

JIANGSU EASTERN SHENGHONG CO., LTD.
REVIEW REPORT AND INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

Review Report

To the Board of Directors of Jiangsu Eastern Shenghong Co., Ltd.:

We have reviewed the accompanying interim financial statements of Jiangsu Eastern Shenghong Co., Ltd. (hereinafter referred to as the “Eastern Shenghong”) for the nine months ended September 30, 2022, which comprise the consolidated and company’s balance sheets as at September 30, 2022, the consolidated and company’s income statements for the nine months ended September 30, 2022, the consolidated and company’s statements of cash flows, and the consolidated and company’s statements of changes in shareholder’s equity for the nine months ended September 30, 2022, and notes to the interim financial statements. Management of the Company is responsible for the preparation and fair presentation of the interim financial statements in accordance with the requirements of Accounting Standards for Business Enterprises. Our responsibility is to issue a review report on these interim financial statements based on our review.

We conducted our review in accordance with China Standard on Review Engagement 2101, “Review of Financial Statements”. This standard requires that we plan and perform the review to obtain limited assurance about whether the interim financial statements as a whole are free from material misstatement. A review is limited primarily to inquiries of personnel from the Company’s and analytical procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not present fairly, in all material respects, the consolidated and company’s financial position as at September 30, 2022 and the consolidated and company’s financial performance and cash flows for the nine months then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

The comparative information of the interim financial statements, including the consolidated and company’s income statements, the consolidated and company’s statements of cash flows, the consolidated and company’s statements of changes in shareholders’ equity for the nine months ended September 30, 2021 and relevant notes, were not audited or reviewed.

This report is intended solely for the Board of Directors of the Company in connection with the listing of global depository receipts (GDRs) on SIX Swiss Exchange AG and is not to be used for any other purpose.

**BDO CHINA Shu Lun Pan
Certified Public Accountants LLP**

Certified Public Accountant of China:

Certified Public Accountant of China:

Shanghai, China

December 21, 2022

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Consolidated Balance Sheet
(All amounts in RMB Yuan unless otherwise stated)

<u>Assets</u>	<i>Note 5</i>	September 30, 2022 <i>(Unaudited)</i>	December 31, 2021 <i>(Restated, notes 2.3)</i>
Current Assets:			
Cash at bank and on hand	5.1	13,111,718,792.81	13,400,070,376.84
Deposit reservation for balance			
Lending funds			
Financial assets held for trading	5.2	101,264,917.56	141,719,671.46
Derivative financial assets			
Notes receivable	5.3	184,989,366.80	348,987,413.80
Accounts receivable	5.4	550,386,060.13	531,097,626.60
Receivable financing	5.5	260,748,170.85	77,650,379.06
Advance to suppliers	5.6	3,302,991,569.47	739,125,199.02
Premium receivable			
Reinsurances receivable			
Reinsurance contract reserves receivable			
Other receivables	5.7	828,105,400.33	93,350,427.86
Purchase of resale financial assets			
Inventories	5.8	10,302,034,140.44	6,085,991,650.69
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	5.9	682,520,267.90	3,602,277,611.19
Total current assets		29,324,758,686.29	25,020,270,356.52
Non-current assets:			
Loans and advances issued			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	5.10	121,627,456.28	139,961,042.52
Investments in other equity instruments	5.11	583,395,820.00	583,395,820.00
Other non-current financial assets	5.12	4,477,532.09	4,477,532.09
Investment properties	5.13	713,121,335.93	1,134,963,721.44
Fixed assets	5.14	37,527,371,572.11	31,228,789,318.91
Construction in progress	5.15	75,635,713,327.82	59,972,450,211.13
Biological assets			
Oil and gas assets			
Right-of-use assets	5.16	1,333,975,635.81	1,092,117,728.00
Intangible assets	5.17	4,172,585,580.86	3,054,656,734.27
Capitalized development costs			
Goodwill	5.18	694,977,494.40	694,977,494.40
Long-term prepaid expenses	5.19	7,763,384.43	21,591,500.41
Deferred tax assets	5.20	575,457,270.48	472,404,205.44
Other non-current assets	5.21	4,271,255,611.33	8,629,047,411.26
Total non-current assets		125,637,244,489.45	107,028,832,719.87
Total assets		154,962,003,175.74	132,049,103,076.39

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Liability and shareholders' equity	Note 5	September 30, 2022	December 31, 2021
		<i>(Unaudited)</i>	<i>(Restated, notes 2.3)</i>
Current liabilities:			
Short-term borrowings	5.22	21,311,357,035.82	11,640,180,358.86
Borrowings from the Central Bank			
Borrowing funds			
Financial liabilities held for trading	5.23	227,193.60	3,567,808.37
Derivative financial liabilities			
Notes payable	5.24	3,103,761,022.70	5,792,969,431.39
Accounts payable	5.25	13,334,559,863.40	12,696,217,538.89
Advances from customers	5.26	42,311,794.06	34,444,991.05
Contract liabilities	5.27	1,409,714,532.86	884,411,615.82
Financial assets sold for repurchase			
Savings absorption and interbank deposits			
Acting trading securities			
Acting underwriting securities			
Employee benefits payable	5.28	380,599,320.78	534,427,595.94
Taxes payable	5.29	221,956,802.84	177,753,147.32
Other payables	5.30	362,210,868.81	2,589,749,884.22
Handling charges and commissions payable			
Accounts payable reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year	5.31	7,835,415,568.20	5,071,129,222.05
Other current liabilities	5.32	465,488,408.18	368,691,811.04
Total current liabilities		48,467,602,411.25	39,793,543,404.95
Non-current liabilities:			
Provision for insurance contacts			
Long-term borrowings	5.33	65,107,726,113.54	52,373,793,742.68
Bonds payable	5.34	4,097,019,014.84	3,927,567,223.43
Of which: Preferred shares			
Perpetual debt			
Lease liabilities	5.35	1,154,332,185.64	985,281,636.81
Long-term payables	5.36	1,075,053,470.76	2,691,695,545.75
Long-term employee benefits payable			
Provisions			
Deferred income	5.37	2,262,846,286.05	2,254,329,127.92
Deferred tax liabilities	5.20	684,795,628.47	542,445,448.41
Other non-current liabilities	5.38	27,014,892.03	33,269,790.86
Total non-current liabilities		74,408,787,591.33	62,808,382,515.86
Total liabilities		122,876,390,002.58	102,601,925,920.81
Shareholders' equity:			
Share capital	5.39	9,201,645,027.16	8,934,888,229.16
Other equity instruments	5.40	1,218,227,756.08	1,218,368,686.59
Of which: Preferred shares			
Perpetual debt			
Capital reserves	5.41	13,643,806,932.99	10,169,443,217.42
Less: Treasury shares			
Other comprehensive income	5.42	81,054,174.98	61,610,475.56
Special reserve	5.43	10,420,503.85	20,965,757.18
Surplus reserves	5.44	601,569,763.59	601,569,763.59
General risk reserves			
Retained earnings	5.45	7,329,961,617.66	6,646,836,487.36
Total equity attributable to shareholders of the Company		32,086,685,776.31	27,653,682,616.86
Non-controlling interests		-1,072,603.15	1,793,494,538.72
Total shareholders' equity		32,085,613,173.16	29,447,177,155.58
Total liabilities and shareholders' equity		154,962,003,175.74	132,049,103,076.39

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Company's Balance Sheet
(All amounts in RMB Yuan unless otherwise stated)

<u>Assets</u>	<u>Note 12</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
		<i>(Unaudited)</i>	<i>(Restated, notes 2.3)</i>
Current Assets:			
Cash at bank and on hand		5,077,661,317.27	350,977,071.10
Financial assets held for trading		101,025,709.73	86,357,171.46
Derivative financial assets			
Notes receivable			
Accounts receivable	12.1	102,216,213.22	81,581,660.48
Receivable financing		16,752,366.96	11,597,971.23
Advance to suppliers		385,858,342.68	794,484.75
Other receivables	12.2	1,591,885,485.96	927,682,975.81
Inventories		21,471,490.10	15,161,894.49
Contract assets			
Assets held for sale			
Non-current assets due within one year		10,836,232.69	8,443,065.26
Other current assets			
Total Current Assets		7,307,707,158.61	1,482,596,294.58
Non-Current Assets:			
Debt investments			
Other Debt investments			
Long-term receivables			
Long-term equity investments	12.3	53,556,536,880.18	46,036,050,438.00
Investments in other equity instruments		583,395,820.00	583,395,820.00
Other non-current financial assets			1,406,830,003.25
Investment properties		306,517,897.46	689,393,828.27
Fixed assets		330,615,314.90	378,136,332.02
Construction in progress		28,398,198.67	1,122,908.68
Biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		69,049,996.89	69,907,675.68
Capitalized development costs			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets		81,059,634.41	68,063,800.33
Other non-current assets			1,928,267.00
Total non-current assets		54,955,573,742.51	49,234,829,073.23
Total assets		62,263,280,901.12	50,717,425,367.81

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Liability and shareholders' equity	<i>Note 12</i>	September 30, 2022	December 31, 2021
		<i>(Unaudited)</i>	<i>(Restated, notes 2.3)</i>
Current liabilities:			
Short-term borrowings		1,258,536,842.24	2,523,513,438.99
Financial liabilities held for trading			3,567,808.37
Derivative financial liabilities			
Notes payable		225,000,000.00	635,850,000.00
Accounts payable		1,349,204,519.32	247,406,837.44
Advances from customers		32,071,470.30	31,132,194.01
Contract liabilities		5,968,652,754.70	28,925,918.19
Employee benefits payable		12,519,546.77	21,757,749.42
Taxes payable		9,641,302.19	5,225,770.93
Other payables		6,114,343,672.76	5,814,246,665.10
Liabilities held for sale			
Non-current liabilities due within one year		996,893,525.03	1,625,330,341.78
Other current liabilities		774,717,755.03	3,791,388.68
Total current liabilities		16,741,581,388.34	10,940,748,112.91
Non-Current liabilities:			
Long-term borrowings		5,856,900,000.00	1,864,000,000.00
Bonds payable		4,097,019,014.84	3,927,567,223.43
Of which: Preferred shares			
Perpetual debt			
Lease liabilities			
Long-term payables			1,200,580,000.00
Long-term Employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities		46,730,382.43	160,430,710.48
Other non-current liabilities		27,014,892.03	33,269,790.86
Total non-current liabilities		10,027,664,289.30	7,185,847,724.77
Total liabilities		26,769,245,677.64	18,126,595,837.68
Shareholders' equity:			
Share capital		6,213,245,319.00	5,946,488,521.00
Other equity instruments		1,218,227,756.08	1,218,368,686.59
Of which: Preferred shares			
Perpetual debt			
Capital reserves		25,184,263,532.39	21,394,743,718.63
Less: Treasury shares			
Other comprehensive income		68,171,865.00	68,171,865.00
Special reserve			
Surplus reserve		652,896,900.49	652,896,900.49
Retained earnings		2,157,229,850.52	3,310,159,838.42
Total shareholders' equity		35,494,035,223.48	32,590,829,530.13
Total Liability and shareholders' equity		62,263,280,901.12	50,717,425,367.81

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Consolidated Income Statement
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 5	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		(Unaudited)	(Unaudited and unreviewed)
I. Revenue		46,707,970,694.28	40,205,553,414.63
Of which: Revenue	5.46	46,707,970,694.28	40,205,553,414.63
Interest income			
Premiums earned			
Incomes for handling charges and commissions			
II. Cost of sales		45,325,308,659.78	34,624,490,770.56
Of which: Cost of sales	5.46	42,638,873,704.10	33,042,249,960.66
Interest cost			
Expenditures for handling charges and commissions			
Surrender value			
Net amount of compensation expenditure . .			
Net insurance liability reserve withdrawn . .			
Policyholder dividend expenditure			
Reinsurance expenses			
Taxes and surcharges	5.47	168,564,937.55	132,784,741.73
Selling expenses	5.48	138,610,308.24	114,048,971.83
General and administrative expenses	5.49	538,511,235.10	348,467,474.44
Research and development expenses	5.50	371,606,998.73	288,181,531.16
Finance expenses	5.51	1,469,141,476.06	698,758,090.74
Of which: Interest expenses		1,465,128,286.17	749,383,816.38
Interest income		158,780,593.82	99,363,474.46
Add: Other income	5.52	83,519,815.70	86,808,869.01
Investment income (loss expressed with “-”)	5.53	-31,245,376.49	-82,385,141.42
Of which: Share of net profits of associates and joint ventures		-4,333,586.24	6,005,237.10
Profit or loss arising from derecognised financial assets at amortised cost			
Exchange gains (loss expressed with “-”) . .			
Net exposure hedging gains (loss expressed with “-”)			
Gains arising from changes in fair value (loss expressed with “-”)	5.54	16,864,101.39	16,938,590.68
Credit impairment losses (loss expressed with “-”)	5.55	5,531,802.22	-20,949,930.87
Assets impairment losses (loss expressed with “-”)	5.56	-185,447,417.67	-60,888,709.99
Gains on disposal of assets (loss expressed with “-”)	5.57	486,324,950.16	17,347,216.63
III. Operating profit (loss expressed with “-”)		1,758,209,909.81	5,537,933,538.11
Add: Non-operating income	5.58	45,984,912.40	33,262,865.38
Less: Non-operating expenses	5.59	16,983,840.20	8,768,951.51
IV. Total profit (total loss expressed with “-”)		1,787,210,982.01	5,562,427,451.98
Less: Income tax expenses	5.60	213,128,644.77	1,206,627,844.91
V. Net profit (net loss expressed with “-”) . .		1,574,082,337.24	4,355,799,607.07
(I) Classified by continuity of operations . .			
1. Net profit from continuing operation (net loss expressed with “-”)		1,574,082,337.24	4,355,799,607.07
2. Net profit from discontinued operations (net loss expressed with “-”)			
(II) Classified by ownership of the equity . .			

Item	Note 5	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		(Unaudited)	(Unaudited and unreviewed)
1. Net profit attributable to shareholders of the Company (net loss expressed with “-”)		1,577,312,625.61	3,941,957,563.12
2. Net profit attributable to non-controlling interests (net loss expressed with “-”) . . .		-3,230,288.37	413,842,043.95
VI. Other comprehensive income, net of tax		19,441,907.64	-593,756.13
Other comprehensive income, net of tax, attributable to shareholders of the Company		19,443,699.42	-662,097.42
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Changes arising from remeasurement of defined benefit plan			
2. Share of other comprehensive income of equity accounted investments that will not be reclassified to profit or loss			
3. Changes in fair value of investments in other equity instruments			
4. Changes in fair value of the Company’s own credit risk			
(II) Other comprehensive income to be reclassified to profit or loss		19,443,699.42	-662,097.42
1. Share of other comprehensive income of equity-accounted investments that will be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Shares of financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Translation differences of foreign currency financial statements		19,443,699.42	-662,097.42
7. Others			
Net after-tax amount of other comprehensive income attributable to non-controlling interests		-1,791.78	68,341.29
VII. Total comprehensive income		1,593,524,244.88	4,355,205,850.94
Total comprehensive income attributable to the Company’s shareholders		1,596,756,325.03	3,941,295,465.70
Total comprehensive income attributable to non-controlling interests		-3,232,080.15	413,910,385.24
VIII. Earnings per share:			
(I) Basic earnings per share (yuan/share) . . .		0.26	0.66
(II) Diluted earnings per share (yuan/share)		0.25	0.63

In case of business combination under common control, net profit realized by the combinee before the combination in the period was RMB-9,604,876.38; net profit realized by the combinee in the previous period was RMB-6,284,146.10. The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Company's Income Statement
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 12	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		(Unaudited)	(Unaudited and unreviewed)
I. Revenue	12.4	8,245,895,144.59	4,795,886,641.50
Less: Cost of sale	12.4	8,074,887,822.39	4,623,284,389.21
Taxes and surcharges		54,749,294.48	17,946,065.21
Selling expenses		208,723.55	366,589.10
General and administrative expenses		47,182,737.36	51,640,754.90
Research and development expenses			
Finance expenses		645,900,402.91	277,772,564.63
Of which: Interest expenses		661,478,895.09	277,061,349.41
Interest income		36,035,229.29	5,943,948.96
Add: Other income		8,208,475.24	5,597,825.40
Investment income (loss expressed with "-")	12.5	-4,206,776.92	2,204,600,478.22
Of which: Share of net profits of associates and joint ventures		792,519.26	7,747,672.68
Profit or loss arising from derecognised financial assets at amortised cost			
Net exposure hedging gains (loss expressed with "-")			
Gains arising from changes in fair value (loss expressed with "-")		14,994,682.76	77,470,862.78
Credit impairment losses (loss expressed with "-")		2,249,712.07	237,569.70
Assets impairment losses (loss expressed with "-")			
Gains on disposal of assets (loss expressed with "-")		168,046,644.16	-10,471.94
II. Operating profit (loss expressed with "-")		-387,741,098.79	2,112,772,542.61
Add: Non-operating income		459,339.49	482,476.06
Less: Non-operating expenses		368,022.13	66,742.37
III. Total profit (total loss expressed with "-")		-387,649,781.43	2,113,188,276.30
Less: Income tax expenses		-126,696,162.13	-24,400,311.30
IV. Net profit (net loss expressed with "-")		-260,953,619.30	2,137,588,587.60
(I) Net profit from continuing operation (net loss expressed with "-")		-260,953,619.30	2,137,588,587.60
(II) Net profit from discontinued operation (net loss expressed with "-")			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Changes arising from remeasurement of defined benefit plan			
2. Share of other comprehensive income of equity accounted investments that will not be reclassified to profit or loss			
3. Changes in fair value of investments in other equity instruments			
4. Changes in fair value of the Company's own credit risk			
(II) Other comprehensive income to be reclassified to profit or loss			
1. Share of other comprehensive income of equity-accounted investments that will be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Shares of financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			

Item	<i>Note 12</i>	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		<i>(Unaudited)</i>	<i>(Unaudited and unreviewed)</i>
6. Translation differences of foreign currency financial statements.			
7. Others			
VI. Total comprehensive income		-260,953,619.30	2,137,588,587.60
VII. Earnings per share:			
(I) Basic earnings per share (yuan/share) . . .			
(II) Diluted earnings per share (yuan/share).			

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Consolidated Statement of Cash Flows
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 5	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		(Unaudited)	(Unaudited and unreviewed)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		50,937,861,696.98	43,219,614,618.38
Net increase in customer bank deposits and interbank deposits			
Net increase in borrowings from the Central Bank.			
Net increase in borrowings from other financial institutions			
Cash received from premiums obtained from original insurance contracts			
Net cash received from reinsurance business			
Net increase of policy holder deposits and investment funds			
Cash received from interests, handling charges and commissions			
Net increase in borrowing funds			
Net increase in repurchase business capital.			
Net cash received from agency purchases and sales of securities			
Refunds of taxes and surcharges		6,335,253,730.54	360,403,910.70
Cash received relating to other operating activities		6,717,931,052.96	4,747,969,562.22
Sub-total of cash inflows from operating activities		63,991,046,480.48	48,327,988,091.30
Cash paid for goods and services.		51,587,306,885.80	34,531,847,802.59
Net increase in borrowings and advances			
Net increase of deposits in the Central Bank and other financial institutions			
Cash paid for original insurance contract claims.			
Net increase in lending funds			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		1,944,698,634.47	1,541,787,603.06
Payments of taxes and surcharges		944,513,734.55	1,522,653,634.25
Cash paid relating to other operating activities		6,314,444,673.06	7,140,515,160.40
Sub-total of cash outflows from operating activities		60,790,963,927.88	44,736,804,200.30
Net cash flows from operating activities		3,200,082,552.60	3,591,183,891.00
II. Cash flows from investing activities			
Cash received from disposal of investments		53,911,691.18	1,147,320,933.24
Cash received from returns on investments.		54,218,287.35	17,758,666.97
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		274,947,042.52	143,121,011.20

Item	Note 5	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		<i>(Unaudited)</i>	<i>(Unaudited and unreviewed)</i>
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities		3,793,144,111.76	395,068,826.99
Subtotal of cash inflows from investing activities		4,176,221,132.81	1,703,269,438.40
Cash paid to acquire fixed assets, intangible assets and other long-term assets		21,837,583,161.14	30,212,540,120.80
Cash paid to acquire investments		2,128,809,646.61	2,800,721,920.44
Net increase in pledge loans			
Net cash paid for the acquisition of subsidiaries and other business units			
Cash payments relating to other investing activities		3,640,652,419.23	9,442,789.96
Sub-total of cash outflows from investing activities		27,607,045,226.98	33,022,704,831.20
Sub-total of cash outflows from investing activities		-23,430,824,094.17	-31,319,435,392.80
III. Cash flows from financing activities		4,091,798,690.97	
Cash received from capital contributions		4,091,798,690.97	
Of which: Cash received from capital contributions by non-controlling interests of subsidiaries			
Cash received from borrowings		42,347,199,066.67	41,489,861,011.71
Cash received relating to other financing activities		3,611,838,700.00	3,720,000,000.00
Subtotal of cash inflows from financing activities		50,050,836,457.64	45,209,861,011.71
Cash repayments for borrowings		18,473,834,884.98	11,356,203,495.89
Cash payments for distribution of dividends, profits or interest expenses.		3,964,194,077.79	3,051,675,993.86
Of which: Share dividends and profits paid to non-controlling interests of subsidiaries			96,000,000.00
Cash payments relating to other financing activities		6,833,414,723.60	3,734,099,648.37
Sub-total of cash outflows from financing activities		29,271,443,686.37	18,141,979,138.12
Net cash flows from financing activities		20,779,392,771.27	27,067,881,873.59
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		83,582,114.34	-37,203,362.81
V. Net increase in cash and cash equivalents		632,233,344.04	-697,572,991.02
Add: Beginning balance of cash and cash equivalents		9,678,121,585.63	15,936,150,679.62
VI. Ending balance of cash and cash equivalents		10,310,354,929.67	15,238,577,688.60

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Company's Statement of Cash Flows
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 12	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		(Unaudited)	(Unaudited and unreviewed)
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		17,502,625,082.04	5,327,468,785.65
Refunds of taxes and surcharges		8,746,405.70	
Cash received relating to other operating activities		140,866,635,722.61	9,325,153,325.74
Sub-total of cash inflows from operating activities		158,378,007,210.35	14,652,622,111.39
Cash paid for goods and services		9,565,607,294.53	4,484,425,734.63
Cash paid to and on behalf of employees		81,706,973.05	82,381,511.59
Payments of taxes and surcharges		60,793,561.49	81,213,039.95
Cash paid relating to other operating activities		138,980,189,748.94	8,695,393,471.02
Sub-total of cash outflows from operating activities		148,688,297,578.01	13,343,413,757.19
Net cash flows from operating activities		9,689,709,632.34	1,309,208,354.20
II. Cash flows from investing activities			
Cash received from disposal of investments		1,245,005,224.33	1,270,588.24
Cash received from returns on investments		209,070,970.86	2,204,869,780.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		62,658,670.91	348,249.74
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Subtotal of cash inflows from investing activities		1,516,734,866.10	2,206,488,618.60
Cash paid to acquire fixed assets, intangible assets and other long-term assets		48,373,845.82	21,212,775.10
Cash paid to acquire investments		9,350,727,200.00	7,028,160,000.00
Net cash paid for the acquisition of subsidiaries and other business units			
Cash payments relating to other investing activities			
Sub-total of cash outflows from investing activities		9,399,101,045.82	7,049,372,775.10
Net cash flows from investing activities		-7,882,366,179.72	-4,842,884,156.50
III. Cash flows from financing activities			
Cash received from capital contributions		4,077,798,690.97	
Cash received from borrowings		8,888,000,000.00	6,091,828,831.53
Cash received relating to other financing activities		2,006,938,700.00	2,800,000,000.00
Subtotal of cash inflows from financing activities		14,972,737,390.97	8,891,828,831.53
Cash repayments for borrowings		7,514,381,070.00	1,086,788,311.63
Cash payments for distribution of dividends, profits or interest expenses		1,351,833,329.29	651,798,584.82
Cash payments relating to other financing activities		3,231,047,930.11	3,000,200,000.00
Sub-total of cash outflows from financing activities		12,097,262,329.40	4,738,786,896.45
Net cash flows from financing activities		2,875,475,061.57	4,153,041,935.08
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			
		470.71	-14.99
V. Net increase in cash and cash equivalents			
		4,682,818,984.90	619,366,117.79
Add: Beginning balance of cash and cash equivalents		204,710,085.27	287,339,525.05
VI. Ending balance of cash and cash equivalents			
		4,887,529,070.17	906,705,642.84

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Consolidated Statement of Changes in Shareholders' Equity
(All amounts in RMB Yuan unless otherwise stated)

For the nine months ended September 30, 2022 (Unaudited)

Item	Equity attributable to shareholders of the Company									Sub-total	Non-controlling interests	Total shareholders' equity		
	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve				General risk reserves	Retained earnings
I. Balance as at the end of the last year	8,934,888,229.16			1,218,368,686.59	10,161,654,344.13		61,610,475.56	20,965,757.18	601,569,763.59		6,615,477,283.13	27,614,534,539.34	1,793,494,538.72	29,408,029,078.06
Add: Changes in accounting policies														
Correction of prior errors														
Business combination under common control														
Others					7,788,873.29									
II. Balance as at the beginning of the current year	8,934,888,229.16			1,218,368,686.59	10,169,443,217.42		61,610,475.56	20,965,757.18	601,569,763.59		6,646,836,487.36	27,653,682,616.86	1,793,494,538.72	29,447,177,155.58
III. Movement for the period (decrease expressed with "-")	266,756,798.00			(140,930.51)	3,474,363,715.57		19,443,699.42	(10,545,253.33)			683,125,130.30	4,433,003,159.45	(1,794,567,141.87)	2,688,436,017.58
(I) Total comprehensive income							19,443,699.42				1,577,312,623.61	1,596,756,325.03	(3,232,080.15)	1,593,524,244.88
(II) Capital contribution and reduction by shareholders	266,756,798.00			(140,930.51)	3,789,519,813.76							4,056,135,681.25	(2,116,819,093.21)	1,939,316,588.04
1. Common share capital contribution by shareholders	266,714,109.00				3,788,958,625.27							4,055,672,734.27	(2,116,819,093.21)	1,938,853,641.06
2. Capital contribution by the holders of other equity instruments	42,689.00			(140,930.51)	561,188.49							462,946.98		462,946.98
3. Amount recorded in shareholders' equity arising from share-based payment arrangements														
4. Others														
(III) Distribution of profits														
1. Appropriation to surplus reserves														
2. Appropriation to common risk provision														
3. Distribution to shareholders														
4. Others														

