IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the Prospectus following this notice. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS NOTICE, YOU MAY NOT READ, ACCESS OR OTHERWISE USE THE ATTACHED PROSPECTUS.

THE OFFER GDRS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORIZED TO AND MAY NOT FORWARD OR DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: The attached Prospectus is being sent at your request and by accepting this electronic transmission and accessing this Prospectus, you shall be deemed to have represented to us that: (1) you and any customers you represent are outside the United States as defined in Regulation S under the Securities Act and that the electronic mail address to which this Prospectus has been delivered is not located in the United States, its territories, possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and other areas subject to its jurisdiction, and, to the extent you purchase the securities described in the attached Prospectus, you will be doing so in an offshore transaction in reliance on Regulation S under the Securities Act; and (2) you consent to delivery of the attached Prospectus and any amendments or supplements thereto by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not nor are you authorized to forward or deliver the attached Prospectus, electronically or otherwise, to any other person. If you receive the attached Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive the attached Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by any of Jiangsu Eastern Shenghong Co., Ltd. (the "Company"), and UBS AG, CLSA Limited and Huatai Financial Holdings (Hong Kong) Limited (collectively, the "Joint Global Coordinators"), and ABCI Securities Company Limited (collectively, the "Joint Bookrunners", and together with the Joint Global Coordinators, the "Managers") (or, where applicable in any jurisdiction that requires the offering to be made by a licensed broker or dealer, by such affiliates as are licensed in that jurisdiction for such purpose) that would or is intended to, permit a public offering of the securities, or possession or distribution of the attached Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Company in such jurisdiction.

IMPORTANT NOTICE

In Switzerland, Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of Swiss Financial Services Act, as amended ("**FinSA**"). The Offer GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

The attached Prospectus is only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") ("**Qualified Investors**"). In addition, in the United Kingdom, the attached Prospectus is being distributed only to, and is directed only at, persons who are "qualified investors" within the meaning of Article 2 of the Prospectus Regulation (Regulation (EU) 2017/1129) as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 and who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) are high-net-worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). The attached Prospectus is directed only at relevant persons in the United Kingdom and Qualified Investors in any member state of the EEA and must not be acted on or relied on: (i) in the United Kingdom, by persons who are not relevant persons; and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or investment activity to which the attached Prospectus relates is available only to: (i) in the United Kingdom, relevant persons; and (ii) in any member state of the EEA, Qualified Investors, and will be engaged in only with such persons.

The attached Prospectus has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Company, the Joint Bookrunners, their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Company, the Joint Bookrunners or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard-copy version.

None of the Joint Bookrunners, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of the attached Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the offering.

The Joint Bookrunners and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of the attached Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Joint Bookrunners or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the attached Prospectus.

The Joint Bookrunners are acting exclusively for the Company and no one else in connection with the offering. They will not regard any other person (whether or not a recipient of the attached Prospectus) as their client in relation to the offering and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the offering or any transaction or arrangement referred to herein.

Jiangsu Eastern Shenghong Co., Ltd.

(a joint stock company established under the laws of the People's Republic of China with limited liability)

Offering of up to 29,000,000 Global Depositary Receipts representing A Shares in a base offering and up to an additional 14,490,000 Global Depositary Receipts representing A Shares pursuant to an Upsize Option within an Offer Price Range between US$18.05 and US$18.48 per Global Depositary Receipt

This prospectus (the "**Prospectus**") relates to (i) an offering (the "**Offering**") by Jiangsu Eastern Shenghong Co., Ltd. (the "**Company**") of (a) up to 29,000,000 GDRs (the "**Base GDRs**"), and (b) up to an additional 14,490,000 GDRs pursuant to an Upsize Option (the "**Upsize GDRs**," together with the Base GDRs, the "**Offer GDRs**" or the "**GDRs**"), with one GDR representing an interest in ten A shares of the Company with a fully paid nominal value of RMB1.00 each (the "**A Shares**"), and (ii) a listing of all Offer GDRs and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary (as defined below) on SIX Swiss Exchange AG ("**SIX Swiss Exchange**") in accordance with the Standard for Depository Receipts.

The Offering consists of: (i) a private placement in Switzerland solely to professional clients within the meaning of article 4 para 3 of Swiss Financial Services Act, as amended ("**FinSA**"); and (ii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and/or Regulation (EU) 2017/1129 as it forms part of domestic UK law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"). All offers and sales outside the United States will be made in compliance with Regulation S ("**Regulation S**") ofthe US Securities Act of 1933, as amended (the "**Securities Act**").

The Offering is expected to take place from December 21, 2022 until 15:00 Central European Time ("**CET**") on December 21, 2022 (the "**Offer Period**"). It is currently expected that the final offer price (the "**Offer Price**") for the Offer GDRs will be set within the offer price range of US$18.05 to US$18.48 (the "**Offer Price Range**"). The Offer Price Range is indicative only and may change during the course of the Offering. The Offer Price will be determined among the Company and the Joint Global Coordinators following a bookbuilding process. The Company expects to publish the final Offer Price and the final number of Offer GDRs sold in the Offering by a media release and in a pricing supplement to this Prospectus (the "**Supplement**") on or around December 21, 2022. This Prospectus and the Supplement shall together constitute the final prospectus.

This Prospectus dated December 21, 2022 has been approved by SIX Exchange Regulation AG in its capacity as review body (the "**Review Body**") pursuant to article 52 of FinSA on December 21, 2022. In addition, application has been made and approval has, subject to certain customary conditions, been given for the listing of up to 43,490,000 GDRs to be issued on or around December 28, 2022 (the "**Closing Date**"), and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with the Depositary (as defined below) on SIX Swiss Exchange in accordance with the Standard for Depository Receipts. The Company expects that the Offer GDRs will be listed, and trading in the Offer GDRs will commence, on SIX Swiss Exchange on or around December 28, 2022 (the "**First Day of Trading**") under the symbol "DFSH." The GDRs will be denominated in USD.

The GDRs are to be issued pursuant to a deposit agreement in connection with the issuance of the GDRs represented by the Master GDR Certificate (as defined below) (the "**Deposit Agreement**") against the deposit of A Shares (to the extent permitted by applicable laws, regulations and regulatory approvals) with Citibank, N.A, as depositary (the "**Depositary**"). The A Shares are listed and traded on the Shenzhen Stock Exchange under the stock code 000301.SZ. Prices for the A Shares traded on the Shenzhen Stock Exchange may not reflect the value of the GDRs. Approval of the Review Body has not been sought by the Company for this Prospectus in relation to the A Shares and no such A Shares will be offered by the Company in the Offering and/or listed on SIX Swiss Exchange or any other stock exchange in Switzerland.

***See "Risk Factors"* beginning on page 30 to read about factors you should consider before buying the Offer GDRs. Purchasing the Offer GDRs involves risks. The GDRs are of a specialist nature and should only be bought and traded by investors who are particularly knowledgeable in investment matters. Prospective investors should read this entire Prospectus.**

This Prospectus does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The GDRs have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable state or local securities laws. Accordingly, the Offer GDRs are being offered and sold outside the United States in offshore transactions in compliance with Regulation S. Each purchaser of the Offer GDRs hereby, in making a purchase, will be deemed to have made certain acknowledgements, representations and agreements as set out in "*Important Information about the Offering*" and "*Selling and Transfer Restrictions*." For a discussion of certain restrictions on transfers of the GDRs in other jurisdictions, see "*Notice to Investors*," "*Terms and Conditions of the Global Depositary Receipts*" and "*Selling and Transfer Restrictions*."

The GDRs will be issued in global form. The GDRs will be evidenced by a master global depositary receipt certificate (the "**Master GDR Certificate**") registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**"), and Clearstream Banking, *société anonyme* ("**Clearstream**"). Except as described herein, beneficial interests in the Master GDR Certificate will be shown on, and transfers thereof will be effected through the records of Euroclear and Clearstream. It is expected that delivery of the GDRs will be made in USD in same day funds through the facilities of Euroclear and Clearstream on or about the Closing Date. See "*Clearing and Settlement.*"

Joint Global Coordinators and Joint Bookrunners

UBS **CLSA** **Huatai International**

Joint Bookrunner

ABCI

The date of this Prospectus is December 21, 2022.

The Company, a joint stock company established under the laws of the PRC with limited liability with its registered office at No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC, assumes responsibility for the completeness and accuracy of the information in this Prospectus and any supplement thereto. The Company confirms that, to the best of its knowledge, the information contained in this Prospectus is correct and that no material facts or circumstances have been omitted.

This Prospectus has been prepared in accordance with the FinSA and the listing rules of SIX Exchange Regulation (the "**Listing Rules**"), their implementing ordinance to the extent applicable for the purposes of offering the Offer GDRs and listing the Offer GDRs on SIX Swiss Exchange in accordance with the Standard for Depository Receipts.

The information contained in this Prospectus is accurate only as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made here under shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. Any significant new factor or material inaccuracy related to the information included in this Prospectus which is capable of affecting the assessment of the Offer GDRs and which arises or is noted between the date of this Prospectus and the First Day of Trading or, as the case may be, the time when trading in the Offer GDRs on SIX Swiss Exchange begins, will be announced through electronic media or through a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

This Prospectus does not constitute: (i) an offer to sell, or a solicitation of an offer to buy any securities other than the securities to which it relates; or (ii) an offer to sell, or the solicitation of an offer to buy, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Each prospective investor in the Offer GDRs (each, an "**Offeree**"), by accepting delivery of this Prospectus, will be deemed to have acknowledged, represented to and agreed with the Company and the Managers that:

(i) this Prospectus is personal to such Offeree and does not constitute an offer to any other person, or to the public generally, to purchase or otherwise acquire the Offer GDRs. Distribution of this Prospectus or disclosure of any of its contents to any person other than such Offeree and those persons, if any, retained to advise such Offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Joint Global Coordinators, is prohibited;

(ii) the Offeree will not make any photocopies or electronic copies of this Prospectus or any documents referred to herein (other than for its own use); and

(iii) the Offeree will not forward or deliver this Prospectus (in any form) electronically or otherwise, to any other person or reproduce such Prospectus in any manner whatsoever.

As the Company's A Shares are listed on the Shenzhen Stock Exchange, the Company has been subject to periodic reporting and other information disclosure requirements under the PRC law. As a result, from time to time the Group publicly releases information relating to itself on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by the Company in connection with its A Shares is based on the regulatory requirements of the securities regulatory authorities and market practice in the PRC which are different from those which will be applicable to the GDRs following the listing of the GDRs on SIX Swiss Exchange. Such information does not and will not form a part of this Prospectus. As a result, prospective investors in the Offering are reminded that, in making their investment decision as to whether to purchase the Offer GDRs, they should rely only on the financial, operating and other information included in this Prospectus. By applying to purchase Offer GDRs in the Offering, prospective investors will be deemed to have agreed that they will not rely on any information other than that contained in this Prospectus and any formal announcements made by the Group in the PRC with respect to the Offering.

The information contained in this Prospectus has been provided by the Company and by the other sources identified in this Prospectus. No representation or warranty, express or implied, is made by the Managers or any of their respective representatives, affiliates or advisors as to the accuracy, completeness or verification of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future, by the Managers or by their respective representatives, affiliates or advisors. The Managers assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement.

In connection with the Offering, the Managers are not acting for anyone other than the Company. The Managers will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the Offering or any transaction or arrangement referred to herein. No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized.

In making an investment decision, investors must rely on their own examination, analysis and investigation of the Company and the terms of the Offering, including the merits and risks involved. Any decision to buy the Offer GDRs should be based solely on this Prospectus, the Supplement and any other supplement hereto, taking into account that any summary or description set forth in this Prospectus of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be considered to be legal, accounting or tax advice or be otherwise relied on. This Prospectus does not contain all the information that would be included in a prospectus for the offering of the Offer GDRs if such offering were registered under the Securities Act or pursuant to the Prospectus Regulation (as defined herein). None of the Company, the Managers or any of their respective representatives, is making any representation to any Offeree or purchaser of Offer GDRs regarding the legality of an investment in the Offer GDRs by such Offeree or purchaser under the laws applicable to such Offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer GDRs.

Each investor acknowledges that:

(i) it has not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision;

(ii) it has relied only on the information contained in this Prospectus; and

(iii) no person has been authorised to provide any information or to make any representation concerning the Company, its subsidiaries or the Offer GDRs (other than as contained in this Prospectus) and, if given or made, any such other information or representation has not been relied upon as having been authorised by the Company, the Managers or any of their respective affiliates.

Subject to the allocation directive for the new issue market issued by the Swiss Bankers Association on March 29, 2004, which entered into legal force on January 1, 2005, as amended in January 2008, in connection with the Offering, each of the Managers and/or any of their respective affiliates, acting as an investor for its or their own account(s), may subscribe for Offer GDRs as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Managers and/or any of their respective affiliates acting as an investor for its or their own account(s). In addition, certain of the Managers or their affiliates may enter into financing or hedging arrangements (including swaps, warrants or contracts for differences) with investors in connection with which such Managers (or their affiliates) may from time to time acquire, hold or dispose of Offer GDRs. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

No Offer GDRs have been offered or will be offered pursuant to the Offering to the public in the PRC and will not be available for persons who are residents in the PRC, except that the Offer GDRs may be offered to Qualified Domestic Institutional Investors as defined in the Trial Measures for the Administration of Securities Investment Outside the People's Republic of China by Qualified Domestic Institutional Investors promulgated by CSRC on June 18, 2007, China Investment Corporation, National Social Security Fund, qualified domestic insurance companies, qualified domestic trust companies and qualified domestic banks of the PRC (collectively, the "**Qualified Domestic Investors**"), which have been approved by relevant PRC government authorities to engage in investment in the equity market outside of the PRC provided that the number of such Qualified Domestic Investors is less than 200.

AVAILABILITY OF DOCUMENTS

Copies of this Prospectus, the Supplement and any other supplements to this Prospectus are/will be available free of charge in Switzerland for 12 months following the First Day of Trading on the SIX Swiss Exchange at UBS AG, Swiss Prospectus Switzerland, P.O. Box, 8098 Zurich, Switzerland (voicemail: +41 44 239 47 03; fax number: +41 44 239 69 14; e-mail: swiss-prospectus@ubs.com). In addition, copies of this Prospectus and any supplements to the Prospectus are/will be available free of charge from the Company (e-mail: tzzgx@jsessh.com).

Information on the Company's website, any website directly or indirectly linked to the Company's website or any website mentioned in this Prospectus does not constitute in any way part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in the GDRs.

The Company may withdraw the Offering at any time prior to the First Day of Trading, and the Company and the Managers reserve the right to reject any offer to subscribe for the Offer GDRs, in whole or in part, and to sell to any prospective investor less than the full amount of the Offer GDRs sought by such investor.

The distribution of the Prospectus and this Offering are restricted by law in certain jurisdictions. Therefore, persons into whose possession the Prospectus comes and persons who would like to purchase the Offer GDRs pursuant to the Offering should inform themselves about and observe such restrictions. You must inform yourself about, and observe, any such restrictions. See "*Terms and Conditions of the Global Depositary Receipts*" and "*Selling and Transfer Restrictions*" elsewhere in this Prospectus. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. You must comply with all applicable laws and regulations in force in any jurisdiction in which you subscribe, purchase, offer or sell the Offer GDRs or possess or distribute this Prospectus and must obtain any consent, approval or permission required for your subscription, purchase, offer or sale of the Offer GDRs under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such subscriptions, purchases, offers or sales. None of the Company, the Managers nor any of their respective affiliates is making an offer to sell the Offer GDRs or a solicitation of an offer to buy any of the Offer GDRs to any person in any jurisdiction except where such an offer or solicitation is permitted or accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of applicable restrictions.

The offer of the Offer GDRs may be affected by the laws of the jurisdictions in which the offerees reside. No action has been or will be taken in any jurisdiction that would permit a public offering of the Offer GDRs or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or Offer GDRs in any jurisdiction where action for that purpose is required. Accordingly, the Offer GDRs may not be sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer GDRs may be distributed or published, in any form or in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, rules and regulations of any such country or jurisdiction. Prospective investors should consult their professional advisors as to whether they require any governmental or other consents or authorizations, or need to observe any formalities to enable them to purchase Offer GDRs in the Offering. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. None of the Company, the Managers or any of its or their respective representatives, affiliates or advisors accept any legal responsibility for any violation of applicable securities laws.

The Offer GDRs are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any other jurisdiction. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. For a description of certain restrictions on transfers of the Offer GDRs, see "*Selling and Transfer Restrictions*."

NOTICE TO INVESTORS IN SWITZERLAND

In Switzerland, the Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of FinSA. The Offer GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

NOTICE TO UNITED STATES INVESTORS

The Offer GDRs have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and are being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S.

THE OFFER GDRS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

In relation to each member state of the European Economic Area, no Offer GDRs have been offered or will be offered pursuant to the Offering to the public in that member state prior to the publication of a prospectus in relation to the Offer GDRs that have been approved by the competent authority in that member state or, where appropriate, approved in another member state and notified to the competent authority in that member state, all in accordance with the Prospectus Regulation, except that offers of Offer GDRs may be made to the public in that member state at any time under the following exemptions under the Prospectus Regulation:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer to the public**" in relation to any Offer GDRs in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

In the case of any GDRs being offered to a financial intermediary as that term is used in the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the GDRs acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in a member state to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

United Kingdom

No Offer GDRs have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer GDRs has been approved by the Financial Conduct Authority, except that the Offer GDRs may be offered to the public in the United Kingdom at any time:

(i) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(iii) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 (the "**FSMA**"),

provided that no such offer of the Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer GDRs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The issue and distribution of this Prospectus is restricted by law. In the United Kingdom, this document is not being distributed by, nor has it been approved for the purposes of Section 21 of the FSMA by, a person authorized under the FSMA. In the United Kingdom, this document is for distribution only to, and directed only at, persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation and who: (i) have professional experience in matters relating to investments (being investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**")), (ii) are persons falling within article 49(2)(a) to (d) (*high net worth companies, unincorporated associations etc.*) of the Financial Promotion Order, or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, this document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company. The Offer GDRs are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

In the case of any GDRs being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each financial intermediary will also be deemed to have represented, warranted and agreed that the GDRs acquired by it in the Offering has not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any GDRs to the public, other than their offer or resale in the United Kingdom to qualified investors as so defined or in circumstances in which the prior consent of the Managers has been obtained to each such proposed offer or resale. The Company, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Managers of such fact in writing may, with the prior consent of the Managers, be permitted to acquire GDRs in the Offering.

NOTICE TO INVESTORS IN CANADA

This Prospectus constitutes an "exempt offering document" as defined in and for the purposes of applicable Canadian securities laws. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offer and sale of the Offer GDRs. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this Prospectus or on the merits of the Offer GDRs and any representation to the contrary is an offence.

The Offer GDRs may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and that are not created or used solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor."

Canadian investors are advised that this document has been prepared in reliance on section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"). Pursuant to section 3A.3 of NI 33-105, this document is exempt from the requirement that the issuer and the underwriters in the offering provide Canadian investors with certain conflicts of interest disclosure pertaining to "connected issuer" and/or "related issuer" relationships as would otherwise be required pursuant to subsection 2.1(1) of NI 33-105.

Securities legislation in certain provinces or territories of Canada may provide Canadian purchaser with remedies for rescission or damages if an "prospectus" such as this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

The offer and sale of the Offer GDRs in Canada is being made on a private placement basis only and is exempt from the requirement that the issuer prepares and files a prospectus under applicable Canadian securities laws. Any resale of the Offer GDRs must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction. These resale restrictions may under certain circumstances apply to resales of the Offer GDRs outside of Canada.

Upon receipt of this Prospectus, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Offer GDRs described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only.

NOTICE TO OTHER INVESTORS

DIFC

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The GDRs to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the GDRs offered should conduct their own due diligence on the GDRs. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Japan

The GDRs have not been and will not be registered under the Financial Instruments and Exchange Law (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

IDENTIFICATION OF TARGET MARKET

European Economic Area

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer GDRs have been subject to a product approval process by each Manager established in the EEA, which has determined that the Offer GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**MiFID II Target Market Assessment**").

United Kingdom

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**", and together with the MiFID II Product Governance Requirements, the "**Product Governance Requirements**"), and/or any equivalent requirements elsewhere, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements and/or any equivalent requirements elsewhere) may otherwise have with respect thereto, the Offer GDRs have been subject to a product approval process by each Manager established in the UK, which has determined that the Offer GDRs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**", and together with the MiFID II Target Market Assessment, the "**Target Market Assessment**").

General

Notwithstanding the Target Market Assessment, distributors should note that the price of the Offer GDRs may decline and investors could lose all or part of their investment; the Offer GDRs offer no guaranteed income and no capital protection; and an investment in the Offer GDRs is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the Offering.

Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Managers will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) in the case of the MiFID II Target Market Assessment, an assessment of suitability or appropriateness for the purposes of MiFID II and in the case of the UK Target Market Assessment, an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer GDRs. Each distributor is responsible for undertaking its own relevant target market assessment in respect of the Offer GDRs and determining appropriate distribution channels.

NOTICE TO ALL INVESTORS

Investors should be aware that foreign investors are not generally able to hold A shares in Chinese companies pursuant to restrictions under PRC law, subject to certain limited exemptions, such as for Qualified Foreign Institutional Investors ("**QFIIs**") and RMB Qualified Foreign Institutional Investors ("**RQFIIs,**" together with QFIIs, "**QFIs**").

However, one of the features of the China-Switzerland Stock Connect is that investors will be able to (i) buy GDRs by requesting a designated broker ("**Designated Broker**") to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares and (ii) subject to certain lock-up restrictions for redemption of the GDRs as described below, sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange. Pursuant to the Provisions on the Supervision and Administration of Depositary Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges (境内外证券交易所互联互通存托凭证业务监管规定) published by the CSRC on February 11, 2022 (the "**DR Provisions**") and Interim Measures for the interconnection between Shenzhen Stock Exchange and overseas stock exchanges for the listing and trading of depositary receipts (深圳证券交易所与境外证券交易所互联互通存托凭证上市交易暂行办法) published by the Shenzhen Stock Exchange on March 25, 2022, the creation and redemption of GDRs in connection with the purchase and sale of underlying A Shares may only be facilitated by the Designated Brokers who hold accounts with Shenzhen Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to certain quotas imposed by relevant regulators) and providing relevant instructions to the Depositary. For further details, see "*Offering and Sale—Listing and Trading GDRs*."

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place buy and sell orders with the Designated Brokers who are able to seek the best price for the security from either market.

It should be noted that, pursuant to the China-Switzerland Stock-Connect, GDR holders will not be permitted to redeem their GDRs and hold the underlying A Shares in their on-shore accounts (such as QFII or RQFII accounts, where they have such an account) or have the underlying A Shares held on their behalf by a Designated Broker. GDR holders that are QFIIs and RQFIIs (or are otherwise able to hold A Shares through another exemption) that wish to redeem some or all of their GDRs to hold A Shares would need to sell such GDRs (either on the SIX Swiss Exchange or by redeeming their GDRs and selling the underlying A Shares on the Shenzhen Stock Exchange, as described above) and separately buy A Shares outside of the China-Switzerland Stock Connect to be held in a separate (existing or newly established) QFII or RQFII or other account.

In addition, pursuant to the DR provisions GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading. Therefore, for such period, GDR holders will not be able to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and will only be able to sell their GDRs through the SIX Swiss Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares, subject to the cap on the total outstanding number of GDRs approved by the CSRC and other restrictions imposed by the applicable PRC laws and regulations.

Investors should also be aware that pursuant to the DR Provisions the aggregate holding of a single overseas investor of the equities of the Company (including the A Shares and GDRs whether held directly or indirectly) shall not exceed 10% of the total shares of the Company. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions also require that the aggregate holdings of A Shares of all overseas investors in the Company shall not exceed 30% of the total shares of the Company. In the event the 30% limit is exceeded, the CSRC may require overseas investors to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas investors' strategic investments as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (外国投资者对上市公司战略投资管理办法) promulgated by the Ministry of Commerce, the CSRC, State Administration of Taxation, State Administration for Industry and Commerce, together with State Administration of Foreign Exchange and last amended in October 2015.

Pursuant to the Measures for the Administration of Acquisition of Listed Companies (上市公司收购管理办法) promulgated by the CSRC and last amended in March 2020, any person who holds 5% or more of the outstanding shares in a listed company (including the Company) shall, within three days upon its shareholding in the listed company reaching such percentage, (i) prepare a report on its change of shareholding, (ii) submit a written report to the CSRC and the relevant stock exchange, and notify the listed company, and (iii) make an announcement on such event. In addition, a person and person act in concert holding 5% or more of a listed company's outstanding shares shall be subject to the same reporting and announcement obligations as set out above each time its shareholding in the listed company increases or decreases by 5%. Unless otherwise stipulated by the CSRC, such persons will be subject to trading restrictions before and/or within a period of time after the reporting, filing and disclosure obligations are fulfilled. Once an investor comes to hold or hold jointly with others through an agreement or other arrangement 5% or more of the outstanding shares issued by a listed company, the listed company shall be notified and an announcement shall be made for each 1% increase or decrease in the proportion of the outstanding shares issued by the listed company thus held on the next day of the occurrence of such a fact, but such investor will not be subject to trading restrictions during such notification period. A person and person act in concert holding 5% or more of the outstanding shares in a listed company may file a short form equity change report if it holds less than 20% of the outstanding shares in the listed company and it is not the largest shareholder or de facto controlling person of the listed company; otherwise it will be required to file a long form equity change report disclosing its shareholding. A person and person act in concert holding more than 20% but less than 30% of the outstanding shares in a listed company will be required to file a long term equity change report. Pursuant to the DR Provisions, an investor's holding of GDRs will be aggregated with its holding of the Company's outstanding Shares through other channels, including but not limited to, any direct holding of the Company's A Shares, as well as the holding of GDRs and Shares by persons acting-in-concert with such investor. The Company is also required to disclose in its annual reports, among other things, information on persons holding 5% of its Shares, together with any changes to their shareholding and any pledge or encumbrance over the Shares held by such persons.

GENERAL SALES RESTRICTIONS

No action has been or will be taken by the Company or the Managers in any jurisdiction that would, or is intended to, permit a public offering of the Offer GDRs, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where further action for that purpose is required.

Each purchaser will be deemed to have acknowledged, represented and warranted that it understands and agrees to the foregoing restrictions set out in this section.

This Prospectus contains various forward-looking statements that reflect the views of our management with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology or subjective assessments, including the words "aims," "believes," "estimates," "forecasts," "anticipates," "projects," "expects," "intends," "may," "will," "plans," "continue" or "should" or, in each case, their negative or similar expressions. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places throughout this Prospectus, including, without limitation, in "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Industry and Market Overview*," and "*Our Business*," and include, among other things, statements relating to:

- our ability to develop and manage our operations and business;
- our strategies for growth and sources of new revenue;
- economic outlook, industry trends and challenges, and impact of regulatory initiatives;
- the competitive environment in which we operate;
- our ability to attract and retain quality employees;
- the impact of catastrophic or unforeseen events;
- the expectations and assumptions regarding the impact of the COVID-19 pandemic on us and our customers; and
- our success at managing the risks associated with the aforementioned factors.

Although our management believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including, among other things:

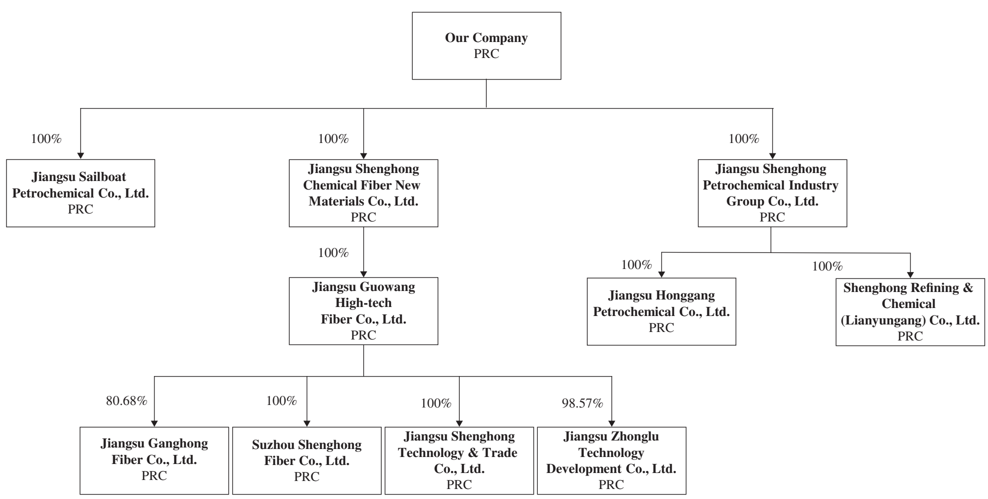
- capital market volatility, inflation, interest rate and exchange rate fluctuations;
- changes in the industry and regulatory environment in which we operate;
- the failure of third parties to provide their services or meet their obligations;
- the severity and duration of the COVID-19 pandemic and its resulting global economic uncertainty as well as the measures taken by governments and businesses in response thereto;
- the macroeconomic and political environment of the PRC and other jurisdictions in which we operate; and
- technological changes impacting the sectors in which we operate.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*."

The forward-looking statements contained herein speak only as of the date of this Prospectus. We expressly undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

Our Company is a joint stock company with limited liability established pursuant to the Company Law of the PRC. The Company was established via a reorganization, which was approved by the CSRC, and became listed on the Shenzhen Stock Exchange on September 3, 2018, following an agreement for purchase of assets by issuing shares which came into effect on July 31, 2018, pursuant to which our predecessor Jiangsu Wujiang China Eastern Silk Market Co., Ltd. (江苏吴江中国东方丝绸市场股份有限公司), a company with its A shares listed on the Shenzhen Stock Exchange under stock code 000301 since May 29, 2000, acquired 100% equity interests of Jiangsu Guowang High-tech Fiber Co., Ltd. (江苏国望高科纤维有限公司). Following the asset purchase, Jiangsu Wujiang China Eastern Silk Market Co., Ltd. became the sole shareholder of Jiangsu Guowang High-tech Fiber Co., Ltd., and was subsequently renamed Jiangsu Eastern Shenghong Co., Ltd. (江苏东方盛虹股份有限公司) on September 27, 2018. Our predecessor Jiangsu Wujiang China Eastern Silk Market Co., Ltd., then called Wujiang Silk Co., Ltd. (吴江丝绸股份有限公司), was incorporated on July 16, 1998 as a joint stock company in the PRC.

The following diagram shows a simplified overview of our Group's corporate structure as of the date of this Prospectus:



This Prospectus contains:

- consolidated historical financial information of the Group as of and for the three years ended December 31, 2019, 2020 and 2021 (the "**Annual Historical Financial Information**") prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"), together with an audit report thereon by BDO China SHU LUN PAN Certified Public Accountants LLP;

- unaudited consolidated interim financial information of the Group as of and for the six months ended June 30, 2022 (together with comparative financial information for the six months ended June 30, 2021) (the "**Six Month Historical Financial Information**") prepared in accordance with PRC GAAP, together with a review report thereon by BDO China SHU LUN PAN Certified Public Accountants LLP. For the avoidance of doubt, the financial information for the six months ended June 30, 2021 is neither audited nor reviewed by BDO China SHU LUN PAN Certified Public Accountants LLP; and

- unaudited consolidated interim financial information of the Group as of and for the nine months ended September 30, 2022 (together with comparative financial information for the nine months ended September 30, 2021) (the "**Nine Month Historical Financial Information**") prepared in accordance with PRC GAAP, together with a review report thereon by BDO China SHU LUN PAN Certified Public Accountants LLP. For the avoidance of doubt, the financial information for the nine months ended September 30, 2021 is neither audited nor reviewed by BDO China SHU LUN PAN Certified Public Accountants LLP.

Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Jiangsu Sailboat Petrochemical Co., Ltd., which we acquired effective December 31, 2021, because the transaction was between entities under common control. For details, see "*Our Business—History—Key Acquisitions*" and note 2.1 to the Annual Historical Financial Information to this Prospectus.

EBITDA AND EBITDA MARGIN

EBITDA is a non-PRC GAAP measure that represents net profit before income taxes, depreciation, amortization of intangible assets, right-of-use assets and long-term prepaid expenses, and total expenses paid for interest. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense). EBITDA margin is defined as EBITDA divided by revenues, expressed as a percentage.

Accordingly, EBITDA and EBITDA margin should not be considered as an alternative to net profit, net margin or any other performance measures derived in accordance with PRC GAAP or as an alternative to cash flow from operating activities or as a measure of our liquidity. We believe that inclusion of EBITDA and EBITDA margin is appropriate to provide additional information to investors about our operating performance and to provide a measure of operating results unaffected by differences in capital structures, capital investment cycles and ages of related assets among otherwise comparable companies. EBITDA and EBITDA margin have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our operating results as reported under PRC GAAP.

FINANCIAL YEAR

The financial year of our Group ends on December 31 of each calendar year.

OTHER DATA

Certain numerical figures set out in this Prospectus, including financial data presented in millions or thousands, certain operating data, percentages describing market shares and industry data have been subject to rounding adjustments and, as a result, the totals of the data in this Prospectus may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical data in the annual consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Prospectus, as applicable, and do not use the numerical data in the narrative description thereof.

In this Prospectus, the Group relies on and refers to certain information regarding the industry and the markets in which it operates and competes, and the Group commissioned Frost & Sullivan, an independent market research and consulting company, to conduct the relevant analysis and prepare a market research report. As a result, this Prospectus contains statistics, data, and other information regarding markets, market sizes, market shares, market positions, growth rates, growth potential, and other industry data pertaining to our business and markets.

Frost & Sullivan is an independent global consulting firm, founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. It has over 40 offices worldwide with over 3,000 industry consultants, market research analysts and economists. The Group has extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "*Summary*," "*Industry Overview*," "*Risk Factors*," "*Our Business*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and elsewhere in this Prospectus to provide our potential investors with more information of the industries in which we operate.

During the preparation of the market research report, Frost & Sullivan performed both (i) primary research, which involved in-depth interviews with leading industry participants and industry experts; and (ii) secondary research, which involved review of company reports, industry association statistics and data based on Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors.

Unless otherwise noted, all of such statistics, data, information and forecasts contained in the relevant sections of this Prospectus are derived from the Frost & Sullivan Report, as well as various official government publications and other publications, which include but are not limited to:

(i) National Bureau of Statistics of China;

(ii) General Administration of Customs of the People's Republic of China;

(iii) China Chemical Fibers Association;

(iv) International Energy Agency;

(v) The 14th Five-year Plan of Industrial Green Development;

(vi) Annual reports of public companies;

(vii) International Monetary Fund;

(viii) International Energy Agency

The Frost & Sullivan Report was compiled based on the following assumptions:

(i) The social, economic and political conditions in China and main markets globally discussed will remain stable during the forecast period;

(ii) Government policies on Petrochemical and Refining market in China and main markets globally will remain consistent during the forecast period;

(iii) Global Petrochemical and Refining market will be driven by the factors which are stated in this report.

While the Group believes that such statistics, data and information is reliable, neither the Group nor the Joint Bookrunners have independently verified such data and information. Accordingly, neither the Group nor the Joint Bookrunners can assure you of the accuracy or completeness of, and take no responsibility for, such statistics, data and information. Furthermore, such statistics, data and information has not been verified by any independent sources and neither the Group nor the Joint Bookrunners can assure you that a third party using different methods to assemble, analyze or compute market data would obtain the same result. Neither the Group nor the Joint Bookrunners intend, nor assume any obligations, to update industry or market data set forth in this Prospectus. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors and prospective investors should be aware that data in this Prospectus and estimates or forecasts based on such data may not be reliable indicators of future results.

In addition, certain statements, information and data in this Prospectus regarding the economy, the markets and the relevant industries are based on the Group's internal estimates, its own experience, its review and analysis of market conditions and its review of industry publications, including information made available to the public by our competitors and public authorities. The Group cannot assure you that any of the assumptions underlying these statements, information and data are accurate or correctly reflect our position in the industry, and none of our internal estimates has been verified by any independent sources, including the Joint Bookrunners. Neither the Company nor the Principal Shareholder or any of the Joint Bookrunners makes any representation or warranty as to the accuracy or completeness of this information.

While the Group is not aware of any misstatements regarding the industry or similar data presented in this Prospectus, the use of such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the heading "*Forward-looking Statements*" and "*Risk Factors*."

We present our consolidated financial statements in RMB. The rates in each of the following tables may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Prospectus. We have provided these exchange rates solely for the convenience of potential investors. The rates should not be construed as a representation that RMB amounts could have been, or could be, converted into CHF, EUR or USD at the rates set forth herein or at any other rate.

The following tables set forth, for the periods set forth below, the high, low, average and period end Bloomberg Generic Price (BGN) expressed as Swiss francs (expressed as CHF) per RMB1.00, USD per RMB1.00 and EUR per RMB1.00. The Bloomberg Generic Price is Bloomberg's preferred default source for generic exchange rate data, designed to show market-consensus bid/ask rates based on input rates from a select subset of Bloomberg's exchange rate price contributors. The average rate for a month or year means the average of the daily Bloomberg Generic Price during that month or year, or shorter period, as the case may be.

	CHF per RMB1.00			
Year	**High**	**Low**	**Average(1)**	**Year end**
2019	0.1518	0.1369	0.1439	0.1390
2020	0.1411	0.1297	0.1360	0.1356
2021	0.1465	0.1357	0.1417	0.1435
Month	**High**	**Low**	**Average(1)**	**Period end**
January 2022	0.1464	0.1433	0.1446	0.1457
February 2022	0.1466	0.1445	0.1454	0.1454
March 2022	0.1481	0.1451	0.1465	0.1456
April 2022	0.1490	0.1454	0.1470	0.1472
May 2022	0.1483	0.1423	0.1462	0.1438
June 2022	0.1486	0.1425	0.1449	0.1425
July 2022	0.1464	0.1411	0.1439	0.1411
August 2022	0.1423	0.1396	0.1408	0.1419
September 2022	0.1422	0.1356	0.1387	0.1387
October 2022	0.1398	0.1368	0.1385	0.1372
November 2022	0.1388	0.1316	0.1344	0.1333
December 2022(2)	0.1355	0.1328	0.1342	0.1344

(1) The average of the exchange rates for each business day during the relevant period.

(2) From December 1 to December 9, 2022.

	USD per RMB1.00			
Year	**High**	**Low**	**Average(1)**	**Year end**
2019	0.1495	0.1393	0.1448	0.1436
2020	0.1533	0.1395	0.1451	0.1532
2021	0.1576	0.1522	0.1551	0.1573
Month	**High**	**Low**	**Average(1)**	**Period end**
January 2022	0.1582	0.1567	0.1573	0.1572
February 2022	0.1585	0.1571	0.1577	0.1585
March 2022	0.1584	0.1569	0.1576	0.1577
April 2022	0.1572	0.1509	0.1553	0.1513
May 2022	0.1504	0.1473	0.1490	0.1499
June 2022	0.1503	0.1481	0.1493	0.1493
July 2022	0.1494	0.1478	0.1485	0.1483
August 2022	0.1487	0.1447	0.1470	0.1451
September 2022	0.1449	0.1388	0.1425	0.1406
October 2022	0.1406	0.1369	0.1391	0.1369
November 2022	0.1420	0.1369	0.1395	0.1410
December 2022(2)	0.1437	0.1418	0.1430	0.1437

(1) The average of the exchange rates for each business day during the relevant period.

(2) From December 1 to December 9, 2022.

Year	EUR per RMB1.00 High	Low	Average[(1)]	Year end
2019	0.1331	0.1258	0.1293	0.1280
2020	0.1325	0.1211	0.1271	0.1250
2021	0.1398	0.1257	0.1312	0.1385

Month	High	Low	Average[(1)]	Period end
January 2022	0.1411	0.1372	0.1390	0.1403
February 2022	0.1419	0.1374	0.1390	0.1413
March 2022	0.1456	0.1411	0.1430	0.1421
April 2022	0.1456	0.1424	0.1439	0.1436
May 2022	0.1440	0.1383	0.1411	0.1398
June 2022	0.1431	0.1393	0.1413	0.1427
July 2022	0.1479	0.1431	0.1459	0.1453
August 2022	0.1469	0.1436	0.1451	0.1442
September 2022	0.1457	0.1425	0.1440	0.1434
October 2022	0.1443	0.1379	0.1413	0.1384
November 2022	0.1406	0.1332	0.1366	0.1364
December 2022[(2)]	0.1366	0.1351	0.1361	0.1366

(1) The average of the exchange rates for each business day during the relevant period.

(2) From December 1 to December 9, 2022.

In this Prospectus:

- References to “ABCI” are to ABCI Securities Company Limited.
- References to “A share(s)” are to shares of any company that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi.
- References to “A Share(s)” are to domestic shares of our Company, with a par value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shenzhen Stock Exchange.
- References to the “Articles of Association” are to the articles of association of our Company.
- References to the “Base GDRs” are to up to 29,000,000 GDRs.
- References to the “Board” or “Board of Directors” are to the board of directors of our Company.
- References to “Clearstream” are to Clearstream Banking, société anonyme.
- References to “CLSA” are to CLSA Limited.
- References to “CSDC” are to China Securities Depositary and Clearing Corporation Limited.
- References to “CSRC” are to China Securities Regulatory Commission.
- References to the “Custodian” are to Industrial and Commercial Bank of China Limited.
- References to the “Deposit Agreement” are to the deposit agreement entered into by our Company and the Depositary on December 21, 2022 in connection with the issuance of the GDRs represented by the Master GDR Certificate.
- References to the “Depositary” are to Citibank, N.A.
- References to the “Designated Broker” are to an institution that has been “designated” by the Shenzhen Stock Exchange as a “designated broker” and recognized by SIX Swiss Exchange as a conversion broker.
- References to “Director(s)” are to director(s) of our Company.
- References to “DR Provisions” are to Provisions on the Supervision and Administration of Depositary Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges published by the CSRC on February 11, 2022.
- References to the “EEA” are to the European Economic Area.
- References to “EIT” are to China enterprise income tax.
- References to “Euroclear” are to Euroclear Bank S.A./N.V., as operator of the Euroclear System.

- References to the “Exchange Act” are to the US Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

- References to “FinSA” are to Swiss Financial Services Act of June 15, 2018.

- References to “Frost & Sullivan” are to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

- References to the “Frost & Sullivan Report” are to a report prepared by Frost & Sullivan at our request for the purposes of this Prospectus, dated December 2022, on us and the markets in which we operate.

- References to “GDR” are to a global depositary receipt which represents A Shares.

- References to “Hong Kong” are to the Hong Kong Special Administrative Region of the PRC.

- References to “Huatai International” are to Huatai Financial Holdings (Hong Kong) Limited.

- References to the “Joint Bookrunners” are to UBS, CLSA, Huatai International and ABCI.

- References to the “Joint Global Coordinators” are to UBS, CLSA and Huatai International.

- References to the “Latest Practicable Date” are to December 20, 2022.

- References to the “Listing Rules” are to the listing rules of SIX Exchange Regulation.

- References to the “Managers” are to the Joint Global Coordinators and the Joint Bookrunners.

- References to the “Master GDR Certificate” are to the master global depositary receipt certificate.

- References to “MOF” are to Ministry of Finance of the PRC.

- References to “Offer GDRs” are to up to 43,490,000 GDRs, comprising the Base GDRs and the Upsize GDRs.

- References to “Offer Price” are to the price at which Offer GDRs will be sold in the Offering.

- References to “Offer Price Range” are to US$18.05 to US$18.48.

- References to the “Offering” are to the offering of: (i) a private placement in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA; and (ii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and/or the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S.

- References to "our Company" or the "Company" are to Jiangsu Eastern Shenghong Co., Ltd., a joint stock company incorporated in the PRC with limited liability under the corporate name 江苏东方盛虹股份有限公司 (Jiangsu Eastern Shenghong Co., Ltd.), converted from its predecessor Jiangsu Wujiang China Eastern Silk Market Co., Ltd. (江苏吴江中国东方丝绸市场股份有限公司) pursuant to which 100% equity interests of Jiangsu Guowang High-tech Fiber Co., Ltd. (江苏国望高科纤维有限公司) were acquired by the predecessor in accordance with an agreement for purchase of assets by issuing shares, which was approved by the CSRC. The A Shares of Jiangsu Eastern Shenghong Co., Ltd have been listed under stock code 000301 on the Shenzhen Stock Exchange since September 3, 2018, while the A Shares of the predecessor have been listed under stock code 000301 on the Shenzhen Stock Exchange since May 29, 2000. Unless the context otherwise requires, it includes the predecessor Jiangsu Wujiang China Eastern Silk Market Co., Ltd., and, in respect of the period prior to the acquisition, Jiangsu Guowang High-tech Fiber Co., Ltd., where the context so requires.

- References to "PBOC" are to People's Bank of China.

- References to the "PRC" or "China" are to the People's Republic of China, and solely for the purpose of this Prospectus and by reference to region, excluding Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong Special Administrative Region of the PRC.

- References to "PRC GAAP" are to Accounting Standard for Business Enterprises—Basic Standard, and the specific accounting standards and other relevant regulations issued by the MOF on February 15, 2006 and in subsequent periods.

- References to "Prospectus Regulation" are to Regulation (EU) 2017/1129 as amended from time to time.

- References to "QFI(s)" are to qualified foreign investor(s), comprising QFIIs and RQFIIs.

- References to "QFII(s)" are to qualified foreign institutional investor(s).

- References to "Qualified Investors" are to qualified investors within the meaning of the Prospectus Regulation.

- References to "Regulation S" are to Regulation S under the Securities Act.

- References to "Renminbi" or "RMB" are to the lawful currency of the PRC; references to "CHF" are to Swiss francs, the lawful currency of Switzerland; references to "euro," "EUR" and "€" are to the single currency of the participating member states of the European Union participating in the third stage of the economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended or supplemented from time to time; and references to "USD" and "US$" are to the United States dollars, lawful currency of the United States.

- References to "RQFII(s)" are to RMB qualified foreign institutional investor(s).
- References to "SAFE" are to State Administration of Foreign Exchange of the PRC.
- References to "Sailboat" are Jiangsu Sailboat Petrochemical Co., Ltd.
- References to the "SEC" are to the US Securities and Exchange Commission.
- References to the "Securities Act" are to the US Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.
- References to the "Share(s)" are to the A Share(s).
- References to "SIS" are to SIX SIS AG.
- References to "SIX Exchange Regulation" are to SIX Exchange Regulation AG.
- References to "SIX Swiss Exchange" are to SIX Swiss Exchange AG.
- References to "State Council" are to State Council of the PRC.
- References to "Supervisor(s)" are to member(s) of the Supervisory Committee.
- References to the "Supervisory Committee" are to the supervisory committee of our Company.
- References to the "Supplement" are to a supplement to this Prospectus published by the Company with regard to the final number of Offer GDRs sold in the Offering.
- References to the "UBS" are to UBS AG.
- References to the "Underwriting Agreement" are to the underwriting agreement between our Company and the Managers, dated on or around the date of this Prospectus, in connection with the Offering.
- References to the "Upsize GDRs" are to the GDRs that may be issued pursuant to the Upsize Option.
- References to the "Upsize Option" are to the option that may be jointly exercised by the Company and the Joint Global Coordinators, acting for itself and on behalf of the other Managers, on the date of the pricing of the Offering based on demand to offer up to an additional 14,490,000 GDRs.
- References to the "US" or the "United States" are to the United States of America.
- References to "we," "us," "our," "our Group" or the "Group" are to the Company and its consolidated subsidiaries, unless the context requires otherwise.

In addition to the terms above, this Prospectus contains a glossary of certain technical terms relating to our industry and business. See "*Glossary of Technical Terms*."

TABLE OF CONTENTS

SUMMARY

This summary should be read as an introduction to this Prospectus and, for purposes of FinSA, constitutes a summary within the meaning of articles 40(3) and 43 thereof and article 54 of the Financial Services Ordinance (FinSO). This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus, including the discussion under "Risk Factors," "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as with our consolidated financial statements. Investors should base their investment decision on a review of the entire Prospectus, and not only this "Summary" section, because of the significantly more detailed information in other parts of this Prospectus.

Any potential investors in the Offer GDRs should be aware that liability under article 69 of FinSA for the summary is limited to cases where the information contained herein is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Capitalized terms used in this summary but not defined herein have the meanings assigned to them elsewhere in this Prospectus.

OVERVIEW

We are a leading chemical enterprise featuring vertical integration of the value chains and focusing on applications for renewable energy. Committed to "net zero carbon" goals, we have developed a broad portfolio of green products, including recycled fibers and solar EVA, and initiated pioneering ESG projects such as the CCUS project in partnership with CRI, with the aim to lead the green development of the PRC petrochemical industry. Our rich experience and expertise in renewable energy materials and performance chemicals, petrochemicals and chemical fibers have enabled us to become a vertically integrated chemical complex to support diversified downstream applications. In particular, we are equipped with diverse routes to produce olefines, a key feedstock for the production of our downstream high value-added material solutions.

Our visionary business strategies and selected project portfolio have created synergies and cost advantages across business segments. Leveraging our strengths, we expect to further strengthen the integration of our existing value chains and capture future opportunities to extend and expand such integration to the diverse end markets downstream. With our comprehensive chemical material platform, comprising our Shenghong Project, the MTO processor and the PDH units, to ensure supply of quality and heavily refined feedstocks, we are able to produce downstream sophisticated products for, and offer performance critical solutions to, a wide spectrum of end-markets including renewable energy, new materials, electronic chemistry and biotechnology. Our unique comprehensive chemical material platform is expected to boost our competitiveness among peers, enhance our bargaining power and enlarge our customer base to cover well-established clients in both China and overseas.

We are a pioneer in the rapidly developing sector of renewable energy materials and performance chemicals. In 2021, we are the largest manufacturer of solar EVA in the world and the largest manufacturer of AN in China in terms of consolidated capacity, according to Frost & Sullivan. Such products, which have high added-value and require high quality consistency, are widely used in PV modules, wind turbine blades, biodegradable materials, electronics, automobile and medical sectors.

We have been included in the MSCI China A-Share Index, S&P Dow Jones China Index and FTSE Russell Index.

Our Major Businesses

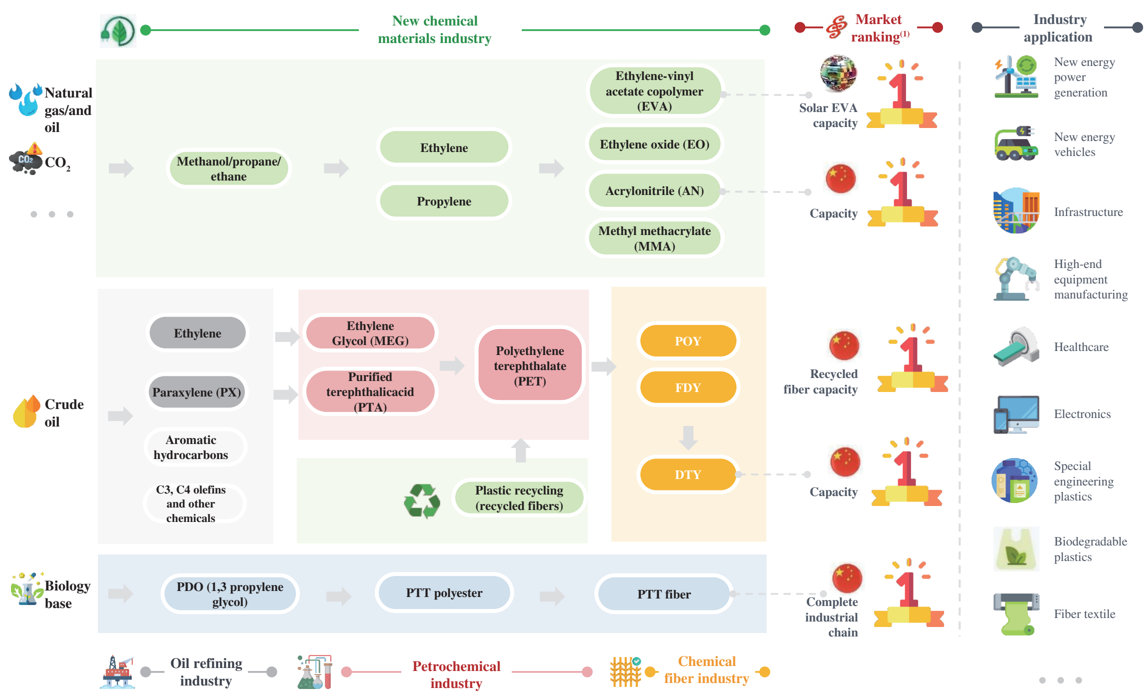
Led by a visionary management team, we have established leading positions in business segments including renewable energy materials, performance chemicals, petrochemicals, and chemical fiber industries. Underpinned by our leading position and high brand awareness, our products are widely adopted in downstream applications. In particular, we are a pioneer in the renewable energy materials and performance chemicals sector, and we intend to continually invest in this sector to capture its strong growth potential. The following table sets forth our market rankings in each business segment in terms of consolidated capacity, according to the Frost & Sullivan Report:

Business segment	Key products	Market rankings as of December 31, 2021	Annual production capacity as of June 30, 2022	Major product applications
			(thousand t/y)	
Renewable energy materials and performance chemicals . . .	EVA	Solar EVA ranked first in China, with a market share of 34.4%	300.0	PV film, wire and cable, hot melt adhesive
		Solar EVA ranking first globally, with a market share of 23.4%		
	AN	Ranking first in China, with a market share of 24.7%	780.0	Carbon fibers, ABS, nylon 66
	MMA	Ranking third in China, with a market share of 9.9%	250.5	Polymethyl methacrylate (PMMA), plastics, lubricants
Petrochemicals.	PTA	Ranking fifth in China, with a market share of 5.7%	3,900.0	Chemical fibers, electronics, construction
Chemical fibers.	DTY	Ranking first in China, with a market share of 17.6%	1,320.0	Clothing, home textiles, decorative fabrics
	Recycled polyester filament	Ranking first in China, with a market share of 26.3%	300.0	Clothing, home textiles, decorative fabrics

SUMMARY

The following diagram sets forth an overview of our integrated value chain, market rankings of key products by consolidated capacity as of December 31, 2021, and end market applications:

An overview of the industrial chain layout and application market



(1) *Source: Frost & Sullivan*

The details of our business segments are set forth below:

- ***Renewable energy materials and performance chemicals***. We are an industry leader in EVA and AN production, our major products of this segment, in China and globally. We possess core technologies in manufacturing solar EVA, AN and other high-performance chemicals. In particular, our tubular EVA production technology, which has been granted the science and technology award by the China Petroleum Chemical Industry Federation in 2021, enables long term and stable production of our solar EVA products, V2825. We plan to further invest in the R&D and production capacity expansion under this segment in line with our strategic focus on application for renewable energy industry.

- ***Petrochemicals***. We are a significant producer for PTA products in China. Furthermore, since the end of 2018, we have started the construction of Shenghong Project which is designed with a 16 Mt/y crude oil processing capacity, a PX production capacity of 2.8 Mt/y and a 1.1 Mt/y ethylene production capacity. In addition to our existing production sites for materials related to renewable energy application performance chemicals and petrochemical products, Shenghong Project is expectedly to allow us to increase our internal supply of raw materials. For example, the production of PX products, which is the key material to produce PTA, will expectedly allow the integration of upstream petrochemical with downstream chemical fiber production, thereby creating synergies and enhancing product consistency across segments. The Shenghong Project is expected to start full-scale commercial operation in December 2022. See "*Our Business – Business Outlook – Outlook for the Year Ending December 31, 2022: Commercial Operation of Shenghong Project*." We are also further expanding into downstream PTA application industries including CHDM and PETG production.

- ***Chemical fibers***. With high-end DTY as our core products, we are a leader in the chemical fiber industry, and especially the differentiated fiber segment in China. In 2021, our differentiated chemical fiber products amounted to over 90% of our total chemical fiber production volume. In the future, we expect to further focus on the R&D and application of bio-based polymer, biodegradable polymer, recycled fibers and other green fibers and textiles.

Leveraging our portfolio of high value-added products with consistent quality, we have established a stable and growing customer base, including a number of well-known global enterprises.

In 2019, 2020 and 2021, we had achieved an impressive track record. Our revenue grew from RMB36,736.9 million in 2019 to RMB51,722.2 million in 2021, at a CAGR of 18.7%. Our net profit attributed to shareholders of parent company grew from RMB2,463.2 million in 2019 to RMB4,543.6 million in 2021, at a CAGR of 35.8%. In addition, our weighted average return on equity was 17.1% in 2021. We intend to continually strengthen our innovation and R&D capabilities to maintain our leading position and seize growth opportunities.

Our Vision

Enable a green and sustainable future with innovative chemistry and new materials.

Our Mission

Create reality with aspiration:

- achieving “net zero carbon” goals;
- generating high added-value for customers;
- developing world-leading high-tech industrial complex for renewable energy materials and performance chemicals; and
- building a better society.

COMPETITIVE STRENGTHS

World-scale vertically integrated chemical platform with differentiated leadership across the value chain

We are a leading chemical enterprise in China, with a strong market position in renewable energy materials, performance chemicals and chemical fiber sectors. We are the largest manufacturer of solar EVA in the world and the largest manufacturer of AN in China in terms of consolidated capacity as of December 31, 2021. We are also a leading manufacturer of PTA products and superfine fibers in China, and a leading manufacturer of melt spinning PET recycled fibers and bio-based PTT polyester fibers around the globe. Our first-mover and scale advantages have allowed us to capture market opportunities amid favorable industry trends and further strengthened our competitiveness among our peers.

Renewable energy materials and performance chemicals. We have a diverse offering of products that promotes the synergistic development of performance chemicals derived from ethylene and propylene. Currently, our production capacity is 780,000 t/y for AN, 300,000 t/y for EVA, 255,000 t/y for MMA, and 300,000 t/y for EO. As of December 31, 2021, in terms of consolidated capacity, we ranked first globally for solar EVA, first in China for AN and third in China for MMA. Benefiting from favorable trends in the clean energy sectors, we are well positioned to capture the growing demand by supplying high quality solar EVA, AN, performance chemicals products and other renewable energy materials. Our products enable the construction of large-scale PV and wind power plants in China and globally and to empower the development of specialized high-end equipment, electric vehicles and other strategic emerging sectors. See "*– A pioneer in renewable energy materials, performance chemicals, and low-carbon and green sectors with robust growth outlook*." In addition, as of June 30, 2022, according to the Frost & Sullivan Report, we had the largest single MTO facility in the world with a designed production capacity of 2.4 Mt/y for methanol. Meanwhile, we also have a propane dehydrogenation (PDH) facility with a designed production capacity of 700 thousand t/y, surpassing many of our peers in China. These upstream facilities enable our backward integration and are able to complement them with the expected full-scale commercial operation of the Shenghong Project in December 2022.

Petrochemicals. We are one of the largest private companies in the petrochemical sector in China, according to Frost and Sullivan. Our Shenghong Project, which is designed with a 16 Mt/y crude oil processing capacity and expected to achieve full-scale commercial operation in December 2022, is equipped with the largest single refinery unit in China as well as atmospheric and vacuum distillation unit and hydrocracker with world leading scale, according to Frost & Sullivan. We have dedicated approximately 16.0% of Shenghong Project's total investment cost to promote safety, energy savings and clean production. We expect to generate high proportion of highly refined value-added chemicals from Shenghong Project with expected chemical yields of approximately 69%. The relatively high proportion of high value-added chemicals output increase our competitiveness and resilience among our peers, according to the Frost & Sullivan Report.

We are one of the key suppliers of polyester raw materials, especially PTA, in East China. PTA is usually converted from refinery units and used for production of chemical fibers, thus integrating the petrochemical and textile value chains. As of December 31, 2021, our consolidated capacity of PTA ranked fifth in China, with a market share of 5.7%, according to the Frost & Sullivan Report. As of June 30, 2022, our production capacity of PTA was 3.9 Mt/y. With the start of commercial operation of Shenghong Project, we can forward integrate internally supplied PX/PTA from Shenghong Project as feedstocks for our downstream chemical fiber business. We believe we can leverage our strengths to capture the opportunities from the growth of the upstream PX and downstream polyester markets and further develop our PTA business. See "*Industry Overview*."

Chemical fibers. Our product portfolio in this segment mainly consists of high-end DTY derivatives. We ranked first in China with a market share of 17.6% with consolidated capacity of 1.32 Mt/y for DTY as of December 31, 2021, according to Frost & Sullivan. Underpinned by technological innovations, we are also one of the largest manufacturers worldwide with first-mover advantage in the fields of superfine fibers and recycled fibers according to Frost & Sullivan as of December 31, 2021. In addition, leveraging our advanced technology capabilities and continuous R&D commitment to renewable and green fiber products, we have become the first new material manufacturer to produce bio-based PDO and PTT fibers in China with full intellectual property rights. As of December 31, 2021, we had production capacity of 2.6 Mt/y for differentiated fibers, including 300 thousand t/y for recycled polyester filament, ranking first in China with a market share of 26.3%. Total sales volume of the chemical fiber industry increased from 30.2 million tons in 2012 to 51.2 million tons in 2021 with a CAGR of 6.0%, and is expected to further grow from 54.3 million tons in 2022 to 95.9 million tons in 2032, representing a CAGR of 5.9% during the same period. We believe that we are well positioned to further seize such the growth potentials.

A pioneer in renewable energy materials, performance chemicals, and low-carbon and green sectors with robust growth outlook

We are a pioneer in renewable energy materials, performance chemicals, and low-carbon and green sectors underpinned by years of experience and expertise. Capitalizing on the continual growth of the diverse downstream applications, we are capable of seizing growth opportunities and further expand our overall business scale through our quality product offerings based on a diverse project portfolio, in particular products produced from olefines (ethylene and propylene) and their performance chemical derivatives.

With respect to renewable energy materials and performance chemicals, we were one of the firsts to develop high-performance solar EVA in China, and are the world-leading manufacturer of solar EVA with the largest market share of in terms of global consolidated capacity as of December 31, 2021, according to Frost & Sullivan. Leveraging our technologies breakthroughs in EVA production, we plan to further increase production capacity by 700 thousand t/y for EVA and 50 thousands t/y for high-end Ethylene n-butyl acrylate (EnBA) copolymers in 2024. Upon completion of such expansion, we are expected to become the world's largest high-end EVA supplier in terms of designed production capacity.

Our consolidated capacity of AN products was the largest in China as of December 31, 2021, according to the Frost & Sullivan Report, with a leading market share in China in terms of export volume. AN is widely used for applications in carbon fibers, wind turbine blades, biodegradable materials, electronics, automobile and medical sectors. Leveraging our strong AN production capabilities, we have become a key global supplier to high-end application sectors. We plan to increase our AN production capacity by 260 thousand t/y, reaching total production capacity of 1.0 Mt/y in 2023.

Both our EVA and AN products are widely applied in the clean energy sectors and are key materials for high-end products such as solar panels and turbine blades. According to the Frost & Sullivan Report, the cumulative installed capacity of PV globally is expected to grow from 1,106.0GW in 2022 to 5,959.5GW in 2032 at a CAGR of 18.3% and the cumulative installed capacity of wind power globally is expected to grow from 941.8GW in 2022 to 2,051.7GW in 2032, at a CAGR of 8.1%. In particular, the cumulative installed capacity of PV in the PRC is expected to grow from 396.9GW in 2022 to 2,606.9GW in 2032 at a CAGR of 20.7%, and cumulative installed capacity of wind power in the PRC is expected to grow from 383.3GW in 2022 to 978.0GW in 2032 at a CAGR of 9.8%. Benefiting from the rapid growth of solar power, wind power and other clean energy sectors in the PRC and globally, we believe that we are well positioned to capture market opportunities in clean energy, support "net zero carbon" initiatives and maintain sustainable profitability.

With respect to low-carbon and green sectors, we focus on the application of biodegradable, recycled and bio-based products. Leveraging our leading bio-based PTT polyester and fiber industry chains, we are the first in China with full intellectual property rights to produce bio-based PDO and PTT fibers and a pioneer in the PTT industry globally, according to Frost & Sullivan. Furthermore, we are a world-leading manufacturer of melt-spun PET recycled fibers, with production capacity for recycled fibers of over 300 thousand t/y. We plan to increase our production capacity of recycled fibers by 250 thousand t/y in 2023.

Commercial start-up of Shenghong Project allowing for full synergistic integration of our value chains and strong margin resilience across the cycle

We started constructing Shenghong Project, our integrated refinery-petrochemical integrated production complex with a crude refining capacity of 16 Mt/y, in 2018. We have completed the construction of Shenghong Project and put the first batch of units into production in May 2022, started commercial production in November 2022, and we expect to achieve full-scale commercial production in December 2022. With the commercial operation of our Shenghong Project, we will be able to further strengthen our leading position in petrochemical industry in the PRC. Shenghong Project enables our vertically integrated production along the value chains across crude oil processing, petrochemical production, renewable energy material and performance chemical production, and chemical fiber production. In addition to the sales of refined oil products, we are able to enhance and extend our value chain riding on our comprehensive chemical material platform to further expand into emerging industries strategically. We have adopted advanced technique processes from leading petrochemical companies including Axens, CLG, DuPont, Shell and Lyondellbasell in our Shenghong Project.

Shenghong Project's production capacity is highly compatible with the demand for raw materials arising from our downstream products. For example, PX produced by such project is the key feedstock for PTA production, which is further used in the production of chemical fiber products downstream. Meanwhile, its output of other key raw materials such as ethylene propylene and propane is designed to be forward integrated into the production of renewable energy materials and performance chemicals, such as solar EVA, AN and MMA products. In addition, n-butane, a by-product of this project, can be used as feedstock for our planned low-carbon and green projects of biodegradable materials.

With the goal to further extend our value chain and maximize cross-segment synergies, our Shenghong Project is designed to maximize economies of scale and outputs in value-added chemical products. Among the end products of Shenghong Project, refined oil and chemicals are expected to account for approximately 31% and 69%, respectively. In particular, Shenhong Project (through ethylene cracker), together with our current 2.4 Mt/y methanol to olefins (MTO) units and 700 thousand t/y propane dehydrogenation (PDH) units to produce olefins, demonstrates our strong olefin manufacturing capabilities through diverse production routes. We will be able to better secure supply and allow raw materials procurement flexibility for the production of renewable energy materials and performance chemicals such as AN, EVA, MMA and EO that are derived or converted from olefins.

The production sites of both Shenghong Project and the renewable energy materials and performance chemicals segment are located in the Lianyungang petrochemical production base, which helps achieve significant synergies in process optimization, supply chain integration and cost controls. We believe that the designed production flexibility allows us to adjust between self-use and external sales based on market conditions, and provides us with strong margin resilience across the cycle. Leveraging such capabilities, we aim to further optimize our resource allocation along the value chains of downstream renewable energy, new materials, and low-carbon and green sectors.

Strong capabilities in high value-added solutions to serve loyal base of longstanding customers

Our market leadership is consolidated by our strong R&D capabilities. With years of accumulated experience and expertise, we have been able to optimize and upgrade our production techniques with strong cost control capabilities. For example, we ranked first in terms of consolidated production capacity of solar EVA in China as of December 31, 2021. Such production capacity is supported by our technology breakthroughs, which overcame the challenges of product blockage and enabled long-term and stable production of high-quality solar EVA products adopting the tubular methods under the super critical condition. Our relevant production technology was well recognized. For example, our solar EVA product, V2825 was listed as an annual innovative product in new chemical materials by China Petroleum and Chemical Industry Federation in 2021.

Our high value-added products with premium quality attract global customers. Benefiting from our comprehensive advantages in production scale, supply reliability, R&D capabilities, product performance, logistics services, and after-sales services, we have maintained longstanding relationships with customers in various fields. For example, we have supplied our solar EVA to leading enterprises in the PV sector such as FIRST, HIUV and Betterial.

We are dedicated to the research, development and production of chemical fibers to provide differentiated fibers to address the high-end market demands. We have developed strong technologies capabilities in manufacturing value-added products including superfine fibers, memory fibers, biomass synthetic polymer fibers, full-dull melt direct-spun polyester fibers, cationic superfine fibers, and recycled polyester fibers. For example, our “Icy Silk” production project has been listed as a national Torch Plan project and the “Icy Silk” product has been listed in the national key new product plan. Icy Silk is a kind of fiber with modified cross-sectional shape that forms grooved surface to achieve high hygroscopicity for moisture-wicking and great gas permeability for quick-drying.

With high value-added solutions underpinned by strong R&D capabilities, we have established strategic cooperation with well-known global enterprises. In the renewable energy materials and performance chemicals segment, our fine chemical products such as EVA, AN, MMA and EO are exported mainly to overseas customers in South Korea, Japan and Southeast Asia. Downstream customers include well-known overseas customers such as LG Chem. In the petrochemicals segment, our PTA is exported to countries and regions including Egypt, Turkey and Oman. In the chemical fiber segment, our polyester yarns are exported mainly to South Korea, Japan and Southeast Asia. The quality of and technology applied to our chemical fiber products have been recognized by well-known downstream brand customers such as Adidas, Nike and Uniqlo.

Economic moat and operational efficiency through R&D innovation, technology improvement, and production digitalization

We are dedicated to building our economic moat and managing our operating costs by enhancing our product quality, energy savings, safety and environmental protection, and production efficiency through continuous R&D innovation, technology improvement and production digitalization. We have built R&D centers targeting multiple value chains with diverse research focuses, established mechanism that enables project-based R&D with coordinated efforts across segments, and partnered with research institutions. With such R&D infrastructure, we are able to continuously enhance our R&D efficiency and maintain our technology advantages. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our R&D investment amounted to RMB749.2 million, RMB1,008.8 million, RMB1,429.2 million and RMB981.6 million, respectively.

In the renewable energy materials and performance chemicals segment, as of June 30, 2022, we had seven invention patents and 53 utility model patents. Adopting internationally and domestically advanced technologies, our equipment and units have advantages in terms of production consistency, energy efficiency, safety and environmental protection, including:

- Through our unique polymerization reaction system design, we have addressed the issue of long cycle stability control technology product crystal point of ethylene and VA monomer under ultra-high pressure reaction conditions, and realized the production of high performance solar EVA by tubular method, thereby enhancing our PV material production. Currently, we have realized production advantages of high quality, high load, long cycle and low cost compared to autoclave type.

- EVA units are leading in process technology according to Frost & Sullivan, with an annual operating rate of 98%, a high capacity utilization rate, and a passed product yield rate of 98%.

- We have been able to control the cost in our AN production by managing the propylene-to-AN conversion, the energy consumption level and the catalyst replacement frequency ratio.

- MTO units using the methanol-to-olefin technology enjoys advantages such as easy operation, high raw material utilization rate, and flexibility to adjust the propylene and ethylene yield ratio in a wide range. The patented olefin separation technology features short process, simple control method, high recovery rate of low temperature level energy produced by the unit, easy control of purity, low loss rate, among other things.

Further, our MTO production units enable 54 kinds of materials to carry out 14-route cycle, reducing waste emissions while achieving considerable economic returns.

In the petrochemicals segment, we have adopted advanced production techniques for refinery processes including atmospheric and vacuum distillation, hydrocracking and residue hydrogenation. In particular:

- We are able to manage our energy consumption rate and achieve high yield of light oil enabled by optimized production processes, large unit scale, and high equipment efficiency.

- We have implemented advanced safety measures with all production units equipped with advanced and mature patented technologies.

- We have adopted stringent environmental protection standards with best-in-class environmental protection technology and processes allowing for energy savings and clean production.

- We have adopted INVISTA P8+ process technology for the phase II of Honggang Petrochemical unit under construction, with higher reduction in unit consumption and energy consumption. This demonstrates our prominent capabilities in cost controls, production and supply assurance, green and low-carbon commitment, and value chain integration.

In the chemical fiber segment, we had 44 invention patents, 192 utility model patents and six appearance patents as of June 30, 2022. We are committed to leading the R&D development for polyester filamentary products. In particular:

- We have overcome the technical barriers of recycled fibers and ultra-fine fibers, and built the world-leading bio-based PDO and PTT polyester and fibers industry chain with full intellectual property rights.

- In the field of superfine fibers, we have conducted several technical researches jointly with PRC and overseas experts, and successfully overcome the technical barrier of superfine fiber, achieving 0.15dtex (0.15g for 10,000m).

- In the field of recycled fibers, we designed and operated our melt direct spinning line to produce spinning directly from waste plastic bottle flakes, which not only realizes the recycling of waste plastics, but also effectively reduces the production costs.

- Our recycled fiber product has passed the global recycling standard GRS certification, and we will continue to increase investments in the R&D and production of recycled and high performance chemical fiber products in the future.

- Our "Icy Silk" production project has been listed as a national Torch Plan project and the "Icy Silk" product has been listed in the national key new product plan.

Furthermore, we have achieved production digitalization via the implementation of Hongyun system, our cloud-based intelligent management platform to increase connectivity across business segments and among upstream and downstream enterprises. In July 2022, our Hongyun platform was shortlisted as China's representative showcase for "Global Innovative Technology and Solution for Industrial Digitalization." With Hongyun intelligent management platform, our production capacity and inventory turnover rate has increased and labor cost and energy consumption has decreased. For details, see "*Our Business – Research and Development – Hongyun*."

Thanks to our proven track record in R&D and innovation capabilities in renewable energy materials and performance chemicals, petrochemicals and chemical fibers, we received multiple awards and recognitions, such as the Second Prize of the National Science and Technology Progress, the China Industry Award Commendation Award, the National Technology Innovation Demonstration Enterprise, the National Advanced Unit of Circular Economy Work, and the Transformation and Upgrading Demonstration Enterprise. We have also created the National Advanced Functional Fiber Innovation Center, the Shenghong Petrochemical Innovation Center and the Shenghong Advanced Materials Research Institute, as well as the "National Development Base for Polyester Full Dull Fiber Products" and the "National Development Base for Bio-based Fiber Products."

Socially responsible and committed to high ESG standards for sustainable development

We are continuously committed to our ESG strategies, placing the highest priority on environmental protection, social responsibility and corporate governance. We have been adhering to our "net zero carbon" goal and systematically carrying out green and sustainable initiatives with world-class standards. Such initiatives include CCUS project to recycle carbon dioxide into new materials, expansion of our recycled fiber production capacity, and investments in solar EVA production. All of our production sites are equipped with "National Green Factory," and many of our green indicators have become industry benchmarks. Our parent company, Shenghong Group, is named to Fortune's 2022 China ESG Influence List based on our rich experience and great contributions to the environment, social responsibility and corporate governance.

We are committed in building environment-friendly facilities, while exploring the application of energy-saving and environmental-friendly technologies. In particular, we have upgraded many of our projects to enhance their energy-saving, water-saving and emission reduction capabilities. For example, we have adopted green solutions to enforce the most stringent ultra-low discharge targets for concentrated brine in wastewater with leading effluent reuse rate among petrochemical companies in China, according to Frost & Sullivan. With the implementation of these ESG measures, we have reduced our carbon dioxide emissions by eight thousand t/y and saved operating costs by approximately RMB20 million per year.

We have also expanded into emerging low-carbon and green industries to provide renewable energy materials and performance materials. For example, as of the date of the Prospectus, we pioneered in launching the CCUS industry chain project in the world through strategic cooperation with Carbon Recycling International ("**CRI**").

We have hired a third-party advisor to provide professional ESG consulting services and assist us with in building a social responsible management system, and make recommendations on ESG enhancement. Firmly upholding the new development concept of innovation, coordination, sustainable development, openness and sharing, we constantly revisit our sustainable development model, focusing on the key ESG technological innovation, to further save energy, reduce carbon footprint, and achieve systematical synergies with high efficiency.

Experienced, loyal, dedicated and visionary management team supported by an industry-leading talent policy

Our founder and Chairman, Mr. MIAO Hangen, is full of entrepreneurial spirit and foresight, with strategic vision and tenacious determination. Mr. Miao is passionate about creating value to the society, and has made significant contributions in leading and promoting the quality development of the industry.

Mr. Miao founded Shenghong Sand Washing Factory in 1992, which has become a printing and dyeing base with 21 printing and dyeing factories through years of efforts. In 2003, Mr. Miao led our Company into the chemical fiber industry, focusing on the middle and high-end of the industry value chain. The Company quickly became a "global expert in differential fiber". In 2010, Mr. Miao visionarily led our Company to establish the petrochemical and renewable energy materials and performance chemicals segments, and complete the strategic projects such as 2.4 Mt/y alcohol-based polygeneration in Sailboat Petrochemical and 3.9 Mt/y PTA in Honggang Petrochemical. In 2018, Mr. Miao led the Company to enter the petrochemical industry and complete the integrated petrochemical project.

With his strong industry leadership and influence, Mr. Miao was selected as one of the "50 Most Influential Business Leaders in China in 2022" by Fortune. Under his leadership, we have carried out vertical integration of the industry chain and continuously committed in the renewable energy materials and performance chemicals sector, and have developed into a world-class enterprise with industry leadership, market satisfaction, social recognition and employee recognition. Looking forward, we believe that, under the leadership of Mr. Miao, we will adhere to the concept of green ecological development, continue to lead the green development of the industry with world-class standards, and build world leading high-tech industrial clusters for renewable energy materials and performance chemicals, so as to achieve growth and contribute to social development.

