

- (1) The cost is directly related to a current or anticipated acquired contract and includes direct labour, direct materials, manufacturing overheads (or similar costs), costs explicitly attributable to the customer, and other costs incurred solely in connection with that contract;
- (2) The cost increases the resources of the business that will be used in the future to meet its performance obligations;
- (3) The cost is expected to be recovered.

Incremental costs incurred by the Company to acquire a contract that are expected to be recovered are recognised as an asset as contract acquisition costs; however, such assets are amortised over a period not exceeding one year and may be charged to profit or loss as incurred.

Assets related to contract costs are amortised using the same basis as revenue

recognition for the goods or services to which the asset relates.

If the carrying amount of an asset related to contract costs is more than the difference between the following two items, the Company will make an allowance for impairment and recognise an asset impairment loss for the excess:

- (1) the remaining consideration expected to be received for the transfer of goods or services related to the asset;
- (2) the estimated costs to be incurred for the transfer of the related goods or services.

In the event of a subsequent reversal of the provision for impairment of an asset, the carrying amount of the asset after the reversal shall not exceed the carrying amount of the asset at the date of the reversal, assuming that no provision for impairment had been made.

28. Government grants

Government grant refers to monetary or non-monetary assets the Company receives from the government for free, but excludes funds invested in the Company by the government, which enjoys the owners' equity in the same as a fund owner. Government grants are divided into asset-related government grants and income-related government grants. Governmental subsidies obtained by the Company to structure or form long-term assets in other ways shall be defined as asset-related subsidies, and other governmental subsidies as income-related subsidies. If the target of a government grant is not specified in relevant government documents, the grant is divided into income- and asset-related subsidy in the following manners: (1) if the project is defined in relevant government document, the subsidy is divided in accordance with the relative proportions of the expense allocated for asset and expenditure, provided that the division is reviewed against the proportions on each balance sheet date and adjusted if necessary; (2) if only a general direction on the use of the subsidy but no specific project is stated in relevant government documents, the subsidy is recognized as income-related subsidy. If a government grant is a monetary asset, it shall be measured in the light of

the received or receivable amount. Government grants in the form of non-monetary assets are measured at fair value or, if the fair value cannot be reliably obtained, at its nominal amount. Government grants measured at nominal amounts shall be directly included into current profit and loss.

The Company usually recognizes and measures government grants at by the amount actually received. However, the financial support funds that meet the relevant conditions stipulated by the financial support policy with conclusive evidence at the end of the period shall be measured according to the amount receivable. Government grant to be measured at the amount receivable must meet all the following conditions:

(1) The amount of the government grant receivable has been confirmed by a formal document from competent government authority or can be reasonably calculated following relevant regulations of formally issued financial fund management measures and there is no significant uncertainty as to the amount to be received;

(2) the government grant is based on a financial support program and its financial fund management measures formally implemented and disclosed following the Regulations on Open Government Information, and the said measures are inclusive (open to all eligible entities) rather than specifically formulated for certain entities; (3) a deadline for the disbursement has been announced in relevant documents and guaranteed with financial budget so that the receipt of the amount is reasonably certain; (4) the Company is expected to satisfy other conditions that may be required for such subsidy (if any).

Asset-related government grant is recognized as a deferred income, which is included into current profit and loss in instalments 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.

29. Deferred income tax assets/deferred income tax liabilities

Deferred tax assets or deferred tax liabilities are recognised based on the difference between the carrying amount of an asset or liability and its tax basis (if the tax basis of an item not recognised as an asset or liability can be determined in accordance with the provisions of the tax laws, the difference between such tax basis and its carrying amount) calculated at the tax rate that is expected to apply in the period in which the asset is recovered or the liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Deferred tax assets not recognised in prior periods are recognised when, at the balance sheet date, it is probable that sufficient taxable income will be available in future periods to allow the deductible temporary differences to be utilised.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is more likely than not that sufficient taxable income will not be available to allow the benefit of the deferred tax assets to be utilised in future periods. The amount of the write-down is reversed when it is more likely than not that sufficient taxable income will be available.

The Company's current income tax and deferred income tax are recorded as income tax expense or benefit in profit or loss, excluding income tax arising from: business combinations; and transactions or events that are recognised directly in equity.

When there is a legal right to settle the financial statements on a net basis, and the intention is to settle the financial statements on a net basis, or when the acquisition of assets and settlement of liabilities are carried out simultaneously, the Company's current income tax assets and current income tax liabilities are presented at the net amounts after offsetting.

30. leases

(1) The Company as Lessee

The main categories of the Company's leased assets are buildings and structures, land use rights and machinery and equipment.

On the commencement date of the lease term, the Company recognises a right-of-use asset and a lease liability for leases other than short-term leases and leases of low-value assets, and recognises depreciation expense and interest expense, respectively, over the lease term.

The Company accrues lease payments for short-term leases and low-value asset leases

on a straight-line basis over the lease term in each period.

① Right-of-Use Assets

A right-of-use asset is the right of the lessee to use the leased asset during the lease term. At the commencement date of the lease term. Right-of-use assets are initially measured at cost. This cost includes: (i) the initial measurement amount of the lease liability; (ii) the amount of lease payments made on or before the commencement date of the lease term, net of the amount relating to the lease incentive already enjoyed if a lease incentive exists; (iii) the initial direct costs incurred by the lessee; and (iv) the costs expected to be incurred by the lessee to dismantle and remove the leased asset, to reinstate the site on which the leased asset is located, or to restore the leased asset to the condition agreed under the terms of the lease.

② Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments outstanding at the commencement date of the lease term. Lease payments include: (i) fixed payments (including substantially fixed payments), net of amounts related to lease incentives, if any; (ii) variable lease payments that depend on indices or ratios; (iii) amounts expected to be paid based on the residual value of guarantees provided by the lessee; (iv) the exercise price of a purchase option if the lessee is reasonably certain that the option will be exercised; and (v) amounts required to be paid upon exercise of a termination option, provided that the lease term reflects that the lessee will exercise the termination option; and (vi) amounts required to be paid upon exercise of a termination option if the lease term reflects that the lessee will exercise the option. (v) Payments to be made upon exercise of the option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease;

The Company uses the interest rate embedded in the lease as the discount rate; if the

interest rate embedded in the lease cannot be reasonably determined, the Company's incremental borrowing rate is used as the discount rate. The Company calculates the interest expense on the lease liability for each period during the lease term based on a fixed periodic rate, which is included in finance costs. This periodic rate is the discount rate used by the Company or a revised discount rate.

Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss when they are actually incurred.

When there is a change in the Company's evaluation of the renewal option, the option to terminate the lease or the option to purchase, the lease liability is remeasured at the present value of the lease payments after the change and at a revised discount rate, and the carrying amount of the right-of-use asset is adjusted accordingly. When there is a change in the substantive lease payments, the amount expected to be payable for the residual value of the guarantee, or variable lease payments that depend on an index or rate, the lease liability is remeasured at the present value calculated using the changed lease payments and the original discount rate, and the carrying amount of the right-of-use asset is adjusted accordingly.

③ Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and to recognize the related lease payments in profit or loss or in the cost of the related assets on a straight-line basis in each period during the lease term. Short-term leases are leases with a term of less than 12 months at the commencement date of the lease term and do not include an option to purchase. Low-value asset leases are leases that have a lower value when the individual leased asset is a new asset.

(2) The Company as leaser

① Operating lease

The straight-line method is adopted by the Company to confirm the lease receipts as rental income in different periods within the lease term. Variable lease payment related to operating lease that is not recorded into lease receipts shall be recorded into current profits and losses upon the occurrence.

② Finance lease

Since the commencement date of the lease term, the Company shall confirm the amount of finance lease receivable, and derecognize finance lease assets. The amount of finance lease receivable shall be initially measured by net lease investment (sum of present value of unguaranteed balance and un-received lease receipts since the commencement date of the lease term after being discounted in accordance with the interest rate implicit in lease). In addition, interest incomes within the lease term shall be calculated and conformed in accordance with fixed periodic rate. Upon its occurrence, variable lease payment not measured as lease liabilities shall be recorded into current profits and losses, or into related asset cost.

(3) Sale-and-leaseback

① Company as lessee

The Company assesses whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the provisions of ASBE No. 14, "Revenue".

If the transfer of assets in a sale and leaseback transaction is a sale, the Company measures the right-of-use asset resulting from the sale and leaseback at the portion of the original asset's carrying value that relates to the right-of-use acquired through the leaseback and recognises the related gain or loss only for the right transferred to the lessor.

If the transfer of an asset in a sale-and-leaseback transaction is not a sale, the company continues to recognise the transferred asset, and at the same time recognises a financial liability equal to the transfer proceeds and accounts for the financial liability in accordance with ASBE No. 22, "Recognition and Measurement of Financial Instruments".

② Company as lessor

The Company assesses whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the provisions of ASBE No. 14, "Revenue".

If the transfer of assets in a sale and leaseback transaction is a sale, the Company accounts for the purchase of assets in accordance with other applicable corporate accounting standards and for the lease of assets in accordance with ASBE No. 21 - Leasing.

If the transfer of assets in a sale and leaseback transaction is not a sale, the company does not recognise the transferred assets, but recognises a financial asset equal to the transfer proceeds and accounts for the financial asset in accordance with ASBE No. 22 - Recognition and Measurement of Financial Instruments.

31. Other significant accounting policies and accounting estimates

(1) Hedge accounting

① Hedges include fair value hedges, cash flow hedges, and hedges of net investments in foreign operations.

② Hedge accounting is applied to hedging instruments that meet the following conditions: (1) the hedging relationship consists solely of the eligible hedging

instrument and hedged instrument; (2) at the inception of the hedge, the Company formally designates the hedging instrument and hedged item and prepares written documentation regarding the hedging relationship and the Company's risk management strategy and risk management objectives for engaging in the hedge; and (3) the hedging relationship meets the hedge effectiveness requirements.

The Company determines that a hedging relationship meets the requirements for hedge effectiveness when the following conditions are simultaneously met: (1) an economic relationship exists between the hedged item and the hedging instrument; (2) the impact of credit risk does not dominate the change in value resulting from the economic relationship between the hedged item and the hedging instrument; and (3) the hedge ratio of the hedging relationship is equal to the ratio of the number of hedged items that the Company is actually hedging to the actual number of hedging instruments hedged against the Company, but not to the actual number of hedging instruments hedged against the Company. The ratio of the actual number of instruments hedged does not reflect an imbalance in the relative weights of the hedged item and the hedging instrument.

The Company evaluates whether a hedging relationship meets the hedge effectiveness requirements on an ongoing basis at the hedge inception date and in subsequent periods. If a hedging relationship no longer meets the hedge effectiveness requirements due to the hedge ratio, but the risk management objective for which the hedging relationship was designated remains unchanged, the Company rebalances the hedging relationship.

③ Hedge accounting treatment

A. Fair value hedges

a. Gains or losses arising from hedging instruments are recognised in profit or loss. If the hedging instrument is a hedge of a non-trading equity instrument (or component thereof) that has been elected to be measured at fair value through other comprehensive

income, the gain or loss arising from the hedging instrument is included in other comprehensive income.

b. Gains or losses arising from the hedged item's exposure are recognised in profit or loss for the period, and the carrying amount of the recognised hedged item that is not measured at fair value is adjusted. If the hedged item is a debt instrument (or its component) measured at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is recognised in profit or loss for the current period without adjusting the carrying value; if the hedged item is an investment in non-trading equity instruments (or its component) measured at fair value through other comprehensive income, the gain or loss arising from the hedged risk exposure is recognised in other comprehensive income for the current period. Gains or losses arising from the hedged risk exposure are recognised in other comprehensive income without any adjustment to the carrying amount.

If the hedged item is a firm commitment (or a component of a firm commitment) that has not yet been recognised, the cumulative change in the fair value of the hedged item attributable to the hedged risk subsequent to the designation of the hedging relationship is recognised as an asset or a liability, with the related gain or loss being recognised in profit or loss in each of the relevant periods. When an asset is acquired or a liability is assumed as a result of the fulfilment of a firm commitment, the initial recognition amount of the asset or liability is adjusted to include the cumulative change in fair value of the hedged item recognised.

If the hedged item is a financial instrument (or its component) measured at amortised cost, the company amortises the adjustment to the carrying amount of the hedged item at the effective interest rate recalculated at the date of commencement of amortisation and recognises it in profit or loss for the period. If the hedged item is a debt instrument

(or its component) that is measured at fair value through other comprehensive income, the cumulative recognised hedging gains or losses are amortised in the same manner and recognised in profit or loss, but the carrying value of the debt instrument (or its component) is not adjusted.

B. Cash flow hedges

a. The portion of the gain or loss on the hedging instrument that is an effective hedge is recognised as a cash flow hedge reserve in other comprehensive income, while the ineffective portion is recognised in profit or loss. The amount of the cash flow hedge reserve is recognised as the lower of: (i) the cumulative gain or loss on the hedging instrument from the beginning of the hedge; and (ii) the cumulative change in the present value of the expected future cash flows of the hedged item from the beginning of the hedge.

b. When the hedged item is an anticipated transaction and the anticipated transaction results in the subsequent recognition of a non-financial asset or non-financial liability by the Company, or when the anticipated transaction of the non-financial asset and non-financial liability results in a firm commitment for which fair value hedge accounting is applicable, the Company transfers the amount of the cash flow hedge reserve that would otherwise have been recognised in other comprehensive income to the amount initially recognised for that asset or liability.

c. For other cash flow hedges, the amount of cash flow hedge reserve originally recognised in other comprehensive income is transferred out to profit or loss in the same period in which the hedged forecast transaction affects profit or loss.

C. Hedges of net investment in foreign operations

The portion of gains or losses arising from hedging instruments that are effective hedges is recognised in other comprehensive income and transferred out to current profit or

loss upon disposal of the foreign operation; the portion of gains or losses arising from hedging instruments that are ineffective hedges is recognised in current profit or loss.

(2) Repurchase of Shares

If the Company acquires shares for the purpose of reducing registered capital or rewarding employees, the amount actually paid for the shares is treated as treasury stock and recorded in the register of treasury stock. If the repurchased shares are cancelled, the difference between the total par value of the shares calculated on the basis of the nominal value of the cancelled shares and the number of shares cancelled and the amount actually paid for the repurchase is charged to capital surplus, and if capital surplus is not sufficient to be charged to capital surplus, it is charged to retained earnings; if the award of the repurchased shares to the Company's employees is an equity-settled share payment, the cost of shares and the accumulated amount of capital surplus (other capital surplus) during the waiting period are treated as treasury shares and recorded in the register of record. The cost of treasury stock delivered to employees and the cumulative amount of capital surplus (other capital surplus) during the waiting period are cancelled when the employees receive the purchase price of the Company's shares by exercising their options, and the capital surplus (share premium) is adjusted for the difference.

32. Changes in significant accounting policies and estimates

(1) Changes in accounting policies

The Company had no change in accounting policy during the reporting period

(2) Accounting estimate change

The Company had no change in accounting estimate during the reporting period

IV. Taxes

1. Main tax categories and tax rates

Tax Category	Specific Tax Rate
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Value-added tax	The output taxes of taxable income shall be calculated at a tax rate of 13%, 9% and 6%, and the VAT shall be calculated and paid based on the difference after deducting the amount of input tax that can be deducted for the current period.
Urban maintenance and construction tax	To be paid at 7%, 5% of the actually paid turnover tax. Education surcharge
Education surcharge	To be paid at 3% of the actually paid turnover tax.
Local education surcharge	To be paid at 2% of the actually paid turnover tax.
Enterprise income tax	Calculated and paid at 25%, 18.5%, 17%, 16.5%, 15%, 5% and 2.5% of taxable income.

The Company has different enterprise income tax rate taxpayers, and the specific conditions are as follows:

Name of tax payer	Income tax rate
Domestic subsidiary	25%, 20% and 15%
Hong Kong Tianyi International Holding Co., Ltd. Good Park International Investment Co., Ltd. Hong Kong Yisheng Petrochemical Investment Co., Ltd.	16.5% For offshore trade, the offshore profits tax exemption can be applied for.
Hengyi Industry International Co., Ltd.	The Company is approved to join the Singapore Global Trader Programme (GTP), so is entitled to the preferential enterprise income tax rate and payment of enterprise income tax at a tax rate of 5% from 2022 to 2026.
Hengyi Industries Sdn. Bhd.	18.5%
Hengyi International Logistics Co., Ltd. Hengyi Petrochemical International Co., Ltd.	17%

2. Tax incentives and approvals

(1) According to the Announcement on Issuing the Measures for the Administration of Preferential Value-Added Tax Policies for Promoting the Employment of Disabled Persons (Announcement No. 33 [2016] of the State Administration of Taxation) released by the State Administration of Taxation, Zhejiang Hengyi Polymer Co., Ltd. (Hereinafter “the Polymer Company”), a holding subsidiary of the Company, enjoyed the preferential VAT policy of immediate refund upon payment for the employment of disabled persons.

(2) Pursuant to the relevant provisions of the Announcement of the Ministry of Finance and the State Administration of Taxation on the Policy of Value-added Tax Credits for Enterprises in the Advanced Manufacturing Sector (Announcement No. 43 of 2023), from 1 January 2023 to 31 December 2027, enterprises in the advanced manufacturing sector are allowed to offset the payable value-added tax (VAT) by adding 5% to the creditable input tax amount for the current period.

(3) Zhejiang Hengyi High-Tech Materials Co., Ltd. (hereinafter referred to as "Hengyi High-Tech Materials"), the Company's holding subsidiary, and Zhejiang Hengyi Petrochemical Research Institute Co., Ltd. (hereinafter referred to as the "Institute"), the Company's wholly-owned subsidiary, obtained the High-tech Enterprise Certificates jointly issued by Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance and Zhejiang Provincial Taxation Bureau of the State Administration of Taxation on December 24, 2022, and were recognized as high-tech enterprises with a validity period of three years. According to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, Hengyi High-Tech Materials and the Institute are taxed at a reduced enterprise income rate of 15% from January 1, 2022 to December 31, 2024.

(4) Zhejiang Shuangtu New Materials (hereinafter referred to as "Shuangtu New

Materials"), a wholly-owned subsidiary of the Company, and Hangzhou Yijing Chemical Fibre Company Limited (hereinafter referred to as "Hangzhou Yijing"), a wholly-owned subsidiary of the Company, were certified as High and New Technology Enterprises by the Department of Science and Technology of Zhejiang Province and the Department of Finance of Zhejiang Province jointly issued by the State Administration of Taxation of Zhejiang Province. In accordance with the Enterprise Income Tax Law of the People's Republic of China and the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, Shuangtu New Materials and Hangzhou Yijing were entitled to a reduction of 15% in enterprise income tax from 01 January 2023 to 31 December 2025 (Note). (Note: The Company has disposed of the entire equity interest in Hangzhou Yiqing on 19 December 2023).

(5) On March 15, 2019, the Company's holding subsidiary Hengyi Industries International Pte. Ltd. was approved to join the Singapore Global Trader Programme (GTP). According to the approval document on December 31, 2021, Hengyi Industries International Pte. Ltd. was endowed with Approved Global Trading Company Status and it will enjoy the applicable preferential enterprise income tax rate of 5% from 2022 to 2026.

(6) The standard corporate income tax rate in Singapore is 17%, but the first 10,000 Singapore dollars of taxable income can enjoy 75% tax relief, and the taxable income of 10,001~190,000 Singapore dollars can enjoy 50% tax relief. The wholly-owned subsidiaries of the Company, Hengyi International Logistics Co., Ltd. and Hengyi Petrochemical International Co., Ltd., enjoy this preference.

(7) As Brunei PMB Petrochemical Project meets corresponding conditions for "Pioneer Enterprise", Hengyi Industries Sdn. Bhd. (a holding subsidiary of the Company) may

enjoy tax preference for 11 years: exemption of corporate income tax and imported apparatus & imported raw material tax.

(8) Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies on Enterprise Income Tax of Hainan Free Trade Port No. 31 of Cai Shui [2020], Hainan Heng Gui Trading Company Limited, a wholly-owned subsidiary of the Company, has been subject to a reduced enterprise income tax rate of 15% from 1 January 2020 onwards.

(9) Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement of the Ministry of Finance and the State Administration of Taxation No. 6 of 2023), Zhejiang Xiaoyi Supply Chain Management Co., Ltd. a wholly-owned subsidiary of the Company, is subject to a reduction of 25% of its taxable income for 2023, which is taxable income of up to 1 million yuan, and will be subject to an enterprise income tax at a tax rate of 20%.

(10) According to Article 6 of the Interim Regulations of the People's Republic of China on Property Tax, Guo Fa [1986] No. 90, where a taxpayer has difficulties in paying tax, the property tax may be reduced or exempted periodically as determined by the people's government of the province, autonomous region or municipality directly under the central government; according to the Announcement of the State Administration of Taxation of Zhejiang Province Taxation Bureau of the Department of Finance of Zhejiang Province on Matters Relating to the Hardship Reduction and Exemption of Property Tax and Urban Land Use Tax (SAT) Tax Bureau of Zhejiang Province Announcement No. 1 of 2024), Shuangtu New Materials is entitled to 80% of the preferential policy of property tax reduction and exemption for difficulties from 1

January to 31 December 2023, and HengYi Petrochemicals, Hangzhou Yijing, Holding Subsidiary Polymers and Zhejiang Yi Xin Chemical Fibre Company Limited are entitled to 60% of the preferential policy of property tax reduction and exemption for difficulties from 1 January to 31 December 2023.

(11) According to the Circular of the Ministry of Finance and the State Administration of Taxation on the Policies on Urban Land Use Tax and Other Policies for Units Placing Disabled Persons in Employment (Article 1 of Cai Shui [2010] No. 121), Polymer Co. enjoys a preferential policy of 100% reduction in land use tax for the year 2023 for placing disabled persons in employment.

(12) Pursuant to the "Notice of the Department of Finance of Guangxi Zhuang Autonomous Region on Matters Relating to Exemption from Levy of Local Water Conservancy Construction Fund" (Gui Cai Shui [2022] No. 11), all levy recipients of the Guangxi Zhuang Autonomous Region shall be exempted from levy of the local water conservancy construction fund from 1 April 2022 to 31 December 2026 (the Affiliated Period), and the Company and the Company's wholly-owned subsidiaries, namely, Guangxi Hengyi Shunqi Trading Co. Subsidiary Guangxi Heng Yi New Materials Company Limited, and the controlling subsidiary Guangxi Free Trade Zone Yihai Harbour Services Company Limited shall enjoy such preferential treatment.

(13) According to the Circular of the Ministry of Finance, the General Administration of Taxation, the Ministry of Ex-Servicemen on Tax Policies Related to Further Supporting the Entrepreneurship and Employment of Independently Employed Retired Soldiers ((CaiShui2019) No. 21) and the Announcement on Tax Policies Related to Further Supporting the Entrepreneurship and Employment of Key Groups (Announcement of the Ministry of Finance, the General Administration of Taxation, the Ministry of Human Resources and Social Security and the Ministry of Agriculture and

Rural Affairs No. 14 of 2023), the recruitment of independently employed retired soldiers. If they sign a labour contract with a term of more than 1 year and pay social insurance premiums in accordance with the law, the value-added tax, urban maintenance and construction tax, education surcharge, local education surcharge and enterprise income tax shall be deducted in order of the number of people actually recruited in accordance with the fixed standard of RMB 9,000 per person per year for a period of 3 years starting from the month of signing the labour contract and paying the social insurance premiums. Hengyi High-tech Materials, Research Institute, Shuangtu New Materials, Hengyi Petrochemicals, Polymer Company, Zhejiang Hengyi Petrochemicals Sales Company Limited, a wholly-owned subsidiary of the Company, Zhejiang Hengyi Engineering Management Company Limited, a wholly-owned subsidiary of the Company, Haining Hengyi New Materials Company Limited and Guangxi Hengyi Environmental Science and Technology Company Limited are entitled to this tax incentive for FY2023.

(14) According to the Circular of the Ministry of Finance, the General Administration of Taxation, the Ministry of Human Resources and Social Security, the State Council Office of Poverty Alleviation on Tax Policies Relating to Further Supporting and Promoting Entrepreneurship and Employment of Key Groups (Cai Shui [2019] No. 22) and the Announcement on Tax Policies Relating to Further Supporting Entrepreneurship and Employment of Key Groups (Announcement of the Ministry of Finance, the General Administration of Taxation, the Ministry of Human Resources and Social Security, the Ministry of Agriculture and Rural Affairs, Announcement No. 15 of 2023) Taxpayers will account for the total amount of tax reduction and exemption for their units according to the number of key groups recruited by their units and their actual number of months of work, and within the total amount of tax reduction and exemption, deduct value-added tax, urban maintenance and construction tax, education surcharge and local education surcharge sequentially on a monthly basis at a flat rate of

RMB7,800 per person per annum. HengYi Petrochemicals and HengYi High-Tech Materials are entitled to this tax incentive for the year 2023.