For the nine months ended September 30, 2022 (Unaudited)

Item	Equity attributable to shareholders of the Company												
	Other equity instruments				Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital	Preferred shares	Perpetual debt	Others									
(IV) Transfer within shareholders' equity													
1. Transfer from capital reserves to share capital													
2. Transfer from surplus reserves to share capital													
3. Surplus reserves used to offset accumulated losses													
4. Transfer remeasurements of defined benefit obligation to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(V) Special reserve													
1. Accrual in the period													
2. Use in the period													
(VI) Others													
IV. Balance as at the end of this period	9,201,645,027.16		1,218,227,756.08		-315,156,098.19		81,054,174.98	10,420,503.85	601,569,763.59	7,329,961,617.66	32,086,685,776.31	-1,072,603.15	32,085,613,173.16
										-2,211,126.71	-317,367,224.90	325,484,031.49	8,116,806.59

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

For the nine months ended September 30, 2021 (Unaudited and unreviewed)

Item	Equity attributable to shareholders of the Company											
	Share capital	Preferred shares	Perpetual debt	Other equity instruments	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserves	Retained earnings	Sub-total	Non-controlling interests
I. Balance as at the end of the last year	7,823,263,574.16				7,269,062,496.38	141,511,143.47	34,298,948.63	371,183,266.63	1,906,149,960.23	17,543,469,389.50	5,002,390,105.22	22,547,859,494.72
Add: Changes in accounting policies												
Correction of prior errors												
Business combination under common control					5,765,390,325.27		2,238,508.94		733,642,052.15	6,501,270,886.36	1,105,268,683.87	7,606,539,570.23
Others												
II. Balance as at the beginning of the current year	7,823,263,574.16				13,034,452,821.65	141,511,143.47	36,537,457.57	371,183,266.63	2,639,792,012.38	24,046,740,275.86	6,107,658,789.09	30,154,399,064.95
III. Movement for the period (decrease expressed with "+")	39,391.00				-125,973,826.22	-662,097.42	-8,194,785.98		2,894,471,176.52	3,978,217,920.89	-662,481,918.39	3,315,736,002.50
I. Total comprehensive income				1,218,538,062.99		-662,097.42			3,941,957,563.12	3,941,295,465.70	413,910,385.24	4,355,205,850.94
(II) Capital contribution and reduction by shareholders	39,391.00			1,218,538,062.99	524,028.06					1,219,101,482.05	-1,079,040,394.02	140,061,088.03
1. Common share capital contribution by shareholders												
2. Capital contribution by the holders of other equity instruments	39,391.00			1,218,538,062.99	524,028.06					1,219,101,482.05	-1,108,160,000.00	1,219,101,482.05
3. Amount recorded in shareholders' equity arising from share-based payment arrangements												
4. Others												
(III) Distribution of profits									-1,047,486,386.60	-1,047,486,386.60	29,119,605.98	29,119,605.98
1. Appropriation to surplus reserves												
2. Appropriation to common risk provision												
3. Distribution to shareholders												
4. Others												

For the nine months ended September 30, 2021 (Unaudited and unreviewed)

Item	Equity attributable to shareholders of the Company												
	Other equity instruments			Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity	
	Share capital	Preferred shares	Perpetual debt										Others
(IV) Transfer within shareholders' equity . . .													
1. Transfer from capital reserves to share capital													
2. Transfer from surplus reserves to share capital													
3. Surplus reserves used to offset accumulated losses													
4. Transfer remeasurements of defined benefit obligation to retained earnings . .													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(V) Special reserve													
1. Accrual in the period													
2. Use in the period													
(VI) Others													
IV. Balance as at the end of this period	7,823,310,965.16	1,218,538,062.99	-126,497,854.28	12,908,478,995.43	28,342,671.59	140,849,046.05	371,183,266.63	5,534,263,188.90	28,024,958,196.75	5,443,176,870.70	33,470,135,067.45	-28,070,381.79	33,442,064,685.66

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Unaudited Company's Statement of Changes in Shareholders' Equity
(All amounts in RMB Yuan unless otherwise stated)

For the nine months ended September 30, 2022 (Unaudited)

Item	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
	Share capital	Preferred shares	Perpetual debt							
I. Balance as at the end of the last year	5,946,488,521.00			1,218,368,686.59	21,394,743,718.63	68,171,865.00		652,896,900.49	3,310,159,838.42	32,590,829,530.13
Add: Changes in accounting policies										
Correction of prior errors										
Others										
II. Balance as at the beginning of the current year	5,946,488,521.00			1,218,368,686.59	21,394,743,718.63	68,171,865.00		652,896,900.49	3,310,159,838.42	32,590,829,530.13
III. Movement for the period (decrease expressed with "-")	266,756,798.00			-140,930.51	3,789,519,813.76				-1,152,929,987.90	2,903,205,693.35
(I) Total comprehensive income									-260,953,619.30	-260,953,619.30
(II) Capital contribution and reduction by shareholders	266,756,798.00			-140,930.51	3,789,519,813.76					4,056,135,681.25
1. Common share capital contribution by shareholders	266,714,109.00				3,788,958,625.27					4,055,672,734.27
2. Capital contribution by the holders of other equity instruments	42,689.00			-140,930.51	561,188.49					462,946.98
3. Amount recorded in shareholders' equity arising from share-based payment arrangements										
4. Others									-891,976,368.60	-891,976,368.60
(III) Distribution of profits										
1. Appropriation to surplus reserves										
2. Distribution to shareholders									-891,976,368.60	-891,976,368.60
3. Others										

For the nine months ended September 30, 2022 (Unaudited)

Item	Other equity instruments			Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity	
	Share capital	Preferred shares	Perpetual debt							Others
(IV) Transfer within shareholders' equity										
1. Transfer from capital reserves to share capital.										
2. Transfer from surplus reserves to share capital.										
3. Surplus reserves used to offset accumulated losses										
4. Transfer remeasurements of defined benefit obligation to retained earnings.										
5. Other comprehensive income carried forward to retained earnings										
6. Others										
(V) Special reserve										
1. Accrual in the period										
2. Use in the period.										
(VI) Others										
IV. Balance as at the end of this period	6,213,245,319.00			1,218,227,756.08	25,184,263,532.39		68,171,865.00	652,896,900.49	2,157,229,850.52	35,494,035,223.48

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

For the nine months ended September 30, 2021 (Unaudited and unreviewed)

Item	Other equity instruments			Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
	Share capital	Preferred shares	Perpetual debt						
I. Balance as at the end of the last year	4,834,863,866.00				13,350,132,175.35		363,567,531.87	1,189,681,907.40	19,883,341,365.62
Add: Changes in accounting policies									
Correction of prior errors									
Others.									
II. Balance as at the beginning of the current year.	4,834,863,866.00				13,350,132,175.35		363,567,531.87	1,189,681,907.40	19,883,341,365.62
III. Movement for the period (decrease expressed with “-”)	39,391.00			1,218,538,062.99	524,028.06			1,654,102,201.00	2,873,203,683.05
(I) Total comprehensive income.								2,137,588,587.60	2,137,588,587.60
(II) Capital contribution and reduction by shareholders	39,391.00			1,218,538,062.99	524,028.06				1,219,101,482.05
1. Common share capital contribution by shareholders									
2. Capital contribution by the holders of other equity instruments	39,391.00			1,218,538,062.99	524,028.06				1,219,101,482.05
3. Amount recorded in shareholders' equity arising from share-based payment arrangements.									
4. Others									
(III) Distribution of profits.								-483,486,386.60	-483,486,386.60
1. Appropriation to surplus reserves.									
2. Distribution to shareholders								-483,486,386.60	-483,486,386.60
3. Others									
(IV) Transfer within shareholders' equity									
1. Transfer from capital reserves to share capital.									
2. Transfer from surplus reserves to share capital.									
3. Surplus reserves used to offset accumulated losses									

For the nine months ended September 30, 2021 (Unaudited and unreviewed)

Item	Share capital		Other equity instruments		Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
	Preferred shares	Perpetual debt	Others	Others							
4. Transfer remeasurements of defined benefit obligation to retained earnings.											
5. Other comprehensive income carried forward to retained earnings.											
6. Others											
(V) Special reserve											
1. Accrual in the period											
2. Use in the period.											
(VI) Others											
IV. Balance as at the end of this period	4,834,903,257.00		1,218,538,062.99	13,350,656,203.41		145,095,885.00	363,567,531.87	2,843,784,108.40	22,756,545,048.67		

The attached notes to the financial statement are an integral part of these financial statements.

Legal Representative:

Chief Accountant:

Chief Finance Officer:

Jiangsu Eastern Shenghong Co., Ltd.
Notes to the Interim Financial Statements
For Nine Months Ended September 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

1. Company profile

1.1 Company overview

Jiangsu Eastern Shenghong Co., Ltd. (the “Company”), formerly known as Jiangsu Wujiang China Eastern Silk Market Co., Ltd., is a joint stock limited company established by Jiangsu Wujiang Silk Group Co., Ltd., Jiangsu Silk Group Co., Ltd., China Silk Corporation, China National Garments Group Corp. and Suzhou Foreign Development Corporation with the approval of SZF [1998] No. 71 issued by Jiangsu Provincial People’s Government. The unified social credit code of the Company: 91320500704043818X.

With the approval (ZJFXZ [2000] No. 35) issued by China Securities Regulatory Commission, the Company issued 105 million RMB ordinary shares to the public in April 2000, which was listed on the Shenzhen Stock Exchange on May 29, 2000 for transaction. In August 2018, the Company completed the acquisition of 100% equities of Jiangsu Guowang High-tech Fibre Co., Ltd. (“Guowang Hi-tech”) held by Jiangsu Shenghong Technology Co., Ltd. (“Shenghong Tech”) and CDB Development Fund Ltd. (“CDB Fund”) by way of non-public share offering. Upon completion of this transaction, the controlling shareholder and ultimate controller of the Company changed, and this transaction constituted a reorganization for listing. Upon completion of the reorganization, the name of the Company was changed to Jiangsu Eastern Shenghong Co., Ltd. And abbreviated as “Eastern Shenghong” in the exchange. The Company currently operates in the chemical fiber manufacturing industry.

As of September 30, 2022, the Company has a total issued share capital of 6,213,236,100 shares and a registered capital of RMB6,213,236,100, with registered office at No. 73, East Market Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province and headquarters’ address at No. 73, East Market Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province.

The Company’s business scope: general items: new materials technology research and development; new materials technology promotion services; emerging energy technology research and development; bio-based materials technology research and development; bio-chemical products technology research and development; resource recycling technology research and development; electronic special materials research and development; technology services, technology development, technology consulting, technology exchange, technology transfer and technology promotion; engineering and technology research and experimental development; bio-based materials manufacturing; electronic special materials manufacturing; high-performance fiber and composite materials manufacturing; synthetic fiber manufacturing; thermal power production and supply; sales of bio-based materials, petroleum products (excluding dangerous chemicals) and chemical products (excluding licensed chemical products); wholesale of refined oil products (excluding dangerous chemicals); sales of special chemical products (excluding dangerous chemicals), new membrane materials, synthetic materials, eco-environmental materials, electronic special materials, high-performance fibers and composite materials, synthetic fibers, coal and products; investment activities with its own funds; business management consulting; non-residential real estate leasing; property management (except for items subject to approval by law, business activities shall be operated independently with business license); limited to branches: power generation business, power transmission business and power supply (distribution) business.

The parent company of the Company is Jiangsu Shenghong Technology Co., Ltd. and the ultimate controllers of the Company are Mr. and Mrs. Miao Han'gen and Zhu Hongmei. The financial statements have been approved by the Company for disclosure on December 21, 2022.

1.2 Scope of consolidated financial statements

As at September 30, 2022, entities within the scope of the Company's consolidated financial statements are listed as below:

Names

Jiangsu Guowang High-tech Fibre Co., Ltd.
Suzhou Shenghong Fiber Co., Ltd.
Jiangsu Zhonglu Technology Development Co., Ltd.
Jiangsu Shenghong Fiber Testing Co., Ltd.
Jiangsu Ganghong Fiber Co., Ltd.
Jiangsu Shenghong Technology and Trade Co., Ltd.
Lantean Holding Group Co., Limited
Suzhou Tangnan Sewage Treatment Co., Ltd.
Suzhou Suzhen Biological Engineering Co., Ltd.
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.
Jiangsu Xingda Natural Gas Pipeline Co., Ltd.
Suzhou Shenghong Digital Cloud Technology Co., Ltd.
Suzhou Shengze Real Estate Leasing Co., Ltd.
Suzhou Shengze Warehousing Management Co., Ltd.
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.
Jiangsu Honggang Petrochemical Co., Ltd.
Lianyungang Guanhong Trading Co., Ltd.
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.
Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation Co., Ltd.
Shenghong Oils Sales Co., Ltd.
Shenghong (Lianyungang) Oils Sales Co., Ltd.
Shenghong Petrochemical (Singapore) International Co., Ltd.
Shenghong Shipping (Singapore) International Ltd.
Lianyungang Shengtai New Materials Co., Ltd.
Shenghong (Shanghai) Polyester Materials Co., Ltd.
Jiangsu Shengjing New Materials Co., Ltd.
Shenghong New Materials (Suqian) Co., Ltd.
Jiangsu Reborn Eco-tech Co., Ltd.
Guowang High-tech Fibre (Suqian) Co., Ltd.
Siyang Yiyang Environmental Protection Technology Co., Ltd.
Honghai New Materials (Suqian) Co., Ltd.
Hongbang New Materials (Suqian) Co., Ltd.
Siyang Yiyang Environmental Energy Co., Ltd.
Jiangsu Sierbang Petrochemical Co., Ltd.
Lianyungang Shunmeng Trading Co., Ltd.
Jiangsu Hongjing New Materials Co., Ltd.
Jiangsu Hongwei Chemical Co., Ltd.
Lianyungang Hongke New Materials Co., Ltd.
Jiangsu Shenghong Energy and Chemical New Materials Co., Ltd.
Inner Mongolia Shenghuayi Energy Co., Ltd.
Inner Mongolia Sierbang Energy and Chemical Technology Co., Ltd.
Shenghong (Shanghai) New Material Technology Co., Ltd.
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.
Shenghong (Jiangsu) Advanced Materials Research Institute Co., Ltd.
(盛虹(江苏)先进材料研究院有限公司)

Names

Shenghong New Energy (Suzhou) Co., Ltd. (盛虹新能源(苏州)有限公司)

Shenghong Petrochemical Group Shanghai New Materials Co., Ltd.

(盛虹石化集团上海新材料有限公司)

Hubei Hongrui New Material Co., Ltd. (湖北虹瑞新材料有限公司)

Hubei Haigus New Energy Co., Ltd. (湖北海格斯新能源股份有限公司)

See “Note 6 Changes in the scope of consolidation” for details of changes in the scope of consolidation in the reporting period.

See “Note 7 Equity in other entities” for details about subsidiaries of the Company.

2. Basis of preparation for the interim financial statements

2.1 Basis of preparation

The interim financial statements for the nine months ended 30 September, 2022 (the “Interim Financial Statements”) comprise the consolidated and company’s balance sheets as at 30 September, 2022, the consolidated and company’s income statements, the consolidated and company’s statements of cash flows, and the consolidated and company’s statements of changes in owner’s equity for the nine months then ended, and notes to the interim financial statements. The comparative information of the Interim Financial Statements, including the consolidated and company’s income statements, the consolidated and company’s statements of cash flows, the consolidated and company’s statements of changes in owner’s equity for the nine months ended 30 September 2021 and relevant notes, were not audited or reviewed. The Interim Financial Statements are prepared solely for the Company’s application for the listing of global depository receipts (GDRs) on SIX Swiss Exchange AG.

The Interim Financial Statements are prepared in accordance with the Accounting Standards for Business Enterprises—Basic Standards issued by the Ministry of Finance and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the “Accounting Standards for Business Enterprises”), as well as the disclosure provisions of the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No.15—General Requirements for Financial Reports issued by the China Securities Regulatory Commission.

In August 2022, business combination of Shenghong Petrochemical Group Shanghai New Materials Co., Ltd. under common control with Eastern Shenghong requires retrospective application of 2021 financial statements pursuant to the Accounting Standards for Business Enterprises. See “6.2 Business combination under common control” for details.

2.2 Going concern

The Interim Financial Statements are prepared on a going-concern basis.

2.3 New Accounting Standards adopted for the first time during reporting period

Standard adopted for the first time for 2022

On December 30, 2021, the Ministry of Finance issued the Interpretation on the Accounting Standards for Business Enterprises No. 15 (CK [2021] No. 35, hereinafter referred to as “Interpretation No. 15”), which came into force as of January 1, 2022 and retroactive adjustment shall be made for trial operation sales occurring between the beginning of the earliest period for presentation of financial statements and January 1, 2022. The Group adopted this standard for the first time in the 2022 financial statements. Main impacts of the provisions implementation of the Company are as follows:

<u>Content of and reason for changes in accounting policies</u>	<u>Affected items in the financial statements</u>	<u>September 30, 2022/For the nine months ended September 30, 2022</u>	<u>December 31, 2021/2021</u>
Interpretation of Accounting Standards for Business Enterprises No. 15.	Fixed assets	42,081,006.41	42,081,006.41
	Accumulated depreciation	2,748,429.81	1,317,888.95
	Retained earnings	39,332,576.60	40,763,117.46

Changes in significant accounting policies and their impact are detailed in Note “3.34 Changes in significant accounting policies and accounting estimates”.

3. Significant accounting policies and estimates

3.1 Statement of compliance with Accounting Standards for Business Enterprises

The Interim Financial Statements meet the Accounting Standards for Business Enterprises issued by the Ministry of Finance and truly and completely reflect the consolidated and company’s financial position as at September 30, 2022 and consolidated and company’s financial performance and cash flows for the period then ended.

3.2 Accounting period

The accounting year is from January 1 to December 31. The current reporting period of the interim financial statements is from January 1, 2022 to September 30, 2022.

3.3 Business cycle

The Company’s operating cycle is 12 months.

3.4 Functional currency

The Company’s functional currency is Renminbi (“RMB”). The Company’s subsidiaries determine their functional currency based on the primary economic environment in which they operate, and the functional currency of Shenghong Petrochemicals (Singapore) International Limited and Shenghong Shipping (Singapore) International Limited is the U.S. dollar. The financial statements are shown in RMB.

3.5 Accounting treatment methods for business combinations under and not under common control

Business combination under common control: Assets and liabilities acquired from business combination by the acquirer (including the goodwill formed by the ultimate controller's acquisition of the acquiree) are measured at the book value of assets and liabilities of the acquiree in the financial statements of the ultimate controller on the combination date. Capital stock premium in the capital reserves should be adjusted according to the difference between the book value of net asset acquired from the combination and that of consideration (total face value of the shares issued) paid for the combination. In case the capital stock premium is not enough, the retained earnings need to be adjusted.

For the business combination not under common control, the combination costs are the fair value, on the acquisition date, of any assets acquired, any liabilities incurred or assumed, and any equity securities issued by the acquirer, in exchanges for the right of control over the acquiree. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss. The identifiable assets, liabilities and contingent liabilities of the acquiree that are obtained from combination and satisfying the recognition criteria shall be measured at their fair values.

Direct expenses arising from the business combination shall be included in current profit or loss on the occurrence date. Transaction expenses on equity or debt securities issued by the acquirer for the purpose of the combination consideration shall be included in the initially recognized amount of equity or debt securities.

3.6 Preparation method of consolidated financial statements

3.6.1 Consolidation scope

The consolidation scope of consolidated financial statements is determined on the basis of control, including the Company and all the subsidiaries. Control means the power owned over the investee by the Company which enjoys the variable return through participating in activities related to the investee, and has the ability to affect the return by using the power over the investee.

3.6.2 Consolidation procedure

The Company deems the whole enterprise group as a single accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial position, operating results and cash flows. The influence of internal transactions between the Company and its subsidiaries and between subsidiaries shall be offset. When internal trading indicates that related assets are impaired, they will be fully recognized. If the accounting policy and the accounting period adopted by a subsidiary are inconsistent with that of the Company, in preparing consolidated financial statements, necessary adjustments shall be made in accordance with the Company's accounting policy and accounting period.

The share of shareholders' equity, current net profit or loss, and current comprehensive income of subsidiaries attributable to minority shareholders shall be respectively and separately listed in the shareholders' equity of the consolidated balance sheet, the net profit and the total comprehensive income item of the consolidated income statement. If the share

of the current losses attributable to the non-controlling interests of a subsidiary exceeds the share of the shareholders' equity attributable to non-controlling interests of the subsidiary at the beginning of the period, the balance is allocated against the non-controlling interests.

(1) Increase of subsidiaries or business

During the reporting period, if a subsidiary or business is included as a result of a business combination under the same control, the operating results and cash flows of the subsidiary or business combination from the beginning of the period to the end of the reporting year are included in the consolidated financial statements, while the beginning of the consolidated financial statements and the related items in the comparative statements are adjusted as if the consolidated reporting entity had existed since the point when the ultimate controller began to control it.

If the Company is able to exercise control over an investee under the same control due to additional investment, etc., equity investments held before the control over the combinee is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the acquirer and the acquiree are under the same control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

During the reporting period, if the Company acquires subsidiaries or business from the business combination not under common control, such subsidiaries or business shall be included in consolidated financial statements from the acquisition date at the fair value of identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

If there is control over the investee not under the common control due to additional investments or other reasons, for the equity of the acquiree held before the acquisition date, the Company will re-measure the equity on the acquisition date at its fair value and include the difference between the fair value and book value in current investment income. Other comprehensive income and other changes in shareholders' equity under the equity method that are involved in the equity of the acquiree held prior to the acquisition date and can be reclassified to profit or loss later are transferred to investment income of the period to which the acquisition date belongs.

(2) Disposal of subsidiaries

① General method of disposal

For the remaining equity investments after the disposal, the Company will re-measure the same at the fair value on the date when it loses control over the investee due to disposal of partial equity investment or other reasons. The sum of the consideration of equity disposal and the fair value of the remaining equity, less the sum of the share of net assets of the subsidiary attributable to the Company calculated continuously since the acquisition date or the combination date according to the original shareholding ratio and the goodwill, shall be included in the investment income for this period when the control is lost. Other comprehensive income and other changes in shareholders' equity under the equity method that are related to the equity investment of original subsidiaries and can be reclassified to profit or loss later are transferred to investment income for this period upon the loss of control power.

② Disposal of subsidiaries by stages

Where the Company disposes the equity investments in subsidiary through multiple transactions and by stages until it loses the control, if the effect of the disposal on the terms and conditions of all transactions of equity investments in subsidiary and economic effect meet one or more of the following circumstance, it usually indicates that the multiple transactions should be accounted for as a package deal:

- i. The transactions are concluded at the same time or under the consideration of mutual effect;
- ii. The transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on that of at least one other transactions; and/or
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

If the transactions for the disposal of equity investment in subsidiaries that leads to the loss of control are under a package of transactions, the Company treats all such transactions as one transaction through which the Company disposes of its equity in the subsidiary and loses its control over such subsidiary; the difference between the proceeds from each transaction before the Company loses its control over the subsidiary and the corresponding share in the net assets of the subsidiary of the disposed-of investment shall be recognized as other comprehensive income in the consolidated financial statements, and shall be included into the loss and profit in this period when the Company loses its control over the subsidiary.

If the transactions are not package transactions, before the control loses, related policies governing the partial disposal of equity investments in subsidiaries without losing control will apply; when the control loses, general accounting method for the disposal of subsidiaries will govern.

(3) Purchase of non-controlling interests of subsidiary

The difference between long-term equity investments acquired by the Company through purchase of minority interest and the subsidiary's identifiable net assets attributable to the Company calculated continuously from the acquisition date (or the combination date) in accordance with the increased shareholding ratio shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

(4) Partial disposal of equity investments in subsidiaries without losing control

Share premium in the capital reserve under the consolidated balance sheet will be adjusted at the difference between the proceeds achieved from the partial disposal of equity investments in subsidiaries and the share of net assets of subsidiaries attributable to the Company corresponding to the disposal of long-term equity investments and calculated constantly from the acquisition date or combination date without losing the control rights. Where the share premium in capital reserve is insufficient to offset, retained earnings will be adjusted.

3.7 Classification of joint venture arrangements and accounting treatment methods of joint operation

Joint venture arrangements are classified into joint operation and joint venture.

Joint operation refers to those joint venture arrangements under which the joint venturer is entitled to relevant assets and be responsible for relevant liabilities.

The Company recognizes the following items relating to the interests share in joint operation:

- (1) Assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) Incomes from sale of output enjoyed by it from the joint operation;
- (4) Income from selling the production of the joint operation recognized based on the shares held by the Company; and
- (5) Separate costs and costs for the joint operation based on the shares held by the Company.

The Company has no investment in joint ventures.

3.8 Recognition criteria of cash and cash equivalents

Cash refers to the Company's cash on hand and the unrestricted deposits. Cash equivalents refer to the short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.9 Foreign currency transactions and translation of foreign currency financial statements

3.9.1 Foreign currency transactions

Foreign currency transactions are converted into RMB for recording purpose at the spot exchange rate prevailing on the transaction date.

The balance of foreign currency monetary items as at the balance sheet date are translated at the spot exchange rate on the balance sheet date and the exchange differences arising therefrom shall be included in the current profit or loss, except those exchange differences arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified for capitalization that will be capitalized at the borrowing expenses.

3.9.2 Conversion of foreign currency financial statements

The assets and liability items in the balance sheet shall be converted at the spot exchange rates on the balance sheet date. For shareholders' equity items, except for the item of "retained earnings", other items are translated at the spot exchange rates when the transactions occur. Income and expense items in the income statement are translated using an exchange rate determined in accordance with a systematic and reasonable method that approximates the spot rate at the date of the transaction, i.e., using the exchange rate at the beginning of the month in which the transaction occurs.

Where the Company disposes of an overseas business, it shall transfer the exchange difference relating to the overseas business to the current profit or loss.

3.10 Financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability or an equity instrument.

3.10.1 Classification

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies upon initial recognition financial assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through current profit or loss.

The Company classifies financial assets that are not designated as those measured at fair value through current profit or loss as financial assets measured at amortized cost if they both meet the following conditions:

- A business model is to collect contractual cash flows;
- The contractual terms are only payments of principal and interest based on the outstanding principal.

The Company classifies as financial assets at fair value through other comprehensive income financial assets (debt instruments) that are not designated those measured at fair value through current profit or loss if they meet the following criteria:

- The business model is both to collect the contractual cash flows and to sell the financial asset;
- The contractual terms are only payments of principal and interest based on the outstanding principal.