We have a stable and professional management team. Our management has extensive industry experience in the renewable energy materials and performance chemicals, petrochemical, and chemical fiber industries, and an average of more than 25 years experience of our core management team in operation and management of listed companies and M&A. Such experiences are critical to developing successful businesses, implementing expansion strategies, building successful partnerships, and achieving leadership positions. Our management drives growth through vertical expansion, building long-term customer relationships, developing new technologies, and offering a diverse range of products and services. Our management also focuses on operational excellence, establishing world-class management practices, deepening business integration and investing in high value-added products, in order to improve operational efficiency and profitability. In addition, our management is committed to building partnerships and has made successful strategic investments and acquisitions.

Attaching great importance to the introduction and cultivation of technical talents, we have pooled and cultivated many talents with rich industry experience in enterprise management, financial management, technology R&D and manufacturing. We believe that to build a first-class enterprise, the key lies in the team, and the core lies in the talents. We closely follow the direction of industrial development and plan the strategic layout by taking into consideration our talent layout. For researching cutting-edge technology, we plan in advance and cooperate with the external resources of internationally renowned universities and institutes, to explore talent nurturing and retaining mechanisms. For our business and management talents, we strengthen the scheme of "internal training, external introduction, echelon optimization and advance reserve." Our management believes that we should continually improve the training, promotion and evaluation systems internally, so as to retain qualified and responsible talents.

As of June 30, 2022, we have 15 Ph.D. and post-doctoral fellows, 180 holders of a master's degree, and 5,126 holders of an undergraduate degree, with undergraduates, masters and doctorates accounting for 20% of the total staff.

BUSINESS STRATEGIES

Further enhance our vertically integrated platform with targeted growth investments to capture attractive market opportunities in the Chinese chemicals industry

We aim at further enhancing the vertical integration of our existing production base through continuous expansion initiatives. We expect to further improve our advantaged production capabilities and expand our market shares in the downstream renewable energy materials and performance chemicals business.

In line with the global development trend of emerging industries, we will further enhance our presence across diverse industry chains such as renewable energy materials, performance chemicals and other sustainable material sectors. We are dedicated to building our world-class megaton production sites of solar EVA and AN with investment in hydrogen energy, wind energy, solar energy and supporting new materials. In addition, we plan to construct major renewable energy materials projects such as high-end polyolefin materials (such as POE), lithium battery separators materials, lithium-ion battery materials (such as lithium iron phosphate), electrolyte, hydrogen fuel cell proton exchange membrane and energy storage. In the performance chemicals segment, we will focus on the construction of high-end new materials projects such as POSM and polyol projects, UHWMPE project with an annual output of 20.0 thousand t/y, high-end polyester new materials project with an annual output of 130.0 thousand t/y PETG and CHDM project with an annual output of 50.0 thousand t/y. We are also planning to launch major projects such as carbon fibers and nylon 66 special engineering plastics to better meet the market demand and improve our AN production capabilities through forward integration.

In addition to downstream expansions, we also aim at enhancing our chemical raw materials supply platform and continuously developing our refining capacity to achieve full capacity utilization of our Lianyungang petrochemical industrial base with additional output of 24.0 Mt/y. Upon the completion of the phase II of our planned refining project, we expect to have an annual refining capacity of 40.0 Mt/y.

Continue to implement tangible initiatives to reduce our environmental footprint, and accelerate the development of green operations and product portfolio

Focusing on the strategic ambition to achieve “net zero carbon,” we are committed to build a world-class green industrial platform with leadership in renewable energy materials and performance chemicals. In order to improve our footprint, we will join hands with Carbon Recycling International to build a pioneering “carbon dioxide capture and utilization – green methanol – new energy materials” project, which will recover carbon dioxide from industrial exhaust gas and convert it into renewable energy materials and performance chemicals such as solar EVA, allowing for an annual carbon dioxide emission reduction of approximately 700,000 tons. We will continue to increase our R&D investment in carbon recovery and utilization to “turn carbon into value.”

We are committed to building megaton biodegradable materials projects such as PBAT and PBS by using the raw materials, such as PTA and n-butane, provided by our chemical raw material supply platform. Upon completion, our project is expected to become one of the world’s largest production bases for green biodegradable materials, effectively improving the adoption rate of biodegradable materials. Within the traditional chemical fiber segment, we will focus on promoting the innovation and applications of green fibers and textiles such as bio-based, biodegradable, recycled and dope dyed fibers so as to promote the green, low-carbon and circular development of the textile industry.

Strengthen our R&D capabilities to achieve competitive positions in emerging markets and further improve profitability

Leveraging our established industrial leadership, we intend to upgrade the key technologies of each business segment and improve the efficiency of R&D innovation to maximize the synergies among various segments. We plan to invest RMB10 billion in industrial R&D.

We will continue to innovate our product and solution offerings to meet our customers' evolving needs and differentiate our products and solutions from those of competitors through superior performance and adaptability. We believe this will promote our further development in attractive end markets. Through continuous innovation, we have developed a portfolio of differentiated value-added solutions, which helps enhancing customer value added and maintain high retention rate. We plan to carry out R&D cooperation programs with selected leading customers, and well-known universities and research institutes to develop products that meet specific technical requirements. We have set up the Advanced Materials Research Institute in Shanghai, and intend to establish sub-centers in Beijing, Jiangsu province, and the Greater Bay Area.

We will focus on renewable energy materials and performance chemicals, new materials and green and low-carbon sectors. We will concentrate on certain high growth areas including electronic materials, biodegradable materials, olefin advanced derivative materials, and materials for renewable energy application. We are dedicated to developing differentiated and functionalized high-performance products and aim at developing a portfolio of value-added solutions with superior margin and profitability resilience.

Enhancing our profitability and resilience through continuous operational performance improvement

We focus on further promoting process innovations and excellence, which are crucial to maintaining our customer stickiness and cost advantages. We believe that meeting customer needs through a reliable and cost-competitive supply is key to maintaining and strengthening our relationships. We remain focused on process improvements and proactively address potential future bottlenecks. We strive to ensure that our planning is effective and flexible to achieve operational excellence. We will also improve data integration and data collection from a wide range of information sources and continue to invest in the digitization and automation of key processes.

We will rely on the successful experience of Hongyun intelligent management platform to further enhance our level of automatic operations. We intend to establish an intelligent operation system at each production base, and implement intelligent upgrades in management, techniques, production, energy consumption, logistics and other aspects, to further reduce costs and increase efficiency.

We also expect to benefit from greater economies of scale once the vertically integrated chemical complex is completed. Our goal is to achieve greater integration of our supply chain across production sites and to continue generating synergistic effects. In addition, we will continue to invest in safety protection to maintain our track record of performance as safety is of paramount importance to us. We will focus on further enhancing our health, culture and service policies, cultivating and improving our workforce through the implementation of employee training programs.

Expand our global customer base through strategic acquisitions and investments

Benefiting from China's supply and cost advantages in traditional and renewable energy sectors, we are planning to further expand our global presence and customer base in international markets including Europe, Japan, South Korea and Southeast Asia. We intend to establish integrated and global production and operation covering key steps along the value chain. All these efforts aim to further enhance our competitiveness and profitability in the global petrochemical industry and strengthen our leading position in the renewable energy materials and performance chemicals industry internationally.

We expect to further expand our industrial platform and generate new revenue streams through acquisitions of or strategic investments in PRC and international projects (such as those in the renewable energy materials and performance chemicals industry) that are in line with our strategic development needs and can create incremental value for our core business. We seek investment and acquisition opportunities in emerging industries around the world. We will focus on investing in new material-related industries abroad and renewable energy-related industries in China. With the aim to expand our industry chain coverage and enter into markets that we identify as fast-growing and complementary to our existing business, we will prudently consider the business operation, financial performance and market potential of a target when evaluating acquisition or investment opportunities. We believe that such acquisitions or strategic investments are beneficial in expanding our business coverage and further strengthening our global leadership in the relevant areas.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Start of offer period	December 21, 2022
End of offer period[1]	December 21, 2022 at 15:00 (CET)
Determination of final number of Offer GDRs sold in the Offering and the Offer Price	December 21, 2022
Publication of final Offer Price and final number of Offer GDRs sold in the Offering by electronic media and in the Supplement	December 21, 2022
First Day of Trading	December 28, 2022
Payment and settlement	December 28, 2022

(1) The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserves the right to extend or shorten the offer period or terminate the Offering, without any prior notice, at any time and for any reason.

SUMMARY OF THE TERMS OF THE OFFERING

Company . . . . Jiangsu Eastern Shenghong Co., Ltd., a joint stock company with limited liability established pursuant to the laws of the People's Republic of China with its registered office at No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC. The Company was incorporated on July 16, 1998 and is registered in the PRC. The Company's legal entity identifier (LEI) is 3003003WRWKC1GZHMH20.

Offering . . . . The Offering consists of an offering of up to 29,000,000 Base GDRs and 14,490,000 Upsize GDRs pursuant to an Upsize Option. On December 21, 2022, the Company and Citibank, N.A. entered into a deposit agreement in connection with the issuance of the GDRs represented by the Master GDR Certificate. The GDRs will be issued pursuant to the Deposit Agreement.

The Offering consists of: (i) a private placement in Switzerland solely to professional clients within the meaning of article 4 para 3 of the FinSA; and (ii) private placements in certain jurisdictions outside of Switzerland and the United States in accordance with applicable securities laws and on the basis of various exemptions, including those provided by the Prospectus Regulation and the UK Prospectus Regulation. All offers and sales outside the United States will be made in compliance with Regulation S. See "*Selling and Transfer Restrictions.*"

GDRs . . . . Up to 43,490,000 Offer GDRs (including GDRs pursuant to the Upsize Option, if any). Please see "*Offering and Sale*."

One Offer GDR will represent ten newly issued A Shares held in a securities account opened with the CSDC (the "**CSDC account**") in the name of the Depositary. The Offer GDRs will be issued by the Depositary pursuant to the Deposit Agreement. The GDRs will be evidenced by the Master GDR Certificate, which will be issued pursuant to the Deposit Agreement. See "*Clearing and Settlement.*"

Following the Offering, pursuant to the Deposit Agreement, the A Shares represented by the Offer GDRs will be held in a CSDC account in the name of the Depositary for the benefit of the holders and beneficial owners of the GDRs.

The Depositary may deduct per-GDR fees and other fees, charges and expenses as well as taxes and governmental charges from dividend distributions and may otherwise assess other per-GDR fees and other fees, charges and expenses to the GDR holders. See "*Terms and Conditions of the Global Depositary Receipts*."

The Offer GDRs will be freely transferable, subject to certain selling restrictions under the relevant laws in certain jurisdictions applicable to the relevant transferor or transferee.

Investors should be aware that pursuant to the DR Provisions, the Offer GDRs subscribed for by investors in the Offering may not be redeemed through Designated Brokers within 120 days following the First Day of Trading. Therefore, for such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. For the avoidance of doubt, during such period investors will be able to, subject to the cap of the total amount of the GDRs approved by the CSRC, acquire GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares.

Investors should also be aware that pursuant to the DR Provisions, the aggregate holding of a single overseas investor of the equities of the Company (including the A Shares and GDRs, whether held directly or indirectly) shall not exceed 10% of the Company's outstanding shares. In the event an overseas investor's holding of equities exceeds such limit, such investor is required to liquidate the excess portion within five trading days. Furthermore, the DR Provisions also require that the aggregate holdings of A Shares by all overseas investors in the Company shall not exceed 30% of the total outstanding shares of the Company. In event the 30% limit is exceeded, overseas investors may be required to liquidate their holdings (in reverse chronological order of when such holdings were acquired). The foregoing restrictions do not apply to overseas' investors strategic investments in the Company as defined and regulated by the Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors.

Offer Price Range. . . . . The Offer Price Range is between US$18.05 and US$18.48 per Offer GDR.

Offer Price	The Company expects to determine the final Offer Price together with the Joint Global Coordinators (acting on behalf of the Managers) on the basis of a bookbuilding process on or around December 21, 2022. The final Offer Price and the final number of the Offer GDRs sold in the Offering are expected to be published by a media release and in the Supplement on or around December 21, 2022.
Offer Period	The offer period is expected to be from December 21, 2022 to 15:00 (CET) on December 21, 2022. The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserve the right to extend or shorten the Offer Period or terminate the Offering, without any prior notice, at any time and for any reason.
Upsize Option	The Company may offer up to 14,490,000 additional GDRs to raise additional gross proceeds based on an upsize option, which may be jointly exercised by the Company and the Joint Global Coordinators (acting on behalf of the Managers) on the date of pricing of the Offering based on demand.
Listing and Trading	Prior to the Offering, the A Shares are listed on the Shenzhen Stock Exchange, but there has been no public market for the GDRs. Application has been made and approval has, subject to certain customary conditions, been given by SIX Exchange Regulation for the listing of Offer GDRs and additional GDRs to be issued from time to time against the deposit of A Shares (to the extent permitted by applicable laws and regulations) representing A Shares on SIX Swiss Exchange in accordance with the Standard for Depository Receipts. The Company expects that the Offer GDRs will be listed and that trading will commence on or around December 28, 2022 on SIX Swiss Exchange under the symbol "DFSH".
Dilution	Based on the Company's issued share capital as of the Latest Practicable Date, existing shareholders will experience dilution of their holdings of A Shares and voting rights with respect to such A Shares of between 4.46% (assuming no exercise of the Upsize Option) and 6.54% (assuming the Upsize Option is exercised in full).

Lock-up	The Company has agreed with the Managers on a lock-up for the period ending 90 days after the First Day of Trading. Each such lock-up undertaking is subject to certain exceptions and may be waived by the Joint Global Coordinators. For a discussion of lock-up arrangements, see "*Offering and Sale—Lock-up*."
Dividends and Dividend Policy	GDR holders will be entitled to dividends declared, if any, in respect of any record date which falls after the date of the First Day of Trading. See *"Dividends and Dividend Policy."*
Voting Rights	The Deposit Agreement contains arrangements allowing holders of GDRs to exercise voting rights with respect to the underlying A Shares represented by the GDRs through the Depository in accordance with the terms and conditions of the GDRs and PRC law. Each A Share is entitled to one vote at a shareholders' meeting. See "*Terms and Conditions of the Global Depositary Receipts*."
Clearing and Settlement	Payment for the Offer GDRs is expected to be made in US dollars in same-day funds through the facilities of Euroclear and Clearstream on or around the Closing Date. Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master GDR Certificate registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depository for Euroclear and Clearstream. Except in limited circumstances described herein, investors may hold beneficial interests in the GDRs evidenced by the corresponding Master GDR Certificate only through Euroclear or Clearstream, as applicable. Transfers within Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system. Custodial and depositary links have been established between Euroclear and Clearstream to facilitate the initial issue of the GDRs and crossmarket transfers of the Offer GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise. Secondary market trading of GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. ("EuroCCP") of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date. See "*Clearing and Settlement*."
Taxation	For a discussion of certain Swiss and PRC tax consequences of purchasing and holding the GDRs, see "*Tax Considerations*."

Reasons for the Offering and Use of Proceeds	For a discussion of the use of proceeds, see "*Reasons for the Offering and Use of Proceeds*."
Swiss Review Body	This Prospectus dated December 21, 2022 has been approved by SIX Exchange Regulation in its capacity as the Swiss Review Body pursuant to article 52 of the FinSA on December 21, 2022.
Offering Restrictions	The GDRs are subject to certain offering restrictions as described in "*Notice to Investors*" and "*Selling and Transfer Restrictions*."
Joint Global Coordinators and Joint Bookrunners.	UBS AG Bahnhofstrasse 45 CH-8001 Zurich Switzerland CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center, 99 Queen's Road Central, Hong Kong
Joint Bookrunner	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central, Hong Kong
Managers.	The Joint Global Coordinators and the Joint Bookrunners
Depositary	Citibank, N.A. 388 Greenwich Street, 4th Floor New York, NY 10013, United States of America
Custodian.	Industrial and Commercial Bank of China Limited
Law/Jurisdiction	The GDRs will be governed by English law and will be subject to arbitration at the London Court of International Arbitration. The underlying A Shares will be governed by PRC law and will be subject to the jurisdiction of PRC courts.
SIX Swiss Exchange Ticker Symbol	DFSH

Swiss Security Number (*Valorennummer*)	123.408.194
International Security Identification Number (ISIN)	US47737H1115
Shenzhen Stock Exchange Code (A-Shares)	000301
Notification/Amendments or Changes	Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through the electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l). The results of the Offering are expected to be published by media release and in the Supplement on or around December 21, 2022.

SUMMARY OF THE RISK FACTORS

The following is a summary of the risk factors. This list is not exhaustive, and potential investors should read "Risk Factors" included elsewhere in this Prospectus for a more detailed description of the risks associated with an investment in the GDRs.

Risks Relating to Our Business and Industry

- Demand for, and the supply of, our products are dependent on general economic and market conditions and other external factors.
- The cyclical nature of our industry as well as our customers' end markets could have a material adverse effect on our business, results of operations, financial condition and prospects.
- The markets where we operate are highly competitive.
- Fluctuations in the prices of commodities such as oil, gas and coal may negatively impact our financial results.
- Fluctuations in raw material prices may result in increased operating expenses and adversely affect our results of operations, cash flow and margins.
- Any failure to successfully develop new, improved, or more cost-effective products, production processes and technologies, or delays in development, may lead to our products becoming superseded and could reduce our future sales and profitability.
- Any significant delay or sustained interruption in the delivery of raw materials upon which our operations depend may adversely affect our business.
- A significant interruption in our operations such as a power outage or interruption in water supply, government policies, mechanical failures or natural disasters could adversely affect our production and results of operations.
- We are likely to incur costs in connection with the construction, modernization, maintenance, repair or expansion of production facilities, which may prove more costly than budgeted, require a longer shut down period and ultimately may lead to production capacity constraints. Failure of or delay in the construction, completion or operation of our production expansion projects may materially and adversely affect our business prospects.
- Our development and operational plans require sufficient funding and capital resources, which are subject to risks and uncertainties.
- Our borrowings has increased correspondingly due to continuous investments in new projects.
- We may not be successful in integrating new businesses and may not be able to realize our projected returns from strategic transactions.
- Our business may be affected by our inability to meet customers' requirements in terms of product quality and specifications.
- We may be exposed to risks related to product liability and claims.

- We may not be able to successfully achieve our business strategy or meet our targets.
- Our historical financial and operating results may not be indicative of our future performance.
- We are subject to risks in connection with our exposure to contractual partners and suppliers.
- We are subject to credit risk from our customers, and our inability to collect on our accounts receivable from our customers may materially adversely affect our cash flows and operations.
- If we fail to fulfill our obligations in respect of contract liabilities, we could be exposed to liability, loss of reputation, reduced operating revenue or liquidity challenges.
- If we determine our goodwill to be impaired, our financial condition and results of operations may be adversely affected.
- We are exposed to fair value change of financial instruments measured at fair value through profit or loss.
- Changes in laws, regulations or governmental policies could reduce supply and demand in countries where we produce and sell our products or result in failure to renew, maintain or obtain the required licenses, permits or approvals for us to operate our business.
- Natural disasters or health epidemics or pandemics, such as the current COVID-19 pandemic, acts of war or terrorism, or other catastrophic events may disrupt our operations, decrease the demand for our products or otherwise have an adverse impact on our business.
- If we fail to manage our inventories effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.
- Our transportation and distribution activities rely on third party providers and are subject to environmental, safety and regulatory oversight and risks affecting the shipping industry.
- Our business may be exposed to exchange rate fluctuations.
- We face risks associated with the sales of our products in overseas markets, and if we are not able to effectively manage these risks, our ability to manage and grow business abroad will be limited.
- We are exposed to risks relating to governmental import or export controls and any sales/purchases we make to/from certain countries that are or become subject to sanctions.
- If we are unable to attract and retain qualified personnel and skilled employees, we may be unable to operate efficiently, which could adversely affect our results of operations.

- We rely on the proper functioning of our information technology and data processing systems that require regular upgrade and replacement, and a larger-scale malfunction could adversely impact the efficiency of our production and management.

- Failure to protect our intellectual property rights, trade secrets and unpatented proprietary know-how could impair our competitiveness and impede our business and future prospects.

- We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to lose significant rights and pay substantial damages.

- We may fail to obtain, renew or maintain the necessary approvals, licenses and permits for our operations, and may experience delays in obtaining the relevant PRC governmental approvals, licenses or permits for our new construction/expansion projects.

- We may not be able to obtain, maintain and renew land use rights for certain of our properties in a timely manner or at all, and may be subject to risks relating to leased properties.

- We may be involved in disputes and legal proceedings.

- We may not be able to detect or prevent fraud or other misconduct committed by our suppliers, employees, agents, customers or other third parties.

- If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business, our business, financial condition and results of operations could be materially and adversely affected.

- Our operations and the production and handling of chemicals involve significant risks and hazards inherent to our industry.

- We are subject to numerous environmental, health, and safety laws, regulations and permitting requirements, as well as potential environmental liabilities, which may require us to make substantial expenditures, impact our ability to export our products or adversely affect the demand of our products.

- Climate change concerns and impacts could cause us to incur significant operating and compliance costs.

- The interests of our Group and of minority shareholders may not be aligned with those of our controlling shareholder.

- Any preferential income tax treatment and the government grants that we enjoy may be altered or terminated.

- Negative publicity may harm our business and results of operations.

- We are not fully insured against all potential hazards and risks incident to our business and our insurance coverage may not adequately cover all losses.

Risks Relating to the PRC

- Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, financial condition and results of operations.

- The uncertainties amid the development process of the PRC legal system may impose adverse impact on us.

- Investors may have limited recourse against us or our directors, supervisors and executive officers who reside in the PRC.

- Government control of currency conversion and future movements in exchange rates may adversely affect our business, financial condition, results of operations, ability to remit dividends and prospects.

- The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may subject us to labor disputes, government investigations or require us to provide additional compensation to our employees.

- Inflation in the PRC could negatively affect our profitability and growth.

Risks Relating to the GDRs and the Offering

- There has been no prior public trading market for the GDRs and only a limited public market for global depositary receipts listed in general, and an active trading market may not develop or be sustained in the future.

- The share prices of publicly traded companies and the market price of the GDRs can be highly volatile.

- Future sales of GDRs or A Shares could depress the market price of the GDRs.

- Our ability to pay dividends in the future depends, amongst other things, on our financial performance and is therefore not guaranteed.

- Future issues of A Shares or debt securities that are convertible into equity may dilute the holdings of our shareholders and/or GDR holders.

- The Company's ability to pay dividends in the future depends, amongst other things, on the Group's financial performance and is therefore not guaranteed.

- Following the Offering, holders of A Shares may not be able to deposit the A Shares in our GDR facility in order to receive (or sell) GDRs, and changes in regulatory policy in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.

- Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.

- GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their onshore accounts or have the underlying A Shares held on their behalf by a Designated Broker.

- The fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.
- GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the First Day of Trading on the SIX Swiss Exchange or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended and this may give rise to price risk to GDR holders.
- Holders of the GDRs may be subject to exchange rate risk.
- Certain facts, statistics and information relating to the Group are derived from publications not independently verified by the Group, the Joint Global Coordinators, the Joint Bookrunners or their respective advisers.
- The regulatory regime of Swiss-listed GDRs is new and might change.
- The Offering may not be completed for various reasons and may be terminated.
- If the EU Commission does not grant SIX Swiss Exchange equivalence under MiFID II/MiFIR, trading of the GDRs outside of Switzerland could be impacted.

SUMMARY OF FINANCIAL INFORMATION AND OTHER DATA

Unless otherwise stated, the summary historical financial information presented below has been extracted or derived from our consolidated historical financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 included elsewhere in this Prospectus. The consolidated historical financial information has been prepared in accordance with PRC GAAP. For further information, see "Presentation of Financial and Other Information."

The following summary financial data should be read in conjunction with the information contained in "Presentation of Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the additional financial information contained elsewhere in this Prospectus and our consolidated financial statements and, in each case, the related notes thereto contained elsewhere in this Prospectus.

Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Jiangsu Sailboat Petrochemical Co., Ltd., which we acquired effective December 31, 2021, because the transaction was between entities under common control. For details, see "Our Business—History—Key Acquisitions" and note 2.1 to the Annual Historical Financial Information to this Prospectus.

Selected Consolidated Income Statement Data

	Year ended December 31,			**Six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in millions)				
	(audited)			*(unaudited)*	
Total operating revenue	**36,737**	**33,699**	**51,722**	**26,148**	**30,242**
Operating revenue	36,737	33,699	51,722	26,148	30,242
Total operating costs	**33,985**	**32,757**	**45,599**	**21,962**	**28,317**
Operating costs	31,715	31,048	43,073	20,980	26,640
Taxes and surcharges	148	145	209	83	97
Selling and distribution expenses	462	127	155	74	91
General and administrative expenses	372	366	642	214	310
Research and development expenses	240	248	427	155	240
Financial expenses	1,048	824	1,092	456	939
Add: Other income	86	155	108	50	61
Investment income/(losses)	158	137	(23)	(97)	(5)
Gains/(losses) from changes in fair value	16	(53)	20	3	(1)
Gains/(losses) from credit impairment	10	0	(14)	(19)	(38)
Losses from asset impairment	(56)	(114)	(216)	(44)	(79)
Gains/(losses) from disposal of assets	10	43	18	15	(7)
Operating profits	**2,976**	**1,110**	**6,017**	**4,095**	**1,857**
Add: Non-operating revenue	17	24	53	20	17
Less: Non-operating expenses	5	17	11	6	16
Total profits	**2,987**	**1,117**	**6,059**	**4,109**	**1,857**
Income tax expenses	434	278	972	891	223
Net profit	**2,554**	**840**	**5,086**	**3,217**	**1,634**

Selected Consolidated Statement of Financial Position Data

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
	(audited)			(unaudited)
ASSETS				
Current assets				
Cash at bank and on hand	7,437	18,557	13,398	22,578
Financing assets held for trading	952	559	142	146
Notes receivable	641	—	349	189
Accounts receivable	306	336	531	1,215
Receivables financing	329	450	78	668
Advances to suppliers	680	638	739	1,199
Other receivables	113	41	93	82
Inventories	4,078	3,911	6,086	7,423
Other current assets	615	1,170	3,602	964
Total current assets	**15,152**	**25,661**	**25,017**	**34,464**
Non-current assets				
Long-term equity investments	56	72	140	124
Other equity instrument investments	639	686	583	583
Other non-current financial assets	267	7	4	—
Investment properties	1,492	1,188	1,135	1,108
Fixed assets	26,037	26,054	31,187	37,091
Construction in progress	3,378	15,007	59,972	66,984
Right-of-use assets	—	—	1,092	1,331
Intangible assets	2,031	2,830	3,055	3,046
Goodwill	695	695	695	695
Long-term deferred expenses	1	17	20	11
Deferred income tax assets	409	465	472	531
Other non-current assets	3,560	10,650	8,629	5,368
Total non-current assets	**38,565**	**57,671**	**106,985**	**116,872**
Total assets	**53,717**	**83,332**	**132,003**	**151,336**
EQUITY AND LIABILITIES				
Current liabilities				
Short-term borrowings	6,568	9,218	11,640	21,209
Financial liabilities held for trading	1	53	4	9
Notes payable	2,682	4,633	5,793	5,226
Accounts payable	3,632	4,680	12,696	11,901
Advances from customers	645	40	34	35
Contract liabilities	—	727	884	931
Employee compensation payable	289	341	534	327
Taxes and surcharges payable	142	289	178	78
Other payables	315	996	2,583	330
Non-current liabilities maturing within one year	3,126	3,121	5,071	6,581
Other current liabilities	—	98	369	386
Total current liabilities	**17,400**	**24,195**	**39,786**	**47,013**
Non-current liabilities				
Long-term borrowings	8,712	23,151	52,374	62,623
Bonds payable	995	997	3,928	4,040
Lease liabilities	—	—	985	1,196
Long-term payables	1,512	2,248	2,692	1,394
Deferred income	1,653	2,102	2,254	2,258
Deferred income tax liabilities	353	449	542	659
Other non-current liabilities	58	44	33	29
Total non-current liabilities	**13,284**	**28,991**	**62,808**	**72,199**
Total liabilities	**30,684**	**53,186**	**102,595**	**119,211**
Owners' equity				
Share capital	7,017	7,823	8,935	9,202
Other equity instruments	—	—	1,218	1,218
Capital reserves	10,258	13,027	10,162	13,623
Other comprehensive income	110	142	62	71
Special reserves	26	37	21	10
Surplus reserves	325	371	602	602
Undistributed profits	2,889	2,640	6,615	7,400
Total equity attributable to owners of the parent company	**20,625**	**24,039**	**27,615**	**32,125**
Minority equity	2,409	6,108	1,793	(0)
Total owners' equity	**23,033**	**30,147**	**29,408**	**32,125**
Total liabilities and owners' equity	**53,717**	**83,332**	**132,003**	**151,336**

Selected Consolidated Statement of Cash Flows Data

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
	(audited)			*(unaudited)*	
Net cash flows from operating activities	7,221	3,982	5,334	3,413	6,110
Net cash flows from investing activities	(4,520)	(17,579)	(41,008)	(17,912)	(16,809)
Net cash flows from financing activities	(1,126)	23,134	29,412	23,668	18,812
Effects of fluctuation in exchange rate on cash and cash equivalents	(5)	(37)	8	(30)	32
Net increase/(decrease) in cash and cash equivalents	**1,570**	**9,500**	**(6,255)**	**9,140**	**8,144**
Add: beginning balance of cash and cash equivalents	4,861	6,432	15,931	15,931	9,677
Ending balance of cash and cash equivalents	**6,432**	**15,931**	**9,677**	**25,071**	**17,821**

Selected Other Financial Metrics

	As of and year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions, except percentages)				
EBITDA(1)	5,719	4,007	9,332	5,640	3,936
Adjusted EBITDA(1)	5,623	3,809	9,203	5,539	3,879
EBITDA Margin(2)	15.6%	11.9%	18.0%	21.6%	13.0%

(1) EBITDA is calculated as net profit before taxes, depreciation, amortization of intangible assets, right-of-use assets and long-term prepaid expenses, and total expenses paid for interest. On the basis of EBITDA, adjusted EBITDA further excludes the effects of other income, gains (losses) on disposal of assets and amortisation of long-term prepaid expenses. The following table sets forth a reconciliation of total profit before tax to EBITDA and adjusted EBITDA for the periods indicated:

	As of and year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
Total profit before tax	2,987	1,117	6,059	4,109	1,857
Add:					
Interest expenses	949	978	1,164	507	925
Depreciation	1,739	1,851	2,048	959	1,124
Amortization (intangible assets, right-of-use assets and long-term prepaid expenses)	43	61	61	65	30
EBITDA	**5,719**	**4,007**	**9,332**	**5,640**	**3,936**
Less:					
Other income	86	155	108	50	61
Gains/(losses) on disposal of assets	10	43	18	15	(7)
Amortisation of long-term prepaid expenses	0	–	2	35	3
Adjusted EBITDA	**5,623**	**3,809**	**9,203**	**5,539**	**3,879**

(2) EBITDA margin is calculated as EBITDA as a percentage of our total operating revenue for the year/period.

An investment in the GDRs involves a high degree of risk. Accordingly, prospective investors should carefully consider, among other things, the risks described below, which address the existing and future material risks to our businesses and industry and to the GDRs, as well as the detailed information set out elsewhere in this Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below represent the risks inherent in investing in the GDRs but are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe are immaterial, could also impair our business operations. If any of the following risks actually materializes, our business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to happen, the trading price of the GDRs could decline and investors may lose all or part of their investment. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, financial condition and results of operation.

Risks Relating to Our Business and Industry

Demand for, and the supply of, our products are dependent on general economic and market conditions and other external factors.

Demand for our products typically depends on the level of general economic activity because renewable energy materials and performance chemicals, petrochemicals and chemical fibers are used in a wide range of industries across the economy such as textile, photovoltaic, engineering plastics, optical glass, automobile, medical and construction which are closely related to the investment demand and consumption demand and are thus exposed to the macroeconomic fluctuations. If general economic conditions are weak, demand for our products will be adversely affected. There can be no assurance that future changes in the supply and demand for our products will not adversely affect our operating margins and profitability.

It is not possible to accurately predict supply and demand balances, general economic and market conditions, and other factors that may affect the operating rates and margins of our business in the future. It is not clear if economic growth in China or globally will be as strong as it was in the past. The uncertainty as to the growth trend of international trade and the general global economic climate may continue to have an adverse effect on our business, financial condition, results of operations and prospects.

External factors beyond our control can cause volatility in, and adversely affect, prices of raw materials, demand for our products, product prices and operating margins. Examples of such external factors include:

- currency fluctuations;
- changes in legal regimes and governmental regulations such as taxation, duties and tariffs, in China and abroad in our key export markets;
- disruption in the supply of raw materials;
- impact of epidemics such as COVID-19 that constrain demand temporarily; and
- international events and circumstances such as wars, terrorist attacks and political instability including the Russia-Ukraine conflicts that may cause disruptions in the supply of raw materials and affect prices of raw materials.

The cyclical nature of our industry as well as our customers' end markets could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our industry is capital intensive and our operating rates and margins have historically been cyclical. Operating and profit margins are sensitive to supply and demand balances, both domestically and internationally. Demand for our renewable energy materials and performance chemicals, petrochemicals and chemical fibers is generally linked to the level of economic activity, and weak economic conditions tend to reduce demand. Typically, higher demand during peaks in the industry business cycle leads producers to increase their production capacity. Although peaks in the business cycle have been characterized by increased selling prices and higher operating margins, such peaks may lead to overcapacity with supply exceeding demand. Low periods during the industry business cycle are characterized by a decrease in selling prices and excess capacity, which can depress operating margins. In short, our industries' cycles are characterized by periods of tight supply, leading to high operating rates and margins, followed by periods of oversupply primarily resulting from significant capacity additions, leading to reduced operating rates and margins. Our historical operating results reflect the cyclical and volatile nature of our industry.

The Group's end markets are cyclical in nature; however, the level of cyclicality differs by end market and region. The level of activity in the Group's end markets is generally affected by economic developments (including GDP growth and disposable income) as well as a wide range of other factors beyond the control of the Group and its customers. The real or perceived conditions in each of the Group's end markets are in turn linked to general economic conditions that affect the particular geographic region. Since the Group's business is characterized by high fixed costs, any material decline in demand in one of the Group's core end markets that results in falling production volumes will decrease the Group's earnings.

Our customers typically adapt their procurement activities to the expected growth rates in their relevant end market. In an actual or expected economic downturn, customers try to reduce their working capital and their inventories, which can lead to a significant decline in the Group's sales volumes and net sales. In times of recovery, customers tend to increase their inventories, leading to increased demand for the Group's products. These restocking and destocking activities affect both the Group's actual and projected demand for its products. The Group bases its projections of future developments in supply and demand in each of the end markets upon which it is dependent on publicly available sources and internal estimates. Such future market developments, including expected net sales and results of operations, are difficult to forecast because of the cyclical nature of the end markets and other factors beyond the Group's control. Furthermore, the Group's results of operations are highly correlated with volume, prices, raw material and energy costs as well as production capacity utilization within our industry and of its production facilities, all of which are difficult to project and could materially adversely affect the Group's ability to predict future financial results and plan capital expenditures accurately. A decline in demand in any of the Group's end markets, even during periods of strong general economic conditions, may materially adversely affect the Group's business, financial condition, results of operations and prospects. For example, we had negative net profit for the three months ended September 30, 2022, due to a decrease in the demand for, and a decrease in the sales price of, our products. In particular, an increase in the price of solar silicon materials generally has led to a decrease in the production volume of solar panels in the market, which ultimately reduced the demand for our EVA products. A decrease in the demand for products in our downstream markets due to the COVID-19 pandemic has also driven down the demand for our products and hence the sales price of such products. There was a general decrease in the average market prices of our products in the fourth quarter of 2022 compared to those in 2021, except for PTA, gasoline and diesel, which has affected and, if such trend persists or intensifies, may continue to affect our selling prices and ultimately have an adverse effect on our operating margins and profitability. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Market Prices of Our Products in November 2022*."

The markets where we operate are highly competitive.

We operate in a highly competitive global market with many factors affecting the competitive environment in the market, including product differentiation and quality. We position ourselves as a provider of value-added and differentiated solutions, and we face competition from large, well-established producers, including state-owned entities, as well as new entrants across each of the regions in which we operate. For example, new entrants generally adopt the low pricing strategy in the early stage, which may have an adverse impact on our sales price, according to Frost & Sullivan.

The competitive landscape is differentiated regionally by certain factors, such as the number of competitors operating in a specific market, the pricing policies and the products of such competitors, their market penetration, the pre-existing relationships with customers or customers' prior experience with specific contractors, the total production capacity serving the market, up-to-date technology in terms of production methods and equipment, product properties, quality, logistics, availability, reliability and innovation, market barriers to entry, and the proximity of natural resources, as well as general economic conditions and demand within the market. Some of our competitors may have greater total resources and be less dependent on earnings from sales of renewable energy materials and performance chemicals, petrochemicals and chemical fibers, which makes them less vulnerable to industry downturns and better positioned to pursue new expansion and development opportunities.

Other factors largely beyond our control, such as the availability and cost of substitute raw materials used in production by us and inventory maintained by competitors, or the increase in global freight and shipping costs, have a bearing on product prices and may lead to short-term price volatility and a downward pressure on prices, which may ultimately decrease our margins. Levels of supply in the industry segments that outpace demand for products, such as those we produce, can materially adversely affect our ability to generate profit and materially adversely affect our business, results of operations, financial condition and prospects.

Fluctuations in the prices of commodities such as oil, gas and coal may negatively impact our financial results.

The sales prices of our products have a high degree of correlation with fluctuations in the prices of commodities such as oil, gas and coal, although often with a time delay and with different dynamics in certain regions, and are subject to product specific supply demand and trade balance. International commodities prices have fluctuated significantly over the past two decades and may remain volatile in the future. Prices of commodities such as oil, gas and coal are based on world supply and demand dynamics and are subject to large fluctuations in response to relatively minor changes in demand, whether as a result of market uncertainty or other factors beyond our control, including actions taken by major producing countries, actions by relevant intergovernmental organizations including the Organization of the Petroleum Exporting Countries ("**OPEC**") and adherence to agreed production quotas, war, terrorism, government regulation, social and political conditions in producing countries generally, economic conditions, prevailing weather patterns, climate change and meteorological phenomena such as storms and hurricanes and the availability and price of alternative sources of energy. The conflict in Ukraine which began at the end of February 2022 has resulted in greater volatility in the commodities prices and an elevated commodities prices environment generally. Commodities prices are expected to continue to be volatile in response to changes in many factors over which we have no control, including the evolving geo-political situation in Ukraine. It is impossible to accurately predict future commodities prices movements. There can be no assurance that these factors, in combination with others, will not result in a significant or prolonged volatility in the commodities prices.

Net profit margins in our sector tend to be driven mostly by a combination of supply-demand dynamics and the cost of production (including raw materials). Our main raw materials are crude oil and methanol, the price of which is subject to fluctuations in the price of commodities such as oil, gas and coal, which generally creates the floor for prices of crude oil and methanol, and the supply and demand dynamics for the relevant raw materials. Historically, the markets for oil, gas and coal have been volatile, and those markets are likely to continue to be volatile in the future. For example, according to World Bank Commodity Price data, the average price per barrel for Brent crude oil was USD64.03/bbl in 2019, USD43.30/bbl in 2020, USD70.44/bbl in 2021 and USD105.85/bbl in the first half of 2022. The significant declines in 2020 principally reflect the impact of the COVID-19 pandemic, including the lower demand as a result of restrictions put in place around the world to address the effects of the pandemic, and the increase in prices in 2021 principally reflects increased demand on recovery met with reduced supply on the back of OPEC and actions taken in response to the COVID-19 pandemic. The significant increase in the first half of 2022 was partially due to the conflict in Ukraine. The Group has established a company in Singapore which engages a professional team to procure crude oil based on the market dynamics, so as to reduce our crude oil procurement cost to the extent possible. There is, however, always a risk that the Group cannot procure crude oil at favorable price. According to the World Bank Commodity Price data, the average price per barrel for Brent Crude Oil remained at a high level in the second half of 2022 and was USD91.1/bbl in November 2022, which has affected and, if such trend persists or intensifies, may continue to affect our cost of raw materials.

Our ability to maintain our present level of profitability and margins will be dependent upon maintaining access to raw materials at competitive prices, offsetting decreases in sales prices and profit margins by improving production efficiency and volume, shifting to production of higher margin products and/or improving existing products through innovation and research and development, none of which can be assured. If we are not able to timely pass on any price increases to our raw materials to our customers or if any of the other foregoing risks were to materialize and we are unable to respond effectively to such circumstances, it could have a material and adverse effect on our business, results of operations, financial condition and prospects.

Fluctuations in raw material prices may result in increased operating expenses and adversely affect our results of operations, cash flow and margins.

Raw materials constitute a large proportion of the Group's total operating costs in general. In consequence, the Group has significant exposure to fluctuations in the prices of raw materials. The volatility in the prices the Group has to pay for raw materials, which generally change on a monthly basis, makes it challenging to manage product pricing and pass the increases on to customers. The extent of the impact of price fluctuations on the Group's net sales and results of operations depends primarily on whether the Group is able to pass on increases in raw material prices to its customers through higher selling prices without significant delays or to maintain its selling prices despite decreases in raw material prices. The Group's ability to do so primarily depends on the conditions of supply and demand in the industry and resulting industry capacity utilization as well as competition. Oversupply and low utilization of the production capacity in the industry have affected and will continue to affect the Group's ability to pass on increases in raw material prices to its customers, which negatively affects the Group's margins. An unfavorable balance between supply and demand or decreasing demand and utilization of production capacity in the industry will reduce the Group's ability to maintain its selling prices or to delay decreases in its selling prices despite decreases in raw material prices. For example, despite the price of raw materials especially crude oil increased in the first half of 2022, due to the decrease of market demand for the Group's products as a result of the continuous impact of COVID-19, the Group may not be able to increase its overall selling prices based on the increase of the price of raw materials, which has negatively impacted the Group's gross profit margin in the first half of 2022.

We enter into long-term raw materials supply agreements with our suppliers, and we may place provisional orders based on our production plan to supplement such long-term raw materials supply agreement. The long-term raw materials supply agreements generally adopt a monthly pricing mechanism, requiring the Group to purchase certain volumes monthly at a price determined at the beginning of each month. Although such mechanism can reduce the risk caused by fluctuation in the price of raw materials, we may still be subject to an increase in the price at which we purchase raw materials as of the date of this Prospectus. Any increase in the price at which we purchase our raw materials could have a material adverse effect on our profitability. In addition, certain suppliers' supply obligation under the raw materials supply agreement is subject to, amongst others, their compliance with any applicable production policies imposed by the local government that could affect their ability to supply raw materials and force majeure events.

Increases in the prices of raw materials that cannot be passed on to customers through corresponding increases in selling prices or otherwise be compensated for will result in reduced margins. Even if the Group is able to pass on raw material price increases to customers, the increase in selling prices may result in decreased demand and lower sales volume as customers reduce their purchases or shift to substitute products.

Any failure to successfully develop new, improved, or more cost-effective products, production processes and technologies, or delays in development, may lead to our products becoming superseded and could reduce our future sales and profitability.

The Group depends on its continued ability to develop new, improved, or more cost-effective products for end market applications, methods of production, technologies, and to successfully commercialize and distribute products.

The trend towards commoditization and standardization in major parts of the Group's industry segments has increased the importance of research and development in supporting overall margins, particularly in terms of cost-efficient production technologies. Furthermore, the Group must offer ever more specialized products that are intended to offer higher value to customers while managing production costs in order to achieve satisfactory margins. However, the Group may be unable to successfully develop such new products, and such new products may not bring expected economic benefits to the Group. Besides, the Group may be unable to develop new methods to gain additional efficiencies in its production processes in the future, and its products may not perform as well as anticipated, which may decrease the profitability of some or all of the Group's products. If the Group's competitors develop better and more cost-efficient production technologies, the value of the Group's proprietary production technologies could be significantly reduced. The Group's ability to compete effectively also depends to a significant extent on its continuous ability to manage its cost base and its competitors may be more successful than it is in achieving or maintaining a competitive cost base by lowering their production costs.

The Group may also not be successful in expanding or improving its product portfolio or may lack the expertise or financial resources in the development of new products. In addition, competitors may develop new products with favorable physical characteristics or which comply more effectively with government regulations on content or production, or may improve existing products in a similar manner. Competitors may also develop products with similar characteristics that can be produced at lower costs relative to the Group. Further, the risk of technological substitution of the use of products, which the Group currently provides, by other products provided by competitors could have a material adverse effect on the Group's business. If the Group is unable to provide end market relevant products or to otherwise maintain its competitive position, it may lose customers to its competitors. The Group expects that its competitors will continue to develop and introduce new and enhanced products, which could cause a decline in customer acceptance of the Group's products. An inability to compete effectively could have an adverse effect on the Group's profitability.

The Group may commit errors or misjudgments in its planning or misallocate resources, for instance, by developing products, methods or technologies that require large investments in research and development and capital expenditure but that are not commercially viable. In the Group's current strategy, the importance of providing products and solutions that are used for new energy and climate protection has increased. There is, however, always a risk that the demand for such products and solutions will not grow as expected and that opportunities will be missed. Any failure to successfully develop new, improved, or more cost-effective products, production processes and technologies, or delays in development may lead to the Group's products or technologies becoming outdated, which could cause impairments and could reduce the Group's future sales. Any material failures in the Group's research and development processes could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Any significant delay or sustained interruption in the delivery of raw materials upon which our operations depend may adversely affect our business.

We mainly use crude oil and methanol in the production of our products which we source under long-term agreements with our suppliers.

Our raw materials, including crude oil and methanol, are delivered to our production complex by land, river or sea transportation.

Delays or interruptions in the delivery of raw materials may be caused by, among other things, severe weather or natural disasters, unscheduled downtime, labor difficulties (including but not limited to the COVID-19 pandemic or other public health emergencies), insolvency of our suppliers or their inability to meet existing contractual arrangements, deliberate sabotage and terrorist incidents, or mechanical failures. In addition, the transport of natural gas by pipeline is subject to additional risks, including delays or interruptions caused by capacity constraints, leaks, or ruptures. Any unplanned delay or interruption in the delivery of raw materials even for a limited period, could, if not effectively mitigated (e.g. through stored reserves or alternative supply), have a material adverse effect on our business, results of operations, financial condition and prospects.

A significant interruption in our operations such as a power outage or interruption in water supply, government policies, mechanical failures or natural disasters could adversely affect our production and results of operations.

As our plants are dependent on a continuous supply of electricity and water to maintain stable operations, any significant power outages or interruptions in water supply could materially and adversely affect our business, financial condition and results of operations. Similarly, any interruption to our operations as a result of government policies, mechanical failures or natural disasters will also materially and adversely affect our business, financial condition and results of operations.

For example, due to the policy requirements of "dual control of energy consumption", many areas in China have successively introduced measures to limit power consumption and restrict production since 2021, affecting the production of numerous companies in China including several subsidiaries within the Group.

While we currently have in place systems to monitor our plant equipment and support facilities to reduce the risk of emergency shutdowns, there can be no assurance that these systems will always function in a reliable manner.

We are likely to incur costs in connection with the construction, modernization, maintenance, repair or expansion of production facilities, which may prove more costly than budgeted, require a longer shut down period and ultimately may lead to production capacity constraints. Failure of or delay in the construction, completion or operation of our production expansion projects may materially and adversely affect our business prospects.

We strategically construct new production sites, build new production facilities and expand production lines in line with our expansion strategies and market demand forecast. Particularly, we started constructing Shenghong Project, our integrated refinery-petrochemical integrated production complex with a crude refining capacity of 16 Mt/y, in 2018. See "*Our Business—Business Outlook—Commercial Operation of Shenghong Project*." Production facilities and infrastructure require a significant amount of investment to maintain, repair, modernize and expand. In the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the cash paid by the Group to acquire and construct fixed assets, intangible assets and other long-term assets, amounted to RMB7,757.1 million, RMB18,617.5 million, RMB41,717.4 million and RMB13,431.4 million, respectively.

The Group has dedicated and will continue to dedicate significant expenditures to the construction, modernization, maintenance, repair or expansion of production facilities. As of June 30, 2022, the Group's overall budget for investment in construction projects were RMB112,960 million, of which RMB71,979 million had already been invested. As of June 30, 2022, the amount expected to be invested in constructions in progress was RMB40,981 million.

The planned major investment projects may prove more costly than budgeted and require additional capital commitments to those already committed by the Group. In addition, there is no guarantee that the planned investment projects will be implemented on schedule. Any unnecessary delay in the investment projects may cause the Group to incur extra costs. Further, investments related to construction, modernization, maintenance, repair or expansion of production facilities may disrupt production processes and interfere with the ordinary operation of production facilities and infrastructure, require longer shut down periods than planned, and may ultimately lead to production capacity constraints. The mechanisms the Group uses to manage the risk of delays and cost overruns may prove insufficient. Any unanticipated costs in connection with the construction, modernization, maintenance, repair or expansion of production facilities may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Furthermore, as certain production expansion projects are designed and constructed to supplement our product offerings and generate synergies along the value chain across industries, failure of or delay in the construction, completion or operation of our production expansion projects may materially and adversely affect our business prospects.

Besides, the book value of the Group's fixed assets and constructions in progress was RMB29,415.0 million, RMB41,061.2 million, RMB91,159.1 million and RMB104,075.1 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, accounting for 54.8%, 49.3%, 69.1% and 68.8% of the Group's total assets during the same period. Any such fixed assets and constructions in progress could make the Group susceptible to impairments. Impairment charges could become necessary in the future if, for example, the Group's prospects deteriorate such that the carrying amounts of its assets are no longer recoverable under applicable accounting rules. Any impairment test requiring the write-down or additional impairment could materially adversely affect the Group's business, prospects, financial condition, and results of operations.

In addition, as the construction of the construction projects typically begins years in advance of that capacity entering into operation, even if our expansion plans are completed on schedule and within budget, there is a risk that our new capacity may not catch up with the technological advancement or such new capacity enters into operation when economic conditions are weak, which may depress prices and profit margins. Besides, there is a potential risk that our construction projects may be considered technologically obsolete or even ruled out based on evolving governmental requirements. Therefore, there can be no assurance that we will be able to achieve the expected increase in production volumes or sell our products profitably.

Our development and operational plans require sufficient funding and capital resources, which are subject to risks and uncertainties.

Our industry is capital intensive. Our ability to maintain and increase our revenues, net profit and cash flows depend upon continued capital spending. Our capital expenditures for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were RMB7,831.3 million, RMB18,942.7 million, RMB43,483.5 million and RMB14,688.8 million. We expect our capital expenditure to increase in 2022, which we expect to fund by using funds generated from our operations, financing activities and net proceeds from our Offering.

For further information on the use of proceeds from our Offering, please refer to "*Reasons for the Offering and Use of Proceeds*." of this Prospectus. Our actual capital expenditures may vary significantly from these planned amounts due to various factors, such as our ability to generate sufficient cash flows from operations to finance capital expenditures, ability to finance such expenditures through borrowings, other necessary investments and other factors that may be beyond our control. In addition, there can be no assurance whether, or at what cost, our projects will be completed or the success of these projects if they are completed.

We may incur substantial capital expenditures from time to time in connection with projects intended to expand our production capacity or operational capabilities and improve our business which generally require large investment. These projects may include, but are not limited to, de-bottlenecking, increasing the production capacity of our existing manufacturing plants and constructing new facilities. Failure to successfully complete these projects due to inadequate capital resources or otherwise may have an adverse effect on our operations and our development plans. In addition, if any early termination or early repayment clause under our external financing agreements is triggered, and we fail to maintain sufficient funding for our planned capital expenditures due to such early repayment obligation, our business, results of operations and prospects could be adversely affected.

Our ability to obtain external financing and make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Chinese economies and the markets for our products, the cost of financing and the condition of financial markets, the issuance of relevant government approvals, and the continuing willingness of banks to provide new loans. There can be no assurance that any required additional financing, either on a short-term or long-term basis, will be available to us on satisfactory terms, if at all. If adequate funds are not available on satisfactory terms, we may be forced to defer or cease our expansion plans, which could result in a loss of customers, inability to successfully implement our business strategies and limitations on the growth of our business.

In addition, our investments in our subsidiaries could require us to make significant additional capital contributions, shareholder financing or contingent support, such as the provision of guarantees for bank financing activities, to fund our associates' operations or expansion.

Our borrowings has increased correspondingly due to continuous investments in new projects.

We operate in a capital-intensive industry that requires substantial capital and other long-term expenditures, including expenditures for the construction, maintenance, operation and expansion of our production facilities. As of June 30, 2022, the amount to be invested by the Group in its constructions in progress is RMB40,981 million which is partially funded by external borrowings. As of June 30, 2022, the liability-to-asset ratio of the Group was 78.8%.

Our ability to repay our borrowings largely depends on our operating performance and the ability of our customers to fulfil their payment obligations to us. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we encounter difficulties in generating sufficient cash to repay our outstanding borrowings, our liquidity, business, results of operations and financial condition may be adversely affected, and we may not be able to complete our expansion of production facilities. In addition, our construction projects may require us to procure more raw materials, and as a result, we may incur higher working capital needs that may affect our working capital operation. There can be no assurance that we will not incur increased borrowings to meet such higher working capital needs in the future.

We may not be successful in integrating new businesses and may not be able to realize our projected returns from strategic transactions.

We have in the past and will continue to consider strategic transactions, including acquisitions, partnerships, joint ventures, business combination transactions, dispositions, spin-offs or other major transactions that require significant managerial resources, which may cause a diversion from our other activities, and may impair the operation of our business. The risks of any transaction through investments, acquisitions, partnerships, joint ventures, business combination transactions, dispositions, or spin-offs are increased due to the significant capital and other resources that we may have to commit to any such transaction, which may not be recoverable if the transaction initiative to which they were devoted is ultimately not implemented. For instance, we acquired 100% equity interests of Sailboat in December 2021. Although Sailboat and the Company belong to the same industry, and the geographical location of Sailboat is close to certain subsidiaries of our Company, there is still uncertainties as to whether the Group can achieve synergies upon integration and whether the Group can fully leverage the competitive advantage of Sailboat.

In addition, we may have a lesser degree of control over the business operations and strategic direction of the joint ventures and businesses in which we make minority investments. Even in cases where we acquire a majority interest, our joint venture or strategic partners may have significant influence over policies, including consent rights with respect to certain specified matters, and we may fail to gain the support of our partners for our business plans. In addition, disagreements and/or disputes may arise between partners resulting in decisions which we view as favourable being blocked or decisions which we view as unfavourable being passed. Among the risks associated with the pursuit and consummation of acquisitions, partnerships, joint ventures, business combination transactions, dispositions, spin-offs or other major transactions are those involving:

- difficulties in integrating or separating the parties' operations, systems, technologies, products and personnel;
- incurrence of significant transaction-related expenses and other unanticipated costs associated with such transactions;
- potential integration or restructuring costs;
- our ability to obtain the desired financial or strategic benefits or operating and financial efficiencies, synergies and cost savings from any such transaction, and the potential impairment charges related to the goodwill, intangible assets or other assets to which any such transaction relates, in the event that the financial benefits of such transaction prove to be less than anticipated;
- our ability to obtain sufficient financing for any such transaction;
- the parties' ability to retain key business relationships, including relationships with key personnel, other employees, customers, partners and suppliers;
- entry into markets or involvement with products with which we have limited current or prior experience or in which competitors may have stronger positions;
- assumption of contingent liabilities, including litigation;
- exposure to unanticipated liabilities;
- differences in the parties' internal control environments or applicable accounting standards, which may require significant time and resources to resolve in conformity with our legal and accounting standards;
- increased scope, geographic diversity and complexity of our operations;
- the tax effects of any such transaction; and
- the potential for costly and time-consuming litigation, including shareholder lawsuits.

As a result of these and other factors, including general economic risk, we may not be able to realize our projected returns from any future acquisitions, partnerships, joint ventures, business combination transactions, dispositions, spin-offs or other major transactions, or the results of any planned synergies, or any others in relation to such transactions that we report from time to time. Any such disruption could adversely impact our business, results of operations, financial condition and prospects.

Our business may be affected by our inability to meet customers' requirements in terms of product quality and specifications.

As many of the Group's products are critical to, or enhance the performance of, its customers' applications and products, many customers rely on the Group for products and services that meet their specifications and quality requirements. The Group's differentiated products are produced to meet customers' requirements. Any failure by the Group's products to meet customers' requirements or expectations in terms of quality, performance or otherwise may result in reputational harm, customers reducing the volume of orders they place with the Group or having to replace products at the Group's expense. The Group's customers typically have high standards of product quality and detailed product specifications, and may require that the Group is a registered supplier of the relevant chemical or that the chemical has been approved for use in the intended application. This applies, for example to our automobile, photovoltaic and construction end markets. The Group's quality control systems and in-process production controls provide for regular inspection of its products. However, there can be no assurance that the Group's products will meet agreed upon specifications or quality requirements, will not contain impurities or will not be mistakenly comingled with other products. Some of our products have been damaged during shipment and we have offered discounts and rebates to our customers for such damaged products. If the Group fails to detect such quality deficiencies or otherwise delivers products that do not meet its customers' requirements, the Group may be required to deliver replacement products at the Group's expense or pay damages. Such failures could also result in reputational harm and customers placing orders for lower volumes with the Group or terminating their relationship with the Group, which could also have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

We may be exposed to risks related to product liability and claims.

As our products are important components used in photovoltaic, automobile, construction and other industries, any defect or malfunction in our products or the failure of our products to meet our customers' requirements could lead to damages or losses to our customers. The possible consequences include damage and loss of property, as well as personal injuries or death. We may be liable for damages based on product liability claims brought against us or against our customers or may be accused of having sold harmful products. Such claims resulting from the delivery of defect products or products that are not compliant with agreed specifications or norms could materially negatively impact our business, results of operations, financial condition, and prospects. We may also have to spend a significant amount of resources to defend ourselves in the event where claims or legal proceedings are instituted against us.

We may not be able to successfully achieve our business strategy or meet our targets.

Our business model and competitive advantage are to a substantial extent based on the continuing innovation of our product and our go-to market approach for achieving profitable growth, and therefore, may grow much less than expected, if at all, if we fail to retain our direct customer interaction, adequately identify market trends or understand our customer needs and/or preferences. The trend towards commoditisation and standardisation in major parts of our industry segments has increased the importance of research and development in supporting profitability, particularly in terms of cost-efficient production technologies. We must offer ever more specialised or better performance products that are intended to offer higher value to customers while managing production costs in order to achieve satisfactory margins. A key component of our strategy is our go-to-market approach which mainly aims to develop new products and introduce sustainable applications that offer distinct value for customers. We intend to continue to devote substantial resources to the development of new technologically advanced products and processes and to continue to devote a substantial amount of expenditure to the research and development functions of our business.

Besides, we are currently executing a number of facility expansions designed to achieve profitable growth in the future. The anticipated benefits from such projects are based on several assumptions and projections that may prove to be inaccurate or we may not successfully execute these projects in a timely manner, on budget, or at all.

There can be no assurance that we will be successful in developing new products or processes, or bringing them to market in a timely manner, that products or technologies developed by others will not render our product offerings outdated or non-competitive, that the market will accept our new products and innovations, or that competitors will not be able to produce similar products at a lower cost. As a result, the implementation of this business strategy may be costly and ineffective. Furthermore, our ability to implement our business strategy and meet any targets depends on a variety of additional factors, including market conditions and industry knowledge, the accuracy of various assumptions involving factors that are beyond our control and are subject to known and unknown risks, uncertainties and other factors that may result in our being unable to implement the strategy and achieve our targets.

Any of the foregoing may have a material adverse effect on our business, results of operations, financial condition and prospects.

Our historical financial and operating results may not be indicative of our future performance.

We have experienced growth in operating revenue in the past few years. Our financial performance and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, such as the effects of the COVID-19 pandemic and changes in the market prices of our products and raw materials, logistics costs and labor costs. Moreover, we may not sustain our past growth rates in future periods, or sustain profitability on a quarterly, interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Should there be any unfavorable trends in our financial and operating results in the future, the price of our A Shares and the GDRs may be materially and adversely affected.

We are subject to risks in connection with our exposure to contractual partners and suppliers.

We rely on contractual partners for the provision of raw materials and expert technicians and manpower to carry out the construction, modernization, maintenance, repair or expansion of production facilities, and are therefore subject to the risk that such contractual partners may provide their raw materials or services inadequately or not in a timely manner. For example, during the construction of a project, as the contracted expert technicians and manpower were unable to travel to our construction site due to the travel restrictions and lockdown policies imposed as a result of the COVID-19 pandemic, we had to adjust the anticipated schedule and accommodate for the delay resulting from such travel restrictions and lockdown policies.

In addition, contractual partners may also become insolvent during their engagement which exposes us to the risk of their creditworthiness. If our suppliers or logistics partners are unable or unwilling to meet their contractual obligations under the existing agreements with us, we may be forced to pay higher prices to obtain the necessary products or services from alternative third parties, which may not be available in the required timeframe, or at all, and we may not be able to increase prices for our products to offset the higher costs for such products or services. Certain supply obligations by our contractual partners are subject to provisions that relieve the supplier from performance, including upon the occurrence of a force majeure event under the relevant supply agreement, without the supplier being subject to monetary damages or other remedies. If a supplier or service provider of material goods or services were to be relieved of its obligation to supply on this basis, or to be in default in its obligation to supply, our business and operations may be interrupted. In certain cases, it may not be possible or commercially feasible for us to arrange alternative sources of supply and, accordingly, any such interruption may be prolonged. If any such material goods or services become unavailable within a geographic region from which they are currently sourced, then we may not be able to obtain suitable or cost-effective substitutes. Any such risk could adversely impact our business, results of operations, financial condition and prospects.

We are subject to credit risk from our customers, and our inability to collect on our accounts receivable from our customers may materially adversely affect our cash flows and operations.

We sell our products to our customers across China and overseas. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had accounts receivable of RMB305.6 million, RMB336.1 million, RMB531.1 million and RMB1,214.9 million, respectively.

Our customers may fail to settle accounts receivable in a timely manner, or at all, and we may not properly assess and respond in a timely manner to changes in their credit profiles and financial condition. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we made provision for bad debts of accounts receivable of RMB19.7 million, RMB21.4 million, RMB31.3 million and RMB66.2 million, respectively.

Adverse changes in the financial condition of our customers may negatively affect the time to collect associated accounts receivable or reduce the likelihood of ultimate collection, which would in turn materially adversely affect our business, financial condition and results of operations. In addition, although we may set out payment methods under the relevant sales contracts with our customers, there can be no assurance that the customers will follow the same or make direct payment to us. As we grow our business, the amount of accounts receivable we record may increase, which may negatively impact our cash flows.

If we fail to fulfill our obligations in respect of contract liabilities, we could be exposed to liability, loss of reputation, reduced operating revenue or liquidity challenges.

Contract liabilities arise when we receive deposits or advances from a customer before transferring goods or service to the customer. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had contract liabilities of nil, RMB726.6 million, RMB884.4 million and RMB930.8 million, respectively. If we fail to honor our obligations in respect of our contract liabilities, customers may exercise their rights to terminate a contract, exposing us to liability, causing damage to our reputation, leading to reduced operating revenue or raising liquidity challenges.

If we determine our goodwill to be impaired, our financial condition and results of operations may be adversely affected.

We recorded goodwill derived from acquisitions. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our goodwill maintained at RMB695.0 million, representing 1.3%, 0.8%, 0.5% and 0.5% of our consolidated total assets as of the same date, respectively. Goodwill is not amortized but it is tested for impairment at each balance sheet date, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. The value of goodwill is determined based on a number of assumptions made by the management. If any of these assumptions do not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss. Furthermore, our determination on whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated, which depends on the expected future cash flows from the cash generating units. If we determine the expected future cash flow to decrease, our goodwill may be impaired. Any significant impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to fair value change of financial instruments measured at fair value through profit or loss.

We carried certain financial instruments measured at fair value as of December 31, 2019, 2020 and 2021 and June 30, 2022, due to our investments. Fair value of such financial instruments was determined by various applicable valuation techniques, including market approach, income approach and cost approach. Major assumptions used in the valuation include historical financial performance, market trading condition, expected growth rates and estimates of weighted average cost of capital and other assumptions. Such valuations are inherently uncertain, may fluctuate over short periods of time and may be based on estimates; our determinations of fair value may differ materially from the values that would have been used if a ready market for these financial instruments existed. Any adverse fair value changes may directly impact our income statements, and our financial position and results of operations could be adversely affected if our determinations turn out to be inaccurate.

Changes in laws, regulations or governmental policies could reduce supply and demand in countries where we produce and sell our products or result in failure to renew, maintain or obtain the required licenses, permits or approvals for us to operate our business.

The conduct of our business, including production, storage, distribution, sale, advertising, marketing, labelling, health and safety practices, transportation and use of many of our products, is subject to various laws and regulations administered by the government in countries where we sell our products. These laws and regulations and interpretations thereof may change as a result of political, economic or social events. Such changes may include changes in advertising and marketing practices, laws relating to the import of raw materials used in our production, laws relating to the import or export of our products, laws directly relating to some of our products, taxation requirements including taxes that will increase the cost of our products to our customers, competition laws, employment laws, laws regulating the price we may charge for our products, laws regulating our access to and use of water or utilities, and environmental laws including laws relating to the regulation of water rights and treatment.

New laws, regulations or governmental policies and their related interpretations, or any changes thereof, may change the environment in the markets where we conduct our business, affect demand in countries where we sell our products, and affect our operations or increase our costs or liabilities. For example, we supply new materials to the photovoltaic end market which is sensitive to, among other things, fiscal stimuli such as the PRC government's subsidies for photovoltaic projects. If the PRC government reduces the subsidies, the development of the photovoltaic industry may be negatively affected, which may have an adverse impact on our business. If any material adverse change occurs in the future in the industry policies or industry planning relating to our business, it may result in the change of the market environment and impact the development of relevant industries, which may have an adverse impact on our business.

Separately, imposition of anti-dumping or countervailing duties, import quotas or tariffs, whether adopted by individual governments or addressed by regional trade blocs, may affect the competitive position of our products or prevent us from being able to sell our products in certain countries. Such measures may have a material adverse effect on our sales, which in turn will have a material adverse effect on our business, financial condition and results of operations.

In addition, we require certain licences, permits and approvals to operate our business. New laws, regulations or governmental policies and their related interpretations, or any changes thereof may result in our failing to renew, maintain or obtain the required licences, permits or approvals. This may cause the interruption of our operations or delay or prevent our product enhancement or capacity expansion programme and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Natural disasters or health epidemics or pandemics, such as the current COVID-19 pandemic, acts of war or terrorism, or other catastrophic events may disrupt our operations, decrease the demand for our products or otherwise have an adverse impact on our business.

Extraordinary events such as natural disasters or global or local health epidemics or pandemics could result in damage to our production complex and/or disruption of our operations and may negatively affect local economies, including those of our customers or suppliers. The occurrence of such events cannot be predicted, although their occurrence can be expected to adversely impact the economy in general and our specific markets.

The resulting damage from a natural disaster could include loss of life, property damage or site closure, which may disrupt our ability to manufacture and deliver products and require us to temporarily declare an excused performance, or force majeure, under our existing agreements with customers. Any damage resulting in stoppage or reduction of our production complex's production capacity could reduce our revenue and any unanticipated capital expenditures to repair such damage (to the extent not covered by our insurance policies) may reduce profitability. Any, or a combination, of these factors could also adversely impact our business, results of operations, financial condition and prospects.

In addition, global or local health epidemics or pandemics may result in disruption of our operations. For example, the COVID-19 pandemic has resulted and may continue to result in closures, quarantines, travel restrictions and extended shutdowns of certain businesses in regions in which we operate and has interfered with general commercial activity related to our supply chain and customer base. For example, entry and exit restrictions and governments may take actions including but not limited to quarantine, travel restrictions to slow the spread of the virus. If significant portions of our workforce are unable to work effectively or we are unable to operate our business effectively due to such government actions, we may be unable to meet customer demand or perform fully under our contracts. Our customers, suppliers and third-party service providers, including transportation providers, may continue to in the future be affected by global or local health epidemics or pandemics, including as a result of measures taken by relevant governments to slow the spread of the virus. Any negative impacts on our customers, suppliers and third-party service providers could negatively impact our business, results of operations, financial condition and prospects. For example, restrictions on or disruptions to transportation, port closures or increased border controls or closures, or other impacts on domestic and global supply chains or distribution channels, could increase our costs and limit our ability to meet customer demand.

Although the COVID-19 pandemic has not had a material adverse effect on our business and reported results to the date of this Prospectus, we have experienced delays in the supply chain, decrease in demand in the end markets, and travel restrictions, all of which affected our day-to-day operations. In addition, the COVID-19 pandemic has impacted geographic regions where our products are produced and sold. The continuing impact of COVID-19 on our business, financial condition and results of operations is not possible to determine as at the date of this Prospectus. It will depend, among other things, on how long oil prices continue to remain volatile and the manner in which any preventive measures which impact the Group remain in place and on how different economic sectors respond to any removal, lifting or re-introduction of preventive measures, as well as any longer term impact of these measures, and similar measures on an international scale, together with any wider impact of COVID-19 more generally. Furthermore, if COVID-19 results in a lack of liquidity in the financial markets, this may also adversely affect our business, results of operations, financial condition and prospects.

If we fail to manage our inventories effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our inventories comprise mainly raw materials, goods in progress, stock commodities, goods in transit and materials in transit. To better control and manage our inventories, we have implemented an inventory management system whereby incoming and outgoing materials and supplies are documented and monitored on a regular basis to ensure that an optimal inventory level is maintained to satisfy the needs of our customers and to minimize any wastage on inventory and to avoid obsolete inventory. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the balance of our inventories amounted to approximately RMB4,078.3 million, RMB3,910.8 million, RMB6,086.0 million and RMB7,422.8 million, respectively. If our inventory level turns out to be lower than what is actually needed, we may not be able to manufacture or deliver our products in a timely manner and we may lose sales and market share to our competitors. On the other hand, we may also be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials for our products. Excess inventory levels may lead to increases in warehousing expenses, risks of inventory obsolescence and provisions for write-downs, which will adversely affect our business, results of operations, financial condition and prospects.

Our transportation and distribution activities rely on third party providers and are subject to environmental, safety and regulatory oversight and risks affecting the shipping industry.

We rely on truck, pipeline and ocean vessel companies to transport raw materials to our production complex, to coordinate and deliver finished products to our customers. These transportation operations, equipment and services are subject to various hazards, including adverse operating conditions on the inland waterway system, extreme weather conditions, system failures, work stoppages, delays, accidents such as spills and other accidents and operating hazards. These transportation operations, equipment and services are also subject to environmental, safety and regulatory oversight. Due to concerns related to accidents, discharges or other releases of hazardous substances, and national security threats, governmental entities could implement new regulations affecting the transportation of raw materials or finished products, which could increase our costs and require changes to our business.

If shipping of our products is delayed or we are unable to obtain raw materials as a result of the transportation companies' failure to operate properly, geopolitical issues, acts of war, trade blockades and piracy affecting these transportation or if new and more stringent regulatory requirements are implemented affecting transportation operations or equipment, or if there are significant increases in the cost of these services or equipment, our operating revenue and profit margin could be adversely affected. In addition, increases in our transportation costs, or changes in such costs relative to transportation costs incurred by our competitors, could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business may be exposed to exchange rate fluctuations.

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuations of other currencies against the RMB. The most significant foreign currencies to which we are exposed are USD.

The currency value of RMB is affected by a variety of internal and external factors including domestic and global economy, political situation and the supply and demand balance of currency. For example, to bring down the high inflation in the United States, the US Federal Reserve raised the federal funds rate six times by a total of 375 basis points since March 2022, pushing it to a target range of 3.75% to 4.00%, which led to the depreciation of RMB against USD during the same period. The fluctuations in foreign exchange rates may in turn lead to gains or losses in the Group's lending, sales and procurement that are denominated in foreign currencies. In addition, exchange rate fluctuations will affect the price at which the Company imports raw materials from foreign countries and regions as well as the price at which the Company exports products to foreign countries and regions, and thereby may affect the Company's profitability. If the exchange rates between RMB and the other currencies fluctuate greatly in the future, it will impact the Company's results of operations.

In order to manage the foreign exchange rate risk, the Company has formulated an internal control system for forward foreign exchange sales and settlement and foreign exchange option transactions, and has formed a set of rules in relation to the tools, objectives, decision-making, and implementation of foreign exchange risk control, so as to determine the exact foreign exchange risk control measures according to the actual fluctuation of foreign exchange rate. However, if the foreign exchange rates fluctuate greatly, it may be difficult to completely eliminate the foreign exchange risk with the existing risk control measures. Meanwhile, if there is any mistake in selecting risk management tools or implementing the risk control measures, or such measures are not effectively implemented, the Company may be faced with exchange rate risks and suffer losses.

We face risks associated with the sales of our products in overseas markets, and if we are not able to effectively manage these risks, our ability to manage and grow business abroad will be limited.

A relatively small portion of our operating revenue is derived from the sales of products in overseas markets. We intend to continue exploring business opportunities in selected overseas markets. Sales to foreign countries and territories expose us to various risks, including:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations with China or other relevant countries;
- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of credit markets and other economic conditions in our overseas markets and other countries;
- changes in foreign government regulations or policies;
- dependence on foreign governments or entities controlled by foreign governments for electricity, water, transportation and other utility or infrastructure needs;
- unfamiliarity with local operating and market conditions;
- lack of understanding of local taxation, customs and other laws, regulations, standards and requirements;
- risks and uncertainty associated with using foreign agents or distributors in connection with our overseas operations and sales;
- preferential treatment or corrupt business practice;
- foreign currency controls and fluctuations;
- tax increases or adverse tax policies;
- trade barriers, such as tariffs or embargoes;
- protectionism against Chinese companies;
- competition from other international and local companies;
- adverse labor conditions or employee strikes;
- stringent environmental protection laws;

- health and safety concerns of the neighborhood;
- potential disputes with foreign partners, customers, subcontractors, suppliers or local residents or communities;
- lack of control over the settlement by foreign partners and customers;
- expropriation and nationalization of our assets in foreign countries; and
- lack of all-developed or independent legal system in overseas countries in which we have operations, which may create difficulties in the enforcement of contractual rights.

If any of the risks described above materialize, or if we are unable to manage these risks effectively, our ability to manage or grow our international business would be undermined, which may in turn adversely affect our business, financial condition, results of operations and prospects.

We are exposed to risks relating to governmental import or export controls and any sales/purchases we make to/from certain countries that are or become subject to sanctions.

We import raw materials and export our products to overseas. Therefore, our raw materials and products may be subject to governmental import and export controls, including from China and overseas. These countries have different legal frameworks and government policies. There is no assurance that governments in the countries where we sourced our raw materials from or sold our products to will not adopt policies detrimental to the relationships with the PRC in the future. Governmental regulations on the import or export of our raw materials and products, or our failure to obtain any required import or export authorization for our raw materials and products, if any, may harm our business and adversely affect our operating income. Compliance with applicable regulatory requirements regarding the export of our products may create delays in the introduction of our products in international markets or, in some cases, prevent the export of our products to some countries altogether. Moreover, any new import or export restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, could result in increased operating costs, or our decreased ability to import feedstock from existing or potential international suppliers, or export our products to existing or potential international customers, which could adversely affect our business, results of operations, financial condition and prospects. For instance, the United States has adopted a series of trade protection measures against China since 2018. If the international trade disputes cannot be properly settled, the macroeconomy including our upstream and downstream industries may be negatively impacted, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, the United States and other jurisdictions or organizations, including the European Union and the United Nations, have, through executive order, legislation or other governmental means, implemented measures that impose economic sanctions against certain countries or against targeted industry sectors, groups of companies or persons and/or organizations within such countries. If we fail to comply with such economic sanctions, we may be fined or subject to other penalties, including a denial of certain export privileges. Furthermore, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of United States, the European Union, the United Nations or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanction designation of our Group.

If we are unable to attract and retain qualified personnel and skilled employees, we may be unable to operate efficiently, which could adversely affect our results of operations.

Our ability to operate our production complex and manage our business is dependent on our ability to attract and retain qualified personnel, including specialist engineers and operators, technicians, and key management positions. Increase in the demand for qualified personnel in the markets in which we operate may result in us being unable to hire and retain a sufficient skilled labor force necessary to support our operating requirements and growth strategy. Our labor expenses may increase as a result of a shortage in the supply of skilled personnel and we may also be forced to incur significant training expenses if we are unable to hire employees with the requisite skills. Additionally, our businesses are managed by a number of key executive and operational officers and are dependent upon retaining and recruiting qualified management. Labor shortages, increased labor or training costs, or the loss of key personnel could materially adversely affect our business, results of operations, financial condition and prospects.