V. Notes to items of consolidated financial statements

Unless otherwise specified, for the following note items (including the main item notes to the Company's financial statements), the "end of the period" refers to December 31, 2023, the "end of previous year" refers to December 31, 2022, the "current period" refers to 2023, and the "previous period" refers to 2022.

1. Monetary funds

Item	Ending balance	Ending balance of previous year
Cash on hand	1,065,013.70	1,118,679.20
Bank deposit	7,927,366,494.60	11,793,245,385.08
Other monetary funds	5,899,471,579.10	5,564,111,474.22
Total	13,827,903,087.40	17,358,475,538.50
Wherein: The total amount of funds deposited abroad	2,284,767,031.67	4,521,667,307.86

Note: As of December 31, 2023, the monetary capital that the Company's right to use was restricted was RMB 5,309,784,965.28, including RMB 4,033,300,928.58 of L/C guarantee deposit, RMB1,015,191,038.98 of acceptance bill deposit, RMB 61,920,000.00 of L/G deposit, RMB 69,482,993.32 of collection for bill pledge, RMB 25,169,796.00 of judicially frozen fund, RMB 64,140,677.71 of futures deposit, and RMB 40,579,530.69 of other restricted funds.

2. Held-for- trading financial assets

Item	Ending balance	Ending balance of previous year
Financial assets measured at fair value through profit and loss	366,311,518.38	251,021,508.33
Wherein: Debt instrument investment	0.00	0.00
Equity instrument investment	0.00	0.00

Item	Ending balance	Ending balance of previous year
Derivative financial assets	366,311,518.38	251,021,508.33
Others	0.00	0.00
Specified as financial assets measured by fair value and whose changes included in current profits and losses	0.00	0.00
Total	366,311,518.38	251,021,508.33
Wherein: Portion reclassified to other non-current financial assets	0.00	0.00

3. Derivative financial assets

Item	Ending balance	Ending balance of previous year
Foreign exchange derivatives	0.00	0.00
Commodity derivatives	0.00	1,872,460.80
Total:	0.00	1,872,460.80

Cash-flow hedge:

In order to avoid the risk of cash flow changes related to commodity prices in product sales that are likely to occur in the future, the Company designates a series of commodity futures and paper market contracts held by it as hedging instruments for expected commodity sales. Commodity futures and paper market contracts designated as hedging instruments have an economic relationship with the expected sales of commodities under the hedging. The hedge ratio is reasonable, if the hedge ratio of hedging relationship is the same as the hedge ratio set from the perspective of risk management.

In order to avoid the risk of cash flow changes related to foreign currency borrowings in the future, the Company designates a series of foreign currency derivative contracts held by the Company as hedging instruments for foreign currency borrowings. The underlying assets of foreign currency derivatives designated as hedging instruments have an economic relationship with the hedged foreign currency borrowings. The hedge

ratio is reasonable, if the hedge ratio of hedging relationship is the same as the hedge ratio set from the perspective of risk management.

In this year, an amount of RMB22,418,946.16 was recorded into stockholders' equity as cash-flow hedge reserves in the Company. Details are described as follows:

Item	Current-period Quantity
Total gains of fair value recorded into stockholders' equity	0.00
Minus: Deferred income tax from the gains of fair value	0.00
Minus: Other comprehensive income is reclassified into current profit and loss	-33,539,051.80
Minus: Deferred income tax reclassified into current profit and loss	-1,511,985.87
Minus: Assigned to Minority Shareholders after Tax	9,608,119.77
Net profits from cash-flow hedge	22,418,946.16

4. Notes receivable

(1) Classified presentation of notes receivable

Item	Ending balance	Ending balance of previous year
Bank acceptance bills	167,871,662.32	246,560,954.07
Commercial acceptance bills	0.00	0.00
Domestic letter of credit	0.00	0.00
Subtotal	167,871,662.32	246,560,954.07
Minus: Provision for bad debts	0.00	0.00
Total	167,871,662.32	246,560,954.07

(2) Pledged notes receivable at the end of the year

Item	Amounts pledged at the end of period
Bank acceptance bills	147,675,900.00

(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	804,758,584.16	0.00

(4) Notes converted to accounts receivable at the yearend due to the non-performance of the drawer

There are not notes converted to accounts receivable at the yearend due to the non-performance of the drawer.

5. Accountable receivable

(1) Disclosure by aging

Aging	Ending balance	Ending balance of previous year
Within 1 year	5,922,412,767.50	6,857,378,133.02
Wherein: Within 6 months	5,916,751,635.07	6,853,588,160.54
7-12 months	5,661,132.43	3,789,972.48
1-2 years	9,444,117.81	918,708.38
2-3 years	606,578.77	163,835.86
Over three years	8,569,211.47	8,510,212.00
Subtotal	5,941,032,675.55	6,866,970,889.26
Minus: Provision for bad debts	15,857,715.96	9,057,241.04
Total	5,925,174,959.59	6,857,913,648.22

(2) Presented based on bad debt reserve provision method

Category	Ending balance				
	Book Balance		Provision for bad debts		Book Balance
	Amount	Proportion (%)	Amount	Allotment rate (%)	
Accounts receivable with single provision for bad debt	14,037,245.00	0.24	14,037,245.00	100.00	0.00
Wherein: Hangzhou Hengchuang Chemical Fibre Co., Ltd.	8,510,212.00	0.14	8,510,212.00	100.00	0.00
Changzhou Anding Textile Co.	4,778,562.20	0.08	4,778,562.20	100.00	0.00
Fujian Yuanye Logistics Co.	748,470.80	0.01	748,470.80	100.00	0.00

Category	Ending balance				
	Book Balance		Provision for bad debts		Book Balance
	Amount	Proportion (%)	Amount	Allotment rate (%)	
Receivables with bad debt provision made as per different groups	5,926,995,430.55	99.76	1,820,470.96	0.03	5,925,174,959.59
Wherein: This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	5,926,995,430.55	99.76	1,820,470.96	0.03	5,925,174,959.59
Total	5,941,032,675.55	100.00	15,857,715.96	0.27	5,925,174,959.59

(Continued)

Category	Ending balance of previous year				
	Book Balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Allotment rate (%)	
Accounts receivable with single provision for bad debt	8,510,212.00	0.12	8,510,212.00	100.00	0.00
Wherein: Hangzhou Hengchuang Chemical Fibre Co., Ltd.	8,510,212.00	0.12	8,510,212.00	100.00	0.00
Receivables with bad debt provision made as per different groups	6,858,460,677.26	99.88	547,029.04	0.01	6,857,913,648.22
Wherein: This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	6,858,460,677.26	99.88	547,029.04	0.01	6,857,913,648.22
Total	6,866,970,889.26	100.00	9,057,241.04	0.13	6,857,913,648.22

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 Fibre Co., Ltd.	8,510,212.00	8,510,212.00	100%	Expected to be less likely to be recovered
Changzhou Anding Textile Co.	4,778,562.20	4,778,562.20	100%	Expected to be less likely to be recovered

Accounts Receivable (by Unit)	Ending balance			
	Book balance	Bad debt provision	Allotment rate	Reason for provision
Fujian Yuanye Logistics Co.	748,470.80	748,470.80	100%	Expected to be less likely to be recovered
Total	14,037,245.00	14,037,245.00	--	--

(Continued)

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	5,916,751,635.07	0.00	0.00
7-12 months	5,661,132.43	283,056.63	5.00
1-2 years	3,917,084.81	1,175,125.44	30.00
2-3 years	606,578.77	303,289.42	50.00
Over three years	58,999.47	58,999.47	100.00
Total	5,926,995,430.55	1,820,470.96	--

(Continued)

Aging	Ending balance of previous year		
	Accounts receivable	Bad debt provision	Allotment rate (%)
Within 6 months	6,853,588,160.54	0.00	0.00
7-12 months	3,789,972.48	189,498.62	5.00
1-2 years	918,708.38	275,612.50	30.00
2-3 years	163,835.86	81,917.92	50.00
Over three years	0.00	0.00	0.00
Total	6,858,460,677.26	547,029.04	--

(3) Bad debt preparation

Category	Ending balance of previous year	Amount of changes in current period			Ending balance
		Provision	Amount recovered or written back	Resell or write off	
Accounts receivable with single provision for bad debt	8,510,212.00	5,527,033.00	0.00	0.00	14,037,245.00
This credit risk characteristic of this portfolio of receivables is defined by account receivable aging.	547,029.04	1,725,930.53	147,909.12	304,579.49	1,820,470.96
Total	9,057,241.04	7,252,963.53	147,909.12	304,579.49	15,857,715.96

(4) The top five ending amounts (totals by borrower) of accounts receivable

The top five ending amounts (totals by borrower) of the Company's accounts receivable amounted to RMB 2,980,207,054.83 in total, accounting for 50.16% of the year-end balance of accounts receivable, and the corresponding year-end balance of the provision for bad debts was RMB 0.00.

6. Accounts receivable financing

(1) Classified presentation of receivables financing

Item	Ending balance	Ending balance of previous year
Notes receivable	36,904,996.06	129,579,710.85
Accounts receivable	0.00	0.00
Total	36,904,996.06	129,579,710.85

(2) Changes of increase or decrease of financing of receivables in current period and changes in fair value thereof

Item	Ending balance of previous year		Changes in current period		Ending balance	
	Cost	Changes of fair value	Cost	Changes of fair value	Cost	Changes of fair value
Notes receivable	129,579,710.85	0.00	-92,674,714.79	0.00	36,904,996.06	0.00
Accounts receivable	0.00	0.00	0.00	0.00	0.00	0.00
Total	129,579,710.85	0.00	-92,674,714.79	0.00	36,904,996.06	0.00

(3) The amount of endorsed or discounted accounts receivable that become mature after the date of balance sheet at the end of the year.

Item	Ending balance of those derecognized	Ending balance of those not derecognized
Bank acceptance bills	1,540,626,533.10	0.00
Domestic letter of credit	814,695,276.00	0.00
Total	2,355,321,809.10	0.00

(4) Other description

During the current period, the Company discounted bank acceptance bills of RMB 2,560,062,129.52 (RMB 3,927,622,490.56 in the previous year) under the financing of receivables to banks. Main risks (e.g. interest rate risk) and remunerations related to these bank acceptance bills have been transferred to the bank. Therefore, the Company shall derecognize discounted immature bank acceptance bills. According to the cashing agreement, if the banker's acceptance failed to be cashed upon maturity, the bank has the right to ask the Company to pay off the unsettled balance. Therefore, the Company continued to involve in cashing the banker's acceptance. On December 31, 2023, the cashed but not mature banker's acceptance was RMB 1,102,109,044.00 in total (RMB 2,163,654,777.55 on December 31, 2022).

7. Advance payment

(1) Presentation of advance payment based on aging

Aging	Ending balance		Ending balance of previous year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,789,373,451.85	98.28	1,750,732,277.13	97.65
1-2 years	19,255,479.29	1.06	23,433,483.12	1.31
2-3 years	3,028,163.48	0.17	12,874,502.42	0.72
Over three years	8,837,381.11	0.49	5,656,584.18	0.32
Within 1 year	1,820,494,475.73	100.00	1,792,696,846.85	100.00

(2) Important advance payment with aging >1 year

At the end of the term, there is no important advance payment with aging >1 year in the Company.

(3) Advance payment with top five ending balance collected by object of prepayment

The top five ending amounts (totals by prepayment objects) of the Company's advance payments amounted to RMB 981,272,442.02, accounting for 53.90% in the total balance of prepayments at the year-end balance.

8. Other receivables

Item	Ending balance	Ending balance of previous year
Interest receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	187,541,184.46	133,782,632.86
Total	187,541,184.46	133,782,632.86

(1) Other receivables**① Disclosure by aging**

Aging	Ending balance	Ending balance of previous year
Within 1 year	157,253,512.38	85,330,016.44
1-2 years	4,033,004.26	2,625,100.78
2-3 years	1,390,154.45	18,718,506.81
Over three years	61,190,426.54	59,126,527.96
Subtotal	223,867,097.63	165,800,151.99
Minus: Bad debt provision	36,325,913.17	32,017,519.13
Total	187,541,184.46	133,782,632.86

② Classification based on nature of fund

Nature of account	Ending balance	Ending balance of previous year
Receivables and payables such as advances from entities beyond the scope of consolidation	27,184,746.69	27,054,550.51
Combination of tax refunds receivable and other government subsidies	15,897,035.30	18,364,333.51
Portfolio of deposits and security	119,507,155.21	62,664,839.19
Employee loan and petty cash	6,383,068.94	6,311,098.39
Other groups	54,895,091.49	51,405,330.39
Subtotal	223,867,097.63	165,800,151.99
Minus: Bad debt provision	36,325,913.17	32,017,519.13
Total	187,541,184.46	133,782,632.86

③ Accrual of bad debt reserves

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime (no credit impairment has occurred)	Expected credit loss over the lifetime (credit impairment occurred has occurred)	
Balance at end of previous year	5,350,148.44	421,325.60	26,246,045.09	32,017,519.13
Book balance of other receivables at the end of the previous year:				
- Transferred to Stage 2	0.00	--	--	0.00
- Transferred to Stage 3	0.00	0.00	--	0.00
- Transferred back to Stage 2	--	--	0.00	0.00
- Transferred back to Stage 1	--	0.00	0.00	0.00
Provision in current period	3,346,898.95	0.00	1,831,600.73	5,178,499.68
Roll-back in current period	483,910.04	379,625.60	6,570.00	870,105.64
Write-off in current period	0.00	0.00	0.00	0.00
Cancellation after verification in current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Ending balance	8,213,137.35	41,700.00	28,071,075.82	36,325,913.17

④ Situation of bad debt reserves

Category	Ending balance of previous year	Amount of changes in current period			Ending balance
		Provision	Amount recovered or written back	Write-off or Cancellation after Verification and Others	

Receivables and payables such as advances from entities beyond the scope of consolidation	811,636.50	234,545.39	230,891.53	0.00	815,290.36
Portfolio of deposits and security	3,454,215.52	2,957,791.00	407,183.46	0.00	6,004,823.06
Employee loan and petty cash	189,328.29	79,399.85	77,236.12	0.00	191,492.02
Other groups	27,562,338.82	1,906,763.44	154,794.53	0.00	29,314,307.73
Total	32,017,519.13	5,178,499.68	870,105.64	0.00	36,325,913.17

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 year ended (%)	Bad debt provision Ending balance
Baiduri Bank Berhad	Margin	60,183,999.39	Within 1 year	26.88	3,009,199.97
China (Guangxi) Pilot Free Trade Zone Qinzhou Port Area Investment Service Centre	Margin	40,000,000.00	Within 1 year	17.87	2,000,000.00
Wang XX	Claim for indemnity	1,719,275.62	Within 1 year	12.49	27,956,250.71
		26,236,975.09	Over three years		
Fulida Group and Xinghui Chemical Fibre Group Co., Ltd.	Compensation	2,253,072.35	Within 1 year	11.54	1,291,659.37
		23,580,115.13	Over three years		
Tax Bureau of Xiaoshan District	Tax returns	15,897,035.30	Within 1 year	7.10	0.00
Total	—	169,870,472.88	--	75.88	34,257,110.05

Note: The relevant description on balance formation of the Company's "other receivables - Wang" and full provision for bad debts at the end of current period can be found in Note XI. 1 (1).

⑥ Accounts receivable involving government grants

Name of organization	Name of government grants	Ending balance	Aging at the end of the period	Time, amount and basis of estimated collection
Tax Bureau of Xiaoshan District	Value-added tax refund	15,897,035.30	Within 6 months	Before May, 2024

Note: As of the date of this financial report, RMB 11,428,235.30 has been recovered from "VAT refunds".

9. Inventory

(1) Classification of inventory

Item	Ending balance		
	Book balance	Inventory depreciation reserves/Impairment reserves for contract performance cost	Book value
Materials in transit	619,097,411.51	129,177.90	618,968,233.61
Raw materials	5,057,860,629.36	2,477,361.36	5,055,383,268.00
Goods in process	1,423,940,390.58	19,196,332.00	1,404,744,058.58
Commodity stocks	6,029,526,106.66	49,698,635.18	5,979,827,471.48
Contract performance cost	1,272,831.70	0.00	1,272,831.70
Total	13,131,697,369.81	71,501,506.44	13,060,195,863.37

(Continued)

Item	Ending balance of previous year		
	Book balance	Inventory depreciation reserves/Impairment reserves for contract performance cost	Book value
Materials in transit	2,167,614,674.66	0.00	2,167,614,674.66
Raw materials	4,761,057,332.22	50,978,954.18	4,710,078,378.04
Goods in process	1,289,739,172.39	89,318,021.98	1,200,421,150.41
Commodity stocks	6,222,986,720.67	227,434,527.33	5,995,552,193.34
Contract performance cost	9,818,174.73	0.00	9,818,174.73

Item	Ending balance of previous year		
	Book balance	Inventory depreciation reserves/Impairment reserves for contract performance cost	Book value
Total	14,451,216,074.67	367,731,503.49	14,083,484,571.18

(2) Inventory depreciation reserves

Item	Ending balance of previous year	Increase in current period		Decrease in current period		Ending balance
		Provision	Others	Write-back or write-off	Others	
Materials in transit	0.00	129,177.90	0.00	0.00	0.00	129,177.90
Raw materials	50,978,954.18	2,477,361.36	0.00	51,245,167.63	-266,213.45	2,477,361.36
Goods in process	89,318,021.98	19,105,849.83	0.00	90,358,235.15	-1,130,695.34	19,196,332.00
Commodity stocks	227,434,527.33	49,550,120.68	0.00	228,280,266.03	-994,253.20	49,698,635.18
Total	367,731,503.49	71,262,509.77	0.00	369,883,668.81	-2,391,161.99	71,501,506.44

Note: The reason for the Company's re-sell inventory depreciation reserves in current period is the external sales of the inventory for which the inventory depreciation provision has been made.

10. Other current assets

Item	Ending balance	Ending balance of previous year
Unamortized expense	149,807,903.33	180,672,280.12
Input tax retained	246,014,337.84	217,586,355.91
Excess tax paid	26,449,284.90	9,688,362.57
Input tax to be certified	324,194,945.70	313,718,497.07
Principal and interest of entrusted loan	787,149,197.50	989,433,904.99
Others	269,739.82	133,431.20
Total	1,533,885,409.09	1,711,232,831.86

11. Long-term receivable

Long-term accounts receivable

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment Reserve	Book value
Financing lease	137,312,857.42	0.00	137,312,857.42	172,869,347.67	0.00	172,869,347.67
Wherein: Unrealized financing income	-50,417,221.27	0.00	-50,417,221.27	-66,418,901.96	0.00	-66,418,901.96
Long-term deposits	3,674,423.03	0.00	3,674,423.03	3,613,154.11	0.00	3,613,154.11
Minus: Portion due within one year	0.00	0.00	0.00	0.00	0.00	0.00
Total	140,987,280.45	0.00	140,987,280.45	176,482,501.78	0.00	176,482,501.78

12. Long-term equity investments

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment Reserve	Book value
Investments in joint ventures and associates	13,669,254,123.61	0.00	13,669,254,123.61	12,831,505,320.53	0.00	12,831,505,320.53

Investments in joint ventures and associates

Investee	Ending balance of previous year	Changes of increase or decrease in current period				
		Additional investment	Negative investment	Investment profits and losses recognized under the equity method Investment profits and losses	Other comprehensive income adjustment	Changes in other equity
I. Joint ventures						
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	1,076,560,288.46	0.00	0.00	56,301,538.05	0.00	0.00
Hainan Yisheng Petrochemical Co., Ltd.	3,304,105,270.86	0.00	0.00	175,495,660.54	-3,994,020.89	0.00
Subtotal	4,380,665,559.32	0.00	0.00	231,797,198.59	-3,994,020.89	0.00
II. Associated companies						
Dalian Yisheng Investment Co., Ltd.	2,026,108,173.51	0.00	0.00	23,229,152.72	1,347,331.43	0.00

Investee	Ending balance of previous year	Changes of increase or decrease in current period				
		Additional investment	Negative investment	Investment profits and losses recognized under the equity method Investment profits and losses	Other comprehensive income adjustment	Changes in other equity
ChinaZheshang Bank Co., Ltd.	4,852,177,976.81	469,864,134.10	0.00	497,155,858.90	42,997,200.00	-108,658.67
Ningbo Jinhou Industry Investment Co., Ltd.	14,254,625.24	0.00	0.00	-98,622.42	0.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	1,401,413,074.57	0.00	0.00	-278,049,901.76	-287,482.76	0.00
Dongzhan Shipping Co., Ltd.	156,885,911.08	0.00	0.00	10,165,363.70	825,799.57	0.00
Subtotal	8,450,839,761.21	469,864,134.10	0.00	252,401,851.14	44,882,848.24	-108,658.67
Total	12,831,505,320.53	469,864,134.10	0.00	484,199,049.73	40,888,827.35	-108,658.67

(Continued)

Investee	Changes of increase or decrease in current period			Ending balance	Impairment reserves Ending balance
	Announcement of release Cash dividend or profit	Provisions for impairment reserves	Others		
I. Joint ventures					
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	0.00	0.00	0.00	1,132,861,826.51	0.00
Hainan Yisheng Petrochemical Co., Ltd.	0.00	0.00	0.00	3,475,606,910.51	0.00
Subtotal	0.00	0.00	0.00	4,608,468,737.02	0.00
II. Associated companies					
Dalian Yisheng Investment Co., Ltd.	0.00	0.00	0.00	2,050,684,657.66	0.00
ChinaZheshang Bank Co., Ltd.	157,094,549.43	0.00	0.00	5,704,991,961.71	0.00
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,156,002.82	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	0.00	0.00	1,123,075,690.05	0.00
Dongzhan Shipping Co., Ltd.	0.00	0.00	0.00	167,877,074.35	0.00

Investee	Changes of increase or decrease in current period			Ending balance	Impairment reserves Ending balance
	Announcement of release Cash dividend or profit	Provisions for impairment reserves	Others		
Subtotal	157,094,549.43	0.00	0.00	9,060,785,386.59	0.00
Total	157,094,549.43	0.00	0.00	13,669,254,123.61	0.00

13. Other equity instrument investments

(1) Investment in other equity instruments

Item	Ending balance	Ending balance of previous year
Zhejiang Hengchuang Advanced Functional Fibre Innovation Center Co., Ltd.	600,000.00	600,000.00
Jiangsu New Horizon Advanced Functional Fibre Innovation Center Co., Ltd.	5,000,000.00	5,000,000.00
Total	5,600,000.00	5,600,000.00

14. Fixed assets

Item	Ending balance	Ending balance of previous year
Fixed assets	45,430,020,661.94	47,462,032,827.08
Liquidation of fixed assets	0.00	4,428,849.55
Total	45,430,020,661.94	47,466,461,676.63

(1) Fixed assets

① Information of fixed assets

Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
I. Original book value						
1. Ending balance (previous year)	12,813,268,253.23	1,399,454,302.06	51,173,404,951.36	348,095,986.25	330,635,705.91	66,064,859,198.81
2. Increase in current period	628,838,500.06	121,741,776.37	1,482,899,290.53	30,026,375.01	26,338,986.11	2,289,844,928.08
(1) Acquisition	42,000,744.06	-9,289,997.33	22,835,176.49	7,412,796.46	7,968,173.39	70,926,893.07
(2) Transfer from construction in progress	466,137,930.91	110,645,472.22	1,129,603,596.51	20,980,339.70	17,270,956.02	1,744,638,295.36

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Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
(3) Translation of foreign currency statements	120,699,825.09	2,009.24	330,418,039.65	1,633,238.85	1,099,856.70	453,852,969.53
(4) Others	0.00	20,384,292.24	42,477.88	0.00	0.00	20,426,770.12
3. Decrease in current period	296,927,477.26	10,876,195.75	1,467,543,762.70	9,229,051.59	20,310,963.48	1,804,887,450.78
(1) Disposal or retirement	5,818,853.36	583,799.01	124,612,947.41	4,899,755.36	861,769.06	136,777,124.20
(2) Transfer to construction in progress	0.00	0.00	882,985,801.72	0.00	0.00	882,985,801.72
(3) Conversion of foreign currency statements	0.00	0.00	0.00	0.00	5,168.98	5,168.98
(4) Change in scope of consolidation	259,087,577.64	10,292,396.74	458,956,369.11	4,329,296.23	19,434,623.76	752,100,263.48
(5) Others	32,021,046.26	0.00	988,644.46	0.00	9,401.68	33,019,092.40
4. Balance at the end of current year	13,145,179,276.03	1,510,319,882.68	51,188,760,479.19	368,893,309.67	336,663,728.54	66,549,816,676.11
II. Accumulated depreciation						
1. Ending balance (previous year)	1,559,080,629.20	701,904,351.26	15,984,949,611.21	163,103,812.80	190,150,975.59	18,599,189,380.06
2. Increase in current period	340,624,406.82	82,401,691.59	2,707,098,079.84	49,783,100.67	49,722,058.73	3,229,629,337.65
(1) Provision	332,308,198.68	81,464,885.84	2,673,042,540.17	48,839,729.07	48,969,274.20	3,184,624,627.96
(2) Conversion of foreign currency statements	8,316,208.14	961.46	34,040,318.43	943,371.60	752,784.53	44,053,644.16
(3) Others	0.00	935,844.29	15,221.24	0.00	0.00	951,065.53
3. Decrease in current period	55,420,621.66	4,904,614.29	626,480,374.51	8,290,940.10	13,926,152.98	709,022,703.54
(1) Disposal or retirement	3,229,713.76	435,273.57	73,287,657.09	4,829,450.86	740,604.36	82,522,699.64
(2) Transfer to construction in progress	0.00	0.00	350,182,352.56	0.00	0.00	350,182,352.56
(3) Conversion of foreign currency statements	0.00	0.00	0.00	0.00	0.00	0.00
(4) Change in scope of consolidation	51,255,063.61	4,469,340.72	203,010,364.86	3,461,489.24	13,185,548.62	275,381,807.05
(5) Others	935,844.29	0.00	0.00	0.00	0.00	935,844.29
4. Balance at the end of current year	1,844,284,414.36	779,401,428.56	18,065,567,316.54	204,595,973.37	225,946,881.34	21,119,796,014.17
III. Impairment reserves						
1. Ending balance (previous year)	0.00	0.00	3,636,991.67	0.00	0.00	3,636,991.67
2. Increase in current period	0.00	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	3,636,991.67	0.00	0.00	3,636,991.67

Item	Houses and buildings	Structures	Machinery equipment	Transportation equipment	Office facilities and others	Total
(1) Disposal or retirement	0.00	0.00	3,636,991.67	0.00	0.00	3,636,991.67
4. Balance at the end of current year	0.00	0.00	0.00	0.00	0.00	0.00
IV. Book value						
1. Book value at the end of this year	11,300,894,861.67	730,918,454.12	33,123,193,162.65	164,297,336.30	110,716,847.20	45,430,020,661.94
2. Book value at the end of the previous year	11,254,187,624.03	697,549,950.80	35,184,818,348.48	184,992,173.45	140,484,730.32	47,462,032,827.08

Note: The original value of machinery and equipment of RMB882,985,801.72 and accumulated depreciation of RMB350,182,352.56 were transferred to construction materials in the statement of work-in-progress due to the adjustment of the planning of the area in which Hangzhou Yi Maizi is located, and its related relocatable chemical fibre production equipment was transferred to the Company's subsidiary, Hangzhou Yitong New Materials Company Limited, which would be put into production on an opportune basis.