For investments in equity instrument not held for trading, the Company will upon initial recognition designate them as financial assets (equity instrument) measured at fair value through other comprehensive income. This designation is made on an individual investment basis and the related investment meets the definition of an equity instrument from the perspective of the issuer.

The Company classifies financial assets except financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income, as financial assets measured at fair value through current profit or loss. On initial recognition, if it can eliminate or significantly reduce accounting mismatch, the Company irrevocably designates some financial assets that should be measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through current profit or loss.

Financial liabilities at their initial recognition, are divided into the financial liabilities measured at fair value through current profit or loss and financial liabilities measured at amortized cost.

Financial liabilities meeting one of the following conditions can, at the time carrying out the initial recognition, be designated to the financial liabilities measured at fair value through the current profit or loss:

- (1) The designation eliminates or significantly reduces accounting mismatches.
- (2) Management and performance evaluation of the financial liability portfolio or portfolio of financial assets and financial liabilities on a fair value basis in accordance with the enterprise risk management or investment strategy as set out in a formal written document, and reporting to key officers on this basis within the Company.
- (3) The financial liability contains embedded derivative needed to be separated.

3.10.2 Recognition basis and measurement method

- (1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and debt investments, etc., which are initially measured at fair value, and related transaction expenses are included in the amount upon initial recognition; accounts receivable that do not contain a significant financing component and that the Company decides not to consider those with a financing component not exceeding one year are initially measured at the contract transaction price.

During the holding period, the interest calculated with the effective interest method shall be included in the current profit or loss.

Upon recovery or disposal, the difference between the purchase price obtained and the book value of such financial asset is included in current profit or loss.

- (2) Financial assets (debt instruments) measured at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income include financing of accounts receivable, other debt investments, etc., which are initially measured at fair value, and related transaction expenses are included in the initial recognition amount. The financial assets are subsequently measured at fair value. Changes in fair value, except for interest calculated with the effective interest method, impairment or gains and exchange gains and losses, shall be included in other comprehensive income.

At derecognition, the accumulated gains or losses previously included in other comprehensive income will be transferred from the other comprehensive income to current profit or loss.

- (3) Financial assets (equity instruments) measured at fair value through other comprehensive income

Financial assets (equity instruments) measured at fair value through other comprehensive income include other equity instrument investment, etc., which are initially measured at fair value, and related transaction expenses are included in the initial recognition amount. The financial assets are subsequently measured at fair value. Changes in fair value shall be included in other comprehensive income. The dividends obtained are included in the current profit or loss.

When a financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in retained earnings.

(4) Financial assets measured at fair values through current profit or loss

Financial liabilities measured at fair value through current profit or loss include financial liabilities held for trading, derivative financial liabilities and other non-current financial assets, and are measured at fair value upon initial recognition, with the related transaction expenses being included into current profit or loss. The financial assets are subsequently measured at fair value. Changes in fair value shall be included in current profit or loss.

(5) Financial liabilities measured at fair value through current profit or loss

Financial liabilities measured at fair value through current profit or loss include financial liabilities held for trading, derivative financial liabilities etc., which are initially measured at fair value, and related transaction expenses are included in current profit or loss. The financial liabilities are subsequently measured at fair value. Changes in fair value shall be included in current profit or loss.

Difference between the fair value and the consideration paid is included in investment income upon derecognition.

(6) Financial liabilities measured at amortized cost

Financial assets measured at amortized cost include short-term borrowings, notes receivable, accounts receivable, other receivables, long-term borrowings, bonds payable, long-term payables, etc., which are initially measured at fair value, and related transaction expenses are included in the amount upon initial recognition.

During the holding period, the interest calculated with the effective interest method shall be included in the current profit or loss.

Difference between the consideration paid and the fair value of such financial liabilities is included in current profit or loss upon derecognition.

3.10.3 Derecognition and transfer of financial assets

The Company will terminate the recognition of the financial assets if:

- Where the contractual rights for collecting the cash flow of the said financial asset are terminated;
- The financial asset has been transferred, and nearly all the risks and rewards associated with ownership of the financial assets have been transferred to the transferee;
- The financial asset has been transferred and the Group has neither transferred nor retained nearly all the risks and rewards associated with the ownership of the financial asset but does not retain the control over the financial asset.

In the event of a transfer of financial asset, the Company shall not de-recognize the financial asset if nearly all the risks and rewards associated with the ownership of the financial assets are retained.

The principle of substance over form is adopted to determine whether a financial asset meets the above de-recognition conditions for the financial asset.

The transfer of a financial asset of the Company is classified into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for de-recognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- (1) The book value of the financial asset transferred;
- (2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in shareholders' equity (where the financial asset transferred is a financial asset (debt instrument) measured at fair value through other comprehensive income is involved).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized parts according to their respective fair values and the difference between the amounts of the following two items shall be included in the current profit or loss:

- (1) The book value of derecognized part;
- (2) The sum of the consideration received from the derecognition and the amount of the derecognized part in the accumulated amount of the changes in fair value originally and directly included in shareholders' equity (where the financial asset transferred is a financial asset (debt instrument) measured at fair value through other comprehensive income is involved).

Where the financial assets transfer does not meet the derecognition conditions, the financial asset will be recognized and the consideration received is recognized as a financial liability.

3.10.4 Derecognition of financial liabilities

A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and recognize a new one at the same time.

Where substantive changes are made to the contractual terms of an existing financial liability in whole or in part, the existing financial liability or part thereof will be derecognized, and the financial liability the terms of which have been modified will be recognized as a new financial liability.

Where financial liabilities are de-recognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities borne) shall be included in the current profit or loss.

Where the Company repurchases part of a financial liability, the entire book value of the financial liability shall be split into the derecognized part and continuously-recognized part according to their respective relatively fair values on the repurchase date. The difference between the book value of the derecognized part and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

3.10.5 Determination method for the fair value of financial assets and financial liabilities

Fair value of a financial instrument having an active market is determined on the basis of quoted prices in the active market. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the Company adopts the valuation techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values that are consistent with the features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable inputs. Unobservable input values are used only when relevant observable input values cannot be available or such values obtained are infeasible.

3.10.6 Testing method and accounting treatment of depreciation of financial assets

(1) Measurement and accounting for impairment of financial assets

The Company estimates the expected credit impairment losses of financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value through other comprehensive income and finance guarantee contract in a single or combined manner.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision at the expected credit impairment losses for the whole duration of the financial instrument; if the credit risk of the financial instrument has not significantly increased since the initial recognition, the Company measures its loss provision at the expected credit impairment losses of the financial instrument within the next 12 months. The increase or reversal of the loss provision is included in the current profit or loss as an impairment loss or gain.

The Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition if the credit risk of a financial instrument on the balance sheet date.

If there is objective evidence that there is credit impairment losses for a financial asset, the Company shall make provision for impairment of the financial asset on a single basis.

For receivables and contract assets resulting from transactions governed by the Accounting Standards for Business Enterprises No. 14—Revenue (2017), the Company consistently measures its allowance for losses at an amount equal to the expected credit impairment losses over the entire life of the asset, whether or not it contains a significant financing component.

For lease receivables, the Company has chosen to always measure its loss allowance at an amount equal to the expected credit impairment losses over the entire life of the receivables.

When the Company no longer reasonably expects the contractual cash flows of a financial asset to be recovered in whole or in part, it directly writes down the book balance of that financial asset.

The Company assesses expected credit risk and measures expected credit impairment losses on an individual or a portfolio basis. When based on a portfolio of financial instruments, the Company classifies the financial instruments into different portfolios based on common risk characteristics.

The Company considered the credit risk characteristics of different customers and evaluated the expected credit impairment losses of accounts receivable and other receivables based on the aging portfolio.

- (2) Accounts receivable (excluding accounts receivable) for which expected credit impairment losses are measured on a portfolio basis

Item	Determination basis of portfolio	Method of measuring expected credit impairment losses
Credit risk characteristic portfolio	Aging portfolio	The Company calculates expected credit impairment losses by reference to historical credit impairment losses experience, combined with current conditions and projections of future economic conditions, through default exposure and expected credit impairment losses rates over the next 12 months or the entire duration.
Portfolio of related parties	Related parties	
Portfolio of receivables from government	Non-operating receivables of government agencies within the credit period and tax refund receivable	

- (3) Accounts receivable subject to provision for expected credit impairment losses on a portfolio basis

① Specific combinations and methods of measuring expected credit impairment losses

Item	Determination basis of portfolio	Method of measuring expected credit impairment losses
Combination of credit risk characteristics of accounts receivable.	Aging portfolio	Estimated credit impairment losses are calculated by reference to historical credit impairment losses experience, taking into account current conditions and forecasts of future economic conditions, through default risk exposures and estimated credit impairment losses rates throughout the renewal period
Portfolio of related parties of accounts receivable	Related parties	
High credit rating portfolio	Accounts receivables of central enterprise customers within the credit period	

② Accounts receivable—ageing of the portfolio of credit risk characteristics against the expected credit impairment losses rate for the entire duration

Credit risk characteristics (ageing)	Expected credit impairment losses of accounts receivable
	(%)
Within 1 year (including 1 year)	5.00
1-2 years (including 2 years)	20.00
2-3 years (including 3 years)	50.00
Over 3 years	100.00

3.11 Inventories

3.11.1 Classification and cost of inventories

Inventories are classified as: materials in transit, raw materials, products in process, goods in stock, goods issued, etc.

Inventories are initially measured at cost, and the inventory cost includes the procurement cost, processing cost and other expenses arising from making the inventory at their present location and condition.

3.11.2 Measurement method of dispatched inventories

The inventories are measured at weighted average method when dispatched.

3.11.3 Recognition basis of the net realizable value of different types of inventories

On the balance sheet date, the inventories shall be valued at the lower of their costs or net realizable values. When the inventory costs are higher than the net realizable values, the provision for inventory depreciation reserves shall be made. The net realizable values of inventories refer to the amounts of the estimated selling prices of inventories minus the estimated costs to completion, estimated selling expenses and relevant taxes and surcharges.

In normal operation process, for merchandise inventories held directly for sale, including finished goods, stock commodities and held-for-sale materials, their net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges; in normal production and operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories held by the Company are more than those specified in sales contracts, the net realizable value of the excess portion of inventories are calculated on the basis of general selling prices.

After the provisions for the inventory depreciation are made, the factors causing any write-down of inventory value have disappeared, leading to the net realizable values of inventories higher than its book value, the amount of write-down shall be resumed and be reversed from the original provision for inventory devaluation with the reversal being included in current profit or loss.

3.11.4 Inventory system

Perpetual inventory system is adopted.

3.11.5 Amortization methods for low-cost consumables and packaging materials

- (1) Low-cost consumables: lump-sum amortization method;
- (2) Packaging materials are amortized at lump-sum method.

3.12 Contract assets

3.12.1 Recognition method and standards for contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. If the Company has transferred the right to receive consideration for goods transferred or services provided to customers and the right depends on factors other than the passage of time, it is presented as a contract asset. Contract assets and contract liabilities under the same contract are presented by their net amounts. The Company's unconditional (only subject to the passage of time) rights to receive consideration from customers are individually presented as receivables.

3.12.2 Determination method and accounting treatment of expected credit impairment losses of contract assets

The method of determining expected credit impairment losses and accounting treatment for contract assets are detailed in Note "3.10.6 Methods of testing and accounting for impairment of financial assets".

3.13 Assets held for sale

The Company classifies a non-current asset or disposal group as held for sale if the Company recovers its book value primarily through sale (including the exchange of non-monetary assets of a commercial nature) rather than ongoing use.

The Company recognizes non-current assets or disposed asset portfolios meeting the following conditions at the same time as assets held for sale:

- (1) According to the general practice for selling such kind of asset or disposed asset portfolio in the similar transaction, the asset or portfolio can be immediately sold in the prevailing circumstance;
- (2) The sale of the asset or portfolio is very likely to happen, which means that the Company has made a resolution for one selling plan and had acquired decided purchase commitment, and it is estimated that the sale will be completed within one year. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained. If the book value of non-current assets (excluding financial assets, deferred tax assets and assets resulting from employee benefits) or disposal groups classified as held for sale is higher than the net fair value less costs to sell, the book value is written down to the net fair value less costs to sell, and the write-down is recognized as assets impairment losses and charged to current profit or loss, together with a provision for impairment of assets held for sale.

3.14 Long-term equity investments

3.14.1 Judgment criteria for joint control and significant influence

Common control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company and other investors exert common control over the investee and the Company is entitled to net assets of the investee, the investee is the joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of the investee, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company is able to have significant influences on an investee, the investee is its associate.

3.14.2 Determination of initial investment costs

(1) A long-term equity investment as a result of business combination

For long-term equity investments acquired from business combinations under common control, the investment initial cost thereof shall be recognized at the share of book value of the shareholders' equity of the combinee in the consolidated financial statements of the ultimate controller on the acquisition date. The capital premium in the capital reserve is adjusted according to the difference between the initial investment cost of long-term equity investment and the book value of consideration. If the capital premium in the capital reserves is insufficient to cover the difference, the retained earnings shall be adjusted. In case the Company can exercise control over the investee under common control for additional investment or other reasons, the share premium will be adjusted at the difference between the initial investment cost of long-term equity investments recognized in accordance with the above principles and the sum of the book value of long-term equity investments before the combination plus the book value of the new consideration paid for further acquisition of shares on the combination date. If the share premium is insufficient to offset, retained earnings will be offset.

For long-term equity investment as a result of business combination not under common control, the Company determines the combination cost determined on the purchase date as the initial cost of long-term equity investments. Where additional investment or other reasons make the control over the investee not under the same control possible, the initial investment cost will be the sum of the book value of the equity investments previously held and the newly increased investment costs.

(2) Long-term equity investments obtained by means other than business combination

For long-term equity investments acquired from cash payment, the initial investment cost is the actually paid purchasing cost.

For a long-term equity investment acquired from issuance of equity securities, its initial cost is the fair value of the issued equity securities.

3.14.3 Subsequent measurement and recognition of gains and losses

(1) Long-term equity investments calculated under cost method

Long-term equity investments of the Company in its subsidiaries are accounted for at cost, unless the investments meet the conditions for holding for sale. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the investment income in the current period at the cash dividends or profits declared by the investee.

(2) Long-term equity investments calculated under equity method

The Company's long-term equity investments in its associates and joint ventures are calculated under the equity method. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial investment cost of long-term equity investment; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit or loss, meanwhile the costs of long-term equity investments will be adjusted.

The Company shall recognize the investment income and other comprehensive income at the shares of net profit or loss and other comprehensive income realized by the investee which the Company shall enjoy or bear and adjust the book value of long-term equity investments at the same time; the Company shall calculate the shares according to profits or cash dividends declared by the investee and correspondingly reduce the book value of long-term equity investments; the book value of long-term equity investments shall be adjusted according to the investee's other changes in shareholders' equity other than net profit or loss, other comprehensive income and distribution of profits, which should be included in shareholders' equity.

The share of the investee's net profit or loss, other comprehensive income and changes in other shareholders' equity should be recognized after adjustments are made to net profit and other comprehensive income of the investee based on the fair value of identifiable net assets of the investee upon acquisition of investments and according to accounting policies and accounting period of the Company.

The Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company according to the corresponding ratio and recognize the profit or loss on investments on such basis except that the assets invested or sold constitute business. Where the losses from internal transactions between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses should be recognized.

For net losses incurred by joint ventures or associates, the Company shall, in addition to its obligation to bear additional losses, write down to zero the book value of long-term equity investments and other long-term equity that essentially constitutes net investment in such joint ventures or associates. If a joint venture or an associate realizes net profits in the future, the Company shall resume recognizing its share of profits after the share of profits makes up for the share of unrecognized losses.

(3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current investment income.

For partial disposal of long-term equity investments accounted for under the equity method, if the remaining equity is still accounted for under the equity method, other comprehensive income originally accounted for and recognized under the equity method shall be carried forward in proportion on the basis same as that for the direct disposal of related assets or liabilities by the investee, and other changes in shareholders' equity shall be carried forward to current profit or loss in proportion.

In case the joint control or significant influence over the investee is lost for disposing of equity investments or other reasons, other comprehensive income recognized from original equity investments by using the equity method shall be subject to accounting treatment on the basis same as that for the direct disposal of related assets or liabilities by the investee when the equity method is terminated, and other changes in shareholders' equity shall be transferred to current profits or losses when the equity method is terminated.

Where the Company loses the control over the investee due to disposal of partial equity investments or other reasons, when it prepares individual financial statements, if the remaining equity can exercise joint control or significant influence on the investee, such investments should be changed to be accounted for under the equity method and the remaining equity should be deemed to have been accounted for by adopting the equity method on acquisition and adjusted; other comprehensive income recognized before the control of the investee is obtained will be carried forward on the basis same as that for the direct disposal of related assets or liabilities by the investee, and other changes in shareholders' equity accounted for and recognized under the equity method will be carried forward to current profits or losses in proportion; if the remaining equity cannot exercise joint control or significant influence on the investee, such equity will be recognized as financial assets, and the difference between fair value and book value on the date of loss of the control should be included in current profits or losses; other comprehensive income and other changes in shareholders' equity recognized before the control of the investee is obtained will be carried forward.

Where the Company disposes of equity investments in subsidiaries through multiple transactions and by stages until loss of the control, if the above transactions belong to a package deal, accounting treatment shall be made on the transactions as a transaction to dispose equity investments of subsidiaries and lose the control. The difference between each disposal cost and the book value of long-term equity investments corresponding to disposed equities before the loss of the control should be firstly recognized as other comprehensive income in individual financial statements and then transferred into the current profit or loss at the loss of the control. If the transactions are not under a package of transactions, each transaction shall be subject to accounting treatment separately.

3.15 Investment property

Investment property is the property to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases (including buildings that have been constructed or developed for future lease out under operating leases, and buildings that are being constructed or developed for future lease out under operating leases).

Subsequent expenses related to investment properties, if the economic benefits associated with such assets are likely to flow in the Company and its cost can be measured reliably, should be recorded in the cost of investment property; otherwise, they should be recorded into the current profit or loss when occur.

The Company measures the existing investment properties with the cost model. For investment properties measured with the cost model—in terms of buildings for renting, the same depreciation policy as that for fixed assets of the Company is adopted and land use rights for renting are implemented with the same amortization policy as that for intangible assets.

Type	Depreciation/ amortization life	Net residual value rate	Annual depreciation/ amortization rate
	(years)	(%)	(%)
Houses and buildings	10~50	4~5	1.92~9.60
Land use rights	31~50	0~4	1.96~3.23

3.16 Fixed assets

3.16.1 Recognition and initial measurement of fixed assets

Fixed assets refer to the tangible assets of the Company held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- (2) The costs of the fixed asset can be measured reliably.

A fixed asset shall be initially measured at its cost with the consideration of the expected discard expenses.

The subsequent expenditures relating to fixed assets shall be included in the costs of fixed assets when the relevant economic interests are much likely to flow in the Company and their costs may be measured reliably; as for the party replaced, the book value shall be derecognized; all other subsequent expenditures shall be included in the current profit or loss when incurred.

3.16.2 Depreciation method

Fixed assets will be depreciated by using the straight line method by category and the depreciation rate shall be recognized according to the category, estimated useful lives and estimated net residual value rate of fixed assets. For the fixed assets with provision for impairment made, the amount of depreciation will be determined according to the book value after deduction of the provision for impairment and the remaining useful life in the future. Where various components of fixed assets are different in useful lives or provide economic benefits for the enterprise in different ways, then different depreciation rates or methods are chosen to separately provide for depreciation.

Depreciation method, depreciation life, residual value rate and annual depreciation rate of various fixed assets are as follows:

Type	Depreciation method	Depreciation life	Net residual value rate	Annual depreciation/ amortization rate
		(year)	(%)	(%)
Buildings and constructions . . .	Straight-line method	20~45	3~5	2.11~4.85
Machinery equipment	Straight-line method	3~ 20	3~5	4.75~32.33
Transportation facilities	Straight-line method	5~14	3~5	6.79~19.40
Office equipment and other facilities	Straight-line method	2~20	0, 3~5, 65	4.75~50.00

3.16.3 Disposal of fixed assets

When fixed assets are disposed of or are expected to fail to generate economic benefits after the use or disposal, the fixed assets shall be derecognized. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes should be included in the current profit or loss.

3.17 Construction in progress

According to the costs actually incurred, the Group measures its construction in progress. The actual costs include building costs, installation costs, borrowing costs eligible for capitalization and other necessary expenditures to make the construction in progress achieve the working condition for its intended use. Constructions in progress are transferred to fixed assets when they reach the condition for its intended use, and the provision of depreciation will be provided since the next month.

3.18 Borrowing costs

3.18.1 Recognition criteria of capitalization of borrowing costs

Borrowing costs of the Company that are directly attributable to the acquisition, construction or production of qualifying assets should be capitalized and included in the costs of related assets. Other borrowing costs are recognized as expenses at the amount on occurrence and are charged to the current profit or loss.

Assets meeting the capitalization requirements refers to fixed assets, investment properties and inventories, etc. that need to be purchased, constructed or produced for a long time to be available for intended use or sale.

3.18.2 Capitalization period for borrowing costs

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation. The period of capitalization suspension of borrowing costs is excluded.

Capitalization should commence when all the following three conditions are satisfied:

- (1) asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) borrowing costs have occurred;
- (3) purchase, construction or manufacturing activities that are necessary to prepare the assets for their intended use are in progress.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale condition.

3.18.3 Period of capitalization suspension

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach their intended use or sale status, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production of the asset restarts.

3.18.4 Calculation method of capitalization rate and capitalization amount of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in this period less the interest income of the borrowings unused and deposited in bank or return on temporary investment shall be recognized as the capitalization amount of borrowing costs.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate is determined via the calculation at the weighted average actual interest rate of general borrowings.

During capitalization period, exchange differences of principal and interest on foreign currency special borrowings shall be capitalized and included in the cost of assets eligible for capitalization. Exchange differences arising from the principal and interest of foreign currency borrowings other than special foreign currency borrowings are included in current profits or losses.

3.19 Intangible assets

3.19.1 Measurement method of intangible assets

(1) The Company initially measures intangible assets at cost upon acquisition;

The costs of externally acquired intangible assets include their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the asset for its intended use.

(2) Subsequent measurement

The useful lives of intangible assets are analyzed on acquisition.

As for intangible assets with limited useful life, they will be amortized during the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be predicted, the intangible assets will be deemed as those with indefinite useful life and should not be amortized.

3.19.2 Estimate of the useful life of the intangible assets with definite useful lives

<u>Item</u>	<u>Estimated useful life</u>	<u>Basis</u>
	(year)	
Land use rights	36~50	The number of years is indicated in the certificate of land use right
Software	2~10	Beneficiary period
Royalties	20	Beneficiary period
Others	10	Beneficiary period

3.19.3 Determination basis and procedure for review of useful lives for intangible assets with indefinite useful lives

The emission rights and coal replacement volume indexes acquired by the Company have no definite permitted period of use and will be used for operation continuously, and the period to bring future economic benefits to the Company cannot be reliably estimated. Therefore, the Company recognizes the emission rights and coal replacement volume indicators without a permitted period of use as intangible assets with indefinite useful lives.

The useful life of intangible assets with indefinite useful life is reviewed at the end of each period.

Upon review, the useful life of this category of intangible assets remains indefinite.

3.19.4 Specific criteria for classifying research and development stages

Expenditure on an internal research and development project shall be classified into expenditure on the research phase and expenditure on development phase.

Research stage: it is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development phase: development phase is the stage when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

3.19.5 Specific criteria for qualifying expenditure for capitalization on the development stage

The expenditures in research phase will be included in current profit or loss on occurrence. Expenditures in the development stage will be recognized as intangible assets only when the following conditions are simultaneously satisfied, and included in current profit or loss if the following conditions are not satisfied:

- (1) It is feasible technically to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;

- (3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
- (4) It is able to finish the development of the intangible assets and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- (5) The expenditure attributable to the intangible asset during its development phase can be measured reliably.

Where the research expenditures and the development expenditures are indistinguishable, the Company shall include research expenditures and development expenditures incurred in current profit or loss.

3.20 Long-term assets impairment

For the long-term equity investments, investment property, fixed assets, construction in progress, use-of-right assets, intangible assets, oil and gas assets and other long-term assets measured at cost model, if there are signs of impairment, an impairment test will be conducted on the balance sheet date. If the recoverable amount of the asset is less than its book value after test, assets impairment provision will be made at the difference and included into impairment loss. The recoverable amount is determined at the higher of the net of the fair value less disposal costs and the present value of the expected future cash flows. The asset impairment provision shall be calculated and recognized on the basis of single asset, if it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset group that the individual asset belongs to. Asset group is the minimum combination of assets that can independently generate cash inflows.

For goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets that have not yet reached a usable state, impairment tests are performed at least at the end of each year, regardless of whether there is an indication of impairment.

The Company conducts impairment tests for goodwill. The book value of goodwill arising from a business combination is allocated to the relevant assets group in a reasonable way since the acquisition date; where it is difficult to be allocated to the relevant assets group, it will be allocated to the relevant combination of assets groups. The related asset group or combination of asset groups shall be the asset group or combination of asset groups that can benefit from the synergy effect of business combination.

When making an impairment test on the relevant assets groups or combination of assets groups containing goodwill, if any indication shows that the assets groups or combinations of assets groups may be impaired, the Company shall first conduct an impairment test on the assets groups or combinations of assets groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then, the Group shall conduct an impairment test on the asset groups or asset groups portfolio containing goodwill, and compare it book value and recoverable amount: if the recoverable amount is lower than book value, the amount of impairment losses should be firstly used to deduct book value of goodwill allocated to the asset group or the asset group portfolio, and then deduct book value of other assets according to the proportion of the book value of other assets other than the goodwill in the asset group or the asset group portfolio.

The above losses from assets impairment will not be reversed in subsequent accounting periods once recognized.

3.21 Long-term prepaid expenses

Long-term prepaid expenses refer to the expenses which have been already incurred but will be borne in this period and in the future with an amortization period of over 1 year.

3.21.1 Amortization method:

Long-term prepaid expenses are amortized evenly over the beneficial period.

3.21.2 Amortization years

Lease payments are amortized equally over the remaining useful life.

3.22 Contract liabilities

Accounting policies applicable as of January 1, 2020

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The Company's obligation to transfer goods or provide services to customers for consideration receivable for goods received is presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented by their net amounts.

3.23 Employee benefits

3.23.1 Accounting treatment of short-term compensation

During the accounting period in which employees provide service to the Company, the short-term compensation actually incurred is recognized as liabilities and charged to the current profit or loss or the relevant assets cost.

The social insurance premiums and housing fund paid for employees by the Company, as well as the labor union expense and employee education expense accrued according to the provisions, shall be calculated according to the stipulated contribution base and proportion to determine the amount of corresponding employee benefits during the accounting period of employees providing services to the Company.