We rely on the proper functioning of our information technology and data processing systems that require regular upgrade and replacement, and a larger-scale malfunction could adversely impact the efficiency of our production and management.

The Group relies primarily on globally and locally functioning information technology systems across its operations, including for management, supply chain and financial information and various other processes and transactions. This applies particularly to the Group's global enterprise resource planning system, which electronically captures and controls group business and financial transactions. The Group's ability to effectively manage its business depends on the security, reliability and capacity of these systems. Information technology system failures, network disruptions or breaches of security could adversely impact the efficiency of our production or shipment of products, cause material delays or cancellations of customer orders or impede the processing of transactions or reporting of financial results. An attack on or other problems with the Group's systems could also result in the disclosure of proprietary information about its business or confidential information concerning its customers or employees, which could result in significant damage to its business and its reputation.

The Group has put in place security measures designed to protect against the misappropriation or corruption of its systems, intentional or unintentional disclosure of confidential information, or disruption of its operations. However, these security measures may prove ineffective. Current employees have, and former employees may have, access to a significant amount of information regarding the Group's operations, which could be disclosed to its competitors or otherwise used to harm the business. Any breach of the Group's security measures could result in unauthorized access to and misappropriation of its information, corruption of data or disruption of operations or transactions, any of which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Group has and will continue to expend material amounts, including the dedication of personnel, to upgrade and maintain its information technology systems to protect against threatened or actual security breaches. In addition, the Group could be required to expend significant amounts to respond to unanticipated information technology issues. The Group may not have been able and may not be able to effectively implement measures that will protect against all of the significant risks to its information technology systems. Failure to implement these measures that could protect against all significant risks could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Failure to protect our intellectual property rights, trade secrets and unpatented proprietary know-how could impair our competitiveness and impede our business and future prospects.

The Group's success depends to a significant degree upon its ability to protect, preserve and enforce its intellectual property and other proprietary information. However, the Group may be unable to prevent third parties from using its intellectual property and other proprietary information without its authorization or independently developing intellectual property that is similar to or competes with the Group's, particularly in those countries where the laws do not protect proprietary rights to the same degree as in China. Any inability by the Group to effectively prevent the unauthorized use of its intellectual property and other proprietary information by others could reduce or eliminate any competitive advantage it has developed, cause it to lose sales or otherwise harm its business. If it becomes necessary for the Group to initiate litigation to protect its proprietary rights, any proceedings could be burdensome and costly, and the Group may not prevail.

The Group maintains its trade secrets and proprietary information through confidentiality agreements and other arrangements with its employees, contractors, developers, joint venture partners and customers, but the Group's confidentiality agreements and other arrangements could be breached and may not prevent its trade secrets and other proprietary information from being misappropriated by others. While a presumption of validity exists with respect to patents issued to the Group in various jurisdictions, there can be no assurance that any of its patents will not be challenged, invalidated, circumvented or rendered unenforceable. Third parties may infringe on the Group's patents or other intellectual property rights, and the Group may not be able to stop any such infringement. Furthermore, if any pending patent application filed by the Group does not result in an issued patent, or if patents are issued to the Group but such patents do not provide meaningful protection of the Group's intellectual property, then its ability to compete may be materially adversely affected. The Group may have to rely on judicial enforcement of its patents and other proprietary rights. The Group may not be able to effectively protect its intellectual property rights from misappropriation or infringement in countries where effective patent, trademark, trade secret and other intellectual property laws and judicial systems may be unavailable, or may not protect its proprietary rights to the same extent as Chinese law. Furthermore, the Group may not be aware of infringement or misappropriation of the Group's intellectual property rights or may in certain cases decide not to enforce them due to the prohibitive costs associated with their enforcement. Even if the Group enforces its rights proactively, injunctions, fines and other penalties may be insufficient to deter violation of the Group's intellectual property rights. Additionally, our competitors or other third parties may obtain patents that restrict or preclude our ability to lawfully produce or sell our products in a competitive manner, which could have a material adverse effect on our business, results of operations, financial condition and liquidity.

The Group also relies upon trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes core technology and key customer information. Although we enter into confidentiality agreements with our employees and consultants upon the commencement of an employment or consulting relationship, there can be no assurance that they will not be breached. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business. In addition, our competitors may come to know about or obtain our trade secrets and other proprietary information through a variety of methods. Disputes may arise concerning our trade secrets or the applicability or enforceability of our confidentiality agreements, and there can be no assurance that any such disputes would be resolved in our favor. Any failure to protect our material intellectual property or unauthorized disclosure of our trade secrets or other unpatented proprietary know-how could impair our competitiveness and harm our business and future prospects.

The Group has obtained or applied for trademarks on various brand names. It is possible that the Group's applications may be denied and it may be unable to register trademarks in other jurisdictions in which it operates or to renew the registrations of its trademarks. Furthermore, there is no assurance that the registration of trademarks can completely protect the Group against any infringement or keep it away from any potential challenges raised by the Group's competitors.

Cyber-attacks or security breaches could compromise confidential, business critical information or cause a disruption in the Group's operations. The Group has attractive information assets, including intellectual property, proprietary know-how, trade secrets and other sensitive, business critical information. While the Group has a cyber-security program that is continuously reviewed, maintained and upgraded, and an awareness program, a significant cyber-attack could result in the loss of critical business information and could negatively impact operations, which could have a negative impact on the Group's financial results.

The failure of the Group's patents or confidentiality agreements to protect its processes, product know-how, apparatuses, technology, trade secrets or proprietary know-how or the failure of adequate legal remedies for related actions could materially adversely affect the Group's business, financial condition, results of operations and prospects.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to lose significant rights and pay substantial damages.

Our continued success depends on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to our products and other technologies involve complex scientific, legal and factual questions and analyses and, therefore, may be highly uncertain.

Although we are currently not aware of any parties pursuing or intending to pursue infringement claims against us, there can be no assurance that we will not be subject to such claims in the future. Moreover, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, products or processes.

The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution, as well as diversion of our management's attention. The occurrence of any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

We may fail to obtain, renew or maintain the necessary approvals, licenses and permits for our operations, and may experience delays in obtaining the relevant PRC governmental approvals, licenses or permits for our new construction/expansion projects.

Our operations are governed by applicable laws and regulations in the aspects of production safety, product quality and environmental protection, among other things. Compliance with these laws and regulations can be difficult and costly. New laws or regulations or changes to laws and regulations can impose additional compliance costs, reduce our operating revenue, require us to change our operations to ensure compliance or otherwise harm our business.

We are required to hold several approvals, licenses and permits in connection with our business operations. Our business is subject to governmental supervision and regulation by relevant PRC governmental authorities, which promulgate and enforce regulations that may affect our operations, including the scope of permissible business activities, licenses and permits for various business activities, and overseas investment. However, the industries in which we operate are still evolving, and laws and regulations may be interpreted and implemented adversely to us or new laws and regulations may be adopted from time to time that require additional approvals, licenses and permits. Any failure by us to obtain the necessary approvals, licenses and permits, or renew the same or otherwise maintain all approvals, licenses and permits required for our operations at any time could disrupt our business, which could have a material adverse effect on our business, financial condition and results of operations.

For our new construction/expansion projects, we are required to obtain various approvals, permits, licenses and certificates throughout multiple stages. Generally, such approvals, licenses, permits or certificates are only issued or renewed after certain conditions have been satisfied. There can be no assurance that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining, or result in our failure to obtain, the required approvals, permits, licenses and certificates. In the event that we encounter significant delays or failure in obtaining or renewing, the necessary approvals, permits, licenses and certificates for any of our new construction/expansion projects, we will not be able to continue with our development plans, and our business, financial condition, results of operations and prospects may be adversely affected.

In the event that we do not obtain the necessary approvals, permits, licenses and certificates for construction but continue to construct and/or put it into use, we may be subject to certain fines, penalties, demolish order, suspension from using and other rectification orders, and our right to use these buildings may be limited or challenged by the relevant government authorities or third parties, which in turn, adversely affect our business, financial condition, results of operations and prospects.

We may not be able to obtain, maintain and renew land use rights for certain of our properties in a timely manner or at all, and may be subject to risks relating to leased properties.

All land in the PRC (also the "**State**") is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas is state-owned, and all land in the rural or suburban areas including land for houses and private plots in fields and on hillsides are, unless otherwise prescribed by the state, collectively-owned. Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold and develop land for which they are granted or allocated land use rights. There are different maximum periods of grant for different uses of land. For example, the maximum period for land for industrial use is 50 years. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

As of the date of this Prospectus, we had not obtained title certificates for certain parcels of land and properties which are considered immaterial in terms of gross site area of all of our land or gross floor area of all of our properties, where appropriate. In addition, certain lessors had not provided us with valid property ownership certificates or other similar proofs of certain leased properties. If the lessors are not entitled to lease the properties to us, we could be required to vacate the properties. There can be no assurance that our business and operations will not be adversely affected as a result.

Meanwhile, there can be no assurance that the Group will be able to renew its land use rights on commercially acceptable terms, or at all. If we are unable to renew the land use rights, the land use rights and ownership of any buildings thereon will revert to the State without compensation, which will have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, the State has the right to expropriate or take over land in accordance with law if required for the benefit of the public. If the State determines to expropriate or take over the land where our production complexes and supporting facilities are located, our business, financial condition, results of operations and prospects will be adversely affected.

We may be involved in disputes and legal proceedings.

In the ordinary course of business, we are subject to risks relating to legal and regulatory proceedings. We may be involved in material disputes in the future, including those initiated by regulatory, competition and tax authorities as well as proceedings with competitors, suppliers, customers, employees and other parties. Our involvement in litigation and/or regulatory proceedings may result in the imposition of fines or penalties. Certain of these disputes may relate to key operational matters, such as our permits, and if determined adversely, could have a material adverse effect on our business. Furthermore, companies of the same industry like us are increasingly the target of climate change litigation, whether initiated by organizations or individuals, with may have a material adverse effect on our business. Any such disputes or legal proceedings, whether with or without merit, could be expensive and time consuming, could divert the attention of our management and, if resolved adversely to us, could harm our reputation, result in the payment of monetary damages, injunctive relief and/or increase our costs, all of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may not be able to detect or prevent fraud or other misconduct committed by our suppliers, employees, agents, customers or other third parties.

We are exposed to fraud or other misconduct committed by our suppliers. Failure of any of our suppliers to perform responsible sourcing of raw materials may lead to ethical issues relating to the social and environmental impacts of the extraction and processing of raw materials in the supply chain and subject us to potentially severe reputational risk and loss of major customers.

Furthermore, we are also exposed to fraud or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, any major interruptions to or failures in these third-parties' services could prevent the timely and successful delivery of relevant products. These interruptions may be due to unforeseen events that are beyond our control or the control of these third-party companies, such as inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. If our products are not delivered on time or are delivered in a damaged state, our customers may have less confidence in our products and may not order from us again. As a result, we may lose such customers and our financial position and reputation could be damaged.

Our internal control system and procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be a risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position and results of operations.

If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business, our business, financial condition and results of operations could be materially and adversely affected.

As a public company, we have established a risk management and internal control system and implemented relevant policies and procedures that are designed to monitor and control potential risk exposures relevant to our business operations. Nevertheless, due to the inherent limitations in the design and implementation of such system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change or extraordinary events take place. Furthermore, integration of various business operations from our completed and potential future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our internal control system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected.

Our operations and the production and handling of chemicals involve significant risks and hazards inherent to our industry.

As a company working with chemicals and hazardous substances, our operations are subject to hazards inherent in the manufacturing, transportation, storage and distribution of certain chemicals, which can be, for example, highly toxic or corrosive. These hazards include: explosions; fires; severe weather and natural disasters; train derailments, collisions, vessel groundings and other transportation and maritime incidents; leaks and ruptures involving storage tanks, pipelines and rail cars; spills, discharges and releases of toxic or hazardous substances or gases; deliberate sabotage and terrorist incidents; mechanical failures; unscheduled plant downtime; labor difficulties; and other risks. Some of these hazards can cause bodily injury and loss of life, severe damage to or destruction of property and equipment, environmental damage, and may result in suspension of operations and the imposition of civil or criminal penalties and liabilities as well as reputational damage which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Accidents involving chemical substances could result in fires, explosions, severe pollution or other catastrophic circumstances, which could cause severe injury to persons (employees or otherwise), damage to property or the environment as well as disruptions to our business and reputational damage. Such events could result in damage to production complex, equipment failures or shutdowns, civil lawsuits, criminal investigations and regulatory enforcement proceedings (including against management), all of which could lead to significant liabilities for us. Any damage to persons, equipment or property or other disruption to our ability to produce or distribute our products could result in a significant decrease in our revenue and profits and significant additional cost to replace or repair our assets, and depending on the nature of the incident we may not be fully insured, or not insured at all, all of which could result in a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, certain environmental laws applicable to us impose joint and several liabilities, without regard to fault, for clean-up costs on those who have disposed of or released hazardous substances into the environment. As a result, given the nature of our business, we may incur environmental clean-up liabilities in respect of our current or former complex, adjacent or nearby third-party facilities or offsite disposal locations. Pollution risks and related clean-up costs are often impossible to assess unless environmental audits have been performed and the extent of liability under environmental laws is clearly determinable. The costs associated with future clean-up activities that we may be required to conduct or finance may be material. Additionally, we may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

The Company has established a special health, safety and environment department being responsible for safety and environmental protection matters. Meanwhile, the Company has formulated a series of rules on safety and environmental protection and established an early warning system and emergency response system in this respect. However, we still cannot completely exclude the possibility of safety production accidents or environmental protection accidents caused by severe weather, natural disasters, personnel mistakes, equipment failures and other factors or emergencies that fail to be properly and timely handled.

We are subject to numerous environmental, health, and safety laws, regulations and permitting requirements, as well as potential environmental liabilities, which may require us to make substantial expenditures, impact our ability to export our products or adversely affect the demand of our products.

We are subject to numerous environmental, health and safety laws and regulations in the countries in which we operate and in which our products are sold, including laws and regulations relating to safety production, air emissions, wastewater discharges, solid and hazardous waste management, the use, composition, handling, distribution and transportation of hazardous materials, and the demolition of existing plant sites upon permanent closure. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. We may be subject to more stringent enforcement of existing or new environmental, health and safety laws in the future. Additionally, future environmental, health and safety laws and regulations or reinterpretation of current laws and regulations may require us to make substantial expenditures. We are not able to predict the impact of such new or amended laws or regulations or changes in the ways that such laws or regulations are administered, interpreted or enforced. Our costs to comply with, or any liabilities under, these laws and regulations could have a material adverse effect on our business, results of operations, financial condition and prospects.

During the reporting periods, the Company and its subsidiaries have received six administrative penalties for non-compliance in terms of fire safety and safety production and were fined RMB16,000 in total. As of the date of this Prospectus, we have paid the fine in full and completed the rectification. However, there can be no assurance that there will not be violations of environmental, health and safety laws, which could result in substantial penalties, civil and criminal sanctions (including regarding management), permit revocations and facility shutdowns. Besides, environmental remediation obligations can result in significant costs associated with the investigation and clean-up of contaminated land, ecosystems or water bodies, as well as claims for damage to property.

In addition, we could face claims of death or injury to persons resulting from exposure to hazardous materials or of adverse impacts on natural resources resulting from our operations. There can be no assurance that any such obligation will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Climate change concerns and impacts could cause us to incur significant operating and compliance costs.

As the international community has reached consensus on the importance and urgency of addressing climate change, the petrochemical and chemical fiber business which we operate, and the chemicals and oil and gas industry more largely, is drawing increasing concerns with respect to its contribution to global climate change in recent years. A number of international, national and regional measures to limit greenhouse gas ("**GHG**") emissions have been enacted. For instance, China, being a signatory of the Paris Agreement, has announced its ambition to hit peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. Consequently, the responsibilities of PRC companies may change following the implementation of any GHG mitigation regulations. This could include direct regulation on emissions, as well as changes to the cost of both input energy and water. Such regulations could result in, for example, increased costs to operate and maintain our manufacturing complex and/or costs to install new emission controls and administer and manage GHG emissions, and/or an increased risk in litigation in the case of non-compliance with any government directives related to the reduction of GHG emissions. These increased operating and compliance costs could adversely affect part of our business, results of operation, financial condition and cash flows.

The interests of our Group and of minority shareholders may not be aligned with those of our controlling shareholder.

Following completion of the Offering, Jiangsu Shenghong Science and Technology Co., Ltd. ("**Jiangsu Shenghong**") will continue to be our controlling shareholder. Our controlling shareholder could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including, but not limited to, mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors and other significant corporate actions. Our controlling shareholder has no obligation to consider the interests of our Company or the interests of our other shareholders. Consequently, our controlling shareholder's interests may not necessarily be in line with the best interests of our Company or the interests of our other shareholders.

If the interests of our controlling shareholder conflict with the interests of our Group and our minority shareholders, or if our controlling shareholder causes our business to pursue strategic objectives that conflict with the interests of our other shareholders, the non-controlling shareholders could be disadvantaged by the actions that our controlling shareholder chooses to cause us to pursue, and it may have a material and adverse effect on our Company's business operations and the price at which our A Shares are traded on the Shenzhen Stock Exchange.

Any preferential income tax treatment and the government grants that we enjoy may be altered or terminated.

There can be no assurance that the policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. Some of our subsidiaries enjoy certain preferential income tax treatments. For example, our PRC subsidiaries that qualify as High and New Technology Enterprises under the relevant enterprise income tax laws and regulations are entitled to a preferential enterprise income tax rate of 15% for three years. In addition, one of our subsidiaries that conducts projects on the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences is entitled to "three years of exemptions and three years of half reductions" preferential tax policy. See note 4.2.7 of "*4. Taxation*" in the Notes to the Annual Historical Financial Information to this Prospectus. We cannot assure you that our subsidiaries will continue to enjoy the aforementioned preferential income tax treatment. If any change or termination of preferential tax treatment occurs, the increase in our tax charge or any other related tax liabilities could adversely affect our results of operations and financial condition.

Besides, the government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government. In addition, the development focus of local government may shift to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future. If we are unable to receive the government grants in the future as we received at the same level during the reporting periods, our results of operations and financial condition for the period may be adversely affected.

Negative publicity may harm our business and results of operations.

We may be exposed to the risk of negative publicity and press speculation concerning our business. The development of a negative social perception for the petrochemical and chemical fiber business in general, or our processes or products in particular, or the incorrect use and handling of our products by third parties could also have a negative impact and harm on our reputation. In addition, concerns about product safety and environmental protection involving the industry or the Company specifically (including as a result of incidents involving the Company or another company in the industry) could influence public perceptions regarding our products and operations, the viability of certain products, our reputation, and the ability to attract and retain employees. Any significant damage to our reputation could cause existing customers to terminate their relationship with us or prevent us from winning new contracts. Such general concerns may also lead to the increased scrutiny of authorities and more restrictive legislation.

We are not fully insured against all potential hazards and risks incident to our business and our insurance coverage may not adequately cover all losses.

We maintain property insurance, liability insurance, freight insurance, automobile insurance, engineering insurance and machinery damage insurance, however, we are not fully insured against all potential hazards and risks incident to our business as is typical of insurance policies in our industry. If we were to incur significant liability for which we were not fully insured, it could have a material adverse effect on our business, results of operations, financial condition and prospects. We are subject to various self-retentions, deductibles and limits under our insurance policies. The policies also contain exclusions and conditions that could have a material adverse impact on our ability to receive indemnification thereunder. Our policies are generally subject to annual renewal. As a result of market conditions, our premiums, self-retentions and deductibles for certain insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. In addition, significantly increased costs could lead us to decide to reduce, or possibly eliminate, coverage.

Risks Relating to the PRC

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, financial condition and results of operations.

A majority of our assets are located in China and a majority of our operating revenue is derived from our business in China. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. In particular, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation could affect the business and economic environment, the growth of our industry and ultimately, the financial performance of our business.

In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be differentiated from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

The uncertainties amid the development process of the PRC legal system may impose adverse impact on us.

Our Company is incorporated under the laws of the PRC and our business in the PRC is governed by PRC laws. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, the judgments of PRC courts can only be cited for reference and have limited precedential value. Since the late 1970s, with the continuous and rapid development of China's economy and society in the past few decades, the PRC government has made significant progress in formulating laws and regulations on economic matters such as foreign investment, corporate organization and corporate governance, commerce, taxation and trade. Therefore, we may need to take certain corresponding measures in response to the changing regulatory requirements in order to maintain our regulatory compliance, which may incur additional costs and, if we fail to respond to changes in the regulatory environment in China in a timely manner, it may adversely affect our business and impede our ability to continue operating.

Investors may have limited recourse against us or our directors, supervisors and executive officers who reside in the PRC.

Our Company's main presence outside Switzerland may limit the legal recourse of investors against us or our directors, supervisors or executive officers. Our Company is incorporated under the laws of the PRC and a substantial majority of its assets and subsidiaries are located in the PRC. In addition, all of our Company's directors, supervisors and executive officers reside within the PRC and the assets of these directors, supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process within Switzerland or elsewhere outside the PRC upon our Company's directors, supervisors and executive officers. Moreover, the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of Switzerland or certain western countries. As a result, recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible. These limitations may deprive investors of effective legal recourse for claims related to their investments in the GDRs.

Government control of currency conversion and future movements in exchange rates may adversely affect our business, financial condition, results of operations, ability to remit dividends and prospects.

Conversion and remittance of foreign currencies are subject to the Chinese foreign exchange regulations. There can be no assurance that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may subject us to labor disputes, government investigations or require us to provide additional compensation to our employees.

Pursuant to the Labor Contract law of the PRC and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. In addition, according to the Social Insurance Law of the PRC and Regulations on Housing Fund, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance and housing fund scheme and the employers must, together with their employees or separately, pay the social insurance premiums and housing fund for such employees.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law, the Regulations on Housing Fund and other labor related regulations are still evolving. Therefore, the application of such laws and regulations may vary from region to region. There can be no assurance that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be adversely affected.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the PRC government since the 2008 global economic crisis and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our operating costs will likely increase and our profitability could be materially reduced, as there can be no assurance that we would be able to pass any cost increases onto our customers.

Risks Relating to the GDRs and the Offering

There has been no prior public trading market for the GDRs and only a limited public market for global depositary receipts listed in general, and an active trading market may not develop or be sustained in the future.

Prior to the Offering, there has been no public market for the GDRs and only a limited number of issuers with global depositary receipts have been listed and publicly traded on the SIX Swiss Exchange. There can be no assurance that an active trading market for the GDRs will develop or be sustained after the Offering or that the price at which the GDRs will trade in public markets subsequent to the Offering will not be lower than the final Offer Price. In the past, the prices of global depositary receipts offered by Chinese issuers for the first time in Switzerland and other jurisdictions have been subject to considerable fluctuations and limited liquidity that may not have reflected the business, results of operations, financial condition and prospects of these issuers, and there has often been a discount of the GDR price (taking into account of the conversion ratio) compared to the price of the underlying A Shares traded on the Shenzhen Stock Exchange. In addition, pursuant to a letter of commitment dated December 20, 2022, our controlling shareholder, Jiangsu Shenghong, along with its controlling shareholder, Jiangsu Shenghong New Materials Group Co., Ltd., has agreed to procure designated entities to place binding orders of such number of GDRs as may be purchased with US$500 million in aggregate with the Managers and procure such designated entities to purchase such number of GDRs as allocated by the Joint Global Coordinators at their discretion within these orders at the Offer Price, subject to certain conditions. If a significant part of the Offer GDRs is allocated to such designated entities, the free float of the GDRs will be limited and may lead to an illiquid market. As Jiangsu Shenghong and Jiangsu Shenghong New Materials Group Co., Ltd. have agreed that any GDRs to be purchased by such designated entities pursuant to the letter of commitment will be subject to a lock up restriction of 36 months from the First Day of Trading in accordance with the applicable law, the portion of the GDRs in free float will remain limited for a longer period and may adversely affect the ability of GDR holders to sell their GDRs. We can give no assurance that an active trading market for the GDRs will develop or, if developed, could be sustained following the closing of the Offering. If an active trading market is not developed or maintained, the liquidity and trading price of the GDRs could be adversely affected. If an active market of the GDRs fails to develop and continue after the Offering, investors may not be able to resell their GDRs at or above the Offer Price. In addition, there can be no certainty as to the basis on which market makers will provide liquidity in the secondary market, which could negatively affect the terms on which investors are able to transact in the GDRs.

The share prices of publicly traded companies and the market price of the GDRs can be highly volatile.

Investors may not be able to resell their GDRs at or above the Offer Price, or at all, as the market price of the GDRs after the Offering may be adversely affected by factors within or outside our control, including, but not limited to, variations in our results of operations, market conditions, or changes in government regulations. Market fluctuations, as well as economic conditions and geopolitical factors such as war, acts of terrorism, a pandemic or political tension, may adversely affect the market price of the GDRs. In addition, noting that the settlement of redemptions of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shenzhen Stock Exchange) may take place on either a two-trading day rolling basis or a three-trading day rolling basis (which may therefore be a slightly longer settlement cycle than the usual two-trading day rolling basis; and at times such period may be further prolonged by public holidays in relevant jurisdictions), which may cause price volatility that increases the risk of failed trades occurring. This one trading day difference is due to the requirement in China for A Shares to be pre-delivered for selling purpose and the time it takes to effect a non-trade transfer of A Shares from the Depositary to the Designated Broker before the Designated Broker can sell A Shares on the Shenzhen Stock Exchange. Therefore, investors redeeming GDRs may be subject to an additional trading day market risk in China where the relevant Designated Broker does not hold any inventory of A Shares.

Certain of the regular and ad hoc announcements will be made public by us after close of trading of the underlying A Shares on the Shenzhen Stock Exchange, but prior to commencement of trading of GDRs on SIX Swiss Exchange, and overseas investors will react first on such announcements ahead of the PRC investors and they may react in a different way than the PRC investors and accordingly the market for GDRs may become more volatile than expected.

The capital markets have experienced extreme volatility and disruption over the past few years and in particular in the past few months. In some cases, the markets have produced downward pressure on stock prices for certain issuers, seemingly without regard to those issuers' underlying financial performance or strength. Several factors could cause the market price for the GDRs to fluctuate substantially in the future, including, without limitation: (i) the liquidity of the market for the GDRs; (ii) the trading hours for the GDR at SIX Swiss Exchange; (iii) the availability of the Designated Brokers and their capacity to create and redeem the GDRs; (iv) end of the 120 days lock-up restriction for redemption of the GDRs.

Future sales of GDRs or A Shares could depress the market price of the GDRs.

Sales of substantial amounts of GDRs or A Shares (which are listed on the Shenzhen Stock Exchange) following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the GDRs.

Our ability to pay dividends in the future depends, amongst other things, on our financial performance and is therefore not guaranteed.

To the extent that we pay dividends, the distribution of dividends will be dependent upon a number of factors, including the future profit, financial position, statutory reserve requirements, the amount of distributable reserves, our available credit and general economic conditions and other factors that our Directors deem significant from time to time. Subject to the PRC Company Law, other relevant laws and regulations and the Articles of Association, where conditions for distributing cash dividends are met, we may distribute dividends principally on an annual basis based on a portion of our profits attributable to our shareholders for the relevant year, and any dividends distributed in cash shall not be less than 20% of the distributable profits realized by us for the relevant year. Also, our ability to declare and pay cash dividends on the GDRs may be restricted by, amongst other things, covenants in any credit facilities that we may enter into in the future, the recovery of any accumulated losses in the future and provisions of PRC law. Therefore, there can be no assurance that any dividend will be paid, nor can there be an assurance as to the amount, if any, which will be paid in any given year, and GDR holders may not receive any return on their investment in the GDRs unless they sell their GDRs for a price greater than that which they paid for them.

Further, as a portion of our business is undertaken through our subsidiaries, we are reliant on distributions from these companies in gathering cash flows to pay a dividend. A material decline in revenue generated by one or more of our subsidiaries or the occurrence of a material investment by us in relation to any subsidiary could prevent us from making distributions to our shareholders and GDR holders. In addition, in the event of the insolvency, bankruptcy, liquidation, dissolution or winding-up of a subsidiary, secured and unsecured creditors of the subsidiary will have the right to be paid before any distributions are made to us. These factors could have a material and adverse effect on our ability to pay dividends to our shareholders and GDR holders.

Future issues of A Shares or debt securities that are convertible into equity may dilute the holdings of our shareholders and/or GDR holders.

In order to raise funding in the future, we may issue additional A Shares, GDRs or debt securities that are convertible into equity, and the terms may include liquidation or other preferences that adversely affect the rights of GDR holders. There can be no assurance that any additional new A Shares will be issued by way of a rights issue. Holders of the GDRs may not have any pre-emptive rights with respect to any new equity issuances us. Accordingly, if and when we issue A Shares in the future, the percentage holding of a shareholder and, indirectly, a GDR holder in us (and, therefore, the economic investment made by the shareholder and, indirectly, a GDR holder) will be diluted if such shareholder or, indirectly, GDR holder, does not acquire its proportional entitlement of additional new A Shares or GDRs (as the case may be).

Following the Offering, holders of A Shares may not be able to deposit the A Shares in our GDR facility in order to receive (or sell) GDRs, and changes in regulatory policy in the PRC with respect to the placement and circulation of the A Shares outside the PRC in the form of GDRs or otherwise may negatively affect the market for the GDRs being offered.

Whenever the A Shares deposited with the Depositary against issuance of GDRs represent (or, upon accepting any additional A Shares for deposit, would represent) a percentage exceeding any limit established by any applicable law, directive, regulation or permit, or trigger any condition for the making of any filing, application, notification or registration or for obtaining any approval, license or permit under any applicable law, directive or regulation, or for taking any other action, the Depositary may close its books to deposits of additional A Shares to prevent such thresholds or limits being exceeded or conditions being satisfied and the Depositary may take such steps as it deems necessary or desirable to comply with any such law, directive or regulation or permit.

In its approval dated December 20, 2022, the CSRC stated that the number of our A Shares represented by GDRs to be offered may not exceed 434,926,886 and accordingly the total number of GDRs to be offered by our Company in the Offering may not exceed 43,492,688. The outstanding amount of the GDRs after the listing will be capped at the total amount of the GDRs actually offered, subject to adjustment in the event of certain corporate actions or change to the conversion ratio.

The liquidity of, and market for, the GDRs could be adversely affected in the event that the Depositary closes its books to deposits of additional A Shares.

Voting rights with respect to the A Shares represented by the GDRs are limited by the terms of the Deposit Agreement and the relevant requirements of the PRC laws.

The holders of the GDRs (in their capacity as GDR holders) will have no direct voting rights with respect to the A Shares represented by the GDRs. They will be able to exercise voting rights with respect to the A Shares represented by the GDRs only in accordance with the provisions of the terms and conditions of the GDRs and the relevant requirements of the laws of the PRC generally applicable to all our shareholders. See "*Terms and Conditions of the Global Depositary Receipts.*" There are, therefore, practical limitations upon the ability of the holders of the GDRs to exercise their voting rights due to the additional procedural steps involved in communicating with them.

To exercise their voting rights, the holders of the GDRs must instruct the Depositary on how to vote the A Shares represented by the GDRs they hold. Because of these additional procedural steps involving the Depositary, the process for exercising voting rights may take longer for holders of the GDRs than for holders of the A Shares, and we cannot assure the holders of the GDRs that they will receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. According to our Articles of Association, the notice period of the annual general meeting is 20 days, and the notice period of the extraordinary general meeting is 15 days. Under such short notice periods, there is a risk that holders of the GDRs may not receive voting materials in time to enable them to return voting instructions to the Depositary in a timely manner. The GDRs for which the Depositary does not receive timely, legible and clear voting instructions will not be voted and the Depositary will not exercise any discretion as to voting and will not vote or attempt to exercise the right to vote the A Shares, except pursuant to the voting instructions received from holders. However, if the Depositary receives timely voting instructions from a holder that are legible and clear but do not specify the manner in which the A Shares are to be voted, in accordance with customary market practice, the Depositary will deem such holder (unless otherwise specified in the notice distributed to holders) to have instructed the Depositary to vote in favor of the items in such voting instructions. In certain circumstances, the Depositary will represent all the A Shares underlying the GDRs regardless of voting instructions for the sole purpose of establishing a quorum at a meeting of shareholders.

The Depositary is only required to execute the voting instructions of the holders of GDRs insofar as practicable and as permitted under applicable law. Holders of GDRs (in their capacity as GDR holders) will not be able to instruct the Depositary to: (i) introduce proposals for the agenda of shareholders' meetings or request that a shareholders' meeting be called; or (ii) nominate candidates for our Board of Directors or certain other of our governance bodies. However, if holders of GDRs also hold A Shares, they may be able to introduce proposals, request that a shareholder meeting be called or nominate candidates in their capacity as shareholders if their shareholding reaches the required threshold.

GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their onshore accounts or have the underlying A Shares held on their behalf by a Designated Broker.

Foreign investors are not generally able to hold A shares in Chinese listed companies pursuant to restrictions under PRC law, subject to certain limited exemptions, such as for QFIIs and RQFIIs or under the Shenzhen Hong Kong Stock Connect Regime. In addition, pursuant to the Provisions on the Regulation of the Depositary Receipt Business under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges (《境内外证券交易所互联互通存托凭证业务监管规定》) (the "**Stock Connect Scheme**"), GDR holders will not be permitted to redeem their GDRs and directly hold the underlying A Shares in an on-shore account (such as a QFII or an RQFII account, even if they have such an account) or have the underlying A Shares held on their behalf by a Designated Broker. GDR holders that are QFIIs and RQFIIs (or are otherwise able to hold A Shares through another exemption) that wish to hold A Shares (for example, in order to exercise any of the rights that A shareholders have but which GDR holders do not), would need to sell some or all of their GDRs (either on the SIX Swiss Exchange (or another legitimate trading venue) or by redeeming their GDRs and selling the underlying A Shares on the Shenzhen Stock Exchange) and separately buy A Shares outside the Stock Connect Scheme to be held in a separate (existing or newly established) QFII, RQFII or another account.

The fungibility of the GDRs and the A Shares is dependent on the availability of Designated Brokers.

One of the features of the Stock Connect Scheme is that investors will be able to redeem their GDRs in order to sell the underlying A Shares (although, as noted above, investors will not be able to directly hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker). Pursuant to the DR Provisions, the redemption of GDRs and subsequent sale of underlying A Shares may only be facilitated by certain Designated Brokers. In Switzerland, Designated Brokers are members of the SIX Swiss Exchange (or otherwise designated by SIX Swiss Exchange) and designated by the Shenzhen Stock Exchange who hold accounts with members of the Shenzhen Stock Exchange enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to quotas imposed by relevant regulators, as described below). The Shenzhen Stock Exchange has approved four Designated Brokers under the Stock Connect Scheme to facilitate the creation and redemption of GDRs, but as of the date of this Prospectus, only two of them have been approved by the SIX Swiss Exchange.

This mechanism is intended to provide fungibility between the GDRs and the A Shares by enabling investors or their brokers to place sell or redemption orders with Designated Brokers who are able to seek the best price for the securities from either market.

The PBOC and the SAFE published the Administrative Measures on Cross-border Funds under Depositary Receipts (For Trial Implementation) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration, each Designated Broker will be subject to restrictions relating to, amongst other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market funds and treasury bills, and other securities as specifically approved by the CSRC), as well as daily inventory-related quotas on the maximum amount and value of cash and securities held by such Designated Broker and foreign exchange-related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker (which are not expected to give rise to any material risk to GDR holders).

However, there can be no guarantee that the Designated Brokers will provide liquidity between the SIX Swiss Exchange and Shenzhen Stock Exchange or that the number of Designated Brokers will increase over time, and any failure to do so may restrict the ability of GDR holders to sell their GDRs through a Designated Broker selling the underlying A Shares to investors in the PRC, thus limiting the available capital pool and, as a result, may mean that GDR holders cannot obtain the highest possible price for their GDRs. In addition, Designated Brokers will be able to set their own pricing terms and, if the number of Designated Brokers fails to increase, or decreases, over time, this may result in the fees payable to Designated Brokers becoming more expensive, potentially increasing costs for GDR holders when either buying GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs representing such A Shares or selling GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange.

GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares for a period of 120 days following the First Day of Trading on the SIX Swiss Exchange or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended and this may give rise to price risk to GDR holders.

The GDRs and A Shares are separate securities and there may be a price differential between the trading price of the GDRs on the SIX Swiss Exchange (taking into account of the conversion ratio) and the trading price of the A Shares on the Shenzhen Stock Exchange. Whilst GDR holders will not be able to redeem their GDRs and hold the underlying A Shares in their on-shore accounts or have the underlying A Shares held on their behalf by a Designated Broker, pursuant to the Stock Connect Scheme, investors will (subject to the below) be able to sell their GDRs by instructing a Designated Broker to redeem their GDRs and sell the underlying A Shares. However, in accordance with the DR Provisions which apply to the Stock Connect Scheme, GDRs subscribed for by investors in the Offering may not be redeemed within 120 days following the First Day of Trading. For this purpose, the redemption means that the GDR holders will deliver GDRs through a Designated Broker to the Depositary which will cancel the GDRs and effect a non-trade transfer of the underlying A Shares of the GDRs to the Designated Broker which will then sell the underlying A Shares on the Shenzhen Stock Exchange and repatriate the cash, less costs and applicable taxes to the GDR holders.

Trading in the A Shares on the Shenzhen Stock Exchange may also be suspended from time to time. We may apply to the Shenzhen Stock Exchange for a suspension of trading in our A Shares for a number of reasons (such as where we forecast that it would be difficult to maintain the confidentiality of any material and disclosable information, the disclosure of which would have, or already has had, a significant impact on the price of the A Shares). During the period of any such trading suspension, it is expected that trading in the GDRs on SIX Swiss Exchange will continue. However, during any such period, the redemption (or creation) of GDRs by the Depositary may be delayed or restricted. In addition, the trading price of A Shares on a trading day will be subject to a limit of 10% increase or decrease based on the closing price of the previous trading day.

This may give rise to price risk to GDR holders. To the extent that the trading price of the A Shares is higher than the trading price of the GDRs (taking into account of the conversion ratio), GDR holders may not be able to take advantage of such higher price for the 120 days following the First Day of Trading or during any period when trading in the A Shares on the Shenzhen Stock Exchange is suspended. For such period, GDR holders will not be able to sell their GDRs by instructing a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange and GDR holders will only be able to sell their GDRs through SIX Swiss Exchange or another legitimate trading venue. The DR Provisions also restrict transfers of GDRs by our controlling shareholder, actual controller or entities under their control for a period of 36 months from the First Day of Trading. On the other hand, to the extent that the trading price of the A Shares is higher than the trading price of the GDRs (taking into account of the conversion ratio) upon expiry of the 120 days following the First Day of Trading, a significant number of GDR holders may wish to sell their GDRs by instructing a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange, in which case, the liquidity of the trading of GDRs on the SIX Swiss Exchange may be materially and adversely affected. Where the trading price of A Shares on a trading day reaches the 10% limit as discussed above, the Designated Broker may not be able to successfully buy or sell the underlying A Shares for the purpose of creation or redemption of the GDRs.

Holders of the GDRs may be subject to exchange rate risk.

The GDRs are, and any dividends to be paid in respect of them will be, denominated in USD. An investment in GDRs by an investor whose principal currency is not USD exposes the investor to foreign currency exchange rate risk. Any depreciation of the USD in relation to such foreign currency will reduce the value of the investment in the GDRs or any dividends in foreign currency terms.

Certain facts, statistics and information relating to the Group are derived from publications not independently verified by the Group, the Joint Global Coordinators, the Joint Bookrunners or their respective advisers.

Facts and statistics in this Prospectus relating to the PRC's economy and the industries in which the Group operate and information relating to the Group are derived from publicly available sources and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare an independent industry report in connection with the Offering. While the Company has taken reasonable care to ensure that the facts and statistics or information relating to the Group presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Company, the Joint Global Coordinators, the Joint Bookrunners or their respective advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

The regulatory regime of Swiss-listed GDRs is new and might change.

The regulatory regime of Swiss-listed GDRs, including the rules defining the Standard for Depository Receipts that form part of the Listing Rules, have been overhauled and recently entered into force in July 2022. The SIX Exchange Regulation may continue to amend the current regime or certain rules if it deems it necessary or appropriate based on GDRs issued previously. Changes in the regulatory regime for global depositary receipts may adversely affect the rights of the GDR holders or the price of the GDRs.

Further, the PRC law and the rules of the Shenzhen Stock Exchange are, in many aspects, different from Swiss law and the rules of SIX Exchange Regulation. We may not be able to predict every potential impact of Swiss law or the rules of SIX Exchange Regulation applicable to us accurately or at all. GDR holders may have certain obligations under the Swiss law which are otherwise not assumed by or applicable to holders of the underlying A Shares. If we fail to obtain a waiver to release us from conflicting obligations either from the competent authority in Switzerland or in the PRC, the rights of the GDR holders or the price of the GDRs may be materially and adversely affected, and we may face fines or other charges, which could adversely impact our business, financial condition and results of operations.

The Offering may not be completed for various reasons and may be terminated.

The Offering may not be completed if certain conditions as set out in the Underwriting Agreement are not fulfilled or certain representations and undertakings as set out in the Underwriting Agreement are breached, please see "*Offering and Sale—Underwriting.*" In such event, the Joint Global Coordinators, acting on behalf of the Managers, shall have the right (but not obligation) to terminate the Offering at any time until the closing date, whereupon the Offering becomes void and transactions before the closing date will not be fulfilled. In the event of such termination, investors suffering a loss have no right of compensation against the Managers or us. Moreover, the completion of the Offering is also subject to the availability of investors and their successful subscription. If there is any reason resulting in unsuccessful subscription from the investors, the offering may not be proceeded in this regard.

If the EU Commission does not grant SIX Swiss Exchange equivalence under MiFID II/MiFIR, trading of the GDRs outside of Switzerland could be impacted.

On January 3, 2018, EU Directive 2014/65/EU ("**MiFID II**") and EU Regulation No 600/2014 ("**MiFIR**") were implemented in the EU with the aim to increase market transparency. MiFIR Article 23 introduced an obligation for European investment firms to trade shares on (i) a trading venue in the EU or (ii) an equivalent third-country trading venue. Importantly, this obligation covers all equity securities (i) admitted to trading on a regulated market or traded on a trading venue in the EU (this condition captures most of the equity securities listed on SIX Swiss Exchange as such equity securities are often also admitted to trading on a regulated market or traded on a trading venue in the EU) and (ii) traded on such EU trading venues in a way that is not non-systematic, ad-hoc, irregular or infrequent. Therefore, Switzerland's stock exchanges require equivalent third-country status under MiFID II/MiFIR in order for EU trading participants to be able to directly access Swiss stock exchanges and trading venues for applicable equity securities. On June 30, 2019, the market equivalence for Switzerland's stock exchanges granted by the EU commission expired.

On June 27, 2019, the Swiss Federal Department of Finance ("**FDF**") announced that it was activating the measures adopted by the Swiss Federal Council pursuant to an ordinance enacted to protect the Swiss stock exchange infrastructure on November 30, 2018, called the "Ordinance on the Recognition of Foreign Trading Venues for the Trading of Equity Securities of Companies with Registered Office in Switzerland" (the "**Ordinance**"). As a result of these protective measures, with effect from July 1, 2019, trading venues in the EU are prohibited under Swiss law from offering or facilitating trading in equity securities (including shares) of companies (i) with registered offices in Switzerland and (ii) whose equity securities are listed on a Swiss stock exchange or are traded on a Swiss trading venue ("**Swiss issuers**").

The Ordinance introduces a recognition obligation applicable to foreign trading venues if they admit equity securities to trading or permit trading in such equity securities of Swiss issuers. According to the Ordinance, FINMA will only grant recognition to such foreign trading venues if (i) it is subject to appropriate regulation and supervision and (ii) the jurisdiction in which the foreign trading venue is registered does not restrict market participants from trading the equity securities of Swiss issuers on trading venues in Switzerland, thereby materially adversely affecting the trading in such equity securities at Swiss trading venues. If these conditions are not met, the foreign trading venue will not be granted recognition by FINMA; consequently, these venues will not be allowed to offer trading in the equity securities of Swiss issuers. On June 27, 2019, the FDF published an updated list of such jurisdictions that have not met the necessary conditions under the Ordinance. Currently, this list comprises only the member states of the EU, the result of which means that no recognition can be granted to EU trading venues effective July 1, 2019.

The intended effect of the Ordinance is that trading in the majority of equity securities of Swiss issuers will no longer occur on a regulated market or on a trading venue in the EU after June 30, 2019 (since such regulated markets or trading venues in the EU will not be granted recognition from FINMA). Thus, the share trading obligation and stock exchange equivalence of MiFIR Article 23, no longer applies to the equity securities of Swiss issuers. As a result, eligible EU market participants can continue to trade the shares of Swiss issuers on Swiss trading venues without breaching EU laws. The same would apply even if a certain trading volume with Swiss issuer equity securities remains on EU trading venues, so long as such trading occurs non-systemically, ad hoc, irregularly and infrequently. However, while the equity securities of Swiss issuers continue to trade on Swiss stock exchanges and trading venues, the volume of trading for certain equity securities of Swiss issuers on foreign trading venues (to the extent the equity securities are admitted to trading) could be impacted, which could affect the price of shares of such Swiss issuers. In addition, the Ordinance remains in effect only until December 31, 2025; thus, the long-term impact for Swiss issuers and Swiss capital markets as well remains uncertain until a solution on this topic can be reached with the EU Commission.

We believe the Offering and the listing of GDRs on SIX Swiss Exchange will help promote our internationalization strategy, accelerate the development of overseas business and fund the construction of our renewable energy materials and performance chemicals projects.

Assuming the sale of all Base GDRs at an offer price of the mid-point of the Offer Price Range, we expect to receive gross proceeds of between approximately US$529.8 million (assuming no exercise of the Upsize Option) and US$794.6 million (assuming the Upsize Option is exercised in full) and net proceeds of between approximately US$518.0 million (assuming no exercise of the Upsize Option) and US$778.3 million (assuming the Upsize Option is exercised in full), after deducting the total fees (including underwriting commissions, assuming the discretionary fee is paid in full), costs and expenses payable by us in connection with the Offering (inclusive of VAT).

We intend to use the net proceeds received from the Offering as follows:

- Approximately 35% of the net proceeds will be used for expansion of production capacity for downstream materials for renewable energy applications and other new materials, including but not limited to:

  (1) EVA and POE;

  (2) Biodegradable plastics (PBAT, PDO and PBS); and

  (3) Recycled polymer fibers;

- Approximately 25% of the net proceeds will be used to develop our integrated refinery capability including to facilitate our upstream raw materials procurement from global market;

- Approximately 20% of the net proceeds will be used to fund potential investment, merger and acquisition projects and develop administration and marketing network outside mainland China;

- Approximately 10% of the net proceeds will be used to invest in our research to advance our technology capabilities of product development; and

- Approximately 10% of the net proceeds will be used for working capital and other general corporate uses.

The foregoing use of proceeds may change in light of our evolving business needs, regulatory environment and prevailing market conditions and in a way that is consistent with our business strategies and in accordance with applicable laws. To the extent that the net proceeds from the Offering are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

GENERAL

Holders of the GDRs will be entitled to receive future dividends, including any dividends declared in respect of the financial year ending December 31, 2022 and in respect of any subsequent period, provided dividends are declared. The distribution shall be made by the Depositary to those Holders of GDRs who are Holders of record on the GDR Record Date established by the Depositary for that purpose (which shall be as close as practicable to the applicable record date for the Deposited Property (if any) set by the Company). Payments to Holders of dividends or other distributions or payments made to Holders on or in respect of the Deposited Shares will be subject to deduction of PRC and other withholding taxes, if any, at the applicable rates. For details, see "*Terms and Conditions of the Global Depositary Receipts—10. GDR Record Dates*" and "*Terms and Conditions of the Global Depositary Receipts—15. Taxation and Applicable Laws*."

DIVIDEND POLICY

We distribute dividends primarily in the form of cash, but may also distribute dividends in the form of stocks or a combination of cash and stocks. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the Board, the Supervisory Committee and the shareholders. The Board may recommend a distribution of dividends in the future after taking into account our Company's results of operations, financial condition, operating requirements, capital requirements, sustainable development, continuity and stability of our dividend policy, shareholders' interests and any other conditions that the Board may deem relevant. See "*—Legal Considerations*."

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to our Company, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that the Board of Directors may consider important.

There can be no assurance that in any given year a dividend will be proposed or declared. See "*Risk Factors—Risks Relating to the GDRs and the Offering—Our ability to pay dividends in the future depends, amongst other things, on our financial performance and is therefore not guaranteed.*" The information on our Company's policies relating to dividends constitutes forward-looking statements. Forward-looking statements are not guarantees of future financial performance and our Company's actual future dividends or capital distributions could differ materially from those expressed or implied by such forward-looking statements as a result of many factors, including those described under "*Forward-Looking Statements*" and "*Risk Factors.*"

To the extent that dividends are declared and paid in the future, holders of GDRs on the relevant record date will be entitled to receive dividends payable in respect of A Shares underlying the GDRs, subject to the terms of the Deposit Agreement. For additional information, see "*Description of Share Capital—Description of A Shares—Rights to Dividends*."

PAST DIVIDENDS

In May 2022, with respect to 5,946,509,124 A Shares, we paid cash dividends of RMB1.50 (inclusive of tax) per ten A Shares in connection with our distributable profits for the year of 2021.

In June 2021, with respect to 4,834,863,866 A Shares, we paid cash dividends of RMB1.00 (inclusive of tax) per ten A Shares in connection with our distributable profits for the year of 2020.

In May 2020, with respect to 4,029,053,222 A Shares, we paid cash dividends of RMB1.00 (inclusive of tax) per ten A Shares in connection with our distributable profits for the year of 2019.

We did not declare or pay stock dividends in connection with our distributable profits for the years of 2019, 2020 and 2021.

LEGAL CONSIDERATIONS

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit for the year/period (on an after tax basis) only after we have made the following allocations:

- recovery of accumulated losses, if any;

- allocations to the statutory common reserve equivalent to 10% of our profits for the year/period (on an after tax basis), and, except when the balance of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no further allocations to this statutory reserve will be required; and

- allocations, if any, to a discretionary reserve as approved by our shareholders in a shareholders' meeting.

The accumulated profits for distribution in the form of cash in the most recent three financial years shall be no less than 30% of the average annual distributable profits realized in the same period. In addition, if our company makes profits and the accumulated undistributed profits is a positive figure in the current year, and none of the following conditions occurs for a financial year, we shall distribute cash dividends with respect to that financial year in an aggregate amount of no less than 10% of the distributable profits realized for that year:

- the distributable profit is lower than RMB0.09 per A Share;

- we have plans for material investment or expect material cash outflows (other than cash outflows funded by proceeds from securities offerings) in the next 12 months; and

- the debt ratio of the audited consolidated financial statements for the current year is higher than 70%.

When determining profit distribution plans, our Board of Directors shall consider, among others, the nature of the industry that we operate in, our current development stage, business model and profitability, and any expected material capital expenditures. Our Board of Directors shall propose differentiated profit distribution plans based on the factors described above and in accordance with our Articles of Association. In particular:

- where we are in a mature development stage and has no plan for material capital expenditures, cash dividends shall be no less than 80% of the total dividends to be distributed;

- where we are in a mature development stage and expects material capital expenditures, cash dividends shall no less than 40% of the total dividends to be distributed;

- where we are in a growing development stage and expects material capital expenditures, cash dividends shall be no less than 20% of the total dividends to be distributed; and

- where we are in a development stage which is difficult to classify and expects material capital expenditures, the proportion of cash dividends shall be determined in accordance with aforementioned provisions.

In addition, dividends declared and paid on the GDRs if any are subject to applicable PRC taxes. For further details, see "*Tax Considerations*."

The following table sets forth certain information on the consolidated capitalization and indebtedness:

- on an actual basis for the Group as of September 30, 2022; and
- on an as-adjusted basis for the Group to give effect to the Offering receipt by the Company of the estimated net proceeds of US$518.0 million (assuming the sale of all Base GDRs at the mid-point of the Offer Price Range and no exercise of the Upsize Option) after deducting the total fees (including underwriting commissions, assuming the discretionary fee is paid in full), costs and expenses payable by the Company in connection with the Offering) (inclusive of VAT).

The following table should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated financial statements and the notes thereto, included elsewhere in this Prospectus.

	As of September 30, 2022		
	Actual	**Adjustments for the Offering**	**As Adjusted**
		(RMB in millions)	
		(unaudited)	
Total current liabilities	48,468	—	48,468
— of which guaranteed/secured	16,143	—	16,143
Total non-current liabilities	74,409	—	74,409
— of which guaranteed/secured	67,542	—	67,542
Total liabilities	**122,876**	**—**	**122,876**
Share capital	9,202	290	9,492
Other equity instrument	1,218	—	1,218
Capital reserves	13,644	3,329	16,973
Other comprehensive income	81	—	81
Special reserves	10	—	10
Surplus reserves	602	—	602
Undistributed profits	7,330	—	7,330
Total equity attributable to owners of the parent company	**32,087**	**3,619**	**35,706**
Minority equity	(1)	—	(1)
Total owners' equity	**32,086**	**3,619**	**35,705**
Total capitalization	**154,962**	**3,619**	**158,581**

As of the date of this Prospectus, there have been no changes to the information set forth in the table above, other than changes (i) as a result of ongoing normal operating activities, such as changes in cash and cash equivalents and results of operations of the Group, (ii) discussed in this Prospectus, and (iii) that would not have a material adverse effect on the Group.

The consolidated financial information presented below sets out our selected consolidated financial and other data as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. The selected consolidated income statement, consolidated statement of financial position and consolidated statement of cash flows have been derived from the consolidated historical financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. The consolidated historical financial information has been prepared in accordance with PRC GAAP. For further information, see "Presentation of Financial and Other Information."

The following selected financial data should be read in conjunction with the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," the additional financial information contained elsewhere in this Prospectus and our consolidated financial statements and, in each case, the related notes thereto contained elsewhere in this Prospectus.

Our consolidated financial statements have been restated to include the pre-acquisition results of Jiangsu Sailboat Petrochemical Co., Ltd., which we acquired effective December 31, 2021, because the transaction was between entities under common control. For details, see "Our Business—History—Key Acquisitions" and Note 2.1 to the Annual Historical Financial Information to this Prospectus.

Selected Consolidated Income Statement Data

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
	(audited)			*(unaudited)*	
Total operating revenue	**36,737**	**33,699**	**51,722**	**26,148**	**30,242**
Operating revenue	36,737	33,699	51,722	26,148	30,242
Total operating costs	**33,985**	**32,757**	**45,599**	**21,962**	**28,317**
Operating costs	31,715	31,048	43,073	20,980	26,640
Taxes and surcharges	148	145	209	83	97
Selling and distribution expenses	462	127	155	74	91
General and administrative expenses	372	366	642	214	310
Research and development expenses	240	248	427	155	240
Financial expenses	1,048	824	1,092	456	939
Add: Other income	86	155	108	50	61
Investment income/(losses)	158	137	(23)	(97)	(5)
Gains/(losses) from changes in fair value	16	(53)	20	3	(1)
Gains/(losses) from credit impairment	10	0	(14)	(19)	(38)
Losses from asset impairment	(56)	(114)	(216)	(44)	(79)
Gains/(losses) from disposal of assets	10	43	18	15	(7)
Operating profits	**2,976**	**1,110**	**6,017**	**4,095**	**1,857**
Add: Non-operating revenue	17	24	53	20	17
Less: Non-operating expenses	5	17	11	6	16
Total profits[(1)]	**2,987**	**1,117**	**6,059**	**4,109**	**1,857**
Income tax expenses	434	278	972	891	223
Net profit	**2,554**	**840**	**5,086**	**3,217**	**1,634**

(1) Total profits refer to our total profits before tax.

Selected Consolidated Statement of Financial Position Data

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
	(audited)			(unaudited)
ASSETS				
Current assets				
Cash at bank and on hand	7,437	18,557	13,398	22,578
Financing assets held for trading	952	559	142	146
Notes receivable	641	—	349	189
Accounts receivable	306	336	531	1,215
Receivables financing	329	450	78	668
Advances to suppliers	680	638	739	1,199
Other receivables	113	41	93	82
Inventories	4,078	3,911	6,086	7,423
Other current assets	615	1,170	3,602	964
Total current assets	**15,152**	**25,661**	**25,017**	**34,464**
Non-current assets				
Long-term equity investments	56	72	140	124
Other equity instrument investments	639	686	583	583
Other non-current financial assets	267	7	4	—
Investment properties	1,492	1,188	1,135	1,108
Fixed assets	26,037	26,054	31,187	37,091
Construction in progress	3,378	15,007	59,972	66,984
Right-of-use assets	—	—	1,092	1,331
Intangible assets	2,031	2,830	3,055	3,046
Goodwill	695	695	695	695
Long-term deferred expenses	1	17	20	11
Deferred income tax assets	409	465	472	531
Other non-current assets	3,560	10,650	8,629	5,368
Total non-current assets	**38,565**	**57,671**	**106,985**	**116,872**
Total assets	**53,717**	**83,332**	**132,003**	**151,336**
EQUITY AND LIABILITIES				
Current liabilities				
Short-term borrowings	6,568	9,218	11,640	21,209
Financial liabilities held for trading	1	53	4	9
Notes payable	2,682	4,633	5,793	5,226
Accounts payable	3,632	4,680	12,696	11,901
Advances from customers	645	40	34	35
Contract liabilities	—	727	884	931
Employee compensation payable	289	341	534	327
Taxes and surcharges payable	142	289	178	78
Other payables	315	996	2,583	330
Non-current liabilities maturing within one year	3,126	3,121	5,071	6,581
Other current liabilities	—	98	369	386
Total current liabilities	**17,400**	**24,195**	**39,786**	**47,013**
Non-current liabilities				
Long-term borrowings	8,712	23,151	52,374	62,623
Bonds payable	995	997	3,928	4,040
Lease liabilities	—	—	985	1,196
Long-term payables	1,512	2,248	2,692	1,394
Deferred income	1,653	2,102	2,254	2,258
Deferred income tax liabilities	353	449	542	659
Other non-current liabilities	58	44	33	29
Total non-current liabilities	**13,284**	**28,991**	**62,808**	**72,199**
Total liabilities	**30,684**	**53,186**	**102,595**	**119,211**
Owners' equity				
Share capital	7,017	7,823	8,935	9,202
Other equity instruments	—	—	1,218	1,218
Capital reserves	10,258	13,027	10,162	13,623
Other comprehensive income	110	142	62	71
Special reserves	26	37	21	10
Surplus reserves	325	371	602	602
Undistributed profits	2,889	2,640	6,615	7,400
Total equity attributable to owners of the parent company	**20,625**	**24,039**	**27,615**	**32,125**
Minority equity	2,409	6,108	1,793	(0)
Total owners' equity	**23,033**	**30,147**	**29,408**	**32,125**
Total liabilities and owners' equity	**53,717**	**83,332**	**132,003**	**151,336**

Selected Consolidated Statement of Cash Flows Data

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
	(audited)			(unaudited)	
Net cash flows from operating activities	7,221	3,982	5,334	3,413	6,110
Net cash flows from investing activities	(4,520)	(17,579)	(41,008)	(17,912)	(16,809)
Net cash flows from financing activities	(1,126)	23,134	29,412	23,668	18,812
Effects of fluctuation in exchange rate on cash and cash equivalents	(5)	(37)	8	(30)	32
Net increase/(decrease) in cash and cash equivalents	**1,570**	**9,500**	**(6,255)**	**9,140**	**8,144**
Add: beginning balance of cash and cash equivalents	4,861	6,432	15,931	15,931	9,677
Ending balance of cash and cash equivalents	**6,432**	**15,931**	**9,677**	**25,071**	**17,821**

Selected Other Financial Metrics

	As of and year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions, except percentages)				
EBITDA[1]	5,719	4,007	9,332	5,640	3,936
Adjusted EBITDA[1]	5,623	3,809	9,203	5,539	3,879
EBITDA Margin[2]	15.6%	11.9%	18.0%	21.6%	13.0%

(1) EBITDA is calculated as net profit before taxes, depreciation, amortization of intangible assets, right-of-use assets and long-term prepaid expenses, and total expenses paid for interest. On the basis of EBITDA, adjusted EBITDA further excludes the effects of other income, gains (losses) on disposal of assets and amortisation of long-term prepaid expenses. The following table sets forth a reconciliation of total profit before tax to EBITDA and adjusted EBITDA for the periods indicated:

	As of and year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
Total profit before tax	2,987	1,117	6,059	4,109	1,857
Add:					
Interest expenses	949	978	1,164	507	925
Depreciation	1,739	1,851	2,048	959	1,124
Amortization (intangible assets, right-of-use assets and long-term prepaid expenses)	43	61	61	65	30
EBITDA	**5,719**	**4,007**	**9,332**	**5,640**	**3,936**
Less:					
Other income	86	155	108	50	61
Gains/(losses) on disposal of assets	10	43	18	15	(7)
Amortisation of long-term prepaid expenses	0	–	2	35	3
Adjusted EBITDA	**5,623**	**3,809**	**9,203**	**5,539**	**3,879**

(2) EBITDA margin is calculated as EBITDA as a percentage of our total operating revenue for the year/period.

The following is a discussion and analysis of our financial condition and results of operations and should be read in conjunction with the consolidated financial statements, the accompanying notes and the description of our business included elsewhere in this Prospectus.

This discussion of our financial condition and results of operations contains forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see "Forward-Looking Statements" and "Risk Factors." In addition, certain industry issues also impact our financial condition and results of operations, as described in "Industry Overview."

OVERVIEW

We are a world-leading energy and chemical enterprise featuring vertical integration of the entire industry chain and in-depth participation in new energy and new materials businesses. We have been deeply involved in the fields of new energy and new materials, petroleum refining, and polyester chemical fiber for many years, and are equipped with diversified olefin preparation techniques. Accordingly, we have gradually established a vertically integrated chemical complex across the whole industry value chain. We are a pioneer in the rapidly rising fields of new energy and new materials. We are the largest manufacturer of solar EVA in the world and the largest manufacturer of acrylonitrile in China in terms of consolidated capacity in 2021. Our products, which have high added value and stable quality, are industry leading and widely used in PV modules, wind turbine blades, biodegradable materials, medical, electronics, automotive and other strategic industries.

KEY FACTORS AFFECTING OUR PERFORMANCE

Our results of operations and financial condition have been, and will continue to be, materially affected by a number of factors and developments, some of which are outside our control, including:

The Macroeconomic Fluctuations

Demand for our products typically depends on the level of general economic activity because renewable energy materials and performance chemicals, petrochemicals and chemical fibers are used in a wide range of industries across the economy such as textile, photovoltaic, engineering plastics, optical glass, automobile, medical and construction which are closely related to the investment demand and consumption demand and are thus exposed to the macroeconomic fluctuations. If general economic conditions are weak, demand for our products will be adversely affected. Due to the COVID-19 outbreak in early 2020 which resulted in decreased demand in our end markets, our operating revenue decreased by RMB3,038.1 million, or 8.3%, from RMB36,736.9 million in 2019 to RMB33,698.8 million in 2020, while because of the economic recovery from the COVID-19 outbreak in 2021 which led to expanded demand for our products, our operating revenue increased by RMB18,023.4 million, or 53.5%, from RMB33,698.8 million in 2020 to RMB51,722.2 million in 2021.

It is not possible to accurately predict general economic and market conditions, and other factors that may affect the operating rates and margins in the future. It is not clear if economic growth in China or globally will be as strong as it was in the past. The uncertainty as to the growth trend of international trade and the general global economic climate may have an adverse effect on our business, financial condition, results of operations and prospects.

The Evolving Laws, Regulations and Governmental Policies

The conduct of our business, including production, storage, distribution, sale, advertising, marketing, labelling, health and safety practices, transportation and use of many of our products, is subject to various laws and regulations administered by the government in countries where we sell our products. These laws and regulations and interpretations thereof may change as a result of political, economic or social events. Such changes may include changes in advertising and marketing practices, laws relating to the import of feedstock used in our products, laws relating to the import or export of our products, laws directly relating to some of our products, taxation requirements including taxes that will increase the cost of our products to our customers, competition laws, employment laws, laws regulating the price we may charge for our products, laws regulating our access to and use of water or utilities, and environmental laws including laws relating to the regulation of water rights and treatment.

New laws, regulations or governmental policies and their related interpretations, or any changes thereof, may change the environment in the markets where we conduct our business, affect demand in countries where we sell our products, and affect our operations or increase our costs or liabilities. Any material adverse change that occurs in the industry policies or industry planning in the future may result in the change of the market environment and impact the development of relevant industries, which may have an adverse impact on our business.

The Fluctuation of Prices of Commodities such as Oil, Gas and Coal

The sales prices of our products have a high degree of correlation with fluctuations in the prices of commodities such as oil, gas and coal, although often with a time delay and with different dynamics in certain regions, and are subject to product specific supply demand and trade balance. In 2021, the sales price of our products increased due to the increase in oil price, which resulted in the increase of our operating revenue by 53.5% from RMB33,698.8 million in 2020 to RMB51,722.2 million in 2021. International commodities prices have fluctuated significantly in the past and may remain volatile in the future. Prices of commodities such as oil, gas and coal are based on world supply and demand dynamics and are subject to large fluctuations in response to relatively minor changes in demand, whether as a result of market uncertainty or other factors beyond our control, including government controls, overall economic conditions, political developments, the ability of petroleum producing nations to set and maintain production levels and prices, the price and availability of other energy sources, as well as weather conditions. Commodities prices are expected to continue to be volatile in response to changes in many factors over which we have no control. It is impossible to accurately predict future commodities prices movements. There can be no assurance that these factors, in combination with others, will not result in a significant or prolonged volatility in the commodities prices. If we are not able to timely pass on any price increases to our raw materials to our customers, it could have a material and adverse effect on our business, results of operations, financial condition and prospects. Due to the fluctuation in global crude oil price during the first half of 2022, which led to increased costs of raw materials, our gross profit margin decreased from 19.8% in the six months ended June 30, 2021 to 11.9% in the same period of 2022.

Cyclical Nature of Our Industry as well as Our Customers' End Markets

Our industry is capital intensive and our operating rates and margins have historically been cyclical. Operating and profit margins are sensitive to supply and demand, both domestically and internationally. Typically, higher demand during peaks in the industry business cycle leads producers to increase their production capacity. Although peaks in the business cycle have been characterized by increased selling prices and higher operating margins, such peaks may lead to overcapacity with supply exceeding demand. Low periods during the industry business cycle are characterized by a decrease in selling prices and excess capacity, which can depress operating margins. Our historical operating results reflect the cyclical and volatile nature of our industry.

The Group's end markets are cyclical in nature; however, the level of cyclicality differs by end market and region. The level of activity in the Group's end markets is generally affected by economic developments (including GDP growth and disposable income) as well as a wide range of other factors beyond the control of the Group and its customers. Since the Group's business is characterized by high fixed costs, any material decline in demand in one of the Group's core end markets that results in falling production volumes will decrease the Group's earnings.

The COVID-19 Pandemic

The ongoing COVID-19 pandemic has materially and adversely affected the global economy since early 2020 and could have a negative impact on our business. It could affect the well-being of our employees, or otherwise impact the productivity of our employees and customers, as well as the implementation of our expansion plans. The COVID-19, as well as the restrictions imposed and actions taken by the governments and society as a whole in response to the COVID-19 pandemic, could present significant challenges and uncertainties. For instance, as an effort to halt the outbreak in China, the PRC government placed significant travel restrictions, quarantines and other measures to curtail the movement of people, goods and services. Any recurrence of the COVID-19 outbreak in China (such as the local recurrence of COVID-19 in the first half of 2022), the increased infection rate or severity of some variants of the virus (including the Delta, Omicron and other variants), or continuance of the outbreak in other parts of the world could adversely impact our business operations or the business operations of our suppliers and customers, thus in turn having an adverse impact on our business, results of operations and financial condition. See "*Risk Factors—Risks Relating to Our Business and Industry—Natural disasters or health epidemics or pandemics, such as the current COVID-19 pandemic, acts of war or terrorism, or other catastrophic events may disrupt our operations, decrease the demand for our products or otherwise have an adverse impact on our business*."

Preparation of the Consolidated Financial Statements

Our consolidated financial information in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 has been prepared in accordance with PRC GAAP. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at their fair value. The consolidated financial statements are presented in Renminbi.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Where the Group has control over an investee, it is classified as a subsidiary. Control is achieved when the Group has power over the investee, is exposed to variable returns from the investee, and has the ability to affect those variable returns through its power over the investee. All material intra-group transactions and balances have been eliminated on consolidation.

RESULTS OF OPERATIONS

The table below summarizes our results of operations for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019[1]	2020[1]	2021	2021[1]	2022
	(RMB in millions)				
	(audited)			(unaudited)	
Total operating revenue	**36,736.9**	**33,698.8**	**51,722.2**	**26,148.5**	**30,242.1**
Operating revenue	36,736.9	33,698.8	51,722.2	26,148.5	30,242.1
Total operating costs	**33,985.1**	**32,757.0**	**45,599.3**	**21,961.9**	**28,317.0**
Operating costs	31,715.1	31,047.6	43,073.2	20,980.3	26,640.5
Taxes and surcharges	147.7	144.7	209.4	83.0	96.8
Selling and distribution expenses	462.2	127.2	155.4	73.9	91.2
General and administrative expenses	372.1	365.6	642.3	213.7	309.9
Research and development expenses	239.9	247.7	427.2	154.8	240.2
Financial expenses	1,048.2	824.3	1,091.8	456.2	938.5
Add: Other income	86.1	155.3	108.3	50.3	61.4
Investment income/(losses)	157.8	136.9	(22.8)	(97.4)	(4.6)
Gains/(losses) from changes in fair value	15.9	(52.9)	19.6	3.3	(0.5)
Gains/(losses) from credit impairment	10.2	0.4	(13.8)	(19.2)	(38.4)
Losses from asset impairment	(55.6)	(114.2)	(215.7)	(43.7)	(78.8)
Gains/(losses) from disposal of assets	9.5	43.1	18.3	15.4	(7.2)
Operating profits	**2,975.7**	**1,110.4**	**6,016.8**	**4,095.3**	**1,857.0**
Add: Non-operating revenue	17.0	24.1	52.9	19.6	16.6
Less: Non-operating expenses	5.5	17.0	10.9	6.2	16.4
Total profits[2]	**2,987.3**	**1,117.5**	**6,058.7**	**4,108.6**	**1,857.2**
Income tax expenses	433.5	277.7	972.5	891.5	223.3
Net profit	**2,553.7**	**839.7**	**5,086.2**	**3,217.1**	**1,634.0**

(1) Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Sailboat which we acquired effective December 31, 2021, because the transaction was between entities under common control. For details, see "*Our Business—History—Key Acquisitions*" and Note 2.1 to the Annual Historical Financial Information to this Prospectus.

(2) Total profits refer to our total profits before tax.

DESCRIPTION OF KEY LINE ITEMS IN THE CONSOLIDATED STATEMENTS

Operating Revenue

We derive a majority of our operating revenue from primary business which mainly consist of sales of renewable energy materials and performance chemicals, petrochemicals and chemical fibers. The following table sets forth a breakdown of our operating revenue by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue
	(RMB in millions, except percentages)									
	(Audited)						(Unaudited)			
Primary business[1]	35,310.1	96.1	28,753.1	85.3	44,879.5	86.8	23,016.4	88.0	26,769.2	88.5
Other business[2]	1,426.8	3.9	4,945.7	14.7	6,842.7	13.2	3,132.1	12.0	3,472.9	11.5
Total	**36,736.9**	**100.0**	**33,698.8**	**100.0**	**51,722.2**	**100.0**	**26,148.5**	**100.0**	**30,242.1**	**100.0**

(1) Primarily consists of operating revenue generated from sales of renewable energy materials and performance chemicals, petrochemicals and chemical fibers.

(2) Primarily consists of operating revenue generated from raw materials trade, rental of premises for business use and provision of thermal power, steam and hydropower.

The following table sets forth a breakdown of our operating revenue by product for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue
	(RMB in millions, except percentages)									
	(Audited)						(Unaudited)			
Renewable energy materials and performance chemicals	11,556.8	31.5	10,744.0	31.9	17,514.0	33.9	9,515.6	36.4	10,986.5	36.3
Petrochemicals	5,443.3	14.8	7,241.8	21.5	12,855.4	24.9	6,762.6	25.9	8,856.9	29.3
Chemical fibers	18,491.2	50.3	14,563.5	43.2	19,627.2	37.9	9,245.2	35.4	9,576.9	31.7
Others[1]	1,245.7	3.4	1,149.5	3.4	1,725.6	3.3	625.1	2.4	821.9	2.7
Total	**36,736.9**	**100.0**	**33,698.8**	**100.0**	**51,722.2**	**100.0**	**26,148.5**	**100.0**	**30,242.1**	**100.0**

(1) Primarily consists of operating revenue generated from rental of premises for business use and provision of thermal power, steam and hydropower.

While a majority of our operating revenue was generated from the PRC in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our overseas operating revenue continued to increase through these periods. Overseas countries from which our operating revenue was generated in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 included, among others, South Korea, Turkey, Vietnam, Pakistan, India, Egypt, Japan and Singapore. The following table sets forth a breakdown of our operating revenue by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue	Operating revenue	% of total operating revenue
	(RMB in millions, except percentages)									
	(Audited)						*(Unaudited)*			
China	34,582.8	94.1	31,488.4	93.4	46,913.4	90.7	23,097.2	88.3	25,021.7	82.7
Overseas	2,154.1	5.9	2,210.4	6.6	4,808.8	9.3	3,051.3	11.7	5,220.4	17.3
Total	**36,736.9**	**100.0**	**33,698.8**	**100.0**	**51,722.2**	**100.0**	**26,148.5**	**100.0**	**30,242.1**	**100.0**

Operating Costs

Our operating costs mainly consist of costs of raw materials, costs of energies, labor costs and others. The increase or decrease of our operating costs are generally in line with the increase or decrease of our operating revenue from period to period. The following table sets forth a breakdown of our operating costs by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Operating costs	% of total operating costs	Operating costs	% of total operating costs	Operating costs	% of total operating costs	Operating costs	% of total operating costs	Operating costs	% of total operating costs
	(RMB in millions, except percentages)									
	(Audited)						*(Unaudited)*			
Primary business(1)	30,391.9	95.8	26,224.4	84.5	36,451.2	84.6	17,981.2	85.7	23,268.4	87.3
Other business(2)	1,323.2	4.2	4,823.2	15.5	6,622.0	15.4	2,999.1	14.3	3,372.1	12.7
Total	**31,715.1**	**100.0**	**31,047.6**	**100.0**	**43,073.2**	**100.0**	**20,980.3**	**100.0**	**26,640.5**	**100.0**

(1) Consists of operating costs on production of renewable energy materials and performance chemicals, petrochemicals and chemical fibers.

(2) Primarily consists of operating costs generated from raw materials trade, rental of premises for business use and provision of thermal power, steam and hydropower.

The following table sets forth a breakdown of our operating costs by product for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Operating costs	% of total operating costs	Operating costs	% of total operating costs	Operating costs	% of total operating costs	Operating costs	% of total operating costs	Operating costs	% of total operating costs
	(RMB in millions, except percentages)									
	(Audited)						*(Unaudited)*			
Renewable energy materials and performance chemicals.	9,559.0	30.1	9,451.7	30.4	12,311.1	28.6	6,509.6	31.0	8,983.7	33.7
Petrochemicals	5,038.1	15.9	7,216.1	23.2	12,545.7	29.1	6,521.4	31.1	8,392.3	31.5
Chemical fibers	16,235.3	51.2	13,603.1	43.8	16,819.6	39.0	7,457.5	35.5	8,533.4	32.0
Others [(1)].	882.7	2.8	776.6	2.5	1,396.8	3.2	491.8	2.3	731.0	2.7
Total	**31,715.1**	**100.0**	**31,047.6**	**100.0**	**43,073.2**	**100.0**	**20,980.3**	**100.0**	**26,640.5**	**100.0**

(1) Primarily consists of operating cost on rental of premises for business use and provision of thermal power, steam and hydropower.