② Temporarily idle fixed assets

Item	Original Book Value	Accumulated depreciation	Impairment reserves	Book value
Houses and buildings	8,710,289.69	947,846.90	0.00	7,762,442.79
Machinery equipment	14,580,738.09	3,970,255.89	0.00	10,610,482.20
Total	23,291,027.78	4,918,102.79	0.00	18,372,924.99

③ Situation of fixed assets with uncompleted certificate of title

Item	Book value	Reasons for failure to complete relevant affairs of property right certificate
Real estate of Fujian Yi Jin Chemical Fibre Co., Ltd.	124,783,293.52	In process
Real estate of Guangxi Hengyi New Material Co., Ltd	11,297,949.33	In process
Real estate of Haining Hengyi Thermal Power Co., Ltd.	140,296,429.23	In process
Real estate of Jiaxing Yipeng Chemical Fibre Co., Ltd.	417,698,198.53	In process

Real estate of Suqian Hengyuan Thermal Energy Co., Ltd.	167,660,813.21	In process
Real estate of Suqian Yida New Materials Co., Ltd.	311,886,879.10	In process
Real estate of Taicang Yifeng Chemical Fibre Co., Ltd.	12,797,028.70	Property obtained by auction, under transaction
Real estate of Zhejiang Shuangtu New Materials Co., Ltd.	7,434,789.85	Makeshift house

(2) Liquidation of fixed assets

Machinery equipment	Ending balance	Ending balance of previous year
Machinery equipment	0.00	4,428,849.55

15. Construction in progress

Item	Ending balance	Ending balance of previous year
Construction in progress	4,005,782,015.72	3,608,062,223.99
Engineering materials	604,523,744.30	143,827,176.95
Total	4,610,305,760.02	3,751,889,400.94

(1) In-process construction

① Situation of in-process construction

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment reserves	Book value
Phase II of the refining-petrochemical project in Brunei	2,713,040,992.62	0.00	2,713,040,992.62	2,217,273,317.70	0.00	2,217,273,317.70
Haining New Materials Construction Project	94,804.30	0.00	94,804.30	49,503,959.30	0.00	49,503,959.30
Suqian Yida Expansion Project (Phase II)	14,143,692.44	0.00	14,143,692.44	521,514,887.05	0.00	521,514,887.05
The project of centralized heating for Suqian Yida Project	232,083,426.90	0.00	232,083,426.90	365,207,528.09	0.00	365,207,528.09
Guangxi Jijin Project (Phase I)	875,865,394.43	0.00	875,865,394.43	143,465,895.02	0.00	143,465,895.02
The boiler project of Zhejiang	0.00	0.00	0.00	77,784,628.37	0.00	77,784,628.37

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Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment reserves	Book value
Shuangtu New Materials Co., Ltd.						
Heat transfer oil boiler renovation project of Zhejiang Hengyi High- Tech Materials Co., Ltd.	0.00	0.00	0.00	60,407,803.61	0.00	60,407,803.61
Other projects	170,553,705.03	0.00	170,553,705.03	172,904,204.85	0.00	172,904,204.85
Total	4,005,782,015.72	0.00	4,005,782,015.72	3,608,062,223.99	0.00	3,608,062,223.99

② Changes of major construction projects in progress in current period

Item	Budget (RMB 10,000)	Ending balance of previous year	Increase in current period Amount	Amount of transferred into fixed assets in current period	Other decrease in current period	Ending balance
Phase II of the refining-petrochemical project in Brunei	\$1,365,389.00	2,217,273,317.70	455,933,849.94	0.00	-39,833,824.98	2,713,040,992.62
Haining New Materials Construction Project	892,500.00	49,503,959.30	99,731,117.63	149,140,272.63	0.00	94,804.30
Suqian Yida Expansion Project (Phase II)	385,000.00	521,514,887.05	451,809,220.82	959,180,415.43	0.00	14,143,692.44
The project of centralized heating for Suqian Yida Project	65,000.00	365,207,528.09	111,958,777.79	245,082,878.98	0.00	232,083,426.90
Guangxi Jijin Project (Phase I)	1,054,737.57	143,465,895.02	744,043,388.55	11,643,889.14	0.00	875,865,394.43
The boiler project of Zhejiang Shuangtu New Materials Co., Ltd.	8,850.00	77,784,628.37	22,246,577.78	100,031,206.15	0.00	0.00
Heat transfer oil boiler renovation project of Zhejiang Hengyi High- Tech Materials Co., Ltd.	9,100.00	60,407,803.61	32,116,193.63	92,523,997.24	0.00	0.00
Other projects	--	172,904,204.85	184,800,371.37	187,035,635.79	115,235.40	170,553,705.03
Total	--	3,608,062,223.99	2,102,639,497.51	1,744,638,295.36	-39,718,589.58	4,005,782,015.72

(Continued)

Project name	Proportion of project accumulated investment in budget (%)	Progress of Works (%) Project progress	Interest capitalization accumulative amount	Wherein: Interest for the current period Capitalized amount	Capitalization rate of interest in current period (%)	Sources of funds
Phase II of the refining-	2.86	2.86%	0.00	0.00	--	Self-raised funds

Project name	Proportion of project accumulated investment in budget (%)	Progress of Works (%) Project progress	Interest capitalization accumulative amount	Wherein: Interest for the current period Capitalized amount	Capitalization rate of interest in current period (%)	Sources of funds
petrochemical project in Brunei						
Haining New Materials Construction Project	103.88	99.50%	344,624,923.13	0.00	--	Self-raised funds and loans Raised fund
Suqian Yida Expansion Project (Phase II)	25.61	30.00%	24,971,018.35	6,561,088.96	4.90	Self-raised funds and loans Raised fund
The project of centralized heating for Suqian Yida Project	101.38	95.00%	0.00	0.00	--	Self-raised funds
Guangxi Jijin Project (Phase I)	8.45	18.18%	58,549,344.58	58,549,344.58	4.06	Self-raised funds and loans Raised fund
The boiler project of Zhejiang Shuangtu New Materials Co., Ltd.	113.03	100.00%	0.00	0.00	--	Self-raised funds
Heat transfer oil boiler renovation project of Zhejiang Hengyi High-Tech Materials Co., Ltd.	101.67	100.00%	0.00	0.00	--	Self-raised funds
Other projects	--	--	0.00	0.00	--	Self-raised funds
Total	--	--	428,145,286.06	65,110,433.54	--	--

(2) Engineering materials

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Special materials	65,427,244.67	0.00	65,427,244.67	137,253,622.03	0.00	137,253,622.03
Special equipment	539,096,499.63	0.00	539,096,499.63	6,573,554.92	0.00	6,573,554.92
Total	604,523,744.30	0.00	604,523,744.30	143,827,176.95	0.00	143,827,176.95

16. Right-of-use assets

Item	Houses and buildings	Machinery equipment	Land use right	Total
I. Original book value				
1. Ending balance (previous year)	67,427,680.52	0.00	414,971,815.78	482,399,496.30
2. Increase in current period	18,178,771.20	0.00	7,036,753.21	25,215,524.41
(1) Increase in rental income	17,579,274.72	0.00	0.00	17,579,274.72
(2) Conversion of foreign currency statements	599,496.48	0.00	7,036,753.21	7,636,249.69
3. Decrease in current period	13,394,193.34	0.00	0.00	13,394,193.34
(1) Decrease due to contract expiration	13,394,193.34	0.00	0.00	13,394,193.34
(2) Conversion of foreign currency statements	0.00	0.00	0.00	0.00
4. Balance at the end of current year	72,212,258.38	0.00	422,008,568.99	494,220,827.37
II. Accumulated depreciation				
1. Ending balance (previous year)	21,921,141.95	0.00	30,475,691.11	52,396,833.06
2. Increase in current period	24,121,698.64	0.00	16,314,183.28	40,435,881.92
(1) Provision	23,803,098.53	0.00	15,721,790.14	39,524,888.67
(2) Conversion of foreign currency statements	318,600.11	0.00	592,393.14	910,993.25
3. Decrease in current period	13,394,193.34	0.00	0.00	13,394,193.34
(1) Decrease due to contract expiration	13,394,193.34	0.00	0.00	13,394,193.34
(2) Conversion of foreign currency statements	0.00	0.00	0.00	0.00
4. Balance at the end of current year	32,648,647.25	0.00	46,789,874.39	79,438,521.64
III. Impairment reserves				

Item	Houses and buildings	Machinery equipment	Land use right	Total
1. Ending balance (previous year)	0.00	0.00	0.00	0.00
2. Increase in current period	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00
4. Balance at the end of current year	0.00	0.00	0.00	0.00
IV. Book value				
1. Book value at the end of this year	39,563,611.13	0.00	375,218,694.60	414,782,305.73
2. Book value at the end of the previous year	45,506,538.57	0.00	384,496,124.67	430,002,663.24

17. Intangible assets

(1) Situation of intangible assets

Item	Land use right	Patents and Licences	Mark	Software and others	Total
I. Original book value					
1. Ending balance (previous year)	2,898,636,499.71	659,022,102.02	19,740.00	170,590,110.17	3,728,268,451.90
2. Increase in current period	11,485,652.09	5,852,100.03	0.00	14,532,932.91	31,870,685.03
(1) Acquisition	11,485,652.09	0.00	0.00	13,602,869.28	25,088,521.37
(2) Internal R&D	0.00	0.00	0.00	0.00	0.00
(3) Conversion of foreign currency statements	0.00	5,852,100.03	0.00	930,063.63	6,782,163.66
3. Decrease in current period	145,773,556.73	0.00	0.00	2,454,859.33	148,228,416.06
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Changes in the scope of business combinations	145,773,556.73	0.00	0.00	2,412,381.45	148,185,938.18
(3) Others	0.00	0.00	0.00	42,477.88	42,477.88

Item	Land use right	Patents and Licences	Mark	Software and others	Total
4. Balance at the end of current year	2,764,348,595.07	664,874,202.05	19,740.00	182,668,183.75	3,611,910,720.87
II. Accumulated amortization					
1. Ending balance (previous year)	293,979,925.46	410,545,149.16	19,740.00	85,192,931.32	789,737,745.94
2. Increase in current period	69,203,639.03	37,980,284.24	0.00	16,541,903.97	123,725,827.24
(1) Provision	69,203,639.03	36,024,788.91	0.00	16,212,016.72	121,440,444.66
(2) Conversion of foreign currency statements	0.00	1,955,495.33	0.00	329,887.25	2,285,382.58
3. Decrease in current period	34,997,720.14	0.00	0.00	893,738.05	35,891,458.19
(1) Disposal	0.00	0.00	0.00	0.00	0.00
(2) Changes in the scope of business combinations	34,997,720.14	0.00	0.00	893,738.05	35,891,458.19
4. Balance at the end of current year	328,185,844.35	448,525,433.40	19,740.00	100,841,097.24	877,572,114.99
III. Impairment reserves					
1. Ending balance (previous year)	0.00	0.00	0.00	0.00	0.00
2. Increase in current period	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00
3. Decrease in current period	0.00	0.00	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00	0.00	0.00
4. Balance at the end of current year	0.00	0.00	0.00	0.00	0.00
IV. Book value					
1. Book value at the end of this year	2,436,162,750.72	216,348,768.65	0.00	81,827,086.51	2,734,338,605.88
2. Book value at the end of the previous year	2,604,656,574.25	248,476,952.86	0.00	85,397,178.85	2,938,530,705.96

(2) Situation of intangible assets with limited ownership or use right

Item	Book value at the end of the period	Amortization amount in current period	Reason for restriction
Land use right	2,031,649,175.86	54,247,115.09	Mortgage loan

18. Development expenditure

Item	Ending balance of previous year	Increase in current period		Decrease in current period		Ending balance
		Internal development expenditures	Others	Recognized as Intangible assets	Transferred to current profit and loss	
Research and application development of bio-based PTT elastic shape memory fibre series	3,002,503.92	434,913.72	0.00	0.00	0.00	3,437,417.64
3,000t/a caprolactam gas phase rearrangement and crystallization project	18,340,465.12	27,043,337.48	0.00	0.00	0.00	45,383,802.60
Development of differentiated new flame-retardant products	38,579.16	0.00	0.00	0.00	38,579.16	0.00
Total	21,381,548.20	27,478,251.20	0.00	0.00	38,579.16	48,821,220.24

19. Goodwill

(1) Original book value of goodwill

Name or formation of investee goodwill matters	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
		Business combination	Disposal	
Zhejiang Shuangtu New Material Co., Ltd.	221,865,586.69	0.00	0.00	221,865,586.69

(2) Impairment test process of goodwill

In November 2018, with an amount of RMB 2,105 million, the Company purchased all

stocks of Zhejiang Shuangtu New Materials Co., Ltd., and amortized the merger prices in accordance with relevant accounting standards. On the combination date, the fair value is RMB 1,883,134,400 for the acquiree's net identifiable assets. As a result, an amount of RMB 221,865,600 goodwill is formed in the consolidated accounting statement.

This year, the Company assessed the recoverable amount of goodwill and conducted impairment tests on various asset groups related to goodwill. In the process of goodwill impairment test, the Company determined the composition of the assets of the asset groups related to the goodwill reflected in the Company's consolidated financial statements and their book value of RMB 1,750,023,000 based on the consolidated financial statement as on December 31, 2023 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, 2023 was RMB 1,856,000,000, and no impairment occurred. Details are as follows:

Currency unit: 10,000

Item	Book number of consolidated statements
Fixed assets	132,855.52
Construction in progress	555.77
Intangible assets	19,357.76
Long-term unamortized expenses	46.69
Goodwill recognized in consolidated statements	22,186.56
Subtotal of book value of asset groups containing goodwill	175,002.30
Vale of goodwill not recognized as attributable to minority shareholders' equity	0.00
Total adjusted book value of asset groups containing goodwill	175,002.30

Item	Book number of consolidated statements
Present value (recoverable amount) of the estimated future cash flow of the asset group	185,600.00

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 [2024] No. A01-0022 Asset Appraisal Report issued by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd. on April 12, 2024 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 2028. Therefore, the predictive period is determined from January 2024 to December 2028 (five years in total), and the discount rate of 10.27% is adopted.

Important assumptions for goodwill impairment test:

- ① Assumption of orderly transaction: Orderly transaction refers to the transaction that related assets or liabilities have usual marketing activities within a period of time prior to the measurement date.
- ② Assumption of open market: It means that assets can be traded freely in the fully competitive market, and that its price depends on independent buyer's and seller's value judgment under certain market supply and demand conditions. It is an assumption about the conditions of the target assets market and about the influence of assets under relatively complete market conditions.
- ③ Going concern assumption: Assume no unforeseeable factor leading to a failure to continue operations, when the entrusted asset group is continuously operated in accordance with the current situation, purpose, usage mode and management level on the base date;

- ④ No significant change in the existing editions of applicable national laws & regulations and macro-economic situation; No unforeseeable significant change in external economic environment (e.g. interest rate, exchange rate, tax base & rate and policy collection expenses);
- ⑤ Assume that the Company's current business model can be continuously maintained in the future, and predict the future cash flow of assets based on current asset conditions, excluding the prediction of the future cash flow related to restructuring or modification that will probably occur in the future and that has not been promised yet;
- ⑥ Assume that cash inflow and outflow of the asset group occur in the middle of the year after the assessment base date.
- ⑦ Assume that the management of the acquired party after the assessment base date is responsible, stable, and capable of assuming their positions.

20. Long-term deferred expenses

Item	Ending balance of previous year	Increase in current period	Amortization amount in current period	Other decreases in amount	Ending balance
Renovation costs	1,300,456.92	8,661,752.88	1,726,403.06	-228.81	8,236,035.55
Storage tank use right transfer fees	614,316.50	0.00	147,435.96	0.00	466,880.54
Catalyst	434,858,060.60	116,821,613.13	116,167,502.89	-7,377,113.76	442,889,284.60
Others	6,958,983.65	4,628,199.93	2,520,357.84	-4.35	9,066,830.09
Total	443,731,817.67	130,111,565.94	120,561,699.75	-7,377,346.92	460,659,030.78

21. Deferred income tax assets/ deferred income tax liabilities

- (1) Details of deferred income tax assets

Item	Ending balance		Ending balance of previous year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment loss on credit assets	46,422,101.57	7,825,529.70	36,951,677.06	5,636,084.44
Asset impairment reserves	13,950,243.69	3,487,560.92	73,251,230.47	15,843,906.01
Changes in fair value of held-for-trading financial assets	16,480,122.16	4,120,030.54	28,824,109.33	7,206,027.34
Accrued expenses	819,949.97	145,104.74	159,529.55	23,929.43
Deferred income	51,550,425.74	9,438,555.06	91,704,353.43	15,346,671.75
Deductible losses	1,394,478,280.40	313,916,414.42	1,467,199,781.25	306,067,338.31
Cash-flow hedging	0.00	0.00	6,047,943.46	1,511,985.87
Differences in right-of-use assets	2,577,536.77	644,384.20	51,720.35	12,930.09
Total	1,526,278,660.30	339,577,579.58	1,704,190,344.90	351,648,873.24

(2) Details of deferred income tax liabilities

Item	Ending balance		Ending balance of previous year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Appreciation of assets appraisal for business merger not under the same control	269,591,564.80	40,438,734.72	296,207,939.40	44,431,190.91
Changes in fair value of held-for-trading financial assets	24,503,635.04	4,663,526.26	25,596,501.91	4,572,763.08
Deduction differences of fixed assets before one-off income tax	165,154,726.26	34,841,693.13	131,540,806.43	30,811,846.42
Differences in right-to-use assets	3,127,960.70	781,990.18	0.00	0.00
Unrealized profits arising from intra-group trading	12,545,133.80	3,136,283.45	9,344,733.79	2,336,183.45

Item	Ending balance		Ending balance of previous year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Total	474,923,020.60	83,862,227.74	462,689,981.53	82,151,983.86

(3) Details of unconfirmed deferred income tax assets

Item	Ending balance	Ending balance of previous year
Deductible temporary difference	200,772,191.45	166,691,372.86
Deductible losses	2,441,391,427.09	2,404,898,394.41
Total	2,642,163,618.54	2,571,589,767.27

(4) Deductible losses of unconfirmed deferred income tax assets will be mature in the following years

Year	Ending balance	Ending balance of previous year
2023	--	76,870,143.05
2024	112,798,534.47	145,795,018.28
2025	3,192,986.38	161,153,678.35
2026	466,167,211.51	506,572,258.86
2027	1,017,609,025.68	1,514,507,295.87
2028 and beyond	841,623,669.05	--
Total	2,441,391,427.09	2,404,898,394.41

22. Other non-current assets

Item	Ending balance	Ending balance of previous year
Payment for long-term assets	3,042,674,890.57	756,296,579.88
Prepayment of dumping right transfer fees	2,134,899.05	2,268,330.25
Taxes for right-of-use assets	4,801,825.00	512,002.80
Others	3,049,611,614.62	759,076,912.93

23. Short-term borrowing

(1) Classification of short-term loans

Item	Ending balance	Ending balance of previous year
Pledge loan	15,270,452,358.06	13,158,605,565.69
Mortgage loan	600,000,000.00	1,464,969,222.65
Guarantee loan	23,405,449,966.48	20,146,414,778.93
Fiduciary loan	1,745,634,031.66	3,018,789,487.46
Loan interest	100,721,912.66	87,054,283.36
Total	41,122,258,268.86	37,875,833,338.09

Note: For asset classes and amounts of mortgaged loans, please refer to Note V. 6. For detail category and amount of assets pledged for loan, please refer to Notes V (66).

24. Held-for-trading financial liabilities

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Trading financial liabilities	21,353,552.33	91,310,867.34	4,469,799.98	108,194,619.69
Wherein: Exchangeable bonds issued	0.00	0.00	0.00	0.00
Derivative financial liabilities	21,353,552.33	91,310,867.34	4,469,799.98	108,194,619.69
Others	0.00	0.00	0.00	0.00
Refers to financial liabilities classified as at fair value through profit or loss	0.00	0.00	0.00	0.00
Total	21,353,552.33	91,310,867.34	4,469,799.98	108,194,619.69

25. Derivative financial liabilities

Item	Ending balance	Ending balance of previous year
Foreign exchange derivatives	0.00	8,555,804.28
Commodity derivatives	0.00	33,056,054.03
Total	0.00	41,611,858.31

26. Notes payable

Category	Ending balance	Ending balance of previous year
Commercial acceptance bills	0.00	0.00
Bank acceptance bills	740,998,553.81	117,879,321.16
Domestic letter of credit	0.00	697,290,000.00
Total	740,998,553.81	815,169,321.16

27. Accounts payable

(1) Presentation of accounts payable

Item	Ending balance	Ending balance of previous year
Within 1 year	5,541,601,283.94	8,480,378,889.22
1-2 years	225,665,423.99	651,432,866.93
2-3 years	416,065,535.80	142,063,217.20
Over three years	378,791,124.86	494,603,002.86
Total	6,562,123,368.59	9,768,477,976.21

(2) Important accounts payable with > 1 year aging

Item	Ending balance	Reasons for outstanding or carry over
China Sinogy Electric Engineering Co., Ltd.	111,593,237.00	Warranty has not expired.
China Chemical Engineering Second Construction Corporation (Brunei Branch)	102,865,245.83	Warranty has not expired.
Nanjing Chemical Construction Co., Ltd. (Brunei Branch)	93,402,273.86	Warranty has not expired.
China National Chemical Engineering Third Construction Co., Ltd. (Brunei Branch)	70,755,356.70	Warranty has not expired.
CSCPE (B) SDN BHD	59,799,887.71	Warranty has not expired.
Total	438,416,001.10	--

28. Contract liabilities

(1) Situation of contract liabilities

Item	Ending balance	Ending balance of previous year
Advance receipts for non-performance of contracts	833,244,701.76	1,080,383,448.03
Minus: Those included in other current liabilities (Note V.33)	76,672,908.46	90,760,675.06
Total	756,571,793.30	989,622,772.97

(2) There were no significant changes in the book value in current period.