Employee benefits incurred by the Company are charged to current income or loss or the cost of related assets based on the actual amount incurred, of which non-monetary benefits are measured at fair value.

3.23.2 Accounting treatment of post-employment benefits

Defined contribution plan

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in the current profit or loss or costs associated with assets.

3.23.3 Accounting treatment

As to providing employees dismissal benefits, employee benefits incurred from dismissal benefits should be recognized as liabilities and included in the current profit or loss at the date when the Company is unable to unilaterally withdraw the dismissal benefits provided in the plan on the cancellation of labor relationship or the layoff proposal or when the Company recognizes the cost related to restructuring concerning payment of dismissal benefits (whichever is earlier).

3.24 Provisions

Where the obligation related to contingency meets all the following conditions simultaneously, it may be recognized as provisions by the Company:

- (1) This obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company;
- (3) The amount of the obligation can be measured reliably.

Provisions of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

When determining the best estimates, the Company comprehensively considers the risks, uncertainties, time value of money, and other factors relating to the contingencies. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash.

If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the median range within the range; in other cases, the best estimate shall be accounted for as follows in different circumstances:

- If contingencies involve a single item, the best estimate shall be determined at the amount most likely incurred.
- If contingencies involve multiple items, the best estimate shall be calculated and determined at possible outcomes and related probabilities.

When all or part of the expenses necessary for the settlement of an estimated liability of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the book value of the estimated liability.

On the balance sheet date, the book value of provisions shall be reviewed. If there is conclusive evidence that the best estimate cannot be reflected, the book value shall be adjusted based on the current best estimate.

3.25 Preferred shares, perpetual debts and other financial instruments

The Company classifies the financial instruments or their components as financial assets, financial liabilities or equity instruments at the initial recognition, in accordance with contractual terms relating to the preferred shares or perpetual debts issued and economic substance reflected and not only legal form.

The preferred shares/perpetual debts and other financial instruments issued by the Company shall, in whole or in part, be classified as financial liabilities at the initial recognition when meeting one of the following conditions:

- (1) There is any contractual obligation that the Company is unable to avoid the unconditional delivery of cash or other financial assets to fulfill;
- (2) The financial instruments contain any contractual obligation of delivering a variable number of their own equity instruments for settlement;
- (3) The financial instruments contain any derivative instrument settled with their own equity (such as equity transfer, etc.), which is not settled with a fixed amount of their own equity instruments in exchange for a fixed amount of cash or other financial assets;
- (4) There is any contract term that indirectly forms any contract obligation;
- (5) When the issuer liquidates, the perpetual debts are liquidated in the same order as the ordinary bonds and other debts issued by the issuer.

The preferred shares/perpetual debts and other financial instruments issued by the Company shall, in whole or in part, be classified as equity instruments at the initial recognition when not meeting any one of the above conditions.

3.26 Revenue

Accounting policies applicable as of January 1, 2020

3.26.1 Accounting policies adopted for revenue recognition and measurement

The Company recognizes the revenue when its performance obligations as stipulated in the contract are fulfilled, that is, when the customer obtained control of the related goods or services. The acquisition of control over the related goods or services is defined as the ability to dominate the use of the goods or services and derive substantially all of the economic benefits therefrom.

Where the contract contains two or more performance obligations, the Company will, on the contract start date, allocate the transaction price to each individual performance obligation in the proportion of the individual selling price of the goods or services for which each individual performance obligation is committed. The Company measures revenue based on the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled as a result of the transfer of goods or provision of services to the customer, excluding amounts collected on behalf of third parties and amounts that the Company expects to refund to the customer. The Company determines the transaction price based on the terms of the contract, taking into account its past customary practice, and considers the impact of variable consideration, the existence of significant financing components in the contract, non-cash consideration, and consideration payable to the customer in determining the transaction price. The Company determines the transaction price that includes variable consideration by an amount not exceeding the amount for which it is highly probable that there will be no material reversal of the cumulative recognized revenue at the time the relevant uncertainty is removed. For contracts with a significant financing component, the Company determines the transaction price based on the amount payable in cash assuming that the customer will pay for the goods or services as soon as control is obtained, and amortizes the difference between this transaction price and the contract consideration over the term of the contract using the effective interest rate method.

If the Company meets one of the following conditions, it is deemed to fulfill the performance obligations within a certain period of time; otherwise, it is deemed to so at a certain point of time:

- The customer obtains and consumes the economic benefits brought by the Company's performance while the Company is performing the contract.
- The customer can control the commodities under construction during the Company's performance.
- The commodities produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to receive payment for the accumulated performance of the contract so far throughout the contract period.

For performance obligations to be performed within a certain period of time, the Company recognizes revenue in accordance with the progress of performance over that period, except when the progress of performance cannot be reasonably determined. The Company determines the progress of performance using the output method or the input method, taking into account the nature of the goods or services. When there is no reasonable certainty of the progress of performance, revenue is recognized at the costs incurred when the costs incurred are expected to be reimbursed until the progress of performance can be reasonably determined.

The Company recognizes the revenue from the performance obligations to be performed at certain time, that is, when the customer obtained control of the related goods or services. In determining whether a customer has acquired control of goods or services, the Company considers the following indications:

- The Company has a present right to receive payment in respect of the commodity or services, i.e. the customer has a present payment obligation in respect of the commodity.

- The Company has transferred the legal title to the commodity to the customer, i.e. the customer has the legal title to the commodity.
- The Company has transferred the physical commodity to the customer, i.e. the customer has taken physical possession of the commodity.
- The Company has transferred to the customer the principal risks and rewards of ownership of the commodity, i.e. the customer has acquired principal risks and rewards with respect to the title to the commodity.
- The customer has accepted the goods or services, etc.

Specific principles:

- (1) Petrochemical and chemical new materials: a. Domestic sales: Revenue from self-delivery goods is recognized when such goods are located at the ex-factory area according to the sales contract and sales order, and revenue from delivery of goods is recognized when the goods are delivered to the customer. b. Foreign sales: Revenue is recognized when export customs clearance procedures are completed and customs declaration documents are obtained after the goods have been shipped out of the country.
- (2) Revenue from sales of electricity and heat energy: Revenue from sales is recognized when electricity and heat energy services have been provided.
- (3) Revenue from property leasing: the Company signs a Lease Contract with the lessee and receives the rent for the lease period once or by installments. When the monthly leasing services are completed, the Company recognizes the lease revenue by amortizing it evenly under the straight-line method over the lease term.

3.26.2 Differences in accounting policies for revenue recognition resulting from the adoption of different business models for the same type of business

None.

3.27 Contract costs

Contract costs include contract performance costs and contract acquisition costs.

Costs incurred by the Company to perform a contract that are not regulated by the relevant standards, such as inventories, fixed assets or intangible assets, are recognized as a contract performance cost as an asset when the following conditions are met:

- Where such cost is directly related to a current or expected contract.
- Where such cost increases the resources of the Company for fulfilling its performance obligations in the future.
- Where such cost is expected to be recovered.

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost shall be recognized as an asset.

Assets related to the contract costs are amortized on the same basis as the recognition of the revenue of the goods or services related to the asset; however, if the amortization period of the contract acquisition costs is less than one year, the Company will include such costs in the current profit or loss when incurred.

For the assets related to contract costs whose book value is higher than the difference between the following two items, the Company will make provision for impairment for the excess and recognize it as asset impairment loss:

1. Where the remaining consideration is expected to be obtained by the transfer of goods or services related to the asset;
2. Where the costs are estimated to occur for the transfer of the relevant goods or services.

If the said difference is higher than the book value of the asset due to changes in the impairment factors in the previous period, the originally accrued impairment reserve shall be reversed and included in the current profit or loss, but the reversed asset book value shall not exceed the book value of the asset on the date of reversal assuming that the impairment reserve is not accrued.

3.28 Government grants

3.28.1 Type

Government grants are monetary assets and non-monetary assets freely obtained by the Company from the government for free, which are classified into government grants related to assets and government grants related to revenue.

Asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. Government grants related to revenue refer to government grants other than those related to assets.

3.28.2 Timing of recognition

Government grants shall be recognized only if the Company is able to comply with the conditions for the government grants, and is likely to receive the government grants.

3.28.3 Accounting treatment

Government grants related to assets are recognized as deferred revenue. Where such subsidies are recognized as the deferred income, they will be included in current profit or loss in accordance with the reasonable and systematic methods within useful lives of related assets (where such subsidies are related to the daily activities of the Company, they will be included in other income; where such subsidies are not related to the daily activities of the Company, they will be included in non-operating income).

Government grants relating to income used to compensate for relevant costs or losses which will occur in the following period in the Company shall be recognized as deferred income, and, during the period when relevant costs or losses are recognized, be included in current profit or loss (where government grants relating to income are relevant to routine activities of the Company, such subsidies shall be included in other income; where government grants relating to income are irrelevant to routine activities of the Company, such subsidies shall be included in non-operating income); Government grants relating to

income used to compensate for relevant costs or losses incurred in the Company shall be included in current profit or loss (where such subsidies are related to daily activities of the Company, they will be included in other income; where such subsidies are related to the daily activities of the Company, they will be included in non-operating income).

The discounted interest of policy-based preferential loan obtained by the Company is divided into two situations and subject to accounting treatment separately:

- (1) When the finance department appropriates the discounted interest to the loan bank, then the loan bank provides the loans at the policy-based preferential interest rate to the Company, the Company will take the book-entry value at the loan amount actually received, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate.
- (2) Where the finance department directly appropriates the discount funds to the Company, the Company will use the corresponding interest discount to offset related borrowing costs.

3.29 Deferred tax assets and deferred tax liabilities

Income tax includes the current income tax and deferred income tax. Except for the income tax arising from business mergers and such transactions or items as are directly included in shareholders' equity (including other comprehensive income), the Company shall include the current income tax and the deferred income tax in the current profit or loss.

Deferred tax assets and deferred tax liabilities are calculated and recognized based on differences (temporary differences) between tax base and book value of the assets and liabilities.

Deferred tax assets are recognized at deductible temporary differences to the extent that it shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. For deductible losses and tax credits that can be carried forward to subsequent periods, the Company recognized deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible losses and tax credits can be utilized.

Taxable temporary differences are recognized as deferred tax liabilities except in special circumstances.

Such special circumstances include:

- The initial recognition of goodwill;
- A transaction or event that is neither a business combination nor, when incurred, affects accounting profit and taxable income (or deductible loss).

For the taxable temporary differences related to the investments in subsidiaries, associates and joint ventures, the deferred tax liabilities should be recognized, unless that the timing of the reversal of the temporary differences is able to be controlled by the Company and the temporary differences will be probable not to be reversed in the foreseeable future. For deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be used, the deferred tax asset will be recognized.

On the balance sheet date, deferred tax assets and deferred tax liabilities should be measured at the applicable tax rate during the period of expected recovery of the relevant assets or liquidation of the relevant assets according to the provisions of tax laws.

On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is likely to earn sufficient taxable income, the write-down amount should be reversed.

If the Company has the legal right of netting and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company shall be presented based on the net amount after offset.

On the balance sheet date, deferred tax assets and deferred tax liabilities shall be listed by the net amount after offset if:

- The taxpayer has the statutory right to settle the current tax assets and current tax liabilities with net amount;
- Deferred tax assets and deferred tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reverse of deferred tax assets and liabilities, the involved taxpayer intends to balance tax assets and liabilities for this period with net settlement at the time of obtaining assets and discharging liabilities, deferred tax assets and deferred tax liabilities shall be presented based on the net amount after offset.

3.30 Leases

Lease refers to a contract in which the lessor transfers the right to use the assets to the lessee within a certain period to obtain consideration. On the contract commencement date, the Company evaluates whether the contract is or includes a lease. If a party to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is or includes a lease.

If the contract contains multiple separate leases at the same time, the Company may split the contract, and account for each lease separately. If the contract includes both lease and non-lease parts, the lessee and the lessor shall split them.

For rent concessions such as rent concessions and deferred payments entered into in connection with existing leases that are directly triggered by the COVID-19 outbreak and that also meet the following conditions, the Company applies the simplified method to all lease options and does not assess whether a lease change has occurred or reassess the lease classification:

- The lease consideration after the reduction decreases or remains substantially unchanged from that before the concession, where the lease consideration is either undiscounted or discounted at the pre-concession discount rate;
- Other terms and conditions of the leases are determined to have not changed significantly after considering qualitative and quantitative factors together.

3.30.1 *The Company as the lessee*

(1) Right-of-use assets

At the commencement of the lease term, the Company recognizes the right-of-use assets for leases other than short-term and low-value asset leases. Right-of-use assets are initially measured at cost, which includes:

- The initial measurement amount of the lease liability;
- The lease payment made on or before the commencement of the lease term, or the relevant amount after deducting the lease incentive already enjoyed if any;
- Initial direct costs incurred by the Company;
- The Company expects to incur costs for dismantling and removing leased assets, restoring the site of the leased assets to its original condition, or restoring leased assets to their original condition, excluding costs incurred for the production of inventories.

The Company subsequently adopts the straight-line method to accrue depreciation for the right-to-use assets. If ownership of the leased assets can be obtained with reasonable certainty at the end of the lease term, the Company depreciates the leased assets over their remaining useful lives; otherwise, the leased assets are depreciated over the shorter of the lease term and the remaining useful life of the leased assets.

The Company determines whether a right-of-use asset is impaired and accounts for the identified impairment loss in accordance with the principles described in Note “3.20 Impairment of long-term assets”.

(2) Lease liabilities

At the commencement of the lease term, the Company recognizes lease liabilities for leases other than short-term and low-value asset leases. The lease liabilities are initially measured at the present value of the unpaid lease payments. Lease payments include:

- Fixed payment (including substantial fixed payment), and the relevant amount after deducting the lease incentive if any;
- Variable lease payments depending on index or ratio;
- Estimated payments due according to the guaranteed residual value provided by the Company;
- Exercise price of the purchased option, provided that the Company reasonably determines that the option will be exercised;
- The amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the Company will exercise the options to terminate the lease.

The Company uses the interest rate implicit in lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the Company uses the incremental borrowing rate as the discount rate.

The Company calculates the interest expense of the lease liabilities in each the lease term at a fixed periodic interest rate, and includes it in the current profit or loss or related asset costs.

Variable lease payments that are not included in the lease liabilities are included in current profit or loss or related asset costs when incurred.

The Company remeasures the lease liability and adjusts the corresponding right-of-use asset if, after the lease commencement date, the following circumstances occur. If the book value of the right-of-use asset is reduced to zero, but the lease liability is still subject to further reduction, the difference is recognized in profit or loss:

- When the appraisal results of the purchase option, lease renewal option or termination option change, or when the actual exercise of the aforementioned options is inconsistent with the original appraisal results, the Company re-measures the lease liability at the present value calculated by the changed lease payments and the revised discount rate;
- When there is a change in the substantive fixed payment amount, a change in the amount expected to be payable for the guaranteed residual value or a change in the index or rate used to determine the lease payment amount, the Company re-measures the lease liability at the present value calculated from the changed lease payment amount and the original discount rate. However, if the change in the lease payment amount results from a change in the floating interest rate, the present value is calculated using the revised discount rate.

(3) Short-term and low-value asset leases

The Company chooses not to recognize the right-of-use assets and lease liabilities for short-term and low-value asset leases, and includes the related lease payments in the current profit or loss or related asset costs with the straight-line method in each lease term. Short-term lease refers to a lease that lasts for no more than 12 months and includes no purchase options at the commencement of the lease term. Low-value asset lease refers to a lease with lower value when the individual leased assets are brand new assets. If the Company sublets or anticipates subletting the leased assets, the original lease is not a low-value asset lease.

(4) Lease change

If a lease changes and meets all the following conditions, the Company will account for the lease change as a separate lease:

- The lease change expands the scope of the lease by adding one or more rights to use the leased assets;
- The increased consideration is equivalent to the individual price of the expanded part adjusted according to the contract.

If the lease change is not accounted for as a separate lease, the Company shall, on the effective date of the lease change, re-allocate the consideration of the changed contract, re-determine the lease term, and remeasure the lease liabilities at the present value calculated based on the changed lease payment and the revised discount rate.

If a lease change results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the book value of the right-of-use asset accordingly and recognizes the gain or loss related to the partial or complete termination of the lease in current profit or loss. If other lease changes result in a remeasurement of the lease liability, the Company adjusts the book value of the right-of-use asset accordingly.

(5) Rent concessions related to the COVID-19 epidemic

For the adoption of the simplified method of rent concessions related to the COVID-19 epidemic, the Company does not assess whether a lease change has occurred, continues to calculate interest expense on lease liabilities at the same discount rate as before the concessions and record it in current profit or loss, and continues to depreciate right-of-use assets in the same manner as before the concessions. When a rent reduction or exemption occurs, the Company treats the reduced or exempted rent as variable lease payments and reduces the related asset cost or expense by the amount discounted at the undiscounted or pre-reduction discount rate when the original rent payment obligation is discharged, such as when a reduction agreement is reached, and adjusts the lease liability accordingly; if the rent payment is deferred, the Company reduces the lease liability recognized in prior periods when the actual payment is made.

For short-term leases and leases of low-value assets, the Company continues to charge the original contractual rents to the cost or expense of the related assets in a manner consistent with that before the impairment. When a rent concession occurs, the Company recognizes the reduced rent as variable lease payment and reduces the cost or expense of the related assets in the period of the reduction; when a rent payment is deferred, the Company recognizes the rent payable as a payable in the original payment period and reduces the payable recognized in prior periods when the actual payment is made.

3.30.2 The Company as the lessor

The leases of the Company are classified as financing lease and operating lease on the lease commence date. Finance lease refers to the lease under which all the risks and rewards relevant to the ownership of assets are materially transferred, regardless of whether the ownership is ultimately transferred. Operating lease refers to the leases other than financing lease. When the Company is a sublessor, it classifies the sublease based on the right-of-use assets generated from the original lease.

(1) Accounting treatment of operating leases

Lease receipts from operating leases during each lease term shall be recognized as rental income with the straight-line method. The Company capitalizes the initial direct costs incurred in relation to operating leases, and allocates the same to the current profit or loss on the same basis as that for rental income recognition during the lease term. Variable lease payments that are not included in the lease receipts are included in current profit or loss when incurred. If a change in an operating lease occurs, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease receipts received in advance or receivable in connection with the lease prior to the change is considered as the amount received under the new lease.

(2) Accounting treatment of financing leases

On the lease beginning date, the Company recognizes the finance lease receivables and derecognizes the assets acquired under finance lease. When the Company initially measures the finance lease receivables, the net lease investment is taken as the book-entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received at the commencement of the lease term, discounted at the interest rate implicit in lease.

The Company calculates and recognizes the interest income in each lease term at a fixed periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with Note “3.10 Financial instruments”.

Variable lease payments that are not included in the net lease investment are included in current profit or loss when incurred.

If a financial lease changes and meets all the following conditions, the Company will account for the lease change as a separate lease:

- The change expands the scope of the lease by adding one or more rights to use the leased assets;
- The increased consideration is equivalent to the individual price of the expanded part adjusted according to the contract.

If a change in a finance lease is not accounted for as a separate lease, the Company treats the changed lease separately in the following circumstances:

- If the change becomes effective on the lease commencement date and the lease would have been classified as an operating lease, the Company accounts for it as a new lease from the effective date of the lease change and uses the net investment in the lease prior to the effective date of the lease change as the book value of the leased asset;
- If the change becomes effective on the lease commencement date and the lease is classified as a finance lease, the Company accounts for the lease in accordance with the policy on modification or renegotiation of contracts as described in Note “3.10 Financial instruments”.

(3) Rent concessions related to the COVID-19 epidemic

- For operating leases that use the simplified method of rent concessions related to the COVID-19 epidemic, the Company continues to recognize the original contractual rent as lease income in the same way as before the reduction; if a rent concession occurs, the Company treats the reduced rent as a variable lease payment and reduces the lease income in the period of reduction; if the collection of rent is deferred, the Company recognizes the receivable in the original collection period as receivables and eliminates the receivables recognized in prior periods when they are actually received.
- For finance leases using the simplified method of rent concessions related to the COVID-19 epidemic, the Company continues to calculate interest and recognize it as lease income at a discount rate consistent with that before the concessions. In the case of rent reductions or exemptions, the Company treats the reduced or exempted rent as variable lease payments and reduces the originally recognized lease income by the

undiscounted or pre-reduction discount rate when the original right to receive rent is waived, such as when a reduction agreement is reached, and the shortfall is credited to investment income and the financing lease receivable is adjusted accordingly. If the rental is delayed, the Company shall offset the financing lease receivable recognized in the previous period upon actual receipt.

3.30.3 Sale-and-leaseback deals

The Company evaluates and determines whether the asset transfer in the sale-and-leaseback deals is a sale in accordance with the principles described in Note “3.26 Revenue”.

(1) As a lessee

If the asset transfer in the sale-and-leaseback deal is a sale, the Company, as the lessee, measures the right-of-use asset formed by the sale-and-leaseback deal according to the part, in the book value of original assets, related to the use right obtained from the leaseback, and only recognizes the relevant gains or losses for the rights transferred to lessor; if the asset transfer in the sale-and-leaseback deal is not a sale, the Company, as the lessee, continues to recognize the transferred assets and a financial liability equal to the transfer income. Refer to Note “3.10 Financial instruments” for the accounting treatment of financial liabilities.

(2) As a lessor

Where the asset transfer in the sale-leaseback transactions belongs to sales, the Company as the lessor conducts the accounting treatment for purchase of assets, and conducts the lease of assets in accordance with the policies on “2. the Company as a lessor” stated above; where the asset transfer in the sale-leaseback transactions belongs to sales, the Company as the lessor does not recognize the transferred assets, but confirms a financial asset equivalent to the transfer revenue. Refer to Note “3.10 Financial instruments” for the accounting treatment of financial assets.

3.31 Discontinued operations

Discontinued operations refer to the component meeting any of the following conditions that can be separately distinguished and that has been disposed by the Company or classified as held for sale by the Company:

- (1) the component represents a separate major business or a sole major business area;
- (2) the component is a part of the plan on intended disposal of an independent major business or a sole major business area;
- (3) the component is a subsidiary acquired only for re-sale.

The profit or loss from continuing operations and the profit or loss from discontinued operations are separately listed in the income statement. The impairment loss from discontinued operation, reversed amount and other profit or loss from operation as well as profit or loss from disposal shall be presented as profit or loss from discontinued operation. For the discontinued operation presented in this period, the information originally presented as profit or loss from continuing operation will be presented as profit or loss from discontinued operation once more in the comparable accounting period in the current financial statements.

3.32 Hedge accounting

3.32.1 Classification of hedges

- (1) A “fair value hedge” refers to a hedging of the risk to changes in the fair value of a recognized asset or liability or a previously unrecognized firm commitment (excluding foreign exchange risks).
- (2) The term “cash flow hedge” refers to a hedging of the risk to changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or a foreign exchange risk contained in an unrecognized firm commitment.
- (3) A “hedge of net investment in an overseas operation” refers to a hedging of the foreign exchange risk arising from net investment in an overseas operation. Net investment in an overseas operation refer to the equity proportion of an enterprise in net assets in an overseas operation.

3.32.2 Designation of hedging relationship and identification of hedging effectiveness

At the commencement of the hedge, the Company formally designates the hedging relationship and prepares a formal written document about the hedging relationship, risk management objectives and the strategies of hedging. Such document specifies the nature and quality of hedging instrument, the nature and quality of hedged item, nature of hedged risks, hedging type and effective evaluation of the Company on hedging instrument. The term “hedging effectiveness” refers to the extent that the changes in the fair value or cash flow of a hedging instrument offsets the changes resulting from the hedging risks in the fair value or cash flow of a hedged item.

The Company continues to evaluate the effectiveness of hedges, and ensures that whether the hedge meets the requirement for effectiveness by use of the hedge accounting during the accounting period designated as to the hedging relationship. If it doesn’t meet the requirement, the hedging relationship will be terminated.

The use of hedge accounting should meet the following requirements on the effectiveness of hedging:

- (1) There is an economic relationship between the hedged item and the hedging instrument.
- (2) For the value change caused by the economic relationship between the hedged item and the hedging instrument, the impact of credit risk is not dominant.
- (3) It is required to adopt the proper hedging rate, which will not form an imbalance of relative weight between the hedging item and the hedging instrument, resulting in an accounting result that is inconsistent with the hedging accounting objective. If the hedging rate is no longer proper, but the hedge risk management objective does not change, the number of hedged items or hedging instruments should be adjusted so as to make the hedging rate meet the requirements for effectiveness again.

3.32.3 Accounting treatment of hedge

(1) Fair value hedges

Changes in fair value of the hedging derivative shall be recognized in current profit or loss. Changes in fair value of the hedged item attributable to hedged risk shall be included in the current profit or loss, and book value of the hedged item shall be adjusted simultaneously.

For fair value hedges related to financial instruments measured according to amortized cost, the adjustment on hedged item shall be recognized in current profit or loss, if such fair value hedges are amortized within the remaining period between the adjustment date and expiry date. Amortization pursuant to effective interest method can be conducted hereupon after the adjustment of book value, but shall not be later than the date, when the hedged item terminates adjustment on changes in fair value due to hedging risks.

If the hedged item is derecognized, the unamortized fair value should be recognized as the current profit or loss.

If a hedged item is an unrecognized firm commitment, the accumulative amount of the changes in the fair value of the firm commitment incurred by the hedged risk should be recognized as an asset or liability and the relevant profit or loss shall be recorded into the current profit or loss. Changes in the fair value of the hedging instrument are also recognized in the current profit or loss.

(2) Cash flow hedges

The portion of profit or loss on the hedging instrument attributable to the effective hedge shall be directly recognized as other comprehensive income, which attributable to the ineffective hedge shall be recorded in current profit or loss.

Where the hedged transaction affects current profit or loss, amount recognized in other comprehensive income shall be transferred in current profit or loss, if recognition of hedged financial revenue or finance expenses or anticipated sales occurs. If the hedged item is the cost of a non-financial asset or non-financial liability, then the amount previously recognized in other comprehensive income should be transferred into the initially recognized amount of the non-financial asset or the non-financial liability (or then the amount previously recognized in other comprehensive income should be transferred in the same period when the non-financial asset or the non-financial liability affects profit or loss and should be included in the current profit or loss).

If the forecast transaction or firm commitment is expected not to occur, the accumulative gain or loss of hedging instruments previously included in shareholders' equity should be transferred out and included in the current profit or loss. If the hedging instrument has matured or been sold, or the contract is terminated or has been exercised (or not replaced or renewed), or the Company revokes the designation of the hedge relationship, amounts previously recognized in other comprehensive income shall not be transferred out until the forecast transaction or definite undertaking affects the current profit or loss.