Gross Profit and Gross Profit Margin

Our gross profit represents our operating revenue less operating costs. Our gross profit margin is calculated by dividing our gross profit by operating revenue. The table below sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in millions, except percentages)									
	(Audited)						*(Unaudited)*			
Primary business. . .	4,918.2	13.9	2,528.7	8.8	8,428.3	18.8	5,035.2	21.9	3,500.8	13.1
Other business	103.6	7.3	122.6	2.5	220.7	3.2	132.9	4.2	100.9	2.9
Total.	**5,021.8**	**13.7**	**2,651.3**	**7.9**	**8,649.0**	**16.7**	**5,168.2**	**19.8**	**3,601.7**	**11.9**

The table below sets forth a breakdown of our gross profit and gross profit margin by product for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in millions, except percentages)									
	(Audited)						*(Unaudited)*			
Renewable energy materials and performance chemicals	1,997.9	17.3	1,292.3	12.0	5,202.9	29.7	3,006.0	31.6	2,002.8	18.2
Petrochemicals	405.2	7.4	25.7	0.4	309.7	2.4	241.2	3.6	464.6	5.2
Chemical fibers	2,255.9	12.2	960.4	6.6	2,807.6	14.3	1,787.7	19.3	1,043.5	10.9
Others	363.0	29.1	372.9	32.4	328.8	19.1	133.3	21.3	90.9	11.1
Total	**5,021.8**	**13.7**	**2,651.2**	**7.9**	**8,649.0**	**16.7**	**5,168.2**	**19.8**	**3,601.6**	**11.9**

Taxes and Surcharges

Our taxes and surcharges mainly represent urban maintenance and construction tax, education surtax, real estate tax, land use tax, stamp duty, environmental protection tax and land value increment tax. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our taxes and surcharges amounted to RMB147.7 million, RMB144.7 million, RMB209.4 million, RMB83.0 million and RMB96.8 million, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses mainly include employee compensation, warehousing expenses and freight. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our selling and distribution expenses amounted to RMB462.2 million, RMB127.2 million, RMB155.4 million, RMB73.9 million and RMB91.2 million, respectively. The table below sets forth a breakdown of our selling and distribution expenses by nature for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Selling and distribution expenses	% of total selling and distribution expenses	Selling and distribution expenses	% of total selling and distribution expenses	Selling and distribution expenses	% of total selling and distribution expenses	Selling and distribution expenses	% of total selling and distribution expenses	Selling and distribution expenses	% of total selling and distribution expenses
	(RMB in millions, except percentages)									
	(Audited)						*(Unaudited)*			
Employee compensation	49.1	10.6	54.9	43.2	75.5	48.6	29.6	40.2	36.7	40.3
Warehousing expenses	33.2	7.2	47.6	37.4	49.8	32.1	27.8	37.6	34.5	37.8
Devanning charge	5.1	1.1	6.4	5.0	5.3	3.4	6.4	8.7	4.6	5.1
Travel expenses	4.8	1.0	4.1	3.3	1.8	1.2	0.7	1.0	0.7	0.7
Freight[(1)]	354.8	76.8	—	—	—	—	—	—	—	—
Other	15.2	3.3	14.2	11.1	22.9	14.7	9.3	12.5	14.7	16.1
Total	**462.2**	**100.0**	**127.2**	**100.0**	**155.4**	**100.0**	**73.9**	**100.0**	**91.2**	**100.0**

(1) According to the Accounting Standards for Business Enterprises No. 14—Revenue amended by the Ministry of Finance of the PRC in 2017 and adopted by the Company on January 1, 2020, our freight which used to be recorded as selling and distribution expenses was reclassified as operating costs since 2020.

General and Administrative Expenses

Our general and administrative expenses mainly include employee compensation, consulting service fees and depreciation and amortization. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our general and administrative expenses amounted to RMB372.1 million, RMB365.6 million, RMB642.3 million, RMB213.7 million and RMB309.9 million, respectively. The table below sets forth a breakdown of our general and administrative expenses by nature for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	General and administrative expenses	% of total general and administrative expenses	General and administrative expenses	% of total general and administrative expenses	General and administrative expenses	% of total general and administrative expenses	General and administrative expenses	% of total general and administrative expenses	General and administrative expenses	% of total general and administrative expenses
	(RMB in millions, except percentages)									
	(Audited)						*(Unaudited)*			
Employee compensation	205.2	55.1	200.4	54.8	290.0	45.1	127.5	59.7	174.4	56.3
Expenses on shutdown and maintenance[(1)]	4.3	1.2	18.8	5.1	100.2	15.6	—	—	—	—
Consulting service fees	39.0	10.5	21.7	5.9	86.0	13.4	14.0	6.6	19.5	6.3
Depreciation and amortization	58.2	15.6	60.7	16.6	82.5	12.8	37.8	17.7	64.0	20.6
Office expenses	10.5	2.8	11.9	3.3	14.7	2.3	4.5	2.1	6.5	2.1
Water, electricity and property management expenses	10.0	2.7	11.4	3.1	12.8	2.0	5.8	2.7	7.5	2.4
Insurance expenses	5.2	1.4	4.4	1.2	5.4	0.8	2.8	1.3	3.1	1.0
Other	39.8	10.7	36.2	9.9	50.7	7.9	21.2	9.9	34.9	11.3
Total	**372.1**	**100.0**	**365.6**	**100.0**	**642.3**	**100.0**	**213.7**	**100.0**	**309.9**	**100.0**

(1) Expenses on shutdown and maintenance refer to the expenses incurred during the shutdown and maintenance of our manufacturing equipment.

Research and Development Expenses

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our research and development expenses amounted to RMB239.9 million, RMB247.7 million, RMB427.2 million, RMB154.8 million and RMB240.2 million, respectively.

Finance Expenses

Our finance expenses represent expenses related to our financing activities, which include interest expenses, partially offset by interest income, profit or loss on foreign exchange and handling fees and others. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our finance expenses amounted to RMB1,048.2 million, RMB824.3 million, RMB1,091.8 million, RMB456.2 million and RMB938.5 million, respectively. The table below sets forth a breakdown of our finance expenses by nature for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
	(Audited)			(Unaudited)	
Interest expenses	948.9	977.8	1,163.8	507.5	924.7
Less: Interest income	46.5	88.4	142.3	74.6	82.8
Profit or loss on foreign exchange	89.8	(98.9)	26.0	14.2	62.1
Handling fees and others	56.0	33.8	44.3	9.0	34.5
Total	**1,048.2**	**824.3**	**1,091.8**	**456.2**	**938.5**

Other Income

Our other income primarily includes the government grants. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our other income amounted to RMB86.1 million, RMB155.3 million, RMB108.3 million, RMB50.3 million and RMB61.4 million, respectively. The table below sets forth a breakdown of our other income by nature for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in millions)				
	(Audited)			(Unaudited)	
Government grants	85.1	154.1	107.4	49.4	59.9
Return of handling charges	1.0	1.2	0.9	0.9	1.5
Total	**86.1**	**155.3**	**108.3**	**50.3**	**61.4**

Investment Income/(Loss)

Our investment income/(loss) primarily includes long term equity investment income calculated under the equity method, investment income from disposal of financial assets and interest income from lending to subsidiaries within the original scope of consolidation. In 2019 and 2020, we recorded an investment income of RMB157.8 million and RMB136.9 million, respectively. In 2021 and the six months ended June 30, 2021 and 2022, we recorded an investment loss of RMB22.8 million, RMB97.4 million and RMB4.6 million, respectively. The table below sets forth a breakdown of our investment income/(loss) by nature for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			(RMB in millions)		
		(Audited)		*(Unaudited)*	
Long term equity investment income calculated under the equity method	5.3	24.3	12.8	0.9	(1.8)
Investment income from disposal of long-term equity investments and subsidiaries	18.1	2.1	—	—	—
Investment income from financial assets held for trading during the holding period	1.6	2.7	2.7	1.4	2.9
Interest revenue from creditor's rights investment during the holding period	—	19.3	—	—	—
Dividend revenue from other equity instrument investment during the holding period	2.7	7.4	1.3	1.3	3.8
Investment income from disposal of financial assets	82.3	81.2	(39.6)	(101.0)	(9.5)
Interest income from lending to subsidiaries within the original scope of consolidation[1]	47.7	—	—	—	—
Total	**157.8**	**136.9**	**(22.8)**	**(97.4)**	**(4.6)**

(1) Interest income from lending to subsidiaries within the original scope of consolidation refers to the interest income from the lending provided by the Company to a company which used to be our subsidiary but was subsequently disposed by us in 2019.

Gains/(Losses) from Changes in Fair Value

Our gains/(losses) from changes in fair value primarily include financial assets held for trading, financial liabilities held for trading and other non-current financial assets. In 2019, 2021 and the six months ended June 30, 2021, we recorded gains from changes in fair value of RMB15.9 million, RMB19.6 million and RMB3.3 million, respectively. In 2020 and the six months ended June 30, 2022, we recorded losses from changes in fair value of RMB52.9 million and RMB0.5 million, respectively.

Gains/(Losses) from Credit Impairment

Our losses from credit impairment primarily include losses on bad debts of accounts receivable and losses from bad debts of other receivables. In 2019 and 2020, our gains from credit impairment amounted to RMB10.2 million and RMB0.4 million, respectively. In 2021 and the six months ended June 30, 2021 and 2022, our losses from credit impairment amounted to RMB13.8 million, RMB19.2 million and RMB38.4 million, respectively.

Losses from Asset Impairment

We recorded certain losses from inventory devaluation and fixed assets devaluation. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our losses from asset impairment amounted to RMB55.6 million, RMB114.2 million, RMB215.7 million, RMB43.7 million and RMB78.8 million, respectively.

Gains/(Losses) from Disposal of Assets

We recorded certain gains from disposal of fixed assets, intangible assets and assets held for sale. In 2019, 2020, 2021 and the six months ended June 30, 2021, our gains from disposal of assets amounted to RMB9.5 million, RMB43.1 million, RMB18.3 million and RMB15.4 million, respectively. In the six months ended June 30, 2022, our losses from disposal of assets amounted to RMB7.2 million.

Non-operating Revenue

Our non-operating revenue primarily represents revenue from indemnity and fines, payments not required to be paid which comprised of payables waived by our suppliers, and donation received. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our non-operating revenue amounted to RMB17.0 million, RMB24.1 million, RMB52.9 million, RMB19.6 million and RMB16.6 million, respectively.

Non-operating Expenses

Our non-operating expenses mainly represent expenses on compensation, fines and overdue fines, donation expenses and losses from the damage and scrapping of non-current assets. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our non-operating expenses amounted to RMB5.5 million, RMB17.0 million, RMB10.9 million, RMB6.2 million and RMB16.4 million, respectively.

Income Tax Expenses

Our income tax expenses primarily comprise current income tax expense and deferred income tax expenses. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our income tax expenses amounted to RMB433.5 million, RMB277.7 million, RMB972.5 million, RMB891.5 million and RMB223.3 million, respectively.

RESULTS OF OPERATIONS IN THE SIX MONTHS ENDED JUNE 30, 2022 COMPARED WITH THE SIX MONTHS ENDED JUNE 30, 2021

The following discussion compares our consolidated results of operations in the six months ended June 30, 2022 with the six months ended June 30, 2021.

Operating Revenue

Our operating revenue increased by RMB4,093.6 million, or 15.7%, from RMB26,148.5 million in the six months ended June 30, 2021 to RMB30,242.1 million in the same period of 2022. The increase was mainly due to (i) an increase in operating revenue from our renewable energy materials and performance chemicals and petrochemicals; and (ii) the overseas sales which increased significantly.

Our operating revenue from sales of renewable energy materials and performance chemicals increased by RMB1,470.9 million, or 15.5%, from RMB9,515.6 million in the six months ended June 30, 2021 to RMB10,986.5 million in the same period of 2022. The increase was mainly due to the increase in the sales price and sales volume of our EVA products as a result of the increased demand driven by the development of photovoltaic industry.

Our operating revenue from sales of petrochemicals increased by RMB2,094.3 million, or 31.0%, from RMB6,762.6 million in the six months ended June 30, 2021 to RMB8,856.9 million in the same period of 2022. The increase was mainly due to a significant increase in the sales volume and sales price of our high-quality PTA product.

Our operating revenue from sales of chemical fibers increased by RMB331.7 million, or 3.6%, from RMB9,245.2 million in the six months ended June 30, 2021 to RMB9,576.9 million in the same period of 2022. The increase was mainly due to the expansion of our chemical fiber business.

Our operating revenue from other business increased by RMB196.8 million, or 31.5%, from RMB625.1 million in the six months ended June 30, 2021 to RMB821.9 million in the same period of 2022. The increase was mainly due to the increase in the revenue from rental of premises for business use and provision of thermal power.

Operating Costs

Our operating costs increased by RMB5,660.2 million, or 27.0%, from RMB20,980.3 million in the six months ended June 30, 2021 to RMB26,640.5 million in the same period of 2022. The increase was mainly due to the increase in our raw materials costs as a result of the rising global crude oil price.

Our operating costs on renewable energy materials and performance chemicals increased by RMB2,474.1 million, or 38.0%, from RMB6,509.6 million in the six months ended June 30, 2021 to RMB8,983.7 million in the same period of 2022. The increase was mainly due to the significant increase in our raw materials costs.

Our operating costs on petrochemicals increased by RMB1,870.9 million, or 28.7%, from RMB6,521.4 million in the six months ended June 30, 2021 to RMB8,392.3 million in the same period of 2022. The increase was largely reflective of our increased operating revenue.

Our operating costs on chemical fibers increased by RMB1,075.9 million, or 14.4%, from RMB7,457.5 million in the six months ended June 30, 2021 to RMB8,533.4 million in the same period of 2022. The increase was mainly due to the increase in our raw materials costs as a result of the rising global crude oil price.

Our operating costs on other business increased by RMB239.2 million, or 48.6%, from RMB491.8 million in the six months ended June 30, 2021 to RMB731.0 million in the same period of 2022. The increase was mainly due to the growth of our thermal power business and premise rental business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB1,566.5 million, or 30.3%, from RMB5,168.2 million in the six months ended June 30, 2021 to RMB3,601.6 million in the same period of 2022.

Our gross profit margin decreased from 19.8% in the six months ended June 30, 2021 to 11.9% in the same period of 2022, due to (i) increased costs of raw materials as a result of the fluctuation in global crude oil price; and (ii) rising freight costs because of the escalated COVID-19 control measures in China.

Taxes and Surcharges

Our taxes and surcharges increased by RMB13.8 million, or 16.7%, from RMB83.0 million in the six months ended June 30, 2021 to RMB96.8 million in the same period of 2022. The increase was mainly due to (i) accruals of stamp duty due to the acquisition of Sailboat; and (ii) increases in real estate tax and land use tax as a result of our business expansion.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB17.3 million, or 23.5%, from RMB73.9 million in the six months ended June 30, 2021 to RMB91.2 million in the same period of 2022. The increase was mainly due to (i) an increase in warehousing expenses resulting from expanded sales; and (ii) an increase in employee compensation resulting from our business expansion.

General and Administrative Expenses

Our general and administrative expenses increased by RMB96.2 million, or 45.0%, from RMB213.7 million in the six months ended June 30, 2021 to RMB309.9 million in the same period of 2022. The increase was mainly due to (i) an increase in employee compensation as a result of our business expansion; and (ii) an increase in depreciation amount as a result of expanded assets relating to buildings, constructions and machinery equipment.

Research and Development Expenses

Our research and development expenses increased by RMB85.3 million, or 55.1%, from RMB154.8 million in the six months ended June 30, 2021 to RMB240.2 million in the same period of 2022. The increase was mainly due to the increase in the salary expenses of our research and development staff and research materials costs.

Finance Expenses

Our finance expenses increased by RMB482.3 million, or 105.7%, from RMB456.2 million in the six months ended June 30, 2021 to RMB938.5 million in the same period of 2022. The increase was mainly due to an increase in interest expenses as a result of increased interest-bearing borrowings to facilitate our business expansion.

Other Income

Our other income increased by RMB11.2 million, or 22.2%, from RMB50.3 million in the six months ended June 30, 2021 to RMB61.4 million in the same period of 2022. The increase was mainly due to an increase in government grants we received in relation to our operations.

Investment Income/(Loss)

Our investment loss decreased by RMB92.8 million, or 95.3%, from RMB97.4 million in the six months ended June 30, 2021 to RMB4.6 million in the same period of 2022. The decrease was mainly due to an increase in investment income from disposal of financial assets because we realized investment income from disposal of certain futures.

Gains/(Losses) from Changes in Fair Value

We recorded gains from changes in fair value of RMB3.3 million in the six months ended June 30, 2021, and losses from changes in fair value of RMB0.5 million in the six months ended June 30, 2022. The change was mainly due to a decrease in the fair value of financial assets held for trading relating to (i) the changes in the fair value of our shares in Jiangsu Suzhou Rural Commercial Bank Co., Ltd. (江苏苏州农村商业银行股份有限公司); (ii) interest rates swap; (iii) currency swap; and (iv) fluctuations in the gains or losses from the petrochemical futures, which is partially offset by a decrease in the fair value of our foreign currency loans and financial liabilities held for trading as a result of fluctuations of foreign exchange rates.

Gains/(Losses) from Credit Impairment

Our losses from credit impairment increased by RMB19.2 million, or 100.1%, from RMB19.2 million in the six months ended June 30, 2021 to RMB38.4 million in the same period of 2022. The increase was mainly due to an increase in the losses on bad debts of accounts receivable and losses from bad debts of other receivables.

Losses from Asset Impairment

Our losses from asset impairment increased by RMB35.1 million, or 80.3%, from RMB43.7 million in the six months ended June 30, 2021 to RMB78.8 million in the same period of 2022. The increase was mainly due to an increase in the losses from inventory devaluation.

Gains/(Losses) from Disposal of Assets

We recorded gains from disposal of assets of RMB15.4 million in the six months ended June 30, 2021, and losses from disposal of assets of RMB7.2 million in the six months ended June 30, 2022. The change was mainly due to a decrease in the gains from disposal of fixed assets.

Non-operating Revenue

Our non-operating revenue decreased by RMB2.9 million, or 15.0%, from RMB19.6 million in the six months ended June 30, 2021 to RMB16.6 million in the same period of 2022. The decrease was mainly because Sailboat received certain indemnities from its property insurance during the six months ended June 30, 2021, but did not receive such payment during the same period of 2022.

Non-Operating Expenses

Our non-operating expenses increased by RMB10.2 million, or 162.8%, from RMB6.2 million in the six months ended June 30, 2021 to RMB16.4 million in the same period of 2022. The increase was mainly due to an increase in donation in relation to the COVID-19 pandemic.

Income Tax Expenses

Our income tax expenses decreased by RMB668.2 million, or 75.0%, from RMB891.5 million in the six months ended June 30, 2021 to RMB223.3 million in the same period of 2022. The decrease was mainly due to a decrease in the taxable income of the Group.

Net Profit

As a result of the foregoing, our net profit decreased by RMB1,583.2 million, or 49.2%, from RMB3,217.1 million in the six months ended June 30, 2021 to RMB1,634.0 million in the same period of 2022.

RESULTS OF OPERATIONS IN 2021 COMPARED WITH 2020

The following discussion compares our consolidated results of operations in 2021 with 2020.

Operating Revenue

Our operating revenue increased by RMB18,023.4 million, or 53.5%, from RMB33,698.8 million in 2020 to RMB51,722.2 million in 2021. The increase was mainly due to (i) expanded demand in our end markets as a result of the global recovery from the COVID-19 pandemic; and (ii) an increase in the sales price of our petrochemical and chemical fiber products due to the increase in crude oil price.

Our operating revenue from sales of renewable energy materials and performance chemicals increased by RMB6,770.0 million, or 63.0%, from RMB10,744.0 million in 2020 to RMB17,514.0 million in 2021. The increase was mainly due to the increase in the sales price and demand for our EVA products as a result of the booming photovoltaic industry and the market recognition of our EVA products.

Our operating revenue from sales of petrochemicals increased by RMB5,613.6 million, or 77.5%, from RMB7,241.8 million in 2020 to RMB12,855.4 million in 2021. The increase was mainly due to the increase in the sales price of our petrochemical products.

Our operating revenue from sales of chemical fibers increased by RMB5,063.7 million, or 34.8%, from RMB14,563.5 million in 2020 to RMB19,627.2 million in 2021. The increase was mainly due to the expanded demand in our textile and apparel end markets.

Our operating revenue from other business increased by RMB576.2 million, or 50.1%, from RMB1,149.4 million in 2020 to RMB1,725.6 million in 2021. The increase was mainly due to the increase in our revenue from provision of thermal power as a result of the increase in number of our customers.

Operating Costs

Our operating costs increased by RMB12,025.7 million, or 38.7%, from RMB31,047.6 million in 2020 to RMB43,073.2 million in 2021. The increase was due to (i) increased raw materials purchases as a result of our expanded sales; and (ii) the increase in the price of raw materials.

Our operating costs on renewable energy materials and performance chemicals increased by RMB2,859.4 million, or 30.3%, from RMB9,451.7 million in 2020 to RMB12,311.1 million in 2021. The increase was largely reflective of our expanded production and sales as a result of the growth of our renewable energy materials and performance chemicals business.

Our operating costs on petrochemicals increased by RMB5,329.6 million, or 73.9%, from RMB7,216.1 million in 2020 to RMB12,545.7 million in 2021. The increase was mainly due to the increase in our raw material costs and labor costs due to our expanded production.

Our operating costs on chemical fibers increased by RMB3,216.5 million, or 23.6%, from RMB13,603.1 million in 2020 to RMB16,819.6 million in 2021. The increase was mainly due to the increase in our raw material costs.

Our operating costs on other business increased by RMB620.2 million, or 79.9%, from RMB776.6 million in 2020 to RMB1,396.8 million in 2021. The increase was mainly due to the increase in our operating costs on thermal power business as a result of the increase in number of our customers.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB5,997.7 million, or 226.2%, from RMB2,651.2 million in 2020 to RMB8,649.0 million in 2021.

Our gross profit margin increased from 7.9% in 2020 to 16.7% in 2021, primarily due to (i) the economic recovery from the COVID-19 outbreak; and (ii) increased sales price of petrochemical products driven by increased crude oil price.

Taxes and Surcharges

Our taxes and surcharges increased by RMB64.7 million, or 44.7%, from RMB144.7 million in 2020 to RMB209.4 million in 2021. The increase was mainly due to increased urban maintenance and construction tax and education surtax as a result of our business expansion.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB28.2 million, or 22.2%, from RMB127.2 million in 2020 to RMB155.4 million in 2021. The increase was mainly due to an increase in employee compensation as a result of our business expansion.

General and Administrative Expenses

Our general and administrative expenses increased by RMB276.7 million, or 75.7%, from RMB365.6 million in 2020 to RMB642.3 million in 2021. The increase was mainly due to (i) an increase in the employee compensation as a result of our business expansion; (ii) an increase in the expenses on shutdown and maintenance caused by the temporary shutdown of certain facilities as a result of the power supply restrictions imposed by the government in September and October 2021; and (iii) an increase in the consulting service fees incurred by the Group's acquisition and reorganization projects.

Research and Development Expenses

Our research and development expenses increased by RMB179.5 million, or 72.5%, from RMB247.7 million in 2020 to RMB427.2 million in 2021. The increase was mainly due to the increase in the salary expenses of our research and development staff and research materials costs.

Finance Expenses

Our finance expenses increased by RMB267.5 million, or 32.5%, from RMB824.3 million in 2020 to RMB1,091.8 million in 2021. The increase was mainly due to an increase in interest expenses as a result of increased borrowings to facilitate our business expansion.

Other Income

Our other income decreased by RMB47.0 million, or 30.3%, from RMB155.3 million in 2020 to RMB108.3 million in 2021. The decrease was mainly due to a decrease in government grants we received in relation to our operations.

Investment Income/(Loss)

We recorded an investment income of RMB136.9 million in 2020 and an investment loss of RMB22.8 million in 2021. The change was mainly due to a decrease in interest income from disposal of financial assets in relation to petrochemical futures.

Gains/(Losses) from Changes in Fair Value

We recorded a loss from changes in fair value of RMB52.9 million in 2020 and a gain from changes in fair value of RMB19.6 million in 2021. This change was mainly due to a decrease in the fair value of our financial liabilities held for trading relating to our foreign currency loans as a result of fluctuations of foreign exchange rates.

Gains/(Losses) from Credit Impairment

We recorded a gain from credit impairment of RMB0.4 million in 2020 and a loss from credit impairment of RMB13.8 million in 2021. This change was mainly due to an increase in the losses on bad debts of accounts receivable and an increase in the losses from bad debts of other receivables.

Losses from Asset Impairment

Our losses from asset impairment increased by RMB101.5 million, or 88.9%, from RMB114.2 million in 2020 to RMB215.7 million in 2021. The increase was mainly due to an increase in the losses from inventory devaluation.

Gains/(Losses) from Disposal of Assets

Our gains from disposal of assets decreased by RMB24.8 million, or 57.6%, from RMB43.1 million in 2020 to RMB18.3 million in 2021. The decrease was mainly due to decrease in gains from disposal of intangible assets and gains from disposal of assets held for sale.

Non-operating Revenue

Our non-operating revenue increased by RMB28.8 million, or 119.6%, from RMB24.1 million in 2020 to RMB52.9 million in 2021. The increase was mainly due to an increase in the revenue from indemnity and fines which we received from suppliers for their breach of certain contractual obligations.

Non-Operating Expenses

Our non-operating expenses decreased by RMB6.2 million, or 36.1%, from RMB17.0 million in 2020 to RMB10.9 million in 2021. The decrease was mainly due to a decrease in losses from the damage and scrapping of non-current assets.

Income Tax Expenses

Our income tax expenses increased by RMB694.8 million, or 250.2%, from RMB277.7 million in 2020 to RMB972.5 million in 2021. The increase was mainly because an increase in the taxable income of the Group.

Net Profit

As a result of the foregoing, our net profit increased by RMB4,246.5 million, or 505.7%, from RMB839.7 million in 2020 to RMB5,086.2 million in 2021.

RESULTS OF OPERATIONS IN 2020 COMPARED WITH 2019

The following discussion compares our consolidated results of operations in 2020 with 2019.

Operating Revenue

Our operating revenue decreased by RMB3,038.1 million, or 8.3%, from RMB36,736.9 million in 2019 to RMB33,698.8 million in 2020. The decrease was mainly due to (i) decreased sales volume and selling price of our acrylonitrile products due to oversupply caused by the expansion of production by our competitors; and (ii) reduced market demand due to COVID-19 outbreak.

Our operating revenue from sales of renewable energy materials and performance chemicals decreased by RMB812.8 million, or 7.0%, from RMB11,556.8 million in 2019 to RMB10,744.0 million in 2020. The decrease was mainly due to the decreased sales volume and selling price of our acrylonitrile products as a result of (i) oversupply caused by the expansion of production by our competitors; and (ii) reduced market demand due to COVID-19 outbreak.

Our operating revenue from sales of petrochemicals increased by RMB1,798.5 million, or 33.0%, from RMB5,443.3 million in 2019 to RMB7,241.8 million in 2020. The increase was mainly due to the increase in the revenue derived from our PTA products.

Our operating revenue from sales of chemical fibers decreased by RMB3,927.6 million, or 21.2%, from RMB18,491.2 million in 2019 to RMB14,563.6 million in 2020. The decrease was mainly due to decreased demand in our end markets resulting from the impact of COVID-19 outbreak on the macroeconomics.

Our operating revenue from other business decreased by RMB96.2 million, or 7.7%, from RMB1,245.7 million in 2019 to RMB1,149.5 million in 2020. The decrease was mainly due to the decrease in the revenue derived from our thermal power business and premise rental business.

Operating Costs

Our operating costs remained relatively stable at RMB31,715.1 million in 2019 and RMB31,047.6 million in 2020.

Our operating costs on renewable energy materials and performance chemicals remained relatively stable at RMB9,559.0 million in 2019 and RMB9,451.7 million in 2020.

Our operating costs on petrochemicals increased by RMB2,178.0 million, or 43.2%, from RMB5,038.1 million in 2019 to RMB7,216.1 million in 2020. The increase was mainly due to the increasing raw materials costs as a result of the fluctuation of crude oil price.

Our operating costs on chemical fibers decreased by RMB2,632.2 million, or 16.2%, from RMB16,235.3 million in 2019 to RMB13,603.1 million in 2020. The decrease was in line with the decrease in our operating revenue as a result of the decreased demands in textile and apparel end market due to the outbreak of COVID-19 pandemic.

Our operating costs on other business decreased by RMB106.1 million, or 12.9%, from RMB882.7 million in 2019 to RMB776.6 million in 2020. The decrease was mainly due to the decrease in the revenue derived from our thermal power business and premise rental business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB2,370.6 million, or 47.2%, from RMB5,021.8 million in 2019 to RMB2,651.2 million in 2020.

Our gross profit margin decreased from 13.7% in 2019 to 7.9% in 2020, primarily due to decreased demand in our end markets resulting from the negative impact of COVID-19 outbreak on the macroeconomics, and increased costs of raw materials due to fluctuation of crude oil price.

Taxes and Surcharges

Our taxes and surcharges decreased by RMB2.9 million, or 2.0%, from RMB147.7 million in 2019 to RMB144.7 million in 2020. The decrease was mainly due to a decrease in the urban maintenance and construction tax and education surtax which is in line with the decrease in our operating revenue.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by RMB335.0 million, or 72.5%, from RMB462.2 million in 2019 to RMB127.2 million in 2020. The decrease was mainly due to the decrease in the freight as a result of the adoption of Accounting Standards for Business Enterprises No. 14—Revenue amended by the Ministry of Finance of the PRC, according to which freight which used to be recorded as selling and distribution expenses was reclassified as operating costs since 2020.

General and Administrative Expenses

Our general and administrative expenses decreased by RMB6.5 million, or 1.8%, from RMB372.1 million in 2019 to RMB365.6 million in 2020. The decrease was mainly due to a decrease in consulting service fees because of decreased use of consulting services.

Research and Development Expenses

Our research and development expenses increased by RMB7.8 million, or 3.2%, from RMB239.9 million in 2019 to RMB247.7 million in 2020. The increase was mainly due to the expansion of our business, increased investment in research and development projects and increased number of research and development staff.

Finance Expenses

Our finance expenses decreased by RMB223.9 million, or 21.4%, from RMB1,048.2 million in 2019 to RMB824.3 million in 2020. The decrease was mainly due to (i) an increase in interest income as a result of the increase in our bank deposits; (ii) the increase in gains from foreign exchange; and (iii) the decrease in handling fees.

Other Income

Our other income increased by RMB69.3 million, or 80.5%, from RMB86.1 million in 2019 to RMB155.3 million in 2020. The increase was mainly due to an increase in income-related government grants we received.

Investment Income/(Loss)

Our investment income decreased by RMB20.8 million, or 13.2%, from RMB157.8 million in 2019 to RMB136.9 million in 2020. The decrease was mainly due to a decrease in the interest income from lending to a subsidiary within the original scope of consolidation. We recorded an interest income of RMB47.7 million in 2019 from lending to a company which is originally our subsidiary and within our scope of consolidation. The decrease was partially offset by an increase in the long term equity investment income calculated under the equity method.

Gains/(Losses) from Changes in Fair Value

We recorded a gain from changes in fair value of RMB15.9 million in 2019 and a loss from changes in fair value of RMB52.9 million in 2020. This change was mainly due to an increase in financial liabilities held for trading relating to our foreign currency loans as a result of fluctuations of foreign exchange rates.

Gains/(Losses) from Credit Impairment

Our gains from credit impairment decreased by RMB9.8 million, or 96.1%, from RMB10.2 million in 2019 to RMB0.4 million in 2020. The decrease was mainly due to a decrease in the book value of other receivables and a decrease in reversal of credit impairment provision.

Losses from Asset Impairment

Our losses from assets impairment increased by RMB58.6 million, or 105.5%, from RMB55.6 million in 2019 to RMB114.2 million in 2020. The increase was mainly due to an increase in the losses from inventory devaluation.

Gains/(Losses) from Disposal of Assets

Our gain from disposal of assets increased by RMB33.6 million, or 353.0%, from RMB9.5 million in 2019 to RMB43.1 million in 2020. The increase was mainly due to increase in gains from disposal of fixed assets and gains from disposal of assets held for sale.

Non-operating Revenue

Our non-operating revenue increased by RMB7.1 million, or 41.5%, from RMB17.0 million in 2019 to RMB24.1 million in 2020. The increase was mainly due to (i) an increase in revenue from indemnity and fines received from suppliers for their breach of certain contractual obligations; and (ii) an increase in payments not required to be paid due to write-off.

Non-Operating Expenses

Our non-operating expenses increased by RMB11.6 million, or 210.2%, from RMB5.5 million in 2019 to RMB17.0 million in 2020. The increase was mainly due to an increase in losses from the damage and scrapping of non-current assets.

Income Tax Expenses

Our income tax expenses decreased by RMB155.8 million, or 35.9%, from RMB433.5 million in 2019 to RMB277.7 million in 2020. The decrease was mainly due to a decrease in the taxable income of the Group.

Net Profit

As a result of the foregoing, our net profit decreased by RMB1,714.0 million, or 67.1%, from RMB2,553.7 million in 2019 to RMB839.7 million in 2020.

SELECTED BALANCE SHEET DATA

	As of December 31,			As of June 30,
	2019[1]	2020[1]	2021	2022
		(RMB in millions)		
		(audited)		*(unaudited)*
ASSETS				
Current assets				
Cash at bank and on hand	7,437.0	18,556.7	13,398.5	22,578.3
Financing assets held for trading	952.1	558.9	141.7	146.4
Notes receivable	641.5	—	349.0	189.1
Accounts receivable	305.6	336.1	531.1	1,214.9
Receivables financing	329.3	449.7	77.7	667.8
Advances to suppliers	679.6	637.5	738.8	1,199.3
Other receivables	113.1	41.1	92.8	81.9
Inventories	4,078.3	3,910.8	6,086.0	7,422.8
Other current assets	615.2	1,170.5	3,601.8	963.7
Total current assets	**15,151.8**	**25,661.4**	**25,017.3**	**34,464.2**
Non-current assets				
Long-term equity investments	56.2	72.3	140.0	124.2
Other equity instrument investments	638.8	686.0	583.4	583.4
Other non-current financial assets	267.2	6.7	4.5	—
Investment properties	1,492.0	1,188.2	1,135.0	1,107.7
Fixed assets	26,036.6	26,054.4	31,186.6	37,090.7
Construction in progress	3,378.4	15,006.8	59,972.5	66,984.5
Right-of-use assets	—	—	1,092.1	1,331.1
Intangible assets	2,031.4	2,829.7	3,054.7	3,045.6
Goodwill	695.0	695.0	695.0	695.0
Long-term deferred expenses	0.8	16.6	20.2	10.6
Deferred income tax assets	408.5	465.0	472.4	531.1
Other non-current assets	3,560.1	10,650.3	8,629.0	5,368.3

	As of December 31,			As of June 30,
	2019[(1)]	2020[(1)]	2021	2022
	(RMB in millions)			
	(audited)			*(unaudited)*
Total non-current assets	**38,565.0**	**57,671.0**	**106,985.3**	**116,872.1**
Total assets	**53,716.8**	**83,332.4**	**132,002.5**	**151,336.3**
EQUITY AND LIABILITIES				
Current liabilities				
Short-term borrowings	6,568.3	9,218.0	11,640.2	21,208.9
Financial liabilities held for trading	0.9	53.3	3.6	9.2
Notes payable	2,682.6	4,632.9	5,793.0	5,226.3
Accounts payable	3,632.2	4,679.6	12,696.2	11,900.6
Advances from customers	645.2	40.0	34.4	35.0
Contract liabilities	—	726.6	884.4	930.8
Employee compensation payable	288.7	340.7	534.0	327.0
Taxes and surcharges payable	141.8	289.4	177.8	77.8
Other payables	314.6	996.4	2,582.7	329.7
Non-current liabilities maturing within one year	3,125.7	3,120.8	5,071.1	6,581.2
Other current liabilities	—	97.7	368.7	386.3
Total current liabilities	**17,400.0**	**24,195.2**	**39,786.1**	**47,012.8**
Non-current liabilities				
Long-term borrowings	8,712.2	23,151.2	52,373.8	62,622.8
Bonds payable	994.8	996.7	3,927.6	4,039.7
Lease liabilities	—	—	985.3	1,196.4
Long-term payables	1,512.5	2,247.8	2,691.7	1,393.8
Deferred income	1,653.0	2,102.0	2,254.3	2,257.7
Deferred income tax liabilities	353.4	448.8	542.4	659.1
Other non-current liabilities	57.6	44.0	33.3	29.1
Total non-current liabilities	**13,283.6**	**28,990.5**	**62,808.4**	**72,198.6**
Total liabilities	**30,683.6**	**53,185.8**	**102,594.5**	**119,211.5**
Owners' equity				
Share capital	7,017.5	7,823.3	8,934.9	9,201.6
Other equity instruments	—	—	1,218.4	1,218.3
Capital reserves	10,257.8	13,026.7	10,161.7	13,622.7
Other comprehensive income	109.6	141.5	61.6	70.7
Special reserves	26.4	36.5	21.0	9.7
Surplus reserves	324.6	371.2	601.6	601.6
Undistributed profits	2,888.7	2,639.8	6,615.5	7,400.4
Total equity attributable to owners of the parent company	**20,624.6**	**24,039.0**	**27,614.5**	**32,124.8**
Minority equity	2,408.6	6,107.7	1,793.5	(0.0)
Total owners' equity	**23,033.2**	**30,146.6**	**29,408.0**	**32,124.8**
Total liabilities and owners' equity	**53,716.8**	**83,332.4**	**132,002.5**	**151,336.3**

(1) Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Sailboat which we acquired effective December 31, 2021, because the transaction was between entities under common control. For details, see "*Our Business—History—Key Acquisitions*" and Note 2.1 to the Annual Historical Financial Information to this Prospectus.

DISCUSSION OF KEY BALANCE SHEET ITEMS

Cash at bank and on hand

Our cash at bank and on hand primarily consisted of cash on hand and bank deposit. We had balance of cash at bank and on hand of RMB7,437.0 million, RMB18,556.7 million, RMB13,398.5 million, and RMB22,578.3 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. The table below sets forth a breakdown of our cash at bank and on hand by nature for the periods indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
		(RMB in millions)		
		(Audited)		*(Unaudited)*
Cash on hand	0.1	0.2	0.1	0.1
Bank deposits	6,421.6	16,454.1	10,730.5	18,934.4
Other Cash at bank and on hand	1,015.3	2,091.7	2,667.5	3,643.2
Interest on outstanding time deposits	—	10.6	0.3	0.6
Total	**7,437.0**	**18,556.7**	**13,398.5**	**22,578.3**

Our cash at bank and on hand increased from RMB7,437.0 million in 2019 to RMB18,556.7 million in 2020 mainly due to increased bank borrowings and non-public issuance, decreased to RMB13,398.5 million in 2021 mainly due to the substantial increase in our cash flows used in investing activities and increased to RMB22,578.3 million as of June 30, 2022 mainly due to increased bank borrowings and non-public issuance.

Inventories

Our inventories primarily consisted of materials in transit, raw materials, goods in progress, merchandise inventories and goods despatched. We had an inventory balance of RMB4,078.3 million, RMB3,910.8 million, RMB6,086.0 million, and RMB7,422.8 million, as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. The table below sets forth a breakdown of our inventories by nature for the periods indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
		(RMB in millions)		
		(Audited)		*(Unaudited)*
Materials in transit	60.4	207.0	180.1	62.8
Raw materials	1,628.2	1,682.8	3,231.9	2,824.1
Merchandise inventories	2,097.1	1,744.8	2,250.2	4,282.1
Goods in progress	270.1	237.3	228.2	253.8
Goods dispatched	22.4	39.0	195.5	—
Others	0.1	0.0	0.0	—
Total	**4,078.3**	**3,910.8**	**6,086.0**	**7,422.8**

Our inventories remained relatively stable at RMB4,078.3 million in 2019 and RMB3,910.8 million in 2020, increased to RMB6,086.0 million in 2021 and further increased to RMB7,422.8 million as of June 30, 2022 due to the increase to our merchandise inventories.

Fixed Assets

Our fixed assets primarily consisted of buildings and constructions, machinery equipment, transportation facilities and office equipment and other facilities. We had a fixed assets balance of RMB26,036.6 million, RMB26,054.4 million, RMB31,186.6 million, and RMB37,090.7 million, as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. The table below sets forth a breakdown of our fixed assets by nature for the periods indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(Audited)		*(Unaudited)*
Buildings and constructions	8,236.1	8,268.7	9,930.7	11,123.9
Machinery equipment	17,461.8	17,429.7	20,761.0	25,096.2
Transportation facilities	28.8	31.5	56.2	55.1
Office equipment and other facilities	309.8	324.5	438.7	815.5
Total	**26,036.6**	**26,054.4**	**31,186.6**	**37,090.7**

Our fixed assets increased continuously because certain construction in progress were transferred to fixed assets upon completion such as the partial transfer of our Shenghong Project to fixed assets, the completion of our PTA production expansion project with a production capacity of 2.4 Mt/y and the partial completion of our recycled fiber project with a production capacity of 250,000 t/y.

Construction in Progress

Our construction in progress primarily consisted of construction in progress and project materials. We had a construction in progress balance of RMB3,378.4 million, RMB15,006.8 million, RMB59,972.5 million, and RMB66,984.5 million, as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. The table below sets forth a breakdown of our construction in progress by nature for the periods indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(Audited)		*(Unaudited)*
Construction in progress	3,339.9	13,922.6	56,844.8	64,102.5
Project materials	38.5	1,084.3	3,127.6	2,881.9
Total	**3,378.4**	**15,006.8**	**59,972.5**	**66,984.5**

Our continuous increase in the construction in progress was mainly due to the increase in our investment in construction projects such as the Shenghong Project, the recycled fiber project with a production capacity of 250,000 t/y and the phase I of propane industry chain project.

Accounts Receivable

We had balance of accounts receivable of RMB305.6 million, RMB336.1 million, RMB531.1 million, and RMB1,214.9 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. The continuous increase in our balance of accounts receivable was mainly due to the expansion of our sales.

Accounts Payable

We had balance of accounts payable of RMB3,632.2 million, RMB4,679.6 million, RMB12,696.2 million, and RMB11,900.6 million, as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. The continuous increase in our balance of accounts payable was mainly due to our continuous investment in constructions in progress resulting in increased balance of equipment and construction payables.

Turnover Days of Inventory, Accounts Receivable and Accounts Payable

To further assess and improve our operational performance, we also evaluate turnover days of inventory, accounts receivable and accounts payable. The table below outlines these performance indicators in 2019, 2020 and 2021 and the six months ended June 30, 2022:

	Years ended December 31,			Six months ended June 30,
	2019[4]	2020	2021	2022
Inventory turnover days[1]	N/A	46.3	41.8	45.6
Accounts receivable turnover days[2]	N/A	3.4	3.0	5.2
Accounts payable turnover days[3]	N/A	48.2	72.6	83.1

(1) Calculated as (average inventory/operating costs) times 360 days (in the case of 2020 and 2021) or 180 days (in the case of the six months ended June 30, 2022).

(2) Calculated as (average accounts receivable/revenue) times 360 days (in the case of 2020 and 2021) or 180 days (in the case of the six months ended June 30, 2022).

(3) Calculated as (average accounts payable/operating costs) times 360 days (in the case of 2020 and 2021) or 180 days (in the case of the six months ended June 30, 2022).

(4) Turnover days for the year ended December 31, 2019 were not calculated as the opening balance of inventory, accounts receivable and accounts payable for the year ended December 31, 2019 were not restated for the acquisition of Sailboat.

Our inventory turnover days decreased from 46.3 days in 2020 to 41.8 days in 2021 because we formulated reasonable production plans and enhanced the inventory management to reduce the risk of unsalable inventory, and increased to 45.6 days in the six months ended June 30, 2022 due to the increase in our merchandise inventories.

Our accounts receivable turnover days decreased from 3.4 days in 2020 to 3.0 days in 2021 due to an increase in our revenue, coupled with enhanced capability of efficiently collecting receivables, and increased to 5.2 days in the six months ended June 30, 2022 because we offered more favorable credit terms to attract customers and expand our sales.

Our accounts payable turnover days increased from 48.2 days in 2020 to 72.6 days in 2021 and further increased to 83.1 days in the six months ended June 30, 2022, mainly due to our continuous investment in constructions in progress resulting in increased balance of equipment and construction payables.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal source of liquidity has been and is expected to continue to be cash generated from operations together with available credit facilities and financing activities. Our ability to generate cash flow from operations depends on our future operating performance, which is in turn dependent on general economic, financial, competitive, market and other factors, many of which are beyond our control. See "*Risk Factors*" for a discussion of certain factors that could affect our operations.

Our liquidity requirements primarily relate to funding our working capital requirements and our capital expenditures. We believe that we have sufficient liquidity to meet our operating requirements and ongoing obligations. We had balance of cash at bank and on hand of RMB7,437.0 million, RMB18,556.7 million, RMB13,398.5 million, and RMB22,578.3 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. We continuously evaluate our liquidity and capital resources, including our access to external capital, to ensure that we can have sufficient funds to meet our short- and long-term capital requirements. We may, however, need additional cash resources in the future if we experience changes in market conditions, business operations or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash we have on hand, we may seek to issue equity or equity linked securities or obtain debt financing. The issuance and sale of additional equity would result in dilution to our shareholders. The incurrence of indebtedness would result in increased payment obligations and could result in operating covenants that would restrict our operations.

Cash Flows

The table below sets forth selected cash flow statement information from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019[(1)]	2020[(1)]	2021	2021[(1)]	2022
	(Audited)			*(Unaudited)*	
	(RMB in millions)				
Net cash flows from operating activities	7,221.1	3,982.0	5,333.7	3,412.5	6,109.8
Net cash flows from investing activities	(4,520.0)	(17,579.2)	(41,008.3)	(17,911.6)	(16,809.5)
Net cash flows from financing activities	(1,125.9)	23,134.0	29,412.1	23,668.2	18,811.7
Effects of fluctuation in exchange rate on cash and cash equivalents	(5.1)	(37.3)	7.8	(29.7)	32.4
Net increase/(decrease) in cash and cash equivalents	**1,570.2**	**9,499.5**	**(6,254.6)**	**9,139.5**	**8,144.4**
Add: beginning balance of cash and cash equivalents	4,861.5	6,431.6	15,931.1	15,931.1	9,676.5
Ending balance of cash and cash equivalents	**6,431.6**	**15,931.1**	**9,676.5**	**25,070.7**	**17,820.9**

(1) Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Sailboat which we acquired effective December 31, 2021, because the transaction was between entities under common control. For details, see "*Our Business—History—Key Acquisitions*" and Note 2.1 to the Annual Historical Financial Information to this Prospectus.

Net Cash Flows from Operating Activities

Our net cash inflows from operating activities increased by RMB2,697.3 million, or 79.0%, from RMB3,412.5 million in the six months ended June 30, 2021 to RMB6,109.8 million in the same period of 2022. The increase was primarily attributable to: (i) the increase of RMB4,246.5 million, or 1,374.5%, in refunds of taxes and surcharges from RMB309.0 million in the six months ended June 30, 2021 to RMB4,555.5 million in the same period of 2022; (ii) the increase of RMB3,611.5 million, or 13.1%, in cash received from sales of goods and rendering of services from RMB27,626.9 million in the six months ended June 30, 2021 to RMB31,238.4 million in the same period of 2022; and (iii) the increase of RMB2,653.0 million, or 96.3%, in cash received from other operating activities from RMB2,753.7 million in the six months ended June 30, 2021 to RMB5,406.7 million in the same period of 2022, partially offset by the increase of RMB7,836.3 million, or 38.9%, in cash paid for purchase of goods and receipt of services from RMB20,136.6 million in the six months ended June 30, 2021 to RMB27,972.9 million in the same period of 2022.

Our net cash inflows from operating activities increased by RMB1,351.7 million, or 33.9%, from RMB3,982.0 million in 2020 to RMB5,333.7 million in 2021. The increase was primarily attributable to (i) the increase of RMB17,788.6 million, or 48.1%, in cash received from sales of goods and rendering of services from RMB36,946.3 million in 2020 to RMB54,734.9 million in 2021; and (ii) the increase of RMB2,985.7 million, or 69.8% in cash received from other operating activities, from RMB4,275.9 million in 2020 to RMB7,261.6 million in 2021, partially offset by: (i) the increase of RMB14,298.5 million, or 48.0%, in cash paid for purchase of goods and receipt of services from RMB29,808.4 million in 2020 to RMB44,106.9 million in 2021; and (ii) the increase of RMB3,498.6 million, or 65.8%, in cash paid for other operating activities from RMB5,318.1 million in 2020 to RMB8,816.7 million in 2021.

Our net cash inflows from operating activities decreased by RMB3,239.1 million, or 44.9%, from RMB7,221.1 million in 2019 to RMB3,982.0 million in 2020. The decrease was primarily attributable to: (i) the increase of RMB2,814.6 million, or 112.4%, in cash paid for other operating activities from RMB2,503.5 million in 2019 to RMB5,318.1 million in 2020; and (ii) the decrease of RMB2,758.8 million, or 6.9%, in cash received from sales of goods and rendering of services from RMB39,705.1 million in 2019 to RMB36,946.3 million in 2020, partially offset by the decrease of RMB1,223.7 million, or 3.9%, in cash paid for purchase of goods and receipt of services from RMB31,032.1 million in 2019 to RMB29,808.4 million in 2020.

Net Cash Flows from Investing Activities

Our net cash outflow from investing activities decreased by RMB1,102.1 million, or 6.2%, from RMB17,911.6 million in the six months ended June 30, 2021 to RMB16,809.5 million in the same period of 2022. The decrease was primarily attributable to (i) the increase of RMB1,817.9 million, or 460.1%, in cash received from other investing activities from RMB395.1 million in the six months ended June 30, 2021 to RMB2,213.0 million in the same period of 2022; and (ii) the decrease of RMB3,852.7 million, or 22.3% in cash paid to acquire and construct fixed assets, intangible assets and other long term assets from RMB17,284.1 million in the six months ended June 30, 2021 to RMB13,431.4 million in the same period of 2022, partially offset by: (i) the increase of RMB3,538.0 million, in cash paid for other investing activities from nil in the six months ended June 30, 2021 to RMB3,538.0 million in the same period of 2022; and (ii) the decrease of RMB629.9 million, or 100.0%, in cash received from disinvestment from RMB630.2 million in the six months ended June 30, 2021 to RMB0.3 million in the same period of 2022.

Our net cash outflow from investing activities increased by RMB23,429.1 million, or 133.3%, from RMB17,579.2 million in 2020 to RMB41,008.3 million in 2021. The increase was primarily attributable to the increase of RMB23,099.9 million, or 124.1%, in cash paid to acquire and construct fixed assets, intangible assets and other long-term assets from RMB18,617.5 million in 2020 to RMB41,717.4 million in 2021.

Our net cash outflow from investing activities increased by RMB13,059.2 million, or 288.9%, from RMB4,520.0 million in 2019 to RMB17,579.2 million in 2020. The increase was primarily attributable to (i) the increase of RMB10,860.4 million, or 140.0%, in cash paid to acquire and construct fixed assets, intangible assets and other long-term assets from RMB7,757.1 million in 2019 to RMB18,617.5 million in 2020; (ii) the decrease of RMB5,861.7 million, or 83.6%, in cash received from other investing activities from RMB7,010.2 million in 2019 to RMB1,148.5 million in 2020; and (iii) the decrease of RMB3,169.9 million, or 70.9% in cash received from disinvestment from RMB4,473.6 million in 2019 to RMB1,303.7 million in 2020, partially offset by (i) decrease of RMB3,559.2 million, or 77.1%, in cash paid for other investing activities from RMB4,615.2 million in 2019 to RMB1,056.0 million in 2020; and (ii) decrease of RMB3,102.8 million, or 77.9%, in cash paid for investments from RMB3,981.9 million in 2019 to RMB879.1 million in 2020.

Net Cash Flows from Financing Activities

Our net cash inflows from financing activities decreased by RMB4,856.5 million, or 20.5%, from RMB23,668.2 million in the six months ended June 30, 2021 to RMB18,811.7 million in the same period of 2022. The decrease was primarily attributable to: (i) the increase of RMB4,481.1 million, or 57.3%, in cash paid for cash repayments from RMB7,821.5 million in the six months ended June 30, 2021 to RMB12,302.6 million in the same period of 2022; and (ii) the increase of RMB3,858.2 million, or 179.7%, in cash paid for other financing activities from RMB2,147.4 million in the six months ended June 30, 2021 to RMB6,005.5 million in the same period of 2022, partially offset by: (i) the increase of RMB3,781.9 million, or 13.0%, in cash received from borrowings from RMB29,126.9 million in the six months ended June 30, 2021 to RMB32,908.8 million in the same period of 2022; and (ii) the increase of RMB1,134.9 million, or 60.7%, in cash received from other financing activities from RMB1,870.0 million in the six months ended June 30, 2021 to RMB3,004.9 million in the same period of 2022.

Our net cash inflows from financing activities increased by RMB6,278.1 million, or 27.1%, from RMB23,134.0 million in 2020 to RMB29,412.1 million in 2021. The increase was primarily attributable to the increase of RMB18,873.0 million, or 55.5%, in cash received from borrowings from RMB34,005.0 million in 2020 to RMB52,878.0 million in 2021, partially offset by (i) the increase of RMB7,900.0 million, or 333.7%, in cash paid for other financing activities from RMB2,367.4 million in 2020 to RMB10,267.4 million in 2021; and (ii) the decrease of RMB7,546.6 million in cash received from absorption of investments from RMB7,546.6 million in 2020 to nil in 2021.

Our net cash flows from financing activities increased by RMB24,259.9 million from a cash outflow of RMB1,125.9 million in 2019 to a cash inflow of RMB23,134.0 million in 2020. The increase was primarily attributable to: (i) the increase of RMB20,389.0 million, or 149.7% in the cash received from borrowings from RMB13,616.0 million in 2019 to RMB34,005.0 million in 2020; and (ii) the increase of RMB6,200.0 million, or 460.4% in the cash received from absorption of investments, from RMB1,346.6 million in 2019 to RMB7,546.6 million in 2020 as a result of the increase in proceeds from non-controlling shareholders of subsidiaries, partially offset by increase of RMB3,828.4 million, or 29.6% in the cash paid for debt repayments, from RMB12,926.7 million in 2019 to RMB16,755.1 million in 2020.

CAPITAL EXPENDITURES

Our capital expenditures primarily comprise acquisition and construction of fixed assets, intangible assets and other long-term assets and capitalized interest. Our levels of capital expenditures during the periods under review reflected our expansion investments to fuel and support our expected future growth. The table below outlines our capital expenditures for the periods indicated:

	Years ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	(RMB in millions, except percentages)			
	(Audited)			*(Unaudited)*
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	7,757.1	18,617.5	41,717.4	13,431.4
Capitalized interest	74.2	325.1	1,766.2	1,257.4
Capital expenditures	**7,831.3**	**18,942.7**	**43,483.5**	**14,688.8**
Capital expenditures as% of operating revenue	21.3	56.2	84.1	48.6

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our capital expenditures were RMB7,831.3 million, RMB18,942.7 million, RMB43,483.5 million and RMB14,688.8 million, respectively, mainly related to the construction and expansion of our production sites in accordance with our investment strategies and plannings. See "*Our Business—Production*" for more details.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Contractual Obligations

The table below summarizes our outstanding contractual obligations as of June 30, 2022:

	Payments due by period		
	Total	Less than 1 year	More than 1 year
		(RMB in millions)	
Accounts payable	11,900.6	11,178.9	721.7
Advances from customers	35.0	35.0	—
Contract liabilities	930.8	930.8	—

Pledges and Guarantees

As of June 30, 2022, we entered into certain pledge and guarantee arrangements to secure some of our borrowings. For details, see note 10.5.4 to the Annual Historical Financial Information and Note 8.5.4 to the Review Report and Interim Financial Statements to this Prospectus.

Indebtedness

The table below sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of six months ended June 30,
	2019	2020	2021	2022
		(RMB in millions)		
		(Audited)		(Unaudited)
Current				
Short-term borrowings	6,568.3	9,218.0	11,640.2	21,208.9
Notes payable	2,682.6	4,632.9	5,793.0	5,226.3
Non-current liabilities maturing within one year				
Long-term borrowings	2,604.3	2,403.2	2,980.5	4,320.2
Bonds payable	–	–	998.6	999.5
Long-term payables	487.2	668.6	909.9	942.8
Lease liabilities	–	–	77.9	172.3
Interest on long-term borrowings with interest paid by installments and principal paid at maturity	19.2	34.0	81.5	95.9
Interest on bonds payable with interest paid by installments and principal paid at maturity	15.0	15.0	22.8	50.5
Other current liabilities				
Short-term bonds payable	—	—	257.7	268.3
Non-current				
Long-term borrowings	8,712.2	23,151.2	52,373.8	62,622.8
Bonds payable	994.8	996.7	3,927.6	4,039.7
Lease liabilities	—	—	985.3	1,196.4
Long-term payables	1,512.5	2,247.8	2,691.7	1,393.8
Total	**23,596.1**	**43,367.4**	**82,740.5**	**102,537.4**

The outstanding balance of our total indebtedness increased from RMB23,596.1 million as of December 31, 2019, to RMB43,367.4 million as of December 31, 2020, to RMB82,740.5 million as of December 31, 2021, and further to RMB102,537.4 million as of June 30, 2022 due to increasing financing needs as a result of our business expansion.

Our borrowings mainly comprised credit borrowings, guaranteed borrowings, mortgage borrowings and pledged borrowings, most of which were bank borrowings. All of our outstanding short-term loans will be repaid within one year, while our outstanding long-term loans mainly comprised of syndicated loan for refinery business which generally had a term of over ten years.

Our notes payable represented bank acceptance bill and commercial acceptance bill.

Our bonds payable mainly include corporate bonds and convertible corporate bonds. The following table sets forth a breakdown of our bonds payable as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in millions)			
	(Audited)			(Unaudited)
Short-term bonds payable	—	—	257.7	268.3
Bonds payable maturing within one year	—	—	998.6	999.5
Non-current bonds payable				
Corporate bonds	994.8	996.7	—	—
Convertible corporate bonds	—	—	3,927.6	4,039.7
Total	**994.8**	**996.7**	**5,183.8**	**5,307.5**

For details on the convertible corporate bonds, see "*Description of Share Capital—Capital Structure—Outstanding Bonds, Conversion and Option Rights*."

Our lease liabilities primarily arise from leases of certain machines, equipment, production sites and office properties from third parties.

Significant Commitments

As of June 30, 2022, we did not have any significant commitments.

Contingent Liabilities

As of June 30, 2022, we were not subject to any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2022, we did not have any outstanding off-balance sheet arrangements.

Taxation

Our income tax consists of current income tax and deferred income tax. Our subsidiaries in China are subject to EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the EIT Law. Pursuant to the EIT Law, our subsidiaries in China are generally subject to EIT at the statutory rate of 25%. Our PRC subsidiaries that qualify as High and New Technology Enterprises under the relevant EIT laws and regulations are entitled to a preferential enterprise income tax rate of 15% for three years. In addition, one of our subsidiaries that conducts projects on the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences is entitled to "three years of exemptions and three years of half reductions" preferential tax policy. See note 4.2.7 of "*4. Taxation*" in the Notes to the Annual Historical Financial Information to this Prospectus.

FINANCIAL RISK MANAGEMENT

In the course of business operation, the Company will face various financial risks, including the credit risk, market risk and liquidity risk. The Board of Directors of the Company takes full responsibilities for determining the risk management objects and policies and bearing the ultimate liabilities for that, however, the Board of Directors has authorized the management of the Company to design and implement the process capable of ensuring the effective implementation of the risk management objects and policies. The Board of Directors reviews the effectiveness of the enforced procedures and the rationality of risk management objectives and policies by quarterly reports submitted by financial departments. The internal auditors of the Company also will audit the risk management policies and procedures, and report the relative facts to the audit committee.

The overall objective of risk management of the Company is to prepare the risk management policies ensuring the risk under control as far as possibility without affecting the Company's business development goals.

Credit Risk

Credit risk refers to a risk that one party to the financial instruments suffers financial losses due to the failure of the other party in performing the obligations. The Company mainly faces customer credit risks caused by sales on account. Prior to the conclusion of the new contract, the Company will evaluate the credit risk of the new customer including the external credit rating and bank credential letter under some circumstances if it is available. The Company sets a credit limit for each customer. The limit is the maximum amount dispensing with additional approval.

The Company carries out the quarterly monitoring on credit rating information of existing customers the monthly review on the aging analysis of accounts receivable to make sure that the overall credit risk of the Company is under control. The Company group customers by their credit characteristics while monitoring the customer credit risk. Customers rated as "high risk" level will be placed in a restricted customer list. The Company may sell goods to such customers on credit in future periods in case of additional approval; otherwise, the Company must require advance payments of the corresponding amount.

Liquidity Risk

The liquidity risk refers to the risk of capital shortage of an enterprise occurring in the course of cash payment or settlement via other financial assets. The policy of the Company is to ensure that there is sufficient cash for the payment of the matured debts. Liquidity risk is under centralized control of the financial department of the Company. The financial department monitors cash balance and readily realizable and marketable securities and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts in all cases of reasonable prediction.

Market Risk

Market risks of financial instruments refer to the risks of fluctuation in the fair values or future cash flows of financial instruments due to changes in market prices, and include exchange rate risks, interest rate risks, and other price risks.

Interest Rate Risk

Interest rate risk refers to the risk that fair values or future cash flows of financial instruments may fluctuate due to the change in market interest rate.

Interest rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market interest rate. The Company's interest rate risk mainly derives from long-term or short-term borrowings and bonds payable with fixed interest rate from banks. The Company makes loans according to the amount and time demand of funds and after comprehensive analysis of interest rate and time of borrowing from various banks. The Company has established good bank-enterprise relationship with banks and has sufficient bank credit lines. The Company has consistently maintained a good credit record, and the interest rates of the borrowing contracts signed with banks float at a certain percentage of the benchmark interest rates announced by the central bank for the same period and at the same level.

Exchange Rate Risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate. The Company will match the foreign currency income with the foreign currency expenses as far as possible to reduce the exchange rate risk.

Other Price Risks

As for the equity investments held by the Company in other listed companies, the management believes that the market price risks, to which these investing activities are exposed, are acceptable.

The equity investments held by the Company in the listed companies are listed as below:

Item	Balance as at June 30, 2022	Balance as at December 31, 2021
	(RMB in millions)	
Financial assets held for trading	90.4	86.3
Total	90.4	86.3

As at June 30, 2022, assuming all the other variables remain unchanged, if the value of the equity instruments increases or decreases by 30%, then the current profit or loss of the Company will increase or decrease by approximately RMB27.1 million. The management believes that 30% represents a reasonable range of fluctuations in the value of its equity instruments in the next year.

SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition and Measurement

If the Company fulfills its performance obligations in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods or services. Obtaining the control over relevant goods or services means that the customer is able to make decisions on the use of the goods or the rendering of the services and can obtain almost all of the economic benefits therefrom.

If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be amortized to individual performance obligation based on the relative proportion of the individual selling price of goods or services involved in the individual performance obligation. The Company measures revenue at the transaction price amortized to individual performance obligation.

The transaction price is the amount of consideration that the Company expects to receive for the transfer of goods or services to customers, excluding amounts collected on behalf of third parties and amounts that are expected to be returned to customers. The Company determines the transaction price according to the contract terms and in light of its previous regular practice, in the meantime, factors such as variable consideration, significant financing composition existing in the contract, non-cash consideration, and consideration payable to customers will be taken into account. The Company determines the transaction price involving the variable consideration at the amount that should not exceed the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. If the significant financing component in covered in the contract, the Company will determine the transaction price based on the amount of cash payable at once by the customer when the customer acquires the control over goods or services, as assumed, and amortize the difference between such transaction price and the contract price by the effective interest method during the contract period.

If the Company meets one of the following conditions, it shall perform the performance obligation within a certain period; otherwise, it shall perform the performance obligation at a certain point of time:

- The customer obtains and consumes the economic benefits brought by the performance of the Company while the company is performing the obligation.

- The customer is able to control the goods under construction in the Company's performance process.

- The goods produced in the course of performing obligations have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed to date.

For a performance obligation performed within a certain period, the Company recognizes the revenue according to the performance progress within such period, except for the case that the performance progress cannot be reasonably determined. The Company may determine the performance progress by the output method or input method based on the nature of goods or service. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the Company recognizes the revenue according to the amount of the cost incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain time-point, the Company recognizes revenue when the customer obtains control over the relevant goods or services. The Company will consider the following signs when judging whether the customer has acquired Service control over the goods or services, including:

- The customer has the current payment obligation for such goods or service, i.e. the Company enjoys the current right to collect the payment for such goods or service.

- The Company has transferred the legal ownership of such goods to the customer, i.e. the customer possesses the legal ownership of such goods.

- The Company has transferred goods to the customer in kind, i.e. the customer has possessed such goods in kind.

- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, i.e. the customer has acquired the substantial risks and rewards of the ownership of such goods.

- The customer has accepted the goods or services, etc.

Specific principles:

- 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.

- Revenue from sales of electricity and heat energy: Revenue from sales is recognized when electricity and heat energy services have been provided.

- 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.

Long-term Equity Investments

Judgement Criteria for Joint Control and Significant Influence

Joint 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 exercises joint control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a 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 exert significant influence on an investee, the investee should be the Company's associate.

Determination of Initial Investment Cost

- *Long-term equity investments acquired from business combination*

The initial investment cost of the long-term equity investments in subsidiaries generating from the business combination under common control is determined at the share of book value of the combinee's owners' equity on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost of long-term equity investments and the book value of consideration paid is used to adjust the share premium in capital reserves; and if the share premium in capital reserve is insufficient to be offset, retained earnings will be adjusted. If the Control can be exercised over the investee under common control as a result of additional investment and other reasons, the difference between the initial investment cost of long-term equity investments and the sum of the book value of long-term equity investments before the combination and the book value of consideration paid for further obtaining shares on the combination date, recognized in the above-mentioned principle, will be used to adjust the share premium. If the share premium is insufficient to be offset, retained earnings will be offset accordingly.

The initial investment cost of long-term equity investments in subsidiaries generating from the business combination not under common control is recognized at the combination cost determined on the acquisition date. If the control can be exercised over the investee not under the common control due to additional investment and other reasons, the sum of the book value of the equity investment previously held and the newly increased investment costs will be recognized as the initial investment cost.

- *Long-term equity investments acquired by means other than business combination*

For long-term equity investments acquired through making payments in cash, its initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuing equity securities, the initial investment cost is the fair value of the issued equity securities.

Subsequent Measurement and Recognition of Profits or Losses

- *Long-term equity investment accounted for under the cost method*

The Company's long-term equity investments in its subsidiaries are accounted for by the cost method, except for those meeting the held-for-sale conditions. Under the cost method, 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 proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

- *Long-term equity investment accounted for under the equity method*

The Company's long-term equity investments in associates and joint ventures are accounted for 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 respectively recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee that should enjoyed or assumed by the Company, and adjusts the book value of long-term equity investment; according to the profit declared to be distributed by the investee or the part shall be enjoyed cash dividends calculation, to reduce the book value of long-term equity investment correspondingly; for other changes in owners' equity excepting for all profit or loss of the investee, other comprehensive income and distribution of profits (hereinafter referred to as "other changes in owners' equity"), the book value of long-term equity investment shall be adjusted and included in the owners' equity.

The Company should, based on the fair value of net identifiable assets of the investee when the investment is made, recognize its attributable share of the net profits or losses, other comprehensive income and other changes in owners' equity of the investee after the adjustment made to the net profit and other comprehensive income of the investee according to the accounting policies and accounting period adopted by the Company.

Unrealized gains or losses on internal transactions between the Company and its affiliates or joint ventures that are attributable to the Company on the basis of their proportionate share are offset, and investment income is recognized on this basis, except when the assets invested or sold constitute a business. Unrealized losses from internal transactions between the Company and any investee should be recognized in full if they belong to the losses from asset impairment.

The Company's net loss incurred by a joint venture or an associate, except for the obligation to assume additional losses, is limited to a write-down to zero of the book value of the long-term equity investment and other long-term interests that substantially constitute a net investment in the joint venture or associate. Where any joint venture or associate realize net profit in the future, the Company will recognize its share of profit after offsetting the unrecognized share of loss with such profit.

- *Disposal of long-term equity investments*

For the disposal of long-term equity investments, the difference between the book value and the actual purchase price is included in the current profit or loss.

In case of partial disposal of long-term equity investments accounted for under equity method, the remaining equity shall still be accounted for using the equity method; other comprehensive income recognized under the original equity method shall be carried forward according to the corresponding proportion on the same basis as the direct disposal of related assets or liabilities by the investee; and changes in other owners' equity related to the original equity investment are transferred into the current profit or loss.

If the Company loses its common control over or significant influence on an investee due to its disposal of equity investment or to other reasons, other comprehensive income recognized based on the measurement of original equity investments under the equity method are accounted for on the same basis as the related assets or liabilities directly disposed by the investee when the equity method is terminated, and the changes in other owners' equity are fully transferred to the current profit or loss when the accounting by the equity method is terminated.

Where the Company loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting should be made by the equity method, and an adjustment should be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognized before the control over the investee is obtained should be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity recognized on account of the accounting by the equity method should be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets should be recognized, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same should be included in the current profit or loss, and other comprehensive income and other changes in owners' equity which have been recognized before the control over the investee is obtained should be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment should be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed should be firstly recognized as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment should be made respectively for each transaction.

Fixed Assets

Recognition and Initial Measurement of Fixed Assets

Fixed assets refer to tangible assets held for commodity production, rendering of services, renting or business management, with the useful lives over one year. Fixed assets are recognized when they simultaneously meet the following conditions:

- It is probable that the economic benefits relating to the fixed assets will flow into the Company; and

- The costs of the fixed assets can be measured reliably.

Fixed assets are initially measured at cost (taking into account the effect of expected disposal cost factors).

Subsequent expenditures related to fixed assets are included in the cost of fixed assets when it is probable that the economic benefits associated with them will flow and their cost can be measured reliably; for the replaced portion, it is book value shall be derecognized; all other subsequent expenditures are recognized in profit or loss when incurred.

Depreciation Method

Depreciation of fixed assets is made on a category basis using the straight-line method. The depreciation rate is determined based on the category, estimated useful life and estimated net residual value rate of fixed assets. For fixed assets for which provision for impairment has been made, depreciation is determined in future periods based on their book value net of provision for impairment and on their remaining useful lives. Where the fixed assets have the components with different useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to make provision for depreciation on a separate basis.

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are presented by categories as follows:

Category	Depreciation method	Depreciation life	Net residual rate	Annual depreciation 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 equipment.	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

Disposal of Fixed Assets

Fixed assets that are disposed or expected to produce no economic benefits through use or disposal are derecognized. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes is included in the current profit or loss.

Construction in Progress

The construction in progress is measured at the actual cost incurred. The actual cost includes the construction cost, installation cost, borrowing cost eligible for capitalization and other necessary expenditure incurred before making the construction in progress reach the working condition for its intended use. When the construction in progress reaches the working condition for its intended use, it will be transferred to fixed assets, and the provision for depreciation of the construction in progress will be made in the next month.

Government Grants

Type

Government grants refer to monetary or non-monetary assets obtained from the government for free, and are classified into asset-related government grants and income-related government grants.

The asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. The income-related government grants refer to government grants other than asset-related government grants.

Timing of Recognition

Government grants are recognized when the Company is eligible for and is capable of receiving the government grants.

Accounting Treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. If such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (If such grants are relevant to routine activities of the Company, they will be included in other income; if such grants are irrelevant to routine activities of the Company, they will be included in non-operating revenue); 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 the deferred income, and, during the period when relevant costs or losses are recognized, be included in the current profit or loss (where government grants relating to income are relevant to routine activities of the Company, such grants shall be included in the other income; where government grants relating to income is irrelevant to routine activities of the Company, such grants shall be included in the non-operating revenue); government grants relating to income used to compensate for relevant costs or losses incurred in the Company shall be included in the current profit or loss (where government grants relating to income are relevant to routine activities of the Company, such grants shall be included in the other income; where government grants relating to income is irrelevant to routine activities of the Company, such grants shall be included in the non-operating revenue).

The interest subsidies of policy-based preferential loans obtained by the Company are subject to the following accounting treatments according to two situations:

- When the finance department appropriates the interest subsidies to the lending bank, and the lending bank provides the loan 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.

- 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.

Deferred Tax Assets and Deferred Tax Liabilities

Income taxes include the current income tax and deferred income tax. The Company recognizes current income tax and deferred income tax in the current profit or loss, except for the income tax arising from business combinations and transactions or events directly recognized in owners' equity (including other comprehensive income).

Deferred tax assets and deferred tax liabilities are recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book values.

Deferred tax assets are recognized for deductible temporary differences to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible temporary differences. For deductible losses and tax credits that can be carried forward to subsequent periods, Deferred tax assets arising therefrom are recognized to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible losses and tax credits.

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

Special circumstances in which Deferred tax assets or deferred tax liabilities shall not be recognized include:

- Initial recognition of goodwill;

- A transaction or event that is neither a business combination nor, when it occurs, affects accounting profit and taxable income (or deductible loss).

Taxable temporary differences related to investments in subsidiaries, associates and joint ventures are recognized as deferred tax liabilities; unless the Company is able to control the time for reversing such temporary differences and such temporary differences are unlikely to be reversed in the foreseeable future. For the deductible temporary differences related to investments in subsidiaries, associates and joint ventures, the Deferred tax assets are recognized when the temporary differences may be reversed in the foreseeable future and they are likely to be obtained to offset the taxable income of deductible temporary differences in the future.

On the balance sheet date, the Deferred tax assets and deferred tax liabilities are measured at the tax rates applicable to the period where relevant assets are expected to be recovered or relevant liabilities are expected to be discharged, according to the tax law.

On the balance sheet date, the Company reviews the book value of Deferred tax assets. If it is unlikely to obtain sufficient taxable income in the future to offset against the benefit of Deferred tax assets, the book value of Deferred tax assets will be written down. The amount written down may be reversed when the taxable income obtained may be sufficient.

If the Company has the legal right to settle in net amounts 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, the Deferred tax assets and deferred tax liabilities are presented at net of offsetting amounts when both of the following conditions are met:

- The taxpayer has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- The 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 income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities.

Inventories

Classification and Cost of Inventories

Inventories are classified as materials in transit, raw materials, goods in progress, stock commodities and goods in transit.

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

Measurement Method of Dispatched Inventories

The inventories are measured at weighted average method when dispatched.

Recognition Basis of Net Realizable Value of Different Types of Inventories

On the balance sheet date, inventories shall be valuated 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. During routine activities, 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 the normal production and operation process, for merchandise inventories for direct sale, including finished goods, stock commodities and materials for sale, their net realizable values are recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges; for material inventories required to be processed, their net realizable values are recognized at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges. For inventories held to under any sales contract or service contract, their net realizable values are calculated based on the contract price. If the quantity of inventories held by the Company is more than that ordered in sales contract, the net realizable value of the excess inventories will be calculated based on general selling price.

When the provision for inventory depreciation is made, where the previous factor rendering the write-down of the inventory value has been eliminated, for which the net realizable value of the inventory is higher than the book value of the same, the provision for inventory depreciation should be reversed from the amount of provision for inventory depreciation originally made, and the reversed amount should be included in the current profit or loss.

Inventory System

The perpetual inventory system is adopted.

Amortization Method for Low-cost Consumables and Packaging Materials

- Low-cost consumables are amortized at lump-sum method;

- Packaging materials: Lump-sum amortization method.

Recently Issued Accounting Pronouncements

A list of recently issued accounting pronouncements that are relevant to us is included in Note 3 to the Annual Historical Financial Information to this Prospectus.

RECENT DEVELOPMENTS

In September 2022, our POE pilot plant with 800 t/y production capacity successfully started its operations to produce POE catalyst along with a complete set of autonomous production technology, which has helped us achieve the stable production of our POE products.

Selected Financial Information for the Nine Months ended September 30, 2022

Selected Consolidated Income Statement Data

	Nine months ended September 30,	
	2021[1]	2022
	(RMB in millions)	
	(unaudited)	
Total operating revenue	**40,206**	**46,708**
Operating revenue	40,206	46,708
Total operating costs	**34,624**	**45,325**
Operating costs	33,042	42,639
Taxes and surcharges	133	169
Selling and distribution expenses	114	139
General and administrative expenses	348	539
Research and development expenses	288	372
Financial expenses	699	1,469
Add: Other income	87	84
Investment income/(losses)	(82)	(31)
Gains/(losses) from changes in fair value	17	17
Gains/(losses) from credit impairment	(21)	6

	Nine months ended September 30,	
	2021(1)	2022
	(RMB in millions) (unaudited)	
Losses from asset impairment	(61)	(185)
Gains/(losses) from disposal of assets	17	486
Operating profits	**5,538**	**1,758**
Add: Non-operating revenue	33	46
Less: Non-operating expenses	9	17
Total profits	**5,562**	**1,787**
Income tax expenses	1,207	213
Net profit	**4,356**	**1,574**

(1) Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Shenghong Petrochemical Group Shanghai New Materials Co., Ltd., which we acquired effective August 4, 2022, because the transaction was between entities under common control. For details, see Note 2.1 to the Nine Month Historical Financial Information to this Prospectus.