29. Payroll payable

(1) Presentation of payroll payable

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
I. Short-term remuneration	162,292,803.90	2,473,176,072.16	2,467,401,075.57	168,067,800.49
II. post-employment benefits defined contribution plans	28,994,231.17	120,244,892.33	139,887,725.74	9,351,397.76
III. Termination benefits	0.00	3,556,885.15	3,556,885.15	0.00
IV. Other benefits due within one year	0.00	0.00	0.00	0.00
Total	191,287,035.07	2,596,977,849.64	2,610,845,686.46	177,419,198.25

(2) Presentation of short-term salaries

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
1. Wage, bonus, allowances and subsidies	158,494,565.81	2,265,910,341.26	2,259,552,766.09	164,852,140.98
2. Employee welfare expenses	119,631.64	82,082,911.11	82,100,626.23	101,916.52
3. Social insurance charges	2,114,081.70	70,198,208.46	71,187,818.82	1,124,471.34
Wherein: Medical insurance	791,173.83	63,219,728.67	63,242,234.68	768,667.82
Industrial injury insurance premiums	1,322,907.87	6,145,798.67	7,112,903.02	355,803.52
Birth insurance premiums	0.00	832,681.12	832,681.12	0.00
4. Housing fund	30,036.14	38,253,330.96	38,217,541.00	65,826.10
5. Labor union dues and personnel education fund	1,534,488.61	16,731,280.37	16,342,323.43	1,923,445.55
6. Short-term compensated absences	0.00	0.00	0.00	0.00
7. Short-term profit-sharing plan	0.00	0.00	0.00	0.00

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
8. Others	0.00	0.00	0.00	0.00
Total	162,292,803.90	2,473,176,072.16	2,467,401,075.57	168,067,800.49

(3) Presentation of defined contribution plans

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
1. Basic endowment insurance	28,057,494.86	116,387,216.75	135,347,836.14	9,096,875.47
2. Unemployment insurance expenses	936,736.31	3,857,675.58	4,539,889.60	254,522.29
3. Enterprise annuities	0.00	0.00	0.00	0.00
Total	28,994,231.17	120,244,892.33	139,887,725.74	9,351,397.76

30. Tax payable

Item	Ending balance	Ending balance of previous year
Value-added tax	170,678,334.27	254,514,471.42
Enterprise income tax	35,357,064.36	36,531,077.86
Urban maintenance and construction tax	1,362,481.67	7,138,301.48
Education surcharge	690,626.52	3,098,068.34
Land use tax	23,073,288.28	12,211,062.04
Property tax	38,270,663.18	38,615,251.06
Individual income tax	1,734,026.33	1,559,102.94
Stamp tax	34,122,581.48	33,277,197.35
Local education surcharge	460,417.69	2,065,378.90
Disabled security fund	611,922.97	104,544.00
Others	359,963.56	196,274.22
Total	306,721,370.31	389,310,729.61

31. Other payables

Item	Ending balance	Ending balance of previous year
Interests payable	0.00	0.00

Dividends payable	0.00	0.00
Other payables	188,374,004.43	235,619,327.94
Total	188,374,004.43	235,619,327.94

(1) Other payables

① Listed by nature of amount

Item	Ending balance	Ending balance of previous year
Receivables and payables	22,826,305.18	11,926,223.68
Deposit and security fund	115,320,416.26	169,136,880.99
Unliquidated expense funds	23,377,964.42	30,272,834.48
Agency fund	16,179,087.78	15,407,171.39
Others	10,670,230.79	8,876,217.40
Total	188,374,004.43	235,619,327.94

② Listed by aging

Item	Ending balance	Ending balance of previous year
Within 1 year	132,424,825.33	175,682,069.17
1-2 years	14,474,680.39	31,986,148.62
2-3 years	22,285,643.69	10,759,047.41
Over three years	19,188,855.02	17,192,062.74
Total	188,374,004.43	235,619,327.94

③ Significant accounts payable with aging exceeding 1 year

Item	Ending balance	Reasons for outstanding or carry over
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Hangzhou Huifeng Chemical Fibre Co., Ltd.	11,733,346.48	Deposit
Employee stock ownership	3,097,780.33	Incomplete settlement
Yousheng Village, Yaqian Town, Xiaoshan City	2,136,825.00	Incomplete settlement
Shandong Antai Construction Co.	1,601,960.00	Margin
Zhejiang Hengyang Logistics Co.	1,000,000.00	Margin
Total	19,569,911.81	---

32. Non-current liabilities due within one year

Item	Ending balance	Ending balance of previous year
Long-term loans and interests mature within one year (Notes V. 34)	4,916,491,740.40	5,278,621,966.80
Bonds payable and interests mature within one year (Notes V. 35)	10,092,304.09	6,828,015.61
Lease liabilities mature within one year (Notes V. 36)	11,080,739.86	12,747,561.17
Long-term payables and interests mature within one year (Notes V5. 37)	872,044,031.44	1,235,137,137.26
Total	5,809,708,815.79	6,533,334,680.84

33. Other current liabilities

Item	Ending balance	Ending balance of previous year
Taxes of items for write-off	76,672,908.46	90,760,675.06

34. Long-term borrowings

Item	Ending balance	Ending balance of previous year
Pledge loan	116,793,723.00	128,357,577.99

Mortgage loan	10,974,343,200.55	12,774,621,309.20
Guarantee loan	8,496,751,227.48	8,343,813,035.68
Fiduciary loan	0.00	75,000,000.00
Interests payable	68,045,453.29	63,970,080.28
Minus: Long-term loans and interests due within one year (Notes V, 32)	4,916,491,740.40	5,278,621,966.80
Total	14,739,441,863.92	16,107,140,036.35

For asset classes and amounts of mortgaged loans, please refer to Note V. 66.

For detail category and amount of assets pledged for loan, please refer to Notes V (66).

35. Bonds payable

(1) Bonds payable

Item	Ending balance	Ending balance of previous year
Corporate bonds	4,278,805,701.33	4,061,538,995.85

(2) Increase/decrease in bonds payable (excluding other financial instruments divided into financial liabilities, such as preferred stock and perpetual bond)

Bond name	Nominal Value	Date of issue	Bond Deadline	Issue Amount	Ending balance of previous year
Corporate bonds (20Hengyi01)	1,000,000,000.00	2020-03-13	3 years	995,500,000.00	848,170.74
Hengyi Convertible Bond 127022	2,000,000,000.00	2020-10-16	6 years	1,508,831,199.68	1,705,891,393.84
Hengyi Convertible Bond 127067	3,000,000,000.00	2022-07-21	6 years	2,303,101,412.70	2,361,627,446.88
Subtotal	6,000,000,000.00	--	--	4,807,432,612.38	4,068,367,011.46
Bond name	Nominal Value	Date of issue	Bond Deadline	Issue Amount	Ending balance of previous year

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Minus: Partial year-end balance due within one year (Note V. 32)	--	--	--	--	6,828,015.61
Total	6,000,000,000.00	--	--	4,807,432,612.38	4,061,538,995.85

(Continued)

Bond name	Issuance in current period	Accrued interest at face value	Discounted amortization	Repayment or stock conversion in current period	Interest paid in current period	Ending balance
Corporate bonds (20Hengyi01)	0.00	7,434.26	0.00	811,000.00	44,605.00	0.00
Hengyi Convertible Bond 127022	0.00	14,903,446.07	-87,872,188.76	12,000.00	11,998,909.20	1,796,656,119.47
Hengyi Convertible Bond 127067	0.00	7,207,515.15	-129,618,116.72	211,600.00	5,999,592.80	2,492,241,885.95
Subtotal	0.00	22,118,395.48	217,490,305.48	1,034,600.00	18,043,107.00	4,288,898,005.42
Minus: Partial year-end balance due within one year (Note V. 32)	--	--	--	--	--	10,092,304.09
Total	0.00	22,118,395.48	-217,490,305.48	1,034,600.00	18,043,107.00	4,278,805,701.33

36. Lease liabilities

Item	Ending balance of previous year	Increase in current period			Decrease in current period	Ending balance
		New Lease	Interest for the current period	Others		
Land use right	426,757,376.88	0.00	0.00	89,396.16	-18,293,380.23	445,140,153.27
Buildings	17,275,562.58	17,753,344.90	-94,455.23	7,401,295.30	27,231,364.46	15,104,383.09
Minus: Lease liabilities due within one year (Note V. 32.)	12,747,561.17	--	--	--	--	11,080,739.86
Total	431,285,378.29	17,753,344.90	-94,455.23	7,490,691.46	8,937,984.23	449,163,796.50

37. Long-term payables

Item	Ending balance	Ending balance of previous year
Long-term payables	464,759,585.87	1,433,381,038.10

Special payables	0.00	0.00
Total	464,759,585.87	1,433,381,038.10

(1) Long-term payables

Item	Ending balance	Ending balance of previous year
Financing lease payable	1,336,803,617.31	2,668,518,175.36
Minus: Partial balance due within one year (Note V. 32)	872,044,031.44	1,235,137,137.26
Total	464,759,585.87	1,433,381,038.10

38. Estimated liabilities

Item	Ending balance of previous year	Ending balance	Reason
Pending action	360,508.08	819,949.97	See Notes XI, 1 for detail.

39. Deferred income

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance	Reason
Government grants	231,197,027.42	57,184,900.00	71,658,000.79	216,723,926.63	Assets-related
Government grants	7,216,080.63	2,064,926.00	2,282,704.88	6,998,301.75	Income-related
Total	238,413,108.05	59,249,826.00	73,940,705.67	223,722,228.38	

Items involving governmental subsidies:

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Subsidized Items	Ending balance of previous year	Number of new subsidies for the current period	Amount included in non-operating income in current period	Amount included in other income in current period	Other changes	Ending balance	Assets- related/ Income- related
Development, modification and corresponding industrialization projects	7,216,080.63	2,064,926.00	0.00	2,282,704.88	0.00	6,998,301.75	
Special rewards for significant industry projects	36,786,793.07	500,000.00	0.00	2,140,348.68	0.00	35,146,444.39	Income- related
Subsidies for boiler cleaner transformation	8,583,313.17	0.00	0.00	1,560,602.39	0.00	7,022,710.78	Assets- related
Subsidies for automation projects	4,843,879.45	0.00	0.00	565,749.07	0.00	4,278,130.38	Assets- related
Functional fibre technological transformation projects	40,238,631.91	39,235,200.00	0.00	23,745,697.35	6,933,666.18	48,794,468.38	Assets- related
Technological transformation projects in manufacturing enterprises	40,931,703.78	12,548,100.00	0.00	29,888,745.99	2,182,621.07	21,408,436.72	
Special equipment subsidies	5,645,161.29	4,701,600.00	0.00	1,113,650.28	0.00	9,233,111.01	Assets- related
Industrial robot projects	1,035,694.78	0.00	0.00	672,673.80	363,020.98	0.00	Assets- related
Internet digital factory projects	259,308.34	0.00	0.00	167,198.98	92,109.36	0.00	
Land compensation	92,500,000.00	0.00	0.00	2,000,000.00	0.00	90,500,000.00	Assets- related
Others	372,541.63	200,000.00	0.00	105,250.00	126,666.66	340,624.97	Assets- related
Total	238,413,108.05	59,249,826.00	0.00	64,242,621.42	9,698,084.25	223,722,228.38	Assets- related

40. Share capital

Item	Ending balance of previous year	Increase/decrease in current period (+, -)					Ending balance
		Issue of new shares	Bonus shares	Capital reserve converted into share capital	Others	Subtotal	
Sum of shares	3,666,280,806.00	0.00	0.00	0.00	21,219.00	21,219.00	3,666,302,025.00

Note: The conversion period of "Heng Yi Convertible Bonds" (bond code: 127022) is from 22 April 2021 to 15 October 2026, and the conversion period of "Heng Yi Convertible 2" (bond code: 127067) is from 30 January 2023 to 20 July 2028. In FY2023, a total of 120 "Heng Yi Convertible Bonds" will be converted into a total of

1,084 shares of "Heng Yi Petrochemical Company"; and the total number of 2,116 "Heng Yi Conversion 2" shares was converted into 20,135 "Heng Yi Petrochemical" shares. The Company's share capital was increased by RMB 21,219.00, and the "capital surplus - capital premium" was increased by RMB 192,596.12 at the same time.

41. Other equity instruments

Outstanding Financial Instruments	Ending balance of previous year		Increase in current period		Decrease in current period		Ending balance	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Equity part of convertible corporate bonds	49,998,272	1,159,082,382.38	0.00	0.00	2,236	50,612.09	49,996,036	1,159,031,770.29

Note: For the equity part of convertible corporate bonds decreased in current period, please refer to Note V. 40.

42. Capital surplus

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Capital premiums	11,351,506,628.30	192,596.12	86,407.31	11,351,612,817.11
Other capital reserves	148,432,210.71	1,909,527.00	87,424,269.34	62,917,468.37
Capital reserves generated by simulation of shareholding structure and quantity	-2,329,301,104.61	0.00	0.00	-2,329,301,104.61
Total	9,170,637,734.40	2,102,123.12	87,510,676.65	9,085,229,180.87

Note 1: An amount of RMB192,596.12 is increased for capital reserves - capital premiums. Please refer to Note V. 40 for details.

Note 2: In current period, capital reserves - capital premiums are decreased by an amount of RMB 86,407.31, due to the reduction in commission charges resulted from stock repurchase.

Note 3: The increase of RMB1,909,527.00 in capital surplus-other during the period was due to the addition of new customers involved in lawsuits between Shuangtu New Material and the customers before it was acquired by the Company, which increased the loss of Shuangtu New Material and was recognised in the consolidated statement of income as capital surplus.

Note 4: Capital surplus-other decreased by RMB 87,424,269.34 during the period. Among them, the Company decreased by RMB 108,658.67 due to the share placement of an associate, Zheshang Bank Co., Ltd., which was accounted for under the equity method, and reduced capital surplus by RMB 87,315,610.67 in the consolidated statement of accounts due to the purchase of equity interests in subsidiaries owned by minority shareholders of the subsidiaries.

43. Treasury stock

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Stock repurchases via centralized bidding	1,483,566,737.98	885,375,228.94	0.00	2,368,941,966.92

Note: In this reporting period, the Company has increased an amount of RMB 885,375,228.94 treasury stock by means of centralized bidding.

44. Other comprehensive income

Item	At end of the previous year Balance	Amount incurred in current period					Ending Balance
		Amount incurred before income tax for the current period	Minus: Recorded into other comprehensive income in the earlier stage and rolled into current profits and losses	Minus: Income tax expenses	Assigned to Parent Company after tax	Assigned to minority shareholders after tax	
I. Other	0.00	790,515.39	0.00	0.00	790,515.39	0.00	790,515.39

Item	At end of the previous year Balance	Amount incurred in current period					Ending Balance
		Amount incurred before income tax for the current period	Minus: Recorded into other comprehensive income in the earlier stage and rolled into current profits and losses	Minus: Income tax expenses	Assigned to Parent Company after tax	Assigned to minority shareholders after tax	
comprehensive income that cannot be re-classified into profit and loss							
Wherein: Re-measurement profits or losses of a defined benefit plan	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income cannot be recognized in profit and loss by equity law	0.00	790,515.39	0.00	0.00	790,515.39	0.00	790,515.39
II. Other comprehensive income to be re-classified into profit and loss	380,920,744.19	268,844,549.37	-32,027,065.93	0.00	299,021,100.60	1,850,514.70	679,941,844.79
Wherein: Other comprehensive income can be recognized in profit and loss under equity method	123,242,202.91	40,098,311.96	0.00	0.00	41,753,641.58	-1,655,329.62	164,995,844.49

Item	At end of the previous year Balance	Amount incurred in current period					Ending Balance
		Amount incurred before income tax for the current period	Minus: Recorded into other comprehensive income in the earlier stage and rolled into current profits and losses	Minus: Income tax expenses	Assigned to Parent Company after tax	Assigned to minority shareholders after tax	
Effective part of cash-flow hedge profits and losses	-22,418,946.16	0.00	-32,027,065.93	0.00	22,418,946.16	9,608,119.77	0.00
Exchange differences from translation of financial statements	280,097,487.44	228,746,237.41	0.00	0.00	234,848,512.86	-6,102,275.45	514,946,000.30
Total (other comprehensive income)	380,920,744.19	269,635,064.76	-32,027,065.93	0.00	299,811,615.99	1,850,514.70	680,732,360.18

45. Appropriative reserve

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Production safety expenses	0.00	56,840,830.32	56,840,830.32	0.00

Note: Both increase and decrease in special reserves in this reporting period are calculated and utilized production safety expenses.

46. Earned surplus

Item	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance
Legal surplus	781,701,619.18	25,435,281.81	0.00	807,136,900.99

Note: In accordance with the Company Law and the Articles of Association of the Company, the Company shall withdraw legal surplus by 10% of its net profits. Legal surplus will not be withdrawn any more, when its accumulated amount reaches over 50% of the Company's registered capital.

47. Undistributed profit

Item	Current Period	Prior Period
Undistributed profits at the end of previous year before adjustment	11,771,637,510.92	13,623,601,273.27
Total amount of undistributed profits at the end of the previous year after adjustment (+/-)	0.00	-29,714,854.19
Undistributed profits at the end of the previous year after adjustment	11,771,637,510.92	13,593,886,419.08
Plus: Net profits assigned to the parent company's shareholders in current period	435,458,340.57	-1,079,547,699.72
Minus: Legal surplus withdrawal	25,435,281.81	29,805,951.31
Withdrawal of any legal surplus	0.00	0.00
Withdrawal of common risk reserves	0.00	0.00
Common stock dividends payable	0.00	714,984,128.60
Dividends transferred to capital	0.00	0.00
Plus: Others	0.00	2,088,871.47
Undistributed profits at the end of the period	12,181,660,569.68	11,771,637,510.92

48. Operating income and operating cost

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost

Main business	134,516,059,362.49	129,629,554,889.25	151,033,877,489.07	147,658,124,585.52
Other businesses	1,632,054,719.85	1,400,678,793.63	1,016,397,455.57	857,385,936.86
Total	136,148,114,082.34	131,030,233,682.88	152,050,274,944.64	148,515,510,522.38

49. Tax and associate charge

Item	Amount incurred in current period	Amount incurred in previous period
Consumption tax	3,035,691.33	2,281,758.47
Urban maintenance and construction tax	22,513,751.09	34,209,769.24
Education surcharge	10,382,113.28	14,778,808.23
Property tax	45,739,257.62	45,934,982.23
Land use tax	30,084,436.29	20,656,922.96
Vehicle and vessel use tax	115,925.99	132,337.88
Stamp tax	129,021,455.41	96,476,768.46
Local education surcharge	6,921,408.85	9,852,512.83
Water conservancy construction funds	0.00	107,209.29
Others	1,727,250.02	2,062,042.91
Total	249,541,289.88	226,493,112.50

Note: For detail payment standard for various taxes and surcharges, please refer to Note IV. "Taxes".

50. Selling expenses

Item	Amount incurred in current period	Amount incurred in previous period
Import & export charges	78,314,347.37	80,703,510.03
Staff Salaries	98,266,014.49	105,863,328.67
Insurance	14,105,980.26	18,242,399.53

Item	Amount incurred in current period	Amount incurred in previous period
Storage charges	6,848,857.07	6,890,273.57
Business entertainment	1,796,525.52	1,386,492.92
Travel expenses	4,985,577.18	3,588,383.56
Vehicle expenses	1,510,011.64	1,704,177.86
Rental expenses	2,800.00	1,024,141.89
Office expenses	1,262,715.92	1,098,049.00
Handling charges	5,786,721.28	3,629,779.27
Agency fees	5,249,744.25	1,073,079.70
Others	11,154,994.11	22,240,133.81
Total	229,284,289.09	247,443,749.81

51. Administration expenses

Item	Amount incurred in current period	Amount incurred in previous period
Staff Salaries	403,725,775.77	380,611,106.77
Intangible assets amortization cost	45,052,660.96	44,717,399.78
Fixed assets depreciation expenses	265,706,471.75	264,912,054.87
Business entertainment	8,422,226.85	7,534,601.57
Vehicle expenses	13,767,451.92	14,199,552.08
Environmental expenditure	13,995,242.27	14,099,876.20
Office expenses	10,691,860.18	12,719,117.63
Agency fees	22,896,767.26	23,525,506.07
Travel expenses	30,398,870.01	9,618,696.43
Rental expenses	13,972,415.31	31,059,048.43
Repair charges	416,808,822.16	104,455,800.29
Premiums for property insurance	28,510,503.37	30,266,565.27
Transportation and storage fees	59,767,369.80	64,342,751.65
Operating licence fee	11,908,662.76	10,376,076.19
Others	88,602,835.36	72,548,830.47

Item	Amount incurred in current period	Amount incurred in previous period
Total	1,434,227,935.73	1,084,986,983.70

52. R&D expenses

Item	Amount incurred in current period	Amount incurred in previous period
Direct investment cost	411,739,313.04	422,987,682.39
Staff Salaries	148,843,373.25	138,713,533.15
Depreciation expenses	64,325,403.87	45,568,357.41
Technical development cost	17,636,809.83	20,972,568.77
Other expenses	73,774,627.67	40,463,886.85
Total	716,319,527.66	668,706,028.57

53. Financial expenses

Item	Amount incurred in current period	Amount incurred in previous period
Interest expense	3,306,322,914.56	2,682,684,624.12
Minus: Interest income	217,648,751.41	193,688,404.54
Profit or loss on exchange	-140,346,056.78	-66,292,681.05
Bank charges	295,574,639.10	364,993,956.67
Total	3,243,902,745.47	2,787,697,495.20

54. Other incomes

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Governmental subsidies related to daily enterprise acti	336,311,581.30	234,911,502.58	113,982,377.05

Return of withhold individual income tax commission charges	649,467.48	1,330,974.63	0.00
Total	336,961,048.78	236,242,477.21	113,982,377.05

Governmental subsidies related to daily enterprise activities are described in detail as follows:

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period	Assets-related/ Income-related
Assets-related subsidies	61,959,916.54	17,382,373.75	42,444,758.19	Income-related
Income-related deferred income	2,282,704.88	1,982,904.60	2,282,704.88	Income-related
“Head Goose” policy support rewards	0.00	7,657,500.00	0.00	Income-related
Rewards for high-tech enterprise	530,000.00	300,000.00	530,000.00	Income-related
Environmental protection subsidies	613,680.00	121,900.00	613,680.00	Income-related
Subsidies for scientific and technological innovation	6,499,432.04	66,800,000.00	6,499,432.04	Income-related
Incentives for export operations	10,539,924.52	11,386,675.00	0.00	Income-related
Tax refund	59,934,431.35	58,170,985.10	3,779,601.35	Income-related
Employment-related subsidies	5,599,282.77	14,697,824.54	5,599,282.77	Income-related
Policy support funds	36,468,100.00	-7,673,592.73	36,468,100.00	Income-related
Intelligent manufacturing funds	61,100.00	1,100,000.00	61,100.00	Income-related
Special funds for promotion of industrial structure adjustment	0.00	34,050,000.00	0.00	Income-related
Rewards for manufacturing enterprises	14,713,800.00	1,470,000.00	14,713,800.00	Income-related
Working capital subsidy	0.00	15,575,600.00	0.00	Income-related
Investment promotion	0.00	1,500,000.00	0.00	Income-related
Advanced manufacturing input VAT credits and deductions	136,119,291.38	0.00	0.00	Income-related
Others	989,917.82	10,389,332.32	989,917.82	Income-related
Total	336,311,581.30	234,911,502.58	113,982,377.05	--

Note: For government subsidies related to assets and deferred income related to income,

please refer to Note V. 39. Deferred Income for details.