(3) Hedges of net investment in an overseas operation

For hedges of net investment in an overseas operation including the hedges of monetary items as a part of net investment, the disposal of such hedges is similar to that of cash flow hedges. The portion of profit or loss on the hedging instrument attributable to the effective hedge shall be recognized as other comprehensive income, which attributable to the ineffective hedge shall be recorded in the current profit or loss. When overseas operation is disposed, any accumulated profit or loss recognized in other comprehensive income shall be transferred out and included in current profit or loss.

3.33 Segment report

The Company determines operating segments based on internal organization structure, management requirements and internal reporting system, determines reporting segments based on operating segments, and discloses the information of the segments.

Operating segment refers to the component parts of the Company that meet the following conditions at the same time: (1) the component parts can generate income and incur expenses in daily activities; (2) the Company's management can regularly evaluate the operating results thereof in order to decide allocation of resources and evaluate their performance; and (3) the Company can obtain relevant accounting information such as the financial status, operating results and cash flows of the component parts. If two or more operating segments have similar economic characteristics, and have met a certain condition, they will be merged into one operating segment.

3.34 Changes in significant accounting policies and accounting estimates

3.34.1 Changes in significant accounting policies

Implementation of Interpretation of Accounting Standards for Business Enterprises No. 15

On December 30, 2021, the Ministry of Finance issued the Interpretation on the Accounting Standards for Business Enterprises No. 15 (CK [2021] No. 35, hereinafter referred to as "Interpretation No. 15").

Accounting treatment for trial run sales:

Interpretation No. 15 stipulates the accounting treatment and presentation of products or by-products produced by an enterprise before a fixed asset reaches the working condition for its intended use or in the process of research and development, and stipulates that the net amount after offsetting costs by revenue related to trial run sales shall not be used to offset the costs of fixed assets or research and development expenditures. The provisions came into force as of January 1, 2022, and retroactive adjustment shall be made for trial operation sales occurring between the beginning of the earliest period for presentation of financial statements and January 1, 2022.

3.34.2 Changes in significant accounting estimates

None.

4. Taxation

4.1 Major tax types and tax rates

Tax type	Basis of tax assessment	Tax rate
Value added tax (VAT)	The balance from output tax calculated on the basis of revenue from the sale of goods and taxable services calculated by tax laws deducting input tax deductible for current period shall be VAT payable	[Note 1]
Real estate tax	Levied based on 12% of the rental revenue from rental housing; levied based on 1.2% of the remaining value after deducting 30% of the original value of the houses for self-use	1.2%, 12%
Urban maintenance and construction tax	Levied based on the value added tax and consumption taxes paid	5%, 7%
Enterprise income tax	Levied based on the amount of taxable income	[Note 2]

[Note 1] According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No. 39), from April 1, 2019, VAT rates available shall be 3%, 5%, 6%, 9% and 13%.

[Note 2] Within the consolidation scope, the income tax rates applied to all entities are as follows:

Name	Income tax rate
Jiangsu Eastern Shenghong Co., Ltd.	25%
Jiangsu Sierbang Petrochemical Co., Ltd.	[Note 3]
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.	[Note 4]
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	[Note 5]
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	[Note 6]
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	25%
Suzhou Shenghong Digital Cloud Technology Co., Ltd.	25%
Suzhou Shengze Real Estate Leasing Co., Ltd.	25%
Suzhou Shengze Warehousing Management Co., Ltd.	25%
Jiangsu Shenghong Energy and Chemical New Materials Co., Ltd.	[Note 7]
Shenghong (Shanghai) New Material Technology Co., Ltd.	25%
Shenghong (Jiangsu) Advanced Materials Research Institute Co., Ltd. (盛虹(江苏)先进材料研究院有限公司)	25%
Shenghong New Energy (Suzhou) Co., Ltd. (盛虹新能源(苏州)有限公司)	25%
Shenghong Petrochemical Group Shanghai New Materials Co., Ltd. (盛虹石化集团上海新材料有限公司)	25%

[Note 3] The corporate income tax rates paid by each subject within the scope of consolidation of the subsidiary Jiangsu Sierbang Petrochemical Co., Ltd. are as follows:

Name	Income tax rate
Jiangsu Sierbang Petrochemical Co., Ltd.	15%
Lianyungang Shunmeng Trading Co., Ltd.	25%
Jiangsu Hongjing New Materials Co., Ltd.	25%
Jiangsu Hongwei Chemical Co., Ltd.	25%
Lianyungang Hongke New Materials Co., Ltd.	25%

[Note 4] The corporate income tax rates paid by each entity within the scope of consolidation of the subsidiary Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd. are as follows:

Name	Income tax rate
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.	25%
Jiangsu Guowang High-tech Fibre Co., Ltd.	15%
Suzhou Shenghong Fiber Co., Ltd.	15%
Jiangsu Zhonglu Technology Development Co., Ltd.	15%
Suzhou Suzhen Biological Engineering Co., Ltd.	15%
Jiangsu Shenghong Fiber Testing Co., Ltd.	25%
Jiangsu Ganghong Fiber Co., Ltd.	15%
Jiangsu Shenghong Technology and Trade Co., Ltd.	25%
Lantean Holding Group Co., Limited.	16.50%
Suzhou Tangnan Sewage Treatment Co., Ltd.	25%
Shenghong New Materials (Suqian) Co., Ltd.	25%
Jiangsu Reborn Eco-tech Co., Ltd.	25%
Guowang High-tech Fibre (Suqian) Co., Ltd.	25%
Siyang Yiyang Environmental Protection Technology Co., Ltd.	25%
Honghai New Materials (Suqian) Co., Ltd.	25%
Hongbang New Materials (Suqian) Co., Ltd.	25%
Siyang Yiyang Environmental Energy Co., Ltd.	25%

[Note 5] The corporate income tax rates paid by each entity within the scope of consolidation of the subsidiary Jiangsu Shenghong Petrochemical Industry Group Co., Ltd. are as follows:

Name	Income tax rate
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	25%
Jiangsu Honggang Petrochemical Co., Ltd.	25%
Lianyungang Guan hong Trading Co., Ltd.	25%
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	25%
Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation Co., Ltd.	Exemption
Shenghong Petrochemical (Singapore) International Co., Ltd.	17%
Shenghong Shipping (Singapore) International Ltd.	17%
Shenghong Oils Sales Co., Ltd.	25%
Shenghong (Lianyungang) Oils Sales Co., Ltd.	25%
Lianyungang Shengtai New Materials Co., Ltd.	25%
Shenghong (Shanghai) Polyester Materials Co., Ltd.	25%
Jiangsu Shengjing New Materials Co., Ltd.	25%

Note 6: The corporate income tax rates paid by each entity within the scope of consolidation of the subsidiary Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd. are as follows:

Name	Income tax rate
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	25%
Jiangsu Xingda Natural Gas Pipeline Co., Ltd.	25%

Note 7: The corporate income tax rates paid by each entity within the scope of consolidation of the subsidiary Jiangsu Shenghong Energy and Chemical New Materials Co., Ltd. are as follows:

Name	Income tax rate
Jiangsu Shenghong Energy and Chemical New Materials Co., Ltd.	25%
Inner Mongolia Shenghuayi Energy Co., Ltd.	25%
Inner Mongolia Sierbang Energy and Chemical Technology Co., Ltd.	25%
Hubei Hongrui New Material Co., Ltd. (湖北虹瑞新材料有限公司)	25%
Hubei Haigus New Energy Co., Ltd. (湖北海格斯新能源股份有限公司)	25%

4.2 Tax preference

4.2.1 Jiangsu Guowang High-tech Fibre Co., Ltd.

On December 2, 2020, Jiangsu Guowang High-tech Fibre Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR202032001747 and the valid term of 3 years, jointly issued by the Finance Department of Jiangsu Province, the Science and Technology Department of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration. From 2020 to 2022, it shall be entitled to the income tax rate of 15%.

4.2.2 Jiangsu Zhonglu Technology Development Co., Ltd.

On December 6, 2019, Jiangsu Zhonglu Technology Development Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR201932010158 and the valid term of 3 years, jointly issued by the Science and Technology Department of Jiangsu Province, the Finance Department of Jiangsu Province, Jiangsu Provincial Tax Service, State Taxation Administration, and the Local Taxation Bureau of Jiangsu Province. From 2019 to 2021, it shall be entitled to the income tax rate of 15%. As of September 30, 2022, the high-tech enterprise certificate has expired and the high-tech enterprise certificate for 2022 is in the filing stage, and the Company is temporarily paying corporate income tax at a tax rate of 15% during the reporting period.

4.2.3 Suzhou Shenghong Fiber Co., Ltd.

On November 30, 2021, Suzhou Shenghong Fiber Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR202132009556 and the valid term of 3 years, jointly issued by the Finance Department of Jiangsu Province, the Science and Technology Department of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration. From 2021 to 2023, it shall be entitled to the income tax rate of 15%.

4.2.4 Suzhou Suzhen Biological Engineering Co., Ltd.

On December 6, 2019, Suzhou Suzhen Biological Engineering Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR201932009905 and the valid term of 3 years, jointly issued by the Finance Department of Jiangsu Province, the Science and Technology Department of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration. From 2019 to 2021, it shall be entitled to the income tax rate of 15%. As of September 30, 2022, the high-tech enterprise certificate has expired and the high-tech enterprise certificate for 2022 is in the filing stage, and the Company is temporarily paying corporate income tax at a tax rate of 15% during the reporting period.

4.2.5 Jiangsu Ganghong Fiber Co., Ltd.

On November 30, 2021, Jiangsu Ganghong Fiber Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR202132003582 and the valid term of 3 years, jointly issued by the Finance Department of Jiangsu Province, the Science and Technology Department of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration. From 2021 to 2023, it shall be entitled to the income tax rate of 15%.

4.2.6 Jiangsu Sierbang Petrochemical Co., Ltd.

On November 30, 2021, Jiangsu Sierbang Petrochemical Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR202132003995 and the valid term of 3 years, jointly issued by the Finance Department of Jiangsu Province, the Science and Technology Department of Jiangsu Province, and Jiangsu Provincial Tax Service, State Taxation Administration. From 2021 to 2023, it shall be entitled to the income tax rate of 15%.

4.2.7 Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation Co., Ltd.

According to Article 87 of the Implementing Regulations on the Enterprise Income Tax Law, the income from investment and operation by Shenghong Refining (Lianyungang) Port Storage and Transportation Co., Ltd. in projects such as ports and terminals, airports, railroads, highways, urban public transportation, electric power and water conservancy as stipulated in the Catalogue of Preferential Enterprise Income Tax for Public Infrastructure Projects will be exempted from enterprise income tax from the first year to the third year from the tax year in which the first production and operation income of the project is obtained and taxed at a 50% reduction in from the fourth to sixth year. Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation Co., Ltd. received its first production and operation income in 2021 and will be exempted from corporate income tax related to the above preferential projects in 2021, 2022 and 2023.

5. Notes to main items of the consolidated financial statements

5.1 Cash at bank and on hand

Item	September 30, 2022	December 31, 2021
Cash on hand	121,232.89	100,907.36
Bank deposit.	11,565,941,615.88	10,732,091,287.00
Other cash at bank and on hand.	1,544,957,138.38	2,667,536,122.35
Interest on outstanding time deposits	698,805.66	342,060.13
Total	13,111,718,792.81	13,400,070,376.84
Of which: Total amount deposited abroad.	400,487,429.31	108,555,051.56

Item	September 30, 2022	December 31, 2021
Bank acceptance bills deposit	934,977,030.61	1,656,234,434.52
Letters of credit deposit.	533,277,346.93	754,539,709.73
Loan deposit.		119,900,000.00
Time deposit or call deposit used for guarantee.	1,317,408,340.99	1,153,120,625.00
Others	15,701,144.61	38,154,021.96
Total	2,801,363,863.14	3,721,948,791.21

5.2 Financial assets held for trading

Item	September 30, 2022	December 31, 2021
Financial assets measured at fair value through current profit or loss.	101,264,917.56	141,719,671.46
Of which: Investment in equity instruments	91,834,075.48	86,338,213.82
Derivative financial assets	9,191,634.25	1,781,457.64
Bank wealth management and trust products.	239,207.83	53,600,000.00
Total	101,264,917.56	141,719,671.46

5.3 Notes receivable

5.3.1 Notes receivable by classification

<u>Item</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Bank acceptance bills	184,989,366.80	348,987,413.80
Total	184,989,366.80	348,987,413.80

5.3.2 Notes receivable of the Company pledged at the end of the period

None.

5.3.3 Notes transferred to accounts receivable due to the failure of the drawer to perform the contract as at the end of the period

None.

5.4 Accounts receivable

5.4.1 Accounts receivable disclosed by aging

<u>Aging</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Within 1 year	568,667,546.92	558,297,383.24
1-2 years	6,998.17	13,173.25
2-3 years	13,173.25	39,338.90
Over 3 years	4,085,830.23	4,054,535.91
Sub-total	572,773,548.57	562,404,431.30
Less: Provision for bad debts	22,387,488.44	31,306,804.70
Total	550,386,060.13	531,097,626.60

5.4.2 Accounts receivable by classification of measures for provision for bad debts

Type	September 30, 2022				December 31, 2021				
	Book balance		Provision for bad debts		Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis									
Provision for bad debts made by portfolio	572,773,548.57	100.00	22,387,488.44	3.91	562,404,431.30	100.00	31,306,804.70	5.57	531,097,626.60
Total	572,773,548.57	100.00	22,387,488.44	3.91	562,404,431.30	100.00	31,306,804.70	5.57	531,097,626.60

5.4.3 Provision, reversal or recovery of bad debt reserves in the current period

Type	December 31, 2021	Change in this period			September 30, 2022
		Provision	Recovery or reversal	Resale or write-off	
Provision for bad debts of accounts receivable	31,306,804.70	-8,919,316.26			22,387,488.44
Total	31,306,804.70	-8,919,316.26			22,387,488.44

5.4.4 Accounts receivable actually charged-off in this period

None.

5.4.5 Accounts receivable derecognized due to the transfer of financial assets

None.

5.4.6 Amount of assets or liabilities arising from transfer of accounts receivable and the relevant continuous involvement

None.

5.4.7 Accounts receivables from shareholders holding more than 5% (inclusive) voting shares of the Company among the ending balances are detailed in Note 8.6

5.4.8 Accounts receivable from related parties in the ending balance are detailed in Note 8.6

5.5 Receivable financing

Item	September 30, 2022	December 31, 2021
Notes receivable	260,748,170.85	77,650,379.06
Total	260,748,170.85	77,650,379.06

5.6 Advance to suppliers

Presentation by aging

Aging	September 30, 2022		December 31, 2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	3,291,106,663.89	99.64	728,123,604.60	98.51
Over 1 years	11,884,905.58	0.36	11,001,594.42	1.49
Total	3,302,991,569.47	100.00	739,125,199.02	100.00

5.7 Other receivables

Item	September 30, 2022	December 31, 2021
Other receivables	828,105,400.33	93,350,427.86
Total	828,105,400.33	93,350,427.86

5.7.1 Other receivables by aging

Aging	September 30, 2022	December 31, 2021
Within 1 year	816,508,406.51	83,693,067.69
1-2 years	9,319,019.21	17,009,133.03
2-3 years	13,591,396.94	479,296.64
Over 3 years	2,771,677.64	2,658,848.94
Sub-total.	842,190,500.30	103,840,346.30
Less: Provision for bad debts.	14,085,099.97	10,489,918.44
Total	828,105,400.33	93,350,427.86

5.7.2 Changes in book balance of other accounts receivable are as follows

	Stage I	Stage II	Stage III	Total
Book balance	12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance as at December 31, 2021	103,840,346.30			103,840,346.30
Balance as at December 31, 2021 in the current period.				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increase in this period	738,350,154.00			738,350,154.00
Derecognition in this period				
Other changes				
Balance as at September 30, 2022	842,190,500.30			842,190,500.30

5.7.3 Provision for bad debts for other receivable

	Stage I	Stage II	Stage III	Total
Provision for bad debts	12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	
Balance as at December 31, 2021	10,489,918.44			10,489,918.44
Balance as at December 31, 2021 in the current period.				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in this period	3,387,514.04			3,387,514.04
Reversal in this period				
Charge-off in this period.				
Write-off in this period				
Other changes	207,667.49			207,667.49
Balance as at September 30, 2022	14,085,099.97			14,085,099.97

5.7.4 *Provision, reversal or recovery of bad debts for other receivables in this period*

Type	December 31, 2021	Change in this period			September 30, 2022	
		Provision	Recovery or reversal	Charge-off or write-off		Other changes
Provision for bad debts of other receivables	10,489,918.44	3,387,514.04			207,667.49	14,085,099.97
Total.	10,489,918.44	3,387,514.04			207,667.49	14,085,099.97

5.7.5 *Actual charged-off of other receivables in this period*

None.

5.7.6 *Other receivables by nature*

Nature of payment	September 30, 2022	December 31, 2021
Advances	19,829,740.26	19,457,956.69
Various deposits and security deposits	59,752,971.51	81,685,005.04
Petty cash.	1,231,784.92	886,931.03
Others	761,376,003.61	1,810,453.54
Total	842,190,500.30	103,840,346.30

5.7.7 *Other receivables relating to Government grants*

None.

5.7.8 *Other receivables derecognized as a result of a transfer of financial assets*

None.

5.7.9 *Amounts of assets, liabilities as a result of transfer of other receivables and constant involvement*

None.

5.7.10 *Other receivables from shareholders holding more than 5% (inclusive) voting shares of the Company among the ending balances are detailed in Note 8.6*

5.7.11 *Other receivables from related parties in the ending balance are detailed in Note 8.6*

5.8 Inventories

5.8.1 Classification of inventories

Item	September 30, 2022			December 31, 2021		
	Book balance	Provision for inventory depreciation reserve	Book value	Book balance	Provision for inventory depreciation reserve	Book value
Raw materials	4,845,892,892.51	43,574,951.33	4,802,317,941.18	3,247,245,125.74	15,312,686.19	3,231,932,439.55
Materials in transit	1,342,901,412.61		1,342,901,412.61	180,140,146.31		180,140,146.31
Goods in progress	240,622,157.62	4,805,951.68	235,816,205.94	236,442,390.13	8,283,173.87	228,159,216.26
Merchandise inventories	3,981,644,263.49	60,645,682.78	3,920,998,580.71	2,352,938,275.51	102,688,828.20	2,250,249,447.31
Goods dispatched				196,535,155.08	1,038,611.90	195,496,543.18
Others				13,858.08		13,858.08
Total	10,411,060,726.23	109,026,585.79	10,302,034,140.44	6,213,314,950.85	127,323,300.16	6,085,991,650.69

5.8.2 Provision for inventory depreciation reserve

Item	December 31, 2021		Increase in the current period		Decrease in the current period		September 30, 2022
	December 31, 2021	Provision	Provision	Others	Reversal or write-off	Others	
Raw materials	15,312,686.19	61,044,351.90	32,782,086.76				43,574,951.33
Goods in progress	8,283,173.87	6,379,811.98	9,857,034.17				4,805,951.68
Merchandise inventories	102,688,828.20	118,023,253.79	160,066,399.21				60,645,682.78
Goods dispatched	1,038,611.90		1,038,611.90				
Total	127,323,300.16	185,447,417.67	203,744,132.04				109,026,585.79

5.8.3 *Specific bases for determining net realizable value and reasons for reversal or reversal of provision for decline in value of inventories during the period*

Item	Specific bases for determining net realizable value	Reason for the reversal of provision for inventory depreciation	Reason for the reversal of provision for inventory depreciation in this period
Raw materials	Net realizable value is determined by subtracting the estimated selling price of the finished goods from the estimated costs to be incurred to completion, estimated selling expenses and related taxes	Not applicable	Inventory for which a provision for inventory write-downs was made at the beginning of the period is sold
Goods in progress	Net realizable value is determined by subtracting the estimated selling price of the finished goods from the estimated costs to be incurred to completion, estimated selling expenses and related taxes	Not applicable	Inventory for which a provision for inventory write-downs was made at the beginning of the period is sold
Merchandise inventories	The net realizable value is determined by subtracting the estimated selling price of the finished goods from the estimated selling expenses and related taxes.	Not applicable	Inventory for which a provision for inventory write-downs was made at the beginning of the period is sold
Goods dispatched	The net realizable value is determined by subtracting the estimated selling price of the finished goods from the estimated selling expenses and related taxes.	Not applicable	Not applicable

5.8.4 *No borrowing costs capitalized in the current period were charged to the cost of inventories*

5.8.5 *Inventory used as security in the ending balance was detailed in Note 5.61*

5.9 Other current assets

Item	September 30, 2022	December 31, 2021
Input VAT retained for future offsetting	569,098,282.33	3,201,921,988.04
Uncertified input tax	62,651,747.04	104,969,343.08
Prepayment of income tax and other taxes	50,770,238.53	295,386,280.07
Total	682,520,267.90	3,602,277,611.19

5.10 Long-term equity investments

Investee	December 31, 2021	Increase/decrease in this period						Balance of provision for impairment as at the end of the period			
		Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividends or profits declared to be distributed		Provision for impairment accrued	Others	September 30, 2022
Associates											
Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	48,930,309.54			-5,417,201.51							43,513,108.03
Tianjiao Technology Venture Capital Co., Ltd.	36,876,188.39			792,519.26			14,000,000.00				23,668,707.65
Suzhou Wujiang CNPC Kunlun Gas Co., Ltd.	54,154,544.59			291,096.01							54,445,640.60
Total	139,961,042.52			-4,333,586.24			14,000,000.00				121,627,456.28

5.11 Investment in other equity instruments

5.11.1 Investment in other equity instruments

Item	September 30, 2022	December 31, 2021
Non-trading equity instruments	583,395,820.00	583,395,820.00
Total	583,395,820.00	583,395,820.00

5.11.2 Investments in equity instruments not held for trading

Item	Initial cost	Dividend income recognized in the period	Accumulated change in fair value	Amount of other comprehensive income transferred to retained earnings	Reason for being designated as the item measured at fair value through other comprehensive income
Investment in equities of Goldstate Securities Co., Ltd.	492,500,000.00	3,817,017.83	90,895,820.00		The investment is held by the Company for long-term strategy

5.12 Other non-current financial assets

Item	September 30, 2022	December 31, 2021
Financial assets measured at fair value through current profit or loss.		4,477,532.09
Total		4,477,532.09

5.13 Investment properties

5.13.1 Investment properties measured at cost

Item	Buildings and constructions	Land use right	Total
1. Original book value			
(1) Balance as at December 31, 2021	1,122,989,942.95	516,874,566.26	1,639,864,509.21
(2) Increase in this period	6,942,292.85		6,942,292.85
— Outsourcing.	534,517.83		534,517.83
— Transfer-in of inventories, fixed assets and construction in progress	6,407,775.02		6,407,775.02
— Increase due to business combination			
(3) Decrease in this period.	381,981,818.88	173,869,861.58	555,851,680.46
— Disposal	381,981,818.88	173,869,861.58	555,851,680.46
(4) Balance as at September 30, 2022	747,950,416.92	343,004,704.68	1,090,955,121.60
2. Accumulated depreciation and accumulated amortization			
(1) Balance as at December 31, 2021	346,344,577.54	158,556,210.23	504,900,787.77
(2) Increase in this period	28,274,711.57	12,651,554.25	40,926,265.82
— Provision or amortization	28,274,711.57	12,651,554.25	40,926,265.82
(3) Decrease in this period.	138,118,731.65	29,874,536.27	167,993,267.92
— Disposal	138,118,731.65	29,874,536.27	167,993,267.92
(4) Balance as at September 30, 2022	236,500,557.46	141,333,228.21	377,833,785.67

Item	Buildings and constructions	Land use right	Total
3. Provisions for impairment			
(1) Balance as at December 31, 2021			
(2) Increase in this period			
— Provision			
(3) Decrease in this period.			
— Disposal			
(4) Balance as at September 30, 2022			
4. Book value			
(1) Book value as at September 30, 2022	511,449,859.46	201,671,476.47	713,121,335.93
(2) Book value as at December 31, 2021	776,645,365.41	358,318,356.03	1,134,963,721.44

5.13.2 Investment properties with certificate of title uncompleted

Item	Book value as at September 30, 2022	Reason for pending certificate of title
A small number of business premises in Dongfang Market, Shengze Town	6,622,237.97	In the process of negotiation
Total	6,622,237.97	

5.14 Fixed assets

5.14.1 Fixed assets and disposal of fixed assets

Item	September 30, 2022	December 31, 2021
Fixed assets	37,527,371,572.11	31,228,789,318.91
Disposal of fixed assets		
Total	37,527,371,572.11	31,228,789,318.91

5.14.2 Fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation facilities	Office equipment and other facilities	Total
1. Original book value					
(1) Balance as at December 31, 2021	11,904,924,102.53	29,352,295,148.59	104,008,587.96	1,019,882,330.46	42,381,110,169.54
(2) Increase in this period	1,967,886,376.95	5,669,609,779.69	19,252,685.74	449,290,932.99	8,106,039,775.37
— Purchase	31,369,749.54	179,541,349.77	18,293,907.23	33,624,432.88	262,829,439.42
— Transfer from construction in progress	1,936,516,627.41	5,490,068,429.92	958,778.51	415,226,742.16	7,842,770,578.00
— Increase due to business combination					
— Others				439,757.95	439,757.95
(3) Decrease in this period	56,570,505.64	107,624,770.82	3,613,903.34	5,982,370.89	173,791,550.69
— Disposal or scrapping	56,570,505.64	107,624,770.82	3,613,903.34	5,982,370.89	173,791,550.69
— Others					
(4) Balance as at September 30, 2022	13,816,239,973.84	34,914,280,157.46	119,647,370.36	1,463,190,892.56	50,313,358,394.22
2. Accumulated depreciation					
(1) Balance as at December 31, 2021	1,938,560,393.29	8,245,343,674.59	46,604,874.66	580,843,171.86	10,811,352,114.40
(2) Increase in this period	314,011,866.52	1,278,140,395.41	11,673,591.15	113,086,426.50	1,716,912,279.58
— Provision	314,011,866.52	1,278,140,395.41	11,673,591.15	112,892,391.09	1,716,718,244.17
— Others				194,035.41	194,035.41
(3) Decrease in this period	17,560,143.73	58,522,582.26	3,255,166.08	3,908,416.03	83,246,308.10
— Disposal or scrapping	17,559,648.95	58,522,582.26	3,255,166.08	3,908,244.95	83,245,642.24
— Others	494.78			171.08	665.86
(4) Balance as at September 30, 2022	2,235,012,116.08	9,464,961,487.74	55,023,299.73	690,021,182.33	12,445,018,085.88
3. Provisions for impairment					
(1) Balance as at December 31, 2021	29,974,546.99	310,862,119.51	98,147.94	33,921.79	340,968,736.23
(2) Increase in this period					
— Provision					
(3) Decrease in this period					
— Disposal or scrapping					
(4) Balance as at September 30, 2022	29,974,546.99	310,862,119.51	98,147.94	33,921.79	340,968,736.23
4. Book value					
(1) Book value as at September 30, 2022	11,551,253,310.77	25,138,456,550.21	64,525,922.69	773,135,788.44	37,527,371,572.11
(2) Book value as at December 31, 2021	9,936,389,162.25	20,796,089,354.49	57,305,565.36	439,005,236.81	31,228,789,318.91