Selected Consolidated Statement of Financial Position Data

	As of December 31, 2021(1)	As of September 30, 2022
	(RMB in millions) (unaudited)	
ASSETS		
Current assets		
Monetary funds	13,400	13,112
Financing assets held for trading	142	101
Notes receivable	349	185
Accounts receivable	531	550
Receivables financing	78	261
Advances to suppliers	739	3,303
Other receivables	93	828
Inventories	6,086	10,302
Other current assets	3,602	683
Total current assets	**25,020**	**29,325**
Non-current assets		
Long-term equity investments	140	122
Other equity instrument investments	583	583
Other non-current financial assets	4	–
Investment properties	1,135	713
Fixed assets	31,229	37,527
Construction in progress	59,972	75,636
Right-of-use assets	1,092	1,334
Intangible assets	3,055	4,173
Goodwill	695	695
Long-term deferred expenses	22	8
Deferred income tax assets	472	575
Other non-current assets	8,629	4,271
Total non-current assets	**107,029**	**125,637**
Total assets	**132,049**	**154,962**

	As of December 31, 2021[(1)]	As of September 30, 2022
	(RMB in millions)	
		(unaudited)
EQUITY AND LIABILITIES		
Current liabilities		
Short-term borrowings	11,640	21,311
Financial liabilities held for trading	4	0
Notes payable	5,793	3,104
Accounts payable	12,696	13,335
Advances from customers	34	42
Contract liabilities	884	1,410
Employee compensation payable	534	381
Taxes and surcharges payable	178	222
Other payables	2,590	362
Non-current liabilities maturing within one year	5,071	7,835
Other current liabilities	369	465
Total current liabilities	**39,794**	**48,468**
Non-current liabilities		
Long-term borrowings	52,374	65,108
Bonds payable	3,928	4,097
Lease liabilities	985	1,154
Long-term payables	2,692	1,075
Deferred income	2,254	2,263
Deferred income tax liabilities	542	685
Other non-current liabilities	33	27
Total non-current liabilities	**62,808**	**74,409**
Total liabilities	**102,602**	**122,876**
Owners' equity		
Share capital	8,935	9,202
Other equity instruments	1,218	1,218
Capital reserves	10,169	13,644
Other comprehensive income	62	81
Special reserves	21	10
Surplus reserves	602	602
Undistributed profits	6,647	7,330
Total equity attributable to owners of the parent company	**27,654**	**32,087**
Minority equity	1,793	(1)
Total owners' equity	**29,447**	**32,086**
Total liabilities and owners' equity	**132,049**	**154,962**

(1) Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Shenghong Petrochemical Group Shanghai New Materials Co., Ltd., which we acquired effective August 4, 2022, because the transaction was between entities under common control. For details, see Note 2.1 to the Nine Month Historical Financial Information to this Prospectus.

Selected Consolidated Statement of Cash Flows Data

	Nine months ended September 30,	
	2021[(1)]	2022
	(RMB in millions)	
	(unaudited)	
Net cash flows from operating activities	3,591	3,200
Net cash flows from investing activities	(31,319)	(23,431)
Net cash flows from financing activities	27,068	20,779
Effects of fluctuation in exchange rate on cash and cash equivalents	(37)	84
Net increase/(decrease) in cash and cash equivalents	**(698)**	**632**
Add: beginning balance of cash and cash equivalents	15,936	9,678
Ending balance of cash and cash equivalents	**15,239**	**10,310**

(1) Our consolidated financial statements have been retrospectively recast to include the pre-acquisition results of Shenghong Petrochemical Group Shanghai New Materials Co., Ltd., which we acquired effective August 4, 2022, because the transaction was between entities under common control. For details, see Note 2.1 to the Nine Month Historical Financial Information to this Prospectus.

Selected Other Financial Metrics

	Nine months ended September 30,	
	2021	2022
	(RMB in millions, except percentages)	
EBITDA[(1)]	7,848	5,049
Adjusted EBITDA[(1)]	7,710	4,474
EBITDA Margin[(2)]	19.5%	10.8%

(1) EBITDA is calculated as net profit before taxes, depreciation, amortization of intangible assets, right-of-use assets and long-term prepaid expenses, and total expenses paid for interest. On the basis of EBITDA, adjusted EBITDA further excludes the effects of other income, gains (losses) on disposal of assets and amortisation of long-term prepaid expenses. The following table sets forth a reconciliation of total profit before tax to EBITDA and adjusted EBITDA for the periods indicated:

	Nine months ended September 30,	
	2021	2022
	(RMB in millions)	
Total profit before tax	**5,562**	**1,787**
Add:		
Interest expenses	749	1,465
Depreciation	1,464	1,748
Amortization (intangible assets, right-of-use assets and long-term prepaid expenses)	73	49
EBITDA	**7,848**	**5,049**
Less:		
Other income	87	84
Gains/(losses) on disposal of assets	17	486
Amortisation of long-term prepaid expenses	34	5
Adjusted EBITDA	**7,710**	**4,474**

(2) EBITDA margin is calculated as EBITDA as a percentage of our total operating revenue for the period.

Discussion of Key Line Items in the Consolidated Statements

Operating Revenue

Our operating revenue increased by RMB6,502.4 million, or 16.2%, from RMB40,205.6 million in the nine months ended September 30, 2021 to RMB46,708.0 million in the same period of 2022. The increase was mainly due to (i) an increase in the operating revenue from sales of our renewable energy materials and performance chemicals and petrochemicals; and (ii) overseas sales, which increased significantly.

Our operating revenue from sales of renewable energy materials and performance chemicals increased by RMB1,271.7 million, or 9.0%, from RMB14,193.6 million in the nine months ended September 30, 2021 to RMB15,465.4 million in the same period of 2022. The increase was mainly due to an increase in the sales price and sales volume of our EVA products, as a result of the increased demand driven by the development of photovoltaic industry.

Our operating revenue from sales of petrochemicals increased by RMB4,258.0 million, or 40.4%, from RMB10,538.9 million in the nine months ended September 30, 2021 to RMB14,796.8 million in the same period of 2022. The increase was mainly due to a significant increase in the sales volume and sales price of our high-quality PTA products.

Our operating revenue from sales of chemical fibers increased by RMB790.4 million, or 5.6%, from RMB14,241.2 million in the nine months ended September 30, 2021 to RMB15,031.6 million in the same period of 2022. The increase was mainly due to an increase in the sales volume and sales price of our chemical fiber products.

Our operating revenue from other business increased by RMB182.3 million, or 14.8%, from RMB1,231.8 million in the nine months ended September 30, 2021 to RMB1,414.2 million in the same period of 2022. The increase was mainly due to an increase in the operating revenue from our provision of thermal power.

Operating Costs

Our operating costs increased by RMB9,596.6 million, or 29.0%, from RMB33,042.2 million in the nine months ended September 30, 2021 to RMB42,638.9 million in the same period of 2022. The increase was mainly due to (i) an increase in our raw materials costs as a result of the rising global crude oil price, and (ii) an increase in our electricity, natural gas and auxiliary raw materials costs.

Our operating costs on renewable energy materials and performance chemicals increased by RMB3,260.8 million, or 33.0%, from RMB9,870.6 million in the nine months ended September 30, 2021 to RMB13,131.3 million in the same period of 2022. The increase was mainly due to a significant increase in our raw materials costs.

Our operating costs on petrochemicals increased by RMB3,981.4 million, or 38.4%, from RMB10,371.8 million in the nine months ended September 30, 2021 to RMB14,353.2 million in the same period of 2022. The increase was largely reflective of our increased operating revenue.

Our operating costs on chemical fibers increased by RMB2,200.4 million, or 18.6%, from RMB11,800.7 million in the nine months ended September 30, 2021 to RMB14,001.1 million in the same period of 2022. The increase was mainly due to (i) an increase in our raw materials costs as a result of the rising global crude oil price, and (ii) an increase in our electricity, natural gas and auxiliary raw materials costs.

Our operating costs on other business increased by RMB154.1 million, or 15.4%, from RMB999.2 million in the nine months ended September 30, 2021 to RMB1,153.2 million in the same period of 2022. The increase was mainly due to the growth of our thermal power business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB3,094.2 million, or 43.2%, from RMB7,163.3 million in the nine months ended September 30, 2021 to RMB4,069.1 million in the same period of 2022.

Our gross profit margin decreased from 17.8% in the nine months ended September 30, 2021 to 8.7% in the same period of 2022, due to: (i) decreased sales price of our AN products as a result of significantly increased supply of AN products in the market and decreased demand in our downstream markets; (ii) increased costs of raw materials as a result of the fluctuations in the global crude oil price; and (iii) increased costs of our electricity, natural gas and auxiliary raw materials.

Net Profit

Our net profit decreased by RMB2,781.7 million, or 63.9%, from RMB4,355.8 million in the nine months ended September 30, 2021 to RMB1,574.1 million in the same period of 2022. The decrease was mainly due to: (i) a decrease in our gross profit for the aforementioned reasons, (ii) an increase in our finance expenses as a result of the increased balance of interest-bearing borrowings, which were used to facilitate our business expansion; and (iii) an increase in our general and administrative expenses as a result of (a) an increase in the employee compensation due to our business expansion, and (b) an increase in the depreciation and amortization expenses in relation to the shutdown of certain facilities for maintenance.

Market Prices of Our Products in November 2022

In the fourth quarter of 2022, there was a general decrease in the average market prices of our products compared to those in 2021, except for PTA, gasoline and diesel. The table below sets forth a comparison between the average market prices of certain of our products in 2021 and those in November 2022:

	Average Market Price in 2021	Average Market Price in November 2022	% Change
	(RMB/ton, except for percentages)		
EVA	21,856.0	17,855.0	(18.3)
DTY	8,992.5	8,263.6	(8.1)
FDY	8,009.1	7,966.8	(0.5)
POY	7,448.5	7,014.5	(5.8)
PTA	4,698.3	5,623.2	19.7
AN	14,468.6	11,051.1	(23.6)
Gasoline	7,818.7	9,362.3	19.7
Diesel	6,626.1	8,829.8	33.3

Source: Frost & Sullivan

The market prices of our products set the benchmark for our selling prices of these products. The decrease in the market prices would directly lead to a decrease in our selling prices, which has had and, if such trend persists or intensifies, may continue to have, an adverse effect on our operating margins and profitability. See "*—Key Factors Affecting Our Performance—Cyclical Nature of Our Industry as well as Our Customers' End Markets*" and "*Risk Factors—Risks Relating to Our Business and Industry—The cyclical nature of our industry as well as our customers' end markets could have a material adverse effect on our business, results of operations, financial condition and prospects.*" Accordingly, our financial performance and results of operations may fluctuate as a result of such changes, in addition to certain other factors, many of which are beyond our control. We may not be able to sustain our past growth rates in future periods, or sustain profitability on a quarterly, interim or annual basis. Should there be any unfavorable trends in our financial and operating results in the future, the price of our A Shares and the GDRs may be materially and adversely affected. See "*Risk Factors—Risks Relating to Our Business and Industry—Our historical financial and operating results may not be indicative of our future performance*."

CHINA'S CHEMICAL MARKET OVERVIEW

Definition and Classification of the Chemical Market

The chemical industry is one of the most diverse manufacturing industries and is concerned with the manufacturing of a wide variety of solid, liquid, and gaseous materials through chemical methods. The main raw materials of the chemical market include crude oil, natural gas, coal, minerals, etc. These raw materials are processed into a large variety of chemical products.

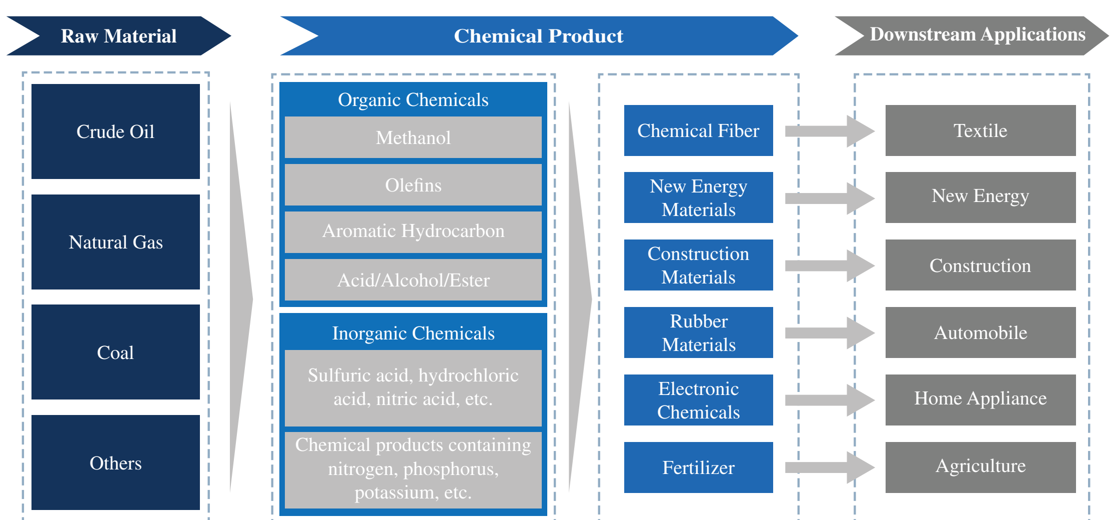
Petrochemical market is the most diversified segment of the chemical market with the widest range of products, including ethylene, propene, benzene, etc., which are then further processed into various chemical products.

Industrial Chain Analysis of the Chemical Market

The value chain of the chemical market mainly includes raw material and chemical product. Various products are then widely used in downstream industries like construction, textile, renewable energy, etc.

Raw materials of the chemical market mainly include crude oil, natural gas, coal, mineral, and others. The raw materials are processed into organic chemicals such as methanol, olefins, aromatic hydrocarbon, and inorganic chemicals such as sulfuric acid, nitric acid, etc. Some products are sold directly, while others are further processed into final products, which are then widely used in various downstream industries.

Industry Value Chain of Chemical Market



Source: Frost & Sullivan

CHINA'S PETROCHEMICAL AND REFINING MARKET ANALYSIS

Definition and Classification of the Petrochemical and Refining Market

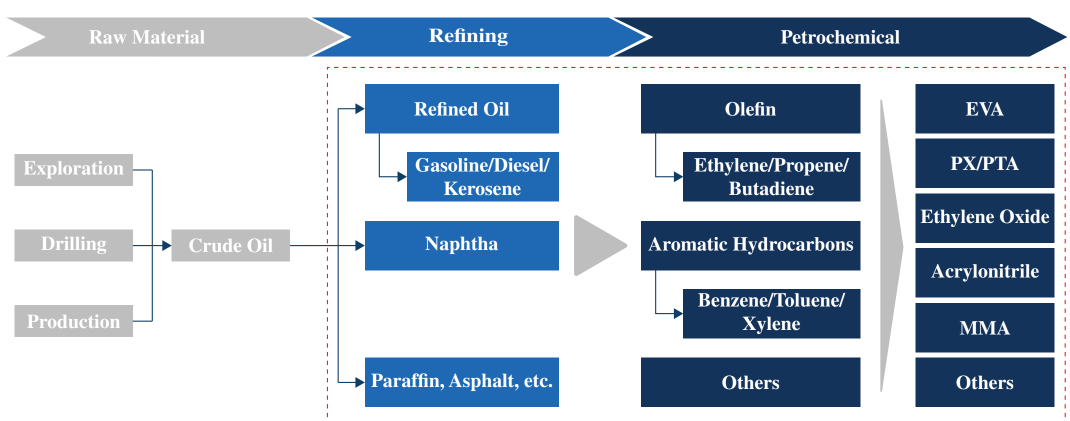
Petrochemical and refining market is an essential part of the chemical market, as global demand for petrochemical materials is high, and are primarily used as chemical building blocks for a variety of materials in various downstream industries.

Within the petrochemical and refining market, the products can be divided in two parts. Oil products mainly include various refined oils (gasoline, kerosene, diesel oil, etc.) and lubricating oils, as well as liquefied petroleum gas, petroleum coke, paraffin, asphalt, etc. Petrochemical products mainly include products processed from naphtha, like olefin, aromatic hydrocarbons, and others. These products are then further processed into EVA, PX, PTA, MMA, etc.

Industrial Chain Analysis of the Petrochemical and Refining Market

The upstream of the petrochemical and refining market value chain includes exploration, drilling, and production of crude oil. After the crude oil is obtained, refining companies refine it into three types of products, namely refined oil (including gasoline, diesel oil, kerosene, etc.), naphtha, and others (including paraffin, asphalt, etc.). Among them, aphtha is cracked to obtain olefin, aromatic hydrocarbons, etc., which are further processed into various materials, including EVA, PX, ethylene oxide, etc.

Industry Value Chain of Petrochemical and Refining Market



Source: Frost & Sullivan

Analysis of Key Drivers of the Petrochemical and Refining Market in China

- ***Economy of Scale.*** In general, petrochemical and refining projects with larger scale can reduce costs on average raw materials purchase and energy consumption. As significant segments of total costs, costs of raw material and energy consumption are essential to the competitiveness of market players. In addition, in order to increase the risk resistance capacity of companies in the industry, it is necessary to introduce different types of production devices to increase the flexibility of production, which requires supporting from large scale of projects.

- ***Industrial Chain Integration.*** Diversified business segments and products with high value-added are essential to companies in petrochemical and refining market in China. Under the circumstances of refined oil surplus, more and more leading players in the market extended their business along the industrial chain for the purpose of industrial chain integration. Extended product lines can take full advantage of intermediate products to produce advanced chemical products with higher value-added. In addition, industrial chain integration provides companies with better flexibility against market fluctuations on specific products since companies may adjust production plans more easily compared to those who focus on only several types of products.

- ***Advanced Technology***. Advanced technology grants companies the ability to lower the manufacturing costs of existing products or provide higher marginal revenue through introducing new products to the market. For example, the solar EVA materials based on the Group's self-developed technology have reached global leading level and made the gross profit margin of EVA business the highest business in the Group. With the help of advanced technology, companies may have better chance to succeed in the market.

Market Size Analysis of China's PTA Market

Purified terephthalic acid (PTA) is mainly obtained from the oxidation of paraxylene (PX) by the oxygen in the air, and is a crucial product of the petrochemical market. PTA is the basic raw material for a variety of products like polyesters and high-performance plastics. Thus, it finds a wide range of applications across different sectors, especially in the chemical fiber and packaging industries.

Driven by the growing textile industry and high adoption of polyester fibers owing their affordability, flexibility, and versatility, the demand for PTA has seen rapid increase in the historical period. China is currently the largest textile exporter in the world, and the textile market is expected to maintain stable growth over the forecast period. Moreover, other diversified applications of PTA like the production of carbonated plastic bottles, data storage tapes, and sheet material are also anticipated to boost demand for PTA in China.

China is the largest manufacturer and exporter of PTA in the world, and the market is relatively mature. The future growth in production capacity is expected to be mainly driven by deployment of large-scale facilities by major players in the market. Because leading players already have accumulated resources and some even established highly vertically integrated business models, they are expected to contribute most of the new production capacity in the forecast period, which will facilitate increase in industry concentration and eliminate outdated facilities. In addition, with the gradual recovery from the pandemic, the decrease in price of PX, the profitability of producing PTA is expected to improve in the forecast period.

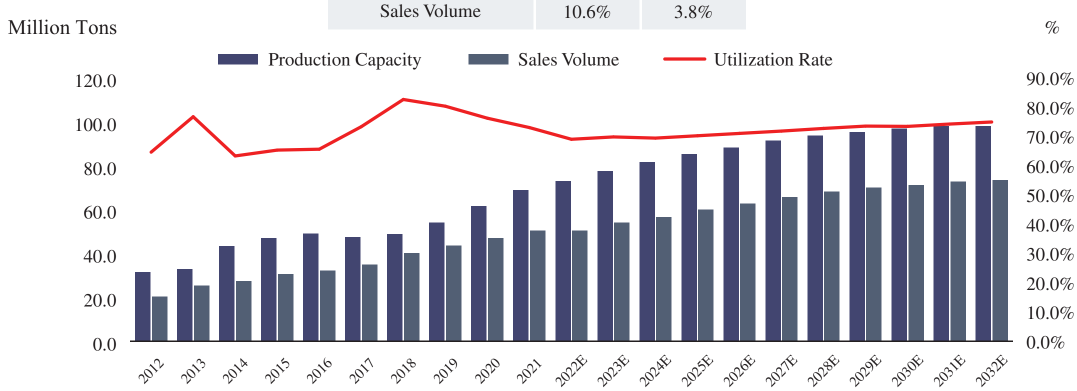
The PTA production capacity grew at a 9.1% CAGR between 2012 and 2021. The production capacity increased from 31.4 million tons in 2012 to 68.9 million tons in 2021, and is expected to further increase to 97.9 million tons by 2032, representing a CAGR of 3.0% between 2022 and 2032. The PTA sales volume increased from 20.3 million tons in 2012 to 50.4 million tons in 2021, representing a CAGR of 10.6%. By 2032, the sales volume of PTA is expected to further increase to 73.3 million tons, representing a CAGR of 3.8% between 2022 and 2032. The production utilization rate is expected to experience fluctuations until 2025 due to the increase of production capacity and global economic uncertainties, but is expected to gradually increase in the long term. The production utilization rate is expected to decrease from 73.0% in 2021 to 70.2% in 2025, and increase to 74.9% by 2032.

As a major feedstock for PTA, the PX production capacity in China tended to fluctuate but maintained an overall CAGR of 12.2% between 2012 and 2021. The production capacity increased from 9.4 million tons in 2012 to 26.4 million tons in 2021, and is expected to further increase to 74.5 million tons by 2032, representing a CAGR of 8.5% between 2022 and 2032. The PX sales volume increased from 7.0 million tons in 2012 to 20.1 million tons in 2021, representing a CAGR of 12.5%. By 2032, the sales volume of PX is expected to further increase to 57.8 million tons, representing a CAGR of 10.4% between 2022 and 2032. As the growth rate of production capacity slows down more than that of sales volume in the future, the PX price is expected to slightly decrease in the forecast period, and as China further decreases the need for imported PX, the price is also expected to experience relatively less fluctuations. Historically, the PTA production profitability was highly reliant on the price of PX, and it is expected that with stable PX supply in the forecast period, the profitability of PTA production is expected to improve in the long run.

The yearly average PTA price is expected to decrease from RMB8.3 thousand per ton in 2012 to RMB6.2 thousand per ton in 2022, representing a CAGR of -3.0%. As PX is the primary material for PTA production, the price of PTA is highly correlated to the price of PX, which in turn means that naphtha prices have a large impact on the price of PTA. The price spread between PTA and PX experienced fluctuations in the historical period, and suffered significant decrease in 2021 due to the sharp increase in the price of PX. However, with the increase in production capacity of PX, the large supply shortage is expected to significantly improve, and the profit of the PX-PTA production chain is expected to flow in favor of PTA. Moreover, the production capacity of PTA in the forecast period is expected to mostly come from large-scale facilities deployed by major players in the market, which can effectively lower the production cost, further improve profitability, replace outdated facilities and facilitate industry standardization.

PTA Market Size and Production Utilization Rate, China, 2012-2032E

CAGR	12-21	22E-32E
Production Capacity	9.1%	3.0%
Sales Volume	10.6%	3.8%



Source: Frost & Sullivan

Market Size Analysis of China's Ethylene Market

Ethylene is a major chemical product with naphtha, ethane, propane as main raw materials, and its production capacity is often used as one of the important indicators to measure the development stage of a country's petrochemical industry. Ethylene is used to produce products like polyethylene (PE), ethylene oxide (EO), and ethylene glycol (EG), which are then widely used in the production of synthetic materials, adhesives, coatings, etc.

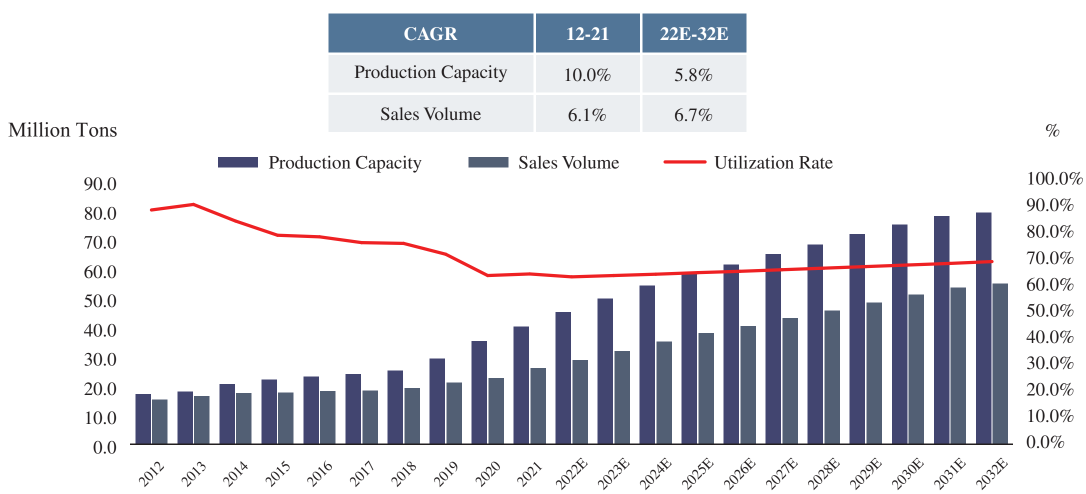
Major factors driving market growth include rising demand of PE for packaging, surge in demand in industries including automobiles and electronics, among others. Thanks to the rapid development of various downstream industries, the demand for ethylene in China experienced significant growth in the past. Increasing adoption of ethylene derivatives and expansion into novel applications is expected to drive the continuous growth of the market in the forecast period. Furthermore, rising focus and governmental regulations on sustainable solutions calls for more environmentally friendly facilities to replace outdated ones, facilitating market consolidation and standardization. Major players in the market is expected to expand through deployment of large-scale facilities, which is expected to significantly increase their market share.

During the historical period, the demand for ethylene in China significantly outweighed the supply, and the market was reliant on imports. In addition to ethylene, China also needed to import a large quantity of downstream derivatives of ethylene. It is expected that ethylene production capacity will maintain fast growth in the next five years, as leading players are deploying a large number of production facilities. In the second half of the forecast period, China's ethylene production capacity growth is expected to gradually smooth out, meanwhile, the capacity utilization rate of ethylene is expected to gradually increase as the expansion of production capacity slows down, reaching 69.3% by 2032. Driven by factors like stable downstream demand, market consolidation, and higher capacity utilization rate, the profitability of major players in the market is expected to improve.

The ethylene production capacity increased at a 10.0% CAGR between 2012 and 2021. The production capacity increased from 17.0 million tons in 2012 to 40.1 million tons in 2021, and is expected to further increase to 79.1 million tons by 2032, representing a CAGR of 5.8% between 2022 and 2032. The ethylene sales volume as final product increased from 15.1 million tons in 2012 to 25.9 million tons in 2021, representing a CAGR of 6.1%. By 2032, the sales volume as final product of ethylene is expected to further increase to 54.8 million tons, representing a CAGR of 6.7% between 2022 and 2032.

The yearly average ethylene price is expected to decrease from RMB9.1 thousand per ton in 2012 to RMB7.8 thousand per ton in 2022, representing a CAGR of -1.5%, and is expected to experience further decrease in the forecast period. Price of naphtha is a major factor that influences the price of ethylene. The price spread between ethylene and naphtha experienced moderate decrease in 2021, and is expected to maintain a decreasing trend in 2022, due to factors like expanding ethylene production capacity, rising price of naphtha, and downstream demand shock affected by the pandemic. The production capacity growth is expected to slow down in the forecast period, and with expected recovery of downstream industries from the pandemic, the price spread between ethylene and naphtha is expected to recover in the forecast period.

Ethylene Market Size and Production Utilization Rate, China, 2012-2032E



Source: Frost & Sullivan

Market Size Analysis of China's Ethylene Oxide Market

Ethylene oxide is produced from ethylene through the process of direct oxidation, and can be processed into various products including ethylene glycol, ethanolamine, polyethylene, etc.

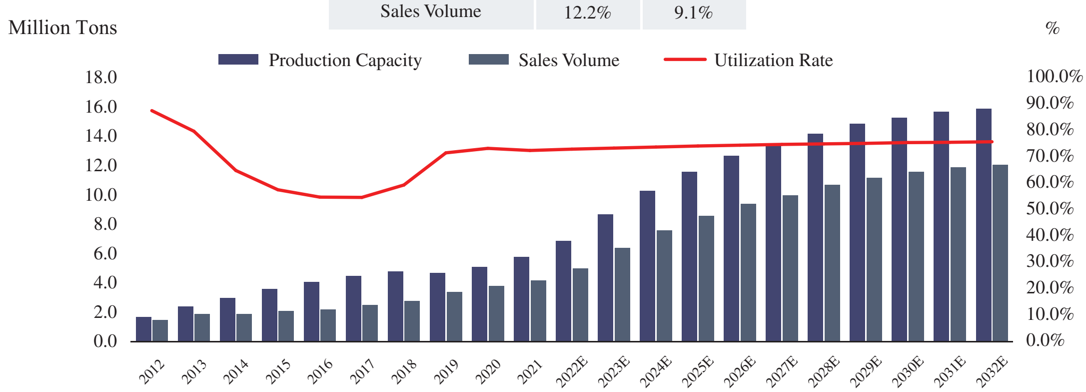
The textile industry is one of the key downstream industries of ethylene oxide, wherein, the derivatives are used for various types of fibers. Escalating demand, rising investments, and growing infrastructural facilities in the textile industry in China are supporting increased demand in the ethylene oxide market. Ethylene oxide can also be processed into polycarboxylate superplasticizers (PCEs), which is one of the most important superplasticizers for concrete due to their superior performance. The demand for concrete in China brought by the vigorous development of infrastructure construction and high-speed rail construction is expected to further facilitate growth of the ethylene oxide market. In addition, ethanolamine can be used as feedstock for manufacturing detergents, polishes, pharmaceuticals and cosmetics, which has high demand from downstream industries. The company is a major manufacturer in China, and as the production of ethanolamine in China is expected to go through a period of standardization, major players is expected to capture more market share. During the second half of the forecast period, the growth of production capacity of ethylene oxide is expected to slow down, and the capacity utilization rate is expected to steadily increase, reaching 75.9% by 2032.

The ethylene oxide production capacity increased at a 14.6% CAGR between 2012 and 2021. The production capacity increased from 1.7 million tons in 2012 to 5.8 million tons in 2021, and is expected to further increase to 15.9 million tons by 2032, representing a CAGR of 8.7% between 2022 and 2032. The ethylene oxide sales volume increased from 1.5 million tons in 2012 to 4.2 million tons in 2021, representing a CAGR of 12.2%. By 2032, the sales volume of ethylene oxide is expected to further increase to 12.1 million tons, representing a CAGR of 9.1% between 2022 and 2032.

The yearly average ethylene oxide price decreased from RMB11.6 thousand per ton in 2012 to RMB7.6 thousand per ton in 2022, representing a CAGR of -4.2%. With the uncertainties caused by the pandemic and the Russian-Ukraine war, the spread of ethylene oxide and naphtha witnessed significant fluctuations in 2021. With the expected increase in production utilization rate, and less fluctuations in raw material prices, the overall profitability of producing ethylene oxide is expected to recover in the forecast period. Moreover, with the tightening of environmental regulations, the production capacity growth is expected to slow down, facilitating industry consolidation.

Ethylene Oxide Market Size and Production Utilization Rate, China, 2012-2032E

CAGR	12-21	22E-32E
Production Capacity	14.6%	8.7%
Sales Volume	12.2%	9.1%



Source: Frost & Sullivan

Market Size Analysis of China's Acrylonitrile Market

Acrylonitrile is produced by the catalytic oxidation of propylene using ammonia as a catalyst. Major applications of acrylonitrile include the production of acrylonitrile butadiene styrene (ABS), acrylic fiber, among many others.

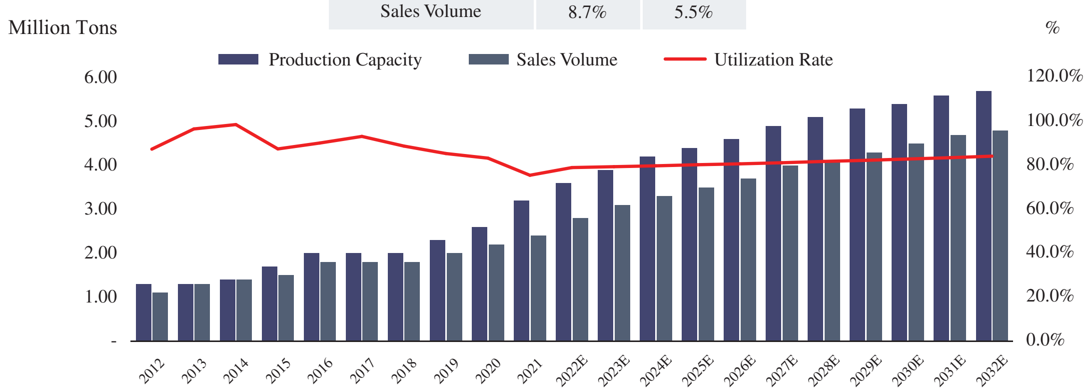
In recent years, as one of the important downstream applications of acrylonitrile, carbon fiber is a key development direction of the acrylonitrile market in China. Carbon fiber has become an important category of lightweight materials, gradually replacing many traditional materials, and has become a core material in aerospace, military, as well as civilian fields. As a global industrial and manufacturing hub, the increase in the manufacturing of electrical appliances in China has also resulted in increased demand for acrylonitrile. Furthermore, the development of other downstream industries of acrylonitrile market like the textile, electric vehicle, and renewable energy is expected to continuously drive the growth of acrylonitrile market. In the forecast period, due to the negative effects of acrylonitrile on the environment, the production capacity is expected to grow at a moderate rate, and the main source of growth is expected to be from large-scale production facilities, with lower production costs and better environmental performance. The production utilization rate of acrylonitrile is expected to increase in the forecast period, reaching 84.3% by 2032.

The acrylonitrile production capacity increased at a 10.5% CAGR between 2012 and 2021. The production capacity increased from 1.3 million tons in 2012 to 3.2 million tons in 2021, and is expected to further increase to 5.7 million tons by 2032, representing a CAGR of 4.8% between 2022 and 2032. The acrylonitrile sales volume increased from 1.1 million tons in 2012 to 2.4 million tons in 2021, representing a CAGR of 8.7%. By 2032, the sales volume of acrylonitrile is expected to further increase to 4.8 million tons, representing a CAGR of 5.5% between 2022 and 2032. The historical production utilization rate maintained a high level but experienced fluctuations in the historical period due to production capacity increase, but is expected to rebound to 84.3% by 2032.

The yearly average acrylonitrile price is expected to decrease from RMB14.8 thousand per ton in 2012 to RMB10.8 thousand per ton in 2022, representing a CAGR of -3.1%. The price of acrylonitrile is generally sensitive to the price changes of naphtha, and the price spread of acrylonitrile increased significantly in 2021 due to supply shortage. However, the price spread of acrylonitrile and naphtha is expected to decrease in 2022, due to factors like new production capacity being deployed and rising naphtha prices. However, the acrylonitrile production capacity growth is expected to significantly decrease in the forecast period, which is expected to drive the improvement of acrylonitrile production utilization rate and profitability. Moreover, as more environmental protection policies are put in place, the production capacity growth is expected to further decrease, and the market is expected to enter into a phase of consolidation.

Acrylonitrile Market Size and Production Utilization Rate, China, 2012-2032E

CAGR	12-21	22E-32E
Production Capacity	10.5%	4.8%
Sales Volume	8.7%	5.5%



Source: Frost & Sullivan

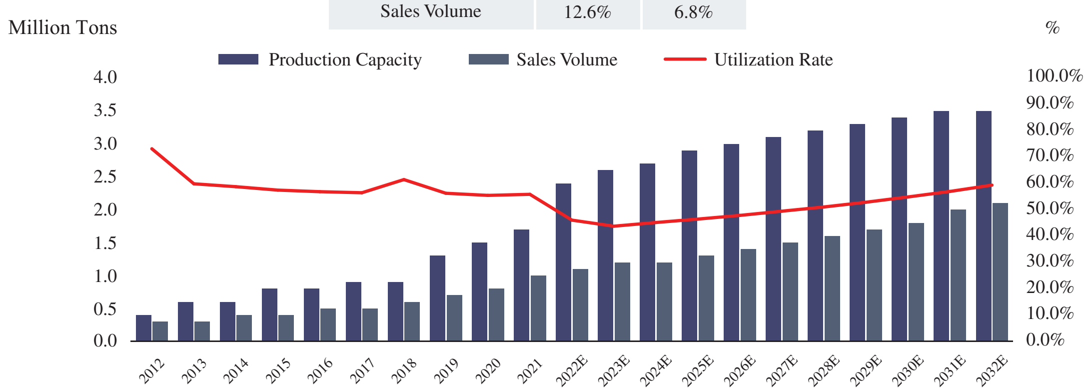
Market Size Analysis of China's MMA Market

Methyl methacrylate (MMA) is a methyl ester of methacrylic acid, and is mainly used in the manufacture of resins and plastics. Raw materials of producing MMA include ethylene, methanol, carbon monoxide, and formaldehyde. Driven by the development of the downstream plexiglass manufacturing and building decoration material manufacturing industries, the production capacity of the MMA market in China increased from 0.4 million tons in 2012 to 1.7 million tons in 2021 with a CAGR of 16.0%, and is expected to further increase to 3.5 million tons in 2032, representing a CAGR of 4.2% from 2022 to 2032. Meanwhile, the sales volume of MMA is also expected to grow from 1.1 million tons in 2022 to 2.1 million tons in 2032, representing a CAGR of 6.8%.

Production capacity of MMA in China experienced a large increase from 2019 to 2021, and is expected to further increase by a large amount in the next two years, while the growth of sales volume has been falling behind. Therefore, the production utilization rate has been decreasing, and is expected to hit the lowest point in 2023 at 43.7%. However, with the decreasing growth in production capacity mainly due to the stricter environmental protection policies, as well as the steady growth in sales volume from 2024 to 2032, the utilization rate is expected to bounce back to 59.3% in 2032.

MMA Market Size and Production Utilization Rate, China, 2012-2032E

CAGR	12-21	22E-32E
Production Capacity	16.0%	4.2%
Sales Volume	12.6%	6.8%



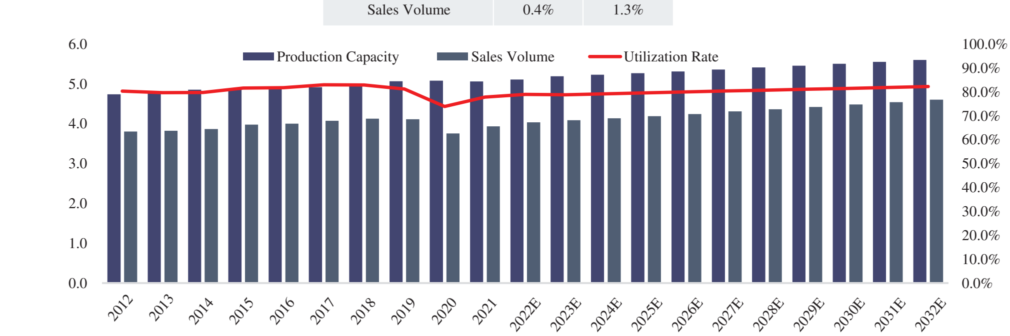
Source: Frost & Sullivan

Yearly average price of MMA decreased from RMB15.5 thousand per ton in 2012 to RMB13.3 thousand per ton in 2021. Due to the price fluctuation of raw materials of MMA, including ethylene, methanol, carbon monoxide, and formaldehyde, MMA experienced large price fluctuation in the past ten years. Its price is expected to decrease to RMB12.4 thousand per ton in 2022, and experience a slight further decrease in the next ten years. The decrease is expected to be driven by the decreasing prices of raw materials, as well as the increasing supply of MMA. Furthermore, the price spread between MMA and ethylene experienced huge fluctuation in the past ten years, which was mainly due to the huge fluctuation in the price of ethylene. With the expected continuous growth in the downstream demand of the MMA industry, it is expected that such a spread will increase in the next ten years.

Supply and Demand Analysis of Global Refining Market

Refining Market Size and Production Utilization Rate, Global, 2012-2032E

CAGR	12-21	22E-32E
Production Capacity	0.7%	0.9%
Sales Volume	0.4%	1.3%



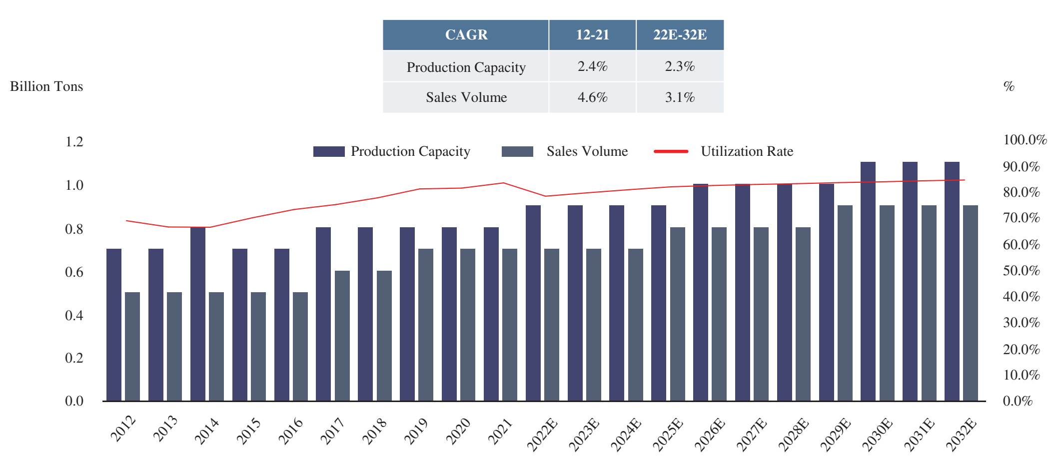
Source: International Energy Agency, Frost & Sullivan

The global refining production capacity increased at a 0.7% CAGR between 2012 and 2021. The production capacity increased from 4.7 billion tons in 2012 to 5.1 billion tons in 2021, and is expected to further increase to 5.6 billion tons by 2032, representing a CAGR of 0.9% between 2022 and 2032. The global refining sales volume increased from 3.8 billion tons in 2012 to 4.1 billion tons in 2019. While in 2020, due to the outbreak of COVID-19, the global refining sales volume decreased to 3.8 billion tons, resulting in a sharp drop of production utilization rate in 2020. In 2021, the sales volume of global refining gradually recovered from the pandemic and is expected to further increase to 4.6 billion tons by 2032, representing a CAGR of 1.3% between 2022 and 2032. The production utilization rate remained stable in the past before 2020, and is expected to gradually increase after 2020 as the sales volume catches up with the production capacity, reaching 82.2% by 2032.

Supply and Demand Analysis of China's Refining Market

China's refining production capacity increased at a 2.4% CAGR between 2012 and 2021. The production capacity increased from 0.7 billion tons in 2012 to 0.8 billion tons in 2021, and is expected to further increase to 1.1 billion tons by 2032, representing a CAGR of 2.3% between 2022 and 2032. China's refining sales volume increased from 0.5 billion tons in 2012 to 0.7 billion tons in 2021, representing a CAGR of 4.6%. While in 2022, China's refining sales volume is expected to decrease slightly due to the suspension of production caused by the COVID-19 pandemic. After that, China's refining sales volume is expected to further increase to 0.9 billion tons by 2032, representing a CAGR of 3.1% between 2022 and 2032. The production utilization rate underwent a general upward sloping trend from 2012 to 2021, but is expected to experience a decrease in 2022 due to the suspension of production. From 2023, the production utilization rate is expected to gradually increase as the sales volume catches up with the production capacity, reaching 84.5% in 2032.

Refining Market Size and Production Utilization Rate, China, 2012-2032E



Source: International Energy Agency, Frost & Sullivan

Demand Trends of Global Petrochemical and Refining Market

- ***Growing Demand in Downstream Industries.*** The petrochemical market has witnessed an exponential growth over the past decade, owing to the increasing demand from a range of downstream industries, including construction, textile, agriculture, food and beverage, renewable energy, automobile, etc. The general decreasing trend in crude oil prices since 2012 also facilitated growth of the petrochemical market. In particular, major players operating in developing countries like China have made significant profits due to the rapid growth of the downstream industries. In addition, the expansion into emerging applications like renewable energy, is expected to drive the continuous growth of the market in the forecast period, and facilitate the high-quality products to replace conventional raw materials.

- ***Advancement of Renewable Energy.*** The petrochemical products are applied in many areas of modern energy system, including solar PV, wind turbine blades, batteries, thermal insulation for buildings, electric vehicle parts, etc. For example, EVA has good radiation transmission and low degradability to sunlight, and are widely used in solar modules as an encapsulating agent. Wind turbines have use for products derived from ethylene, and the blades use a massive quantity of adhesives, which are also products of the petrochemical market. The rapid development of renewable energy will drive the long-term growth of the petrochemical and refining market.

Supply Trends of Global Petrochemical and Refining Market

- ***Increasing Vertical Integration.*** High demand for various petrochemical products is becoming a key driver of the global refining market. With the enhancement of the comprehensive operation capacity of refineries, leading enterprises in the petrochemical market have successfully achieved vertical integration by expanding to the upstream raw material segments, creating an integrated value chain. In the long run, as the overall market growth slows down, the vertically integrated players will capture more market share, concentrate the profits of the value chain, and help standardize the petrochemical and refining market.

- ***Accelerating Green and Low-carbon Development.*** In line with the general trend of global low-carbon transformation, petrochemical and refining market is expected to apply more advanced processes, equipment, and technologies, in order to achieve better energy conservation. In China, according to the "*Declaration on Carbon Peaking and Carbon Neutrality in China's Petroleum and Chemical Industry*" issued by the China Petroleum & Petrochemical Equipment Industry Association and 17 petrochemical manufacturers in January 2021, petrochemical and refining market is currently aiming to lead the green and low-carbon development of the entire industrial sector. The carbon neutrality goal will continue to promote the supply-side structural transformation and upgrade.

- ***Increasing Digitalization.*** In response to the fluctuations in international oil prices and the challenges posed by the global goal of carbon neutrality, the digital transformation of the petrochemical and refining market is imminent. Through the comprehensive use of new-generation digital technologies such as 5G, cloud computing, big data, AI, and IoT, the production process of petrochemical and refining market is expected to go through digital upgrade and automation process. It is also expected that incorporating digitalization will enhance production management, process control and product flow, and the synergy of exploration, drilling, and petrochemical production will also increase, achieving integrated management of the whole production process.

- ***Product Differentiation.*** With the high-quality development of the petrochemical market and the deepening of supply-side structural reforms, many major players in the petrochemical market are focusing on high-end products and product differentiation to better cater to the demand from downstream industries. Fine chemical is still expected to be regarded as an important direction for the high-quality development of the petrochemical market. It is expected that the market share of proportion of traditional bulk general-purpose products will gradually decrease, and the development of high-tech and high-quality products will be an important trend of the market. For example, in order to improve the performance of polyester filament products, manufacturers in the chemical fiber market are expected to adopt chemical and physical measures to make more differentiated products, which provides higher added value like antibacterial, UV protection, etc.

Entry Barriers of the Petrochemical and Refining Market in China

- ***Regulation.*** The approval system is currently adopted in chemical industry in China. The established chemical enterprises must meet the approved conditions before engaging in the production and sales of chemical products. According to related regulations, laws and documents, including "*Law of the People's Republic of China on Work Safety*", "*List of Hazardous Chemicals*" revised by State Administration of Work Safety and other multiple departments in February 2018, and "*Measures for the Administration of the Operation of Hazardous Chemical Business*" revised by State Administration of Work Safety in May 2015, enterprises which plan to operate petrochemical and refining business need to acquire license of operating hazardous chemicals. For new entrants of the market, it would be difficult and costly to build relevant internal control manuals, policies, as well as operational processes and systems to meet and comply with all related regulations relating to license acquirement, production safety and environmental protection in a short period.

- ***Technology.*** Technology advancement is one of the significant drivers of the development of the industry and leading players usually put great attention to R&D. Through long-term cooperation agreements with global leading players such as Dow Chemical and independent research institutions, leading enterprises are able to keep up the pace with the market and maintain technological advantages to enhance their competitiveness in the market. For new entrants, technology can become a barrier, as they may have limited technological capabilities and connections with enterprises or institutions for cooperation, making it harder for them to compete and survive in the industry.

- ***Capital.*** To start up a new refinery plant, a large amount of investment is necessary for purchasing new equipments as well as covering the payments for the construction. For example, the 2.5 million tons/year PTA production line of Hengli Petrochemical required an investment of around RMB3.0 billion. The 6.0 million tons/year PTA production project of Yisheng Petrochemical cost RMB6.7 billion to construct. Securing sufficient funds is a barrier for new entrants in the industry.

POLYESTER FIBER MARKET ANALYSIS

Definition and Classification of Polyester Fiber Market

Polyester fiber is a type of synthetic fiber obtained by the polycondensation of saturated dibasic acid and diol. It has the characteristics of high strength and good elastic recovery ability, and thus has better wrinkle resistance and shape retention abilities compared with other types of fibers.

Polyester fiber can be divided into primary polyester fiber and recycled polyester fiber. Primary polyester fiber can be further divided into filament and staple fiber, the former of which include POY (partially oriented yarn), FDY (fully drawn yarn), and DTY (drawn textured yarn). And recycled polyester fiber is made from recycled plastic bottles, and generally has similar performance compared with primary polyester fiber.

Among the three types of filaments in the polyester fiber industry, DTY is a downstream product of POY. Compared with POY and FDY, DTY has the advantages of higher fluffiness and higher elasticity. Driven by customers' increasing favor of DTY as well as the development of intelligent manufacturing in the industry, the DTY market in China is expected to grow rapidly in the next ten years.

Industrial Chain and Downstream Applications of Polyester Fiber Market

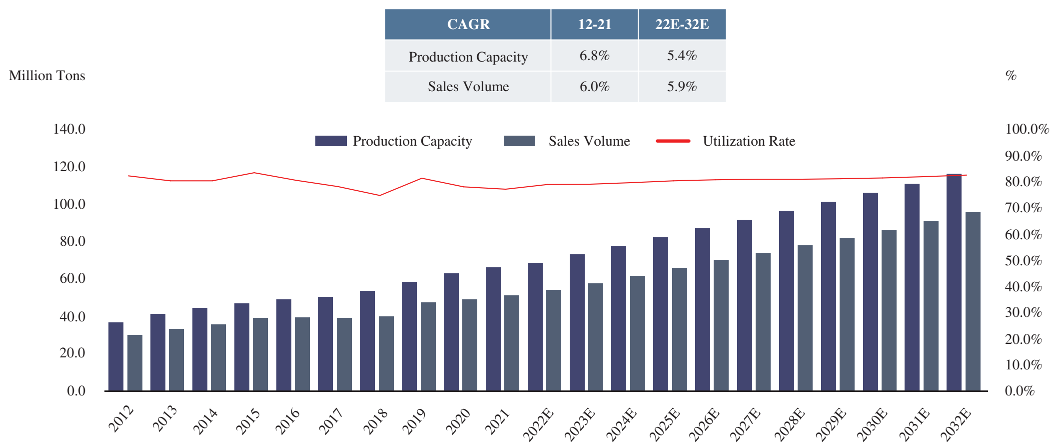
Polyester fiber lies in the end of the industrial chain of the petrochemical market. It is used in the textile, clothing and other industries to make suits, coats, shoes, hats and various types of decorative fabrics such as curtain, tablecloth, and sofa fabric. It can also be used in industrial and agricultural fields to make conveyor belts, ropes, electrical insulation materials, etc.

Market Size Analysis of China's Polyester Fiber Market

Development of the overall polyester fiber market in China has been driven by the continuous expansion of the downstream clothing and textile markets, the application of big data, AI, industrial robots and other technologies in the industry, the issuance of favorable policies by the government, as well as the rapid development of the recycled polyester fiber market. Therefore, total production capacity of the polyester fiber market (with recycled polyester fiber included) in China increased from 36.8 million tons in 2012 to 66.4 million tons in 2021 with a CAGR of 6.8%. And it is expected to further increase from 68.8 million tons in 2022 to 116.4 million tons in 2032, representing a CAGR of 5.4%. Meanwhile, the total sales volume of the industry also increased from 30.2 million tons in 2012 to 51.2 million tons in 2021 with a CAGR of 6.0%, and is expected to further grow from 54.3 million tons in 2022 to 95.9 million tons in 2032, representing a CAGR of 5.9% in the period.

Since the growth of sales volume is slightly behind that of production capacity in the polyester fiber market in China from 2012 to 2021, the production utilization rate of the industry slightly decreased from 82.1% to 77.0% in the period. In the next ten years, sales volume of polyester fiber is expected to increase due to the improvement of manufacturing technologies and the continuously increasing downstream demand, driving the production utilization rate to bounce back to 82.4% in 2032.

Polyester Fiber Market Size and Production Utilization Rate, China, 2012-2032E



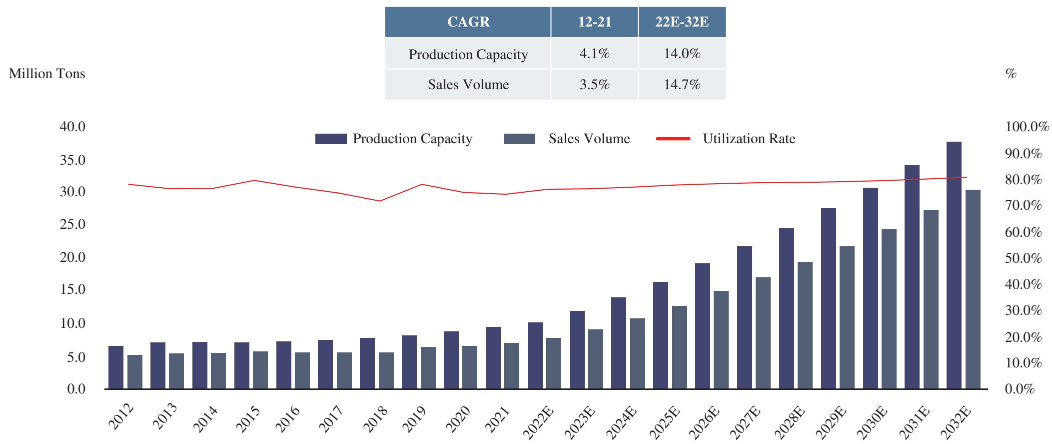
Source: Frost & Sullivan

Yearly average price of polyester fiber decreased from RMB11.6 thousand per ton in 2012 to RMB8.4 thousand per ton in 2021, and is expected to increase slightly to RMB9.0 thousand per ton in 2022, with an overall CAGR of -2.5% from 2012 to 2022. Price fluctuation in the past ten years was mainly due to the fluctuation in the prices of raw materials, such as PTA and MEG. From 2023 to 2032, mainly due to the expected decrease in prices of raw materials as well as the increasing supply of polyester fiber, the price of polyester fiber in the China market is expected to slightly decrease. Furthermore, the price spread between polyester fiber and PTA has experienced huge fluctuations in the past ten years, which were mainly due to the fluctuation in the price of PTA. With the expected increasing downstream demand for polyester fiber, such a spread is expected to increase in the next ten years.

Market Size Analysis of China's Recycled Polyester Fiber Market

Production of recycled polyester fiber helps deal with the shortage of raw material as well as the pressure of environment protection in the polyester fiber industry. Furthermore, well-known brands have been replacing primary polyester fiber with recycled polyester fiber due to the increasing awareness on sustainable development globally. Therefore, with a CAGR of 4.1%, the production capacity of recycled polyester fiber increased from 6.6 million tons in 2012 to 9.5 million tons in 2021, and is expected to reach 37.8 million tons in 2032, with a CAGR of 14.0% from 2022 to 2032. Meanwhile, the sales volume of recycled polyester fiber is also expected to grow from 7.8 million tons in 2022 to 30.5 million tons in 2032 with a CAGR of 14.7%, driving the production utilization rate to increase from 76.1% to 80.7% in the period.

Recycled Polyester Fiber Market Size and Production Utilization Rate, China, 2012-2032E



Source: Frost & Sullivan

Similar to the overall average price of polyester fiber, the yearly average price of recycled polyester fiber is also expected to decrease with an overall CAGR of -2.6% from 2012 to 2022, reaching RMB7.9 thousand per ton in 2022, and is also expected to slightly decrease from 2023 to 2032. And the price spread between recycled polyester fiber and PTA is also expected to increase in the next ten years.

Demand Trends of Global Polyester Fiber Market

- ***Continuous Expansion of Downstream Markets.*** With the increasing per capita disposable income of people around the world, global spending on textile, clothing, shoes and hats products continues to increase. Furthermore, with the development of social media as well as big data, AI, Internet of things and other technologies, the textile, clothing, shoes and hats industries have made significant progress in product research and development, sales channel expansion, and product manufacturing. Therefore, these industries continue to grow globally. For instance, in China, the total market size of the clothing, textile, and shoes and hats market in terms of GMV increased from RMB1.2 trillion in 2012 to RMB1.6 trillion in 2021, with a CAGR of 3.7%, and is expected to further increase to RMB2.5 trillion in 2032, with a CAGR of 3.8% from 2022 to 2032. The development of these downstream industries has increased the demand for upstream raw materials, including polyester fiber, and thus drives the development of the polyester fiber market.

- ***Favorable Government Policies.*** In recent years, governments of various countries have issued numerous favorable policies in the field of polyester fiber manufacturing. For instance, the Ministry of Industry and Information Technology and the National Development and Reform Commission of China jointly issued the "*Guidance on High-quality Development of Chemical Fiber Industry*" in April 2022, which supports the development of differentiated and new types of polyester fiber. Also, the issuance of "*Standards for Recycled Chemical Fiber Industry*" by the Ministry of Industry and Information Technology of China in June 2021 helps improve the standardization of production, driving the development of the industry.

Supply Trends of Global Polyester Fiber Market

- ***Increasing Application of Recycled Polyester Fiber.*** Since recycled polyester fiber is made from recycled plastic bottles, it helps deal with the shortage of raw material as well as the pressure of environment protection in the industry. Furthermore, driven by the increasing awareness and heightened focus on sustainable development among customers globally, well-known brands have been replacing primary polyester fiber with recycled polyester fiber in their production process. As a result, polyester fiber manufacturers around the world are expected to increase the production of recycled polyester fiber. For instance, in China, with the increasing production of recycled polyester fiber, the share of the sales volume of recycled polyester fiber in the total sales volume of polyester fiber is expected to increase from 14.3% in 2022 to 31.9% in 2032.

- ***Development of Intelligent Manufacturing.*** Advanced technologies including big data, AI, and industrial robots have been introduced to the global polyester fiber market in recent years. As a result, leading polyester fiber manufacturers around the world have developed automatic doffer systems, automatic spinneret inspection systems, online quality monitoring and management systems, intelligent packaging systems, etc., and have basically realized the automatic and intelligent production of fiber polyester. Particularly, in China, leading manufacturers have realized the interconnection between manufacturing equipment, laying a solid foundation for the further development of intelligent manufacturing.

- ***Continuous Expansion of Business towards the Upstream of the Industrial Chain.*** In recent years, various polyester fiber manufacturers around the world have been gradually expanding their business towards the upstream of the industrial chain of the chemicals market. Particularly, many leading players in the China polyester fiber industry have built integrated business models, covering crude oil, PTA, polyester fiber, and various types of other products. Such expansions not only ensure the supply of raw materials of those polyester fiber manufacturers, but also reduce their production and operation costs, strengthen the scale effect, and further improve the industry's anti-risk ability.

- ***Increasing Differentiation of Products.*** Leading polyester fiber manufacturers around the world have been developing differentiated products. For instance, leading players in China have developed hundreds of types of polyester fiber covering POY, FDY, DTY, semi-dull and full-dull polyester fiber, recycled polyester fiber, etc. The increasing differentiation of products helps fulfill different needs of customers, and increases the profit margins of polyester fiber manufacturers.

EVA MARKET ANALYSIS

Definition and Classification of EVA Market

Ethylene-vinyl acetate (EVA) is obtained through the copolymerization of ethylene and vinyl acetate (VA). It has the characteristics of high toughness, high impact resistance ability and high heat-sealing ability.

EVA can be classified into different types based on its VA content, and different types of EVA have different downstream applications. For instance, EVA with a VA content of less than 5% is normally used for making films, EVA with a VA content ranging from 5% to 15% is normally used for making electric cables, EVA with a VA content ranging from 15% to 28% is normally used for making foaming materials, and EVA with a VA content of more than 28% is typically used for making photovoltaic (PV) materials and hot melt adhesives.

Solar EVA refers to the EVA with a VA content of more than 28% and a melt index of higher than 25%. Compared with non-solar EVA, solar EVA generally has higher VA content and higher melt index. Therefore, the production of solar EVA is more difficult, and the key difficulty is the stable production under ultra-high pressure. Furthermore, shifting from the production of standard-grade EVA to the production of solar EVA is also difficult for manufacturers since it requires large amounts of capital investment as well as the accumulation of technology and experience.

Industrial Chain and Downstream Applications of EVA Market

EVA lies in the end of the industrial chain of the petrochemical market. The top three downstream applications of EVA are PV material manufacturing, foaming material manufacturing, and electric cable manufacturing.

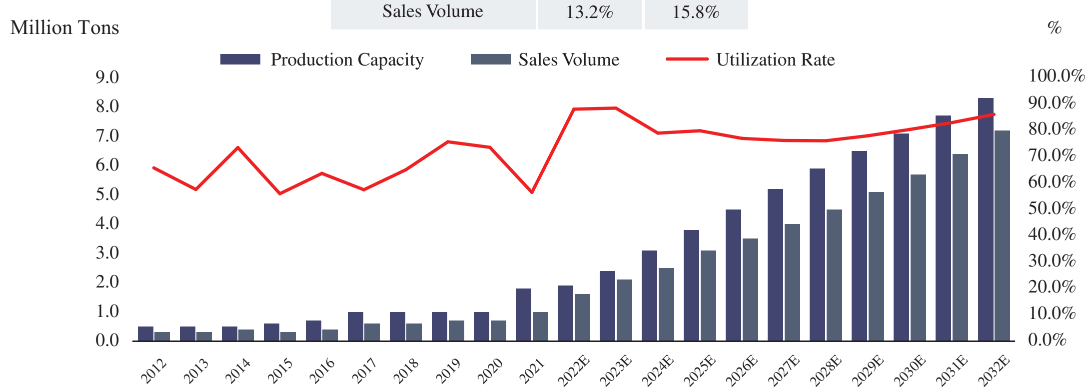
Market Size Analysis of China's EVA Market

The EVA market in China has been continuously driven by the rapid development of the PV market, electric cable market and other downstream markets. As a result, the total production capacity of the EVA market increased rapidly from 0.5 million tons in 2012 to 1.8 million tons in 2021, with a CAGR of 15.1%, and is expected to grow from 1.9 million tons in 2022 to 8.3 million tons in 2032, representing a CAGR of 16.1% in the period. Its sales volume is also expected to increase from 1.6 million tons in 2022 to 7.2 million tons in 2032, with a CAGR of 15.8%.

From 2012 to 2021, since the growth of sales volume in the EVA market in China is behind that of production capacity, the production utilization rate of the industry decreased from 65.8% to 56.5%. However, with the continuously increasing sales volume in the next ten years, the production utilization rate is expected to bounce back to 86.1% in 2032.

EVA Market Size and Production Utilization Rate, China, 2012-2032E

CAGR	12-21	22E-32E
Production Capacity	15.1%	16.1%
Sales Volume	13.2%	15.8%



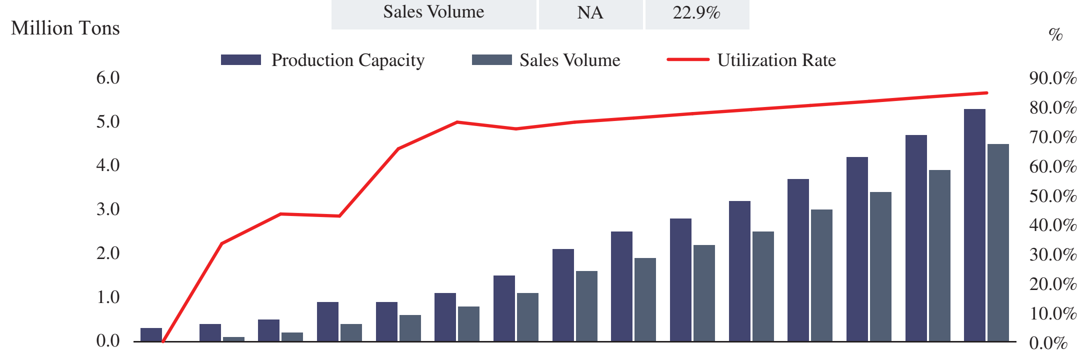
Source: Frost & Sullivan

Yearly average price of EVA slightly decreased from RMB14.6 thousand per ton in 2012 to RMB12.9 thousand per ton in 2020 mainly due to the decreasing price of ethylene and VA. However, largely due to the temporary power restriction policies issued by the Chinese government in 2021, the average price of EVA rapidly increased to RMB21.9 thousand per ton in that year, and is expected to further increase to RMB24.9 thousand per ton in 2022. Furthermore, the price spread between EVA and ethylene has experienced a gradual increase in the past ten years, which was largely due to the increasing downstream demand from PV, electric cable, foaming materials and other industries for EVA products. In the next ten years, driven by the expected further increase in downstream demands, such a price spread is expected to further grow.

Market Size Analysis of China's Solar EVA Market

Solar EVA Market Size and Production Utilization Rate, China, 2012-2032E

CAGR	18-21	22E-32E
Production Capacity	42.7%	19.8%
Sales Volume	NA	22.9%



Source: Frost & Sullivan

Driven by the rapid development of the global new energy and new materials industry, downstream demand for solar EVA in China has rapidly increased. The production capacity of the solar EVA market in China increased from 0.3 million tons in 2018 to 0.9 million tons in 2021, and is expected to further grow to 5.3 million tons in 2032, with a CAGR of 22.9% from 2022 to 2032. The sales volume of solar EVA is also expected to increase at a CAGR of 22.9% from 2022 to 2032, and reach 4.5 million tons in 2032.

Furthermore, with the increasing downstream demand, the production utilization rate increased from 33.5% in 2019 to 42.9% in 2021, and is expected to further increase to around 85.0% in 2032.

Similar to the overall yearly average price of EVA, the average price of solar EVA is also expected to experience a rapid increase from RMB13.1 thousand per ton in 2020 to RMB25.9 thousand per ton in 2022. And the price is also expected to gradually fall back from 2023 to 2032. And the spread between the price of solar EVA and ethylene is also expected to increase in the next ten years.

Demand Trends of Global EVA Market

- ***Continuous Expansion of the Downstream PV Market.*** Numerous countries around the world have already set goals of carbon emission peak and carbon neutrality. To achieve such goals, detailed roadmaps and favorable policies have been issued to promote the development of the new energy and new materials market. In March 2022, the European Commission released the "*REPowerEU*" roadmap, and announced the target of increasing the proportion of renewable energy power generation to 45% in 2030. In December 2021, the Solar Energy Industries Association of the U.S. announced a new target for solar to reach 30% of U.S. electricity generation by 2030. Also, the "*14th Five-year Plan for Renewable Energy Development*" released by the National Development and Reform Commission and the National Energy Administration of China in June 2022 once again defined the country's goal in developing new energy: by 2030, China's non fossil energy will account for about 25% of the primary energy consumption. Therefore, the global PV market is expected to experience a rapid growth in the next ten years, with the cumulative installed PV capacity being expected to increase from 1,106.0 GW in 2022 to 5,959.5 GW in 2032 with a CAGR of 18.3%. And the cumulative PV capacity of China is also expected to increase from 396.9 GW in 2022 to 2,606.9 GW in 2032, representing a CAGR of 20.7%. The expansion of the PV market is expected to drive the growing demand for upstream raw materials, including solar EVA.

- ***Continuous Expansion of Other Downstream Markets.*** Apart from PV market, EVA is also commonly used to make electric cables and foaming materials, the latter of which are used in handbags, shoes, toys and so on. With the increase in electricity consumption around the world, the global electric cable industry has experienced rapid development in recent years. Particularly, in China, the "*New Infrastructure Construction*" plan, which increases the investment in new information infrastructure such as cloud computing and big data, promotes the development of new energy, smart grid and rail transit, leading to more demands for electric cables. In addition, with the increasing per capita disposable income, global spending on handbags, shoes, toys and other end products of EVA continues to increase. The development of these downstream markets also helps drive the development of the EVA industry.

Supply Trends of Global EVA Market

- ***Increasing Application of Solar EVA.*** With continuous development of the global PV market, the cumulative installed PV capacity has increased rapidly, driving the growing demand for solar EVA. As a result, the market share of solar EVA in the total EVA market is expected to increase. For instance, in China, the share of the production capacity of solar EVA in the total production capacity of EVA is expected to increase from 50.2% in 2022 to 53.9% in 2032, and the share of the sales volume of solar EVA in the total sales volume of EVA is expected to increase from 51.1% in 2022 to 63.0% in 2032.

- ***Development of Technology in China Market.*** Leading EVA manufacturers in China have achieved main technology breakthroughs in recent years. Especially, leading manufacturers, represented by the Group, have independently developed the technology for the stable and long-term production of solar EVA under supercritical, high temperature, ultra-high pressure and other conditions. And their production techniques have reached the top level in the world. Such technology development has been driving the development of the China EVA market.

- ***Increasing Application of Tube Manufacturing Method.*** The manufacturing methods of EVA can be classified into the tube method and the kettle method. The upper limit of VA content of the EVA produced by the tube method is around 30%, while EVA with VA content of up to 40% can be produced by the kettle method. However, compared with the kettle method, the tube method has a higher production conversion rate, thus its production cost is lower. Therefore, the tube method has won the favor of many leading EVA manufacturers around the world, and is expected to be more commonly used in the manufacturing process of the EVA industry in the next ten years.

- ***Increasing Market Concentration.*** The manufacturing of EVA has high requirements on the equipment, technology and capital investment of enterprises. Therefore, in the global and China EVA markets, the top players account for high market shares. For instance, measured by consolidated capacity, the top 5 players in the China EVA market had a combined share of 66.6% in 2021. In the next yen years, due to the scale effect as well as the accumulated technical advantages of these top players, the concentration of the market is expected to continuously increase.

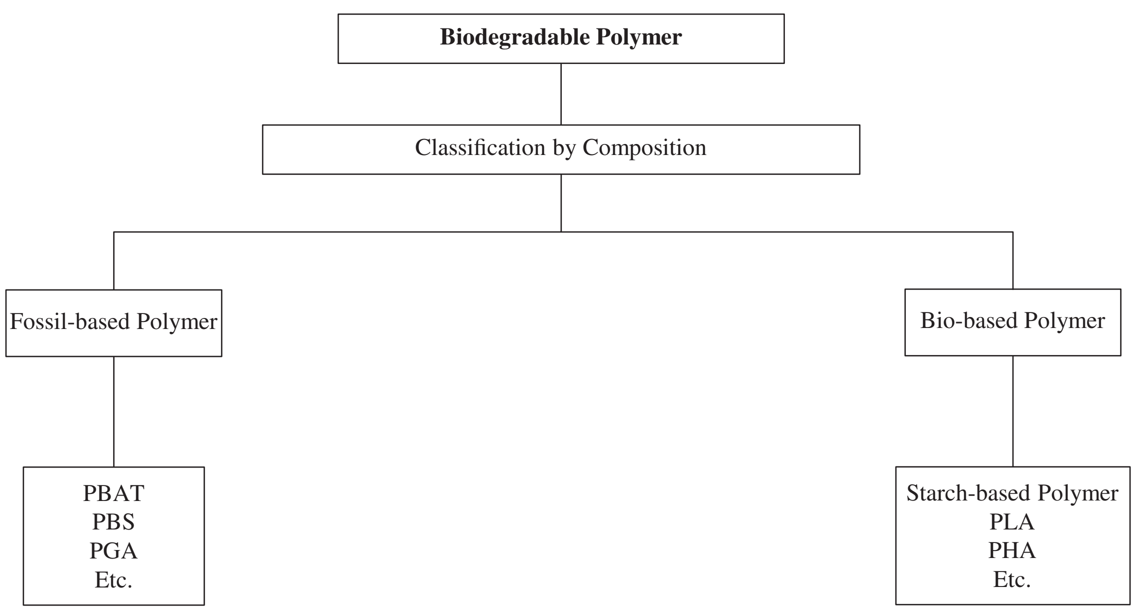
CHINA'S BIODEGRADABLE POLYMERS MARKET ANALYSIS

Definition and Classification of Biodegradable Polymers Market

Biodegradable polymers refer to the polymers that can be degraded into environmentally harmless substances by microorganisms under natural environment or specific conditions such as composting or anaerobic digestion.

Biodegradable polymers can be further classified into fossil-based biodegradable polymers and bio-based biodegradable polymers based on their composition. Fossil-based biodegradable polymers include PBAT, PBS, PGA, and others. Bio-based biodegradable polymers include starch-based polymer, PLA, PHA, and others. Compared to bio-based biodegradable polymers, fossil-based biodegradable polymers usually have better biocompatibility and heat resistance. The processing performance of PBAT is currently the best among all kinds of biodegradable polymers.

Classification of Biodegradable Polymers

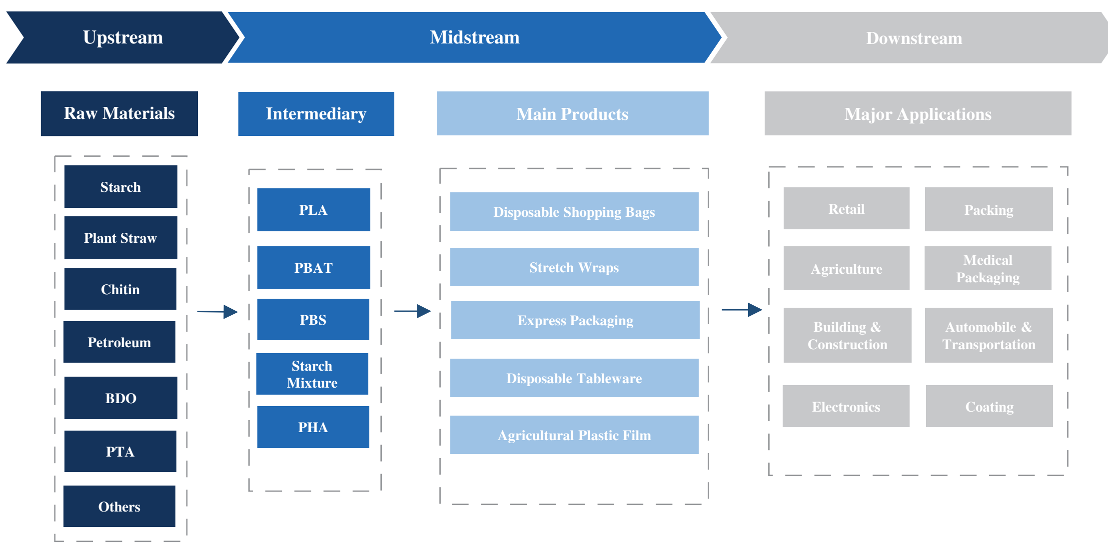


Source: Frost & Sullivan

Industrial Chain Analysis of Biodegradable Polymers Market

The biodegradable polymers industry mainly uses starch, plant straw, chitin, butanediol (BDO) and other polymers as raw materials for production. The intermediate products include PLA, PBAT, PBS, etc., and main end-products are disposable shopping bags, stretch wraps, express packaging, disposable tableware, and agricultural plastic film, etc., which are extensively used in retail, agriculture, packing, and other industries.

Industry Value Chain of Biodegradable Polymers Market



Source: Frost & Sullivan

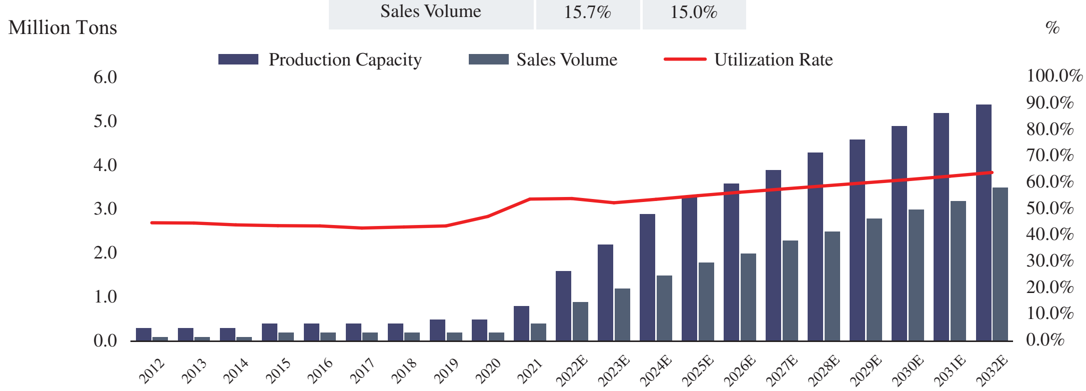
Market Size Analysis of China's Biodegradable Polymers Market

The production capacity and sales volume of China's biodegradable polymers market increased slowly from 2012 to 2020 as conventional non-degradable polymers still dominated the whole market. While in 2021, the government officially implemented the new "*plastic ban*", which strictly prohibits the use of non-degradable plastic products in the fields of food delivery services, supermarkets, pharmacies, etc. Resultingly, the sales volume of biodegradable polymers increased from 0.2 million tons to 0.4 million tons in 2021, driving the production utilization rate to increase from 47.4% to 54.0%.