55. Investment income

Item	Amount incurred in current period	Amount incurred in previous period
Income from long-term equity investment checked with equity method	490,890,359.42	823,499,882.13
Investment income generated by disposal of long-term equity investment	448,973,414.86	159,238,486.18
Investment income generated by disposal of held-for-trading financial assets	45,612,962.20	-237,478,291.99
Total	985,476,736.48	745,260,076.32

56. Income from fair value changes

Source of income from fair value changes	Amount incurred in current period	Amount incurred in previous period
Financial assets measured at fair value through profit and loss	35,044,790.52	-165,711,256.97
Wherein: Income from fair value change generated by derivative financial instruments	35,044,790.52	-165,711,256.97
Financial liabilities measured by fair value and whose changes included in current profits and losses	-82,757,620.02	-41,547,937.87
Hedging business	2,591,630.82	-4,177,289.52
Total	-45,121,198.68	-211,436,484.36

57. Credit impairment losses

Item	Amount incurred in current period	Amount incurred in previous period
Bad debt loss on receivables	-7,103,558.34	-454,388.44

Bad debt loss on other receivables	-4,323,174.58	-647,397.13
Total	-11,426,732.92	-1,101,785.57

58. Assets impairment loss

Item	Amount incurred in current period	Amount incurred in previous period
Loss on inventory depreciation	-71,262,509.77	-361,681,414.01
Loss on impairment of fixed assets	0.00	-6,996,027.02
Total	-71,262,509.77	-368,677,441.03

59. Income from assets disposal

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Profits or losses from disposal of fixed assets	-9,399,633.84	-23,661,125.27	-9,399,633.84
Gains or losses from disposal of intangible assets	56,843.35	0.00	56,843.35
Total	-9,342,790.49	-23,661,125.27	-9,342,790.49

60. Non-operating income

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Gains from damage and scrapping of non-current assets	524,905.44	0.00	524,905.44
Wherein: Fixed assets	524,905.44	0.00	524,905.44

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Governmental subsidies irrelevant to daily enterprise activities	373,507.13	710,041.57	373,507.13
Income from indemnities and fines	12,920,943.66	6,654,298.45	12,920,943.66
Non-payable current accounts	202,885.35	1,331,685.07	202,885.35
The cost of acquisition of an investment in an associate is less than the gain arising from the fair value of the identifiable net assets of the investee at the time the investment is acquired	16,534,148.40	0.00	16,534,148.40
Others	5,364,119.48	6,247,228.14	5,364,119.48
Total	35,920,509.46	14,943,253.23	35,920,509.46

Governmental subsidies are described in detail as follows:

Subsidized Items	Amount incurred in current period	Amount incurred in previous period	Assets-related /Income-related
IRAS Jobs Support Scheme	159,652.92	601,143.99	Income-related
Others	213,854.21	108,897.58	Income-related
Total	373,507.13	710,041.57	--

61. Non-operating expenses

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Loss on damage and scrapping of non-current assets	23,368,528.97	6,640,525.86	23,368,528.97

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in non-recurring profits and losses for the current period
Wherein: Fixed assets	23,368,528.97	6,640,525.86	23,368,528.97
Expenditure of donation	6,858,000.00	6,922,110.90	6,858,000.00
Late fees, penalties and liquidated damages	23,519,641.48	4,909,233.94	23,519,641.48
Others	12,225,333.01	1,789,720.09	12,225,333.01
Total	65,971,503.46	20,261,590.79	65,971,503.46

62. Income tax expenses

(1) Table of income tax expenses

Item	Amount incurred in current period	Amount incurred in previous period
Income tax expenses in current period	46,126,222.53	45,178,553.83
Deferred income tax expenses	-14,966,761.28	-230,035,312.37
Total	31,159,461.25	-184,856,758.54

(2) Accounting profit and income tax expense adjustment process

Item	Amount incurred in current period
Total profits	399,838,171.03
Income tax expenses calculated by legal/applicable tax rate	99,959,542.76
Influence of subsidiary applicable to different tax rates	-11,340,252.06
Influence of adjustment to income tax in previous periods	5,137,381.07
Influence of nontaxable income	-137,939,906.39
Influence of non-deductible cost, expense and loss	45,809,652.14
Influence of deductible loss on the use of previously unconfirmed deferred income tax assets	-75,737,303.76
Influence of deductible temporary difference or deductible loss on	164,580,656.38

Item	Amount incurred in current period
unconfirmed deferred income tax assets in current period	
Influence of weighted deduction cost, expense and other items allowed to deduct by tax law	-53,165,286.40
Others	-6,145,022.49
Income tax expenses	31,159,461.25

63. Other comprehensive income

See Notes V. 44 for detail.

64. Items in cash flow statement

(1) Reception of other cash related to business activities

Item	Amount incurred in current period	Amount incurred in previous period
Receivables and payables	25,922,960.56	1,739,551.19
Margin and deposit	115,436,902.90	144,266,262.60
Government grants	141,665,269.80	249,608,718.75
Interest income	167,866,162.76	130,714,288.20
Indemnities and fines	10,812,516.37	6,333,085.21
Judicial freezing	0.00	10,503,440.47
Bank bill margin	6,230.51	5,572,609.84
L/G deposit	0.00	32,068,223.09
Others	5,041,293.05	6,302,301.71
Total	466,751,335.95	587,108,481.06

(2) Payment of other cash related to business activities

Item	Amount incurred in current period	Amount incurred in previous period
Vehicle expenses	2,492,921.07	24,310,168.76
Environmental expenditure	11,516,869.98	11,770,134.03
Margin and deposit	66,156,351.22	97,966,065.18
Operating license fee	252,738,019.47	265,497,302.14
Agency fee	10,480,905.30	6,936,808.59
Travel expenses	15,134,956.54	18,316,260.47
Rental expenses	13,991,862.40	11,778,965.14
Frozen fund	187,229,453.52	86,429,498.96
Repair charges	11,912,838.75	10,376,076.19
Insurance	40,363,230.33	29,280,458.44
Transportation, storage and handling charges	36,465,208.62	13,168,292.46
Expenditure of donation	14,598,058.03	26,120,029.25
Others	0.00	25,169,796.00
Total	403,455,069.89	105,146,816.30
Operating license fee	47,423,146.87	43,564,927.95
Agency fee	56,845,928.25	54,051,957.63
Travel expenses	6,853,000.00	6,813,000.00
Rental expenses	112,334,370.43	85,815,740.71
Frozen fund	1,289,992,190.67	922,512,298.20

(3) Reception of other cash related to investment activities

Item	Amount incurred in current period	Amount incurred in previous period
Income from consigned loan and interest on capital lending by related parties	40,982,195.82	51,574,324.99
Futures margin recovery	105,530,878.67	47,083,441.68
L/G margin recovery	0.00	276,000,000.00
Total	146,513,074.49	374,657,766.67

(4) Payment of other cash related to investment activities

Item	Amount incurred in current period	Amount incurred in previous period
Net cash received by disposal of subsidiary (negative)	0.00	100,000.00
Futures margin recovery	144,345,965.50	31,048,462.70
Others	0.00	424.19
Total	144,345,965.50	31,148,886.89

(5) Reception of other cash related to financing activities

Item	Amount incurred in current period	Amount incurred in previous period
Withdrawal of monetary funds pledged for financing	1,556,261,828.88	1,019,866,989.49
Collection of financing leaseback	100,000,000.00	2,075,000,000.00
Interbank borrowing from Hengyi Group	5,588,422,499.99	4,133,189,471.00
Others	0.00	16,000,000.00
Total	7,244,684,328.87	7,244,056,460.49

(6) Payment of other cash related to financing activities

Item	Amount incurred in current period	Amount incurred in previous period
Monetary funds pledged for financing	2,696,022,987.63	1,593,104,467.79
Repayment of loan principal and interest of Hengyi Group	5,578,409,681.37	4,126,142,959.89
Stock repurchases	885,461,636.25	765,564,197.20
Rental expenses and commission charges paid for financing leaseback	1,368,484,777.98	1,126,017,003.66
Lease margin for financing leaseback	5,000,000.00	116,500,000.00
Loan commission	102,882,954.07	101,642,305.39
Rental expenses paid for lease liabilities	32,340,033.50	29,061,128.46
Others	950,000.00	1,426,000.00

Total	10,669,552,070.80	7,859,458,062.39
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65. Further information about cash flow statements

(1) Further information about cash flow statement

Further Information	Amount incurred in current period	Amount incurred in previous period
I. Adjust net profit to operating cash flow:		
Net profit	368,678,709.78	-924,398,809.24
Plus: Asset impairment reserves	71,262,509.77	368,677,441.03
Impairment loss on credit assets	11,426,732.92	1,101,785.57
Depreciation of fixed assets	3,171,949,886.05	3,057,365,476.37
Depreciation of right-of-use assets	38,811,361.86	37,746,948.82
Amortization of intangible assets	84,384,861.47	80,585,704.09
Amortization of long-term deferred expenses	118,793,677.98	109,624,239.00
Loss on disposal of fixed assets, intangible assets and other long-term assets (income listed with “-”)	9,342,790.49	23,661,125.27
Loss on scrapping of fixed assets (income listed with “-”)	22,843,623.53	6,640,525.86
Loss on fair value change (income listed with “-”)	45,121,198.68	211,436,484.36
Financial cost (income listed with “-”)	3,062,809,389.14	2,623,127,122.84
Investment losses (income listed with “-”)	-985,476,736.48	-745,260,076.32
Decrease in deferred income tax assets (increase listed with “+”)	-16,340,029.81	-225,671,514.74
Increase in deferred income tax liabilities (decrease listed with “-”)	1,373,268.53	-4,365,912.78
Decrease in inventory (increase listed with “-”)	969,448,083.78	-1,704,647,587.22
Decrease in operating receivables (increase listed with “-”)	1,327,681,725.88	993,927,177.80
Increase in operating payables (decrease listed with “-”)	-3,731,423,035.99	-1,263,321,017.94
Others	-38,853,212.43	59,304,370.59

Further Information	Amount incurred in current period	Amount incurred in previous period
Net cash flow from operating activities	4,531,834,805.15	2,705,533,483.36
2. Significant investment and financing activities involving no cash receipt and payment:		
Conversion of debt into capital	0.00	0.00
Convertible corporate bonds mature within one year	0.00	0.00
Fixed assets under financing lease	0.00	0.00
3. Net changes in cash and cash equivalents:		
Ending balance of cash	8,518,118,122.12	12,934,069,613.03
Minus: Cash balance at the end of previous year	12,934,069,613.03	10,244,736,951.84
Plus: Ending balance of cash equivalents	0.00	0.00
Minus: Cash equivalent balance at the end of previous year	0.00	0.00
Net increase in cash and cash equivalents	-4,415,951,490.91	2,689,332,661.19

(2) Net cash on subsidiary disposal received in current period

Item	Amount
Cash or cash equivalents on subsidiary disposal received in current period	880,000,000.00
Wherein: Hangzhou Yijing Chemical Fibre Co., Ltd	880,000,000.00
Minus: Cash and cash equivalents held by subsidiary on the date of losing control right	917,530,587.60
Wherein: Hangzhou Yijing Chemical Fibre Co., Ltd	917,530,587.60
Less: Unpaid amounts due at the date of loss of control paid in the current period after the date of loss of control	669,675,230.43
Wherein: Hangzhou Yijing Chemical Fibre Co., Ltd	669,675,230.43
Add: Cash received during the period for commercial paper issued by disposed subsidiaries discounted prior to the date of loss of control and not yet due at the date of loss of control	845,700,000.00
Wherein: Hangzhou Yijing Chemical Fibre Co., Ltd	845,700,000.00
Net cash received by subsidiary disposal	138,494,181.97

(3) Composition of cash and cash equivalents

Item	Ending balance	Ending balance of previous year
I. Cash	8,518,118,122.12	12,934,069,613.03
Wherein: Cash on hand	1,065,013.70	1,118,679.20
Bank deposit payable at any time	7,887,839,429.74	11,714,153,408.04
Other monetary fund payable at any time	629,213,678.68	1,218,797,525.79
Payable due from Central Bank	0.00	0.00
Deposits in other banks	0.00	0.00
Due from banks	0.00	0.00
II. Cash Equivalents	0.00	0.00
Wherein: Bond investments mature within three months	0.00	0.00
III. Ending balance of cash and cash equivalents	8,518,118,122.12	12,934,069,613.03
Wherein: Cash and cash equivalents used by the parent company or group subsidiaries under certain limitation	0.00	0.00

(4) Classification of changes in liabilities arising from financing activities from opening to closing balances

Item	Beginning balance	Increase during the period		Decrease during the period		Ending balance
		Changes in cash	Non-cash changes	Changes in cash	Non-cash changes	
Bank Borrowings	59,261,595,341.24	54,367,260,691.80	24,671,437,509.23	52,008,787,096.99	25,513,314,572.10	60,778,191,873.18
Other payables - Dividends payable	0.00	0.00	0.00	0.00	0.00	0.00
Bonds payable (including within one year)	4,068,367,011.46	0.00	0.00	811,000.00	-221,341,993.96	4,288,898,005.42
Lease liabilities (including within one year)	444,032,939.46	0.00	25,149,581.13	32,340,033.50	-23,402,049.27	460,244,536.36

Item	Beginning balance	Increase during the period		Decrease during the period		Ending balance
		Changes in cash	Non-cash changes	Changes in cash	Non-cash changes	
Long-term accounts payable (including within one year)	2,668,518,175.36	100,000,000.00	-963,452.85	1,368,484,777.98	62,266,327.22	1,336,803,617.31
Total	66,442,513,467.52	54,467,260,691.80	24,695,623,637.51	53,410,422,908.47	25,330,836,856.09	66,864,138,032.27

66. Assets with limited ownership or use right

Item	Book value at the end of the period	Reason for restriction
Monetary funds	5,284,615,169.28	Margin
Monetary funds	25,169,796.00	Judicial freezing
Notes receivable	147,675,900.00	Pledge to open acceptance bills
Long-term equity investments	6,837,853,788.22	Mortgage, pledge borrowing
Fixed assets	2,672,083,843.53	Leaseback financing lease
Fixed assets	17,473,057,683.02	Mortgage loan
Intangible assets	2,031,649,175.86	Mortgage loan
Total	34,472,105,355.91	--

67. Monetary items in foreign currency

(1) Monetary items in foreign currency

Item	Ending balance in foreign currency	Exchange rate for conversion	Ending balance (converted into RMB)
Monetary funds			
Wherein: HKD	454,907.43	0.9062	412,237.11
USD	490,067,263.72	7.0827	3,470,999,408.51
EUR	864,384.42	7.8592	6,793,370.03
BND	11,371,328.85	5.3772	61,145,909.49

Item	Ending balance in foreign currency	Exchange rate for conversion	Ending balance (converted into RMB)
SGD	1,058,287.46	5.3772	5,690,623.33
Accounts receivable			
Wherein: USD	608,193,939.66	7.0827	4,307,655,216.43
BND	53,547,754.04	5.3772	287,936,983.02
Other receivables			
Wherein: HKD	1,779,600.00	0.9062	1,612,673.52
USD	8,924,007.85	7.0827	63,206,070.40
BND	5,274,274.23	5.3772	28,360,827.39
SGD	262,311.75	5.3772	1,410,502.74
Long-term receivables			
Wherein: USD	518,788.46	7.0827	3,674,423.03
Short-term loans			
Wherein: USD	1,286,616,775.17	7.0827	9,112,720,633.51
Accounts payable			
Wherein: HKD	193,000.00	0.9062	174,896.60
USD	567,677,254.66	7.0827	4,020,687,691.58
EUR	6,073,482.56	7.8592	47,732,714.14
BND	3,191,737.90	5.3772	17,162,613.04
Other payables			
Wherein: USD	3,140,568.35	7.0827	22,243,703.45
BND	3,848,062.37	5.3772	20,691,800.98
Non-current liabilities due within one year			

Item	Ending balance in foreign currency	Exchange rate for conversion	Ending balance (converted into RMB)
Wherein: USD	188,339,242.85	7.0827	1,333,950,355.33
EUR	14,017,262.00	7.8592	110,164,465.51
BND	1,385,745.68	5.3772	7,451,431.67
SGD	448,510.12	5.3772	2,411,728.62
Lease liabilities			
Wherein: BND	83,328,762.28	5.3772	448,066,067.92
Long-term loans			
Wherein: USD	950,220,000.00	7.0827	6,730,123,194.00
EUR	71,753,283.00	7.8592	563,923,401.75

68. Hedging

Please refer to Notes VI (3. Notes to derivative financial assets).

69. Government grants

(1) Basic information about governmental subsidies

Category	Amount	Reported Item	Amount recorded into current profits and losses
Income-related subsidies used to compensate for related costs or losses incurred	272,068,959.88	Other incomes	272,068,959.88
	373,507.13	Non-operating income	373,507.13
Income-related subsidies used to compensate for related costs or losses in subsequent periods	9,281,006.63	Deferred income	2,282,704.88
Assets-related subsidies	288,381,927.42	Deferred income	61,959,916.54
Total	570,105,401.06		336,685,088.43

70. Leases

(1) The Company as Lessee

① Refer to Notes V, 16 and 36 of this Note for right-of-use assets and lease liabilities.

② Charged to current year's profit or loss

Item	Charged to profit or loss for the year	
	Presentation of items	Amount
Interest on lease liabilities	Financial expense	27,300,291.48
Short-term lease costs (simplified treatment applied)	Administrative expenses, selling expenses, Operating costs, etc.	14,326,787.75
Lease costs for low-value assets (simplified treatment applied)	Administrative expense	157,726.68
Sale and leaseback transactions	Financial expense	108,303,027.47

③ Cash flow outflows related to leases

Item	Category of cash flow	Amount for the year
Cash payments for principal and interest on lease liabilities	Cash outflows from financing activities	32,340,033.50
Payments made on short-term leases and low-value assets (simplified treatment applies)	Cash outflows from operating activities	15,035,391.83
Total	--	47,375,425.33

④ Other information

A. At the end of the reporting period, the Company's right-of-use assets mainly consisted of buildings and structures and land use rights, of which land use rights included:

a. 260 hectares of land use rights for production area: the leased land is located in Pulau Grande Mora, Brunei Darussalam, with a lease period of 30 years (from 26 March 2017 to 27 March 2047), with the possibility of applying for a renewal of the lease for a

period of 30 years prior to expiry.

b. 69.7978 hectares of Western Irrigation, Wharf and other land use rights: the leasehold land is situated in Pulau Grande Mora, Brunei Darussalam for a term of 27 years (from 1 November 2019 to 27 March 2047) with the possibility of applying for a renewal of the lease for a period of 30 years prior to expiry.

B. Sale and leaseback transactions

Some subsidiaries of the Company entered into leasing agreements with financial leasing companies to carry out financial leasing business by way of sale and leaseback of their own specialised production equipment as leased goods. The Company has been using the above assets since the beginning and has agreed to a forward retention in the said contract, indicating that the financial leasing company did not obtain control of the relevant goods at the point of sale, and therefore the transfer of assets in the transaction is not a sale.

Effect of sale and leaseback transactions on current cash flows:

Item	Category of cash flow	Amount for the year
Finance leaseback receipts	Cash inflow from financing activities	100,000,000.00
Lease payments made on finance sale and leasebacks	Cash outflow from financing activities	1,368,484,777.98
Financial sale and leaseback lease deposits	Cash outflow from financing activities	30,000,000.00

(2) The Company as Lessor

① Charged to profit or loss for the year

Item	Charged to profit or loss for the year	
	Presentation of items	Amount
Lease income	Other operating income	4,696,494.24
Total	--	4,696,494.24

②Major operating lease assets

Item	Carrying value at end of period
Houses and buildings	34,239,526.01
Site	Not applicable (Note)

Note: Haining Hengyi New Material Co., Ltd, a subsidiary of the Company, leased part of its factory to the outside world and charged the lessee for the use of the site as agreed in the lease agreement.

VI. R&D expenditure**1. R&D expenditure incurred during the period**

Item	Amount for the current period	Prior period amount
Expensed R&D expenditure	716,319,527.66	668,706,028.57
Capitalised R&D expenditure	27,478,251.20	19,523,238.74
Total	743,797,778.86	688,229,267.31

(1) Expensed R&D expenditure

Item	Amount for the current period	Prior period amount
Direct input costs	411,739,313.04	422,987,682.39
Salary of employees	148,843,373.25	138,713,533.15
Depreciation	64,325,403.87	45,568,357.41
Technology development costs	17,636,809.83	20,972,568.77
Other expense	73,774,627.67	40,463,886.85
Total	716,319,527.66	668,706,028.57

(2) Capitalised R&D expenditure

Item	Amount for the current period	Prior period amount
Receiving material	439,813.51	2,787,238.10
Salary of employees	6,692,526.70	4,971,705.71
Depreciation	12,216,189.17	5,406,582.52
Fuel cost	4,136,610.81	2,828,841.11
Others	3,993,111.01	3,528,871.30
Total	27,478,251.20	19,523,238.74

2. Status of capitalised development projects

Item	Beginning balance	Increase in current period	Decrease in current period	Closing balance
Research and application development of bio-based PTT elastic memory fibre series products	3,002,503.92	434,913.72	0.00	3,437,417.64
3000t/a Caprolactam Gas Phase Reworking and Crystallisation Project	18,340,465.12	27,043,337.48	0.00	45,383,802.60
Flame retardant differentiated new product development	38,579.16	0.00	38,579.16	0.00
Total	21,381,548.20	27,478,251.20	38,579.16	48,821,220.24

Flame retardant differentiated new product development project transferred to current

expense in the period.

(1) Status of significant capitalised development projects

Item	R&D progress	Estimated completion time	Projected manner of generation of economic benefits	Point of commencement of capitalisation	Specific basis
Research and application development of bio-based PTT elastic memory fibre series products	PTT slice spinning test has been completed, the indicators are basically in line with expectations; PTT and ECDP composite spinning test has been completed, the composite spinning process needs to be further improved.	June 30, 2024	Formation of spinning process technology to be applied in the workshop for the production of PTT filaments and elasticated filaments	July, 2021	Based on the previous research and development of PTT slices has been stable production, the development of PTT slices process spinning samples in good condition
3000t/a Caprolactam Gas Phase Reworking and Crystallisation Project	Technology development of the project process package has been completed, and the process is currently being optimised to reduce material consumption.	December 31, 2024	Formation of technical process packages and core patented technologies, licensing for external use, and collection of licence fees and technical service fees	July, 2022	The pilot plant was completed and started up in the first half of 2022, and the plant is in stable operating condition

(2) Changes in the provision for impairment of development expenditures and impairment testing

As at 31 December 2023, the Company's development expenditure was not impaired.