5.14.3 See Note 5.61 for information on fixed assets used as security in the ending balance

5.15 Construction in progress

5.15.1 Construction in progress and engineering materials

<u>Item</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Construction in progress	71,258,231,236.27	56,844,804,505.00
Project materials	4,377,482,091.55	3,127,645,706.13
Total	75,635,713,327.82	59,972,450,211.13

5.15.2 Construction in progress

Item	September 30, 2022		December 31, 2021			
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Refining-chemical integration project with the annual output of 16 million tons	62,840,994,681.80		62,840,994,681.80	45,954,806,607.33		45,954,806,607.33
Shenghong Refining and Chemical 2# glycol + phenol/acetone project	2,478,479,017.52		2,478,479,017.52	2,373,456,132.61		2,373,456,132.61
Shengze Gas Turbine Cogeneration Project	656,241,453.58		656,241,453.58	456,430,389.66		456,430,389.66
Recycled Differential and Functional Polyester Filament Yarn and Supporting Materials Project with Annual Output of 250,000 Tons	520,455,874.56		520,455,874.56	1,023,968,477.29		1,023,968,477.29
Ganghong Fiber Project with Annual Output of 200,000 Tons of Differential Functional Fibers (CP7).	817,594,099.10		817,594,099.10	403,612,944.47		403,612,944.47
Super-simulation Functional Fiber Project with Annual Output of 500,000 Tons—Phase I.	1,973,082,339.76		1,973,082,339.76	891,993,734.68		891,993,734.68
Hongwei Chemical POSM and Polyol Project	340,332,334.43		340,332,334.43	17,981,022.54		17,981,022.54
Phase II super simulation functional fiber project with an annual production capacity of 500,000 tons	91,357,817.75		91,357,817.75	56,403,764.76		56,403,764.76
Phase II recycled differentiated and functional polyester filament yarn and supporting stretching project with an annual production capacity of 250,000 tons	210,572,101.58		210,572,101.58	32,989,407.68		32,989,407.68
Lianyungang Hongke New Material Co., Ltd., Biodegradable Material Project (Phase I)	5,510,446.82		5,510,446.82			
Honggang Petrochemical 2.4 million tons/year purified terephthalic acid (PTA) Phase III Project.	29,557,133.78		29,557,133.78	13,267,196.77		13,267,196.77
Others	1,294,053,935.59		1,294,053,935.59	5,619,894,827.21		5,619,894,827.21
Total	71,258,231,236.27		71,258,231,236.27	56,844,804,505.00		56,844,804,505.00

5.15.3 See Note 5.61 for information on construction in progress used as security in the ending balance

5.16 Right-of-use assets

Item	Buildings and constructions	Machinery equipment	Total
1. Original book value			
(1) Balance as at December 31, 2021	999,284,885.04	193,812,909.36	1,193,097,794.40
(2) Increase in this period	328,685,059.09		328,685,059.09
— New lease	327,509,112.44		327,509,112.44
— Increase due to business combination . .			
— Revaluation adjustment			
— Others	1,175,946.65		1,175,946.65
(3) Decrease in this period	5,452,637.99		5,452,637.99
— Transferred to fixed assets			
— Disposal	5,452,637.99		5,452,637.99
(4) Balance as at September 30, 2022	1,322,517,306.14	193,812,909.36	1,516,330,215.50
2. Accumulated depreciation			
(1) Balance as at December 31, 2021	62,314,859.08	38,665,207.32	100,980,066.40
(2) Increase in this period	55,097,871.01	28,998,905.49	84,096,776.50
— Provision	54,280,683.77	28,998,905.49	83,279,589.26
— Others	817,187.24		817,187.24
(3) Decrease in this period	2,722,263.21		2,722,263.21
— Transferred to fixed assets			
— Disposal	2,722,263.21		2,722,263.21
(4) Balance as at September 30, 2022	114,690,466.88	67,664,112.81	182,354,579.69
3. Provisions for impairment			
(1) Balance as at December 31, 2021			
(2) Increase in this period			
— Provision			
(3) Decrease in this period			
— Transferred to fixed assets			
— Disposal			
(4) Balance as at September 30, 2022			
4. Book value			
(1) Book value as at September 30, 2022 . .	1,207,826,839.26	126,148,796.55	1,333,975,635.81
(2) Book value as at December 31, 2021 . .	936,970,025.96	155,147,702.04	1,092,117,728.00

5.17 Intangible assets

5.17.1 Intangible assets

Item	Land use rights	Software	Royalties (Dumping right and Coal substitution index)	Patent right	Others	Total
1. Original book value						
(1) Balance as at December 31, 2021	3,210,667,911.52	57,543,924.91	130,800,799.21	59,480,000.00	1,589,796.76	3,460,082,432.40
(2) Increase in this period	1,166,262,771.01	18,600,835.41	13,135,438.49			1,197,999,044.91
— Purchase	1,166,262,771.01	17,446,118.43	13,135,438.49			1,196,844,327.93
— Internal research and development		1,154,716.98				1,154,716.98
— Transfer-in of construction in progress						
— Increase due to business combination						
(3) Decrease in this period	26,217,503.33					26,217,503.33
— Disposal	26,217,503.33					26,217,503.33
— Expired and derecognized part						
— Decrease due to business combination						
(4) Balance as at September 30, 2022	4,350,713,179.20	76,144,760.32	143,936,237.70	59,480,000.00	1,589,796.76	4,631,863,973.98
2. Accumulated amortization						
(1) Balance as at December 31, 2021	362,575,200.53	20,929,178.25		21,722,594.75	198,724.60	405,425,698.13
(2) Increase in this period	53,263,206.27	5,606,029.31		2,265,444.32	119,234.76	61,253,914.66
— Provision	53,263,206.27	5,606,029.31		2,265,444.32	119,234.76	61,253,914.66
— business combination						
(3) Decrease in this period	7,401,219.67					7,401,219.67
— Disposal	7,401,219.67					7,401,219.67
(4) Balance as at September 30, 2022	408,437,187.13	26,535,207.56		23,988,039.07	317,959.36	459,278,393.12
3. Provision for impairment						
(1) Balance as at December 31, 2021						
(2) Increase in this period						
— Provision						
(3) Decrease in this period						
— Disposal						
(4) Balance as at September 30, 2022						
4. Book value						
(1) Book value as at September 30, 2022	3,942,275,992.07	49,609,552.76	143,936,237.70	35,491,960.93	1,271,837.40	4,172,585,580.86
(2) Book value as at December 31, 2021	2,848,092,710.99	36,614,746.66	130,800,799.21	37,757,405.25	1,391,072.16	3,054,656,734.27

5.17.2 Land use right with pending certificates of title

None.

5.17.3 See Note 5.61 for details about the intangible assets used for guarantee among the ending balances

5.18 Goodwill

Changes in goodwill

Name of the investee or matters forming goodwill	Balance as at December 31, 2021	Balance as at September 30, 2022
Book value	694,977,494.40	694,977,494.40

5.19 Long-term prepaid expenses

Item	Balance as at December 31, 2021	Increase in this period	Amortization in this period	Other decreases	Balance as at September 30, 2022
Deferred expenses of refining and chemical projects	13,703,797.34		8,461,782.99		5,242,014.35
Others	7,887,703.07	62,269.73	5,428,602.72		2,521,370.08
Total	21,591,500.41	62,269.73	13,890,385.71		7,763,384.43

5.20 Deferred tax assets and deferred tax liabilities

5.20.1 *Deferred tax assets without offset*

Item	Balance as at September 30, 2022		Balance as at December 31, 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for credit impairment losses	33,596,467.84	7,419,936.50	35,558,801.05	6,994,881.41
Provision for asset impairment	441,509,625.21	66,441,539.09	378,868,278.69	57,487,812.81
Deferred income	663,726,053.97	116,335,346.88	670,205,244.22	117,641,107.13
Deductible losses	1,762,959,629.96	359,142,338.71	1,043,699,593.00	243,695,759.45
Unrealized internal profit or loss	78,317,597.24	15,996,762.10	29,381,807.24	4,407,271.09
Others	58,761,223.89	10,121,347.20	263,598,813.31	42,177,373.55
Total	3,038,870,598.11	575,457,270.48	2,421,312,537.51	472,404,205.44

5.20.2 *Deferred tax liabilities before offsetting*

Item	Balance as at September 30, 2022		Balance as at December 31, 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Accelerated depreciation of fixed assets	2,473,615,736.51	385,196,645.98	1,832,624,473.34	287,360,853.35
Gains or losses from changes in fair value of equity investments	186,921,529.72	46,730,382.43	176,413,858.73	44,103,464.69
Appreciation of business combination not under common control	444,954,041.80	111,238,510.45	505,050,562.60	126,262,640.66
Others	566,520,358.44	141,630,089.61	338,873,958.85	84,718,489.71
Total	3,672,011,666.47	684,795,628.47	2,852,962,853.52	542,445,448.41

5.21 Other non-current assets

Item	Balance as at September 30, 2022		Balance as at December 31, 2021	
	Book balance	Provisions for impairment	Book balance	Provisions for impairment
Prepayment for long-term asset purchase and construction	4,271,255,611.33		8,629,047,411.26	8,629,047,411.26
Total	4,271,255,611.33		8,629,047,411.26	8,629,047,411.26

5.22 Short-term borrowings

5.22.1 Classification of short-term borrowings

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Credit borrowings	10,260,672,563.89	4,881,171,115.41
Pledge borrowings	9,556,692.12	11,303,527.00
Mortgaged borrowings	190,000,000.00	180,000,000.00
Guaranteed borrowings	7,823,404,290.75	3,591,386,869.68
Mortgaged and guaranteed borrowings	3,006,177,286.01	2,956,043,039.38
Interest on short-term borrowings	21,546,203.05	20,275,807.39
Total	21,311,357,035.82	11,640,180,358.86

5.22.2 Overdue but outstanding short-term borrowings

None.

5.22.3 See Notes 5.61 and 8.5 for details of guarantees for short-term borrowings at the end of the period

5.23 Financial liabilities held for trading

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Financial liabilities held for trading	227,193.60	3,567,808.37
Of which: Derivative financial liabilities	227,193.60	3,567,808.37
Total	227,193.60	3,567,808.37

5.24 Notes payable

Category	Balance as at September 30, 2022	Balance as at December 31, 2021
Bank acceptance bills	2,998,761,022.70	5,656,985,782.35
Commercial acceptance bills	105,000,000.00	135,983,649.04
Total	3,103,761,022.70	5,792,969,431.39

See Note 8.6 for details of the opening of promissory notes to related parties in the ending balance.

5.25 Accounts payable

5.25.1 Presentation of accounts payable

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Payable for goods	3,788,560,032.47	2,152,437,802.04
Payable for equipment and construction	9,545,999,830.93	10,543,779,736.85
Total	13,334,559,863.40	12,696,217,538.89

5.25.2 No balance was due to shareholders holding more than 5% (inclusive) voting shares of the Company among accounts payables as at the end of the period

5.25.3 Accounts payable to related parties among ending balance are detailed in Note 8.6.

5.26 Advances from customers

5.26.1 Presentation of advances from customers

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Advances from customers	42,311,794.06	34,444,991.05
Total	42,311,794.06	34,444,991.05

5.26.2 Significant advances from customers with aging more than one year

Item	Balance as at September 30, 2022	Reason for unsettlement or carrying-forward
Rent received in advance from commercial and residential buildings	3,010,812.00	Rent received in advance from long term lease
Total	3,010,812.00	

5.26.3 No balance was from shareholders holding more than 5% (inclusive) voting shares of the Company among advances from customers as at the end of the period

5.26.4 See Note 8.6 for details of advance receipts from related parties in the ending balance

5.27 Contract liabilities

5.27.1 Contract liabilities

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Advances from customers	1,409,714,532.86	884,411,615.82
Total	1,409,714,532.86	884,411,615.82

5.27.2 No balance was due to shareholders holding more than 5% (inclusive) voting shares of the Company among contract liabilities as at the end of the period

5.27.3 See Note 8.6 for contract liabilities due to related parties in the ending balance

5.28 Employee benefits payable

5.28.1 Presentation of employee benefits payable

Item	Balance as at December 31, 2021	Increase in this period	Decrease in this period	Balance as at September 30, 2022
Short-term compensation	534,427,595.94	2,668,479,334.84	2,823,554,751.17	379,352,179.61
Post-employment benefits—defined contribution plans		165,761,255.75	165,761,255.75	
Dismissal benefits		2,632,290.78	1,385,149.61	1,247,141.17
Total	534,427,595.94	2,836,872,881.37	2,990,701,156.53	380,599,320.78

5.28.2 Presentation of short-term compensation

Item	Balance as at December 31, 2021	Increase in this period	Decrease in this period	Balance as at September 30, 2022
(1) Salaries, bonuses, allowances and subsidies	534,005,634.71	2,345,614,773.92	2,502,100,601.72	377,519,806.91
(2) Employee benefits		158,973,500.85	157,337,315.79	1,636,185.06
(3) Social insurance premium . . .		87,980,425.55	87,980,425.55	
Of which: medical insurance premiums		69,880,668.53	69,880,668.53	
Work-related injury insurance premiums		8,545,177.33	8,545,177.33	
Maternity insurance premiums . . .		8,653,335.46	8,653,335.46	
Others		901,244.23	901,244.23	
(4) Housing provident fund		73,716,778.64	73,716,778.64	
(5) Labor union funds and employee education funds	421,961.23	2,193,855.88	2,419,629.47	196,187.64
Total	534,427,595.94	2,668,479,334.84	2,823,554,751.17	379,352,179.61

5.28.3 Presentation of defined contribution plans

Item	Balance as at December 31, 2021	Increase in this period	Decrease in this period	Balance as at September 30, 2022
Basic endowment insurance premiums		160,745,474.28	160,745,474.28	
Unemployment insurance premium		5,015,781.47	5,015,781.47	
Total		165,761,255.75	165,761,255.75	

5.29 Taxes payable

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Value added tax	129,504,816.75	69,492,684.43
Enterprise income tax	16,983,333.62	34,008,828.21
Individual income tax	13,827,189.22	15,903,484.09
Urban maintenance and construction tax	7,833,815.84	15,464,337.29
Educational surtax	7,294,522.07	13,393,253.75
Real estate tax	14,439,305.04	12,889,367.25
Land use taxes	8,054,795.82	7,631,735.29
Stamp duty	20,911,164.21	5,427,579.03
Environmental protection tax	1,860,287.23	3,541,877.98
Consumption tax	1,247,573.04	
Total	221,956,802.84	177,753,147.32

5.30 Other payables

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Other payables	362,210,868.81	2,589,749,884.22
Total	362,210,868.81	2,589,749,884.22

5.30.1 Other payables by nature of payment

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Payment for equity payable		2,088,727,200.00
Margin, deposit, risk fund	333,528,724.55	365,489,835.59
Accrued expenses	9,392,169.73	116,040,826.11
Collection, payment and transactions	12,682,354.33	19,469,713.38
Others	6,607,620.20	22,309.14
Total	362,210,868.81	2,589,749,884.22

5.30.2 The balance due to shareholders holding more than 5% (inclusive) voting shares of the Company as at the end of the period are detailed in Note 8.6.

5.30.3 Other accounts payable to related parties among ending balance are detailed in Note 8.6.

5.31 Non-current liabilities due within one year

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Long-term borrowings due within one year	6,389,948,344.81	2,980,467,493.76
Bonds payable maturing within one year		998,584,905.54
Long-term payables maturing within one year	1,147,822,713.34	909,895,313.23
Lease liability maturing within one year	159,571,886.09	77,877,881.53
Interest on long-term borrowings with interest paid by installments and principal paid at maturity	127,500,987.82	81,495,920.92
Interest on bonds payable with interest paid by installments and principal paid at maturity	10,571,636.14	22,807,707.07
Total	7,835,415,568.20	5,071,129,222.05

5.32 Other current liabilities

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Output tax to be carried forward	180,325,331.46	111,023,850.95
Short-term bonds payable	285,163,076.72	257,667,960.09
Total	465,488,408.18	368,691,811.04

5.33 Long-term borrowings

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Guaranteed borrowings	8,248,683,779.57	5,650,559,231.62
Credit borrowings	400,000,000.00	
Mortgaged borrowings		450,000,000.00
Guaranteed and pledged borrowings	56,635,775,975.25	46,454,245,132.47
Less: Interest adjustment	176,733,641.28	181,010,621.41
Total	65,107,726,113.54	52,373,793,742.68

5.34 Bonds payable

5.34.1 Details of bonds payable

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Convertible corporate bonds	4,097,019,014.84	3,927,567,223.43
Total	4,097,019,014.84	3,927,567,223.43

5.34.2 Increase or decrease of bonds payable (excluding preferred shares, perpetual debts and other financial instruments divided into the financial liabilities)

Bonds Item	Par value	Date of issue	Term of bonds	Amount issued	Balance as at December 31, 2021	Issued in this period	Interest accrued by par value	Amortization of premiums or discounts	Debt-to-equity swap in this period	Balance as at September 30, 2022
Shenghong Convertible Bond . . .	100.00	2021/3/22	6 years	5,000,000,000.00	3,927,567,223.43		12,760,728.07	170,029,991.41	578,200.00	4,097,019,014.84
Total				5,000,000,000.00	3,927,567,223.43		12,760,728.07	170,029,991.41	578,200.00	4,097,019,014.84

5.34.3 Description of conversion conditions and time of convertible corporate bonds

As approved by the Official Reply of the China Securities Regulatory Commission on Approving Jiangsu Eastern Shenghong Co., Ltd. to Publicly Issue Convertible Corporate Bonds (ZJXK [2021] No. 512), the Company publicly issued 50.00 million pieces of convertible corporate bonds with the nominal value of RMB100 on March 22, 2021. These convertible corporate bonds amount to RMB5,000.00 million, and are called “Shenghong Convertible Bonds” for short, with the bond code of “127030”. The nominal interest rates of these convertible corporate bonds issued this time are: 0.20% in the first year, 0.40% in the second year, 0.60% in the third year, 1.50% in the fourth year, 1.80% in the fifth year, and 2.00% in the sixth year. Relevant interest is paid once a year, and the principal and the interest in the last year should be returned when these bonds are due. The term of these bonds will last for six years from the date of issue, i.e. from March 22, 2021 to March 21, 2027. The term for conversion is from the first trading day (September 27, 2021) six months after the ending date (March 26, 2021) for issuing these bonds to the mature date (March 21, 2027) of these bonds, and the initial price for the conversion of these bonds into shares is RMB14.20 per share.

Due to the equity distribution implemented by the Company in 2020, the conversion price of “Shenghong Convertible Bonds” was adjusted to RMB14.10 per share from RMB14.20 per share, and the new price took effect from June 18, 2021 (date of record).

According to the CSRC’s Reply to Approve the Issue of Shares by Jiangsu Eastern Shenghong Co., Ltd. to Shenghong Petrochemical Group Limited to Purchase Assets and Raise Matching Funds (ZJXK [2021] No. 4179), the Company issued RMB ordinary shares to Shenghong Petrochemical Group Co., Ltd., and Lianyungang Bohong Industry Co., Ltd. After the listing of the new shares, the conversion price of “Shenghong Conversion Bond” was adjusted from RMB14.10/share to RMB13.53/share, and the effective date of the conversion price adjustment was January 27, 2022.

According to the resolution of the Company’s 2021 annual general meeting, the Company would implement the 2021 annual dividend distribution plan in May 2022. After the implementation of this equity distribution, the conversion price of “Shenghong Convertible Bond” was adjusted from RMB13.53 per share to RMB13.38 per share, and the effective date of the conversion price adjustment was May 27, 2022.

According to the CSRC’s Reply to Approve the Issue of Shares by Jiangsu Eastern Shenghong Co., Ltd. to Shenghong Petrochemical Group Limited to Purchase Assets and Raise Matching Funds (ZJXK [2021] No. 4179), the Company raised matching funds of 266,714,109 ordinary shares denominated in RMB by way of non-public issuance. After new shares listing on the Shenzhen Stock Exchange on July 20, 2022, the conversion price of “Shenghong Conversion Bond” was adjusted from RMB13.38/share to RMB13.46/share, and the effective date of the conversion price adjustment was July 20, 2022.

In the period, “Shenghong Convertible Bonds” with the par value of RMB578,200.00 had been converted into 42,689 shares of corporate stock, and the cash of RMB1,280.78 was paid for the part less than a share; capital reserves recognized for such conversion amounted to RMB561,188.49, and other equity instruments carried forward accordingly amounted to RMB140,930.51. In the period, the amortization cost on the liability, adjusted by the effective interest rate method, amounted to RMB169,916,019.17, and the transfer-out interest for such conversion adjusted accordingly amounted to RMB113,972.24; thus, the total interest adjusted amounted to RMB170,029,991.41.

5.35 Lease liability

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Payables for leases	1,313,904,071.73	1,063,159,518.34
Less: Lease liability maturing within one year	159,571,886.09	77,877,881.53
Total	1,154,332,185.64	985,281,636.81

5.36 Long-term payables

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Ling-term payables	1,075,053,470.76	2,691,695,545.75
Total	1,075,053,470.76	2,691,695,545.75

Long-term payables

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Account payable for finance lease	2,363,595,773.37	2,023,501,802.59
Less: unrecognized financing expense	140,719,589.27	130,546,499.16
Less: the part maturing within one year	1,147,822,713.34	909,895,313.23
Related-party borrowings.		1,708,635,555.55
Total	1,075,053,470.76	2,691,695,545.75

5.37 Deferred income

Item	Balance as at December 31, 2021	Increase in this period	Decrease in this period	Balance as at September 30, 2022	Formation causes
Government grants.	2,254,329,127.92	54,316,755.00	45,799,596.87	2,262,846,286.05	Asset-related government grants received
Total	2,254,329,127.92	54,316,755.00	45,799,596.87	2,262,846,286.05	

5.38 Other non-current liabilities

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Long-term house rent	27,014,892.03	33,269,790.86
Total	27,014,892.03	33,269,790.86

5.39 Share capital

Item	Changes in this period (increase expressed with “+” and decrease expressed with “-”)					Balance as at September 30, 2022
	Balance as at December 31, 2021	New issue	Share donation	Conversion of reserves into share	Debt to equity	
Total shares.	8,934,888,229.16	266,714,109.00			42,689.00	9,201,645,027.16

Reasons for changes in share capital during the period:

- (1) Conversion of “Shenghong Conversion Bond” into 42,689 shares is detailed in Note 5.34 Bonds Payable.
- (2) As approved by CSRC’s Reply to Approve the Issue of Shares by Jiangsu Eastern Shenghong Co., Ltd. to Shenghong Petrochemical Group Co., Ltd. to Purchase Assets and Raise Matching Funds (ZJXK [2021] No. 4179), the Company issued shares to Jinan Jiangshan Investment Partnership (Limited Partnership) and other 21 specific investors to raise matching funds; the total number of shares issued was 266,714,109, increasing capital surplus by RMB3,788,958,625.27 and RMB4,088,727,290.97 was raised. The additional shares were listed on the Shenzhen Stock Exchange on July 20, 2022.

5.40 Other equity instruments

5.40.1 Preferred shares, perpetual debts and other financial instruments issued as at the end of the period

As approved by the China Securities Regulatory Commission (CSRC) in its Reply to Approve the Public Offering of Convertible Bonds by Jiangsu Eastern Shenghong Co., Ltd. (ZJXK [2021] No. 512), the Company issued 50 million convertible bonds with a face value of RMB100 each on March 22, 2021 for a total issue amount of RMB5 billion. The Chinese abbreviation of the convertible bonds is “Shenghong Convertible Bond” and the bond code is “127030”. The coupon rates of the convertible bond are 0.20% in the first year, 0.40% in the second year, 0.60% in the third year, 1.50% in the fourth year, 1.80% in the fifth year, and 2.00% in the sixth year, with interest paid once a year and the principal and last year’s interest returned at maturity. The term of the convertible bonds is six years from the date of issue, i.e. from March 22, 2021 to March 21, 2027, and the conversion period commences on the first trading day (September 27, 2021) immediately following the expiry of the six-month period after the date of the issuance of convertible bonds (March 26, 2021), and ends on the maturity date of the convertible bonds (March 21, 2027). The initial conversion price is RMB14.20 per share.

Due to the implementation of the Company's 2020 annual equity distribution, the conversion price of "Shenghong Convertible Bond" was adjusted from RMB14.20 per share to RMB14.10 per share, with the adjusted conversion price effective from June 18, 2021 (ex-rights and ex-dividend date).

According to the CSRC's Reply to Approve the Issue of Shares by Jiangsu Eastern Shenghong Co., Ltd. to Shenghong Petrochemical Group Co., Ltd. to Purchase Assets and Raise Matching Funds (ZJXX [2021] No. 4179), the Company issued RMB ordinary shares to Shenghong Petrochemical Group Co., Ltd. and Lianyungang Bohong Industry Co., Ltd. After the listing of the new shares, the conversion price of "Shenghong Conversion Bond" was adjusted from RMB14.10 per share to RMB13.53 per share, and the effective date of the adjusted conversion price was January 27, 2022.

According to the resolution of the Company's 2021 annual general meeting, the Company would implement the 2021 annual dividend distribution plan in May 2022. After the implementation of this equity distribution, the conversion price of "Shenghong Convertible Bond" was adjusted from RMB13.53 per share to RMB13.38 per share, and the effective date of the adjusted conversion price was May 27, 2022.

According to the CSRC's Reply to Approve the Issue of Shares by Jiangsu Eastern Shenghong Co., Ltd. to Shenghong Petrochemical Group Co., Ltd. to Purchase Assets and Raise Matching Funds (ZJXX [2021] No. 4179), the Company issued 266,714,109 RMB ordinary shares to raise matching funds. The additional shares were listed on the Shenzhen Stock Exchange on July 20, 2022, and the conversion price of "Shenghong Convertible Bond" was adjusted from RMB13.38 per share to RMB13.46 per share, with the adjusted conversion price effective from July 20, 2022.