In the forecast period, the prohibition of non-degradable plastics will be implemented in more fields, promoting the development of the biodegradable polymers market. It is expected that the production capacity and sales volume of biodegradable polymers will increase to 5.4 million tons and 3.5 million tons in 2032 with a CAGR of 13.0% and 15.0% from 2022 to 2032, respectively. The production utilization rate is expected to drop slightly in 2023 and increase steadily from 2023 to 2032.

Biodegradable Polymers Market Size and Production Utilization Rate, China, 2012-2032E

CAGR	12-21	22E-32E
Production Capacity	13.4%	13.0%
Sales Volume	15.7%	15.0%



Source: Frost & Sullivan

The raw materials of biodegradable polymers include BDO, PTA, corn, starch, etc. With the gradual implementation of the domestic plastic restriction policy, the market demand for degradable plastics continues to increase, driving the average price of biodegradable polymers (including PLA, PBAT and PBS) to rise. The price of PBAT is affected by the supply of BDO as 60% of PBAT was made by BDO. The price spread between PBAT and BDO experienced a decrease in 2021 and is expected to maintain a decrease trend in 2022, due to the factors including expansion of PBAT production capacity and rising price of BDO.

Demand Trends of Global Biodegradable Polymers Market

- ***Increasing Demand from Downstream Industries.*** With the increasing awareness of environmental protection, there has been a surge in demand for biodegradable polymers in recent years. In China, according to the "*Carbon Peak Action Plan by 2030*" issued by the State Council in October 2021, the Chinese government aims to stop growing carbon dioxide emissions by 2030. Since biodegradable polymers products can be readily recycled and decomposed without being burned, they have played important roles in the reduction of carbon emissions. Accordingly, the growing demand for biodegradable polymers products in response to the government's call will stimulate the development of the biodegradable polymers market.

- ***Replacement of Conventional Polymers.*** Due to the stringent government policies and environmental regulations on minimizing plastic pollution, the downstream demand for biodegradable polymers is expected to surge. Particularly in China, most players in the biodegradable polymers market are accelerating their production capacity expansion in order to meet the demand derived from downstream business fields. The market share of biodegradable polymers is expected to grow significantly. The conventional polymers will no longer occupy the dominant position, and there is a trend that the biodegradable polymers products will gradually replace the conventional polymers products in the forecast period.

Supply Trends of Global Biodegradable Polymers Market

- ***Advanced Manufacturing Technology.*** Technological advancement has improved the industrial transformation and upgrading of the biodegradable polymers market. Leading biodegradable polymers manufacturers in the world have launched various biodegradable polymers products differing in size, color, weight, bearing capacity, etc. Mature and advanced technologies are critical in producing high-quality biodegradable polymers products and lowering costs in the manufacturing process. For instance, China's leading enterprises have basically mastered the production technology of fossil-based polymers products. By using esterification-polycondensation reaction for industrial production, they can achieve full-load operation and further reduce production costs. As a result, superior and mature technology will promote the biodegradable polymers market to develop healthily and efficiently.

- ***More Diversified Biodegradable Polymers Products.*** As market players are adopting more advanced manufacturing technologies to differentiate biodegradable polymers products, improve their quality and increase the degree of industrialization of manufacturing, new types of composite biodegradable polymers will continue to be created, and will be applied to more specified downstream scenarios. For instance, certain PBAT polymers are compatible with nanocomposites, which can be broadly used in the high-end biopharmaceutical industry.

- ***Integration of Industry Chain.*** The integration of industry chain has become a common trend in the biodegradable polymers market. In China, leading midstream biodegradable polymers products manufacturers have expanded their business to the upstream of the industry chain, which allows them to control the raw material supply and reduce the production costs. Simultaneously, some of them have entered the downstream sectors of the industry chain in order to obtain more client resources by providing products such as disposable shopping bags and stretch wraps. The integration of the value chain allows the players to optimize resource allocation and promote the broad downstream applications of biodegradable polymers products, which is expected to greatly encourage the growth of biodegradable polymers market.

COMPETITIVE ANALYSIS OF CHINA'S PETROCHEMICAL AND REFINING MARKET

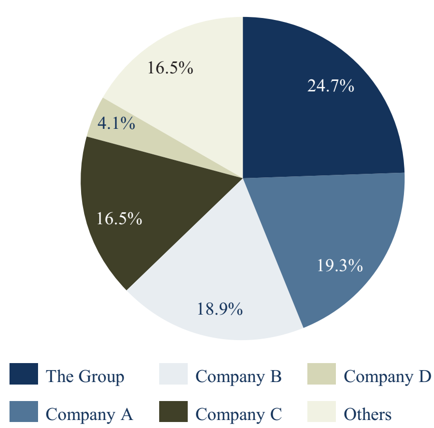
Overview of Competitive Landscape of the Petrochemical and Refining Market in China

The petrochemical and refining market in China is fragmented with a large number of market players, which can be divided into state-owned companies and non-state-owned companies. After years of construction, state-owned companies, China National Petroleum Corporation and Sinopec Group for example, typically have established comprehensive production systems with strong crude oil processing capacity that mainly provide refined oil and other basic petrochemical materials. Non-state-owned companies have experienced fast development in the past decade encouraged by favorable government policies and benefited from producing higher proportion of advanced petrochemical products, such as recycled polyester fiber, solar EVA, etc.

Ranking and Market Share Analysis of Acrylonitrile Market in China

Due to limited market players in the acrylonitrile market, the concentration ratio of the acrylonitrile market in China is relatively high. In 2021, the aggregated market share of the top 5 market players in China reached 83.5%. The Group was the largest acrylonitrile manufacturer with a consolidated capacity of 780.0 thousand tons and a market share of 24.7% in China in 2021. Leading state-owned companies also established a large volume of production capacity through variety of refinery plants in China.

Top 5 Manufacturers in Acrylonitrile Market (by Consolidated Capacity), China, 2021



Rank	Company Name	Consolidated Capacity (thousand tons)	Market Share
1	**The Group**	**780.0**	**24.7%**
2	Company A	611.0	19.3%
3	Company B	598.0	18.9%
4	Company C	520.0	16.5%
5	Company D	130.0	4.1%
	Top 5 players	2,639.0	83.5%
	Others	521.0	16.5%
	Total Market Size	**3,160.0**	**100.0%**

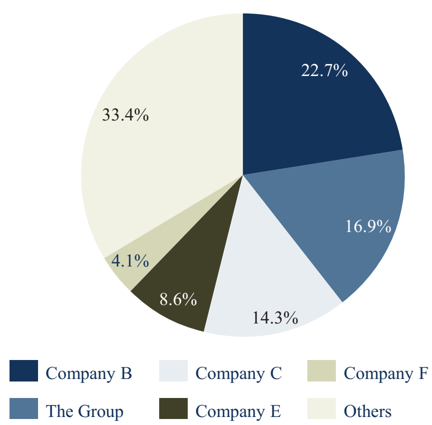
Source: Frost & Sullivan, company annual reports

Ranking and Market Share Analysis of EVA Market in China

Similar to the acrylonitrile market, the concentration ratio of the EVA market in China is relatively high. In 2021, the top 5 market players in the EVA market in China had a combined consolidated capacity of 1,180.5 thousand tons, representing an aggregated market share of 66.6%. Due to earlier planning and construction, a leading state-owned company has established several refinery plants with EVA production capacity, which made it the largest EVA manufacturer in China with a consolidated capacity of 403.0 thousand tons, representing a market share of 22.7% in China in 2021. In 2021, the Group was the second largest EVA manufacturer in China with a consolidated capacity of 300.0 thousand tons and a market share of 16.9%.

Within EVA market, solar EVA manufacturing requires higher technology and procedures standards. And only few players including the Group are able to produce solar EVA on scale in China currently. In terms of consolidated capacity, the Group was the largest solar EVA manufacturer both globally and in China by the end of 2021 with capacity of 300.0 thousand tons and a market of 34.4% in China.

Top 5 Manufacturers in EVA Market (by Consolidated Capacity), China, 2021

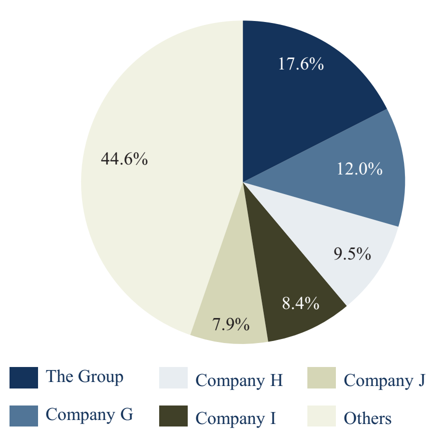


Rank	Company Name	Consolidated Capacity (thousand tons)	Market Share
1	Company B	403.0	22.7%
2	**The Group**	**300.0**	**16.9%**
3	Company C	252.5	14.3%
4	Company E	153.0	8.6%
5	Company F	72.0	4.1%
	Top 5 players	1,180.5	66.6%
	Others	591.5	33.4%
	Total Market Size	**1,772.0**	**100.0%**

Source: Frost & Sullivan, company annual reports

Ranking and Market Share Analysis of DTY Market in China

Top 5 Manufacturers in DTY Market (by Consolidated Capacity), China, 2021



Rank	Company Name	Consolidated Capacity (million tons)	Market Share
1	**The Group**	**1.3**	**17.6%**
2	Company G	0.9	12.0%
3	Company H	0.7	9.5%
4	Company I	0.6	8.4%
5	Company J	0.6	7.9%
	Top 5 players	4.1	55.4%
	Others	3.4	44.6%
	Total Market Size	**7.5**	**100.0%**

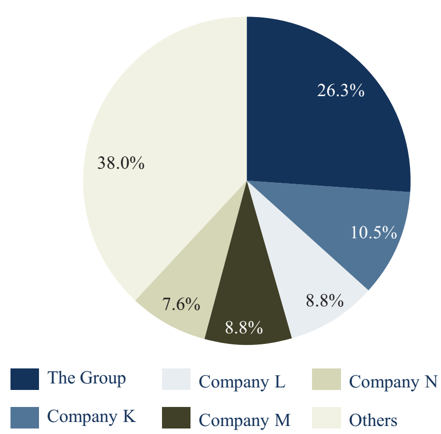
Source: Frost & Sullivan, company annual reports

Non-state-owned companies are major players of the DTY market in China. In 2021, all of the top 5 DTY manufacturers were non-state-owned companies and their aggregated consolidated capacity reached 4.1 million tons, representing an aggregated market share of 55.4%. In 2021, the Group was the largest DTY manufacturer in the market with a consolidated capacity of 1.3 million tons and a market share of 17.6% in China.

Ranking and Market Share Analysis of Recycled Polyester Filament Market in China

The competitive landscape of the recycled polyester filament market in China is also relatively concentrated with the top 5 market players contributed an aggregated consolidated capacity of 706.0 thousand tons with an aggregated market share of 62.0% in 2021. All of the top 5 market players were non-state-owned companies. The Group was the largest market player with a consolidated capacity of 300.0 thousand tons and a market share of 26.3% in China in 2021. Influenced by the restraints of the recycling of wasted plastic resources, consolidated capacities of market players are relatively low.

Top 5 Manufacturers in Recycled Polyester Filament Market (by Consolidated Capacity) China, 2021



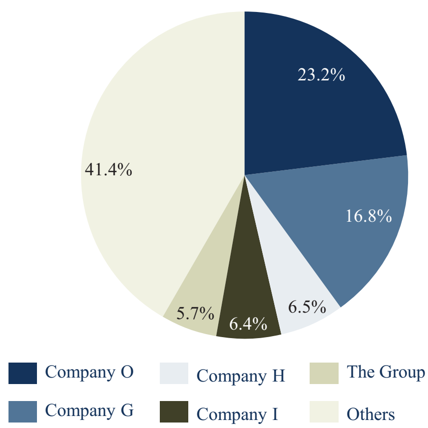
Rank	Company Name	Consolidated Capacity (thousand tons)	Market Share
1	**The Group**	**300.0**	**26.3%**
2	Company K	120.0	10.5%
3	Company L	100.0	8.8%
3	Company M	100.0	8.8%
5	Company N	86.0	7.6%
	Top 5 players	706.0	62.0%
	Others	434.0	38.0%
	Total Market Size	**1,140.0**	**100.0%**

Source: Frost & Sullivan, company annual reports

Ranking and Market Share Analysis of PTA Market in China

Influenced by the accelerated construction of refining-petrochemical integration projects, non-state-owned companies are major players of the PTA market in China. In 2021, aggregated market share of the top 5 players was 58.6% in 2021. The Group ranked No. 5 with a consolidated capacity of 3.9 million tons and a market share of 5.7% in 2021.

Top 5 Manufacturers in PTA Market (by Consolidated Capacity), China, 2021



Rank	Company Name	Consolidated Capacity (million tons)	Market Share
1	Company O	16.0	23.2%
2	Company P	11.6	16.8%
3	Company Q	4.5	6.5%
4	Company I	4.4	6.4%
5	**The Group**	**3.9**	**5.7%**
	Top 5 players	40.4	58.6%
	Others	28.5	41.4%
	Total Market Size	**68.9**	**100.0%**

Source: Frost & Sullivan, company annual reports

COMPETITIVE ADVANTAGES OF THE GROUP

- ***Comprehensive Industrial Chain Powered by Strong Internal Synergy Effect.*** Refining-petrochemical integration is essential for the success of market players. Benefited from long-term view as well as timely planning and construction, the Group has established a comprehensive industrial chain through refining-petrochemical integration and the planned usage of intermediate chemicals can be adjusted more flexibly for cost reduction, risk control and production structure optimization purpose under different market conditions, such as raw material price fluctuations and imbalance of demand and supply of a specific product, in order to enhance and maintain the competitiveness of the Group.

- ***Products with High Profit Margin.*** The Group is one of the leading market players that can take full advantages of scale effect with the help of its large-scale manufacturing devices, including the largest single set of refining-petrochemical integration project with a capacity of 16 million tons/year in China, and the largest single series of PX manufacturing devices in the world. Thanks to economy of scale, the Group can maintain advantages on cost control and increase profit margin of its products. In addition, the Group attaches great importance to research and development of cutting-edge technologies and has successfully developed core technologies related to microfiber, EVA, recycled polyester fiber, etc. and enhanced the competitiveness and the profit margin of the Group's products. In 2021, the Group ranked No. 1 in terms of gross profit margin among listed petrochemical manufacturers with chemical fiber as a significant business segment in China.

- ***Solid Executor of Corporate Responsibilities.*** The Group pays great attention to corporate responsibilities. For the purpose of carbon reduction, the Group has increased the usage of natural gas boilers with low-nitrogen combustion technology and executed technical transformation on PTA manufacturing process. The Group has also invested RMB11.0 billion in safety and environmental protection segments of the 16 million tons/year refining-petrochemical integration project, accounting for around 16% of the total investment of the project. In addition, the Group actively seized the opportunities of the fast development of new energy materials industry as well as environmental protection industry and accelerated the business transformation by expanding production lines to cover more eco-friendly products. Projects related to carbon-dioxide recycling and downstream product manufacturing, recycling polyester filament manufacturing as well as the solar EVA material manufacturing have been constructed, making the Group a solid executor of corporate responsibilities and one of the benchmarking participants in the market in ESG segment.

- ***Leading Technology Capabilities.*** The Group actively cooperates with global leading companies and introduces mature cutting-edge technologies to a variety of business segments including refining, new energy material manufacturing, etc. In addition, the Group has achieved a series of research results such as global leading microfiber reaching 0.15 dtex level and the self-developed melt direct spinning production line using recycled plastic bottles. Besides the application of latest technologies on manufacturing process, the Group also continuously improve digitalization capabilities in line with the fast development of information technologies. The "Hongyun" smart management platform can take full advantage of the cutting-edge technologies such as 5G and virtualization to fulfill the data interchange demands among different business segments. Established leading technology capabilities help the Group reduce manufacturing cost as well as product defect rate while providing products with advanced performance.

OVERVIEW

We are a leading chemical enterprise featuring vertical integration of the value chains and focusing on applications for renewable energy. Committed to "net zero carbon" goals, we have developed a broad portfolio of green products, including recycled fibers, solar EVA, and initiated pioneering ESG projects such as the CCUS project in partnership with CRI, with the aim to lead the green development of the PRC petrochemical industry. Our rich experience and expertise in renewable energy materials, performance chemicals, petrochemicals and chemical fibers have enabled us to become a vertically integrated chemical complex to support diversified downstream applications. In particular, we are equipped with diverse routes to produce olefines, a key feedstock for the production of our downstream high value-added material solutions.

Our visionary business strategies and selected project portfolio have created synergies and cost advantages across business segments. Leveraging our strengths, we expect to further strengthen the integration of our existing value chains and capture future opportunities in diverse downstream applications. In particular, we have established a comprehensive chemical material platform comprising of our Shenghong Project, our MTO processor and PDH units, to ensure supply of quality and heavily refined feedstocks. With this comprehensive chemical material platform, we are able to offer solutions to a wide spectrum of end-markets including renewable energy, new materials, electronic chemistry and biotechnology. Our unique comprehensive chemical material platform is expected to boost our competitiveness among peers, enhance our bargaining power and enlarge our customer base in both China and overseas.

We are a pioneer in the rapidly developing sector of renewable energy materials and performance chemicals. In 2021, we are the largest manufacturer of solar EVA in the world and the largest manufacturer of AN in China in terms of consolidated capacity, according to Frost & Sullivan. These high added-value products, which require high quality consistency, are widely used in PV modules, wind turbine blades, biodegradable materials, electronics, automobile and medical sectors.

We have been included in the MSCI China A-Share Index, S&P Dow Jones China Index and FTSE Russell Index.

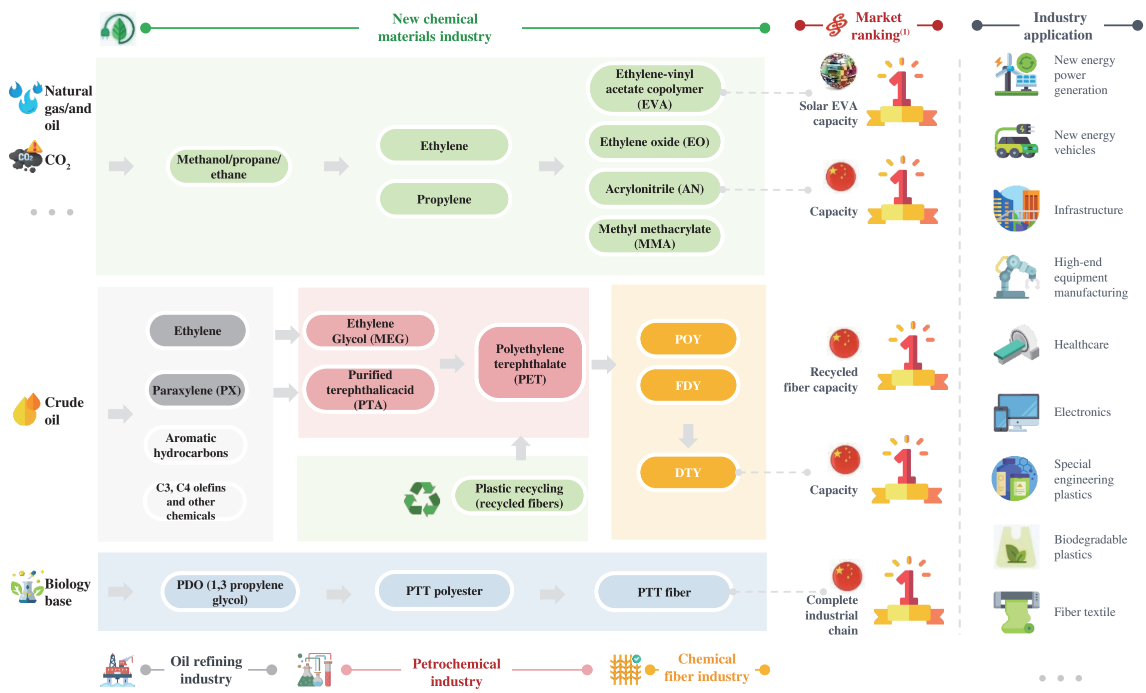
Our Major Businesses

Led by a visionary management team, we have established leading positions in business segments including renewable energy materials, performance chemicals, petrochemicals, and chemical fiber industries. Underpinned by our leading position and high brand awareness, our products are widely adopted in downstream end-markets. In particular, we are a pioneer in the renewable energy materials and performance chemicals sector, and we intend to continually invest in this sector to capture its strong growth potential. The following table sets forth our market rankings in each business segment in terms of consolidated capacity, according to the Frost & Sullivan Report:

Business segment	Key products	Market rankings as of December 31, 2021	Annual production capacity as of June 30, 2022	Major product applications
			(thousand t/y)	
Renewable energy materials and performance chemicals . . .	EVA	Solar EVA ranking first in China, with a market share of 34.4%	300.0	PV film, wire and cable, hot melt adhesive
		Solar EVA ranking first globally, with a market share of 23.4%		
	AN	Ranking first in China, with a market share of 24.7%	780.0	Carbon fibers, ABS, nylon 66
	MMA	Ranking third in China, with a market share of 9.9%	250.5	Polymethyl methacrylate (PMMA), plastics, lubricants
Petrochemicals.	PTA	Ranking fifth in China, with a market share of 5.7%	3,900.0	Chemical fibers, electronics, construction
Chemical fibers.	DTY	Ranking first in China, with a market share of 17.6%	1,320.0	Clothing, home textiles, decorative fabrics
	Recycled polyester filament	Ranking first in China, with a market share of 26.3%	300.0	Clothing, home textiles, decorative fabrics

The following diagram sets forth an overview of our integrated value chain, market rankings of key products by consolidated capacity as of December 31, 2021, and applications:

An overview of the industrial chain layout and application market



(1) *Source: Frost & Sullivan*

The details of our business segments are set forth below:

- ***Renewable energy materials and performance chemicals***. We are an industry leader in EVA and AN production, our major products of this segment, in China and globally. We possess core technologies in manufacturing solar EVA, AN and other high-performance chemicals. In particular, our tubular EVA production technology, which has been granted the science and technology award by the China Petroleum Chemical Industry Federation in 2021, enables long term and stable production of our solar EVA products, V2825. We plan to further invest in the R&D and production capacity expansion under this segment in line with our strategic focus on the application for renewable energy industry.

- ***Petrochemicals***. We are a significant producer for PTA products in China. Furthermore, since the end of 2018, we have started the construction of Shenghong Project which is designed with a 16 Mt/y crude oil processing capacity, a PX production capacity of 2.8 Mt/y and a 1.1 Mt/y ethylene production capacity. In addition to our existing production sites for materials related to renewable energy application performance chemicals and petrochemical products, Shenghong Project will allow us to increase our internal supply of raw materials. For example, the production of PX products, which is the key material to produce PTA, will allow the integration of upstream petrochemical with downstream chemical fiber production, thereby creating synergies and enhancing product consistency across segments. The Shenghong Project is expected to start full-scale commercial operation in December 2022. See "*– Business Outlook – Outlook for the Year Ending December 31, 2022: Commercial Operation of Shenghong Project*." We are also further expanding into downstream PTA application industries including CHDM and PETG production.

- ***Chemical fibers***. With high-end DTY as our core products, we are a leader in the chemical fiber industry, and especially the differentiated fiber segment in China. In 2021, our differentiated chemical fiber products amounted to over 90% of our total chemical fiber production volume. In the future, we expect to further focus on the R&D and application of bio-based polymer, biodegradable polymer, recycled fibers and other green fibers and textiles.

Leveraging our portfolio of high value-added products with consistent quality, we have established a stable and growing customer base, including a number of well-known global enterprises.

In 2019, 2020 and 2021, we achieved an impressive track record. Our revenue grew from RMB36,736.9 million in 2019 to RMB51,722.2 million in 2021, at a CAGR of 18.7%. Our net profit attributed to shareholders of parent company grew from RMB2,463.2 million in 2019 to RMB4,543.6 million in 2021, at a CAGR of 35.8%. In addition, our weighted average return on equity was 17.1% in 2021. We intend to continually strengthen our innovation and R&D capabilities to maintain our leading position and seize growth opportunities.

Our Vision

Enable a green and sustainable future with innovative chemistry and new materials.

Our Mission

Create reality with aspiration:

- achieving "net zero carbon" goals;
- generating high added-value for customers;
- developing world-leading high-tech industrial complex for renewable energy materials and performance chemicals; and
- building a better society.

COMPETITIVE STRENGTHS

World-scale vertically integrated chemical platform with differentiated leadership across the value chain

We are a leading chemical enterprise in China, with a strong market position in renewable energy materials, performance chemicals and chemical fiber sectors. We are the largest manufacturer of solar EVA globally and the largest manufacturer of AN in China in terms of consolidated capacity as of December 31, 2021. We are also a leading manufacturer of PTA products and superfine fibers in China, and a leading manufacturer of melt spinning PET recycled fibers and bio-based PTT polyester fibers globally. Our first-mover and scale advantages have allowed us to capture market opportunities amid favorable industry trends and further strengthened our competitiveness among our peers.

Renewable energy materials and performance chemicals. We have a diverse offering of products that promotes the synergistic development of performance chemicals derived from ethylene and propylene. Currently, our production capacity is 780,000 t/y for AN, 300,000 t/y for EVA, 255,000 t/y for MMA, and 300,000 t/y for EO. As of December 31, 2021, in terms of consolidated capacity, we ranked first globally for solar EVA, first in China for AN and third in China for MMA. Benefiting from favorable trends in the clean energy sectors, we are well positioned to capture the growing demand by supplying high quality solar EVA, AN, performance chemicals products and other renewable energy materials. Our products enable the construction of large-scale PV and wind power plants in China and globally and to empower the development of specialized high-end equipment, electric vehicles and other strategic emerging sectors. See "– *A pioneer in renewable energy materials, performance chemicals, and low-carbon and green sectors with robust growth outlook*." In addition, as of June 30, 2022, according to the Frost & Sullivan Report, we had the largest single MTO facility in the world with a designed production capacity of 2.4 Mt/y for methanol. Meanwhile, we also have a propane dehydrogenation (PDH) facility with a designed production capacity of 700 thousand t/y, surpassing many of our peers in China. These upstream facilities enable our backward integration and are able to complement them with the expected full-scale commercial operation of the Shenghong Project in December 2022.

Petrochemicals. We are one of the largest private companies in the petrochemical sector in China, according to Frost and Sullivan. Our Shenghong Project, which is designed with a 16 Mt/y crude oil processing capacity and expected to achieve full-scale commercial operation in December 2022, is equipped with the largest single refinery unit in China as well as atmospheric and vacuum distillation unit and hydrocracker with world leading scale, according to Frost & Sullivan. We have dedicated approximately 16.0% of Shenghong Project's total investment cost to promote safety, energy savings and clean production. We expect to generate high proportion of highly refined value-added chemicals from Shenghong Project with expected chemical yields of approximately 69.0%. The relatively high proportion of high value-added chemicals output increase our competitiveness and resilience among our peers, according to the Frost & Sullivan Report.

We are one of the key suppliers of polyester raw materials, especially PTA, in East China. PTA is usually converted from refinery units and used for production of chemical fibers, thus integrating the petrochemical and textile value chains. As of December 31, 2021, our consolidated capacity of PTA ranked fifth in China, with a market share of 5.7%, according to the Frost & Sullivan Report. As of June 30, 2022, our production capacity of PTA was 3.9 Mt/y. With the start of commercial operation of Shenghong Project, we can forward integrate internally supplied PX/PTA from Shenghong Project as feedstocks for our downstream chemical fiber business. We believe we can leverage our strengths to capture the opportunities from the growth of the upstream PX and downstream polyester markets and further develop our PTA business. See "*Industry Overview*."

Chemical fibers. Our product portfolio in this segment mainly consists of high-end DTY derivatives. We ranked first in China with a market share of 17.6% with consolidated capacity of 1.32 Mt/y for DTY as of December 31, 2021, according to Frost & Sullivan. Underpinned by technological innovations, we are also one of the largest manufacturers worldwide with first-mover advantage in the fields of superfine fibers and recycled fibers according to Frost & Sullivan as of December 31, 2021. In addition, leveraging our advanced technology capabilities and continuous R&D commitment to renewable and green fiber products, we have become the first new material manufacturer to produce bio-based PDO and PTT fibers in China with full intellectual property rights. As of December 31, 2021, we had production capacity of 2.6 Mt/y for differentiated fibers, including 300 thousand t/y for recycled polyester filament, ranking first in China with a market share of 26.3%. Total sales volume of the chemical fiber industry increased from 30.2 million tons in 2012 to 51.2 million tons in 2021 with a CAGR of 6.0%, and is expected to further grow from 54.3 million tons in 2022 to 95.9 million tons in 2032, representing a CAGR of 5.9% during the same period. We believe that we are well positioned to further seize such growth potentials.

A pioneer in renewable energy materials, performance chemicals, and low-carbon and green sectors with robust growth outlook

We are a pioneer in renewable energy materials, performance chemicals, and low-carbon and green sectors underpinned by years of experience and expertise. Capitalizing on the continual growth of the diverse downstream applications, we are capable of seizing growth opportunities and further expand our overall business scale through our quality product offerings based on a diverse project portfolio, in particular products produced from olefines (ethylene and propylene) and their performance chemical derivatives.

With respect to renewable energy materials and performance chemicals, we were one of the firsts to develop high-performance solar EVA in China, and are the world-leading manufacturer of solar EVA with the largest market share of in terms of global consolidated capacity as of December 31, 2021, according to Frost & Sullivan. Leveraging our technologies breakthroughs in EVA production, we plan to further increase production capacity by 700 thousand t/y for EVA and 50 thousands t/y for high-end Ethylene n-butyl acrylate (EnBA) copolymers in 2024. Upon completion of such expansion, we are expected to become the world's largest high-end EVA supplier in terms of designed production capacity.

Our consolidated capacity of AN products was the largest in China as of December 31, 2021, according to the Frost & Sullivan Report, with a leading market share in China in terms of export volume. AN is widely used for applications in carbon fibers, wind turbine blades, biodegradable materials, electronics, automobile and medical sectors. Leveraging our strong AN production capabilities, we have become a key global supplier to high-end application sectors. We plan to increase our AN production capacity by 260 thousand t/y, reaching total production capacity of 1.0 Mt/y in 2023.

Both our EVA and AN products are widely applied in the clean energy sectors and are key materials for high-end products such as solar panels and turbine blades. According to the Frost & Sullivan Report, the cumulative installed capacity of PV globally is expected to grow from 1,106.0GW in 2022 to 5,959.5GW in 2032 at a CAGR of 18.3% and the cumulative installed capacity of wind power globally is expected to grow from 941.8GW in 2022 to 2,051.7GW in 2032, at a CAGR of 8.1%. In particular, the cumulative installed capacity of PV in the PRC is expected to grow from 396.9GW in 2022 to 2,606.9GW in 2032 at a CAGR of 20.7%, and cumulative installed capacity of wind power in the PRC is expected to grow from 383.3GW in 2022 to 978.0GW in 2032 at a CAGR of 9.8%. Benefiting from the rapid growth of solar power, wind power and other clean energy sectors in the PRC and globally, we believe that we are well positioned to capture market opportunities in clean energy, support "net zero carbon" initiatives and maintain sustainable profitability.

With respect to low-carbon and green sectors, we focus on the application of biodegradable, recycled and bio-based products. Leveraging our leading bio-based PTT polyester and fiber industry chains, we are the first in China with full intellectual property rights to produce bio-based PDO and PTT fibers and a pioneer in the PTT industry globally, according to Frost & Sullivan. Furthermore, we are a world-leading manufacturer of melt-spun PET recycled fibers, with production capacity for recycled fibers of over 300 thousand t/y. We plan to increase our production capacity of recycled fibers by 250 thousand t/y in 2023.

Commercial start-up of Shenghong Project allowing for full synergistic integration of our value chains and strong margin resilience across the cycle

We started constructing Shenghong Project, our integrated refinery-petrochemical integrated production complex with a crude refining capacity of 16 Mt/y, in 2018. We have completed the construction of Shenghong Project and put the first batch of units into production in May 2022, started commercial production in November 2022, and we expect to achieve full-scale commercial production in December 2022. With the commercial operation of our Shenghong Project, we will be able to further strengthen our leading position in petrochemical industry in the PRC. Shenghong Project enables our vertically integrated production along the value chains across crude oil processing, petrochemical production, renewable energy material and performance chemical production, and chemical fiber production. In addition to the sales of refined oil products, we are able to enhance and extend our value chain riding on our comprehensive chemical material platform to further expand into emerging industries strategically. We have adopted advanced technique processes from leading petrochemical companies including Axens, CLG, DuPont, Shell and Lyondellbasell in our Shenghong Project.

Shenghong Project's production capacity is highly compatible with the demand for raw materials arising from our downstream products. For example, PX produced by such project is the key feedstock for PTA production, which is further used in the production of chemical fiber products downstream. Meanwhile, its output of other key raw materials such as ethylene propylene and propane is designed to be forward integrated into the production of renewable energy materials and performance chemicals, such as solar EVA, AN and MMA products. In addition, n-butane, a by-product of this project, can be used as feedstock for our planned low-carbon and biodegradable materials.

With the goal to further extend our value chain and maximize cross-segment synergies, our Shenghong Project is designed to maximize economies of scale and outputs in value-added chemical products. Among the end products of Shenghong Project, refined oil and chemicals are expected to account for approximately 31% and 69%, respectively. In particular, Shenhong Project (through ethylene cracker), together with our current 2.4 Mt/y methanol to olefins (MTO) units and 700 thousand t/y propane dehydrogenation (PDH) units to produce olefins, demonstrates our strong olefin manufacturing capabilities through diverse production routes. We will be able to better secure supply and allow raw materials procurement flexibility for the production of renewable energy materials and performance chemicals such as AN, EVA, MMA and EO that are derived or converted from olefins.

The production sites of both Shenghong Project and the renewable energy materials and performance chemicals segment are located in the Lianyungang petrochemical production base, which helps achieve significant synergies in process optimization, supply chain integration and cost controls. We believe that the designed production flexibility allows us to adjust between self-use and external sales based on market conditions, and provides us with strong margin resilience across the cycle. Leveraging such capabilities, we aim to further optimize our resource allocation along the value chains of downstream renewable energy, new materials, and low-carbon and green sectors.

Strong capabilities in high value-added solutions to serve loyal base of longstanding customers

Our market leadership is consolidated by our strong R&D capabilities. With years of accumulated experience and expertise, we have been able to optimize and upgrade our production techniques with strong cost control capabilities. For example, we ranked first in terms of consolidated production capacity of solar EVA in China as of December 31, 2021. Such production capacity is supported by our technology breakthroughs, which overcame the challenges of product blockage and enabled long-term and stable production of high-quality solar EVA products adopting the tubular methods under the super critical condition. Our relevant production technology was well recognized. For example, our solar EVA product, V2825 was listed as an annual innovative product in new chemical materials by China Petroleum and Chemical Industry Federation in 2021.

Our high value-added products with premium quality attract global customers. Benefiting from our comprehensive advantages in production scale, supply reliability, R&D capabilities, product performance, logistics services, and after-sales services, we have maintained longstanding relationships with customers in various fields. For example, we have supplied our solar EVA to leading enterprises in the PV sector such as FIRST, HIUV and Betterial.

We are dedicated to the research, development and production of chemical fibers to provide differentiated fibers to address the high-end market demands. We have developed strong technologies capabilities in manufacturing value-added products including superfine fibers, memory fibers, biomass synthetic polymer fibers, full-dull melt direct-spun polyester fibers, cationic superfine fibers, and recycled polyester fibers. For example, our "Icy Silk" production project has been listed as a national Torch Plan project and the "Icy Silk" product has been listed in the national key new product plan. Icy Silk has modified cross-sectional shape that forms grooved surface to achieve high hygroscopicity for moisture-wicking and great gas permeability for quick-drying.

With high value-added solutions underpinned by strong R&D capabilities, we have established strategic cooperation with well-known global enterprises. In the renewable energy materials and performance chemicals segment, our fine chemical products such as EVA, AN, MMA and EO are exported mainly to overseas customers in South Korea, Japan and Southeast Asia. Downstream customers include well-known overseas customers such as LG Chem. In the petrochemicals segment, our PTA is exported to countries and regions including Egypt, Turkey and Oman. In the chemical fiber segment, our polyester yarns are exported mainly to South Korea, Japan and Southeast Asia. The quality of and technology applied to our chemical fiber products have been recognized by well-known downstream brand customers such as Adidas, Nike and Uniqlo.

Economic moat and operational efficiency through R&D innovation, technology improvement, and production digitalization

We are dedicated to building our economic moat and managing our operating costs by enhancing our product quality, energy savings, safety and environmental protection, and production efficiency through continuous R&D innovation, technology improvement and production digitalization. We have built R&D centers targeting multiple value chains with diverse research focuses, established mechanism that enables project-based R&D with coordinated efforts across segments, and partnered with research institutions. With such R&D infrastructure, we are able to continuously enhance our R&D efficiency and maintain our technology advantages. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our R&D investment amounted to RMB749.2 million, RMB1,008.8 million, RMB1,429.2 million and RMB981.6 million, respectively.

In the renewable energy materials and performance chemicals segment, as of June 30, 2022, we had seven invention patents and 53 utility model patents. Adopting internationally and domestically advanced technologies, our equipment and units have advantages in terms of production consistency, energy efficiency, safety and environmental protection, including:

- Through our unique polymerization reaction system design, we have addressed the issue of long cycle stability control technology product crystal point of ethylene and VA monomer under ultra-high pressure reaction conditions, and realized the production of high performance solar EVA by tubular method, thereby enhancing our PV material production. Currently, we have realized production advantages of high quality, high load, long cycle and low cost compared to autoclave type.

- EVA units are leading in process technology according to Frost & Sullivan, with an annual operating rate of 98%, a high capacity utilization rate, and a passed product yield rate of 98%.

- We have been able to control the cost in our AN production by managing the propylene-to-AN conversion, the energy consumption level and the catalyst replacement frequency ratio.

- MTO units using the methanol-to-olefin technology enjoys advantages such as easy operation, high raw material utilization rate, and flexibility to adjust the propylene and ethylene yield ratio in a wide range. The patented olefin separation technology features short process, simple control method, high recovery rate of low temperature level energy produced by the unit, easy control of purity, low loss rate, among others.

Further, our MTO production units enable 54 kinds of materials to carry out 14-route cycle, reducing waste emissions while achieving considerable economic returns.

In the petrochemicals segment, we have adopted advanced production techniques for refinery processes including atmospheric and vacuum distillation, hydrocracking and residue hydrogenation. In particular:

- We are able to manage our energy consumption rate and achieve high yield of light oil enabled by optimized production processes, large unit scale, and high equipment efficiency.

- We have implemented advanced safety measures with all production units equipped with advanced and mature patented technologies.

- We have adopted stringent environmental protection standards with best-in-class environmental protection technology and processes allowing for energy savings and clean production.

- We have adopted INVISTA P8+ process technology for the phase II of Honggang Petrochemical unit under construction, with higher reduction in unit energy consumption. This demonstrates our prominent capabilities in cost controls, production and supply assurance, green and low-carbon commitment, and value chain integration.

In the chemical fiber segment, we had 44 invention patents, 192 utility model patents and six appearance patents as of June 30, 2022. We are committed to leading the R&D development for polyester fibers. In particular:

- We have overcome the technical barriers of recycled fibers and ultra-fine fibers, and built the world-leading bio-based PDO and PTT polyester and fibers industry chain with full intellectual property rights.

- In the field of superfine fibers, we have conducted several technical researches jointly with PRC and overseas experts, and successfully overcome the technical barrier of superfine fiber, achieving 0.15dtex (0.15g for 10,000m).

- In the field of recycled fibers, we designed and operated our melt direct spinning line to produce spinning directly from waste plastic bottle flakes, which not only realizes the recycling of waste plastics, but also effectively reduces the production costs.

- Our recycled fiber product has passed the global recycling standard GRS certification, and we will continue to increase investments in the R&D and production of recycled and high performance chemical fiber products in the future.

- Our "Icy Silk" production project has been listed as a national Torch Plan project and the "Icy Silk" product has been listed in the national key new product plan.

Furthermore, we have achieved production digitalization via the implementation of Hongyun system, our cloud-based intelligent management platform to increase connectivity across business segments and among upstream and downstream enterprises. In July 2022, our Hongyun platform was shortlisted as China's representative showcase for "Global Innovative Technology and Solution for Industrial Digitalization." With Hongyun intelligent management platform, our production capacity and inventory turnover rate have increased and labor cost and energy consumption have decreased. For details, see "– *Research and Development – Hongyun*."

Thanks to our proven track record in R&D and innovation capabilities in renewable energy materials and performance chemicals, petrochemicals and chemical fibers, we received multiple awards and recognitions, such as the Second Prize of the National Science and Technology Progress, the China Industry Award Commendation Award, the National Technology Innovation Demonstration Enterprise, the National Advanced Unit of Circular Economy Work, and the Transformation and Upgrading Demonstration Enterprise. We have also created the National Advanced Functional Fiber Innovation Center, the Shenghong Petrochemical Innovation Center and the Shenghong Advanced Materials Research Institute, as well as the "National Development Base for Polyester Full Dull Fiber Products" and the "National Development Base for Bio-based Fiber Products."

Socially responsible and committed to high ESG standards for sustainable development

We are continuously committed to our ESG strategies, placing the highest priority on environmental protection, social responsibility and corporate governance. We have been adhering to our "net zero carbon" goals and systematically carrying out green and sustainable initiatives with world-class standards. Such initiatives include CCUS project to recycle carbon dioxide into new materials, expansion of our recycled fiber production capacity, and investments in solar EVA production. All of our production sites are equipped with "National Green Factory," and many of our green indicators have become industry benchmarks. Our parent company, Shenghong Group, is on Fortune's 2022 China ESG Influence List based on our rich experience and great contributions to the environment, social responsibility and corporate governance.

We are committed to building environment-friendly facilities, while exploring the application of energy-saving and environmental-friendly technologies. In particular, we have upgraded many of our projects to enhance their energy-saving, water-saving and emission reduction capabilities. For example, we have adopted green solutions to enforce the most stringent ultra-low discharge targets for concentrated brine in wastewater with leading effluent reuse rate among petrochemical companies in China, according to Frost & Sullivan. With the implementation of these ESG measures, we have reduced our carbon dioxide emissions by eight thousand t/y and saved operating costs by approximately RMB20 million per year.

We have also expanded into emerging low-carbon and green industries to provide renewable energy materials and performance materials. For example, as of the date of the Prospectus, we pioneered in launching the CCUS industry chain project in the world through strategic cooperation with Carbon Recycling International ("CRI").

We have hired a third-party advisor to provide professional ESG consulting services and assist us with in building a social responsible management system, and make recommendations on ESG enhancement. Firmly upholding the new development concept of innovation, coordination, sustainable development, openness and sharing, we constantly revisit our sustainable development model, focusing on the key ESG technological innovation, to further save energy, reduce carbon footprint, and achieve systematical synergies with high efficiency.

Experienced, loyal, dedicated and visionary management team supported by an industry-leading talent policy

Our founder and Chairman, Mr. MIAO Hangen, is full of entrepreneurial spirit and foresight, with strategic vision and tenacious determination. Mr. Miao is passionate about creating value to the society, and has made significant contributions in leading and promoting the quality development of the industry.

Mr. Miao founded Shenghong Sand Washing Factory in 1992, which has become a printing and dyeing base with 21 printing and dyeing factories through years of efforts. In 2003, Mr. Miao led our Company into the chemical fiber industry, focusing on the middle and high-end of the industry value chain. The Company quickly became a "global expert in differential fiber". In 2010, Mr. Miao visionarily led our Company to establish the petrochemical and renewable energy materials and performance chemicals segments, and complete the strategic projects such as 2.4 Mt/y alcohol-based polygeneration in Sailboat Petrochemical and 3.9 Mt/y PTA in Honggang Petrochemical. In 2018, Mr. Miao led the Company to enter the petrochemical industry and complete the integrated petrochemical project.

With his strong industry leadership and influence, Mr. Miao was selected as one of the "50 Most Influential Business Leaders in China in 2022" by Fortune. Under his leadership, we have carried out vertical integration of the industry chain and continuously committed in the renewable energy materials and performance chemicals sector, and have developed into a world-class enterprise with industry leadership, market satisfaction, social recognition and employee recognition. Looking forward, we believe that, under the leadership of Mr. Miao, we will adhere to the concept of green ecological development, continue to lead the green development of the industry with world-class standards, and build world leading high-tech industrial clusters for renewable energy materials and performance chemicals, so as to achieve growth and contribute to social development.

We have a stable and professional management team. Our management has extensive industry experience in the renewable energy materials and performance chemicals, petrochemical, and chemical fiber industries, with an average of more than 25 years experience of our core management team in operation and management of listed companies and M&A. Such experiences are critical to developing successful businesses, implementing expansion strategies, building successful partnerships, and achieving leadership positions. Our management drives growth through vertical expansion, building long-term customer relationships, developing new technologies, and offering a diverse range of products and services. Our management also focuses on operational excellence, establishing world-class management practices, deepening business integration and investing in high value-added products, in order to improve operational efficiency and profitability. In addition, our management is committed to building partnerships and has made successful strategic investments and acquisitions.

Attaching great importance to the introduction and cultivation of technical talents, we have pooled and cultivated many talents with rich industry experience in enterprise management, financial management, technology R&D and manufacturing. We believe that to build a first-class enterprise, the key lies in the team, and the core lies in the talents. We closely follow the direction of industrial development and plan the strategic layout by taking into consideration our talent layout. For researching cutting-edge technology, we plan in advance and cooperate with the external resources of internationally renowned universities and institutes, to explore talent nurturing and retaining mechanisms. For our business and management talents, we strengthen the scheme of "internal training, external introduction, echelon optimization and advance reserve." Our management believes that we should continually improve the training, promotion and evaluation systems internally, so as to retain qualified and responsible talents.

As of June 30, 2022, we have 15 Ph.D. and post-doctoral fellows, 180 holders of a master's degree, and 5,126 holders of an undergraduate degree, with undergraduates, masters and doctorates accounting for 20% of the total staff.

BUSINESS STRATEGIES

Further enhance our vertically integrated platform with targeted growth investments to capture attractive market opportunities in the Chinese chemicals industry

We aim at further enhancing the vertical integration of our existing production base through continuous expansion initiatives. We expect to further improve our advantaged production capabilities and expand our market shares in the downstream renewable energy materials and performance chemicals business.

In line with the global development trend of emerging industries, we will further enhance our presence across diverse industry chains such as renewable energy materials, performance chemicals and other sustainable material sectors. We are dedicated to building our world-class megaton production sites of solar EVA and AN with investment in hydrogen energy, wind energy, solar energy and supporting new materials. In addition, we plan to construct major renewable energy materials projects such as high-end polyolefin materials (such as POE), lithium battery separators materials, lithium-ion battery materials (such as lithium iron phosphate), electrolyte, hydrogen fuel cell proton exchange membrane and energy storage. In the performance chemicals segment, we will focus on the construction of high-end new materials projects such as POSM and polyol projects, UHWMPE project with an annual output of 20.0 thousand t/y, high-end polyester new materials project with an annual output of 130.0 thousand t/y, PETG and CHDM project with an annual output of 50.0 thousand t/y. We are also planning to launch major projects such as carbon fibers and nylon 66 special engineering plastics to better meet the market demand and improve our AN production capabilities through forward integration.

In addition to downstream expansions, we also aim at enhancing our chemical raw materials supply platform and continuously developing our refining capacity to achieve full capacity utilization of our Lianyungang petrochemical industrial base with additional output of 24.0 Mt/y. Upon the completion of the phase II of our planned refining project, we expect to have an annual refining capacity of 40.0 Mt/y.

Continue to implement tangible initiatives to reduce our environmental footprint, and accelerate the development of green operations and product portfolio

Focusing on the strategic ambition to achieve "net zero carbon," we are committed to building a world-class green industrial platform with leadership in renewable energy materials and performance chemicals. In order to improve our footprint, we will join hands with Carbon Recycling International to build a pioneering "carbon dioxide capture and utilization – green methanol – new energy materials" project, which will retrieve carbon dioxide from industrial exhaust gas and convert it into renewable energy materials and performance chemicals such as solar EVA, allowing for an annual carbon dioxide emission reduction of approximately 700 thousand t. We will continue to increase our R&D investment in carbon recovery and utilization to "turn carbon into value."

We are committed to building megaton biodegradable materials project such as PBAT and PBS by using the raw materials, such as PTA and n-butane, provided by our chemical raw material supply platform. Upon completion, our project is expected to become one of the world's largest production bases for green biodegradable materials, effectively improving the adoption rate of biodegradable materials. Within the traditional chemical fiber segment, we will focus on promoting the R&D and applications of green fibers and textiles such as bio-based, biodegradable, recycled and dope dyed fibers so as to promote the green, low-carbon and circular development of the textile industry.

Strengthen our R&D capabilities to achieve competitive positions in emerging markets and further improve profitability

Leveraging our industrial advantages, we intend to upgrade the key technologies of each business segment and improve the efficiency of R&D innovation to maximize the synergies among various segments. We plan to invest RMB10 billion in industrial R&D.

We will continue to innovate our product and solution offerings to meet our customers' evolving needs and differentiate our products and solutions from those of competitors through superior performance and adaptability. We believe this will promote our further development in attractive end markets. Through continuous innovation, we have developed a portfolio of differentiated value-added solutions, which helps enhance customer value added and maintain high retention rate. We plan to carry out R&D cooperation programs with selected leading customers, and well-known universities and research institutes to develop products that meet specific technical requirements. We have set up the Advanced Materials Research Institute in Shanghai, and intend to establish sub-centers in Beijing, Jiangsu province, and the Greater Bay Area.

We will focus on renewable energy materials and performance chemicals, new materials and green and low-carbon sectors. We will concentrate on certain high growth areas including electronic materials, biodegradable materials, olefin advanced derivative materials, and materials for renewable energy application. We are dedicated to developing differentiated and functionalized high-performance products and aim at developing a portfolio of value-added solutions with superior margin and resilient profitability.

Enhancing our profitability and resilience through continuous operational performance improvement

We focus on further promoting process innovations and excellence, which are crucial to maintaining our customer stickiness and cost advantages. We believe that meeting customer needs through a reliable and cost-competitive supply is key to maintaining and strengthening our relationships. We remain focused on process improvements and proactively address potential future bottlenecks. We strive to ensure that our planning is effective and flexible to achieve operational excellence. We will also improve data integration and data collection from a wide range of information sources and continue to invest in the digitization and automation of key processes.

We will rely on the successful experience of Hongyun intelligent management platform to further enhance our level of automatic operations. We intend to establish an intelligent operation system at each production base, and implement intelligent upgrades in management, techniques, production, energy consumption, logistics and other aspects, to further reduce costs and increase efficiency.

We also expect to benefit from greater economies of scale once the vertically integrated chemical complex is completed. Our goal is to achieve greater integration of our supply chain across production sites and to continue generating synergistic effects. In addition, we will continue to invest in safety protection to maintain our track record of performance as safety is of paramount importance to us. We will focus on further enhancing our health, culture and service policies, cultivating and improving our workforce through the implementation of employee training programs.

Expand our global customer base through strategic acquisitions and investments

Benefiting from China's supply and cost advantages in traditional and renewable energy sectors, we are planning to further expand our global presence and customer base in international markets including Europe, Japan, South Korea and Southeast Asia. We intend to establish integrated and global production and operation covering key steps along the value chain. All these efforts aim to further enhance our competitiveness and profitability in the global petrochemical industry and strengthen our leading position in the renewable energy materials and performance chemicals industry internationally.

We expect to further expand our industrial platform and generate new revenue streams through acquisitions of or strategic investments in PRC and international projects (such as those in the renewable energy materials and performance chemicals industry) that are in line with our strategic development needs and can create incremental value for our core business. We are seeking for global investment and acquisition opportunities in emerging industries, especially new material-related industries abroad and renewable energy-related industries in China. We will focus on investing in new material-related industries abroad and renewable energy-related industries in China. With the aim to expand our industry chain coverage and enter into markets that we identify as fast-growing and complementary to our existing business, we will prudently consider the business operation, financial performance and market potential of a target when evaluating acquisition or investment opportunities. We believe that such acquisitions or strategic investments are beneficial in expanding our business coverage and further strengthening our global leadership in the relevant areas.

HISTORY

Corporate milestones

1998.	Our predecessor Jiangsu Wujiang China Eastern Silk Market Co., Ltd. (江苏吴江中国东方丝绸市场股份有限公司, "**Jiangsu Wujiang China Eastern Silk Market**") was incorporated on July 16, 1998.
2000.	Our predecessor Jiangsu Wujiang China Eastern Silk Market was listed on the Shenzhen Stock Exchange under stock code 000301.
2007.	Our superfine fiber project with 600 thousand t/y production capacity was put into operation.
2011.	Our PTA refinery project with 1.5Mt/y production capacity was put into operation.
2018.	Our predecessor Jiangsu Wujiang China Eastern Silk Market acquired 100% equity interests of Jiangsu Guowang High-tech Fiber Co., Ltd. (江苏国望高科纤维有限公司, "**Guowang**"). We launched the construction of our Shenghong refinery and petrochemical integrated production site (the "**Shenghong Project**").
2019.	Our Company acquired 100% equity interests of Suzhou Suzhen Bio-tech Co., Ltd. (苏州苏震生物工程有限公司), and Jiangsu Honggang Petrochemical Co., Ltd. (江苏虹港石化有限公司, "**Honggang**") in cash. Our Company acquired 100% equity interests of Shenghong Refinery (Lianyungang) Co., Ltd. (盛虹炼化(连云港)有限公司, "**Shenghong Refinery**") in cash.
2021.	Our Company acquired 100% equity interests of Jiangsu Sailboat Petrochemical Co., Ltd. (江苏斯尔邦石化有限公司, "**Sailboat**"), and Jiangsu Sailboat Petrochemical Co., Ltd. injected certain assets to our Company.
2022	Our Shenghong Project started commercial operation.

Key acquisitions

We have conducted the following acquisitions that are key to our value integration, supply chain extension and business expansion.

Sailboat

In December 2021, we acquired 100% equity interests of Sailboat from ShengHong Petrochemical Group Co., Ltd (盛虹石化集团有限公司), Lianyungang Bohong Industrial Co., Ltd. (连云港博虹实业有限公司), CCB Financial Asset Investment Co., Ltd (建信金融资产投资有限公司) and Boc Financial Assets Investment Co., Ltd. (中银金融资产投资有限公司) with approximately RMB14.4 billion both in stock and in cash. The acquisition was completed on December 31, 2021. Leveraging its olefins-based product value chain, Sailboat was the largest solar EVA supplier in the world as of December 31, 2021. The acquisition signifies our development of high value-added renewable energy materials and performance chemicals and diversification of our product offerings. See "*—Our Solution Offerings*."

Honggang

In April 2019, we acquired 100% equity interests of Honggang from Lianyungang Ruitai Investment Co., Ltd (连云港瑞泰投资有限公司) with approximately RMB2.0 billion in cash. Honggang is a key PTA supplier with designed PTA production capacity of 1.5 Mt/y and 2.4 Mt/y at its phase I and phase II production plants, respectively. The acquisition signifies our extension of supply chain to further enhance our offerings of upstream petrochemicals. See "*—Our Solution Offerings*."

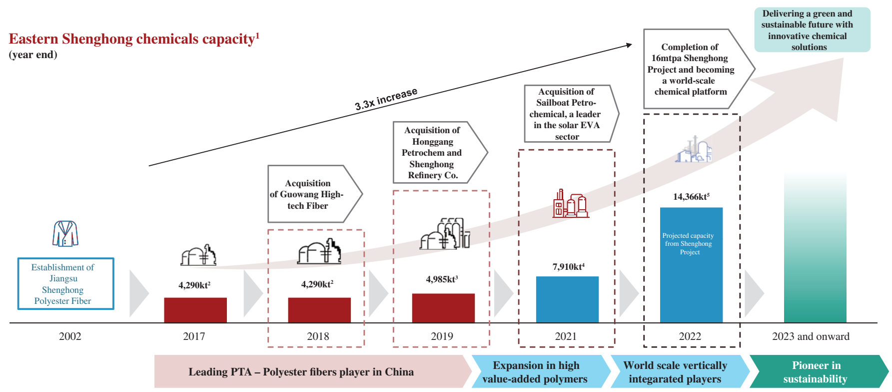
Shenghong Refinery

In March 2019, we acquired 100% equity interests of Shenghong Refinery from Shenghong (Suzhou) Group Co., Ltd. (盛虹(苏州)集团有限公司) and Shenghong Petrochemical Group Co., Ltd. (盛虹石化集团有限公司) with approximately RMB1.0 billion in cash. Shenghong Refinery specializes in offering petroleum products and chemical products and is the implementation body of our Shenghong Project. Such acquisition signifies our strategic extension of supply chain to promote the integration of oil refinery and chemical production.

Guowang

In August, 2018, our predecessor Jiangsu Wujiang China Eastern Silk Market acquired 100% equity interests of Guowang from Jiangsu Shenghong Technology Co., Ltd. (江苏盛虹科技股份有限公司) and China Development Fund Ltd. (国开发展基金有限公司) with approximately RMB12.7 billion in stock. Guowang specializes in offering functional chemical fiber products and differentiated chemical fiber products. The acquisition signifies our expansion and diversification of chemical fiber product offerings to increase our market competitiveness. See "*—Our Solution Offerings*."

With the aforementioned key acquisitions and the commercial operation of our Shenghong Project, we expect to achieve vertically integrated production along the value chain across crude oil processing, petrochemical production, renewable energy material and performance chemical production, and chemical fiber production. See "*—Business Outlook—Outlook for the Year Ending December 31, 2022: Commercial Operation Of Shenghong Project.*" The below picture sets forth the integrated product flow and production process within our Group. In particular, in addition to offering refined oil products, the commercial operation of Shenghong Project will significantly increase our internal petrochemical raw material supply to our production of PTA at Honggang, our production of and our production of chemical fiber products at Guowang. PTA produced at Honggang can be used for the production of chemical fiber products at Guowang as well.



Notes:

1. The capacity on this page represents only the Company's chemicals capacity, excluding product oil capacity.
2. As of December 31, 2017 and 2018, the total capacity of 4,290kt included 1,500kt of PTA,1,070kt from Sailboat and 1,730kt of polyester fibers.
3. As of December 31, 2019, the total capacity of 4,985kt included 1,500kt of PTA,1,410kt from Sailboat and 2,075kt of polyester fibers.
4. As of December 31, 2021, the total capacity of 7,813kt included 3,900kt of PTA, 2,600kt of polyester fibers, and 1,410kt from Sailboat.
5. By the end of December 31, 2022, the estimated total capacity of 14,366kt is expected to include 3,900kt of PTA, 2,803kt of polyester fibers, 1,855kt from Sailboat, 3,211kt from PX and ethylene, and 2,597kt petrochemical products including benzene, ethylene glycol, styrene and butadiene from Shenghong Project which is expected to achieve full-scale production in December 2022.

BUSINESS OUTLOOK

We expect our business to continually grow in 2022. We also intend to increase production capacity for key products. See "*—Production—Production Expansion*." In particular, in anticipation of the commercial operation of our Shenghong Project, as part of our vertically integrated chemical complex, we expect that we will further integrate the petrochemical value chain to support diversified downstream applications in renewable energy and chemical fibers.

Certain statements in this section, including in particular the financial targets, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under "*Forward-Looking Statements*" and "*Risk Factors,*" respectively. Investors are strongly urged not to place undue reliance on any of the statements set forth below.

Outlook for the year ending December 31, 2022: commercial operation of Shenghong Project

Overview

With the aim to provide integrated platform solutions along the supply chain across the petrochemical industry, renewable energy materials and performance chemicals industry and the chemical fiber industry, we have launched the construction of our Shenghong Project in Lianyungang, Jiangsu Province since the end of 2018. Shenghong Project is approved and listed among the *Petrochemical Industrial Layout Scheme* promulgated by the NDRC.

Shenghong Project is primarily designed with a 16 Mt/y crude oil processing capacity, a PX production capacity of 2.8 Mt/y and an ethylene production of 1.1 Mt/y. We will also generate petrochemical solutions such as gasoline, kerosene and diesel oil and petrochemical products such as propane, butane, and acetone under the Shenghong Project.

We expect to coalesce our crude oil refinery, petrochemical product production, renewable energy material and performance chemical production and chemical fiber production with highly integrated production processes and product flow at Shenghong Project.

As of June 30, 2022, we have made a total investment of approximately RMB61.4 billion to the construction of Shenghong Project and expect to further make investment of RMB6.3 billion. We expect to increase our revenue by over RMB92.5 billion and increase our net profit by over RMB9.4 billion per year upon the commercial operation of Shenghong Project.

In September 2021, we have received a crude oil import quota of 16 Mt/y from China's Ministry of Commerce. In May 2022, we have completed the construction of Shenghong Project and the first batch of production units was put into production. We expect to begin full-scale production at Shenghong Project in December 2022. See "*Risk Factors—Risks Relating to Our Business and Industry—We are likely to incur costs in connection with the construction, modernization, maintenance, repair or expansion of production facilities, which may prove more costly than budgeted, require a longer shut down period and ultimately may lead to production capacity constraints. Failure of or delay in the construction, completion or operation of our production expansion projects may materially and adversely affect our business prospects*."

Solution offerings

Under the Shenghong Project, we expect to strengthen our value chain from crude oil refinery, through PX and PTA production, to polyester and chemical fiber manufacturing, and to further support production of other renewable energy materials and performance chemicals. In particular, our products expectedly include petrochemical solutions such as gasoline, kerosene and diesel oil, aromatic hydrocarbons such as benzene, PX and C9 aromatics, olefins such as ethylene, AN and butadiene, and renewable energy materials and performance chemicals such as EO.

We plan to import crude oil (including light crude oil and heavy crude oil in a ratio of 1:1), procure coal, MTBE, acetic acid, 1-butanol, sodium hydroxide, acetone, and concentrated sulfuric acid from domestic suppliers, and purchase methanol, liquid ammonia, ethane (produced under MTO approach), propane (produced under MTO approach), and butadiene from our subsidiary, Sailboat.

Plant design

At our refinery-petrochemical production complex, we primarily generate (1) PX, feedstock for the production of PTA, (2) petrochemical solutions such as gasoline, kerosene and diesel oil for direct sale and (3) naphtha and light hydrocarbons, feedstock for hydrocracking process to produce propylene, ethylene and butadiene. Our refinery-petrochemical production complex comprises the below facilities.

	Facility	Technology adopted	Licensor/Source of production technology
Crude Oil Refinery			
1.1 . . .	Atmospheric and vacuum distillation unit	Initial distillation — Atmospheric distillation — Vacuum distillation	Domestic developed
1.2 . . .	Light hydrocarbon recovery unit	Debutanization — deethanation	Domestic developed

	Facility	Technology adopted	Licensor/Source of production technology
1.3 . . .	Kerosene hydrogenation unit	Chevron Lummus Global ("CLG") hydrogenation approach	CLG
1.4 . . .	Coking unit	CLG delayed coking technology TRIPLAN closed-coke slurry system (CCSS)	CLG Triplan
1.5 . . .	Hydrocracking units	CLG Axens	
	Including: Wax Oil hydrocracking units	CLG two-stage hydrocracking	CLG
	Diesel hydrocracking units	Axens two-stage with recycle configuration hydrocracking	Axens
1.6 . . .	Ebullated bed residue hydrogenation unit	Axens ebullated bed hydrocracking (H-Oil) technology	Axens
1.7 . . .	Diesel hydrocracking unit	Diesel hydrocracking CLG two-stage hydrocracking	CLG
1.8 . . .	Alkylation unit	ConvEx(SM) HF alkylation conversion technology P&P Spent *Acid Regeneration (SAR)*	Dupont P&P
1.9 . . .	PSA device	Swing adsorption	Domestically developed
1.10 . .	Sulfur Recovery Combined Unit		
	Mainly including: Sulfur Recovery Unit	Class III CLAUS tail-gas clean-up + Ammonia-based tail-gas desulfurization process	Domestically developed
Aromatics plant			
2.1 . . .	Aromatics complex	2,800	
2.2 . . .	Naphtha hydrotreating unit	Hydrogenation and fractionation	Domestically developed
2.3 . . .	Continuous reformer	Ultra-low pressure continuous reforming (SLCR)	Domestically developed
2.4 . . .	Aromatic extraction unit	GTC extractive distillation process	GTC
2.5 . . .	Paraxylene plant	Domestic disproportionation technology BP isomerization and crystallization technology	Domestically developed/BP
Ethylene Cracker			
3.1 . . .	Ethylene cracker	S&W technology	S&W
3.2 . . .	Pyrolysis gasoline hydrogenation unit	Domestically developed technology	Domestically developed
3.4 . . .	Butadiene extraction device	Domestic acetonitrile extraction technology	Domestically developed
3.6 . . .	Vinyl acetate plant	KBR SDK VAM technology	KBR SDK VAM
3.7 . . .	EG device	SD technology	SD
3.8 . . .	EO/EG device	SD technology	SD
3.9 . . .	Phenol-acetone unit	Badger + KBR	Badger + KBR

Furthermore, we are able to increase cost efficiency, control energy consumption, enable central coordination and achieve highly integrated production leveraging the below features:

- **Vertically integrated production along the value chain.** We expect to achieve vertically integrated production along the value chain across crude oil processing, petrochemical production, renewable energy material and performance chemical production, and chemical fiber production. For example, within the refinery-petrochemical complex infrastructure at our Shenghong Project, we use cracked gasoline to produce aromatic hydrocarbon solutions such as toluene and xylene via hydrogenation and extraction, which are used for production of PX, the key feedstock for PTA. PTA is primarily used in the production of chemical fiber products and other products such as PBAT. In addition, propylene and ethylene produced after hydrocracking process of naphtha and light hydrocarbons at our Shenghong Project are key raw materials to produce renewable energy materials and performance chemicals such as EO, ethylene glycol, styrene, butyl acrylate, and methacrylic acid. Below picture sets forth the layout of our Shenghong Project and our other production sites.

- **Product recovery to generate synergies across production processes.** We are able to generate synergies across production processes by efficient recovery of products. For example, we recover the residual liquid from our butadiene extraction unit of the ethylene cracker for our alkylation unit to produce alkylated oil, which can be used as a gasoline blending component for refined oil products such as gasoline. We also recover the hydrogen produced by the ethylene unit for our hydrogenation units.

- **Central supporting power plant and utility systems.** The electricity, nitrogen, oxygen and steam for our whole Shenghong Project are provided by our IGCC power plant. We also adopt unified planning of storage and transportation, public works and auxiliary production facilities in refining, aromatics, chemical and IGCC units throughout the plant to reduce cost of production management and operation.

Key contractors

We have contracted with leading crude oil refinery and petrochemical solution providers for the planning and contraction of Shenghong Project. Specifically, SINOPEC Luoyang Petrochemical Engineering Corporation is responsible for the overall planning and design of the Shenghong Project as well as the design and construction of the refinery facilities and main infrastructure.

Management and talent

Our management team includes industry veterans from major state-owned enterprises, large-scale private refinery-petrochemical producers, and large-scale private chemical producers. We plan to recruit approximately 2,750 employees for the management, operation, and production at Shenghong Project with approximately 300 managerial positions.

ESG

We have designed, planned and constructed our Shenghong Project in strict adherence to our ESG vision. We have invested approximately RMB11 billion, representing approximately 16% of the total investment to ensure operation safety and achieve environment protection. Further, leveraging expanded production capacity of PTA, which is also key raw material for biodegradable solutions such as PBAT, we will be better able to further enhance our green solution offerings.

Our commitment to sustainable development is underpinned by our R&D capabilities. For example, we have innovatively adopted a heat pump system in our ethylene unit through the combination of refrigeration compressor and ethylene tower, which will expectedly reduce energy consumption by nearly 15% and reduce carbon dioxide emissions by 2 Mt/y. Further, we will be able to recycle wastewater, exhaust gas and industrial waste to recover water, sulfur and hydrogen to reduce energy consumption and waste emissions with specifically designed facilities such as sulfur recovery units. In particular, we have designed and adopted sensors and facilities for detecting wastewater, waste gas and solid waste at the beginning of our plant development for Shenghong Project. We have also adopted green solutions to enforce the most stringent ultra-low discharge targets for concentrated brine in wastewater with leading effluent reuse rate among petrochemical companies in China, according to the Frost & Sullivan Report. The water reuse rate is expected to achieve 85% at Shenghong Project. On average, with the implementation of such ESG measures, we expect to reduce our carbon dioxide emissions by approximately 8,000 t/y and save operating costs by approximately RMB20 million per year.

Opportunities for future expansion

We expect to further expand the Shenghong Project.

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In preparing our outlook, we have generally assumed that there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable laws, regulations or rules (including, but not limited to, licensing requirements, volume-based procurement regulations, tax laws, accounting policies and accounting treatments) or movements in foreign exchanges rates, which, individually or in the aggregate, would be material to our results of operations; and that we will not become party to any litigation or administrative proceeding that might have a material impact on us or of which we are currently unaware. The assumptions on which we have based our financial outlook include the following:

- We will be able to continue building our product pipelines and achieve commercial approvals for the relevant product candidates.

- We will be able to continue expanding and/or optimizing our production capacity and utilization in line with increased sales volumes.

- We will be able to maintain our existing key customer relationships and/or acquire new customers.

- We will be able to continue to deliver high quality products in a timely manner.

- We will be able to continue securing regulatory approvals and certifications in a timely manner.

The assumptions that may also be affected by external factors beyond our control include the following:

- We expect that the overall markets we serve will continue to develop as described in "*Industry Overview*."

- We expect that the economic environments in the markets and industries we serve will not develop in a negative manner that could have a material impact on our results of operations.

- We expect that the competitive landscape will remain similar to the current market situation as described in "*Industry Overview*."

- We expect that regulatory laws and requirements, including those with regard to licensing, reimbursement and procurement, will remain similar to the current regulatory landscape.

- We expect that tax laws will not change dramatically to our disadvantage.

- We expect that foreign exchange rates will not change in such a significant way that the current relation between our assets and capital is heavily distorted.

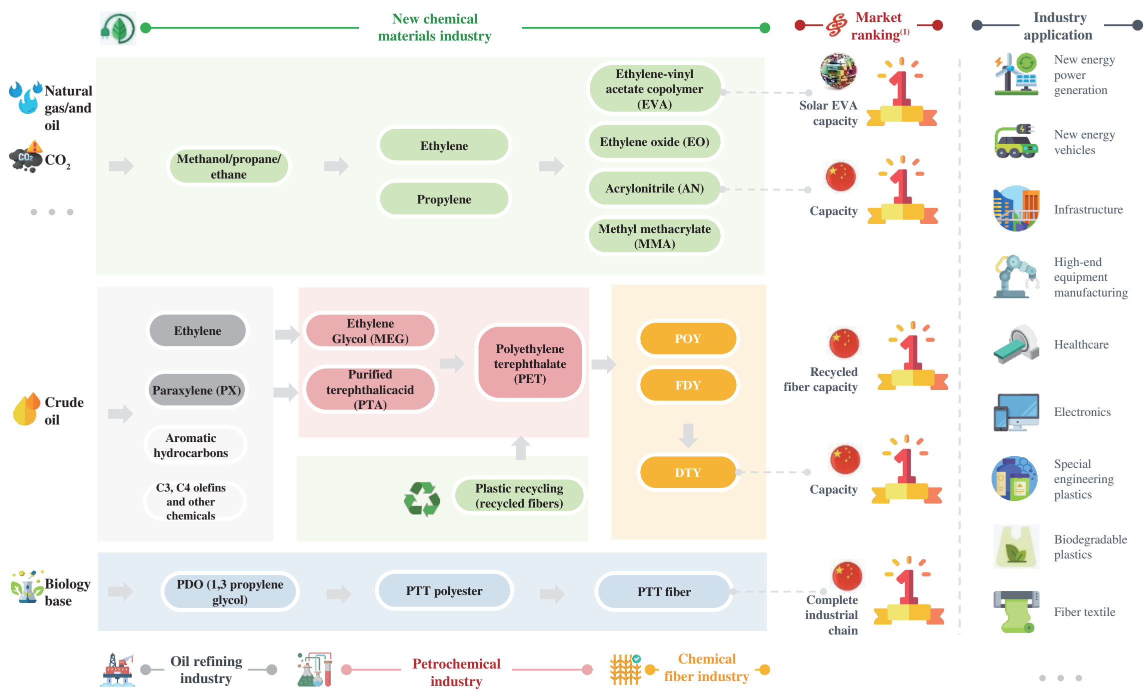
Investors are strongly urged not to place undue reliance on any of the statements set forth above. Investors are also urged to review the sections "Forward-Looking Statements" and "Risk Factors" when considering the statements made above.

OUR SOLUTION OFFERINGS

We provide comprehensive offerings of products leveraging our integrated production platform with along the value chain, including (i) renewable energy materials and performance chemicals, (ii) petrochemicals, (iii) chemical fibers and (iv) others. The table below sets forth our revenue by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(RMB in millions, except for percentages)									
							(Unaudited)			
Renewable energy materials and performance chemicals	11,556.8	31.5	10,744.0	31.9	17,514.0	33.9	9,515.6	36.4	10,986.5	36.3
Petrochemicals	5,443.3	14.8	7,241.8	21.5	12,855.4	24.9	6,762.6	25.9	8,856.9	29.3
Chemical fibers	18,491.2	50.3	14,563.5	43.2	19,627.2	37.9	9,245.2	35.4	9,576.9	31.7
Others	1,245.7	3.4	1,149.5	3.4	1,725.6	3.3	625.1	2.4	821.9	2.7
Total	**36,736.9**	**100.0**	**33,698.8**	**100.0**	**51,722.2**	**100.0**	**26,148.5**	**100.0**	**30,242.1**	**100.0**

We benefit from integrated operations where, in addition to selling the products to external parties, we use the products as feedstock to produce our other offerings and generate synergies from the value chain. The commercial operation of Shenghong Project will further enhance the integration of our production process and products flow, allowing us to further seize the synergies across segments. For example, our PX products can be used as raw material for the production of our PTA products. Our PTA products can further be used as raw material to produce our chemical fiber products. We expect to procure all PX required for subsequent PTA and chemical fiber products production internally upon the commercial operation of Shenghong Project. Further, petrochemicals expectedly produced from our Shenghong Project, such as PX, light hydrocarbons and light naphtha, after the hydrocracking process, serve as key feedstock for our production of renewable energy materials and performance chemicals. The illustration below sets forth the primary product flow within and across segments.



(1) *Source: Frost & Sullivan*

Renewable energy materials and performance chemicals

We produce and offer renewable energy materials and performance chemicals. Renewable energy materials and performance chemicals are produced from ethylene and propylene. Ethylene is an important type of chemical raw material to manufacture polyethylene, EO and ethanol. Propylene is an important type of chemical material to manufacture polypropylene and AN. We primarily procure ethylene and propylene via MTO process from methanol, PDH process from propane, and, upon the commercial operation of Shenghong Project, hydrocracking process from products of crude oil processing. Leveraging such comprehensive capabilities, we primarily offered the following new materials in 2019, 2020, 2021 and the six months ended June 30, 2022.

- **AN and its derivatives.** We offer AN, which is produced by catalytic ammoxidation of propylene produced from our MTO reactor. AN appears as colorless liquid with pungent odor and has high solubility in most organic solutes. AN is a key raw material to produce the three major types of synthetic materials, namely plastic, synthetic rubber and synthetic fibers. It can be used to produce products such as ABS, a widely used thermoplastic polymer, which can be used in industries such as home appliance, apparel, and automotive; carbon fiber, which can be used in industries such as aerospace and high-end new materials; and acrylamide, which can be used in industries such as wastewater management and pulp and paper. Below picture sets forth the application scenarios for AN.

ABS plastic

carbon fiber car body

wind power blades

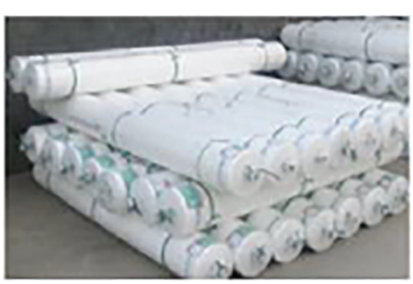
optoelectronic materials

For the years ended December 31, 2021 and the six months ended June 30, 2021 and 2022, we have sold approximately 546.7 thousand tons, 305.7 thousand tons and 391.6 thousand tons of AN, respectively.

- **Ethylene-vinyl acetate ("EVA").** We produce and offer EVA, which is produced through the synthetic process of vinyl acetate and ethylene. EVA appears as transparent solid at room temperature.