VII. Interests in other entities

1. Composition of enterprise group

2023 Annual Report of Hengyi Petrochemical Co., Ltd.

Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
Zhengjiang Hengyi Petrochemical	Hangzhou City	Hangzhou City	Manufacturing of chemical fibre products	100.00	0.00	Establishment or
Zhengjiang Hengyi Polymer Co.,	Hangzhou City	Hangzhou City	Manufacturing of chemical fibre products	0.00	60.00	Business merger under the same control
Zhengjiang Yisheng Petrochemical	Ningbo City	Ningbo City	Manufacturing of petrochemical products	0.00	70.00	Business merger under the same control
Zhengjiang Yixin Chemical Fibre	Hangzhou City	Hangzhou City	Commerce and trade	0.00	70.00	Establishment or
Hong Kong Yisheng Petrochemical Investment Co., Ltd.	Hong Kong	Hong Kong	Trade and consulting	0.00	70.00	Establishment or
Zhejiang Hengyi High-Tech Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fibre products	0.00	100.00	Establishment or
Ningbo Hengyi Trading Co., Ltd.	Ningbo City	Ningbo City	Commerce and trade	0.00	70.00	Establishment or
Hong Kong Tianyi International Holding Co., Ltd.	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or
Good Park International Investment Co., Ltd.	Hong Kong	Hong Kong	Trade and investment	0.00	100.00	Establishment or
Hengyi Industries Sdn. Bhd.	Brunei	Brunei	Manufacturing of petrochemical products	0.00	70.00	Business merger under the same control
Ningbo Hengyi Engineering Management Co., Ltd.	Ningbo City	Ningbo City	Engineering management	0.00	70.00	Business merger under the same control
Hengyi Industry International Co., Ltd.	Singapore	Singapore	Commerce and trade	0.00	70.00	Establishment or
Hengyi Petrochemical International Co., Ltd.(Singapore)	Singapore	Singapore	Commerce and trade	0.00	100.00	Establishment or
Zhejiang Hengyi Petrochemical Sales Co., Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	0.00	100.00	Establishment or
Haining Hengyi New Materials Co., Ltd.	Haining City	Haining City	Manufacturing of chemical fibre products	0.00	100.00	Establishment or
Haining Hengyi Thermal Power Co., Ltd.	Haining City	Haining City	Electricity & heat production and supply	0.00	90.00	Establishment or
Suqian Yida New Materials Co., Ltd.	Suqian City	Suqian City	Manufacturing of chemical fibre	0.00	91.00	Establishment or

2023 Annual Report of Hengyi Petrochemical Co., Ltd.

Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
			products			
Fujian Yijin Chemical Fibre Co., Ltd.	Quanzhou City, Fujian Province	Quanzhou City, Fujian Province	Manufacturing of chemical fibre products	0.00	90.00	Establishment or
Shaoxing Shengong Packaging Co., Ltd.	Shaoxing City	Shaoxing City	Wrap page production and processing	0.00	51.00	Establishment or
Zhejiang Hengyi Logistics Co., Ltd.	Hangzhou City	Hangzhou City	Logistics transportation	0.00	100.00	Business merger under the same control
Zhejiang Hengyi International Trade Co., Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	100.00	0.00	Establishment or
Zhejiang Hengkai Energy Co., Ltd.	Hangzhou City	Hangzhou City	Commerce and trade	0.00	60.00	Establishment or
Zhejiang Hengyi Engineering Management Co., Ltd.	Hangzhou City	Hangzhou City	Engineering management	100.00	0.00	Establishment or
Zhejiang Hengyi Petrochemical Research Institute Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fibre products	100.00	0.00	Establishment or
Jiaxing Yipeng Chemical Fibre Co., Ltd.	Jiaxing City	Jiaxing City	Manufacturing of chemical fibre products	100.00	0.00	Business merger under the same control
Taicang Yifeng Chemical Fibre Co., Ltd.	Taicang City	Taicang City	Manufacturing of chemical fibre products	100.00	0.00	Business merger under the same control
Zhejiang Shuangtu New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fibre products	100.00	0.00	Business merger not under the same control
Hong Kong Hengyi Logistics Co., Ltd.	Hong Kong	Hong Kong	Logistics transportation	0.00	100.00	Establishment or
Hengyi International Logistics Co., Ltd.	Singapore	Singapore	Logistics transportation	0.00	100.00	Establishment or
Haining Junbo Shengming Trading Co., Ltd.	Haining City	Haining City	Commerce and trade	0.00	100.00	Establishment or
Hangzhou Yitong New Materials Co., Ltd.	Hangzhou City	Hangzhou City	Manufacturing of chemical fibre products	0.00	100.00	Establishment or
Shaoxing Hengyi Logistics Co., Ltd.	Shaoxing City	Shaoxing City	Logistics transportation	0.00	100.00	Establishment or
Guangxi Hengyi Environmental Technology Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Science and technology service	0.00	100.00	Establishment or

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Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
Zhejiang Hengyi Hanlin Enterprise Management Co., Ltd.	Hangzhou City	Hangzhou City	Commercial service industry	0.00	75.00	Establishment or
Hainan Hengjing Trading Co., Ltd.	Hainan Province	Hainan Province	Commerce and trade	0.00	100.00	Establishment or
Guangxi Hengyi Shunqi Trading Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Commerce and trade	0.00	100.00	Establishment or
Haining Lantai New Materials Co., Ltd.	Haining City	Haining City	Manufacturing of chemical fibre products	0.00	74.00	Establishment or
Jiaxing Hengyu Trading Co., Ltd.	Jiaxing City	Jiaxing City	Commerce and trade	0.00	100.00	Establishment or
Guangxi Hengyi New Materials Co., Ltd.	Qinzhou City, Guangxi	Qinzhou City, Guangxi	Manufacturing of chemical fibre products	0.00	100.00	Business merger 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
Ningbo Shengmao Trading Co., Ltd.	Ningbo City	Ningbo City	Commerce and trade	0.00	70.00	Establishment or
Suqian Hengyuan Thermal Energy Co., Ltd.	Suqian City	Suqian City	Electricity & heat production and supply	0.00	100.00	Establishment or
Suqian Huida Port Co., Ltd.	Suqian City	Suqian City	Water transportation industry	0.00	100.00	Establishment or
Guangxi Free Trade Zone Yihai Port Co., Ltd.	Qinzhou City	Qinzhou City	Water transportation industry	0.00	66.00	Establishment or
Hangzhou Lanxing Chemical Fibre Oiling Agent Co., Ltd.	Hangzhou City	Hangzhou City	Wholesale business	0.00	80.00	Establishment or
Lianyungang Junbo Shengda Logistics Co., Ltd.	Lianyungang City	Lianyungang City	Road transportation industry	0.00	100.00	Establishment or
Hangzhou Yigao Environmental Protection Technology Co., Ltd.	Hangzhou	Hangzhou	Professional and technical services	0.00	100.00	Establishment or
Hangzhou Lantong Technology Co., Ltd.	City	City	Manufacture of chemical materials and products	0.00	80.00	Establishment or

Name of subsidiary	Main Place of Business	Domicile	Nature of business	Shareholding ratio (%)		Gaining method
				Direct	Indirect	
Hangzhou Lanfang High-tech Material Co., Ltd.	Hangzhou	Hangzhou	Manufacture of chemical materials and products	0.00	75.00	Establishment or
Hangzhou Lanshun Technology Co., Ltd.	City	City	Chemical fibre manufacturing	0.00	70.00	Establishment or
Hangzhou Lanbiao Testing Service Co., Ltd.	Hangzhou	Hangzhou	Professional and technical services	0.00	70.00	Establishment or
Hangzhou Yixian Energy Technology Co., Ltd.	City	City	Energy storage technical services, etc.	100.00	0.00	Establishment or

2. Combination of enterprises not under the same control

In current period, there is no combination of enterprises not under the same control in the Company.

3. Business merger under the same control

In current period, there is no business merger under the same control in the Company.

4. Disposal of Subsidiary

(1) Control right lost by single disposal of subsidiary investment

Name of subsidiary	Equity disposal price (RMB)	Equity disposal proportion (%)	Equity disposal mode	Control right losing time-point	Basis for determination of control right losing time-point	Balance between disposal price and the subsidiary's net asset shares at the level of consolidated statements corresponding to disposal investment
Hangzhou Yijing Chemical Fibre Co.,Ltd.	880,000,000.00	100.00	Transfer	December 19, 2023	Completion of shareholding rights transfer	448,973,414.86

(Continued)

Name of subsidiary	Proportion of residual equities on the control right losing date (%)	Book value of residual equities on the control right losing date	Fair value of residual equities on the control right losing date	Gains or Losses on Remeasurement of Residual Equities by Fair Value	Determination method and main assumption of fair value of residual equities on the control right losing date	Amount of other comprehensive income (related to original subsidiary equity investment) shifted into investment profits and losses
Hangzhou Yijing Chemical Fibre Co., Ltd.	0.00	--	--	--	--	0.00

5. Consolidation Scope Change due to Other Reasons

During the year, the Company invested in and established the following six subsidiaries, details of which are as follows:

The Company invested in and established Hangzhou Yixian Energy Technology Co., Ltd. with a 100% shareholding.

Zhejiang Hengyi Petrochemical Company Limited, a subsidiary of the Company, invested in and established Hangzhou Yigao Environmental Protection Technology Company Limited, with a 100% shareholding.

Zhejiang Hengyi Petrochemical Research Institute Co., Ltd. a subsidiary of the Company, invested in and established Hangzhou Lantong Technology Co., Ltd, with a 80% shareholding.

Zhejiang Hengyi Petrochemical Research Institute Co., Ltd. a subsidiary of the Company, invested in and established Hangzhou Lanfang High-tech Material Co., Ltd, with a 75% shareholding.

Zhejiang Hengyi Petrochemical Research Institute Co., Ltd. a subsidiary of the Company, invested in and established Hangzhou Lanfang Hangzhou Lanshun Technology Co., Ltd, with a 70% shareholding.

Zhejiang Hengyi Petrochemical Research Institute Co., Ltd. a subsidiary of the Company, invested in and established Hangzhou Hangzhou Lanbiao Testing Service Co., Ltd, with a 70% shareholding.

Therefore, the number of the Company's subsidiaries included in the scope of consolidation for the current reporting period increased by 6 as mentioned above.

In addition, the cancellation of the Company's subsidiary Zhejiang Yi Zhi Information Technology Co., Ltd. was completed during the year, thus the number of the Company's subsidiaries included in the scope of consolidation for the year was reduced by the aforesaid one.

6. Transactions in which the share of ownership interest in subsidiary changes and the subsidiary is still controlled

(1) Explanation of changes in the share of ownership interest in subsidiaries

① On 30 December 2022, Heng Yi Limited, a subsidiary of the Company, entered into an equity transfer agreement with BOC Financial Assets Investment Company Limited ("BOC Assets"), pursuant to which BOC Assets transferred its 9.33% equity interest in Heng Yi High-Tech Materials, a subsidiary of the Company, to Heng Yi Limited at a transfer price of RMB 50,000,000. On 31 January 2023, Heng Yi Limited paid the entire amount of the equity transfer. Upon completion of the equity transfer, the Company held 100% equity interest in Heng Yi High-Tech Materials.

② In August 2023, Heng Yi Limited, a subsidiary of the Company, and Polymer Company, a subsidiary of the Company, entered into an agreement whereby Polymer Company transferred 100% of its equity interest in Hangzhou Yitong New Material Company Limited (hereinafter referred to as "Yitong") to Heng Yi Limited at a price of

RMB 534,774,373.33. In August 2023, Heng Yi Limited paid the full amount of the equity transfer. Upon completion of the equity transfer, the Company held 100% equity interest in Yat Tung.

(2) Effect of the transaction on minority interests and equity attributable to owners of the parent company

Item	Hengyi High-Tech Materials
Purchase cost consideration	500,000,000.00
-Cash	500,000,000.00
Total purchase cost consideration	500,000,000.00
Less: Share of net assets of subsidiaries in proportion to equity acquired	412,684,389.33
Balance	87,315,610.67
Wherein: Adjustments to capital surplus	87,315,610.67
Adjustments to surplus reserves	0.00
Adjustments to unallocated profits	0.00
Amounts affecting minority interests	-412,684,389.36

7. Interests held by minority shareholders in subsidiaries

(1) Important non-wholly owned subsidiaries

Name of subsidiary	Minority shareholders' shareholding ratio (%)	Profits and losses assigned to minority shareholder in current period	Dividends distributed to minority shareholder in current period	Balance of minority shareholders' equities at the end of current period
Ningbo Hengyi Trading Co., Ltd.	30.00	-62,971,541.07	0.00	126,651,920.04
Zhejiang Hengyi Polymer Co., Ltd.	40.00	6,913,809.56	0.00	366,199,183.96
Zhejiang Yisheng Petrochemical Co., Ltd.	30.00	8,343,778.94	0.00	2,758,981,276.81
Hengyi Industries Sdn. Bhd.	30.00	-25,861,396.76	50,981,568.00	2,976,819,525.24
Fujian Yi Jin Chemical Fibre Co., Ltd.	10.00	-1,005,023.33	0.00	7,295,072.79
Suqian Yida New Material	9.00	2,404,523.74	0.00	189,334,048.48

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Name of subsidiary	Minority shareholders' shareholding ratio (%)	Profits and losses assigned to minority shareholder in current period	Dividends distributed to minority shareholder in current period	Balance of minority shareholders' equities at the end of current period
Co., Ltd.				

(2) Main financial information about Important Non-wholly Owned Subsidiaries

Unit: RMB 10,000

Name of subsidiary	Ending balance					
	Current Assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	66,293.06	362,835.45	429,128.52	373,686.90	0.00	373,686.90
Zhejiang Hengyi Polymer Co., Ltd.	279,560.79	29,636.31	309,197.10	196,740.75	20,906.56	217,647.31
Zhejiang Yisheng Petrochemical Co., Ltd.	1,649,863.75	313,769.13	1,963,632.89	922,048.55	143,690.00	1,065,738.56
Hengyi Industries Sdn. Bhd.	1,447,702.72	2,815,925.17	4,263,627.88	2,403,551.51	850,331.94	3,253,883.45
Fujian Yi Jin Chemical Fibre Co., Ltd.	56,226.55	164,503.15	220,729.70	140,018.74	23,170.89	163,189.63
Suqian Yida New Material Co., Ltd.	95,436.61	218,556.01	313,992.63	104,722.03	923.31	105,645.34

(Continued)

Name of subsidiary	Ending balance of previous year					
	Current Assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Ningbo Hengyi Trading Co., Ltd.	28,711.46	345,016.16	373,727.61	296,896.09	0.00	296,896.09
Zhejiang Hengyi Polymer Co., Ltd.	225,211.27	71,718.48	296,929.74	206,821.00	287.40	207,108.40
Zhejiang Yisheng Petrochemical Co., Ltd.	1,517,642.10	359,313.47	1,876,955.57	910,110.02	73,350.86	983,460.88
Hengyi Industries Sdn. Bhd.	1,868,714.56	2,807,143.74	4,675,858.29	2,536,416.94	1,138,641.20	3,675,058.14
Fujian Yi Jin Chemical Fibre Co., Ltd.	32,319.73	177,905.71	210,225.44	116,269.85	35,410.49	151,680.34
Suqian Yida New Material Co., Ltd.	90,103.86	198,243.78	288,347.64	95,083.66	564.52	95,648.17

(Continued)

Name of subsidiary	Amount incurred in current period				Balance of previous period			
	Operating income	Net profit	Total comprehensive income	Operating cash flow	Operating income	Net profit	Total comprehensive income	Operating cash flow
Ningbo Hengyi Trading Co., Ltd.	1,799,643.68	-20,990.51	-21,389.92	3,030.31	1,148,454.08	9,271.50	12,701.28	30,454.43
Zhejiang Hengyi Polymer Co., Ltd.	349,128.66	1,728.45	1,728.45	-60,001.73	380,707.73	-3,431.65	-3,431.65	-28,627.14
Zhejiang Yisheng Petrochemical Co., Ltd.	2,259,138.29	2,781.26	4,399.63	-128,706.13	2,138,615.21	-17,193.75	-19,638.17	-106,204.81
Hengyi Industries Sdn. Bhd.	4,468,000.63	-7,538.29	8,944.28	147,955.36	5,631,775.07	65,336.76	139,648.15	323,556.31
Fujian Yi Jin Chemical Fibre Co., Ltd.	337,451.11	-1,005.02	-1,005.02	14,293.55	349,489.45	-11,805.93	-11,805.93	86,191.01
Suqian Yida New Material Co., Ltd.	364,246.51	2,671.69	2,671.69	19,535.20	181,493.80	-396.93	-396.93	-10,691.58

8. Equities in cooperative enterprise or associated enterprise

(1) Significant joint ventures or associates

Name of cooperative enterprise or associated enterprise	Main place of business	Domicile	Nature of business	Shareholding ratio (%)		Accountant arrangement method for investment in cooperative enterprise or associated enterprise
				Direct	Indirect	
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Hangzhou	Hangzhou	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	3.54	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 3.54% stocks of China Zheshang Bank Co., Ltd., and sent a

representative to CZB's BOD. The Company enjoys substantial right of participation in decision making. The Company may exert significant impact on CZB by such representative's participating into CZB's financial and business policy formulation.

(2) Main financial information about important cooperative enterprises

Currency Unit: 10,000

Item	Ending balance/ amount in current period		Balance at end of the previous year/ amount in previous period	
	Caprolactam	Hainan Yisheng	Caprolactam	Hainan Yisheng
Current assets	150,136.38	616,295.60	173,189.83	515,284.65
Wherein: Cash and cash equivalents	13,037.12	97,422.24	14,264.69	101,655.70
Non-current assets	548,138.82	1,072,339.62	600,320.82	719,282.44
Total assets	698,275.20	1,688,635.21	773,510.65	1,234,567.09
Current liabilities	414,346.75	577,746.58	475,101.61	416,670.21
Non-current liabilities	61,227.74	432,652.24	86,968.64	175,299.13
Total liabilities	475,574.50	1,010,398.82	562,070.25	591,969.34
Minority stockholders' equity	148.50	0.00	148.50	0.00
Stockholders' equity attributable to parent company	222,552.21	678,236.39	211,291.90	642,597.75
Net assets calculated by shareholding ratio	111,276.10	339,118.20	105,645.95	321,298.87
Adjusting events				
- Goodwill	0.00	0.00	0.00	0.00
- Unrealized profit of internal transaction	0.00	-1,291.21	0.00	-622.08
- Others	2,010.08	9,733.71	2,010.08	9,733.73
Carrying value of equity investments in joint ventures	113,286.18	347,560.69	107,656.03	330,410.53
Fair value of cooperative enterprise equity investment with public offer	--	--	--	--
Operating income	746,659.86	1,799,579.10	753,035.72	2,271,698.29

Item	Ending balance/ amount in current period		Balance at end of the previous year/ amount in previous period	
	Caprolactam	Hainan Yisheng	Caprolactam	Hainan Yisheng
Financial expenses	11,628.06	12,423.80	10,420.14	9,078.70
Income tax expenses	3,673.62	5,020.46	-13,253.96	18,135.43
Net profit	11,273.81	36,436.78	-35,158.38	104,001.29
Net profits of discontinuing operation	0.00	0.00	0.00	0.00
Other comprehensive income	0.00	-798.75	0.00	6,859.56
Total comprehensive income	11,273.81	35,638.03	-35,158.38	110,860.85
Dividends from cooperative enterprise received this year	0.00	0.00	6,729.98	0.00

(3) Main financial information about important associated enterprises

Currency Unit: 10,000

Item	Ending balance/ amount in current period			Balance at end of the previous year/ amount in previous period		
	Yisheng Investment	Yisheng New Materials	China Zheshang Bank	Yisheng Investment	Yisheng New Materials	China Zheshang Bank
Current assets	604,338.28	309,241.66	--	786,301.63	317,543.60	--
Non-current assets	1,017,300.20	884,747.79	--	967,092.10	911,354.19	--
Total assets	1,621,638.48	1,193,989.45	314,387,900.00	1,753,393.73	1,228,897.79	262,193,000.00
Current liabilities	750,987.62	697,732.79	--	902,013.51	782,318.59	--
Non-current liabilities	100,636.60	267,057.26	--	87,726.34	160,576.27	--
Total liabilities	851,624.22	964,790.06	295,430,200.00	989,739.85	942,894.85	245,600,000.00
Minority stockholders' equity	104,767.53	0.00	333,200.00	106,599.31	0.00	299,700.00
Stockholders' equity attributable to parent company	665,246.73	229,199.39	18,624,500.00	657,054.57	286,002.94	16,293,300.00
Net assets calculated by shareholding ratio	199,574.02	112,307.70	659,307.30	197,116.37	140,141.44	573,524.16

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Item	Ending balance/ amount in current period			Balance at end of the previous year/ amount in previous period		
	Yisheng Investment	Yisheng New Materials	China Zheshang Bank	Yisheng Investment	Yisheng New Materials	China Zheshang Bank
Adjusting events						
- Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
- Unrealized profit of internal transaction	0.00	0.00	0.00	0.00	0.00	0.00
- Others	5,494.45	-0.13	-88,807.83	5,494.45	-0.13	-88,306.09
Book value of equity investment in associated enterprise	205,068.47	112,307.57	570,499.20	202,610.82	140,141.31	485,217.80
Fair value of associated enterprise equity investment with public offer	--	--	245,067.50	--	--	219,932.37
Operating income	3,008,139.14	3,438,987.61	6,370,400.00	2,974,782.89	3,370,855.32	6,108,500.00
Net profit	5,756.78	-56,744.88	1,549,300.00	40,524.44	-25,199.76	1,398,900.00
Net profits of discontinuing operation	0.00	0.00	0.00	0.00	0.00	0.00
Other comprehensive income	603.60	-58.67	121,800.00	8,153.65	-39.87	163,400.00
Total comprehensive income	6,360.38	-56,803.55	1,671,100.00	48,678.09	-25,239.62	1,562,300.00
Dividends from associated enterprise received this year	0.00	0.00	15,709.45	0.00	0.00	0.00

(4) Summary of financial information about unimportant associated enterprises

Currency unit: RMB 10,000

Item	Ending balance/ amount in current period	Balance at end of the previous year/ amount in previous period
Associated enterprise:		
Total book value of investment	18,203.31	17,114.05
Total (calculated by shareholding ratio)		
- Net profit	1,006.67	974.76

- Other comprehensive income	82.58	-3.31
- Total comprehensive income	1,089.25	971.45

(5) Excess losses in cooperative enterprise or associated enterprise

By the end of December 31, 2023, no excess loss takes place in the Company's cooperative enterprises and associated enterprises.

(6) Unconfirmed commitment related to cooperative enterprise investment

By the end of December 31, 2022, there is no unconfirmed commitment related to cooperative enterprise investment in the Company.

(7) Contingent liabilities related to cooperative enterprise or associated enterprise investment by the end of December 31, 2022, there is no contingent liability related to cooperative enterprise or associated enterprise investment in the Company.

9. Equities in structural subjects excluded in the scope of consolidated financial statement

In the Company, there is no equity in structural subject excluded in the scope of consolidated financial statement.

VIII. Risks related to financial instruments

The Company's main financial instruments include monetary capital, financial assets measured by fair value and whose changes included in current profits and losses, loan, accounts receivable and accounts payable. For detail description of different financial instruments, please refer to related items in Note V. Risks related to these financial instruments and corresponding risk management policies taken by the Company to mitigate such risks are described in detail as follows. The Company's management shall manage and monitor these risk exposures, so as to control above risks within a limited scope.

Sensitivity analysis techniques are used by the Company to analyze probable influence of rational and probable changes in risk variables on current profit and loss or stockholders' equity. Risk variables seldom change separately. Correlation between different variables will have great effect on the final influence amount of a risk variable. Therefore, the following contents are stated upon the assumption that change of every variable takes place independently.

(I) Risk management objective and policy

The Company's risk management objective is to appropriately balance risk and income, minimize adverse impact of risk on the Company's business performance, and maximize benefits of its stockholders and other equity investors. Based on this risk management objective, the Company's basic strategy for the risk management is to determine and analyze different risks, set up an appropriate risk tolerance baseline for risk management, supervise various risks in time and reliably, and control all risks within a limited scope.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss generated by fluctuations in exchange rate. The Company's foreign exchange risk is mainly correlated with USD and BND. Except the Company's several subsidiaries that purchase and sell in USD, other main business activities of the Company shall be settled in RMB. On December 31, 2022, most assets and liabilities of the Company are of RMB balance (excluding the following assets or liabilities in USD and BND). Foreign exchange risk generated by assets and liabilities in such foreign currency may influence the Company's business performance.

Item	Ending balance		Balance at the end of previous year	
	USD	BND	USD	BND
Cash and cash equivalents	490,067,263.72	11,371,328.85	581,686,909.13	8,184,622.74
Accounts receivable	608,193,939.66	53,547,754.04	817,630,221.72	54,599,853.33
Other receivables	8,924,007.85	5,274,274.23	8,028,333.81	3,631,010.18
Long-term receivables	518,788.46	0.00	518,788.46	0.00
Short-term loans	1,286,616,775.17	0.00	1,493,172,376.69	177,944,666.40
Accounts payable	567,677,254.66	3,191,737.90	1,116,259,414.13	4,823,807.10
Other payables	3,140,568.35	3,848,062.37	4,323,553.62	1,935,823.58
Non-current liabilities due within one year	188,339,242.85	1,385,745.68	251,125,031.52	1,334,939.91
Long-term loans	950,220,000.00	0.00	1,326,310,000.00	0.00
Long-term payables	0.00	0.00	1,897,602.19	0.00
Lease liabilities	0.00	83,328,762.28	0.00	81,899,040.00

The Company pays close attention to the influence of exchange rate fluctuations on its foreign exchange risk. In accordance with relevant provisions, the Company shall not be engaged in any transaction of foreign exchange derivatives for the purpose of speculation. Based on normal production and management, all foreign exchange derivatives transactions shall depend on specific business, so as to avoid and prevent corresponding exchange rate or interest rate risks.