5.40.2 *Changes in preferred shares, perpetual debts and other financial instruments issued as at the end of the period*

Outstanding financial instruments	December 31, 2021		Increase in this period		Decrease in this period		September 30, 2022	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
Shenghong Convertible Bond	49,986,392.00	1,218,368,686.59			5,782.00	140,930.51	49,980,610.00	1,218,227,756.08
Total	49,986,392.00	1,218,368,686.59	—	—	5,782.00	140,930.51	49,980,610.00	1,218,227,756.08

Other equity instruments decreased by RMB140,930.51 during the period, as described in Note 5.34 Bonds payable.

5.41 Capital reserves

Item	Balance as at December 31, 2021	Increase in this period	Decrease in this period	Balance as at September 30, 2022
Capital (share capital) premium	10,158,002,121.53	3,802,737,420.56	328,373,704.99	13,632,365,837.10
Other capital reserves	11,441,095.89			11,441,095.89
Total	10,169,443,217.42	3,802,737,420.56	328,373,704.99	13,643,806,932.99

Main reasons for the changes are:

- (1) Capital (share capital) premium of the Company increased by RMB3,788,958,625.27 during the period due to the non-public offering of shares to Jinan Jiangshan Investment Partnership (Limited Partnership) and 22 other specific investors to raise matching funds during the period, as described in Note 5.39 Share capital;
- (2) Capital (share capital) premium of the Company increased by RMB561,188.49 during the period due to the increase in capital reserves as a result of the conversion of the Company's Shenghong Convertible Bond into shares during the period, as described in Note 5.34 Bonds payable;
- (3) Capital (share capital) premium of the Company increased by RMB13,217,606.80 during the period due to the business combination under common control occurred during the period, as described in Note 6.2;
- (4) Capital (share capital) premium of the Company decreased by RMB325,484,031.49 during the period due to the effect on minority interests and shareholders' equity attributable to the company as a result of the change in the share of ownership interest of secondary subsidiary, Shenghong Refining and Chemical (Lianyungang) Co., Ltd., as described in Note 7.2.

5.42 Other comprehensive income

Item	Amount in the current period						Balance as at September 30, 2022
	Balance as at December 31, 2021	Amount before income tax in the current period	Less: amount previously included in other comprehensive income and currently transferred to the profit or loss	Less: amount previously included in other comprehensive income and currently transferred to the retained earnings	Less: income tax expenses	Amount after tax attributable to the company	
1. Other comprehensive income that will not be reclassified to profit or loss.	68,171,865.00						68,171,865.00
Of which: changes in fair value of investments in other equity instruments	68,171,865.00						68,171,865.00
2. Other comprehensive income to be reclassified to profit or loss later.	-6,561,389.44	19,441,907.64			19,443,699.42	-1,791.78	12,882,309.98
Of which: translation differences of foreign currency financial statements	-6,561,389.44	19,441,907.64			19,443,699.42	-1,791.78	12,882,309.98
Total of other comprehensive income.	61,610,475.56	19,441,907.64			19,443,699.42	-1,791.78	81,054,174.98

5.43 Special reserve

Item	Balance as at December 31, 2021	Increase in this period	Decrease in this period	Balance as at September 30, 2022
Work safety expenses	20,965,757.18	56,207,037.91	66,752,291.24	10,420,503.85
Total	20,965,757.18	56,207,037.91	66,752,291.24	10,420,503.85

5.44 Surplus reserves

Item	Balance as at December 31, 2021	Balance as at January 1, 2022	Increase in this period	Decrease in this period	Balance as at September 30, 2022
Statutory surplus reserves	601,569,763.59	601,569,763.59			601,569,763.59
Total	601,569,763.59	601,569,763.59			601,569,763.59

5.45 Retained earnings

Item	For the nine months ended September 30, 2022	2021
Retained earnings at the end of previous year before adjustment	6,615,477,283.13	1,906,149,960.23
Total adjustments to retained earnings at the beginning of the year (“+” for increase and “-” for decrease) . .	31,359,204.23	733,642,052.15
Retained earnings at the beginning of the year after adjustment	6,646,836,487.36	2,639,792,012.38
Plus: Net profit attributable to shareholders of the Company in the current period	1,577,312,625.61	4,574,963,214.07
Business combination under common control.	-2,211,126.71	634,558,736.42
Less: Withdrawal of statutory surplus reserves.		154,991,088.91
Withdrawal of discretionary surplus reserves		
Appropriation to common risk provisions		
Common stock dividends payable	891,976,368.60	1,047,486,386.60
Common stock dividends transferred to share capital . .		
Retained earnings at the end of the period.	7,329,961,617.66	6,646,836,487.36

5.46 Revenue and cost of sales

5.46.1 Revenue and cost of sales

Item	For the nine months ended September 30, 2022		For the nine months ended September 30, 2021	
	Revenue	Costs	Revenue	Costs
Primary business	39,747,052,995.58	35,840,566,192.45	34,952,626,924.18	27,914,222,619.72
Other business	6,960,917,698.70	6,798,307,511.65	5,252,926,490.45	5,128,027,340.94
Total	46,707,970,694.28	42,638,873,704.10	40,205,553,414.63	33,042,249,960.66

5.47 Taxes and surtaxes

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Urban maintenance and construction tax	25,549,814.09	27,048,993.34
Education surtax	19,035,928.71	21,137,738.97
Real estate tax.	48,240,764.85	40,102,599.81
Land use taxes.	23,808,520.86	22,983,443.37
Stamp duty	44,945,490.03	15,252,530.77
Environmental protection tax	5,424,493.79	3,175,650.25
Land value increment tax.		2,648,095.24
Consumption tax	1,247,573.04	
Others.	312,352.18	435,689.98
Total	168,564,937.55	132,784,741.73

5.48 Selling expenses

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Total selling expenses	138,610,308.24	114,048,971.83
Of which, the large-amount expense project:		
Employee benefits	56,968,879.29	49,651,563.24
Warehousing expenses	49,671,955.96	40,734,206.51

5.49 General and administrative expenses

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Total general and administrative expenses	538,511,235.10	348,467,474.44
Of which, the large-amount expense project:		
Employee benefits	278,826,892.03	193,523,565.02
Consulting service fees	40,764,912.76	26,379,557.46
Depreciation and amortization expenses	100,447,996.15	61,094,514.63

5.50 Research and development expenses

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Technology research and development expenses	371,606,998.73	288,181,531.16
Total	371,606,998.73	288,181,531.16

5.51 Finance expenses

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Interest expenses	1,465,128,286.17	749,383,816.38
Less: Interest income	158,780,593.82	99,363,474.46
Profit or loss on foreign exchange	116,228,986.24	13,738,422.02
Bank charges and others	46,564,797.47	34,999,326.80
Total	1,469,141,476.06	698,758,090.74

5.52 Other income

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Government grants, handling charges for withholding personal income tax	83,519,815.70	86,808,869.01

5.53 Investment income

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Long-term equity investment income calculated under the equity method	-4,333,586.24	6,005,237.10
Investment income from financial assets held for trading during the holding period	2,855,653.29	2,716,526.48

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Dividend revenue from other equity instrument investment during the holding period	3,817,017.83	1,257,381.70
Investment income from disposal of financial assets . .	-33,584,461.37	-92,364,286.70
Total	-31,245,376.49	-82,385,141.42

5.54 Gains arising from changes in fair value

Sources	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Financial assets held for trading	17,084,600.60	4,254,860.64
Financial liabilities held for trading	-220,499.21	
Other non-current financial assets		12,683,730.04
Total	16,864,101.39	16,938,590.68

5.55 Credit impairment losses

Item	For the nine months ended September 30, 2022 (loss expressed with "-")	For the nine months ended September 30, 2021 (loss expressed with "-")
Losses on bad debts of accounts receivable	8,919,316.26	-1,089,301.13
Losses from bad debts of other receivables	-3,387,514.04	-19,860,629.74
Total	5,531,802.22	-20,949,930.87

5.56 Assets impairment losses

Item	For the nine months ended September 30, 2022 (loss expressed with "-")	For the nine months ended September 30, 2021 (loss expressed with "-")
Losses from inventory depreciation	-185,447,417.67	-60,888,709.99
Total	-185,447,417.67	-60,888,709.99

5.57 Gains on disposal of assets

Item	For the nine months ended September 30, 2022 (loss expressed with "-")	For the nine months ended September 30, 2021 (loss expressed with "-")	Amount included in the current non-recurring profit or loss
Gains from disposal of fixed assets . . .	-41,052,308.50	17,347,216.63	-41,052,308.50
Gains from disposal of intangible assets	-5,040,662.00		-5,040,662.00
Gains from disposal of investment properties	532,417,920.66		532,417,920.66
Total	486,324,950.16	17,347,216.63	486,324,950.16

5.58 Non-operating income

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021	Amount included in non-recurring profit or loss in the current period
Revenue from indemnity and fines . . .	43,187,692.61	25,259,470.04	43,187,692.61
Payment not required to be paid	224,966.27	86,562.70	224,966.27
Donations received	6,480.00	1,359,727.50	6,480.00
Others	2,565,773.52	6,557,105.14	2,565,773.52
Total	45,984,912.40	33,262,865.38	45,984,912.40

5.59 Non-operating expenses

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021	Amount included in non-recurring profit or loss in the current period
Expenses on compensation, fines and overdue fines	302,572.22	7,506,025.58	302,572.22
Donation outlay	16,000,000.00		16,000,000.00
Others	681,267.98	1,262,925.93	681,267.98
Total	16,983,840.20	8,768,951.51	16,983,840.20

5.60 Income tax expenses

5.60.1 Table of income tax expenses

Item	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
Current income tax expenses	173,831,529.75	1,107,454,443.17
Deferred income tax expenses	39,297,115.02	99,173,401.74
Total	213,128,644.77	1,206,627,844.91

5.61 Assets with restrictions on the ownership or right of use

Item	Book value as at September 30, 2022	Reason for restriction
Cash at bank and on hand	2,801,363,863.14	See Note 5.1 for details of reasons for restrictions
Inventories	480,000,000.00	Working capital loans
Fixed assets	16,239,596,415.38	Working capital loans, project loans, finance leases, bank acceptance bill, supply chain financing, letters of credit and prepayment financing
Intangible assets	2,195,661,523.83	Working capital loans, project loans, supply chain financing, bank acceptance bill and letters of credit
Construction in progress	477,997,814.58	Project loans and finance leases
Total	22,194,619,616.93	

6 Changes in the scope of consolidation

6.1 Business combination not under the common control

6.1.1 Business combinations not under common control in this period

Name of acquiree	Time for obtaining equity	Cost for obtaining equity	Proportion of equity acquisition (%)	Method of equity acquisition	Method of equity acquisition	Recognition basis of date of purchase	Income of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
Siyang Yiyang Environmental Energy Co., Ltd.	1/4/2022		100.00	Acquisition in cash	1/4/2022	Date of industrial and commercial registration of changes		-227,766.39

6.1.2 *Combination cost and goodwill*

**Siyang Yiyang Environmental
Energy Co., Ltd.**

Combination cost	
— Cash	
— Fair value of non-cash assets	
— Others	
Total combination costs	
Less: fair value of identifiable net assets obtained	
Difference of goodwill/the combination costs in short of the fair value of net identifiable assets	

6.1.3 *Identifiable assets and liabilities of the acquiree on the acquisition date*

Siyang Yiyang Environmental Energy Co., Ltd.

	Fair value on the date of purchase	Book value on the date of purchase
Assets:	6,786,832.50	6,786,832.50
Cash at bank and on hand	50.00	50.00
Intangible assets	6,402,624.91	6,402,624.91
Other current assets	384,157.59	384,157.59
Liabilities:	6,786,832.50	6,786,832.50
Payables	6,786,782.50	6,786,782.50
Other payables	50.00	50.00
Net assets		
Less: Minority interests		
Net assets obtained		

6.2 Business combination under common control

6.2.1 Business combinations under common control in this period

Name of the combinee	Proportion of equity obtained through business combination	Basis for constituting the business combination under common control	Combination date	Determination basis of combination date	Income of the combinee from the beginning of the period of combination to the combination date	Net profit of the combinee from the beginning of the period of combination to the combination date	Income of the combinee during the comparative period	Net profit of the combinee during the comparative period
Shenghong Petrochemical Group Shanghai New Materials Co., Ltd. (盛虹石化集团上海新材料有限公司)	100.00%	The combinee and the combining party are under the control of the same ultimate controller before and after the combination, and the control is not temporary	2022/8/4	obtain the actual control		-9,604,876.38		-6,284,146.10

See Note 8.5 for details about the business combinations under common control in the reporting period.

6.2.2 Combination cost

	Shenghong Petrochemical Group Shanghai New Materials Co., Ltd. (盛虹石化 集团上海新材料有限公司)
Cash	2,993,519.91
Book value of non-cash assets	
Book value of debts issued or assumed	
Par value of equity securities issued	
Contingent considerations	
Total combination cost	2,993,519.91

6.2.3 Book value of assets and liabilities of combinee at the combination date

Item	Shenghong Petrochemical Group Shanghai New Materials Co., Ltd. (盛虹石化集团上海新材料有限公司)	
	Amount at the combination date	Amount at the end of the previous period
Assets:	3,812,030.36	5,796,780.18
Cash at bank and on hand	12,893.77	1,619,837.89
Advances to suppliers	462,860.36	334,948.70
Other receivables	426,981.67	524,833.56
Other current assets	595,218.47	501,496.24
Fixed assets	1,355,234.40	1,423,836.26
Long-term prepaid expenses	958,841.69	1,391,827.53
Liabilities:	1,031,946.68	7,411,820.12
Employee benefits payable	1,008,196.68	411,820.12
Other payables	23,750.00	7,000,000.00
Net assets	2,780,083.68	-1,615,039.94
Less: Non-controlling interests		
Net assets gained	2,780,083.68	-1,615,039.94

6.3 Counter purchase

There were no counter-purchases in this reporting period.

6.4 Disposal of subsidiaries

There was no disposal of subsidiaries in this reporting period.

6.5 Change of consolidation scope due to other reasons

6.5.1 Subsidiaries and other operating entities newly included in the scope of consolidated statements during the period

<u>Name</u>	<u>Method of equity acquisition</u>	<u>Date for obtaining equity</u>	<u>Registered capital</u>	<u>Contribution proportion</u>
Jiangsu Shenghong Energy and Chemical New Materials Co., Ltd.	Newly established subsidiaries	March 4, 2022	RMB50 million	100%
Shenghong (Shanghai) New Material Technology Co., Ltd.	Newly established subsidiaries	March 30, 2022	RMB80 million	100%
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.	Newly established subsidiaries	April 24, 2022	RMB50 million	100%
Jiangsu Shengjing New Materials Co., Ltd.	Newly established subsidiaries	April 8, 2022	RMB200 million	65%
Shenghong (Jiangsu) Advanced Materials Research Institute Co., Ltd. (盛虹(江苏)先进材料研究院有限公司)	Newly established subsidiaries	July 7, 2022	RMB80 million	100%
Shenghong New Energy (Suzhou) Co., Ltd. (盛虹新能源(苏州)有限公司)	Newly established subsidiaries	August 30, 2022	RMB50 million	100%
Hubei Hongrui New Materials Co., Ltd.	Newly established subsidiaries	July 22, 2022	RMB1 billion	100%
Hubei Haigus New Energy Co., Ltd. (湖北海格斯新能源股份有限公司)	Newly established subsidiaries	August 8, 2022	RMB30 million	90%

6.5.2 Subsidiaries and other operating entities no longer included in the scope of consolidated statements for other reasons during the period

<u>Name</u>	<u>Date of establishment</u>	<u>Date of equity exit</u>	<u>Basis for equity exit</u>
Suzhou Yinghong Industrial Investment Fund (Limited Partnership).	December 20, 2019	June 22, 2022	Completion of liquidation and business cancellation
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership)	July 10, 2019	July 28, 2022	Completion of liquidation and business cancellation

7 Equity in other entities

7.1 Equity in subsidiaries

7.1.1 Structure of the Group

Name of subsidiaries	Main premise	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	Suzhou	Suzhou	Energy sales and management	100.00		Investment
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	Suzhou	Suzhou	Electricity and heat supply	100.00		Investment
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	Suzhou	Suzhou	Petrochemical industry investment	100.00		Investment
Suzhou Shenghong Digital Cloud Technology Co., Ltd.	Suzhou	Suzhou	Software and information technology service industry	100.00		Investment
Jiangsu Sierbang Petrochemical Co., Ltd.	Lianyungang	Lianyungang	Production and sale of chemical products	100.00		Business combination under common control
Suzhou Shengze Real Estate Leasing Co., Ltd.	Suzhou	Suzhou	Real estate lease	100.00		Investment
Suzhou Shengze Warehousing Management Co., Ltd.	Suzhou	Suzhou	Warehousing services	100.00		Investment
Jiangsu Shenghong Energy and Chemical New Materials Co., Ltd.	Suzhou	Suzhou	New material technology research and development	100.00		Investment
Shenghong (Shanghai) New Material Technology Co., Ltd.	Shanghai	Shanghai	New material technology research and development	100.00		Investment
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.	Suzhou	Suzhou	New material technology research and development	100.00		Investment

Name of subsidiaries	Main premise	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Shenghong (Jiangsu) Advanced Materials Research Institute Co., Ltd. (盛虹(江苏)先进材料研究院有限公司)	Lianyungang	Lianyungang	New material technology research and development	100.00		Investment
Shenghong New Energy (Suzhou) Co., Ltd. (盛虹新能源(苏州)有限公司)	Suzhou	Suzhou	emerging energy technology research and development	100.00		Investment
Shenghong Petrochemical Group Shanghai New Materials Co., Ltd.	Shanghai	Shanghai	Technology development in the new chemical materials industry	100.00		Business combination under common control

7.2 Transactions leading the changes in the shareholders' equity of subsidiaries and still controlling the subsidiaries

7.2.1 Notes to changes in the share of shareholders' equity in subsidiaries

The purchase of minority interest in Shenghong Refining and Chemical (Lianyungang) Co., Ltd. occurred during the period, and the transaction resulted in a decrease in the minority interest in Shenghong Refining (Lianyungang) Co., Ltd., to 0.00% from 7.99% in the previous period.

7.2.2 Effect of transactions on minority interests and equity attributable to shareholders of the Company

	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.
Purchase cost/disposal consideration.	
— Cash	2,116,819,093.21
— Fair value of non-cash assets.	
Total purchase cost/disposal consideration	2,116,819,093.21
Less: Share of net assets of subsidiaries calculated by the ratio of equity acquired/disposed	1,791,335,061.72
Difference.	325,484,031.49
Of which: Adjustment of capital reserves	325,484,031.49
Adjustment of surplus reserves	
Adjustment of retained earnings.	

7.3 Equity in joint venture arrangements or associates

Significant joint ventures or associates

Name of joint ventures or associates	Main premise	Registration place	Business nature	Shareholding ratio (%)		Accounting treatment method in investments in joint ventures or associates
				Direct	Indirect	
Tianjiao Technology Venture Capital Co., Ltd.	Suzhou	Suzhou	Venture capital	33.33		Accounting via the equity method
Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	Suzhou	Suzhou	Research and experimental development		48.00	Accounting via the equity method
Suzhou Wujiang CNPC Kunlun Gas Co., Ltd.	Suzhou	Suzhou	Gas operation		49.00	Accounting via the equity method

8 Related parties and related party transactions

8.1 Parent company of the Company

Parent company	Registration place	Business nature	Registered capital	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
Jiangsu Shenghong Technology Co., Ltd.	Suzhou	Investment	RMB2,992.7411 million	44.55	44.55

The ultimate controllers of the Company are Mr. and Mrs. Miao Han'gen and Zhu Hongmei.

8.2 Subsidiaries of the Company

See Note “7 Equity in other entities” for details about subsidiaries of the Company.

8.3 Joint ventures and associates of the Company

See Note “7 Equity in other entities” for the details of major joint ventures or associates of the Company.

8.4 Other related parties

Other related parties	Relationship between other related party with the Company
Jiangsu Shenghong New Materials Group Co., Ltd.	Parent company of the parent company
Jiangsu Shenghong Technology Co., Ltd.	Parent company
Jiangsu Oriental Inta Security System Co., Ltd.	Other related party relationship
Wujiang Oriental Market Supply Chain Service Co., Ltd.	Other related party relationship
Lianyungang Hongyang Thermal Power Co., Ltd.	Other related party relationship
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Controlled by the same ultimate controller
Lianyungang Xinrongtai Terminal Co., Ltd.	Controlled by the same ultimate controller
Shenghong (Suzhou) Group Co., Ltd.	Controlled by the ultimate controller
Shenghong Group Co., Ltd.	Controlled by the same ultimate controller
Shenghong Holding Group Co., Ltd.	Controlled by the same ultimate controller
Shenghong Petrochemical Group Co., Ltd.	Controlled by the ultimate controller
Suzhou Shenghong Hotel Co., Ltd. Wujiang Shenghong Renaissance Hotel	Other related party relationship
Suzhou Suzhen Thermal Power Co., Ltd.	Other related party relationship
Wujiang Feixiang Printing and Dyeing Co., Ltd.	Controlled by the same ultimate controller
Wujiang Rongwei Spray Weaving Factory	Other related party relationship
Yu Xiaofang	Other related party relationship
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	Other related party relationship
Tang Jinkui	Other related party relationship
Lianyungang Guanghong Industrial Co., Ltd.	Other related party relationship
Shenghong Technology (Shanghai) Co., Ltd.	Other related party relationship

8.5 Related party transactions

8.5.1 Purchase or sale of goods, and rendering or receipt of labor services

Purchase of goods/receipt of services

Related parties	Related party transactions	For the nine months ended September 30, 2022	2021
Shenghong Group Co., Ltd.	Commodities, steam, electricity, etc.	52,076,673.40	90,613,962.06
Jiangsu Oriental Inta Security System Co., Ltd.	Security services, etc.	329,594.91	621,752.46
Suzhou Suzhen Thermal Power Co., Ltd.	Energy, steam, water, etc.	1,221,901.94	2,026,761.12
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Storage services and electricity	156,145,112.82	153,002,376.58
Suzhou Shenghong Hotel Co., Ltd. Wujiang Shenghong Renaissance Hotel.	Meeting, catering, etc.	50,397.35	146,599.68
Lianyungang Xinrongtai Terminal Co., Ltd.	Terminal fees	47,522,864.08	80,801,461.77
Lianyungang Hongyang Thermal Power Co., Ltd.	Steam	1,586,070,324.65	852,402,303.84
Total		1,843,416,869.15	1,179,615,217.51

Sales of goods/rendering of services

Related parties	Related party transactions	For the nine months ended September 30, 2022	2021
Shenghong Group Co., Ltd.	Commodities, energy, etc.	35,118,654.72	47,742,060.69
Wujiang Feixiang Printing and Dyeing Co., Ltd.	Steam, water	4,591,263.49	7,099,149.75
Wujiang Oriental Market Supply Chain Service Co., Ltd.	Steam, water	433,208.95	750,214.52
Lianyungang Rongtai Petrochemical Storage Co., Ltd..	Steam, water, electricity, sewage treatment, etc.	46,640,260.46	20,789,238.36
Lianyungang Xinrongtai Terminal Co., Ltd.	Steam, water, electricity, sewage treatment, etc.	97,640.61	406,157.69
Shenghong Petrochemical Group Co., Ltd.	Commodities, water, electricity, sewage treatment	388,507.82	1,430,948.92
Wujiang Rongwei Spray Weaving Factory	Goods	404,788.21	18,801.43
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	Steam	219,072.44	110,666.89
Lianyungang Hongyang Thermal Power Co., Ltd.	Goods	2,520,813.73	
Lianyungang Guanghong Industrial Co., Ltd.	Goods	7,352.60	
Total		90,421,563.03	78,347,238.25

8.5.2 Management on commission/contract and commissioned management/subcontracting

Table of information on the trusteeship management and contracting by the Company:

None.

Information on the entrustment management/contracting of the Company:

None.

8.5.3 Related-party lease

The Company acted as the lessor:

Lessee	Type of leased asset	Lease revenue recognized for the nine months ended September 30, 2022	Lease revenue recognized in 2021
Wujiang Oriental Market Supply Chain Service Co., Ltd.	House rent		182,285.72
Shenghong Group Co., Ltd.	Lease of transformer and its supporting appurtenances	7,736,874.01	14,705,115.96
Lianyungang Rongtai Petrochemical Storage Co., Ltd..	Lease of buildings and equipment	265,899.34	436,217.14

Lessee	Type of leased asset	Lease revenue recognized for the nine months ended September 30, 2022	Lease revenue recognized in 2021
Lianyungang Xinrongtai Terminal Co., Ltd.	Lease of buildings and equipment	96,776.64	87,421.22
Shenghong Petrochemical Group Co., Ltd.	House rent	763,387.41	2,098,952.79
Yu Xiaofang	House rent	110,004.44	146,672.58
Lianyungang Guanghong Industrial Co., Ltd.	House rent	26,305.06	
Total		8,999,246.90	17,656,665.41

The Company acted as lessee:

Lessee	Type of leased asset	Lease revenue recognized for the nine months ended September 30, 2022				Lease revenue recognized in 2021			
		Rental costs for short-term leases and leases of low-value assets that are simplified and variable lease payments that are not included in the measurement of lease liabilities	Paid rents	Increase in right-of-use assets	Interest expense on lease liabilities assumed	Rental costs for short-term leases and leases of low-value assets that are simplified and variable lease payments that are not included in the measurement of lease liabilities	Paid rents	Increase in right-of-use assets	Interest expense on lease liabilities assumed
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Lease of storage tanks		33,750,015.00		4,184,681.63		45,706,140.00	195,829,090.32	6,904,825.61
Zhu Hongmei	House rent	54,000.00					216,000.00		

8.5.4 Related-party guarantees

The Company as a guarantor:

The Company has no external guarantees, mortgages or pledges.