  Depending on content of VA, EVA is primarily used to produce foam, film, hot melt adhesive and solar panel in industries such as apparel, sports, and photovoltaics. Specifically, we pioneer in the production of solar EVA with high VA content, high transmittance and volume resistivity, which can be used as PV module encapsulant. In particular, having resolved typical production challenges such as product flow blockage, we have been able to carry off long term and steady EVA production for solar EVA. Our relevant production technologies have been granted the China Petroleum Chemical Industry Federation office of science and technology award in July, 2020.

  We have also innovated in the development of EVA with modified properties, including EVA with high VA content and low melting points, which can be used for shoe materials, and flame-retardant EVA, which can be used for flame-retardant hot-melt adhesive. Below picture sets forth the application scenarios for EVA.



  For the years ended December 31, 2021 and the six months ended June 30, 2021 and 2022, we have sold approximately 343.6 thousand tons, 175.6 thousand tons and 205.3 thousand tons, EVA respectively.

- **Others.** We also offer other high value-added new materials including the following:

  ◦ **MMA and its derivatives.** We offer MMA, which is produced with methanol and acetone. MMA appears as a colorless liquid at room temperature.

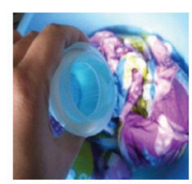
MMA is an important type of chemical raw materials for production of poly(methyl methacrylate). They are also used in the manufacturing of resins, plastics, coatings, lubricants and wetting agents and paper polish. Below picture sets forth the application scenarios for MMA.


- **Ethylene Oxide ("EO") and its derivatives.** We offer EO and its derivatives. EO is produced by oxidation of ethylene from our MTO reactor. EO is primarily used to produce solvents, diluents, non-ionic surfactants, synthetic detergents, antifreeze and disinfectants in the industries of infrastructure, laundry, paper making, pesticides and pharmaceuticals. Our EO derivatives products mainly include ethanolamine ("EA"), which is produced by reaction between ethylene oxide and ammonia. EA can be used as feedstock in the production of detergents, emulsifiers, polishes, pharmaceuticals, corrosion inhibitors, and chemical intermediates. Below picture sets forth the application scenarios for EO and its derivatives.


polyester bottle flakes


pharmaceuticals


emulsifiers


surfactants

Petrochemicals

PTA

We offer PTA, a type of commodity products, which is produced via oxidation of PX. PTA appears as white crystal or powder at room temperature and has low toxicity and high flammability. PTA is primarily used to produce saturated polyesters, mainly PET and related polymer products such as fiber, resins, and thin films in industries such as chemical fiber, electronics, and constructions. For the years ended December 31, 2019, 2020, 2021, we have sold approximately 1,504.1 thousand tons, 868.7 thousand tons and 1,679.2 thousand tons of PTA, respectively. For the six months ended June 30, 2021 and 2022, we have sold approximately 726.7 thousand tons and 1,030.9 thousand tons of PTA, respectively. In addition to the aforementioned external sales, part of our PTA products are also used in our own chemical fiber production.

With the commercial operation of our Shenghong Project, we also offer the following petrochemicals after the crude oil refinement process:

- **Gasoline.** Gasoline is a transparent and flammable liquid fuel primarily produced from crude oils. Gasoline can be categorized into different grades based on its octane rating, such as #92 and #95, according to relevant PRC standard that measures its ability to withstand compression in an internal combustion engine without detonating. Gasoline is mainly used as engine fuel for spark-ignited internal combustion engines in vehicles.

- **Diesel oil.** Diesel oil is a liquid fuel primarily produced from crude oils. Diesel oil is mainly used as engine fuels in vehicles and equipment with diesel engines.

- **Kerosene.** Kerosene is a combustible hydrocarbon liquid primarily produced from crude oils. Kerosene can be used as a fuel in aviation and for households purposes such as cooking and lighting.

- **PX.** PX is produced by catalytic reforming of petroleum naphtha, which is a liquid product from the crude oil refining process. It is an aromatic hydrocarbon that appears as colorless liquid. PX, a key material to produce PTA, is an important chemical feedstock commonly used in large scale synthesis of various polymers. We expect to meet our demands for PX required for subsequent PTA and chemical fiber products production internally upon the commercial operation of Shenghong Project.

- **MEG.** MEG is produced through the hydration reaction of EO. MEG is a colorless, odorless liquid mainly used in the production of chemical fiber, antifreeze, unsaturated polyester resin, lubricant, plasticizer, non-ionic surfactant and explosives.

- **Others.** We also expect to produce other products from crude oil processing and subsequent processes, including light chemical oil, solvent oil and white oils. See "*—Production*."

Chemical fibers

We produce and offer differentiated chemical fiber products mainly including drawn textured yarn ("**DTY**"), which is a type of polyester chemical fiber with soft crimp, high bulk and texture with cotton feel. DTY is primarily used for apparel, home textiles and technical textiles. In 2019, 2020 and 2021 and the six months ended June 30, 2022, the gross profit margin of our DTY products was 15%, 9%, 19% and 16%, respectively. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we have sold approximately 1,837.3 thousand tons, 1,053.1 thousand tons, 980.3 thousand tons, 482.3 thousand tons and 458.6 thousand tons, respectively. In particular, with our growing awareness on environmental sustainability, we also produce and offer recycled fiber, which is produced through crushing, washing, dissolving, melting, spinning and other regeneration of recycled polyester bottle flakes, wasted filament, wasted fabric and other raw materials. As of June 30, 2022, our production capacity of recycled fibers exceeded 300.0 thousand t/y, equivalent to approximately 15 billion waste plastic bottles recycled.

We also provide other chemical fiber products such as partially oriented yarn ("**POY**"), a type of incompletely stretched filaments which can be used in the texturizing processes for production of DTY after stretching and false-twisting, and fully drawn yarn ("**FDY**"), a type of full stretch yarn that can be directly used for fabrication of clothes, curtains, high-end sportswear, home furnishing, embroidery, sewing threads. Driven by our strong R&D capabilities, we pioneer in offering value-added products including:

- **Superfine fiber,** which can be used for production of tough and soft fabric and can be coated with various finishes or treated with antibacterial chemicals. Superfine fiber is commonly used to make clothes, accessories and cleaning textiles. We are able to provide superfine fiber product at 0.15 dtex.

- **Shape memory polymer fibers,** a type of polymeric smart materials with capabilities to return from a deformed state to original shape when induced by applicable triggers such as temperature. Shape memory polymer fibers can be used for comfort wear and smart cloth.

- **Full dull yarns,** which is modified chemically or physically to reduce the original luster. Full dull yarns usually have high tenacity and strength with cotton fiber looks. Full dull yarns can be used for manufacturing apparels and home textiles.

- **Icy silk,** a kind of fiber with modified cross-sectional shape that forms grooved surface to achieve high hygroscopicity for moisture-wicking and great gas permeability for quick-drying. Icy silk can be used for manufacturing sportswear and home textiles.

Others

Green polymers

Underpinned by our sustainability vision and dedication to reduce carbon footprint, we are a pioneer in the PRC to offer green polymers such as bio-based polymers, which are obtained from renewable resources such as algae, bacterial, microorganisms and plants. Bio-based polymers decompose naturally when treated with microorganisms. Bio-based polymers are mostly used in packaging applications.

Polybutylene adipate terephthalate ("PBAT")

We also offer PBAT, a type of biodegradable polymers which is produced by poly-condensation between butanediol (BDO), adipic acid (AA) and PTA. Compared with other biodegradable polyesters, PBAT shows great flexibility similar to those of low-density polyethylene. The mechanical properties of PBAT can also be tailored according to the process variables. PBAT can be broadly used for packaging, mulch film and cutlery.

PRODUCTION

Upon the commercial operation of our Shenghong Project, we are able to integrate crude oil processing, petrochemical production, renewable energy material and performance chemical production, and chemical fiber production in a highly efficient manner with cross-segment synergies.

Production process

Integrated Refinery-petrochemical production at Shenghong Project

Upon the commercial operation of the Shenghong Project, we are able to conduct integrated refinery-petrochemical production including both the crude oil refinery and the relevant petrochemical production. In particular, after crude oil refinement with the atmospheric and vacuum distillation unit, we generate wax oil and residual oil, kerosene and diesel oil and gasoline (naphtha) to either directly produce wax oil, kerosene, diesel oil and gasoline products for sale or for further downstream processing.

- **Wax oil and residual oil.** We primarily process wax oil and residual oil by hydrocracking and coking. We use vacuum residue (a type of residual oil) and wax oil as feedstock for hydrocracking to produce naphtha, diesel oil, wax oil and unconverted oil. We mainly use vacuum residue and unconverted oil for coking to produce coking dry gas, liquefied gas, coking gasoline, coking diesel oil, coking light wax oil, coking heavy wax oil and petroleum coke.

- **Kerosene and diesel oil.** We primarily process kerosene and diesel oil by hydrogenation, blending, and hydrocracking. After hydrogenation, kerosene can be turned into light chemical oil, solvent oil and molecular sieve. Kerosene refined after hydrogenation can be turned into our kerosene product for sale after blending or used as component for further blending to produce diesel oil product. After hydrogenation, diesel oil can be turned into solvent oils or white oils with distillation. We also use diesel oil as feedstock for hydrocracking units of the heavy oil hydrogenation complex.

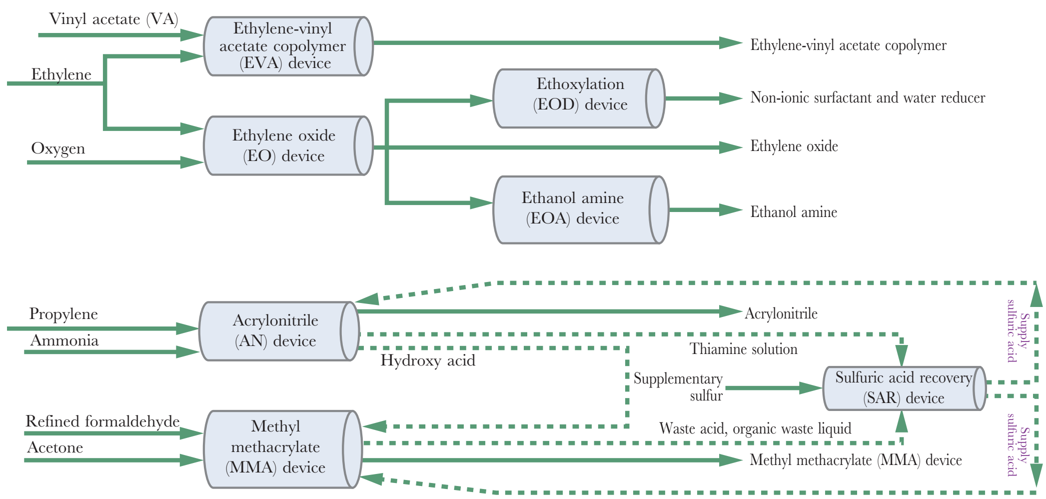
- **Gasoline (naphtha).** We primarily process gasoline by hydrogenation, blending and hydrocracking. After hydrogenation, light naphtha can be directly used as raw materials for our ethylene cracker, and heavy naphtha (after further refinement or hydrocracking) can be further used as raw materials for continuous reformer to produce C7+ hydrocarbon mixture. C7 hydrocarbon mixture can be used as raw materials for aromatic extraction to generate blending component to produce gasoline. C7 aromatic and C8+ hydrocarbon mixture can be used as feedstock for PX production plants to produce benzene and PX products. Light naphtha can also be blended with reformed gasoline, unconverted oil and other components to produce gasoline products that meet the China VI Standards.

We recover light hydrocarbon within the atmospheric and vacuum distillation unit to obtain liquefied gas, which can be used as raw materials for our ethylene cracker after desulfurization or mercaptan removal, or dry gas to be used for PSA units to produce purified hydrogen. Recovered hydrogen is used for our hydrogenation units.

We expect to procure key raw materials, including PX and ethylene, from Shenghong Project for our production of renewable energy materials and performance chemicals, or chemical fiber products. PX can be used to produce PTA, the key raw material to produce polymer materials for chemical fiber production. See "*—Production—production of chemical fiber*s." Ethylene can be used as key raw materials to produce renewable energy materials and performance chemicals. See "*—Production—production of renewable energy materials and performance chemicals*."

Production of renewable energy materials and performance chemicals.

We produce our renewable energy materials and performance chemicals products from olefins, including ethylene and propylene, via chemical reactions such as catalytic ammoxidation (for AN) and oxidation (for EO) or synthesis process (for EVA). The below picture sets forth the indicative process for production of renewable energy material and performance chemical products. With acquisition of Sailboat, we are able to procure ethylene produced from the MTO process and the PDH process. Upon the commercial operation of Shenghong Project, we will be able to procure ethylene produced from its ethylene cracker internally.



Production of chemical fibers.

We produce chemical fiber products via the esterification (chemical reaction of combining organic acid and alcohol to form ester), transesterification (chemical reaction to convert a type of carboxylic acid ester into another type of carboxylic acid ester) and condensation polymerization (chemical reaction in which monomers and/or oligomers react with each other to form larger structural units) of raw materials, namely polyester in two ways, namely melt spinning and chip spinning.

- **Melt spinning.** With the melt spinning process, we use polymer melt as the raw material to directly produce polyester filament yarn. This approach helps to reduce raw material losses and energy consumption, which is suitable for large-scale filament yarn production.

- **Chip spinning.** With the chip spinning process, we dry and remelt polyester chips to produce filament yarn. This approach is suitable for the production of functional and high value-added differentiated chemical fibers, such as recycled fibers and bio-based polymers.

Production sites

We organize and operate production sites for our petrochemical products and renewable energy material and performance chemical products in Lianyungang, Jiangsu, and chemical fiber products in Suzhou, Jiangsu and Suqian, Jiangsu, which are supported by on-site facilities such as co-generation plants, waste treatment facilities and ports. On-site support facilities lower our production costs and reduce our dependency on external utility suppliers.

The following table sets out our designed production capacity by production sites as of June 30, 2022:

Product line	Designed Production Capacity
	thousand t/y
Lianyungang	
• **Refinery-petrochemical integrated complex**	
— PTA	3,900
• **Renewable energy materials and performance chemicals**	
— MMA	255
— EVA	300
— EO	300
Suzhou and Suqian	
• **Chemical Fibers**	
— Differentiated fibers	2,600
including: Recycled fibers	300

The production processes at each of our production plant is highly integrated. For example, utilities on our production plants, such as electricity supply, are optimized and controlled from the central control room. By-products from certain production processes, such as off-gas steams, can be routed back for clean-up and recycling as additional feedback, which increases the overall yield rate of our production plants and reduces the amount of product wastage.

We have also implemented real time condition monitoring for our critical service equipment with our Hongyun intelligent production platform. This helps ensure that appropriate measures are being taken to optimize the long-term reliability of key equipment. We maintain regular inspection and conduct on-demand inspection for our equipment.

Meanwhile, we periodically shut down our plants as part of scheduled maintenances, during which we also implement debottlenecking works to increase plant capacity through simple equipment modifications to remove operational constraints. In addition, we carry out repair and maintenance work that do not require us to shut down our plants, for example replacing equipment parts such as pumps. We conduct minor planned maintenance periodically.

Production expansion

We strategically construct new production sites, build new production facilities and expand our production lines in line with our expansion strategy and forecast market demand. Upon the commercial operation of the Shenghong Project, we are able to conduct integrated refinery-petrochemical production including both the crude oil refinery and the relevant petrochemical production. See "*—Business Outlook—Outlook for the Year Ending December 31, 2022: Commercial Operation Of Shenghong Project*."

In addition, we plan to further expand our production capacity for our renewable energy material, petrochemicals and performance chemical and chemical fiber products including the below:

Product line	Increased designed production capacity
	(thousand t/y)
• **Petrochemicals**	
— PTA	2,400
— Ethylene glycol	900
— Phenol	400
— Acetone	250
— POSM and polyol project	
Including:	
◦ Ethylbenzene	508
◦ Propylene oxide	200
◦ Styrene	450
◦ Polyether polyol	112.5
◦ Polymer polyol	25
• **Renewable energy materials and performance chemicals**	
— AN	260
— MMA	90
— EO	100
— Recycled plastic	
Including:	
◦ Maleic anhydride	340
◦ BDO	300
◦ PBAT	180
— EVA (solar)	3* 200
— EVA (HMA grade)	100
— POE project	
Including:	
◦ α-Olefin	200
◦ POE	300
◦ Butyl alcohol and 2-ethyl hexanol	300
◦ Acrylic ester	300
◦ Bisphenol A	240
— Supporting raw materials, iron phosphate and lithium iron phosphate project	
Including:	
◦ Sulphuric acid	800
◦ Wet-process phosphoric acid	400
◦ Iron(III) phosphate	500
◦ Lithium iron phosphate	300
◦ Water soluble fertilizer	100

Product line	Increased designed production capacity
	(thousand t/y)
◦ Compound fertilizer	500
◦ Subgrade materials	1,000
◦ Cement retarder	1,000
◦ Hydrofluoric acid	20
• **Chemical Fibers**	
— Differentiated fibers	2,450
Including: Recycled fibers	250

Specifically, for our ethylene glycol + phenol/acetone production expansion project, which is in late development stage, we expect to make a total investment of RMB5,573 million; for our PTA production expansion project, which is in early stage, we expect to make a total investment of RMB3,939 million; for our recycled plastic production expansion project, which is in early stage, we expect to make a total investment of RMB7,471 million; for our POSM and polyol project, which is in early stage, we expect to make a total investment of RMB6,034 million; for our POE project, which is in early stage, we expect to make a total investment of RMB9,730 million; for our supporting raw materials, iron phosphate and lithium iron phosphate project, which is in early stage, we expect to make a total investment of RMB 18.7 billion.

Procurement and suppliers

In addition to internal procurement, we cooperate with large-scale raw material providers and directly purchase raw materials from their key production region to ensure stable supply of high-quality raw materials. Our procurement department is mainly responsible for (i) the purchase and sales of raw materials; (ii) the development of procurement plans based on its analysis of our production volume and the market; (iii) the development and maintenance of suppliers and (iv) the handling of supplier matters, such as account current and invoices.

Procurement policies

The procurement policies for production of each type of our products are set forth as following:

- ***Raw Materials for Petrochemical Products.*** We usually enter into long-term framework procurement agreements with our suppliers, which are supplemented by temporary orders on an as-needed basis. We settle both our offshore and domestic procurements on a monthly basis. For offshore procurements, the price is determined with reference to the Asian contract price and the cost and freight price, and for domestic procurements, the price is determined with reference to SINOPEC Group's listed prices of the month, thus reducing the risk of price fluctuations of raw materials.

  In anticipation of the commercial operation of our Shenghong Project, we have established a global procurement platform company to purchase raw materials. We will mainly enter into long-term contracts with international mainstream oil companies to ensure the supply of crude oil. Meanwhile, we plan to hedge the purchase of raw materials to stabilize the purchase price of raw materials by participating in derivatives of crude oil and other commodities.

- ***Raw Materials for Renewable Energy Material and Performance Chemical Products.*** We usually make procurement plans periodically to conduct long-term procurement. Meanwhile, we make specific procurement and inventory management plans monthly based on the actual production volume at our production sites and the supply and demand of raw materials in the market. We also conduct spot procurement to enhance procurement flexibility and control procurement costs.

- ***Raw Materials for Chemical Fiber Products.*** We procure raw materials for chemical fiber production, such as PTA, both internally and externally. For internal procurement, we purchase part of PX and PTA from our Honggang subsidiary. We expect to procure all PX required for subsequent PTA and chemical fiber products production internally upon the commercial operation of Shenghong Project. For external procurement, we usually enter into long-term framework procurement agreements with our suppliers. Under such procurement agreement, we are usually able to renegotiate prices monthly, thus managing the risk of price fluctuations of raw materials. We also place temporary orders on an as-needed basis to enhance procurement flexibility.

Inventory management

Our inventory primarily comprises of raw materials, goods-in-process, and finished products. We coordinate the planning and management of our inventory in accordance to our overall development strategies, sales targets, and production plans with the implementation of digitalized systems including the manufacturing execution system, the laboratory information management system, the warehouse management system, the enterprise resource planning system, and the advanced planning and scheduling system.

Quality control

We have achieved digitalized product quality control leveraging our intelligent management platform, Hongyun. See "*—Research and Development—Hongyun*." With the implement of Hongyun, we have increased yield rate by more than 10% for certain of our products.

Delivery and transportation

Our production facilities are close to the Port of Lianyungang and the transportation hub in Suzhou, providing cost advantage for our delivery and transportation. We mainly procure third-party delivery service providers for the delivery services. We have also constructed facilities including piers and docks to facilitate the delivery and transportation of raw materials and products.

RESEARCH AND DEVELOPMENT

Our ability to stay at the forefront of technological developments is crucial to determining if we are able to remain competitive in the market. Thus, continuous investment in R&D is key to our product development and sustainable growth. In 2019, 2020, 2021, and the six months ended June 30, 2021 and 2022, our R&D investment amounted to RMB749.2 million, RMB1,008.8 million, RMB1,429.2 million, RMB674.5 million and RMB981.6 million, respectively, representing 3.0%, 3.0%, 2.8%, 2.6% and 3.2% of our operating revenue during the same period, respectively.

Our R&D team and partners

Our R&D team possesses extensive industry experience. As of June 30, 2022, our R&D team consisted of 300 employees, approximately 5% of whom possessed a master's degree or above, amongst which many are specialized in chemical engineering and technology, applied chemistry, analytical chemistry, polymer materials science and engineering, materials chemistry and other professional disciplines. We have also partnered with academic institutions including Donghua University, Tsinghua University, Soochow University, Tianjin University of Technology and Xi'an Polytechnic University for R&D activities.

Our R&D infrastructure

Our chemical fiber research center in Suzhou

Our full-fledged chemical fiber research center in Suzhou comprises of a national advanced functional fiber innovation center including fundamental research, technology development, product production, and product commercialization with a focus on the R&D of functional fiber products, high value-added fiber products, and frontier new fiber products, along with a national accredited technology center and our Shenghong fabric testing center.

Our refinery and new material research center in Shanghai

In 2020, we have established our refinery and new material research center in Shanghai to enhance the development and commercialization of renewable energy materials and performance chemicals with high value added. Our refinery and new material research center in Shanghai focuses on the study of new energy materials, new polymer materials and green products such as bio-based polymers.

Hongyun

We have also dedicated our R&D effort to support standardized, digitalized and intelligent production along our highly integrated industrial value chain. In particular, we have developed Hongyun, our cloud-based intelligent management platform with various smart applications across eight categories with more than 20 types of platform implemented, including industrial internet platform, production safety management platform and smart production system. In July 2022, our Hongyun platform was shortlisted as China's representative showcase for "Global Innovative Technology and Solution for Industrial Digitalization."

- **Industrial internet platform.** We have deployed more than 30 industrial applications and over 50 industrial services on our industrial internet platform, which is compatible with over 10 types of industrial protocols. With approximately 60,000 patch points, our industrial internet platform is connected to more than 40,000 equipment in our factories, enabling the standardization and digitalization of our production at our vertically integrated chemical complex.

- **Production safety management platform.** Our production safety management platform is equipped with more than 120 functional modules including hazards monitoring, risk-level based zoning, safety personnel on duty assignment and production process management. In particular, to ensure efficient coverage with high accuracy in information collection during production, we have adopted leading technologies GPS, Bluetooth Low Energy technology, 5G and long-range hybrid transmission. With the implementation of production safety management platform, we have achieved real-time risk control with our production safety management platform covering more than 300 production areas with approximately 200 security cameras and analysis supported by three-dimensional mapping.

- **Smart production system.** The smart production system enables our digital production management and intelligent production scheduling. With the implementation of smart production system, we have achieved 100% product tracking rate. We have increased our production capacity and inventory turnover rate with the implementation of our Hongyun intelligent management platform and decreased our labor cost and energy consumption.

Key R&D projects

We have launched the below R&D projects for product development and production technologies as of June 30, 2022.

- **Development and application of new MTO catalysts**: We collaborated with research institutions to promote the industrialization of domestically developed catalysts for MTO reaction process. With repeated tests and continuous improvement, we have achieved stable and controled production without compromising the yield rate of end products of the MTO process.

- **Development of superabsorbent polymer production technologies**: We are developing superabsorbent polymer production technologies, specifically adopting the inverse suspension polymerization process.

- **Preparation method of superabsorbent polymer with antibacterial and deodorizing properties**: We conduct research on the addition of antibacterial agent in the superabsorbent polymer's molecular chains, or in the cross-linked network structure on its surface to impart antibacterial and deodorizing properties.

- **Development of EVA with modifies properties**: We develop modified EVA with high VA content and low melting point, which can be used for shoe materials and flame-retardant hot-melt adhesive.

- **Development and industrialization of ethylene-vinyl alcohol (EVOH) preparation method**: We design and develop EVOH preparation method for industrial application with high efficiency.

- **Property modification research on biodegradable materials**: We conduct research to develop biodegradable materials with modified properties to further expand their application scenarios.

- **Development of epoxy solution for electronic application**: We carry out R&D activities of epoxy solution, especially with properties suitable for electronic application with high performance.

- **Development of furandicarboxylic acid (FDCA) and polyethylene furanoate (PEF) production technologies**: We cooperate with certain leading university to co-develop FDCA and PEF technologies using furfural as the main raw material. We are developing systematic production technologies of FDCA and PEF including reactor structure design, process parameters optimization and waste pre-treatment mechanism.

- **Study on flame retardant polyester**: We research on the optimization of production technologies for flame retardant monomer and its influence on the performance of relevant flame retardant polyester.

- **Preparation of antistatic recycled fiber and research on its properties**: We focus on the preparation method of antistatic polyester masterbatch with the goal to produce recycled fiber with high electrical resistivity.

- **Bottleneck-breakthrough technology development in the chemical fiber industry**: Through strategic cooperation, we are developing bottleneck-breakthrough technology in the chemical fiber industry, including polymerization in the production process and physical and mechanical property testing for polymer.

SALES, MARKETING AND DISTRIBUTION

Our market position is a function of our ability to offer comprehensive and high quality products as well as our sales and marketing network. We sell our products in both domestic and export markets with the aim to develop long-standing relationships with major customers in relevant industries.

Sales activities

As of June 30, 2022, we provided products through our sales and distribution network in 24 provinces, municipalities and autonomous regions in the PRC. At the same time, leveraging our extensive sales and distribution channels overseas, we have introduced our products, especially chemical fiber products, to countries and regions globally including South Korea, Turkey, Vietnam, Pakistan and Italy.

Specifically, we tailor our sales, marketing and distribution strategy for different types of products depending on industry custom, product type, and market needs.

For our sales team directly markets to major customers or customers with high development potential to better capture customer's demand through direct interaction. For small and medium customers, we sell through various ways such as spot sale, short- and medium- term customer orders or through distributors. For petrochemicals, as our major target customers of petrochemicals, such as PTA, are primarily polyester and chemical fiber manufacturers in the PRC, sale of petrochemicals is generally conducted in the form of long-term contract taking into consideration of the forecast of market trends. For renewable energy materials and performance chemicals, we actively participate in industry conferences. We conduct market research on regular basis to understand downstream customers' demands and improve our products and services accordingly in timely manner. We are committed to stabilize the cooperation with leading downstream domestic enterprises to improve and consolidate our domestic market share and industry influence. In the same time, we are dedicated to further international expansion leveraging our location layout, economies of scale and proximity to dock, improving our brand visibility and brand awareness in the international market.

- ***Chemical fibers***

Our domestic sales are conducted through a uniform sales platform. We have also recruited specialized sales team covering the overseas market. Meanwhile, we participate in industry activities and exhibitions to increase our brand recognition. We present our product sample or finished garment using our fiber to potential customers to demonstrate our product quality. We learn about customers' demand through face-to-face communication to adjust our product characteristics and enhance product offerings.

For international markets, we have sales representatives in key countries to collect market information, increase customer base, and expand our market share.

Pricing and payment terms

- ***Renewable energy materials and performance chemicals***

For new materials such as AN, MMA and EO that are mainly sold under long-term orders, we set our product price either independently or based on the market pricing formula and adjust the price. For EVA and other EO derivatives that are mainly sold under short- to medium-term orders, we determine our prices based on mainstream market pricing formula and market trends.

- ***Petrochemicals***

For petrochemicals we offer, mainly PTA, we implement the pricing system of shipping at the beginning of the month based on the list price and settling with customers at the end of the month at settlement price. The settlement price at the end the month and the list price at the beginning of the month are determined taking into consideration of: (i) the PTA sales price released by China Chemical Fiber ("CCF") website; (ii) the quotations of other mainstream PTA suppliers in the market; (iii) freight costs; and (iv) regional supply and demand.

- ***Chemical fiber***

We set the product price for chemical fiber dynamically taking into consideration product positioning, production costs, market competition and our profit level. We grant credit terms to certain customers with large procurement amount and good credit records.

MAJOR CUSTOMERS

Our business depends on well-established customer relationships. Our customers primarily encompass polyester production enterprises, chemical fiber production enterprises, and distributors in the PRC and overseas. In the renewable energy materials and performance chemicals segment, our fine chemical products such as EVA, AN, MMA and EO are exported mainly to overseas customers in South Korea, Japan and Southeast Asia. Downstream customers include well-known overseas customers such as LG Chem. In the petrochemicals segment, our PTA is exported to countries and regions including Egypt, Turkey and Oman. In the chemical fiber segment, our polyester yarns are exported mainly to South Korea, Japan and Southeast Asia. The quality of and technology applied to our chemical fiber products have been recognized by well-known downstream brand customers such as Adidas, Nike and Uniqlo.

MAJOR SUPPLIERS

We have maintained stable and long-term relationships with our major suppliers. We only procure raw materials from the suppliers listed in our supplier catalogue. We consider several factors in the evaluation and selection of suppliers, including, but not limited to, supplier's background, reputation, industry experience, and, most importantly, the quality and price of their supplies. All new suppliers must pass our internal supplier admission process before entering into procurement agreements with us.

INTELLECTUAL PROPERTY

We seek to protect our technology through a combination of patent, copyright and trade secret laws in the PRC and other jurisdictions, as well as license agreements and other contractual protections. We also rely on a number of registered trademarks to protect our brand. In addition, we enter into confidentiality and non-disclosure agreements with our employees and major business partners. The agreements we enter into with our employees also provide that all software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment remain our property. As of June 30, 2022, we had registered a total of 261 main patents in the PRC. See "*Risk Factors—Failure to protect our intellectual property rights, trade secrets and unpatented proprietary know-how could impair our competitiveness and impede our business and future prospects.*"

ENVIRONMENTAL, HEALTH AND SAFETY

Sustainability Vision

We are dedicated to environment protection and sustainable development underpinned by green technology.

ESG governance

We have been, and will continue to be, highly committed to sustainable corporate responsibility projects. We are committed to social responsibilities, and consider environmental, social and governance ("ESG") essential to our continuous development. We focus on areas such as economic responsibility, employee responsibility, customer responsibility, supplier responsibility, environment responsibility and public responsibility. We plan to set up metrics and targets for these ESG focuses and to review our key ESG performance on a regular basis. Our Directors will actively participate in designing our ESG strategies and targets, and will evaluate, determine and address our ESG-related risks. We have engaged third-party advisor to provide professional ESG consulting services and assist us with in building a social responsibility management system and a social responsibility indicator system, and make recommendations on social responsibility report enhancement.

Decarbonization of Production Process

We are committed to achieving carbon peaks and carbon neutrality. We have established and operated an energy management system in accordance with various international standards such as the ISO14001: 2015 standard and the ISO50001: 2018 standard.

Specifically, we have adopted the following measures to decarbonize our production.

- ***Energy Efficiency***

We have adopted a series of technical modifications, equipment upgrades and process enhancements in the process of our manufacturing operations, as well as carried out several research and development projects to save energy and reduce greenhouse gas (the "GHG") emissions.

- ***Carbon Capture, Utilization and Storage ("CCUS")***

We pioneered in launching the "carbon dioxide capture and utilization—green methanol—new energy materials" industrial chain project in the world through strategic cooperation with Carbon Recycling International ("**CRI**") based on designed chemical plant leveraging CRI's Emissions to Liquids (ETL) technology as of the date of Prospectus, according to the Industry Consultant. Our CCUS project is expected to recycle approximately 150,000 tons of carbon dioxide per year from industrial exhaust gas and 20,000 tons of hydrogen per year generated from our internal production processes, amounting to production of 100,000 tons of methanol annually. Methanol is one of the main feedstocks for our renewable energy materials and performance chemicals products. Our CCUS project is expected to reduce carbon dioxide indirectly by 550,000 tons per year from reducing the use of fossil raw materials. The plant is expected to begin its operation in 2023 and the cost of the project is estimated to be approximately RMB225 million.

Waste Management

We have implemented specific procedures to manage waste and pollutants discharged during our production process with a view to comply with applicable laws and regulations.

- ***Wastewater***

We generate wastewater during the production process which may contain potentially hazardous materials, including chemical oxygen demand (COD), ammonia nitrogen, total nitrogen and total phosphorus. We have set up wastewater management policies in accordance with approximately five regulatory standards such as *Emission Standards of Pollutants in the Petrochemical Industry (GB31571-2015)* and the related takeover standards of the wastewater treatment plant. We have adopted the following measures to minimize the impact of the waste water, including (i) establishment a sewage station and adoption of specific processes to treat production and domestic sewage and ensure that the discharged water meets the relevant requirements; (ii) contract with a qualified environmental protection company to treat the waste oil, excessive sludge and other waste generated in the sewage process; (iii) implementation of deodorization facilities to treat the odor generated by the sewage tank; and (iv) use of biogas boilers to recycle the biogas to reduce greenhouse gas emissions.

- ***Waste gas***

We generate waste gas during the production process. Some of them are potentially hazardous, including fume, particulate matter, paraxylene, hydrogen bromide, sulphur dioxide, non-methane total hydrocarbons (NMHC), nitrogen oxides and volatile organic compounds. We have set up waste gas management policies in accordance with approximately ten relevant regulatory standards such as *Emission Standards of Pollutants from Petroleum Refining Industry (GB 31570-2015)*. We have adopted the following measures to minimize the impact of the waste gas, including (i) use of ultra-low nitrogen burner in the heating furnace; (ii) use of ammonia desulfurization and 3-stage CLAUS process in sulfur recovery units; (iii) use of SCR denitrification process in ethylene units, alkylation units and chemical waste gas incinerators; and (iv) use of a combination of adsorption, condensation, membrane and catalytic oxidation (CO) technologies to recover oil and gas.

- ***Solid waste***

We generate solid waste during our production processes. Some of them are potentially hazardous, including waste catalyst and waste lubricant. All hazardous wastes were centrally and properly stored in temporary hazardous waste warehouse of each main plant. All of our solid waste are processed by qualified third-party contractors

Sustainable Development

Committed to long-term sustainable development, we have been dedicated to the research and development of biodegradable, bio-based, or other green products to meet the market demands and to provide alternative options in response to the environment issues associated with traditional petrochemical products. We have launched projects for the R&D and production of products including bio-based polymer, recycled fiber and PBAT. Specifically, as of June 30, 2022, our production capacity of recycled fibers exceeded 300,000 tons per year, equivalent to approximately 15 billion waste plastic bottles recycled.

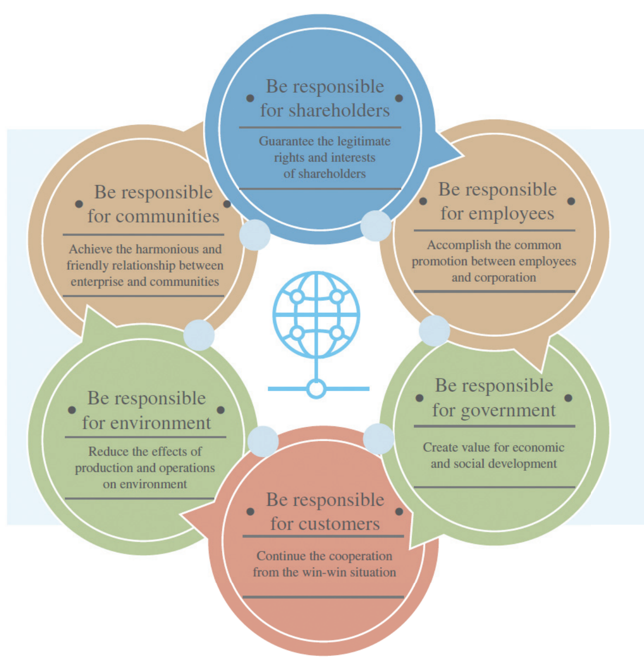
Occupational Health and Safety

We are subject to the PRC laws and regulations in relation to labor and safety. By imposing strict safety standards required for compliance with such laws and regulations on all of our premises and production facilities, we aim to promote the safety and health of our employees and to prevent workplace accidents. We have established a series of safety guidelines covering fire safety, operation safety, warehouse safety, work-related injuries and emergency and evacuation procedures. We have implemented advanced safety measures for all production units equipped with advanced and mature patented technologies. Also, we provide suitable and necessary protection equipment to our employees and we require all employees to attend safety training more than once per month.

Further, committed to offering the opportunities of equal and fair treatment in employment, we prohibit direct or indirect discrimination based on sex, disability and ethnic group.

Corporate Social Responsibility

We have set up a social responsibility management committee led by our chairman of the Board and general manager. This committee is mainly responsible for overseeing and determining social responsibility related risks and opportunities in connection with our business, establishing social responsibility policies, strategies and targets, and monitoring our execution accordingly. Below sets forth our social responsibility initiatives for different stakeholders.



COMPETITION

We operate in a rapidly changing market, resulting from technological advances and scientific discoveries. While we believe our robust R&D capabilities provide us with competitive advantages, we face potential competition with major international and domestic companies in such industries as chemical, petrochemical, refinery and chemical fiber. We compete primarily based on our products and service offerings, R&D capabilities, our sales, distribution, and marketing force, and brand recognition.

AWARDS AND RECOGNITIONS

We have received recognition for the quality of our products and our strong R&D capabilities, among other things. Some of the significant awards and recognition we and/or our parent Company have received are set forth below.

Award/Recognition	Award year	Awarding Institution/Authority
No. 311 of Fortune Global 500	2021	Fortune
No. 399 of the World's 500 Most Influential Brands	2021	World Brand Lab
No. 19 of China Top 500 Private Enterprises	2021	All-China Federation of Industry and Commerce
Global Industrial Internet Conference Annual Typical Case	2021	Global Industrial Internet Conference
No. 31 of Top 500 Enterprises of China's Manufacturing Industry	2021	China Enterprise Confederation/China Enterprise Directors Association
R&D and Production Base of Chemical Fiber Dyeing and Printing Products in China	2019	China Dyeing and Printing Association
2017-2018 Jiangsu "Charitable Star"	2019	Jiangsu Charity Federation
The Fifth Suzhou Mayor Quality Award	2016	Suzhou Municipal People's Government
State Scientific and Technological Progress Award	2015	State Council of the PRC
National Torch Program Industrialization Demonstration Project	2015	Ministry of Science and Technology of the PRC

LICENSES AND APPROVALS

We are subject to regular inspections, examinations and audits conducted by local regulators and are required to obtain various permits, licenses, approvals, and certifications from government authorities as required under the laws and regulations of jurisdictions where we sell and distribute our products. As of June 30, 2022, we have obtained and maintained the below material licenses and permits.

Licenses and permits	Applicable authorities
Safety Production License	Jiangsu Provincial Department of Emergency Management

Licenses and permits	Applicable authorities
Operating License for Hazardous Chemicals	Lianyungang Emergency Management Bureau/National East-Central-West Regional Cooperation Demonstration Zone (Xuwei New District, Lianyungang) Emergency Management Bureau/Suzhou Wujiang District Emergency Management Bureau
Hazardous Chemical Registration Certificate	Jiangsu Provincial Chemical Registration Center/Ministry of Emergency Management Chemical Registration Center
PRC Production License for Industrial Products	Jiangsu Market Supervision and Administration Bureau/Jiangsu Quality and Technical Supervision Bureau
Pollutant Discharge Permit	Lianyungang Ecological Environment Bureau/Suzhou Ecological Environment Bureau
Customs Declaration Entity Registration of the PRC Customs	PRC Nanjing Customs District/ PRC Wujiang Customs District
Foreign Trade Operator Registration Form	Foreign Trade Operators Registration Authority
Radiation Safety License	Lianyungang Ecological Environment Bureau/Suzhou Ecological Environment Bureau
Production Certificate of Non-pharmaceutical Precursor Chemicals	Lianyungang Emergency Management Bureau
Entry-Exit Inspection and Quarantine Enterprise Record Form	Jiangsu Entry-Exit Inspection and Quarantine Bureau
Consignee and Consignor of Import and Export Goods Record	Lianyungang Customs
Transportable Pressure Vessel Filling License	Jiangsu Market Supervision and Administration Bureau
Water-drawing Permit	Wujiang Water Work Bureau of Suzhou City
Port Business Permit	Wujiang Transport Bureau of Suzhou City
Work Safety Standardization Certificate	The Institute of Safety and Production Science in Jiangsu

We renew all such permits and licenses from time to time to comply with the relevant laws and regulations.

EMPLOYEES

We believe that our professional staff and workforce are the driving force of our long-term growth. As of June 30, 2022, we had 27,091 full-time employees. The following table sets forth the number of our employees by functions as of June 30, 2022.

	As of December 31,			As of June 30,
Department	2019	2020	2021	2022
Production	9,864	11,621	15,843	18,165
Sales, marketing, and consulting	163	199	367	414
Technology (including R&D)	4,068	4,655	5,191	5,070
Finance	196	213	281	318
Administrative	764	847	1,164	1,275
Others	876	1,062	1,612	1,879
Total	15,931	18,597	24,458	27,091

We formulate training plan to provide regular and specialized training tailored to the needs of our employees. Through these trainings, we help our employees to stay up to date with both industry developments and skills and technologies. We are committed to establishing a competitive and fair remuneration mechanism based on different job positions and duties. To effectively motivate our employees, we continually refine our remuneration and incentive policies. We conduct performance evaluation for our employees periodically, taking into account the operating characteristics of our business, to provide feedback on their performance. Compensation for our employees typically consists of basic salary and a performance-based bonus. We also continually refine our promotion mechanism to provide the right career advancement opportunities to our employees and cultivate talents from our employee pool to support our business growth.

PROPERTIES

We own and lease properties in the PRC for the use of manufacturing, business, and office purposes. As of September 26, 2022, we owned a total of 153 land use rights in the PRC with a gross area of approximately 17,071,250.75 square meters; a total of 412 properties with an aggregate gross floor area of approximately 3,481,213.49 square meters; we entered into 12 main lease contracts with third parties in the PRC in total, and the gross floor area of leased properties is no more than 121,363.31 square meters. The following table sets forth an overview of our main land use rights as of September 26, 2022.

Name/Location	GFA	Main Use Type
Lianyungang, Jiangsu province	2,264,162.0	Production
Lianyungang, Jiangsu province	2,217,749.7	Production
Lianyungang, Jiangsu province	1,307,071.0	Production
Lianyungang, Jiangsu province	966,899.2	Warehouse
Lianyungang, Jiangsu province	686,587.1	Production
Suqian, Jiangsu province	217,877.0	Production
Suqian, Jiangsu province	190,144.0	Production
Suzhou, Jiangsu province	285,840.9	Production
Suzhou, Jiangsu province	189,287.4	Production

INSURANCE

We have in place insurance policies in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds.

LITIGATION AND PROCEEDINGS

From time to time, we may become involved in legal and administrative proceedings and other disputes in the ordinary course of our business. As of the date of this Prospectus, we are not a party to any material legal, arbitral, or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral, or administrative proceedings against us or our directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

OVERVIEW

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out: (i) an introduction to the major PRC government authorities with jurisdiction over our current operations; and (ii) a summary of the major laws, regulations and policies to which we are subject.

PRINCIPAL REGULATORY AUTHORITIES

National Development and Reform Commission of the PRC (the "NDRC")

The main functions undertaken by the NDRC include formulating and implementing major policies related to China's economic and social development, planning the productivity layout of significant construction projects, examining and approving significant investment projects, and formulating industrial policies and investment guidelines for all industries; carrying out research and analysis on the development of relevant industries, organizing the formulation of industrial policies, raising policy suggestions for optimizing the industrial structure, and putting forward guiding opinions for national encouragement, restriction and elimination of production capacity, process and product catalogue. Local development and reform commissions at various levels are responsible for implementing the specific policies formulated by the NDRC, examining and approving investment projects in accordance with the authorization by the NDRC, and receiving the filing of other enterprise investment projects that do not require prior approvals.

Ministry of Industry and Information Technology of the PRC (the "MIIT")

The MIIT is responsible for drawing up and organizing the implementation of new industrialization development strategies and policies; formulating and implementing industrial planning, plans and policies; monitoring and analyzing the trend of operation of industrial sectors; conducting surveys and publishing the relevant information; and promoting the development of major technological equipment and independent innovation.

Ministry of Emergency Management of the PRC (the "MEM")

The MEM is responsible for formulating and implementing policies and standards on production safety; and exercising comprehensive supervision and control over work safety of enterprises.

Ministry of Ecology and Environment of the PRC (the "MEE")

The MEE is responsible for establishing and improving the basic ecological and environmental system; working with the relevant departments to formulate, plan and implement the national ecological and environmental policies; supervising and managing the prevention and control of environmental pollution; and participating in guiding and promoting the development of the circular economy and the ecological and environmental protection industry.

Industrial Polices

According to the *Catalog of Industrial Structure Adjustment (Edition 2019)* (《产业结构调整指导目录(2019年本)》) promulgated by the NDRC on October 30, 2019 and amended on December 30, 2021 "continuous copolymerization modification of differentiated and functional PET (CDP, ECDP, COPET, HSPET, FR-PET, LMPET, PETG, BDPU, PET produced by green catalyst, etc.); highly efficient flexibility preparation technologies of differentiated and functional chemical fibers, such as inflaming retarding, anti-static electricity, anti-ultraviolet, anti-bacterial, phase change energy storage, photochromism, liquid coloring, etc.; production of chemical fiber with functions of intelligence and high simulation; originally developed green, efficient and environmental friendly oil agent for high-speed spinning and processing" and "a backpressure (extraction back pressure) heat and electricity cogeneration unit, a thermoelectric cooling poly-generation unit, and a supercritical (ultra-critical) cogeneration unit of 300,000KW and above" are listed in the encouraged category, which is a meaningful guidance on the future development of chemical fiber industry.

The *Catalogue of Industries for Encouraging Foreign Investment (2020 Version)* 《鼓励外商投资产业目录(2020年版)》, which was promulgated by the NDRC and Ministry of Commerce of the PRC on December 27, 2020, included, among others, continuous copolymerization modification of differentiated and functional polyester (PET) (cationic dye dyeable polyester (CDP, ECDP), alkaline soluble polyester (COPET), high-shrinkage polyester (HSPET), flame-retardant polyester, low-melting point polyester, amorphous polyester, biodegradable polyester, etc.); highly efficient flexibility preparation technologies of differentiated and functional chemical fibers, such as inflaming retarding, anti-static electricity, anti-ultraviolet, anti-bacterial, phase change energy storage, photochromism, liquid coloring, etc.; production of chemical fiber with functions of intelligence and high simulation; originally developed green, efficient and environmental friendly oil agent for high-speed spinning and processing, development and production of high-performance fibers and products: carbon fiber (CF), aramid fiber (AF), polysulfonamide (PSA), ultra-high molecular weight polyethylene (UHMWPE), polyphenylene sulfite fiber (PPS), polyimide fiber (PI), polytetrafluoroethylene fiber (PTFE), polybenzobisoxazole fiber (PBO), polyarylene oxadiazole fiber (POD), basalt fiber (BF), silicon carbide fiber (SiCF), polyetheretherketone fiber (PEEK), high-tenacity alkali-resisting glass fiber (HT-AR), and poly (2,5-dihydroxy-1,4-phenylenepyridodiimidazole) (PIPD) fiber, and production of new types of polyester for fiber or non-fiber use: polytrimethylene terephthalate (PTT), polyethylene naphthalene (PEN), polycyclohexylene dimethylene terephthalate (PCT), and glycolmodified polyethylene terephthalate (PETG)".

The *Guidelines on High Quality Development of Chemical Fiber Industry* (《关于化纤工业高质量发展的指导意见》), which was jointly promulgated by the NDRC and the MIIT on April 12, 2022, sets the objectives of the chemical fiber industry by the year of 2025. Specifically, the industrial added value of chemical fiber enterprises above certain designated size will increase by 5% annually, and the production of chemical fibers will account for a stable percentage globally. The innovation capability will be continuously enhanced that the R&D spending of the industry will reach 2%, and the R&D and production capabilities of high-performance chemical fibers will satisfy the national strategic needs. The green manufacturing system will be continuously improved that the proportion of green fibers will be raised to 25% and above; the production of bio-based chemical fibers and degradable fiber materials will increase by more than 20% annually;

the comprehensive utilization of waste resources will further develop; and the carbon emission of the whole industry will decrease significantly. The aforementioned guidelines aim to develop a group of leading competitive enterprises, build a high-end, intelligent and green industrial system and comprehensively build a country with strong chemical fiber industry.

According to the *Petrochemical Industry Lay-out Scheme* (《石化产业规划布局方案》), which was promulgated by the NDRC in 2014, the PRC will build 7 petrochemical bases, including Lianyungang in Jiangsu Province (江苏省连云港). Major newly established domestic refining and chemical projects will be preferentially placed in those 7 petrochemical bases.

According to the *Guidelines on the 14th Five-Year Plan to Promote High-quality Development of Petrochemical and Chemical Industry* (《关于「十四五」推动石化化工行业高质量发展的指导意见》), which was jointly promulgated by the NDRC, the MIIT and the other four departments on March 28, 2022, the PRC will enhance innovative development, industrial layout optimization, digitalization, and low-carbon and safe development to realize the high-quality development of petrochemical and chemical industry. It also requires to orderly promote the strategy of "reducing the proportion of refined oil yields, increasing the proportion of chemical product yields" to extend the industrial chain of petrochemical sector and strengthen the supply capacity of the products of high-end polymer and specialty chemicals.

Laws and Regulations Relating to Business Qualifications, Licenses and Production Safety

According to the *Production Safety Law of the PRC* (《中华人民共和国安全生产法》) promulgated by the Standing Committee of the Ninth National People's Congress (the "**SCNPC**") on June 29, 2002, latest amended by the SCNPC on June 10, 2021 and implemented on September 1, 2021, enterprises that are engaged in production and business activities shall abide by the relevant laws and regulations concerning work safety, strengthen work safety management, establish and improve the all-staff work safety responsibility system and work safety rules and regulations, increase investment in funds, materials, technologies and personnel for work safety, improve the conditions for work safety, strengthen the standardized and information technology development of work safety, establish a dual prevention mechanism of graded management and control of safety risks and the screening and handling of hidden dangers, improve the risk prevention and resolution mechanism, and improve the level of work safety so as to ensure work safety. The safety facilities of a producer or business operator for engineering projects to be built, renovated or expanded shall be designed, constructed, and put into operation and use simultaneously with the principal part of the projects. Investments into safety facilities shall be included in the budgetary estimates for the construction projects. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The *Regulations on Safety Management of Hazardous Chemicals* (《危险化学品安全管理条例》, hereinafter referred to as the "***Safety Administration Regulation***"), which was promulgated by the State Council of the People's Republic of China (the "**State Council**") on January 26, 2002, and latest revised on December 7, 2013, specifies the relevant provisions for the safety administration of the manufacture, storage, use, operation and transportation of hazardous chemicals. "Hazardous chemicals" refer to hyper-toxic chemicals and other chemicals with the nature of toxicity, corrosion, explosion, flammability or combustion-supporting, etc., which are harmful to human body, facilities and environment. The *Safety Administration Regulation* stipulates that an entity that manufactures, stores, uses, deals in or transports hazardous chemicals shall obtain licenses as required, as well as possess the safety conditions stipulated by laws and administrative regulations and required by national standards and industrial standards, establish and improve safety administration rules and regulations and post safety responsibility system, and conduct safety education, legal education and post technical training for its employees. The safety conditions of the new construction, reconstruction and expansion projects for the production and storage of hazardous chemicals shall be examined by the work safety supervision and administration authority.

According to the *Safety Administration Regulation,* the *Regulations on Work Safety Licenses* (《安全生產許可證條例》), promulgated by the State Council on January 13, 2004 and latest amended on July 29, 2014, and the *Measures for the Implementation of Work Safety Licenses of Hazardous Chemical Production Enterprises* (《危險化學品生產企業安全生產許可證實施辦法》), a hazardous chemical producer shall, before starting production, obtain a work safety license for hazardous chemicals. The valid period for a work safety license shall be three years.

In accordance with the *Safety Administration Regulation*, an enterprise manufacturing hazardous chemicals listed in the catalogue of industrial products on which the production licensing system is implemented by the State shall obtain a production permit for industrial products in accordance with the provisions of the *Regulation of the People's Republic of China for the Administration on Production License of Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》), which came into effect on September 1, 2005. The period of validity of a production license is five years. The *Announcement of the State Administration for Market Regulation on Issuing the General Implementation Rules and Detailed Implementation Rules of Production Licenses for Industrial Products* (《市場監管總局關於公佈工業產品生產許可證實施通則及實施細則的公告》), which was promulgated by the State Administration for Market Regulation of the PRC on November 22, 2018 and came into effect on December 1, 2018, further provides that an enterprise that manufactures hazardous chemical solely used as raw materials in its own production does not need to obtain a production permit for industrial products.

According to the *Regulations on the Administration of Precursor Chemicals (Revised in 2018)* (《易制毒化學品管理條例(2018修訂)》) promulgated on September 18, 2018, the PRC adopts the classified administration and licensing system to the production, distribution, purchase, transportation and import and export of precursor chemicals. The precursor chemicals are classified into three categories. Category I includes the major materials that can be used for producing drugs. Categories II and III include the chemical agents that can be used for producing drugs. An entity that produces, distributes, purchases, transports, imports or exports the precursor chemicals shall establish an internal management system for precursor chemicals. In addition, an enterprise that produces the chemicals liable to producing chemicals in Category III shall report such information as variety and quantity to the relevant work safety authorities for filing.

According to the *Safety Administration Regulation* and the *Administrative Measures on Operating Permits for Hazardous Chemicals* (《危險化學品經營許可證管理辦法》) promulgated by the former State Administration of Work Safety of the PRC on July 17, 2012, and amended on May 27, 2015, the PRC adopts a licensing system for the operating activities of hazardous chemicals. An enterprise with operation involving hazardous chemicals shall obtain an operating license for hazardous chemicals. No entity or individual may operate hazardous chemicals before obtaining the operating license. The valid term of the operating license is 3 years. Where an enterprise needs to continue its business operation of hazardous chemicals after the expiration of the valid term, it shall, 3 months before the expiration of the valid term of the operating permit, file an application for extension with the license-issuing authority, and submit the extension application as well as the application documents and materials.

The *Safety Administration Regulation* and the *Measures for the Administration of Registration of Hazardous Chemicals* (《危险化学品登记管理办法》) promulgated by the former State Administration of Work Safety of the PRC on July 1, 2012 and effective on August 1, 2012, stipulates that the PRC applies a hazardous chemical registration system. Enterprises involving production or import of hazardous chemicals shall register their hazardous chemicals with the hazardous chemicals registration body of the work safety department under the State Council, with information including but not limited to the classification and label, physical and chemical properties, primary purpose for use, hazardous properties etc. The hazardous chemical registration certificate shall be valid for three years. Where the registration enterprise is to continue to engage in the production or import of hazardous chemicals after the expiry of the validity term of the registration certificate, the enterprise shall apply for certificate renewal in a timely manner.

As stipulated by the *Law of the People's Republic of China on Ports* (《中华人民共和国港口法》) adopted by the SCNPC on June 28, 2003 and latest revised on December 29, 2018, as well as the *Provisions on the Administration of Port Operations* (《港口经营管理规定》) promulgated by the Ministry of Transport of the PRC on November 6, 2009 and latest amended on December 20, 2020, whoever intends to engage in the business operation of a port, including the business operation of the wharf and of other port facilities, the business operation of port passenger transport services, the loading, unloading, lightering and storage of goods within the port area as well as the business operation of port tugs, etc. shall apply to the administrative department of port for obtaining the permit for business operation of port. A permit for the business operation of a port shall be valid for three years.

In accordance with the *Provisions on the Safety Management of Hazardous Goods at Ports* (《港口危险货物安全管理规定》) adopted by the Ministry of Transport of the PRC on September 4, 2017, and latest amended on November 28, 2019, an operator engaging in hazardous goods operations at ports, including loading, unloading, lightering and storage of hazardous goods in port areas, shall apply for an annexed certificate for hazardous goods operations at ports for each place of operations of hazardous goods, in addition to the permit for business operation of port, and the validity period of the annexed certificate for hazardous goods operations at ports shall not exceed the validity period of the Port Operation License.

Laws and Regulations Relating to Product Quality

According to the *Product Quality Law of the PRC* (《中华人民共和国产品质量法》) promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes crime.

According to the *Civil Code of the PRC* (《中华人民共和国民法典》) promulgated on May 28, 2020 and implemented on January 1, 2021, if defective products are identified after they have been put into circulation, the manufacturers or the sellers shall take remedial measures such as issuance of a warning, alerts, calls and recall of products in a timely manner. In the event of damage arising from a defective product or the failure to take timely remedial actions, the infringed party may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Laws and Regulations Relating to Environmental Protection

According to the *Environmental Protection Law of the PRC* (《中华人民共和国环境保护法》) ("***Environmental Protection Law***") promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and implemented on January 1, 2015, the *Law of the PRC on Environmental Impact Assessment* (《中华人民共和国环境影响评价法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the *Regulations on the Administration of Environmental Protection for Construction Project* (《建设项目环境保护管理条例》) promulgated by the State Council of the PRC on November 29, 1998, amended on July 16, 2017 and implemented on October 1, 2017, the *Administration Regulations on Record-filing of the Environmental Impact Registration Forms of Construction Projects* (《建设项目环境影响登记表备案管理办法》) promulgated by the former Ministry of Environmental Protection of the PRC on November 16, 2016 and effective on January 1, 2017, the *Interim Measures on Environmental Protection Acceptance of Construction Projects* (《建设项目竣工环境保护验收暂行办法》) promulgated by the former Ministry of Environmental Protection of the PRC on November 20, 2017, and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through the environmental impact assessment procedure accordingly. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment while those projects which have less severe environmental impact are required to prepare an environmental impact report regarding analysis or specific assessment of the environmental impacts, and those projects which have slight impact on the environment are not required to conduct environment impact assessment but need to complete the environmental impact registration form.

Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects for which an environmental impact report or an environmental impact report form is prepared can only be put into operation after the acceptance of environmental protection facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions promulgated by the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities which have breached the environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

According to the *Regulations on the Administration of Pollutant Discharge Permits* (《排污许可管理条例》) promulgated by the State Council on January 24, 2021, and the *Administrative Measures for Pollutant Discharge Permits (for Trial Implementation)* (《排污许可管理办法(试行)》) promulgated by the former Ministry of Environmental Protection of the PRC on January 10, 2018 and revised on August 22, 2019, pollutant discharging entities shall apply for and obtain a pollutant discharge permit. The entities that fail to obtain a pollutant discharge permit shall not discharge any pollutants. The former Ministry of Environmental Protection develops and releases a category-based administration catalogue of pollutant discharge permit for stationary pollution sources, specifying the scope subject to the administration of pollutant discharge permit and the time limit to apply for a pollutant discharge permit.

Air Pollution

According to the *Atmospheric Pollution Prevention and Control Law of the PRC* (《中华人民共和国大气污染防治法 》) promulgated by the SCNPC on September 5, 1987 and latest revised on October 26, 2018, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmospheric environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Solid Waste

According to the *Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes* (《中华人民共和国固体废物污染环境防治法》) promulgated by the SCNPC on October 30, 1995, latest revised on April 29, 2020 and implemented on September 1, 2020, construction projects where solid wastes are generated or projects for storage, utilization or disposal of solid wastes shall be subject to environmental impact assessment. Facilities for the prevention and control of solid wastes are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

Water Pollution

According to the *Water Pollution Prevention and Control Law of the PRC* (《中华人民共和国水污染防治法》) promulgated by the SCNPC on May 11, 1984, latest revised on June 27, 2017 and implemented on January 1, 2018, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From January 1, 2018, water pollution prevention facilities are required to be complied with the requirements in the environmental impact report approved by and filed with the competent authorities.

Noise Pollution

According to the *Law on the Prevention and Control of Noise Pollution of the PRC* (《中华人民共和国噪声污染防治法》) promulgated by the SCNPC on December 24, 2021 and implemented on June 5, 2022, the "noise pollution" used hereunder means the phenomenon that noise is emitted in excess of noise emission standards or due to failure to take prevention and control measures according to the relevant laws and regulations, which impairs the normal life, work and study of others. New construction, reconstruction and expansion of the construction projects that may produce such noise pollution shall be subject to the environmental impact assessment according to the relevant laws and regulations. Facilities for prevention and control of noise pollution must be designed, constructed and put into use simultaneously with the main part of a construction project.

Environmental Protection Tax Law

According to the *Environmental Protection Tax Law of the PRC* (《中华人民共和国环境保护税法》) promulgated by the SCNPC on December 25, 2016, amended on October 26, 2018 and implemented on the same day, and the *Regulations for the Implementation of the Environmental Protection Tax Law of the PRC* (《中华人民共和国环境保护税法实施条例》) came into effect on January 1, 2018, (i) enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the PRC and other sea areas under the jurisdiction of the PRC are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the aforementioned laws and regulations, (ii) the *Administrative Regulations on the Collection and Use of Pollutant Discharge Fees* (《排污费征收使用管理条例》) was repealed and no more pollutant discharge fees shall be collected.

Laws and Regulations Relating to Energy Conservation Assessment and Review System for Fixed Asset Investment Projects

According to the Energy Conservation Law of the People's Republic of China (Revised in 2018) (《中华人民共和国节约能源法(2018修正)》) promulgated by the SCNPC on October 26, 2018, the Measures of Energy Conservation Examination on Fixed-Asset Investment Projects (《固定资产投资项目节能审查办法》) promulgated by NDRC on November 27, 2016 and implemented on January 1, 2017, the PRC adopts an energy conservation assessment and review system for fixed asset investment projects. If a project does not meet the compulsory energy conservation standards, its developer shall not commence the construction, and if the construction of such project has been completed, it shall not be put into production and use. For the projects invested by enterprises, before commencing the construction, the approval of the competent authority in charge of energy conservation review shall be granted for construction. Furthermore, according to the Administrative Regulations on Approval and Filing of Projects Invested by Enterprises (《企业投资项目核准和备案管理条例》) promulgated by the State Council on November 30, 2016 and implemented on February 1, 2017, the fixed-asset investment projects invested in and constructed by enterprises within the territory of China are subject to confirmation or recordation by the competent investment department as appropriate before construction.

Laws and Regulations Relating to Import and Export of Goods

According to the *Foreign Trade Law of the PRC* (《中华人民共和国对外贸易法》) promulgated by the SCNPC on May 12, 1994 and latest revised on November 7, 2016, foreign trade operators engaged in goods or technology import and export are required to go through the record-filing registration procedures with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that are not required to complete the record-filing registration as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities according to the relevant provisions, the Customs are entitled to refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

In accordance with the *Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC* (《中华人民共和国海关报关单位备案管理规定》) published by the General Administration of Customs of the PRC on November 19, 2021 and effective as of January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators.

Laws and Regulations Relating to Labor, Social Insurance and Housing Provident Fund

Labor Contract

According to the *Labor Law of the PRC* (《中华人民共和国劳动法》) promulgated by the SCNPC on July 5, 1994 and latest revised on December 29, 2018, the *Labor Contract Law of the PRC* (《中华人民共和国劳动合同法》) promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and revised on December 28, 2012 and the *Implementing Regulations of the Labor Contracts Law of the PRC* (《中华人民共和国劳动合同法实施条例》) promulgated by the State Council on September 18, 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, and strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Provident Fund

According to the *Social Insurance Law of the PRC* (《中华人民共和国社会保险法》) promulgated by the SCNPC on October 28, 2010, revised and effective on December 29, 2018, the *Administrative Regulations on Housing Provident Fund* (《住房公积金管理条例》) latest revised by the State Council and effective on March 24, 2019 and the *Provisional Regulations on Collection and Payment of Social Insurance Premiums* (《社会保险费征缴暂行条例》) revised by the State Council and effective on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the *Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees* (《国务院办公厅关于全面推进生育保险和职工基本医疗保险合并实施的意见》) (Guo Ban Fa [2019] 10), the PRC facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment.

Regulations Relating to Intellectual Property

Patent

According to the *Patent Law of the PRC* (《中华人民共和国专利法》) promulgated by the SCNPC on March 12, 1984,, latest revised on October 17, 2020 and effective on June 1, 2021 as well as the *Implementation Regulations for the Patent Law of the PRC* (《中华人民共和国专利法实施细则》) promulgated by the State Council on June 15, 2001, latest amended on January 9, 2010 and effective on February 1, 2010, inventions refer to inventions, utility models and designs. Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with esthetic feeling and industrial application value. The validity period of patent for inventions is 20 years, while the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

An invention-creation that is accomplished by a person in the course of performing any task for an entity to which the person belongs, or mainly by using materials or technical means of the said entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the relevant application is approved, the entity shall be the patentee. The entity may dispose of the right to apply for patents and patent rights of its invention-creation in accordance with the law and promote the implementation and utilization of the relevant invention-creation. The entity to which a patent right is granted shall reward the inventor or designer of such service invention-creation; after the implementation of the invention-creation patent, the inventor or designer shall be remunerated reasonably according to the scope of marketing and application and the economic benefits obtained. The State encourages the entities to which a patent right is granted to implement property rights incentives by way of equity, option, dividends, etc., so that inventors or designers can enjoy the proportion of profits of innovation.

Trademark

According to the *Trademark Law of the PRC* (《中华人民共和国商标法》) considered and approved by the SCNPC on August 23, 1982, and latest revised on April 23, 2019 and effective on November 1, 2019, and the *Implementation Rules of the Trademark Law of the PRC* (《中华人民共和国商标法实施条例》) revised by the State Council on April 29, 2014 and effective on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

Copyright

According to the *Copyright Law of the PRC* (《中华人民共和国著作权法》) considered and approved by the SCNPC on September 7, 1990, latest revised on November 11, 2020 and effective on June 1, 2021, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the Copyright Law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction.

According to the *Measures for the Registration of Computer Software Copyright* (《计算机软件著作权登记办法》) promulgated by the National Copyright Administration on February 20, 2002 and the *Regulation on Computers Software Protection* (《计算机软件保护条例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the Copyright Protection Center of China as the software registration organization. The Copyright Protection Center of China shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

According to the *Administrative Measures for Internet Domain Names* (《互联网域名管理办法》) promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of "first come, first served" applies to domain name registration service. The *Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services* (《工业和信息化部关于规范互联网信息服务使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

Regulations Relating to the EIT and Value-Added Tax

According to the *Enterprise Income Tax Law of the PRC* (《中华人民共和国企业所得税法》) latest amended by the SCNPC and effective on December 29, 2018, and the *Implementation Rules of the Enterprise Income Tax Law of the PRC* (《中华人民共和国企业所得税法实施条例》) latest amended by the State Council and coming into effect on April 23, 2019, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

According to the *Interim Regulations of the PRC on Value-Added Tax* (《中华人民共和国增值税暂行条例》) promulgated by the State Council on December 13, 1993, and most recently amended on November 19, 2017, and the *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* (《中华人民共和国增值税暂行条例实施细则》) which was promulgated by the Ministry of Finance on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

Regulations on Stock Connect Scheme Between Domestic and Overseas Stock Exchanges

In order to further facilitate cross-border investment and financing, promote globalized allocation of elements and resources, and advance the institutional opening-up of the capital markets, the China Securities Regulatory Commission (the "**CSRC**") expanded the scope of the stock connect scheme and released the *Provisions on the Supervision and Administration of Depository Receipts under the Stock Connect Scheme between Domestic and Overseas Stock Exchanges* (《境内外证券交易所互联互通存托凭证业务监管规定》) (the "**DR Regulation**") on February 11, 2022, which became effective on the same date. Global Depositary Receipts issued under the stock connect scheme shall be regulated by the CSRC, the People's Bank of China (the "**PBOC**"), the State Administration of Foreign Exchange (the "**SAFE**") and other relevant authorities.

Conditions for GDR Offerings and Restrictions on Offer Price

According to the DR Regulation, a domestic listed company may not offer depositary receipts overseas if:

- the application documents for the offering contain any misrepresentations, misleading statements or have major omissions;
- the rights and interests of the listed company are severely impaired by its controlling shareholder or de facto controller, and such impairment has not been relieved;
- the listed company or its subsidiaries have illegally provided any external guarantees, and such guarantee has not been discharged;
- incumbent board directors or senior executives of the listed company have received administrative penalties from the CSRC in the last 36 months or have been reprimanded publicly by domestic stock exchanges in the last 12 months;
- the listed company or its incumbent board directors and senior executives are under on-going investigations by judicial authorities for suspected criminal offenses, or under on-going investigations by the CSRC for suspected violations of laws or regulations;

- qualified opinion, adverse opinion, or disclaimer of opinion on the listed company's financial reports for the last year and the last accounting period are given by the auditors, unless the major consequences of the issues indicated by aforesaid opinions have been completely relieved or unless the current offering involves material asset restructuring; or

- other circumstances that impose severe damages to the legitimate rights and interests of the investors or public interests. For depositary receipts offered overseas by a domestic listed company representing newly-issued shares, the offer price following pro-rata conversion shall, in principle, not be lower than 90% of the average closing price of the underlying shares over the 20 trading days preceding the pricing benchmark date (being the first day of the offering period of the depositary receipts).

Upper Limit of Equity Holding

Pursuant to the DR Regulation, the proportion of equity interests held by any single foreign investor in a single domestic listed company shall not exceed 10% of the total number of shares of the company, and the aggregate interests held by all foreign investors in the A shares of a single domestic listed company shall not exceed 30% of the total number of shares of the company, except for foreign investors' strategic investments in the domestic listed company in accordance with applicable laws, which are not subject to these restrictions.

Redemption Limitation

Pursuant to the DR Regulation, the depositary receipts offered overseas by a domestic listed company may be redeemed for, or generated from, domestic underlying A shares. The depositary receipts may not be redeemed for domestic underlying shares within the 120 days following the date of listing of the depositary receipts. The depositary receipts subscribed by the controlling shareholders, the de facto controller of the domestic listed company and the enterprises controlled by them may not be transferred within the 36 months following the date of listing of the depositary receipts.

Cross-Border Fund Regulations

Pursuant to the *Measures for the Administration of Cross-Border Funds of Depositary Receipts* (For Trial Implementation) (《存托凭证跨境资金管理办法(试行)》), promulgated by the PBOC and the SAFE and effective on May 25 2019, the PBOC and its branches, the SAFE and its branches and administrative offices shall supervise, administer and inspect the accounts, fund receipts/payments and conversion involved in the issuance and transactions of depository receipts according to the law. A domestic enterprise offering depositary receipts overseas representing newly-issued securities shall complete the registration procedures, open and use the relevant accounts, and pay, receive and transfer relevant funds in accordance with the *Notice on Further Improving Policies on Cross-Border Renminbi Business to Promote Trade and Investment Facilitation* (《中国人民银行关于进一步完善人民币跨境业务政策促进贸易投资便利化的通知》) and the *Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing* (《国家外汇管理局关于境外上市外汇管理有关问题的通知》).

Other Regulations

Foreign Exchange Control

The SAFE is the regulatory authority of managing foreign exchange in the PRC, participating in the drafting of relevant laws, regulations and rules on foreign exchange administration. The SAFE is responsible to examine the authenticity and legality of current-account payments, manage capital account foreign exchange transactions, improve foreign exchange management in line with the convertibility of the Renminbi capital accounts, supervise and regulate foreign exchange sales and settlement businesses, and manage foreign exchange reserves, gold reserves and other foreign exchange assets of the state. The SAFE also has the power to conduct foreign exchange supervisions and inspections, and impose penalties on violations of foreign exchange management requirements.

Pursuant to the *Notice on Issues concerning Foreign Exchange Control Pertaining to Overseas Listing* (《国家外汇管理局关于境外上市外汇管理有关问题的通知》), promulgated by the SAFE and effective on December 26, 2014, domestic companies listed overseas shall submit the registration documents for their overseas listings to domestic banks to open designated foreign exchange accounts regarding their initial or follow-on offerings and share repurchases, and handle the exchange, transfer and remittance of relevant funds through such designated accounts, and the proceeds raised from overseas listings of a domestic company may be remitted into the PRC or deposited overseas, and the use of such proceeds shall be consistent with those set out in the prospectus or other publicly disclosed documents such as the corporate bonds offering documentations, board resolutions or shareholders' resolutions.

Information Disclosure

A listed company shall establish a sound information management system in accordance with the regulatory requirements of the securities authorities, market practice, its specific circumstances, and the general information disclosure requirements for listed companies such as the *Administrative Measures for the Disclosure of Information of Listed Companies* (《上市公司信息披露管理办法》) revised by the CSRC and became effective in May 2021.

The related party transactions are disclosed in accordance with the PRC Accounting Standards for Business Enterprises No. 36—Disclosure of Related Parties issued by the MOF and the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15—General Rules on Financial Reporting issued by the CSRC. Pursuant to such standards, related parties are, broadly, parties under common control or one party controlling the other party or capable of exercise of significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we entered into transactions with our related parties in the ordinary course of our business from time to time, pursuant to which: (i) we purchased goods and services from certain related parties; (ii) we provided goods and services to certain related parties; (iii) we leased properties and equipment to or from certain related parties; (iv) certain related parties provided guarantees to us; (v) we borrowed funds from certain related parties; and (vi) we paid compensation to key management personnel who are related parties of the Company.

For further details on our related party transactions, see note 10 to the audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021 and note 8 to the reviewed consolidated financial statements as of and for the six months ended June 30, 2022 in F-pages to this Prospectus. These related party transactions were conducted on an arm's length basis and on normal commercial terms between the relevant parties. We are expected to continue entering into contracts for related party transactions of the foregoing nature as part of our ordinary business from time to time.

Set out below is certain information in relation to our Company's Board of Directors, Supervisory Committee and senior management, as well as a brief description of certain significant provisions of the Articles of Association, the PRC Company Law and other PRC laws and regulations as of the date of this Prospectus. This description does not purport to be complete and is qualified in its entirety by reference to the Articles of Association, the PRC Company Law and such other PRC laws and regulations as in effect on the date of this Prospectus.

OVERVIEW

Our Company is principally governed by the general meeting of its shareholders (the "**general meeting**"), the Board of Directors, the Supervisory Committee and senior management. The Articles of Association which will take effect upon the First Day of Trading were approved at the extraordinary general meeting on September 5, 2022. For details on the shareholders' general meeting, see "*Description of Share Capital—Description of A Shares—Shareholders' General Meetings*."

Certain details on the Board of Directors, the Supervisory Committee and senior management of the Company are set out below.

BOARD OF DIRECTORS

The Board of Directors is responsible for the general management of the Company and is accountable to the general meeting. Board meetings include routine board meetings and extraordinary board meetings. A routine board meeting is required to be called at least twice a year. An extraordinary board meeting may be called upon demand.

The Board of Directors has the following functions and powers:

(1) to convene and report to the general meeting;

(2) to implement the resolutions of the general meeting;

(3) to determine the business operation plans and investment plans of the Company;

(4) to formulate the annual financial budgetary plans and final accounting plans of the Company;

(5) to formulate the profit distribution plans and loss recovery plans of the Company;

(6) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(7) to draft plans for substantial acquisitions, repurchase of shares or merger, division, dissolution or change of corporate form of the Company;

(8) to determine the outbound investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions and external donations of the Company within the authority granted by the general meeting;

(9) to determine the setup of the Company's internal management structure;

(10) to appoint or dismiss the general manager, secretary to the Board and other senior management of the Company, and decide on matters of remunerations, rewards and punishments; to appoint or dismiss senior management such as deputy general manager and chief financial officer according to the nomination of the general manager, and decide on matters of remunerations, rewards and punishments;

(11) to formulate the basic management system of the Company;

(12) to formulate the proposals for any amendment to the Articles of Association;

(13) to manage the information disclosure of the Company;

(14) to request the general meeting to engage or replace the accounting firm that provides audits for the Company;

(15) to debrief the work reports of the general manager of the Company and oversee the general manager's work;

(16) to make decisions on the Company's repurchase of its shares (i) for Employee Stock Ownership Plan or equity incentive, (ii) to convert convertible corporate bonds issued by the Company to its shares, and (iii) necessary for the Company to protect its value and its shareholders' equity; and

(17) to exercise other functions and powers granted by relevant laws, administrative regulations, department rules and the Articles of Association.

In addition, in the disposal of fixed assets (which shall include the acts of transferring certain assets-related rights and interests, but excluding the acts of using fixed assets as collaterals), where the expected value of the fixed assets to be disposed of, combined with the value derived from the fixed assets already disposed of in the four months immediately preceding the disposal proposal, exceed 33% of the value of the Company's fixed assets as shown in the balance sheet that has been deliberated at the most recent general meeting, the Board of Directors may not, without the prior approval of the general meeting, dispose of or agree to the disposal of such fixed assets.