Foreign exchange risk sensitivity analysis:

The Company's foreign exchange risk is mainly correlated with changes in the exchange rate between USD & BND and RMB. The following table shows sensitivity analysis upon the assumption of 1% exchange rate change between foreign currency and RMB related to the Company. In the process of sensitivity

analysis made by the management, 1% increase or decrease is deemed as rational reflection of probable exchange rate change scope. On the basis of above assumption, under the circumstance that other variables are maintained unchanged, the influence of probable rational changes in exchange rate on current profit & loss and stockholders' equity (before tax) is shown as follows:

Item	Fluctuation in Exchange Rate	Influence on Current Profit & Loss and Stockholders' Equity (Before Tax)	
		Current Period	Previous Period
Monetary assets (USD)	Appreciation of RMB by 1%	78,455,351.19	98,052,113.77
Monetary liabilities (USD)		-212,197,255.78	-292,031,805.33
Net influence		-133,741,904.59	-193,979,691.55
Monetary assets (USD)	Depreciation of RMB by 1%	-78,455,351.19	-98,052,113.77
Monetary liabilities (USD)		212,197,255.78	292,031,805.33
Net influence		133,741,904.59	193,979,691.55
Monetary assets (BND)	Appreciation of RMB by 1%	3,774,437.20	3,442,381.07
Monetary liabilities (BND)		-4,933,812.66	-13,887,508.83
Net influence		-1,159,375.46	-10,445,127.77
Monetary assets (BND)	Depreciation of RMB by 1%	-3,774,437.20	-3,442,381.07
Monetary liabilities (BND)		4,933,812.66	13,887,508.83
Net influence		1,159,375.46	10,445,127.77

(2) Interest rate risk – cash-flow change risk

The Company's risk at fair value change of financial instruments caused by interest rate change mainly comes from: When the financial market interest rate is at a downward trend, the Company cannot enjoy cost saving for fixed-rate loans that are brought by interest-rate reduction. On the contrary, cost will be increased for its loans at floating interest rates due to rate hiking when the financial market

interest rate is at an upward trend. The Company's short-term loans and mid-and-long-term loans account for approximately 50% of its liabilities with interest respectively. Moreover, interest is at a fixed rate for most short-term loans, and floating interest rates for mid-and-long-term loans. According to the Company's management, therefore, the Company's interest rate risk – fair value change risk is insignificant under the current tendency of interest rate change in macroscopic financial market. At present, there is no interest rate hedging policy in the Company.

Interest rate risk sensitivity analysis:

Interest rate risk sensitivity shall be analysed upon the following assumption: influence of market interest rate changes on interest income or expense of financial instruments at variable interest rates. For short-term loans, sensitivity analysis shall be based on continuously circulating borrowing of such loan in an integral accounting year. During sensitivity analysis by the management, increase/decrease in 50 base points will be deemed as reasonable reflection on the feasible range of interest rate change. On the basis of above assumption, under the circumstance that other variables are maintained unchanged and that the interest rate is increased/decreased by 50 base points, probably rational interest rate changes may have the following influence on current profit & loss and stockholders' equity (before tax):

Item	Interest rate change	Profit increase in current period	Profit decrease in current period
Short-term loans and mid-and-long-term liabilities at fixed interest rate	Increase in every 50 base points at an upward trend of interest rate	227,932,255.55	--

Short-term loans and mid-and-long-term liabilities at fixed interest rate	Decrease in every 50 base points at a downward trend of interest rate	--	227,932,255.55
Mid-and-long-term liabilities at floating interest rates	Increase in every 50 base points at an upward trend of interest rate	--	102,274,200.18
Mid-and-long-term liabilities at floating interest rates	Decrease in every 50 base points at a downward trend of interest rate	102,274,200.18	--

(3) Other price risks

The Company's investments classified into held-for-trading financial assets shall be measured by fair value on the balance sheet. Therefore, the Company undertakes the risk of related assets price variation. The Company has established an investment management department, in which members are assigned to closely monitor the price variation of investment products. In consideration of the necessity of futures investment and relevant features of leverage risk, the Company's BOD authorized the president to set up a futures leading group, and authorized this group to take charge of the Company's futures. In addition, the Company also formulated the train of thought of futures, specified to establish a futures trading group in the Investment Management Department (responsible for organization and implementation of transaction in accordance with decisions made by the futures trading group), specified to establish a futures settlement group in the Financial Management Department (responsible for such works as funds management, accounting treatment, transaction confirmation and settlement management), and specified to establish a futures supervision group in the Auditing Department (responsible for futures trading risk management & control and periodic review for transaction behaviors). In order to strengthen its internal control over futures and to effectively prevent and relieve probable risks in the transaction process, the Company also formulated the Futures Business

Management System, requiring all futures business participants to operate in strict accordance with related provisions and processes. All personnel participating into futures business in the Company have received special training, and have an adequate understanding of corresponding features and risks of futures involved. According to the Company's directors, therefore, its price risk has been mitigated already.

2. Credit risks

Credit risk refers to the risk of financial loss on the other party as one party of financial instruments fails to perform its obligations. The Company's credit risk mainly comes from bank deposit and receivables. In order to control above risk, the Company took the following measures.

In order to lower its credit risk, the Company established a group for determination of credit limit and for credit approval. The policy of payment before delivery is adopted for unapproved clients. In addition, the Company shall also review on every balance sheet date recovery of every single receivable, making sure to withdraw adequate bad debt reserves for unrecyclable funds. According to the Company's management, therefore, its credit risk has been reduced substantially.

The Company's working capital is saved in the bank at high credit rating. Therefore, its working capital is at relatively low credit risk.

3. Liquidity risks

According to the Company's management, adequate cash and cash equivalents shall be prepared to monitor liquidity risk, so as to meet the Company's operation needs and to lower the influence from cash flow fluctuations. The Company's management shall monitor the use of bank loans and make sure to abide by the

loan agreement.

The Company takes bank loan as the main source of funding. On December 31, 2023, the Company's available credit line is RMB 42.348 billion (RMB 32.156 billion on December 31, 2022).

Based on maturity of undiscounted residual contract obligations, the Company's financial assets and financial liabilities are analyzed as follows:

Item	Within 6 months	7-12 months	1-3 Years	Over three years
Non-derivative financial assets and liabilities:				
Notes receivable	167,871,662.32	0.00	0.00	0.00
Short-term loans	32,365,768,268.86	8,756,490,000.00	0.00	0.00
Notes payable	740,998,553.81	0.00	0.00	0.00
Long-term loans mature within one year	2,330,380,457.38	2,586,111,283.02	0.00	0.00
Long-term loans	0.00	0.00	6,959,828,587.95	7,779,613,275.97
Accounts receivable financing	36,904,996.06	0.00	0.00	0.00
Derivative financial assets and liabilities:				
Forward foreign exchange contract	-108,194,619.69	0.00	0.00	0.00
Futures contract	366,311,518.38	0.00	0.00	0.00

Note: For the maturity of the Company's other undiscounted financial assets and liabilities, please refer to corresponding items in Note V to the financial statement for details.

(II) Transfer of financial assets

1. Financial assets transferred but not derecognized integrally

This year, it is unnecessary for the Company to disclose financial assets transferred but no derecognized integrally.

2. Transferred financial assets derecognized integrally already but still involving the assignor

In current period, the Company accumulatively discounted an amount of RMB 3,126,325,566.01 bank acceptance bills (RMB 4,632,637,495.03 in 2022). Main risks (e.g. interest rate risk) and remunerations related to these bank acceptance bills have been transferred to the bank. Thus, the Company shall derecognize discounted immature bank acceptance bills. According to the cashing agreement, if the banker's acceptance failed to be cashed upon maturity, the bank has the right to ask the Company to pay off the unsettled balance. Therefore, the Company continued to involve in cashing the banker's acceptance. On December 31, 2023, the cashed but not mature banker's acceptance was RMB1,313,709,044.00 in total (RMB 2,384,694,492.22 on December 31, 2022).

IX. Disclosure of fair value

1. Ending fair value of assets and liabilities measured at fair value

Item	Ending Fair Value			
	The first-tier fair value measurement	The second-tier fair value measurement	The third-tier fair value measurement	Total
I. Continuous fair value measurement				
(I) Held-for-trading financial assets	366,311,518.38	0.00	0.00	366,311,518.38
1. Financial assets measured by fair value and whose changes included in current profits and losses	366,311,518.38	0.00	0.00	366,311,518.38
(1) Debt instrument investment	0.00	0.00	0.00	0.00
(2) Equity instrument investment	0.00	0.00	0.00	0.00
(3) Derivative financial assets	366,311,518.38	0.00	0.00	366,311,518.38

Item	Ending Fair Value			
	The first-tier fair value measurement	The second-tier fair value measurement	The third-tier fair value measurement	Total
2. Specified as financial assets measured by fair value and whose changes included in current profits and losses	0.00	0.00	0.00	0.00
(1) Debt instrument investment	0.00	0.00	0.00	0.00
(2) Equity instrument investment	0.00	0.00	0.00	0.00
(II) Derivative financial assets	0.00	0.00	0.00	0.00
(III) Held-for-trading financial liabilities	108,194,619.69	0.00	0.00	108,194,619.69
Wherein: Issued bonds held for trading	0.00	0.00	0.00	0.00
Derivative financial liabilities	108,194,619.69	0.00	0.00	108,194,619.69
Others	0.00	0.00	0.00	0.00
(IV) Derivative financial liabilities	0.00	0.00	0.00	0.00

2. Determination basis for market price of continuous and non-continuous first-tier fair value measurement items

The Company's continuous first-tier fair value measurement items mainly include its derivative financial instruments with an active market that can obtain unadjusted offer of the same assets or liabilities in the active market.

XI. Related parties and related-party transaction

1. Information about the Company's parent company

Name of parent company	Domicile	Nature of business	Registered capital	Shareholding ratio of the parent company in the Company (%)	Percentage of the parent company's voting rights in the Company (%)

Zhejiang Hengyi Group Co., Ltd.	Hangzhou	Investment and trade	RMB 51.8 million	40.61	47.60
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Note: The Company's ultimate controller is Qiu Jianlin.

2. Information about the Company's subsidiaries

For detail information, please refer to Notes VII (1. Equities in Subsidiary).

3. Information about the Company's cooperative and associated enterprises

Name of cooperative enterprise or associated enterprise	Main place of business	Domicile	Nature of business	Shareholding ratio (%)		Accountant Arrangement Method for Investment in Cooperative Enterprise or Associated Enterprise
				Direct	Indirect	
Ningbo Jinhou Industry Investment Co., Ltd.	Hangzhou	Ningbo	Investment and consulting	25.00	0.00	Equity method
Dongzhan Shipping Co., Ltd.	Zhoushan	Zhoushan	Water transportation industry	0.00	30.00	Equity method

For important cooperative and associated enterprises of the Company, please refer to Notes VII (8. Equities in Cooperative or Associated Enterprise).

4. Information about other related parties

Name of Other Related Party	Relationship between Other Related Parties and the Company
Zhejiang Hengyi Polyamide Co., Ltd.	A holding subsidiary of the ultimate parent company
Hangzhou Yichen Chemical Fibre Co., Ltd.	A holding subsidiary of the ultimate parent company
Hangzhou Yiqing Chemical Fibre Co., Ltd.	A holding subsidiary of the ultimate parent company

Name of Other Related Party	Relationship between Other Related Parties and the Company
Zhejiang Hengyi Energy Co., Ltd.	A holding subsidiary of the ultimate parent company
Hong Kong Yitian Company Limited	A holding subsidiary of the ultimate parent company
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Associated company of ultimate parent company
Zhejiang Rongtong Chemical Fibre New Material Co., Ltd.	Holding subsidiary of the associated enterprise
Yisheng Dahua Petrochemical Co., Ltd.	Holding subsidiary of the associated enterprise
Zhejiang Rongyi Trading Co., Ltd.	Wholly-owned subsidiary of the associated enterprise
Hangzhou Bayi Energy Co., Ltd.	Holding subsidiary of the joint venture
Haining Hengqi Environmental Protection Technology Co., Ltd.	Joint venture of ultimate parent company
Ningbo Qingzhi Chemical Terminal Co., Ltd. (Note)	Connected natural persons as directors

Note: Mr Wu Zhong, a director of the Company, has been a director of Ningbo Qingchi Chemical Terminal Company Limited ("Qingchi Terminal") since September 2023, and Qingchi Terminal has been added as a related party of the Company.

5. Information about related-party transaction

(1) Related-party transaction of commodity purchase & sale and labor provision & reception

① Information about commodity purchase / labor reception

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Hainan Yisheng Petrochemical Co., Ltd.	Procurement of goods	20,005,238.94	16,318,689.67
Yisheng Dahua Petrochemical Co., Ltd.	Procurement of goods	0.00	2,690,904,003.22
Yisheng Dahua Petrochemical Co., Ltd.	Labor reception	0.00	504.72
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Procurement of goods	311,180,720.25	329,558,085.16
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Labor reception	2,945,499.49	0.00
Zhejiang Hengyi Polyamide CO., Ltd.	Procurement of goods	3,457,927.39	24,605,115.88
Hangzhou Yichen Chemical Fibre Co., Ltd.	Procurement of goods	115,012,477.80	10,048,586.90

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Zhejiang Yisheng New Material Co., Ltd.	Procurement of goods	15,213,825,593.72	15,096,435,470.51
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Procurement of goods	8,881,144,362.80	6,987,350,219.75
Zhejiang Rongyi Trading Co., Ltd.	Procurement of goods	0.00	671,415,929.18
Hangzhou Bayi Energy Co., Ltd.	Procurement of goods	147,355,009.33	169,237,789.57
Haining Hengqi Environmental Protection Technology Co., Ltd.	Procurement of goods	1,886,335.85	95,751.42
Hangzhou Yijing Chemical Fibre Co., Ltd.	Procurement of goods	2,986,764.93	0.00
Hangzhou Yijing Chemical Fibre Co., Ltd.	Labor reception	2,020,554.09	0.00
Ningbo Qingchi Chemical Terminal Co.,Ltd	Labor reception	13,521,634.13	0.00
Hong Kong Yitian Company Limited	Procurement of goods	1,525,810,777.02	0.00
Zhejiang Rongtong Chemical Fibre New Material Co., Ltd.	Procurement of goods	154,592,511.47	0.00

② Information about commodity sale/ labor provision

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Sales of goods	1,008,802,975.63	950,423,022.45
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	Provision of services	37,439,423.67	29,951,315.01
Hainan Yisheng Petrochemical Co., Ltd.	Sales of goods	1,253,839,220.98	2,380,871,191.28
Hainan Yisheng Petrochemical Co., Ltd.	Provision of services	1,796,386.36	6,389,568.19
Zhejiang Hengyi Polyamide CO, Ltd.	Sales of goods	26,966,224.78	13,117,614.46
Zhejiang Hengyi Polyamide CO., Ltd.	Provision of services	14,398,564.97	7,565,474.40
Yisheng Dahua Petrochemical Co., Ltd.	Provision of services	3,119.27	488,210.40
Yisheng Dahua Petrochemical Co., Ltd.	Sales of goods	102,296,411.49	71,433,479.86
Hangzhou Yichen Chemical Fibre Co., Ltd.	Provision of services	30,478,797.91	21,485,237.51
Hangzhou Yichen Chemical Fibre Co., Ltd.	Sales of goods	23,289,840.16	4,807,243.81
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Sales of goods	385,958,886.01	403,795,638.58

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Provision of services	128,033,960.04	93,638,375.93
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Trademark use license fee	11,784,356.33	8,905,990.74
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Patent royalty	0.00	747,910.00
Zhejiang Yisheng New Materials Co., Ltd.	Sales of goods	0.00	2,755,482,514.25
Zhejiang Yisheng New Materials Co., Ltd.	Labor provision	71,010,316.16	62,385,809.22
Zhejiang Rongtong Chemical Fibre New Materials Co., Ltd.	Sales of goods	0.00	-212,389.39
Hangzhou Bayi Energy Co., Ltd.	Sales of goods	734,737,484.94	897,671,146.13
Haining Hengqi Environmental Protection Technology Co., Ltd.	Sales of goods	20,617,481.18	3,339,460.36
Hangzhou Yijing Chemical Fibre Co., Ltd.	Labor provision	648,331.19	--
Ningbo Qingzhi Chemical Terminal Co., Ltd.	Sales of goods	2,996,198.66	--

(2) Information about related trusteeship management/ mandatory management

The Company as trustee

Name of the Client	Name of the Trustee	Type of Entrusted Assets	Starting Date of Entrustment	Custody fee recognized in current period
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Zhejiang Hengyi Petrochemical Co., Ltd.	Entrustment of operation	July 25, 2018	1,698,113.19

Note: Zhejiang Hengyi Petrochemical Co., Ltd. (a subsidiary of the Company) is entrusted to provide management advisory services to the production and operating

activities of Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd. However, the former will not undertake any business risk of the client. The termination date of entrust is the date of completion when the client is purchased by the Company or the Company's non-related parties.

(3) Information about related-party lease

① The Company as lessee

Name of lessor	Category of leased assets	Rental expenses recognized in current period	Rental expenses confirmed in the previous year
Hangzhou Yijing Chemical Fibre Co., Ltd.	Warehouse	994,555.81	661,447.12
Hangzhou Yijing Chemical Fibre Co., Ltd.	Property	1,445,624.69	--
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	Property	2,935.78	12,495.41
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd. (Note)	Property	1,280,000.00	1,280,000.00

Note: On January 1, 2021, the Company signed a house-leasing contract with Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd., with the lease term from January 1, 2021 to December 31, 2023 and annual rentals of RMB 1.28 million.

② The Company as the leaser

Name of the lessee	Category of leased assets	Rental expenses recognized in current period	Rental expenses confirmed in the previous year
Haining Hengqi Environmental Protection Technology Co., Ltd.	Premises	910,741.10	596,003.52
Zhejiang Hengyi Polyamide Co., Ltd.	Property	0.00	4,000.00
Hainan Yisheng Petrochemical Co., Ltd.	Property	1,346,678.51	1,419,145.21
Zhejiang Yisheng New Materials Co., Ltd.	Property	365,845.33	1,015,495.53

(4) Information about related-party guarantee

① The Company as guarantor

Warrantee	Amount guaranteed (RMB 10,000)	Starting date of guarantee	Maturity date of guarantee	Guarantee finished or not
Hainan Yisheng Petrochemical Co., Ltd.	53,662.78	May 22, 2023	December 24, 2024	No

② The Company as the warranteee

Guarantor	Warrantee	Amount (RMB 10,000)	Borrowing date	Repayment date	Mortgage provided by the Company or not	Guarantee finished or not
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Hengyi Industries Sdn. Bhd.	\$76,612.00	2018-8-23	2030-8-22	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Hengyi Industries Sdn. Bhd.	293,560.00	2018-8-23	2030-8-22	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Zhejiang Hengyi High-Tech Materials Co., Ltd.	25,000.00	2023-7-5	2024-6-20	No	No
Zhejiang Hengyi Group Co., Ltd. and Qiu Jianlin	Zhejiang Hengyi Petrochemicals Co., Ltd.	11,000.00	2023-7-5	2024-6-20	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	\$200.00	2019-6-25	2024-9-25	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Jiaxing Yipeng Chemical Fibre Co., Ltd.	66,460.69	2022-4-15	2027-1-13	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-Tech Materials Co., Ltd.	30,088.84	2021-3-8	2025-2-22	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	16,200.00	2022-1-28	2025-2-20	Yes	No
Zhejiang Hengyi Group Co., Ltd.	Haining Hengyi New Materials Co., Ltd.	70,000.00	2023-8-29	2024-12-19	No	No
Zhejiang Hengyi Group Co., Ltd.	Haining Hengyi New Materials Co., Ltd.	10,000.00	2023-5-15	2024-5-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Heng Yi Petrochemical Co.	40,792.00	2023-7-25	2024-11-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	\$18,560.04	2023-10-11	2024-4-11	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industries Sdn. Bhd.	170,000.00	2023-1-19	2024-6-14	No	No
Zhejiang Hengyi Group Co., Ltd.	Hengyi Industry International Co., Ltd.	\$11,481.44	2023-7-14	2024-4-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Jiaxing Yipeng Chemical Fibre Co., Ltd.	20,000.00	2023-8-24	2024-8-28	No	No

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Guarantor	Warrantee	Amount (RMB 10,000)	Borrowing date	Repayment date	Mortgage provided by the Company or not	Guarantee finished or not
Zhejiang Hengyi Group Co., Ltd.	Jiaxing Yipeng Chemical Fibre Co., Ltd.	10,000.00	2023-9-4	2024-9-4	No	No
Zhejiang Hengyi Group Co., Ltd.	Nongbo Hengyi Trading Co., Ltd	42,000.00	2023-9-12	2024-6-11	No	No
Zhejiang Hengyi Group Co., Ltd.	Suqian Yida New Materials Co., Ltd.	14,500.00	2023-6-26	2024-12-25	No	No
Zhejiang Hengyi Group Co., Ltd.	Taicang Yifeng Chemical Fibre Co., Ltd.	55,410.00	2023-8-8	2024-12-6	No	No
Zhejiang Hengyi Group Co., Ltd.	Hong Kong Tianyi International Holding Co., Ltd.	\$1,649.00	2022-6-28	2024-6-27	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi High-tech Material Co., Ltd	75,816.00	2021-11-11	2024-11-10	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Polymers Co., Ltd.	10,000.00	2023-8-24	2024-8-15	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co.,Ltd.	40,000.00	2023-8-9	2024-12-3	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co.,Ltd.	85,500.00	2023-7-27	2024-7-26	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	33,000.00	2023-2-10	2024-11-14	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Shuangtu New Materials Co., Ltd.	6,975.00	2023-10-10	2024-4-24	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	373,300.00	2021-2-24	2026-4-18	No	No
Zhejiang Hengyi Group Co., Ltd.	Zhejiang Yisheng Petrochemical Co., Ltd.	148,172.24	2023-7-13	2024-6-12	No	No
Zhejiang Hengyi Group Co., Ltd.	Haining Hengyi New Materials Co., Ltd.	77,482.54	2020-1-14	2024-12-30	Yes	No
Zhejiang Hengyi Group Co., Ltd. and Zhejiang Southeast Space Frame Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co.,Ltd.	5,000.00	2023-8-23	2024-8-23	No	No
Zhejiang Hengyi Group Co., Ltd. and Zhejiang Southeast Space Frame Group Co., Ltd.	Zhejiang Hengyi Petrochemicals Co.,Ltd.	15,000.00	2023-11-27	2024-6-3	No	No

(5) Related-party lending

Related party	Lending amount	Start date	Maturity date	Notes
Borrowing:				

Related party	Lending amount	Start date	Maturity date	Notes
Zhejiang Hengyi Group Co., Ltd.	5,588,422,499.99	--	--	Temporary working capital replenished by Heng Yi Group to the Company, which has been returned in full
Lending:				
Zhejiang Yisheng New Materials Co., Ltd.	988,000,000.00	2022-1-14	2023-12-21	Entrusted loan, lending rate: 4.785%
Zhejiang Yisheng New Materials Co., Ltd.	786,000,000.00	2023-1-9	2024-12-20	Entrusted loan, lending rate: 4.785%

(6) Information about related-party assets transfer and debt restructuring

Related party	Contents of related-party transactions	Amount incurred in current period	Amount incurred in previous period
Zhejiang Hengyi Energy Co., Ltd.	Asset transfer	0.00	3,000,000.00
Zhejiang Hengyi Group Co., Ltd.	Asset transfer	880,000,000.00	0.00

(7) Remunerations for key management personnel

Item	Amount incurred in current period	Amount incurred in previous period
Remunerations for key management personnel	RMB 8.0573 million	RMB 12.3383 million

(8) Other related-party transactions

By the end of December 31, 2023, the Company's and its subsidiaries' balance of deposits is RMB 170.1697 million in its related party, namely China Zheshang Bank Co., Ltd. The amount of commercial draft discounted but immature at the end of the term is RMB 0,00.

6. Related parties' receivables and payables

(1) Receivables

Project name	Ending balance		Ending balance of previous year	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Notes receivable:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	966,628.00	0.00	527,200.00	0.00
Accounts receivable:				
Hainan Yisheng Petrochemical Co., Ltd.	213,112,065.66	0.00	140,711,918.33	0.00
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	400,689.72	0.00	49,142.00	0.00
Zhejiang Yisheng New Materials Co., Ltd.	398,771.41	0.00	1,106,890.13	0.00
Hangzhou Yijing Chemical Fibre Co., Ltd.	3,877,449.15	0.00	--	--
Ningbo Qingzhi Chemical Terminal Co., Ltd.	280,105.95	0.00	--	--
Advance payment:				
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	9,978.79	0.00	5,525.28	0.00
Other current assets:				
Zhejiang Yisheng New Materials Co., Ltd.	787,149,197.50	0.00	989,433,904.99	0.00

(2) Payables

Project name	Ending balance	Ending balance of previous year
Notes payables:		
Zhejiang Yisheng New Materials Co., Ltd.	281,000,000.00	0.00
Accounts payable:		
Zhejiang Baling Hengyi Caprolactam Co., Ltd.	2,716,705.08	9,887,234.54
Hangzhou Yichen Chemical Fibre Co., Ltd.	2,346.68	0.00
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	848,660.98	3,705,778.85
Zhejiang Hengyi Polyamide Co., Ltd.	1,487.41	0.00
Zhejiang Yisheng New Materials Co., Ltd.	0.00	6,305,312.50
Hangzhou Bayi Energy Co., Ltd.	2,201,434.04	1,065,580.38
Hangzhou Yijing Chemical Fibre Co., Ltd.	391,541.53	--
Hong Kong Yitian Company Limited	48,652,663.66	0.00

Project name	Ending balance	Ending balance of previous year
Contractual liabilities and other current liabilities:		
Hangzhou Bayi Energy Co., Ltd.	0.00	493,849.41
Zhejiang Yisheng New Materials Co., Ltd.	0.00	52,067,253.14
Other payables:		
Zhejiang Hengyi Group Co., Ltd.	0.00	7,355,322.62
Non-current liabilities mature within one year:		
Shaoxing Keqiao Hengming Chemical Fibre Co., Ltd.	0.00	1,119,181.06

XI. Commitments and Contingencies

1. Contingent liabilities arising from pending litigation and arbitration and their financial impact

① Criminal case of Wang XX and related civil action cases in Zhejiang Shuangtu

Since October 21, 2018, Zhejiang Shuangtu has received the notice from more than ten clients (including Haiyan Yixiao Knitting New Materials Co., Ltd.). After the payment, the clients never received goods delivered by Zhejiang Shuangtu, and could not get contact with Wang

XX. For the reason of the failure of Zhejiang Shuangtu to deliver after their payment, Haiyan Yixiao Knitting New Materials Co., Ltd., Tonglu Yueheng Knitting Clothing Co., Ltd. and Yiwu Zijing Clothing Co., Ltd. submitted a case to the court.