The Company as the guaranteee:

Guarantor	Guaranteed amount	Commencement date of guaranty	End date of guaranty	Whether the guarantee has been discharged
Jiangsu Shenghong Technology Co., Ltd..	87,900.00	2020.01.23	2025.10.13	No
Jiangsu Shenghong Technology Co., Ltd., Miao Han'gen and Zhu Hongmei.	43,000.00	2018.01.30	2028.12.25	No
Jiangsu Shenghong New Materials Group Co., Ltd.	17,000.00	2020.09.10	2025.09.10	No
Jiangsu Shenghong New Materials Group Co., Ltd.	48,000.00	2020.12.16	2025.12.15	No
Jiangsu Shenghong New Materials Group Co., Ltd.	USD4,000.00	2020.02.20	2025.02.20	No
Jiangsu Shenghong New Materials Group Co., Ltd.	70,000.00	2020.02.20	2026.02.20	No

Guarantor	Guaranteed amount	Commencement date of guaranty	End date of guaranty	Whether the guarantee has been discharged
Jiangsu Shenghong New Materials Group Co., Ltd.	30,000.00	2021.3.10	2026.3.9	No
Jiangsu Shenghong New Materials Group Co., Ltd.	35,000.00	2021.6.24	2026.6.23	No
Jiangsu Shenghong New Materials Group Co., Ltd.	25,000.00	2021.8.16	2026.8.16	No
Jiangsu Shenghong New Materials Group Co., Ltd.	52,000.00	2022.1.1	2025.8.9	No
Jiangsu Shenghong New Materials Group Co., Ltd.	35,000.00	2022.1.24	2025.4.29	No
Jiangsu Shenghong New Materials Group Co., Ltd., Miao Han'gen, Zhu Hongmei.	70,000.00	2021.4.22	2025.3.9	No
Jiangsu Shenghong New Materials Group Co., Ltd., Miao Han'gen, Zhu Hongmei.	44,000.00	2019.12.31	2026.12.20	No
Miao Han'gen, Zhu Hongmei	150,000.00	2021.06.10	2025.11.22	No
Miao Han'gen, Zhu Hongmei	150,000.00	2022.06.10	2026.9.8	No
Miao Han'gen, Zhu Hongmei	94,900.00	2020.01.23	2025.10.13	No
Miao Han'gen, Zhu Hongmei	22,000.00	2021.03.10	2025.10.26	No
Miao Han'gen, Zhu Hongmei	19,200.00	2022.06.15	2025.12.08	No
Miao Han'gen, Zhu Hongmei, Tang Jinkui, Zhu Yuqin.	39,000.00	2020.08.25	2024.07.19	No
Jiangsu Shenghong New Materials Group Co., Ltd.	75,000.00	2020.12.17	2032.06.08	No
Jiangsu Shenghong New Materials Group Co., Ltd.	30,000.00	2020.1.19	2028.1.19	No
Jiangsu Shenghong New Materials Group Co., Ltd.	74,000.00	2021.1.1	2025.12.31	No
Jiangsu Shenghong New Materials Group Co., Ltd.	52,000.00	2022.01.27	2026.3.22	No
Jiangsu Shenghong New Materials Group Co., Ltd.	JPY11,300.00	2022.2.21		No
Jiangsu Shenghong New Materials Group Co., Ltd.	EUR30.00	2022.3.9		No
Jiangsu Shenghong New Materials Group Co., Ltd.	EUR16.37	2022.1.18		No
Jiangsu Shenghong New Materials Group Co., Ltd.	USD124.65	2022.3.9		No
Jiangsu Shenghong New Materials Group Co., Ltd.	EUR50.62	2022.7.22		No
Jiangsu Shenghong New Materials Group Co., Ltd.	USD79.2	2022.7.27		No
Jiangsu Shenghong New Materials Group Co., Ltd.	EUR624.08	2022.8.18		No
Shenghong (Suzhou) Group Co., Ltd.	14,842.00	2021.09.08	2025.09.07	No
Shenghong (Suzhou) Group Co., Ltd.	15,000.00	2021.10.18	2025.9.29	No
Shenghong (Suzhou) Group Co., Ltd.	30,000.00	2021.10.27	2025.9.29	No
Shenghong (Suzhou) Group Co., Ltd.	66,400.00	2021.11.29	2031.11.29	No
Shenghong (Suzhou) Group Co., Ltd., Miao Han'gen, Zhu Hongmei	96,000.00	2022.5.10	2026.1.10	No

Guarantor	Guaranteed amount	Commencement date of guaranty	End date of guaranty	Whether the guarantee has been discharged
Shenghong (Suzhou) Group Co., Ltd., Miao Han'gen, Zhu Hongmei	119,000.00	2019.6.28	2028.6.27	No
Shenghong (Suzhou) Group Co., Ltd., Miao Han'gen, Zhu Hongmei	84,000.00	2022.8.9	2026.8.8	No
Jiangsu Shenghong New Materials Group Co., Ltd., Additional guarantee of Shenghong Petrochemical Group Co., Ltd. for liquidity loan	20,000.00	2021.7.29	2026.7.28	No
Jiangsu Shenghong New Materials Group Co., Ltd., Additional guarantee of Shenghong Petrochemical Group Co., Ltd. for liquidity loan	35,000.00	2021.8.26	2026.8.25	No
Jiangsu Shenghong New Materials Group Co., Ltd., Additional guarantee of Shenghong Petrochemical Group Co., Ltd. for liquidity loan	35,000.00	2021.9.26	2026.7.21	No
Shenghong Group Co., Ltd., Shenghong (Suzhou) Group Co., Ltd., Shenghong Petrochemical Group Co., Ltd., Miao Han'gen, Zhu Hongmei, Tang Jinkui, Zhu Yuqin	4,150,000.00	2020.11.13	2038.11.12	No
Jiangsu Shenghong Technology Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	611,500.00	2014.4.25	2028.4.24	No
Jiangsu Shenghong Technology Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	USD32,500.00	2014.6.10	2028.4.24	No
Jiangsu Shenghong Technology Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	47,000.00	2016.6.30	2028.4.24	No
Jiangsu Shenghong New Materials Group Co., Ltd., Shenghong Holding Group Co., Ltd., Shenghong Group Co., Ltd Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	213,262.00	2018.6.27	2029.6.27	No
Shenghong Petrochemical Group Co., Ltd., Shenghong Holding Group Co., Ltd., Miao Han'gen, Zhu Hongmei	80,000.00	2020.10.20	2026.12.10	No
Shenghong Holding Group Co., Ltd., Shenghong Petrochemical Group Limited, Miao Han'gen, Zhu Hongmei	500,000.00	2021.5.13	2034.4.18	No

Guarantor	Guaranteed amount	Commencement date of guaranty	End date of guaranty	Whether the guarantee has been discharged
Miao Han'gen, Zhu Hongmei, Shenghong (Suzhou) Group Co., Ltd., Jiangsu Shenghong Technology Co., Ltd.	300,000.00	2021.11.30	2027.11.29	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	80,000.00	2019.9.20	2032.9.20	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	20,000.00	2019.9.20	2032.9.20	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	75,000.00	2019.9.20	2032.9.20	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	50,000.00	2019.9.20	2032.9.20	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	30,000.00	2019.9.20	2032.9.20	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	15,000.00	2019.9.20	2032.9.20	No

8.5.5 Loans from and to related parties

(RMB'0,000)

Related parties	Loan balance as at December 31, 2021	Borrowing in this period	Repayment in the current period	Loan balance as at September 30, 2022	Interest on borrowings for the period
Shenghong (Suzhou) Group Co., Ltd.....	120,000.00	180,000.00	300,000.00		1,666.29
Jiangsu Shenghong Technology Co., Ltd. . . .	50,000.00	20,693.87	70,693.87		673.29
Total	170,000.00	200,693.87	370,693.87		2,339.58

8.5.6 Other Related party transactions

On August 2022, Shenghong Petrochemical Group Co., Ltd. (“Petrochemical Group”) signed the Equity Transfer Agreement with the Company, pursuant to which Petrochemical Group transferred 100% equity of Shenghong Petrochemical Group Shanghai New Materials Co., Ltd. (盛虹石化集团上海新材料有限公司) (“Petrochemical New Materials”) to the Company with a consideration of RMB2.9935 million. As Petrochemical Group was controlled by the actual controller of the Company and directly held 16.94% equity of the Company as of September 30, 2022, the transaction constituted a related transaction of the company. During the reporting period, Petrochemical New Materials has completed the relevant procedures for industrial and commercial registration of changes.

8.6 Receivables from and payables to related parties

8.6.1 Receivables

Item	Related parties	September 30, 2022	December 31, 2021
		Book balance	Book balance
Accounts receivable . . .	Lianyungang Rongtai Petrochemical Storage Co., Ltd.	5,186,792.98	3,468,912.92
	Lianyungang Xinrongtai Terminal Co., Ltd.	5,754.98	83,348.14
	Shenghong Group Co., Ltd.	4,284,768.10	8,461,903.98
	Wujiang Feixiang Printing and Dyeing Co., Ltd.	619,277.25	1,453,513.86
	Shenghong Petrochemical Group Co., Ltd.	30,904.49	204,341.88
	Wujiang Oriental Market Supply Chain Service Co., Ltd.		26,755.13
	Lianyungang Guanghong Industrial Co., Ltd.	331.57	
	Lianyungang Hongyang Thermal Power Co., Ltd.	2,848,519.52	
	Sub-total	12,976,348.89	13,698,775.91
Other receivables	Shenghong Petrochemical Group Co., Ltd.	3,021.00	
	Sub-total	3,021.00	

8.6.2 Payables

Item	Related parties	Book balance as at September 30, 2022	Book balance as at December 31, 2021
Accounts payable . .	Lianyungang Hongyang Thermal Power Co., Ltd.	294,695,870.12	144,034,078.44
	Lianyungang Rongtai Petrochemical Storage Co., Ltd.	30,584,283.52	16,528,913.43
	Lianyungang Xinrongtai Terminal Co., Ltd.	8,693,980.59	24,390,133.94
	Suzhou Suzhen Thermal Power Co., Ltd.	135,922.60	1,213,727.50
	Jiangsu Oriental Inta Security Service Co., Ltd.	34,200.00	34,200.00
	Lianyungang Guanghong Industrial Co., Ltd.	12,979.32	
	Sub-total	334,157,236.15	186,201,053.31
Notes payable	Lianyungang Hongyang Thermal Power Co., Ltd.	200,374,561.45	27,785,681.00
	Sub-total	200,374,561.45	27,785,681.00
Other payables	Yu Xiaofang	15,500.00	15,500.00
	Shenghong Petrochemical Group Co., Ltd.	2,993,519.91	
	Shenghong Technology (Shanghai) Co., Ltd. [Note]		7,000,000.00
	Sub-total	3,009,019.91	7,015,500.00
Advances from customers	Yu Xiaofang	24,579.74	134,584.18
	Sub-total	24,579.74	134,584.18
Contract liabilities and other current liabilities.	Wujiang Rongwei Spray Weaving Factory	3,002.17	720.13
	Jiangsu Shengze Oriental Textile City Development Co., Ltd.	191,484.40	435,662.40
	Wujiang Oriental Market Supply Chain Service Co., Ltd.	49,453.45	
	Sub-total	243,940.02	436,382.53
Long-term payables	Jiangsu Shenghong Technology Co., Ltd.		508,055,555.55
	Shenghong (Suzhou) Group Co., Ltd.		1,200,580,000.00
	Sub-total		1,708,635,555.55

Note: Related transaction occurred after the retrospect of the business combination under common control of Shenghong Petrochemical Group Shanghai New Materials Co., Ltd. (盛虹石化集团上海新材料有限公司) in the current period.

9. Share-based payment

None.

10. Commitments and contingencies

10.1 Significant commitments

6.46.1 Maximum amount guarantee and guarantee for consortium loans:

6.46.2 Miao Hangen, Zhu Hongmei, their controlled enterprises and other related parties provide the maximum joint liability guarantee of RMB664,000,000 for Jiangsu Eastern Shenghong Co., Ltd., the maximum joint liability guarantee of RMB3,619,000,000 for Jiangsu Guowang High-tech Fibre Co., Ltd., the maximum joint liability guarantee of RMB390,000,000 for Suzhou Shenghong Fiber Co., Ltd., the maximum joint liability guarantee of RMB412,000,000 for Jiangsu Zhonglu Technology Development Co., Ltd., the maximum joint liability guarantee of RMB430,000,000 for Jiangsu Ganghong Fiber Co., Ltd., the maximum joint liability guarantee of RMB3,480,000,000 and the guarantee for consortium loans amounting to RMB2,700,000,000 for Jiangsu Honggang Petrochemical Co., Ltd., the guarantee for consortium loans amounting to RMB41,500,000,000 for Shenghong (Lianyungang) Refining and Chemical Co., Ltd., and the maximum joint liability guarantee of RMB2,580,000,000 for Jiangsu Sierbang Petrochemical Co., Ltd..

10.2 Contingencies

6.46.3 Significant contingencies on the balance sheet date

10.2.1 Contingent liabilities arising from pending litigations or arbitrations and their financial impact

As at the end of the period, the Company has no any significant contingent liability arising from pending litigation or arbitration.

10.2.2 Contingent liabilities arising from debt guarantee provided for other units and their financial impact

As at the end of the period, details of mutual guarantee provided between the Company and subsidiaries and between subsidiaries are as follows:

Unit: RMB'0,000

Guarantor	Guaranteed party	Amount of guarantee used	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Company and subsidiaries:					
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Zhonglu Technology Development Co., Ltd.	16,666.67	August 6, 2021	August 11, 2027	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	62,300.00	September 10, 2021	September 10, 2037	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Honggang Petrochemical Co., Ltd.	248,107.41	September 20, 2019	September 20, 2032	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	4,070,000.00	November 13, 2020	November 12, 2038	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	150,000.00	November 8, 2021	March 28, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	150,000.00	July 26, 2022	July 28, 2027	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	73,893.01	February 26, 2022	March 20, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	79,007.34	May 7, 2022	August 23, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	48,000.00	May 20, 2022	July 7, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	95,000.00	April 29, 2022	April 28, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	194,542.05	June 30, 2022	June 29, 2036	No

Guarantor	Guaranteed party	Amount of guarantee used	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	39,966.27	July 13, 2022	August 17, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	101,925.14	January 20, 2021	August 26, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	25,691.03	August 26, 2021	August 26, 2025	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	50,000.00	May 12, 2022	May 16, 2029	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	9,900.00	February 22, 2022	April 7, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	50,000.00	January 13, 2022	April 24, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	20,000.00	January 20, 2022	April 26, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	45,000.00	January 26, 2022	January 28, 2027	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	27,200.00	January 10, 2022	July 22, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	58,523.15	January 5, 2022	May 24, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Guowang Hi-Tech (Suqian) Co., Ltd.	172,000.00	August 23, 2021	August 22, 2031	No
Jiangsu Eastern Shenghong Co., Ltd.	Guowang Hi-Tech (Suqian) Co., Ltd.	15,362.83	March 10, 2022	May 21, 2025	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	14,788.24	February 20, 2021	September 28, 2029	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	56,000.00	January 1, 2022	December 20, 2031	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	64,373.61	January 12, 2022	January 20, 2032	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	32,155.74	March 24, 2022	March 24, 2033	No

Guarantor	Guaranteed party	Amount of guarantee used	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	126.31	May 24, 2022		No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	935.43	August 25, 2022		No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	12,672.51	June 1, 2022	May 31, 2028	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	1,973.51	April 20, 2022	December 28, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	7,202.82	March 17, 2022	December 21, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	4,160.40	April 22, 2022	April 13, 2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	522.55	February 24, 2022	February 16, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	159,000.00	January 1, 2022	December 28, 2029	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	21,000.00	February 28, 2022	December 28, 2029	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	20,000.00	March 29, 2022	December 28, 2029	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	80,000.00	April 15, 2022	December 28, 2029	No
Jiangsu Sierbang Petrochemical Co., Ltd.	Jiangsu Eastern Shenghong Co., Ltd.	295,500.00	February 25, 2022	November 29, 2027	No
Between subsidiaries:					
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	5,000.00	February 22, 2022	April 5, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	31,100.00	January 30, 2018	December 25, 2028	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	33,285.67	January 7, 2019	January 8, 2027	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	44,353.00	June 28, 2021	July 6, 2031	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.		June 28, 2022	June 27, 2023	No

Guarantor	Guaranteed party	Amount of guarantee used	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	20,000.00	February 23, 2022	February 24, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	19,940.00	December 31, 2019	January 28, 2025	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	27,204.72	December 31, 2021	May 19, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	29,560.00	February 21, 2022	April 12, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	5,206.33	January 10, 2022	June 14, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Zhonglu Technology Development Co., Ltd.	20,000.00	March 4, 2022	March 6, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Zhonglu Technology Development Co., Ltd.	4,800.00	March 10, 2021	October 26, 2025	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Zhonglu Technology Development Co., Ltd.	27,851.66	January 5, 2022	July 13, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Suzhen Biological Engineering Co., Ltd.	4,758.15	January 19, 2022	July 18, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Suzhen Biological Engineering Co., Ltd.	5,000.00	February 22, 2022	March 15, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Shenghong Petrochemical Industry Development Co., Ltd.	19,500.00	February 18, 2022	February 17, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Shenghong Petrochemical Industry Development Co., Ltd.	29,378.97	January 7, 2022	February 12, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Shenghong Petrochemical Industry Development Co., Ltd.	29,658.46	June 17, 2022	June 14, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Honggang Petrochemical Co., Ltd.	20,000.00	October 28, 2021	October 27, 2028	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Shenghong Petrochemical (Singapore) International Co., Ltd.	4,082.39	March 18, 2022	March 18, 2026	No

Guarantor	Guaranteed party	Amount of guarantee used	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Shenghong Petrochemical (Singapore) International Co., Ltd.	4,259.88	April 26, 2022	April 26, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Shenghong Petrochemical (Singapore) International Co., Ltd.	8,519.76	May 10, 2022	May 10, 2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Reborn Eco-tech Co., Ltd.	182.07	August 3, 2022	March 15, 2025	No
	Sub-total	6,967,137.06			

11. Post balance sheet events

Pursuant to the 56th Meeting of the 8th Session of the Board of Directors, the Company intends to issue Global Depositary Receipts (“GDRs”) not exceeding 7% of the total ordinary share capital of the Company before the issue (not more than 434,926,886 shares, based on the total share capital of the Company as of August 17, 2022) and apply for listing on the SIX Swiss Exchange (“SIX Swiss Exchange”), with the newly issued RMB ordinary shares (A shares) of the Company as the underlying securities.

12. Notes to the main items of the company’s financial statements

12.1 Accounts receivable

12.1.1 Accounts receivable disclosed by aging

<u>Aging</u>	<u>Balance as at September 30, 2022</u>	<u>Balance as at December 31, 2021</u>
Within 1 year	104,042,423.53	85,320,361.88
1-2 years	6,998.17	13,173.25
2-3 years	13,173.25	39,338.90
Over 3 years	4,085,830.23	4,054,535.91
Sub-total	108,148,425.18	89,427,409.94
Less: provision for bad debts	5,932,211.96	7,845,749.46
Total	102,216,213.22	81,581,660.48

12.1.2 Accounts receivable by classification of measures for provision for bad debts

Type	Balance as at September 30, 2022				Balance as at December 31, 2021			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Provision ratio (%)	Amount	Ratio (%)	Amount	Provision ratio (%)
Provision for bad debts accrued on an individual basis								
Provision for bad debts made by portfolio	108,148,425.18	100.00	5,932,211.96	5.49	89,427,409.94	100.00	7,845,749.46	8.77
Total	108,148,425.18	100.00	5,932,211.96	5.49	89,427,409.94	100.00	7,845,749.46	8.77

12.1.3 Provision, reversal or recovery of bad debt reserves in the current period

Type	Balance as at December 31, 2021	Change in this period			Balance as at September 30, 2022
		Provision	Recovery or reversal	Resale or write-off	
Provision for bad debts of accounts receivable.	7,845,749.46	-1,913,537.50			5,932,211.96
Total	7,845,749.46	-1,913,537.50			5,932,211.96

12.1.4 Accounts receivable derecognized due to the transfer of financial assets

None.

12.1.5 Amount of assets or liabilities arising from transfer of accounts receivable and the relevant continuous involvement

None.

12.2 Other receivables

Item	Balance as at September 30, 2022	Balance as at December 31, 2021
Other receivables	1,591,885,485.96	927,682,975.81
Total	1,591,885,485.96	927,682,975.81

12.3 Disclosure of other receivables by aging

Aging	Balance as at September 30, 2022	Balance as at December 31, 2021
Within 1 year	1,560,859,855.99	927,674,449.70
1-2 years	31,029,611.30	
2-3 years	17,785.93	26,856.64
Over 3 years	4,518.42	344,129.72
Sub-total.	1,591,911,771.64	928,045,436.06
Less: provision for bad debts.	26,285.68	362,460.25
Total	1,591,885,485.96	927,682,975.81

12.3.1 Changes in book balance of other accounts receivable

Book balance	Stage I	Stage II	Stage III	Total
	12-month expected credit loss	Lifetime expected credit loss (without credit)	Lifetime expected credit loss (with credit impairment)	
Balance as at December 31, 2021	928,045,436.06			928,045,436.06
Balance as at December 31, 2021 in the current period				
— Transfer to Stage II.				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increase in this period	663,866,335.58			663,866,335.58
Derecognition in this period.				
Other changes				
Balance as at September 30, 2022.	1,591,911,771.64			1,591,911,771.64

12.3.2 Provision for bad debts for other accounts receivable

	Stage I	Stage II	Stage III	Total
	12-month expected credit loss	Lifetime expected credit loss (without credit)	Lifetime expected credit loss (with credit impairment)	
Provision for bad debts				
Balance as at December 31, 2021	362,460.25			362,460.25
Balance as at December 31, 2021 in the current period				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in this period	-336,174.57			-336,174.57
Reversal in this period				
Charge-off in this period				
Write-off in this period				
Other changes				
Balance as at September 30, 2022	26,285.68			26,285.68

12.3.3 Provision, reversal or recovery of bad debt reserves in the current period

Type	As at December 31, 2021	Change in this period			As at September 30, 2022
		Provision	Recovery or reversal	Resale or write-off	
Provision for bad debts of other receivable	362,460.25	-336,174.57			26,285.68
Total	362,460.25	-336,174.57			26,285.68

12.3.4 Actual charged off of other receivables in this period

None.

12.3.5 Other receivables relating to government grants

None.

12.3.6 Other receivables derecognized as a result of a transfer of financial assets

None.

12.3.7 Amounts of assets, liabilities as a result of transfer of other receivables and constant involvement

None.

12.4 Long-term equity investments

Item	Balance as at September 30, 2022		Balance as at December 31, 2021	
	Book balance	Provisions for impairment	Book value	Book balance
Investment in subsidiaries	53,532,868,172.53		53,532,868,172.53	45,999,174,249.61
Investments in associates and joint ventures	23,668,707.65		23,668,707.65	36,876,188.39
Total	53,556,536,880.18		53,556,536,880.18	46,036,050,438.00

12.4.1 Investment in subsidiaries

Investee	Balance as at December 31, 2021		Increase in this period		Decrease in this period		Balance as at September 30, 2022		Provision for impairment in this period	Balance of provision for impairment as at the end of the period
	Balance as at December 31, 2021	Provisions for impairment	Book value	Book balance	Book balance	Provisions for impairment	Book value	Book balance		
Jiangsu Guowang High-tech Fibre Co., Ltd.	12,732,999,999.81				12,732,999,999.81					
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	120,000,000.00							120,000,000.00		
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	235,000,000.00							235,000,000.00		
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	13,395,000,000.00		13,061,495,949.86					26,456,495,949.86		
Shenghong New Materials (Suqian) Co., Ltd.	2,000,000,000.00		430,000,000.00				2,430,000,000.00			
Suzhou Yinghong Industrial Investment Fund (Limited Partnership)	3,324,473,348.84						3,324,473,348.84			
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership)	2,946,124,205.52						2,946,124,205.52			
Suzhou Shengze Real Estate Leasing Co., Ltd.	1,000,000.00		210,416,889.42					211,416,889.42		
Suzhou Shengze Warehousing Management Co., Ltd.	1,000,000.00		93,385,118.09					94,385,118.09		
Jiangsu Sierbang Petrochemical Co., Ltd.	11,243,576,695.44							11,243,576,695.44		
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.			6,235,495,949.86							
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.			15,162,999,999.81							
Shenghong (Shanghai) New Material Technology Co., Ltd.			6,000,000.00							
Shenghong Petrochemical Group Shanghai New Materials Co., Ltd.			2,993,519.91							
Total	45,999,174,249.61		35,202,787,426.95		27,669,093,504.03		53,532,868,172.53			

12.4.2 Investments in associates and joint ventures

	Balance as at December 31, 2021	Increase/decrease in this period					Balance as at the end of the period	Balance of provision for impairment as at the end of the period		
		Additional investment	Reduced investment	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income	Other changes in equity			Cash dividends or profits declared to be distributed	Provision for impairment made
Associate										
Tianjiao Technology Venture Capital Co., Ltd.	36,876,188.39			792,519.26			14,000,000.00		23,668,707.65	
Total	36,876,188.39			792,519.26			14,000,000.00		23,668,707.65	

12.5 Revenue and cost of sales

6.46.4 Revenue and cost of sales

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	813,786,731.03	640,174,395.32	742,546,563.92	556,187,465.84
Other business	7,432,108,413.56	7,434,713,427.07	4,053,340,077.58	4,067,096,923.37
Total	8,245,895,144.59	8,074,887,822.39	4,795,886,641.50	4,623,284,389.21

12.6 Investment income

Item	Amount in the current period	Amount in the previous period
Long-term equity investment income calculated under the cost method.		2,200,000,000.00
Long-term equity investment income calculated under the equity method.	792,519.26	7,747,672.68
Investment income from financial assets held for trading during the holding period	2,855,653.29	2,716,526.48
Dividend revenue from other equity instrument investment during the holding period.	3,817,017.83	1,257,381.70
Investment income from disposal of financial assets . .	-11,671,967.30	-7,121,102.64
Total	-4,206,776.92	2,204,600,478.22

13. Supplementary information

13.1 Statement on non-recurring profit or loss

Item	Amount	Explanation
Profit or loss from disposal of non-current assets.	485,803,528.90	
Government grants included in the current profit or loss (closely relevant to enterprise business, and except for government grants enjoyed with the fixed quantitative amount under the unified standard of the state)	83,506,117.49	
Net profit or loss of the subsidiary from the business combination under common control for the period from the beginning of the period to the combination date.	-9,604,876.38	
The profit or loss from changes in fair values of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and the investment income from disposing the financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and Other debt investments Debt investments, except the effective hedging relevant to the Company's normal business.	-2,165,666.35	
Other non-operating revenue and expenses than the above-mentioned items	29,522,493.06	
Sub-total	587,061,596.72	
Affected income tax.	-142,664,651.35	
Affected non-controlling interests (after tax)	-406,206.42	
Total	443,990,738.95	

13.2 Rate of return on net assets and earnings per share

Profit in the reporting period	Weighted average rate of return on net assets	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
	(%)		
Net profit attributable to common shareholders of the Company	5.42	0.26	0.25
Net profit attributable to common shareholders of the Company after the deduction of non-recurring profits or losses	3.89	0.19	0.18

Jiangsu Eastern Shenghong Co., Ltd.

(Official seal affixed)

December 21, 2022