According to its self-inspection, Zhejiang Shuangtu has already received the payment of above clients for goods, and finished related activities (including delivery and issuance of sales invoice) as per the sales order. All clients failing to receive the goods were handled by Wang XX, a salesman in Zhejiang Shuangtu. Then, the clients could not get contact with Wang XX. On November 11, 2018, Zhejiang Shuangtu reported the case to the criminal investigation brigade subordinate to Dajiangdong Industry Cluster District Suboffice of Hangzhou Public Security Bureau. The case has been accepted already. On April 13, 2019, Zhejiang Shuangtu received a notice from the

public security organ: Wang XX was arrested.

Both the three civil cases related to Wang XX and the contract dispute case with Haiyan Yixiao Knitting New Materials Co., Ltd. were opened to a court session on December 3, 2018. The court has not made a judgment yet. As Wang XX's criminal case is involved, Tonglu Yueheng Knitting Clothing Co., Ltd. positively withdrew the contract dispute case, and would decide how to solve after the criminal case was handled. For the contract dispute case with Yiwu Zijing Clothing Co., Ltd., Zhejiang Shuangtu has submitted corresponding answer brief and evidence materials to the court. The court will open a court session later. For the contract dispute case with, Haiyan Yixiao Knitting New Materials Co., Ltd., the court froze RMB 300,000 deposits of Zhejiang Shuangtu.

In 2018, based on the information in the client's letter of notice (including quantity of goods not received), Zhejiang Shuangtu deducted an amount of RMB 26,201,814.47 from its revenues, recorded corresponding freight cost (i.e. RMB 24,105,503.18) into "other receivables – Wang XX", and withdrew bad debt losses in full amount. Based on the receiving time and amount, Zhejiang Shuangtu also withdrew an amount of RMB 433,932.50 accrued liabilities by bank lending rates in corresponding period.

On May 17, 2019, Wang XX was arrested by law. On January 22, 2020, the People's Procuratorate of Hangzhou Xiaoshan District initiated a public prosecution to the People's Court of Hangzhou Xiaoshan District on the charge of post occupation and contract swindling. The case was accepted. Due to epidemic and other reasons, the court has not determined the date yet. According to the amount involving duty-related crime as found in the indictment by the People's Procuratorate of Hangzhou Xiaoshan District, Zhejiang Shuangtu deducted an amount of RMB 2,414,257.32 from its revenues, and recorded corresponding freight cost (i.e. RMB 2,138,041.91) into "other receivables –

Wang XX”, and confirmed anticipated losses in full amount.

Based on the receiving time and amount, Zhejiang Shuangtu also withdrew an amount of RMB 1,573,136.66 accrued liabilities by bank lending rates in corresponding period. According to the Agreement on Stock Issuance for Assets Purchase and subsequent agreements signed by and between the Company and the former shareholders of Zhejiang Shuangtu (namely Fulida Group and Xinghui Chemical Fibre Group Co., Ltd.), Fulida Group and Xinghui Chemical Fibre Group Co., Ltd. promise and agree to assume joint and several liabilities to the Company and Zhejiang Shuangtu with respect to all losses on Zhejiang Shuangtu and the Company caused by the disputed case prior to December 7, 2018 (included). Therefore, above event will have no significant influence on the Company and Zhejiang Shuangtu.

On July 20, 2020, the People’s Court of Hangzhou Xiaoshan District issued a paper of sentence to judge: (1) The Defendant Wang XX is sentenced to jail for 13 years for duty encroachment and for eleven (11) years and six (6) months for contract swindling, and also fined for RMB 150,000. Upon a combined punishment, Wang XX is sentenced to 18-year imprisonment, and fined RMB 150,000. (2) The Defendant Wang XX is ordered to return and compensate for economic losses to related units and the victim.

After the criminal case of Wang XX was judged, the cases deemed as duty encroachment of related victims were also heard, judged and/or compromised. By the end of the issue date of this report, 11 out of 13 victims from duty encroachment affirmed by the court have been judged, compromised and settled. A total amount of RMB 936,800 is involved in other two unsettled cases.

On 3 April 2023, Hangzhou Qiantang District People's Procuratorate filed an indictment with Hangzhou Qiantang District People's Court charging defendant Wang

XX with committing the crime of occupational encroachment: from August to October 2018, defendant Wang XX took advantage of the convenience of his position, and encroached on Shuangtu Company's property by taking partial shipments and other means after presenting the goods on behalf of the company's customers, such as Zhejiang Huagang Clothing Accessories Company Limited and other 3 units. The total amount involved was RMB 2,100,307.86.

On 30 June 2023, Hangzhou Qiantang District People's Court issued a criminal judgement, sentencing Wang to four years' fixed-term imprisonment for the crime of occupying positions and imposing a fine of RMB 50,000; together with the sentence of eighteen years' fixed-term imprisonment for the previous crime and a fine of RMB 150,000, it decided to carry out the fixed-term imprisonment of eighteen years and nine months and impose a fine of RMB 200,000; and ordered Defendant Wang Yishi to pay compensation for economic losses of the aggrieved unit, Zhejiang Shuangtu New Material Ltd. for economic losses of RMB 2,100,307.86.

In 2023, Double Rabbit Company offset its income by RMB 1,813,774.41, recorded the corresponding cost of goods of RMB 1,719,275.62 as "other receivables - Mr. Wang," and fully recognized the estimated loss; at the same time, it accrued estimated liabilities based on the timing and amount of customer payments received, using the same period bank loan interest rate and interbank lending rate.

On October 13, 2023, the company received RMB 6,570 from the Hangzhou Qiantang District People's Court transferred on behalf of the defendant Mr. Wang.

Due to settlements with some of the victims, the actual refund of payments to the victims by Double Rabbit Company was less than the amount determined by the court for the case. Therefore, the company reduced the amount of receivable compensation

from the original shareholders of Double Rabbit Company, Fulida Group Holding Co., Ltd., and Xinghui Chemical Fibre Group Co., Ltd., based on the actual expenditures of settled cases, reducing the amounts for the years 2021 and 2022 by RMB 8.5558 million yuan and RMB 54,100 respectively. In 2023, due to the newly confirmed embezzlement offense committed by Mr. Wang resulting in losses to Double Rabbit Company and the parent company, the receivable compensation from the original shareholders of Double Rabbit Company, Fulida Group Holding Co., Ltd., and Xinghui Chemical Fibre Group Co., Ltd. increased by RMB 2,246,502.35 (excluding RMB 6,570 for court-executed funds for the year).

As of December 31, 2023, the company recognized "other receivables - Mr. Wang" at 27,956,250.71 yuan, fully recognizing credit impairment losses; at the same time, it recognized receivable compensation from the original shareholders of Double Rabbit Company, Fulida Group Holding Co., Ltd., and Xinghui Chemical Fibre Group Co., Ltd., at RMB 25,833,187.48.

② Arbitration Case for EPC Contract Dispute with COOEC International Co., Ltd.

Hengyi Industries Sdn. Bhd. (hereinafter referred to as Hengyi Brunei or Respondent), a subsidiary of the Company, has received China International Economic and Trade Arbitration Commission's Notice on Defense of EPC Contract Dispute Case No. P20220470. COOEC International Co., Limited (hereinafter referred to as CNOOC International or Applicant) has submitted an arbitration application to China International Economic and Trade Arbitration Commission for disputes arising from the settlement of Hengyi (Brunei) PMB Petrochemical Project Single Point Mooring and Submarine Pipeline EPC signed with Hengyi Brunei. The main arbitration requests of CNOOC International Company involved the total amount of RMB 116,758,196.47 from twelve claims, including payment or refund of project progress payment, quality assurance deposit, costs incurred due to contract changes, as well as the losses and

corresponding interest and other expenses caused by the respondent during the construction. The Company categorized and summarized the above arbitration requests and provided defense opinions. In addition, the Company proposes arbitration counterclaims, such as bearing corresponding compensation for delayed construction period losses due to the serious delay in the manufacturing, delivery and installation progress of key equipment by CNOOC, resulting in the completion of the project far behind the original contract date. The case was heard at Zhejiang Branch of China International Economic and Trade Arbitration Commission on July 18, 2022 and March 23, 2023, respectively. As of the disclosure date of this report, the arbitration case has not yet been adjudicated.

③ Dispute over the sales contract with Hainan Guomao Industrial Co., Ltd.

On December 28, 2022, Zhejiang Hengyi Petrochemical Sales Co., Ltd. (hereinafter referred to as Hengyi Sales or Defendant), a subsidiary of the Company, received the subpoena of No. (2022) Zhejiang 0109 MC 19111 from the People's Court of Hangzhou Xiaoshan District. Hainan Guomao Industrial Co., Ltd. (hereinafter referred to as Hainan Guomao or plaintiff) has filed a lawsuit to terminate five contracts with Hengyi Sales, requiring Hengyi Sales to return the payment of RMB 29,468,547.72 paid by Hainan Guomao, pay the interest calculated from the plaintiff's payment date to the actual performance date based on the above amount according to three times of the market interest rate for one-year loans publicized by National Interbank Funding Center during the same period and bear the litigation costs of the case. In February 2023, Zhejiang Yilanwen Technology Co., Ltd. was added as the third party to the case. On March 27, 2023, the People's Court of Hangzhou Xiaoshan District tried the case. As of the disclosure date of this report, the case is still in the trial stage.

On August 31, 2023, the People's Court of Xiaoshan District, Hangzhou City, issued the following civil judgment (hereinafter referred to as the "first-instance judgment"):

the termination of the unfulfilled contract between Hengyi Sales Company and Hainan Guomao, with Hengyi Sales Company required to refund the unpaid goods amount of RMB 756,107.16 to Hainan Guomao within ten days of the judgment coming into effect, and to pay interest on the funds occupied from March 27, 2023, to the actual performance date calculated at the one-year loan market quotation rate published by the National Interbank Funding Center during the same period.

Hainan Guomao appealed against the first-instance judgment to the Hangzhou Intermediate People's Court in September 2023, requesting the termination of the five contracts involved, the refund of the paid goods amount of RMB 29,468,547.72, and the payment of triple interest calculated based on the above amount from the date of payment by the appellant to the actual performance date at three times the one-year loan market rate published by the National Interbank Funding Center during the same period, with all first and second-instance litigation costs to be borne by the defendant. In December 2023, Hengyi Sales Company submitted a second-instance defense pleading to the Hangzhou Intermediate People's Court requesting the dismissal of Hainan Guomao's appeal. The second-instance trial for the aforementioned case took place on December 27, 2023, and on February 21, 2024, the Zhejiang Provincial Higher People's Court issued a civil judgment "rejecting the appeal and upholding the original judgment," which served as the final judgment.

(2) By the end of December 31, 2022, the Company's debt guarantee is shown as follows:

Currency unit: RMB 10,000

Guarantor	Warrantee	Guaranty Style	Amount Guaranteed	Maturity date of guarantee
Hengyi Petrochemical Co. Ltd.	Hainan Yisheng Petrochemical Co., Ltd.	Credit guarantee	53,662.78	2024-12-24

XII. Events after the balance sheet date

1. Distribution of profits

On April 19, 2024, during the eighth session of the twelfth Board of Directors meeting, the company approved the "Proposal on the Distribution of Profits for the Year 2023." The company intends to distribute cash dividends of RMB 1.00 (tax included) per 10 shares to all shareholders entitled to dividends, using the total share capital recorded on the registration date determined in the announcement of the equity distribution as the base, deducting the shares held by the company's repurchase special securities account. There will be no bonus shares issued, and no increase in share capital through capital reserve conversion. This proposal is subject to approval at the annual general meeting of shareholders for the year 2023.

2. As at the date of this financial report, apart from the above matters, there were no other matters required to be disclosed after the balance sheet date during the current year

XIII. Other important events

1. Correction to prior period errors

There were no prior period error corrections that need to be disclosed by the Company during this year.

2. Segment information

Segmental management is not implemented in the Company. Therefore, there is no reporting segment.

3. Other important events

There were no other important events that need to be disclosed by the Company during this year.

XIV. Notes to main items in the company's financial statements**1. Other receivables**

Item	Ending balance	Ending balance of previous year
Interests receivable	0.00	0.00
Dividends receivable	765,000,000.00	425,000,000.00
Other receivables	5,147,890,574.22	5,601,278,001.08
Total	5,912,890,574.22	6,026,278,001.08

(1) Dividends receivable

Project (or Invested Unit)	Ending balance	Ending balance of previous year
Zhejiang Hengyi Petrochemical Co., Ltd.	425,000,000.00	425,000,000.00
Taicang Yifeng Chemical Fibre Co., Ltd.	230,000,000.00	0.00
Zhejiang Hengyi International Trading Co., Ltd.	110,000,000.00	0.00
Subtotal	765,000,000.00	425,000,000.00
Minus: Bad debt provision	0.00	0.00
Total	765,000,000.00	425,000,000.00

(2) Other receivables**① Disclosure by aging**

Aging	Ending balance	Ending balance of previous year
Within 1 year	5,147,710,574.22	2,093,805,561.80
1-2 years	0.00	200,000.00
2-3 years	200,000.00	1,255,406,748.63
Over three years	2,500.00	2,251,878,190.65
Subtotal	5,147,913,074.22	5,601,290,501.08

Minus: Bad debt provision	22,500.00	12,500.00
Total	5,147,890,574.22	5,601,278,001.08

② Classification based on nature of fund

Nature of account	Ending balance	Ending balance of previous year
Related party funds within the scope of consolidation	5,147,510,574.22	5,601,088,001.08
Portfolio of deposits and security	402,500.00	202,500.00
Subtotal	5,147,913,074.22	5,601,290,501.08
Minus: Bad debt provision	22,500.00	12,500.00
Total	5,147,890,574.22	5,601,278,001.08

③ Accrual of bad debt reserves

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss of the future twelve months	Expected credit loss over the lifetime (no credit impairment has occurred)	Expected credit loss over the lifetime (credit impairment occurred has occurred)	
Ending balance of previous year	10,000.00	0.00	2,500.00	12,500.00
Book balance of other receivables at the end of the previous year:				
- Transferred to Stage 2	0.00	--	--	0.00
- Transferred to Stage 3	0.00	0.00	--	0.00
- Transferred back to Stage 2	--	--	0.00	0.00

- Transferred back to Stage 1	--	0.00	0.00	0.00
Provision in current period	10,000.00	0.00	0.00	10,000.00
Withdrawal or Roll-back in current period	0.00	0.00	0.00	0.00
Write-off or cancellation after verification in current period	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	0.00
Ending balance	20,000.00	0.00	2,500.00	22,500.00

④ Situation of bad debt reserves

Category	Ending balance of previous year	Amount of changes in current period			Ending balance
		Provision	Amount recovered or written back	Resell or write off	
Related party funds within the scope of consolidation	0.00	0.00	0.00	0.00	0.00
Receivables and payables such as advance from entities beyond the scope of consolidation	0.00	0.00	0.00	0.00	0.00
Combination of tax refunds receivable and other government subsidies	0.00	0.00	0.00	0.00	0.00
Portfolio of deposits and security	12,500.00	0.00	0.00	0.00	12,500.00
Employee loan and petty cash	0.00	0.00	0.00	0.00	0.00
Other groups	0.00	0.00	0.00	0.00	0.00

Total	12,500.00	0.00	0.00	0.00	12,500.00
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⑤ Other receivables with top five ending balance collected by debtor

Name of organization	Nature of account	Ending balance	Aging	Proportions in the total other accounts receivable at the year ended (%)	Bad debt provision Ending balance
Zhejiang Hengyi Petrochemical Co., Ltd.	Related receivables and payables	5,147,510,574.22	Within 1 year	99.99	0.00
China Securities Depository & Clearing Corporation Shenzhen Branch	Convertible bonds converted to pay zero share capital	400,000.00	Within 1 year, 2-3	0.01	20,000.00
Beihai Haifu Building	Deposit	2,500.00	More than 3 years	0.00	2,500.00
Total	--	5,147,913,074.22	--	100.00	22,500.00

2. Long-term equity investment

(1) Classification of long-term equity investment

Item	Ending balance			Ending balance of previous year		
	Book balance	Impairment Reserve	Book value	Book balance	Impairment Reserve	Book value
Investment in subsidiaries	15,941,768,517.98	0.00	15,941,768,517.98	15,931,768,517.98	0.00	15,931,768,517.98
Investments in joint ventures and associates	14,156,002.82	0.00	14,156,002.82	14,254,625.24	0.00	14,254,625.24

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Total	15,955,924,520.80	0.00	15,955,924,520.80	15,946,023,143.22	0.00	15,946,023,143.22
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(2) Investment in subsidiaries

Investee	Ending balance of previous year	Increase in current period	Decrease in current period	Ending balance	Provision for impairment reserves in current period	Ending Balance of impairment reserves
Zhejiang Hengyi Petrochemical Co., Ltd.	9,382,870,750.00	10,000,000.00	0.00	9,392,870,750.00	0.00	0.00
Zhejiang Hengyi International Trade Co., Ltd.	300,000,000.00	0.00	0.00	300,000,000.00	0.00	0.00
Zhejiang Hengyi Engineering Management Co., Ltd.	200,000,000.00	0.00	0.00	200,000,000.00	0.00	0.00
Zhejiang Hengyi Petrochemical Research Institute Co., Ltd.	160,000,000.00	0.00	0.00	160,000,000.00	0.00	0.00
Zhejiang Shuangtu New Materials Co., Ltd.	2,104,999,978.20	0.00	0.00	2,104,999,978.20	0.00	0.00
Jiaxing Yipeng Chemical Fibre Co., Ltd.	2,886,198,482.98	0.00	0.00	2,886,198,482.98	0.00	0.00
Taicang Yifeng Chemical Fibre Co., Ltd.	897,699,306.80	0.00	0.00	897,699,306.80	0.00	0.00
Total	15,931,768,517.98	10,000,000.00	0.00	15,941,768,517.98	0.00	0.00

(3) Investment in associated and cooperative enterprises

Investee	Ending balance of previous year	Changes of increase or decrease in current period				
		Additional investment	Negative investment	Profits and losses on investments confirmed by equity method	Other comprehensive income adjustment	Other Equity Changes
Associated enterprises						
Ningbo Jinhou Industry Investment Co., Ltd.	14,254,625.24	0.00	0.00	-98,622.42	0.00	0.00

(Continued)

Investee	Changes of increase or decrease in current period			Ending balance	Ending balance of impairment reserves
	Cash dividends or profits declared to distribute	Provisions for impairment reserves	Others		
Associated enterprises					
Ningbo Jinhou Industry Investment Co., Ltd.	0.00	0.00	0.00	14,156,002.82	0.00

3. Operating income and operating cost

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Main business	0.00	0.00	1,437,239,380.54	1,413,310,442.21
Other businesses	0.00	0.00	0.00	0.00
Total	0.00	0.00	1,437,239,380.54	1,413,310,442.21

4. Investment income

Item	Amount incurred in current period	Amount incurred in previous period
Income from long-term equity investment checked with cost method	340,000,000.00	0.00
Income from long-term equity investment checked with equity method	-98,622.42	-37,178.87
Total	339,901,377.58	-37,178.87

XV. Further information

1. List of non-recurring profits and losses in this year

Item	Amount
1. Gains and losses on disposal of non-current assets, including elimination of provision for impairment of assets	416,787,000.84
2. Government grants recognised in profit or loss for the current period, except for those government grants that are closely related to the Company's normal business operations, in line with national policies and in accordance with defined criteria, and that have a sustained impact on the Company's profit or loss	114,355,884.18
3. Gains and losses arising from changes in the fair value of financial assets and liabilities held by non-financial corporations and gains and losses arising from the disposal of financial assets and liabilities, except for effective hedging operations related to the Company's normal business operations	491,763.52
4. Occupancy fees charged to non-financial corporations included in profit or loss for the period	0.00
5. Gains or losses on the investment or management of assets entrusted to others;	0.00
6. Gains and losses on external entrusted loans	38,393,856.92
7. Losses of assets due to force majeure factors, such as natural disasters;	0.00
8. Reversal of provision for impairment of receivables individually tested for impairment;	6,570.00
9. The cost of investments in subsidiaries, associates and joint ventures acquired by an enterprise is less than its share of the gain arising from the fair value of the identifiable net assets of the investee at the time the investment is acquired	16,534,148.40
10. Net profit or loss for the period from the beginning of the period to the date of consolidation of subsidiaries resulting from business combinations under the same control;	0.00
11. Gains and losses on exchange of non-monetary assets;	0.00
12. Debt restructuring gains and losses;	0.00
13. One-off costs incurred by an enterprise because the relevant business activity is no longer sustainable, such as expenses for relocating employees;	0.00
14. One-time effect on profit or loss for the period due to adjustments in tax, accounting and other laws and regulations;	0.00
15. One-time recognition of share-based payment fees due to cancellation and	0.00

Item	Amount
modification of equity incentive plans;	
16. For cash-settled share-based payments, gains and losses arising from changes in the fair value of employee compensation payable after the feasible date;	0.00
17. Gains and losses arising from changes in the fair value of investment properties that are subsequently measured using the fair value model;	0.00
18. Gains arising from transactions where the transaction price is significantly unfair;	0.00
19. Gains and losses arising from contingencies that are not related to the Company's normal business operations;	0.00
20. Custodial fee income earned on trusteeship;	1,698,113.16
21. Non-operating income and expenses other than those listed above.	-24,115,026.00
22. Other items of profit or loss that meet the definition of non-recurring profit or loss (Note)	63,233,423.28
Total non-recurring gains and losses before income tax	627,385,734.30
Less: Amount of income tax effect	156,969,934.37
Total non-recurring gains and losses, net of income tax	470,415,799.93
Effect of minority interests in profit or loss (loss expressed as "-")	88,643,291.10
Amount of net profit attributable to owners of the parent company from non-recurring gains and losses	381,772,508.83

Note: Other income and expenses items that meet the definition of non-recurring gains and losses mainly include non-recurring gains and losses attributable to the investee units in significant jointly controlled entities and associates accounted for using the equity method, with an amount of RMB 64,952,698.90.

The recognition of non-recurring gains and losses by the Company is implemented in accordance with the provisions of the "Interpretation Announcement No. 1 on Non-recurring Gains and Losses in the Information Disclosure of Companies Issuing Publicly Traded Securities" (Revised in 2023) (CSRC Announcement [2023] No. 65).

(2) The Company has been implementing the "Interpretation Announcement No. 1 on

Non-recurring Gains and Losses in the Information Disclosure of Companies Issuing Publicly Traded Securities (Revised in 2023)" since December 22, 2023, and recalculating the non-recurring gains and losses for the comparable accounting period of the year 2022. The affected amount of non-recurring gains and losses is as follows:

Item	Amount
Net non-recurring gains and losses attributable to owners of the parent company for the year 2022	12,786,821.23
Net non-recurring gains and losses attributable to owners of the parent company calculated in accordance with "Interpretative Announcement for Information Disclosure by Public Securities Issuers No. 1 - Non-recurring Gains and Losses (Revised in 2023)" for the year 2022	32,716,781.06
Amount of impact	19,929,959.83

2. Return on equity and earnings per share

Profits in reporting period	Weighted average return on net assets (%)	Earnings per Share	
		Basic earnings per share	Diluted EPS
Net profits assigned to the Company's common shareholders	1.74	0.13	0.13
Net profits assigned to common shareholders after deduction of non-recurring profits and losses	0.21	0.02	0.02

Hengyi Petrochemical Co., Ltd.

President: Qiu Yibo

April 19, 2024