In order to pass resolutions, not less than a majority of the Board members must be participating in the meeting. Once a quorum is met, the Board of Directors can pass resolutions with the majority of the votes cast (i.e., simple majority) for all foregoing matters, except that for items (6), (7) and (12), two-thirds of the votes cast are required.

All members of the Board of Directors have to be elected, and may only be removed, by a shareholders' resolution. A Director serves a term of three years and may seek re-election upon expiry of the said term, except that Independent Directors cannot serve more than two terms consecutively.

Members of the Board of Directors

The Board of Directors currently consists of seven Directors, including three independent Directors. Other than disclosed under "*Related Party Transactions*," none of the members of the Board of Directors have any significant business connection with any member of the Group.

The membership of the Board of Directors is as set out below:

Name	Year of birth	Current positions	Since
MIAO Hangen	1965	Chairman of the Board, General Manager	2018
JI Gaoxiong	1972	Vice Chairman of the Board, Executive Deputy General Manager	2018
QIU Hairong.	1978	Director, Chief Financial Officer	2018
LUO Yukun	1970	Director	2019
ZHANG Xiangjian . . .	1975	Independent Director	2017
YUAN Jianxin	1965	Independent Director	2021
XU Jinye	1968	Independent Director	2022

The business address of the office of the Board of Directors is the registered address of the Company: No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC 215228. The biographies of the members of the Board of Directors of the Company are set out below.

Mr. MIAO Hangen, a Chinese citizen, is chairman of the Board and general manager of our Company. Currently, he is also chairman of the board of Shenghong Group Co., Ltd. (盛虹集团有限公司) and Jiangsu Shenghong Science and Technology Co., Ltd. (江苏盛虹科技股份有限公司). Previously, he served as a technician, deputy factory manager and factory manager of Wujiang City Shenghong Silk Factory (吴江市盛虹丝织厂) and the factory manager of Shenghong Printing and Dyeing Factory (盛虹印染厂). He holds an associate degree.

Mr. JI Gaoxiong, a Chinese citizen, is vice chairman of the Board and executive deputy general manager of our Company. Previously, he served as the deputy head of Wujiang City Shengze Town Investment Promotion Centre (吴江市盛泽镇招商中心), director of China Eastern Silk Market Service Development Bureau (中国东方丝绸市场服务业发展局) and the general manager and chairman of the Board of our Company. He holds a bachelor's degree in economics and management.

Mr. QIU Hairong, a Chinese citizen, is a Director and Chief Financial Officer of our Company. Previously, he served as accountant of Yuen Foong Yu Paper Manufacturing (Kunshan) Co., Ltd. (永丰余纸业(昆山)有限公司), treasurer of Avision Inc. (虹光精密工业股份有限公司) at its Shanghai and Suzhou offices, cost accountant of Jiangsu Shenghong Science and Technology Co., Ltd. (江苏盛虹科技股份有限公司), treasurer of Jiangsu Zhonglu Technology Development Co., Ltd. (江苏中鲈科技发展股份有限公司) and manager of the financial data management division of Shenghong Holding Group Co., Ltd. (盛虹控股集团有限公司). He holds a bachelor's degree in accounting. He is also a tax agent and a Certified Public Accountant of the PRC.

Mr. LUO Yukun, a Chinese citizen, is a Director of our Company. Currently, he is also the general manager of Jiangsu Shengze Investment Co., Ltd. (江苏盛泽投资有限公司). Previously, he served as the deputy general manager of Suzhou City Wujiang Orient State-owned Capital Investment Operation Co., Ltd. (苏州市吴江东方国有资本投资经营有限公司), the chairman of the board of Jiangsu Wujiang Silk Group Co., Ltd. (江苏吴江丝绸集团有限公司) and the chairman of the board of Jiangsu Shengze Investment Co., Ltd. (江苏盛泽投资有限公司). He holds a bachelor's degree in public finance.

Mr. ZHANG Xiangjian, a Chinese citizen, is an independent Director of our Company. Currently, he is also a researcher at Institute of Finance and Economics of Shanghai University of Finance and Economics. Previously, he worked at the Department of Economic Reform of Zhabei District, Shanghai and served as a research assistant and associate researcher at the Institute of Finance and Economics of Shanghai University of Finance and Economics. He holds a doctor's degree in business administration.

Mr. YUAN Jianxin, a Chinese citizen, is an independent Director of our Company. Currently, he is also a professor at Dongwu Business School of Soochow University. Previously, he served as an associate professor and lecturer at the School of Political Science and Public Administration of Soochow University. He holds a doctor's degree in economics.

Mr. XU Jinye, a Chinese citizen, is an independent Director of our Company. Currently, he is also an independent director of Shanghai Medicilon Inc. (上海美迪西生物医药股份有限公司), Fujian Fynex Textile Science & Technology Co., Ltd. (福建凤竹纺织科技股份有限公司), Kehua Holdings Co., Ltd. (科华控股股份有限公司) and Shanghai Accessen Group Co., Ltd. (上海艾克森股份有限公司), supervisor of Shanghai Wangdao Financial Consulting Col., Ltd. (上海王道财务谘询有限公司) and Shanghai Shantanyuan Culture Development Co., Ltd. (上海善坛缘文化发展有限公司), director of the Management Accounting and Informatization Research Centre of Shanghai University, and doctoral supervisor of School of Management of Shanghai University. Previously, he served as a teacher at Fuzhou University and chief of accounting department of Xiqin Experimental Forest Farm at College of Forestry of Fujian Agriculture and Forestry University. He holds a doctor's degree in accounting. He is also an asset appraiser and a Certified Public Accountant of the PRC.

Convictions/proceedings

In the last five years, none of the members of the Board of Directors have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Committees of the Board of Directors

Certain responsibilities of the Board of Directors are delegated to specialized committees to assist the Board with carrying out its functions and to ensure independent oversight of internal controls and risk management. The four principal specialized committees (the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee) play an essential role in supporting the Board of Directors in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Company. All the specialized committees are accountable to, and submit working reports to, the Board of Directors, which shall consider the opinions of the specialized committees before making any decisions on matters related to the duties of the specialized committees. The Board of Directors is responsible for formulating the working rules and standardizing the operation of the specialized committees.

Strategy Committee

The Strategy Committee is mainly responsible for designing the long-term development strategies and making material investment decisions of the Company and giving suggestions on the same. The specific duties of the Strategy Committee include: (i) examining the Company's long-term development strategies and giving suggestions on the same; (ii) examining and giving suggestions on the Company's transactions which are subject to the approval of the Board of Directors as stipulated in the Articles of Association (e.g., material investment); (iii) examining and giving suggestions on other major issues affecting the development of the Company; (iv) checking the implementation of the above matters; and (v) other duties granted by the Board of the Directors. The Strategy Committee, chaired by Mr. MIAO Hangen, consists of Mr. JI Gaoxiong, Mr. ZHANG Xiangjian and Mr. LUO Yukun.

Audit Committee

The Audit Committee assists the Board of Directors with, among other matters: (i) monitoring and evaluating the work of the Company's external auditor, and proposing to appoint or replace the Company's external auditor; (ii) monitoring the internal audit system and its implantation; (iii) coordinating the communications of the internal audit department with the Company's external auditor; (iv) reviewing and commenting on the financial statements of the Company; (v) evaluating the effectiveness of the Company's internal controls, and reviewing significant related party transactions; (vi) other matters authorized by the Board of Directors and other matters involving relevant laws and regulations. The Audit Committee, chaired by Mr. XU Jinye, consists of Mr. ZHANG Xiangjian, Mr. YUAN Jianxin and Mr. QIU Hairong.

Nomination Committee

The Nomination Committee assists the Board of Directors with, among other matters: (i) giving suggestions to the Board of Directors on the size and composition of the Board based on the Company's business activities, asset scale and shareholding structure; (ii) reviewing and opining on the election standards and procedures of the Directors and senior management personnel; (iii) searching broadly for eligible candidates for Directors and senior management; (iv) reviewing and opining on the qualification criteria of candidates for Directors; (v) reviewing and opining on the senior management personnel to be appointed by the Board of Directors; and (vi) other matters authorized by the Board of Directors. The Nomination Committee, chaired by Mr. YUAN Jianxin, consists of Mr. XU Jinye and Mr. MIAO Hangen.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee assists the Board of Directors with, among other matters: (i) formulating remuneration plans or schemes for Directors and senior management based on the main scope, responsibilities and importance of management positions and with reference to remuneration levels of relevant positions at other relevant corporations; the remuneration plans or schemes mainly include but are not limited to the performance appraisal standard, procedure and the main appraisal system, the main plan and system for rewards and penalties; (ii) reviewing the performance of the Directors and senior management and conducting annual appraisals; (iii) supervising the implementation of the remuneration system for Directors and senior management; and (iv) other matters authorized by the Board of Directors. The Remuneration and Appraisal Committee, chaired by Mr. ZHANG Xiangjian, consists of Mr. XU Jinye and Mr. YUAN Jianxin.

SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for overseeing the Company's general management and is accountable to the general meeting. The Supervisory Committee has the following functions and powers in accordance with PRC law:

(1) to review the periodic reports of the Company prepared by the Board of Directors and to submit written review opinions thereon;

(2) to check the financial affairs of the Company;

(3) to supervise the Directors and senior management in the performance of their duties and to propose the dismissal of the Directors or senior management who violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting;

(4) to require the Director or senior management to correct his/her act that is detrimental to the Company's interests;

(5) to propose the holding of extraordinary general meeting, and in the event that the Board of Directors fails to perform its duty of convening and presiding over a general meeting, to convene and preside over such meeting in accordance with the Company Law;

(6) to submit proposals to the general meeting;

(7) to sue the Directors or senior management in accordance with Article 151 of the PRC Company Law; and

(8) to conduct investigation if there is any unusual circumstances in the Company's operation, and if necessary, engage a law firm, an accounting firm or other professional organization to assist in their work with expenses to be borne by the Company.

The term of office of each Supervisor shall be three years per session. Upon expiry of the term, a Supervisor may be reappointed upon re-election. The chairman of the Supervisory Committee shall be elected and removed by the Supervisory Committee.

Members of the Supervisory Committee

The Company's Supervisory Committee currently consists of five Supervisors, including the chairman of the Supervisory Committee. The membership of the Supervisory Committee of the Company is as set out below:

Name	Year of birth	Current positions	Since
NI Genyuan	1968	Chairman of the Supervisory Committee, Employee Supervisor	2014
CHEN Jian	1979	Supervisor	2019
PANG Quanfang	1976	Employee Supervisor	2019

Name	Year of birth	Current positions	Since
ZHOU Xuefeng.	1979	Supervisor	2022
YANG Fangbin	1972	Supervisor	2022

The business address of the office of the Supervisory Committee is the registered address of the Company: No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC 215228. The biographies of the members of the Supervisory Committee of the Company are set out below.

Mr. NI Genyuan, a Chinese citizen, is chairman of the Supervisory Committee and an employee Supervisor of our Company. Currently, he is also the factory manager of Shengze thermal power plant of the Company. Previously, he served as a director of the operation management department, chief engineer, assistant to the factory manager and vice factory manager of Shengze thermal power plant. He holds a bachelor's degree in automatic control.

Ms. CHEN Jian, a Chinese citizen, is a Supervisor of our Company. Currently, she is also the deputy general manager of Jiangsu Shengze Investment Co., Ltd. (江苏盛泽投资有限公司). Previously, she served as deputy chief of the second investment promotion division of Investment Promotion Bureau of Fenhu Economic Development Zone and chief of the investment promotion division of Economic Development and Reform Bureau of Shengze Town. She holds a bachelor's degree in English.

Ms. PANG Quanfang, a Chinese citizen, is an employee Supervisor of our Company. Currently, she is also the head and deputy manager of the audit and supervision department of the Company. Previously, she served as the financial manager of Jiangsu Honggang Petrochemical Co., Ltd. (江苏虹港石化有限公司), and financial manager and internal auditor of Jiangsu Guowang High-tech Fiber Co., Ltd. (江苏国望高科纤维有限公司). She holds a bachelor's degree in accounting. She is also an intermediate accountant and internationally recognized certified internal auditor.

Ms. ZHOU Xuefeng, a Chinese citizen, is a Supervisor of our Company. Currently, she is also the chairman of the supervisory committee and manager of risk control and audit department of Suzhou City Wujiang Orient State-owned Capital Investment Operation Co., Ltd. (苏州市吴江东方国有资本投资经营有限公司). She holds a master's degree in computer technology. She is also an intermediate economic engineer.

Mr. YANG Fangbin, a Chinese citizen, is a Supervisor of our Company. Currently, he is also manager of the data management department of Shenghong Holding Group Co., Ltd., and a supervisor of Jiangsu Shengbang Holdings Group Co., Ltd., Jiangsu Shengbang New Material Co., Ltd. and Jiangsu Lvhean Technology Co., Ltd.. Previously, he served as the department manager and deputy manager of the business department of Nantong Wanlong Certified Public Accountants Co., Ltd., salaried partner of the Nantong branch of Ruihua Certified Public Accountants LLP, and senior manager of ShineWing Certified Public Accountants LLP. He holds a master's degree in business administration and accounting. He is a certified tax agent, an asset appraiser and a Certified Public Accountant of the PRC.

Convictions/proceedings

In the last five years, none of the members of the Supervisory Committee have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

SENIOR MANAGEMENT

The senior management is responsible for day-to-day and operational activities of the Company and the Group and is accountable to the Board of Directors. The senior management consists of general manager, deputy general managers, chief financial officer, secretary to the Board, assistant general manager and other persons who perform the same or similar duties as the aforementioned positions. The general manager and other senior management members shall be appointed and removed by the Board of Directors. Senior management members have a term that is the same as that of the Board.

Members of the Senior Management

The senior management members, by function, of the Company are as set out below to the extent that not all of them are members of the Board of Directors:

Name	Year of birth	Current positions	Since
MIAO Hangen	1965	Chairman of the Board, General Manager	2018
JI Gaoxiong	1972	Vice Chairman of the Board, Executive Deputy General Manager	2018
QIU Hairong.	1978	Director, Chief Financial Officer	2018
WANG Jun	1971	Deputy General Manager, Secretary to the Board	2019

The business address of the senior management is the registered address of the Company: No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC 215228. The biographies of the members of the senior management of the Company are set out below.

For biographical details of Mr. MIAO Hangen, Mr. JI Gaoxiong and Mr. QIU Hairong, see "*—Board of Directors—Members of the Board of Directors*."

Mr. WANG Jun, a Chinese citizen, is the deputy general manager and secretary to the Board of the Company. Previously, he served as a lecturer at Zhejiang Science and Technology College, head of comprehensive office, secretary to the board and chief financial officer of Zhejiang Oriental Group Co., Ltd. (浙江东方集团股份有限公司) and vice president and executive vice president of Zhejiang Baolide Co., Ltd, (浙江宝利德股份有限公司). He holds a master's degree in economics law. He is a qualified PRC lawyer.

Convictions/proceedings

In the last five years, none of the members of the senior management have been subject to any convictions for major or minor financial or business-related crimes or to any legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

Compensation

At the first extraordinary general meeting on January 22, 2019, the shareholders of our Company reviewed and approved the proposal on the management system of allowances paid to the Company's Directors, Supervisors and senior management, according to which, (i) with respect to Directors or Supervisors who are also employed by the Company and hold other positions in the Company, they are entitled to compensation determined based on his or her such other position and the Company does not pay additional Directors' or Supervisors' allowance, (ii) with respect to Directors or Supervisors who do not hold other positions in the Company, they are entitled to Directors' or Supervisors' allowance approved by the general meeting; and (iii) with respect to senior management members, they are entitled to basic salary determined with reference to his or her position, responsibility, capability and market standard and performance compensation determined with reference to individual performance and Company's target operational metrics and management objectives.

In addition, since November 2020, the allowance for each independent Director is RMB150,000 per annum (inclusive of tax). The Company would withhold individual income tax from the actual payments of such allowances to Directors, Supervisors and senior management. With respect to Directors, Supervisors and senior management whose term of office terminates, their allowances shall be determined based on their actual term of office and actual performance.

The following table sets forth some details of the pre-tax remuneration and pension, retirement and other similar benefits received from the Company by each of the Company's current Directors, Supervisors and senior management members in 2021:

Name	Pre-tax remuneration and pension, retirement and other similar benefits received from the Company in 2021
	(RMB in thousands)
MIAO Hangen	2,202.0
JI Gaoxiong	1,616.8
QIU Hairong	1,822.9
LUO Yukun	–
ZHANG Xiangjian	150.0
YUAN Jianxin	150.0
XU Jinye(1)	–
NI Genyuan	2,254.3
CHEN Jian	–
PANG Quanfang	344.8
ZHOU Xuefeng(2)	–
YANG Fangbin(3)	–
WANG Jun	1,396.1

(1) Mr. XU Jinye became an independent Director in March 2022.

(2) Ms. ZHOU Xuefeng became a Supervisor in January 2022.

(3) Mr. YANG became a Supervisor in December 2022.

Ownership of Shares

The following table sets forth the number of shares held by our Directors, Supervisors and members of senior management as of the date of this Prospectus (and, unless stated otherwise, as of the First Day of Trading):

Name	Current positions	Owned shares	
		A Shares held	% of voting rights(2)
MIAO Hangen	Chairman of the Board, General Manager	861,800(1)	0.01

(1) As of the date of this Prospectus, Mr. MIAO Hangen and his spouse, Ms. ZHU Hongmei, directly hold 861,800 A Shares and indirectly hold 4,214,575,294 A Shares of our Company, accounting for in aggregate 67.85% of the total A Shares based on the Company's share capital as of the Latest Practicable Date. They are the ultimate controlling persons of our Company. For details, see "*Principal Shareholders*." In addition, Ms. ZHU Hongmei's sisters directly hold 110,100 A Shares in total.

(2) On an adjusted basis to give effect to the Offering assuming all Offer GDRs are sold.

As far as the Company is aware, as at the date of this Prospectus, none of the Directors, Supervisors or members of senior management of the Company intend to subscribe in the Offering.

Our Company has adopted Employee Stock Ownership Plans ("**ESOPs**") in 2020 and 2022, respectively, to improve our corporate governance, establish and improve the benefits sharing mechanism between the employees and shareholders, improve employee cohesion and the Company's competitiveness and ensure the realization of our future development strategy and business goals. The ESOPs are compensation schemes that trade the A Shares of the Company in the secondary market for purposes of generating returns for the participants. The final size of each ESOP was subject to the actual capital contribution by the employees. The term of each ESOP was 36 months, which may be extended upon approval of holders' meeting of the ESOPs and the Board. The personnel qualified to participate in the ESOPs include, among others, employees of the Company or its controlled subsidiaries who are at or above middle level and other personnel determined by the Board. Certain of our current Directors, Supervisors and senior management members have also participated in such plans, but they will not have any influence on the execution of trading A Shares or exercise the voting rights with respect to such A Shares. None of the Directors, Supervisors and senior management members is a member of the managing committee of the ESOPs.

The ESOPs are managed by third party financial institutions via collective investment trust or asset management plans in compliance with relevant PRC laws. Such plans acquire and hold the A Shares of the Company through purchasing from the secondary market or other lawful means. The ESOPs were initially financed by funds of participating employees and/or financial institutions. The lock-up period of the A Shares acquired by the ESOPs is 12 months. During the lock-up period, the participants may not allocate or transfer their interests in the ESOPs, and upon the expiration the lock-up period, the managing committee (responsible for overseeing the daily management of the ESOPs) will authorize the asset management institution to sell the A Shares when appropriate in accordance with the trust or asset management agreement. For this purpose, the trading strategy will be decided by the asset management institution and the execution of trading A Shares will be completed by the asset management institution. The decision making body is the holder's meeting, and all participants of the ESOPs are entitled to participate in such meeting and vote based on their respective share of interests in the ESOPs. For so long as the ESOPs exist, the managing committee exercises the shareholders' rights on behalf of the participants or authorizes the assets management institution to exercise so. The participants are entitled to returns from the assets in the ESOPs and bear the corresponding investment risks based on their respective share of interests. Upon the expiration or early termination, the outstanding assets of the ESOPs shall be liquidated within 30 trading days. The managing committee shall allocate the cash (after deducting certain expenses such as management fees) according to the share of interests of each participant.

Phase I ESOP

On March 23, 2020 and April 21, 2020, the Board and the Supervisory Committee approved a proposal of the Phase I Employee Stock Ownership Plan (the "**Phase I ESOP**"), which was approved by the general meeting of the shareholders on May 7, 2020. The Phase I ESOP was initially participated by 142 employees, and acquired 80,886,541 A Shares, with a lock up period that ended in November 2021.

Phase II ESOP

On March 11, 2022, the Board and the Supervisory Committee approved a proposal of the Phase II Employee Stock Ownership Plan (the "**Phase II ESOP**"), which was approved by the general meeting of the shareholders on April 28, 2022. The Phase II ESOP was initially participated by 2,010 employees, and acquired 116,618,270 A Shares, with a lock up period to be ended in August 2023.

Phase III ESOP

On November 10, 2022, the Board and the Supervisory Committee approved a proposal of the Phase III Employee Stock Ownership Plan (the "**Phase III ESOP**"), which has been approved by the general meeting of the shareholders on December 15, 2022. Tentatively a maximum of 516 employees were entitled to participate in the Phase III ESOP and the A Shares acquired under the Phase III ESOP will be subject to a lock-up period of 12 months.

The ESOPs may not trade the A Shares during the following periods:

- within 30 calendar days before the publication of the Company's annual and semi-annual reports and if the publication date is postponed due to special reasons, it shall be counted from the 30th day before the planned publication date;
- within ten calendar days before the publication of the Company's quarterly reports, estimated results and results update;
- between the occurrence of material events that can significantly affect the trading price of the Company's securities and derivatives or the process of decision-making, and two trading days after the disclosure in compliance with relevant laws; and
- other periods as required by laws and regulations and the CSRC. Before deciding to trade the Company's stock, the asset management institution should promptly consult the Company's board secretary whether it is in a sensitive period for stock trading.

Corporate Governance

As of the date of this Prospectus, the Company is in compliance with the corporate governance requirements applicable to it as a PRC public company listed on the Shenzhen Stock Exchange in all material aspects.

Potential Conflicts of Interest

There are no potential conflicts of interest between any duties owed by the Directors, Supervisors or members of senior management to the Company and their private interests and/or other duties. There are no interests, including conflicting interests that are material to the Offering.

As of December 20, 2022 (the "**Latest Practicable Date**"), our Company had issued a total of 6,213,247,669 A Shares with a par value of RMB1.00 per A Share. No shareholder has different voting rights attached to the A Shares to any other shareholder. The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

The Administrative Measures for the Disclosure of Information of Listed Companies of the PRC requires that an annual report and a semi-annual report of a listed company shall include, among other things, information about the top ten shareholders and shareholders holding 5% or more of the shares.

SHAREHOLDERS HOLDING 3% OR MORE

The table below sets out the information known to us with respect to the principal shareholders as well as the beneficial ownership of our Company's A Shares as of the Latest Practicable Date (i) on an actual basis, and (ii) on an adjusted basis to give effect to the Offering assuming all Base GDRs are sold and (a) the Upsize Option is not exercised, and (b) the Upsize Option is exercised in full. Based on the information available to us, the table below describes the individual shareholdings of those shareholders that hold prior to, and are expected to hold upon completion of, the Offering, directly or indirectly, 3% or more of our Company's voting rights. Each A Share carries one vote at a shareholders' general meeting of our Company and, as such, the number of A Shares held by shareholders set forth in the table below is equal to the number of voting rights held by the respective shareholder. You should also read "*Related Party Transactions*."

	Prior to the Offering		Upon Completion of the Offering			
			No exercise of the Upsize Option		Full exercise of the Upsize Option	
Shareholder	A Shares held	% of voting rights(1)	A Shares held	% of voting rights(2)	A Shares held	% of voting rights(3)
Jiangsu Shenghong Science and Technology Co., Ltd.(4)(7)	2,768,225,540	44.55%	2,768,225,540	42.57%	2,768,225,540	41.64%
Shenghong Petrochemical Group Co., Ltd.(5)(7)	1,052,404,479	16.94%	1,052,404,479	16.18%	1,052,404,479	15.83%
Shenghong (Suzhou) Group Co., Ltd.(6)(7)	334,821,428	5.39%	334,821,428	5.15%	334,821,428	5.04%
Other shareholders	2,057,795,295	33.12%	2,347,795,295	36.10%	2,492,695,295	37.49%
Total	**6,213,247,669**	**100.0%**	**6,503,247,669**	**100.0%**	**6,648,147,669**	**100.0%**

(1) Based on the Company's issued share capital of 6,213,247,669 A Shares with a nominal value of RMB1.00 as of the Latest Practicable Date.

(2) Based on the Company's issued share capital of 6,503,247,669 A Shares with a nominal value of RMB1.00 following completion of the Offering assuming the issuance and sale of all Base GDRs and no exercise of the Upsize Option.

(3) Based on the Company's issued share capital of 6,648,147,669 A Shares with a nominal value of RMB1.00 following completion of the Offering assuming the issuance and sale of all Base GDRs and exercise in full of the Upsize Option.

(4) Jiangsu Shenghong Science and Technology Co., Ltd., which is the controlling shareholder of the Company, is a private-owned joint stock company incorporated in the PRC on December 31, 2002, with a registered capital of approximately RMB2,993 million. Its principal business includes research and development of dyeing and printing technology and equity investment.

(5) Shenghong Petrochemical Group Co., Ltd. is a private-owned limited liability company incorporated in the PRC on April 27, 2013, with a registered capital of RMB5,500 million. Its principal business includes development of petrochemical technology and sales of petrochemical products.

(6) Shenghong (Suzhou) Group Co., Ltd. is a private-owned limited liability company incorporated in the PRC on March 25, 2013, with a registered capital of approximately RMB4,521 million. Its principal business includes industrial investment and sales of textiles and textile raw materials.

(7) Jiangsu Shenghong Science and Technology Co., Ltd., Shenghong Petrochemical Group Co., Ltd. and Shenghong (Suzhou) Group Co., Ltd. were persons acting in concert within the meaning of PRC law.

As far as our Company is aware, as of the date of this Prospectus, except for Jiangsu Shenghong Science and Technology Co., Ltd., no major shareholder intends to subscribe in the Offering.

Pursuant to a letter of commitment dated December 20, 2022, Jiangsu Shenghong Science and Technology Co., Ltd., the controlling shareholder of our Company, together with its controlling shareholder, Jiangsu Shenghong New Materials Group Co., Ltd., has agreed to procure certain designated entities to place binding orders of such number of GDRs as may be purchased with US$500 million in aggregate with the Managers and procure such designated entities to purchase such number of GDRs as allocated by the Joint Global Coordinators at their discretion within these orders at the Offer Price, subject to certain conditions. The final number of GDRs to be allocated to such designated entities will be subject to the final determination by our Company and the Joint Global Coordinators following the bookbuilding process in connection with the Offering in compliance with the Listing Rules, and in any event will not exceed 80% of the final number of Offer GDRs in the Offering. Jiangsu Shenghong Science and Technology Co., Ltd. and Jiangsu Shenghong New Materials Group Co., Ltd. have also agreed that any GDRs to be purchased by such designated entities pursuant to the letter of commitment will be subject to a lock up restriction of 36 months from the First Day of Trading in accordance with the applicable law. The actual controlling persons of both Jiangsu Shenghong Science and Technology Co., Ltd. and Jiangsu Shenghong New Materials Group Co., Ltd. are Mr. MIAO Hangen, the chairman of the Board and general manager of our Company, and his spouse Ms. ZHU Hongmei. See "*Board of Directors, Supervisory Committee and Senior Management – Board of Directors – Members of the Board of Directors.*"

Pursuant to the terms of the letter of commitment and assuming the issuance and sale of all Base GDRs and exercise in full of the Upsize Option at an offer price of the mid-point of the Offer Price Range, the maximum number of GDRs that could be purchased by the controlling shareholder and Jiangsu Shenghong New Materials Group Co., Ltd. through designated entities is 27,367,268 GDRs (representing 273,672,680 A Shares).

TOP TEN SHAREHOLDERS

The table below identifies the top ten beneficial owners of our Company's A Shares and the percentage of their respective shareholding (exclusive of A Shares held by persons acting in concert, if any), based on the A Shares as of September 30, 2022. No shareholder has different voting rights attached to the A Shares to any other shareholder.

Name of Shareholder	**Percentage**
	(%)
Jiangsu Shenghong Science and Technology Co., Ltd.[1]	44.55
Shenghong Petrochemical Group Co., Ltd.[1]	16.94
Shenghong (Suzhou) Group Co., Ltd.[1]	5.39
Jiangsu Wujiang Silk Group Co., Ltd.	4.92
Hong Kong Securities Clearing Company Limited[2]	2.63

Name of Shareholder	Percentage
	(%)
Shaanxi International Trust Co., Ltd.—Shaanxi Intl Trust First Trust Plan for Employee Share Scheme of Controlling Shareholders and Affiliates of Eastern Shenghong	1.33
Suzhou City Wujiang Orient State-owned Capital Investment Operation Co., Ltd.	1.03
Xuanyuan Private Equity Capital Investment Management (Guangdong) Co., Ltd.—Xuanyuan Yuanbao No. 19 Private Equity Securities Investment Fund	1.03
Lianyungang Bohong Industrial Co., Ltd.(1)	0.95
Shaanxi International Trust Co., Ltd.—Shaanxi Intl Trust First Trust Plan for Employee Share Scheme of Eastern Shenghong	0.55

(1) As of September 30, 2022, Jiangsu Shenghong Science and Technology Co., Ltd., Shenghong Petrochemical Group Co., Ltd., Shenghong (Suzhou) Group Co., Ltd. and Lianyungang Bohong Industrial Co., Ltd. were persons acting in concert within the meaning of PRC law.

(2) The nominal holder of shares held by non-registered shareholders who hold A shares of the Company through the Northbound Trading under Shenzhen-Hong Kong Stock Connect.

As of the Latest Practicable Date, Jiangsu Shenghong Science and Technology Co., Ltd. is the controlling shareholder of our Company, and it and its persons acting in concert within the meaning of PRC law, all of which were ultimately controlled by Mr. MIAO Hangen and his spouse Ms. ZHU Hongmei, held in aggregate 67.85% of the total A Shares of the Company. Accordingly, Mr. MIAO Hangen and Ms. ZHU Hongmei are the actual controlling persons of our Company.

Set out below is certain information in relation to our Company's share capital, as well as a brief description of certain significant provisions of the Articles of Association, the PRC Company Law and other laws and regulations as will be applicable to the Company on the First Day of Trading. This description does not purport to be complete and is qualified in its entirety by reference to the Articles of Association, the PRC Company Law and such other laws and regulations as in effect on the date of this Prospectus.

GENERAL CORPORATE INFORMATION

Our Company's name is Jiangsu Eastern Shenghong Co., Ltd. (江苏东方盛虹股份有限公司). Our Company is a joint stock company with limited liability established pursuant to the Company Law of the PRC. The Company was established via a reorganization, which was approved by the CSRC, and became listed on the Shenzhen Stock Exchange on September 3, 2018, following an agreement for purchase of assets by issuing shares, pursuant to which our predecessor Jiangsu Wujiang China Eastern Silk Market Co., Ltd. (江苏吴江中国东方丝绸市场股份有限公司), a company with its A shares listed on the Shenzhen Stock Exchange under stock code 000301 since May 29, 2000, acquired 100% equity interests of Jiangsu Guowang High-tech Fiber Co., Ltd. (江苏国望高科纤维有限公司). Following the asset purchase, Jiangsu Wujiang China Eastern Silk Market Co., Ltd. became the sole shareholder of Jiangsu Guowang High-tech Fiber Co., Ltd., and was subsequently renamed Jiangsu Eastern Shenghong Co., Ltd. on September 27, 2018. Our predecessor Jiangsu Wujiang China Eastern Silk Market Co., Ltd. was incorporated on July 16, 1998.

Our Company was registered with Administrative Examination and Approval Bureau of Suzhou on July 16, 1998, with an enterprise registration number of 91320500704043818X. The Company's A Shares are registered on its A Share register maintained by the CSDC. Our registered office is No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC. The scope of our business primarily includes (i) research and development in new materials technology, emerging energy technology and bio-based materials technology, among other things, (ii) manufacturing of bio-based materials, high performance fiber and composite materials, and synthetic fiber, among other things, and (iii) sales of bio-based materials, petroleum products (excluding hazardous chemicals), chemical products (excluding chemical products subject to licensing), special chemical products (excluding hazardous chemicals), new membrane materials, synthetic materials, ecological environment materials, high performance fiber and composite material, and synthetic fiber, among other things.

For an overview of the participations held by our Company, see "*Presentation of Financial and Other Information*."

CAPITAL STRUCTURE

Issued Share Capital

As of the Latest Practicable Date, our Company's issued share capital amounts to RMB6,213,247,669, divided into 6,213,247,669 A Shares, which are fully paid and listed on the Shenzhen Stock Exchange with the stock name and code of 东方盛虹 (000301.SZ). Each A Share has a par value of RMB1.00, and the A Shares have been issued by our Company in registered form. The A Shares are fully paid-up and non-assessable.

Changes in Share Capital

The table below sets out our Company's share capital as of December 31, 2019, 2020 and 2021 and June 30, 2022 as well as the Latest Practicable Date:

Date	Number of A Shares	Share Capital Value
		(RMB)
December 31, 2019	4,029,053,222	4,029,053,222.0
December 31, 2020	4,834,863,866	4,834,863,866.0
December 31, 2021	4,834,960,195	4,834,960,195.0
June 30, 2022	5,946,522,007	5,946,522,007.0
Latest Practicable Date	6,213,247,669	6,213,247,669.0

Pursuant to special resolutions dated September 5, 2022, the shareholders of our Company approved the issuance of no more than 434,926,886 new A Shares by our Company to the Depositary in connection with the Offering. In its approval dated December 20, 2022, the CSRC stated that the number of our A Shares represented by GDRs to be offered may not exceed 434,926,886 and accordingly the total number of GDRs to be offered by our Company in the Offering may not exceed 43,492,688. The outstanding amount of the GDRs after the listing will be capped at the total amount of the GDRs actually offered, subject to adjustment in the event of certain corporate actions or change to the conversion ratio.

GDRs

Each GDR represents an interest in ten A Shares.

Based on a resolution of the Board of Directors on August 18, 2022 and a resolution of the Shareholders on September 5, 2022 (pursuant to which matters in connection with the Capital Increase (as defined herein) were delegated to the Board of Directors and/or its authorized representatives), the Company's share capital shall be increased in the amount of up to RMB434,900,000.00 by the issuance of up to 434,900,000 fully-paid A shares (the "**New A Shares**") at a nominal value of RMB1.00 each, corresponding to the underlying interests of up to 43,490,000 GDRs (the "**Capital Increase**"). The Capital Increase is expected to be completed on or around December 28, 2022.

Based on a share capital of 6,213,247,669 A Shares as of the Latest Practicable Date and assuming the issuance and sale of all Base GDRs (representing 290,000,000 underlying A Shares) and no exercise of the Upsize Option, the share capital of the Company will be RMB6,503,247,669.00 and consisting of 6,503,247,669 A Shares. In this case, the 290,000,000 New A Shares (corresponding to the underlying interests of 29,000,000 GDRs) will represent 4.46% of the share capital of the Company upon completion of the Offering. Based on a share capital of 6,213,247,669 A Shares as of the Latest Practicable Date and assuming the issuance and sale of all Offer GDRs and the exercise of the Upsize Option in full (representing 434,900,000 underlying A Shares), the share capital of the Company will be RMB6,648,147,669.00 and consisting of 6,648,147,669 A Shares. In this case, the 434,900,000 New A Shares (corresponding to the underlying interests of 43,490,000 GDRs) will represent 6.54% of the share capital of the Company upon completion of the Offering. The Company expects that the GDRs will be listed in accordance with the Standard for Depository Receipts of SIX Exchange Regulation and that trading in the GDRs will commence on SIX Swiss Exchange on or around December 28, 2022.

Other Classes of Shares

As of the date of this Prospectus, our Company has not issued any preference shares or other classes of shares.

Own Shares

As of the date of this Prospectus, neither our Company nor any of its subsidiaries holds any own shares.

Cross Shareholdings

As of the date of this Prospectus, our Company does not have any cross-shareholdings exceeding 5% of the holdings of capital or voting rights on both sides.

Authorized Capital and Conditional Capital

The Company's Articles of Association do not allow any authorized capital or conditional capital.

Outstanding Bonds, Conversion and Option Rights

For details on our outstanding bonds, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations, Commitments and Contingent Liabilities—Indebtedness*."

To further optimize the debt structure, broaden financing channels and satisfy funding needs of our Company, on March 22, 2021, we completed the public issuance of convertible bond of RMB5,000 million to the public investors (the "**Convertible Bond**"). On April 21, 2021, the Convertible Bond was listed on Shenzhen Stock Exchange (bond code: 127030.SZ). Some further details of the Convertible Bond are set out as follows:

Interest rate	First year: 0.20%; second year: 0.40%; third year: 0.60%; fourth year: 1.50%; fifth year: 1.80%; and sixth year: 2.00%
Maturity date	March 21, 2027
Conversion period	September 27, 2021 to March 21, 2027
Initial conversion price	RMB14.20 per A Share and not lower than (i) the average trading price of the A Shares of the twenty trading days before the date of the Convertible Bonds offering document and (ii) the average trading price of the trading day before conversion date. Such conversion price shall be adjusted in the event of issuance of bonus shares, increase of share capital, issuance of new shares and distribution of cash dividend

Conversion shares.	A Shares
Redemption at maturity	Unless otherwise converted, the Convertible Bond will be redeemed by the Company at 108.00% of its principal amount together with accrued and unpaid interest thereon within the fifth day after the maturity date
Redemption at the option of the Company	During the conversion period, the Company has the right to redeem part or all of the Convertible Bond at its principal amount together with accrued and unpaid interest if either situation occurred: (i) during the conversion period, if for at least fifteen trading day in thirty consecutive trading days, the closing price of the A Shares is not lower to the 130% of the conversion price, or (ii) when the total outstanding amount of the unconverted Convertible Bond is less than RMB30 million.
Sell back to the issuer	The holders of Convertible Bond are entitled to sell all or part of the Convertible Bonds it holds to the Company at the par value plus accrued interest if either situation occurred: (i) in the last two interest-bearing years of the Convertible Bond, if the closing price of the A Shares in any 30 consecutive trading days is lower than 70% of the conversion price for the current period; or (ii) there is a major change in the implementation of the investment project related to the funds raised by the Company via the issuance of Convertible Bond, and such change is deemed by CSRC or according to relevant rules of CSRC to be a change in the use of the raised funds.
Guarantee	No guarantee

As of the Latest Practicable Date, 141,368 A Shares had been converted from the Convertible Bond.

As of the date of this Prospectus, except as disclosed above, our Company has no outstanding bonds or debt instruments convertible into or option rights in our Company's securities.

ESOPs

Our Company has adopted Employee Stock Ownership Plans ("**ESOPs**") in 2020 and 2022, respectively, to improve our corporate governance, establish and improve the benefits sharing mechanism between the employees and shareholders, improve employee cohesion and the Company's competitiveness and ensure the realization of our future development strategy and business goals. The ESOPs are compensation schemes that trade the A Shares of the Company in the secondary market for purposes of generating returns for the participants. The final size of each ESOP was subject to the actual capital contribution by the employees. The term of each ESOP was 36 months, which may be extended upon approval of holders' meeting of the ESOPs and the Board. The personnel qualified to participate in the ESOPs include, among others, employees of the Company or its controlled subsidiaries who are at or above middle level and other personnel determined by the Board.

The ESOPs are managed via collective investment trust or asset management plans in compliance with relevant PRC laws. Such plans acquire and hold the A Shares of the Company through purchasing from the secondary market or other lawful means. The ESOPs were initially financed by funds of participating employees or financial institutions. The lock-up period of the A Shares acquired by the ESOPs is 12 months. During the lock-up period, the participants may not allocate or transfer their interests in the ESOPs, and upon the expiration the lock-up period, the managing committee (responsible for overseeing the daily management of the ESOPs) and the asset management institution may sell the A Shares when appropriate in accordance with the trust or asset management agreement. The decision making body is the holder's meeting, and all participants of the ESOPs are entitled to participate in such meeting and vote based on their respective share of interests in the ESOPs. For so long as the ESOPs exist, the managing committee exercises the shareholders' rights on behalf of the participants or authorizes the assets management institution to exercise so. The participants are entitled to returns from the assets in the ESOPs and bear the corresponding investment risks based on their respective share of interests. Upon the expiration or early termination, the outstanding assets of the ESOPs shall be liquidated within 30 trading days. The managing committee shall allocate the cash (after deducting certain expenses such as management fees) according to the share of interests of each participant.

Phase I ESOP

On March 23, 2020 and April 21, 2020, the Board and the Supervisory Committee approved a proposal of the Phase I Employee Stock Ownership Plan (the "**Phase I ESOP**"), which was approved by the general meeting of the shareholders on May 7, 2020. The Phase I ESOP was initially participated by 142 employees, and acquired 80,886,541 A Shares, with a lock up period that ended in November 2021. As of June 30, 2022, the participating employees held 56,458,841 A Shares.

Phase II ESOP

On March 11, 2022, the Board and the Supervisory Committee approved a proposal of the Phase II Employee Stock Ownership Plan (the "**Phase II ESOP**"), which was approved by the general meeting of the shareholders on April 28, 2022. As of August 31, 2022 the Phase II ESOP completed the share purchase, and 116,618,270 A Shares were acquired under the Phase II ESOP. The Phase II ESOP was initially participated by 2,010 employees, with a lock up period to be ended in August 2023.

Phase III ESOP

On November 10, 2022, the Board and the Supervisory Committee approved a proposal of the Phase III Employee Stock Ownership Plan (the "**Phase III ESOP**"), which has been approved by the general meeting of the shareholders on December 15, 2022. Tentatively a maximum of 516 employees were entitled to participate in the Phase III ESOP and the A Shares acquired under the Phase III ESOP will be subject to a lock-up period of 12 months.

DESCRIPTION OF A SHARES

Shareholders of our Company shall enjoy rights and bear obligations according to the class and quantity of their shares. Holders of the same class of shares shall enjoy the same rights and bear the same obligations.

Form of A Shares

The A Shares are ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each. They have been issued by our Company in registered form and are fully paid-up.

The A Shares rank *pari passu* in all respects with each other, including, in respect of entitlements to dividends, to a share in the liquidation proceeds in the case of a liquidation of the Company.

The Company maintains a centralized registration of Shareholders with the CSDC. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

There is no provision in the Articles of Association deviating from statutory provisions under PRC laws.

Transfer of A Shares

Our A Shares have been listed on the Shenzhen Stock Exchange since September 3, 2018. A Shares can only be subscribed by, and traded between legal or natural persons of the PRC or qualified foreign institutional investors or eligible foreign strategic investors, and must be traded in Renminbi.

Voting Rights

A shareholder (including its proxy) shall vote based on the number of its voting shares, with one A Share representing one vote. A Shares held by us (if any) do not carry any voting rights and shall not be counted in the total number of voting shares represented by shareholders attending a shareholders' general meeting. However, when voting to elect our Directors or Supervisors, each A Share shall have number of votes equal to the number of proposed Directors or Supervisors to be elected, and a shareholder may cast all its votes towards one or more candidates.

When material issues affecting the interests of minority shareholders are considered at a shareholders' general meeting, the votes of minority shareholders shall be counted separately. The results of such separate votes shall be disclosed publicly in a timely manner following such shareholders' general meeting.

When related-party transactions are considered at a shareholders' general meeting, related shareholder(s) shall not vote, and the voting shares held by such shareholder(s) shall not be counted in the total number of valid voting shares. The announcement of the resolutions of the shareholders' general meeting shall fully disclose the voting of non-related shareholders.

Shareholders' General Meetings

Pursuant to our Articles of Association, an annual shareholders' general meeting shall be held within six months after the end of each fiscal year, and an extraordinary shareholders' general meeting shall be held within two months upon the occurrence of incidents warranting such extraordinary shareholders' general meeting as described in our Articles of Associations.

The following persons may also request our Board of Directors to convene an extraordinary shareholders' general meeting: (i) more than half and no less than two of our independent Directors, (ii) our Supervisory Committee; and (iii) any persons holding in aggregate 10% or more of our A Shares individually or collectively. If a request from persons holding in aggregate 10% or more of our A Shares is declined by our Board of Directors, such persons may request our Supervisory Committee to convene the extraordinary shareholders' general meeting, failing of which such persons (if having held 10% or more of our A Shares for consecutive 90 days or more) may convene the extraordinary shareholders' general meeting on their own. However, holders of the GDRs may not request an extraordinary shareholders' general meeting. See "*Terms and Conditions of the Global Depositary Receipts*."

A notice for an annual shareholders' general meeting shall be published at least 20 days prior to the date of the meeting, and a notice for an extraordinary shareholders' general meeting shall be published at least 15 days prior to the date of the meeting.

Our shareholders may attend shareholders' general meetings in person or by proxy. Our Articles of Association do not provide for a quorum for our shareholders' general meeting.

The following matters must be approved by an ordinary resolution at a shareholders' general meeting, which shall be passed by no less than half of the votes present at the meeting:

- reports by our Board of Directors and Supervisory Committee;
- plans of profit distribution and loss recovery;
- appointment and dismissal of Directors, appointment and dismissal of Supervisors representing the shareholders, as well as their remuneration;
- our annual budget, annual accounts and annual reports; and

- other matters deliberated at the meeting that are not required to be approved by an extraordinary resolution.

The following matters must be approved by an extraordinary resolution at a shareholders' general meeting, which shall be passed by no less than two thirds of the votes present at the meeting:

- any change to our Company's registered capital, and issuance of any classes of shares, warrants;
- issuance of corporate bonds;
- a spin-off, merger, dissolution, liquidation or change in corporate form of our Company;
- any amendment to our Articles of Association;
- any purchase or disposal of material assets or giving of material guarantee, in each case in an aggregate amount within a year exceeding 30% of our latest audited total assets;
- the adoption of any equity incentive plans;
- any amendment to our dividend distribution policy; and
- other matters deemed by an ordinary resolution to be of material impact to our Company, or required by law to be approved by an extraordinary resolution.

The following persons may make proposals to be included in the agenda of our shareholders' general meetings: (i) our Board of Directors; (ii) our Supervisory Committee; and (iii) any persons holding in aggregate 3% or more of our A Shares. However, holders of our GDRs are not entitled to introduce proposals to the agenda of our shareholders' general meetings. See "*Terms and Conditions of the Global Depositary Receipts*."

Rights to Dividends

We may distribute dividends in the form of cash, stock or a combination of cash and stock. Any proposed distribution of dividends is subject to the discretion of the Board and the approval of the Board, the Supervisory Committee and the shareholders. The Board may recommend a distribution of dividends in the future after taking into account our Company's results of operations, financial condition, operating requirements, capital requirements, sustainable development, the continuity and stability of our dividend policy, shareholders' interests and any other conditions that the Board may deem relevant.

According to the applicable PRC laws and our Articles of Association, we will pay dividends out of our profit for the year/period (on an after tax basis) only after we have made the following allocations:

- recovery of accumulated losses, if any;

- allocations to the statutory common reserve equivalent to 10% of our profits for the year/period (on an after tax basis), and, except when the balance of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no further allocations to this statutory reserve will be required; and
- allocations, if any, to a discretionary reserve as approved by our shareholders in a shareholders' meeting.

The accumulated profits for distribution in the form of cash in the most recent three financial years shall be no less than 30% of the average annual distributable profits realized in the same period. In addition, If our company makes profits and the accumulated undistributed profits is a positive figure in the current year, and none of the following conditions occurs for a financial year, we shall distribute cash dividends with respect to that financial year in an aggregate amount of no less than 10% of the distributable profits realized for that year:

- the distributable profit is lower than RMB0.09 per A Share;
- we have plans for material investment or expect material cash outflows (other than cash outflows funded by proceeds from securities offerings) in the next 12 months; and
- the debt ratio of the audited consolidated financial statements for the current year is higher than 70%.

When determining profit distribution plans, our Board of Directors shall consider, among others, the nature of the industry that we operate in, our current development stage, business model and profitability, and any expected material capital expenditures. Our Board of Directors shall propose differentiated profit distribution plans based on the factors described above and in accordance with our Articles of Association. In particular:

- where we are in a mature development stage and has no plan for material capital expenditures, cash dividends shall be no less than 80% of the total dividends to be distributed;
- where we are in a mature development stage and expects material capital expenditures, cash dividends shall no less than 40% of the total dividends to be distributed;
- where we are in a growing development stage and expects material capital expenditures, cash dividends shall be no less than 20% of the total dividends to be distributed; and
- where we are in a development stage which is difficult to classify and expects material capital expenditures, the proportion of cash dividends shall be determined in accordance with aforementioned provisions.

See also "*Dividends and Dividend Policy*" and "*Tax Considerations—PRC Tax Considerations—Taxation on Dividends*."

Other Rights of Shareholders

In addition to the aforesaid voting rights, rights relating to the shareholder's general meetings and rights to dividends, our shareholders shall enjoy the following rights:

- to supervise, and make recommendations or inquiries on, our operations;
- to transfer, gift or pledge their A Shares in accordance with laws, administrative regulations and our Articles of Association;
- to obtain our Articles of Association after paying the cost; to inspect and copy the shareholders' register, the profile of our Directors, Supervisors and senior management officers, the Company's share capital, the report on the total par value, the prices of each class of shares that the Company has repurchased since the previous fiscal year, and all fees paid by the Company for this kind of purpose, minutes of shareholders' meetings, resolutions of our Board of Directors, resolutions of our Supervisory Committee, and financial and accounting reports after paying the reasonable fees;
- upon the dissolution or liquidation of our Company, to participate in the distribution of the residual assets of our Company in proportion to the number of A Shares they hold;
- to require our Company to buy back their A Shares if they voted against a resolution passed at a shareholders' general meeting concerning the merger or division of our Company; and
- to enjoy other rights provided by laws, administrative regulations, departmental rules or our Articles of Association.

Our shareholders do not have any pre-emptive rights with respect to our A Shares. Holders of GDRs are not entitled to certain rights available to the holders of our A Shares described above, such as inspection rights, rights to request a share buy-back or rights to bring shareholder actions against us. Rights of the GDR holders will be based on the terms and conditions of the Depositary Agreement. For a detailed description of the rights attached to our GDRs, see "*Terms and Conditions of the Global Depositary Receipts*."

Provisions Regarding Redemption of Shares

We may, in the following circumstances only, buy back our issued A Shares pursuant to laws, administrative regulations, departmental rules and our Articles of Association:

(i) to reduce the registered capital of our Company;

(ii) to merge with another company that holds A Shares in our Company;

(iii) to grant to employees as employee stock ownership plan or equity incentive plan;

(iv) from shareholders who voted against a resolution passed at a shareholders' general meeting on the merger or division of our Company and request our Company to buy back their A Shares;

(v) for the purposes of converting convertible corporate bonds we issued;

(vi) to safeguard our Company's value and our shareholders' rights and interests as we deem necessary; and

(vii) other matters permitted by laws and administrative regulations.

Buyback of our A Shares in circumstances (i) and (ii) set out above shall be approved by a resolution of a shareholders' general meeting; buyback of our A Shares in circumstances (iii), (v) and (vi) set out above shall be approved by a resolution of our Board of Directors with more than two thirds of the directors present at the Board meeting.

Where we buy back our issued A Shares, we shall (a) in circumstance (i) set out above, cancel the relevant A Shares within ten days from the date of the buyback; (b) in circumstances (ii) and (iv) set out above, we shall transfer or cancel the relevant A Shares within six months from the date of the buyback; and (c) in circumstances (iii), (v) and (vi) set out above, hold in aggregate no more than 10% of our total outstanding share capital and shall transfer or cancel the relevant A Shares within three years from the date of the buyback.

We may buy back our issued A Shares by any of the following ways:

- through public transactions on stock exchanges;
- through tender offers;
- by agreement without involving a stock exchange; and
- through other means as approved by the CSRC.

However, where we buy back our A Shares in circumstances (iii), (v) or (vi) set out above, we shall do so through public transactions.

Restrictions on Free Transferability of Shares

Subject to the following restrictions and save as otherwise specified by the PRC laws, administrative regulations, and relevant provisions of the securities regulatory authorities at the places where our equity securities are listed, our A Shares may be transferred freely and without any liens:

- we shall not accept our own Shares as the subject matter of a pledge;
- our Directors, Supervisors and senior management officers shall report to us their shareholdings and any changes thereto, and shall not transfer more than 25% of the Shares they hold each year during their terms of office; the Shares they hold in the Company shall not be transferred within one year from the date that the Shares are listed or within the six-month period following any termination of their service/employment with our Company; and

- if a Director, Supervisor, senior management officer, or a shareholder holding 5% or more of our Shares sells any Shares within six months after buying the same, or buys any Shares within six months after selling the same, the profit realized therefrom shall belong to the Company and the Board shall recover such earnings. However, this six-month restriction shall not apply to any sale of Shares by a securities firm holding 5% or more of the Company's Shares as a result of it having underwritten and purchased Shares not sold pursuant to an offering, or to other circumstances as prescribed by the CSRC.

Rules Relating to Mandatory Takeover Bids and Sell-out in Relation to Shares

Pursuant to the Measures for the Administration of Acquisition of Listed Companies promulgated by the CSRC and last amended in March 2020 (the "**PRC Takeover Rules**"), any person (the "**offeror**") who holds, controls or beneficially owns 30% or more of the shares in a company listed in the PRC (including our Company) and who wishes to further acquire additional shares in the listed company must (unless a waiver is granted by the CSRC or an exemption is available) do so through a tender offer to all other shareholders of the listed company to purchase:

- all or a specified percentage of their shares in the listed company, if the offeror is a direct shareholder of the listed company; or

- all their shares, if the offeror indirectly controls or holds the beneficial ownership of its existing shares through investments, agreements or other arrangements.

The offeror shall notify the target company, publish a takeover alert, and prepare and publish a tender offer report.

Pursuant to the PRC Takeover Rules, shares proposed to be purchased through a tender offer shall be no less than 5% of the outstanding shares of the listed company. The offeror shall treat all shareholders of the listed company equally, and the offer price shall be no less than the highest price the offeror has paid for the acquisition of the shares in the same listed company during the six months prior to its publication of the takeover alert. Unless there is a competing tender offer to acquire the same listed company, the offer period shall be no less than 30 days and no more than 60 days, during which the offeror may not cancel the tender offer. The Offeror may not, after the publication of the takeover alert and up to the expiry of the offer period, sell any shares in the listed company, or purchase any shares in the listed company through any other means. Any competing tender offer to acquire the same listed company must be made prior to the 15th day prior to the end of the offer period. Unless there is a competing tender offer to acquire the same listed company, the offeror may not change the terms of the tender offer during the last 15 days of the offer period.

If an offeror cancels the proposed tender after the publication of a takeover alert and prior to the publication of the tender offer report, such offeror may not acquire the same listed company within the 12 months thereafter.

Any shareholder may indicate its acceptance of the tender offer during the offer period, which may be withdrawn up to the third trading day prior to the end of the offer period. The shareholder who has indicated its acceptance of the tender offer may not transfer its shares unless such indication is withdrawn.

Major Shareholder Transactions

Pursuant to Several Provisions on the Stock-selling by Shareholders, Directors, Supervisors and Senior Management of Listed Companies promulgated by CSRC and effective in May 2017 and the Notice on Promulgation of the Implementing Rules of the Shenzhen Stock Exchange for the Sale of Shares by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies promulgated by Shenzhen Stock Exchange and effective in May 2017, controlling shareholder and any person who holds 5% or more of the outstanding shares in a listed company ("**major shareholder**") who plans to sell stocks through call auction on a stock exchange shall, 15 trading days prior to the initial sale, report to the relevant stock exchange and disclose the stock-selling plan in advance, which shall be recorded by the stock exchange. Within the time interval of stock-selling disclosed in advance, a major shareholder shall disclose the progress of stock-selling in accordance with the provisions of the relevant stock exchange. After the completion of the implementation of the stock-selling plan, a major shareholder shall, within two trading days, report to the relevant stock exchange and release an announcement; within the time interval disclosed in advance, where stock-selling is not implemented or the stock-selling plan has not been completely implemented, the major shareholder shall, within two trading days upon expiration of the time interval of stock-selling, report to the relevant stock exchange and release an announcement. The total stocks sold by a major shareholder of a listed company through call auction on a stock exchange within three months shall not exceed 1% of the total stocks of the company.

Where stocks are sold through transfer by agreement, leading to the loss of the transferor's status as a major shareholder of a listed company, the transferor and the transferee of the stocks shall continue to abide by restrictions hereof within six months after the stock-selling.

Where a major shareholder or a specific shareholder sells shares by way of bulk trading, the total of shares sold in any consecutive 90 natural days shall not exceed 2% of the total shares of the relevant company. The transferees involved in the aforesaid trading shall not transfer the shares transferred to them within six months after the transfer.

Management Transactions

According to PRC laws and regulations, where there is any change in shareholding of the Company by a Director, Supervisor, or senior management member of the Company, he or she shall, within two trading days upon occurrence of the change, report to the Company and make an announcement on the website of the Shenzhen Stock Exchange. Such announcement shall include: (1) the number of shares in the Company held at the end of the previous year; (2) the date, number, and transaction price of each change in shareholding since the end of the previous year to the relevant change; (3) the number of shares held before the relevant change; (4) the date, number, and transaction price of shares involved in the relevant change; (5) the number of shares held after the relevant change; and (6) other matters required to be disclosed by the Shenzhen Stock Exchange.

See also "*SIX Swiss Exchange—Directive on Disclosure of Management Transactions*."

Deviation from statutory provisions

There are no provisions in the Articles of Association which deviate from the statutory provisions of the laws of the PRC.

FOREIGN INVESTMENT AND EXCHANGE CONTROL REGULATIONS IN SWITZERLAND

Other than in connection with government sanctions imposed on certain persons from the Republic of Iraq, the Islamic Republic of Iran, Yemen, Libya, Sudan, the Republic of South Sudan, Burundi, the Democratic Republic of Congo, Somalia, Guinea-Bissau, Syria, Myanmar (Burma), Zimbabwe, Belarus, Guinea, the Democratic People's Republic of Korea (North Korea), the Central African Republic, the Republic of Mali, Venezuela, Nicaragua, persons and organizations with connections to Osama bin Laden, the "Al-Qaeda" group or the Taliban, and certain measures in connection with the prevention of circumvention of international sanctions in connection with the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

*The following terms and conditions (the "**Conditions**")*, subject to completion and amendment and excepting sentences in italics, will apply to the global depositary receipts (the "***GDRs***") and will be endorsed on each global depositary receipt certificate (the "***GDR Certificates***").

The GDRs are issued in respect of the A shares, having a nominal value of RMB1.00 each (the "**Shares**"), of Jiangsu Eastern Shenghong Co., Ltd. (the "**Company**"), pursuant to and subject to the Deposit Agreement dated December 21, 2022 by and between the Company and Citibank, N.A., as depositary (the "**Depositary**") (the "**Deposit Agreement**"). Each GDR represents the right to receive, subject to the terms of the Deposit Agreement and the Conditions, ten Shares on deposit under the terms of the Deposit Agreement.

Pursuant to the provisions of the Deposit Agreement, the Depositary has appointed Industrial and Commercial Bank of China Limited as custodian to receive and hold on its behalf the Shares from time to time deposited under the Deposit Agreement (the "**Deposited Shares**"), and all rights, securities, property and cash deposited with the Custodian which are attributable to the Deposited Shares (such rights, securities, property and cash together with the Deposited Shares, the "**Deposited Property**"). The Depositary shall hold Deposited Property for the benefit of the Holders (as defined below) as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued. In these Conditions references to the "**Depositary**" are to Citibank, N.A. and/or any other depositary which may from time to time be appointed under the Deposit Agreement, references to the "**Custodian**" are to Industrial and Commercial Bank of China Limited or any other custodian which may from time to time be appointed under the Deposit Agreement and references to the "**Office**" mean, in relation to the Custodian, the principal office of the Custodian in the People's Republic of China (currently at No. 55 Fuxingmennei Street, Xicheng District, Beijing, 100140 the PRC).

References in these Conditions to the "**Holder**" of any GDR shall mean the person registered as the holder of any GDR on the books of the Depositary maintained for such purpose. References in these Conditions to "**Beneficial Owner**" of any GDR shall mean any person who is the beneficial owner of GDRs as determined in accordance with Rule 13d-3 and Rule 13d-5 under the Exchange Act. These Conditions include summaries of, and are subject to, the detailed provisions of the Deposit Agreement, which includes the forms of the GDR Certificate in respect of the GDRs. Copies of the Deposit Agreement are available for inspection at the principal office of the Depositary. Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner, to have notice of, and be subject to, all of the applicable provisions of the Deposit Agreement and the Conditions. Terms used in the Conditions and not defined herein but which are defined in the Deposit Agreement have the meanings ascribed to them in the Deposit Agreement.

The Depositary shall hold Deposited Property for the benefit of the Holders as bare trustee in proportion to the number of Shares in respect of which the GDRs held by them are issued and the Holders will accordingly be tenants in common of such Deposited Property to the extent of the Deposited Property corresponding to the GDRs in respect of which they are the Holders. For the avoidance of doubt, in acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property as bare trustee as aforesaid, does not assume any relationship of trust for or with the Holders or the Beneficial Owners or any other person. Any right or power of the Depositary in respect of Deposited Property is reserved by the Depositary under its declaration of trust contained in this paragraph and is not given by way of grant by any Holder or Beneficial Owner.

Holders and Beneficial Owners of GDRs are not parties to the Deposit Agreement and thus, under English law, have no contractual rights against, or obligations to, the Company or Depositary. However, the Deed Poll executed by the Company in favour of the Holders provides that, if the Company fails to perform the obligations imposed on it by certain specified provisions of the Deposit Agreement, any Holder may enforce certain specified provisions of the Deposit Agreement as if it were a party to the Deposit Agreement and was the Depositary in respect of that number of Deposited Shares to which the GDRs of which it is the Holder relate.

Holders and Beneficial Owners are deemed, by virtue of being a Holder or Beneficial Owner and owning, acquiring or holding, as the case may be, a GDR, to have notice of and be subject to all applicable provisions of the Deposit Agreement and the Conditions. The Depositary is under no duty to enforce any of the provisions of the Deposit Agreement or the Conditions on behalf of any Holder or Beneficial Owner of a GDR or any other person.

*GDRs will initially take the form of global GDRs evidenced by one or more Master GDR Certificates (each a "**Master GDR Certificate**")* registered in the name of Citivic Nominees Limited as nominee for Citibank Europe plc, as common depositary (the "***Common Depositary***"), and will initially be held by the Common Depositary for Euroclear Bank SA/NV ("***Euroclear***") and Clearstream Banking, S.A. ("***Clearstream***") and for the account of accountholders in Euroclear or Clearstream ("***Euroclear Participants***" and "***Clearstream Participants***", respectively), as the case may be. The Master GDR Certificates will be exchangeable for a GDR Certificate in definitive registered form in the limited circumstances as described below.

If at any time Euroclear or Clearstream, as the case may be, ceases to make its respective book-entry settlement systems available for the GDRs, the Company and the Depositary will attempt to make other arrangements for book-entry settlement. If alternative book-entry settlement arrangements cannot be made, the Depositary may make available GDR Certificates available or otherwise, may make GDRs available in book-entry registered form.

Under the terms of the GDRs, each purchaser of GDRs is deemed to have represented and agreed, among other things, that the GDRs have not been and will not be registered under the Securities Act and may be offered, sold, pledged or otherwise transferred only in a transaction exempt from, or not subject to, the registration requirements of the Securities Act. Each GDR will contain a legend to the foregoing effect.

For a description of the restrictions on the transfer of the GDRs see "Selling and Transfer Restrictions."

1. DEPOSIT OF SHARES

A. The Depositary may, in accordance with the terms of the Deposit Agreement, but subject to the Conditions, and upon delivery of (x) a duly executed or electronically submitted order (in a form approved by the Depositary) and (y) a duly executed or electronically submitted deposit certification substantially in the form attached to the

Deposit Agreement by or on behalf of any investor who is to become the Beneficial Owner of the GDRs (other than in the case of a deposit of Shares by the Company or an Affiliate of the Company which shall be subject to Clause 7.1.4 of the Deposit Agreement), from time to time issue and deliver further GDRs having the same terms and conditions as the GDRs which are then outstanding in all respects and, subject to the terms of the Deposit Agreement, the Conditions and applicable law, the Depositary shall accept for deposit any further Shares in connection therewith, so that such further GDRs shall form a single series with the already outstanding GDRs. References in these Conditions to the GDRs include (unless the context requires otherwise) any further GDRs issued pursuant to this Condition and forming a single series with the already outstanding GDRs.

The deposit certificate to be provided pursuant to the Deposit Agreement certifies, among other things, that the person providing such certificate is not an "affiliate" of the Company, has acquired, or has agreed to acquire and will have acquired, the Shares to be deposited in an "offshore transaction" (as defined in Regulation S) and will comply with the restrictions on transfer applicable to GDRs set forth under "Selling and Transfer Restrictions".

B. Subject to the terms and conditions of the Deposit Agreement and applicable law, upon (i) physical delivery to the Custodian of Shares, or book-entry transfer of Shares to an account in the name of the Depositary at the China Securities Depository and Clearing Corporation Limited (the "**CSDC**"), (ii) physical or electronic delivery to the Depositary of the applicable deposit certification unless the deposit of Shares is made by the Company or an Affiliate of the Company in which case such deposit will be subject to Clause 7.1.4 of the Deposit Agreement, and (iii) payment of necessary taxes, governmental charges (including transfer taxes) and other charges as set forth in the Deposit Agreement and fees, costs, expenses and other charges of the Depositary as set forth in Clause 10.1 of the Deposit Agreement and Condition 19, the Depositary will (i) adjust its records for the number of GDRs issued in respect of the Shares so deposited, (ii) notify the Common Depositary to increase the number of GDRs evidenced by the Master GDR Certificate, and (iii) make delivery of the GDRs so issued to the applicable Euroclear Participant or Clearstream Participant specified in the applicable order received for such purpose.

C. Subject to the limitations set forth in the Deposit Agreement and applicable law, the Depositary may (but is not required to) issue GDRs prior to the delivery to it of Shares in respect of which such GDRs are to be issued against evidence to receive rights from the Company (or any agent of the Company involved for the Company in the maintenance or ownership or transactions records for the Shares) in the form of a written blanket or specific guarantee of ownership furnished by the Company (or any agent of the Company involved for the Company in the maintenance or ownership or transactions records for the Shares).

D. Any further GDRs issued pursuant to Condition 1(A) which (i) represent Shares which have rights (whether dividend rights or otherwise) which are different from the rights attaching to the Shares represented by the outstanding GDRs, or (ii) are otherwise not fungible (or are to be treated as not fungible) with the outstanding GDRs, will, subject to Clause 3.15 of the Deposit Agreement be represented by a separate master partial entitlement GDR certificate (each a "Master Partial Entitlement GDR Certificate"). Upon becoming fungible with outstanding GDRs, such further GDRs shall be evidenced by the Master GDR Certificate (by increasing the total number of GDRs evidenced by the Master GDR Certificate or by the number of such further GDRs, as applicable).

E. Subject to the further terms and provisions of the Deposit Agreement, Citibank, N.A., its agents and Affiliates, on their own behalf, may own and deal in any class of securities of the Company and its Affiliates and in GDRs. In its capacity as Depositary, the Depositary shall not lend Shares or GDRs.

F. Any person delivering Shares for deposit under the Deposit Agreement and Condition 1 and any Holder or Beneficial Owner may be required and will be deemed to accept, by virtue of being a Holder or a Beneficial Owner, that, from time to time, it will be required to furnish the Depositary or the Custodian with such proof, certificates and representations and warranties as to matters of fact, including without limitation the citizenship and residence of the depositor, taxpayer status, payment of all applicable taxes or governmental charges, exchange control approvals, legal or beneficial ownership of GDRs and Deposited Property, compliance with all applicable laws, the terms of the Deposit Agreement, the Conditions and the provisions of, or governing, the Deposited Property and the identity and genuineness of any signature on any of the supporting instruments or other documents, and with such further documents and information as the Depositary may deem necessary or appropriate for the administration or implementation of the Deposit Agreement and the Conditions. The Depositary, the Registrar or the Custodian may withhold acceptance of Shares for deposit, withhold delivery or registration of issuance or transfer of all or part of any GDR Certificate, withhold adjustment of the Master GDR Certificate to reflect increases in Shares represented thereby or withhold the distribution or sale of any dividend or distribution of rights or of the net proceeds of the sale thereof or the delivery of any Deposited Property, until such proof or other information is filed or such certifications are executed, or such representations are made or such other documentation or information is provided in each case to the satisfaction of the Depositary, the Registrar or the Custodian.

G. Notwithstanding anything else contained in the Deposit Agreement or the Conditions, the Depositary shall not be required to accept for deposit or maintain on deposit in its account maintained by the Custodian (a) any fractional Shares or fractional Deposited Property, or (b) any number of Shares or Deposited Property which, upon application of the ratio of GDRs to Shares or Deposited Property, as the case may be, would give rise to fractional GDRs. No Share shall be accepted for deposit unless accompanied by evidence, if any is required by the Depositary or the Custodian, that is reasonably satisfactory to the Depositary or the Custodian that all conditions for such deposit have been satisfied by the person depositing such Shares under the laws and regulations of the PRC and any necessary approval has been granted by any applicable governmental body in the PRC (if any), including, without limitation, if applicable, any regulator of currency exchange.

H. Each person depositing Shares under the Deposit Agreement and the Conditions shall be deemed thereby to represent and warrant that (i) such Shares (and the certificates therefor) are duly authorised, validly issued, fully paid, registered, nonassessable and legally obtained by such person, (ii) all pre-emptive (and similar) rights with respect to such Shares have been validly waived or exercised, (iii) the person making such deposit is duly authorised so to do, (iv) the Shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, (v) the Shares presented for deposit have not been stripped of any rights or entitlements, and (vi) the Shares are not, and the GDRs will not be, "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act). Such representations and warranties shall survive the deposit and withdrawal of Shares and the issuance and cancellation of GDRs in respect thereof and the transfer of such GDRs. If any such representations or warranties are false in any way, the Company and the Depositary shall be authorised, at the cost and expense of the person depositing Shares, to take any and all actions necessary to correct the consequences thereof.

Each person depositing Shares, taking delivery of or transferring GDRs or any beneficial interest therein, or surrendering GDRs or any beneficial interest therein and withdrawing Shares under the Deposit Agreement and the Conditions shall be deemed thereby to acknowledge that the GDRs and the Shares represented thereby have not been and will not be registered under the Securities Act, and may not be offered, sold, pledged or otherwise transferred except in accordance with the restrictions on transfer set forth in the Securities Act Legend, and such person shall be deemed thereby to represent and warrant that such deposit, transfer or surrender or withdrawal complies with the foregoing restrictions. Such representations and warranties shall survive any such deposit, taking delivery of, transfer, surrender or withdrawal of the Shares or the GDRs or any beneficial interest therein.

2. WITHDRAWAL OF DEPOSITED PROPERTY

A. Subject to the terms and provisions of the Deposit Agreement, the Conditions, the procedures of the CSDC and applicable law, any Holder may request withdrawal of the Deposited Property attributable to any GDR upon production of such evidence that such person is the Holder of, and entitled to, the relative GDR as the Depositary may reasonably require at the principal office of the Depositary accompanied by:

(i) a duly executed order (in a form approved by the Depositary) requesting the Depositary to cause the Deposited Property being withdrawn or evidence of the electronic transfer thereof to be delivered to or upon the order in writing of, the person or persons designated in such order;

(ii) the payment of such fees, taxes, duties, charges and expenses as may be required under the Conditions or the Deposit Agreement including, but not limited to the fees, costs, expenses and charges of the Depositary set forth in Clause 10.1 of the Deposit Agreement and Condition 19; and

(iii) (x) surrender of a GDR Certificate at the Principal New York Office or Principal London Office, if the Euroclear or Clearstream book-entry settlement system is not then available for GDRs, or (y) receipt by the Depositary at the Principal New York Office of instructions from Euroclear or Clearstream, or a Euroclear Participant or Clearstream Participant or their respective nominees, on behalf of any Beneficial Owner together with a corresponding credit to the Depositary's account at Euroclear or Clearstream for the GDRs so surrendered, if the book-entry settlement system is then available for GDRs, in either case for the purpose of withdrawal of the Deposited Property represented thereby.

B. Withdrawals of Deposited Shares may be subject to such transfer restrictions or certifications, as the Company or the Depositary may from time to time determine to be necessary for compliance with applicable laws.

C. Upon production of such documentation and the making of such payment as aforesaid in accordance with paragraph (A) of this Condition 2, the Depositary will direct the Custodian, within a reasonable time after receiving such direction from such Holder, to deliver at its office, to, or to the order in writing of, the person(s) designated in the accompanying order:

(i) a certificate for, or other appropriate instrument of title to, or evidence of book-entry transfer of, the relevant Deposited Shares, registered in the name of the Depositary or its nominee and accompanied by such instruments of transfer in blank or to the person or persons specified in the order for withdrawal and such other documents, if any, as are required by law for the transfer thereof; and

(ii) all other property forming part of the Deposited Property attributable to such GDR, accompanied, if required by law, by one or more duly executed endorsements or instruments of transfer in respect thereof as aforesaid or evidence of the electronic transfer of such other Deposited Property;

provided that the Depositary:

(x) may make delivery of (a) any cash dividends or cash distributions or (b) any proceeds from the sale of any distributions of Shares or rights which are held by the Depositary in respect of the Deposited Property represented by the GDRs surrendered for cancellation and withdrawal; and

(y) at the request, risk and expense of any Holder surrendering a GDR for cancellation and withdrawal, will direct the Custodian to forward any cash or other property (other than securities) held by the Custodian in respect of the Deposited Property represented by such GDRs to the Depositary,

in each case at the Principal New York Office or the Principal London Office (if permitted by applicable law from time to time).

D. Delivery by the Depositary and the Custodian of all certificates, instruments, dividends or other property forming part of the Deposited Property as specified in this Condition will be made subject to any laws or regulations applicable thereto.

E. If any GDR surrendered and cancelled represents fractional entitlements in Deposited Shares, the Depositary shall cause the appropriate whole number of Deposited Shares to be withdrawn and delivered in accordance with the terms of the Deposit Agreement and this Condition 2 and shall, at the discretion of the Depositary, either (i) issue and deliver to the person surrendering such GDR a new GDR representing any remaining fractional Share, or (ii) sell or cause to be sold the fractional Share represented by the GDR surrendered and remit proceeds of such sale (net of (a) fees and charges of, and expenses incurred by, the Depositary, and (b) taxes withheld) to the person surrendering the GDR.

3. SUSPENSION OF ISSUE OF GDRS AND OF WITHDRAWAL OF DEPOSITED PROPERTY

The issuance and delivery of GDRs against deposits of Shares generally or deposits of particular Shares may be suspended or withheld, or the registration of transfer of GDR Certificates in particular instances may be refused, or the registration of transfers generally may be suspended or refused, during any period when the transfer books of the Depositary, the Company, a registrar of GDRs or any registrar of Shares are closed, or if any such action is deemed necessary or advisable by the Company or the Depositary in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the GDRs or Shares are listed, an applicable court order, or under any provision of the Deposit Agreement, the Conditions, or the provisions of or governing the Deposited Property, or any meeting of shareholders of the Company or for any other reason. The Depositary may restrict the transfer of Deposited Shares where the Company notifies the Depositary in writing that such transfer would result in ownership of Shares exceeding any limit under any applicable law, government resolution or the Articles of Association or would otherwise violate any applicable laws.

Notwithstanding any provision of the Deposit Agreement, the Conditions or any GDR Certificate to the contrary, Holders and Beneficial Owners are entitled to surrender outstanding GDRs to withdraw the Deposited Shares at any time subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Shares in connection with voting at a shareholders' meeting or the payment of dividends, (ii) the payment of fees, taxes and similar charges, (iii) compliance with any laws or governmental regulations or an applicable court order relating to the GDRs or to the withdrawal of the Deposited Shares.

4. TRANSFER AND OWNERSHIP

A. GDRs are to be issued in registered form. Title to the GDRs passes upon registration in the records of the Depositary. The Depositary will refuse to accept for transfer any GDRs if it reasonably believes that such transfer would result in a violation of applicable laws. The Holder of any GDR will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment or other distribution in respect of such GDR is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, any certificate issued in respect of it) and no person will be liable for so treating the Holder.

The Depositary will maintain Holder records, including a register of Holders, at its principal office in New York and shall ensure that no register of Holders is maintained in the United Kingdom or Switzerland.

For a description of the restrictions on the transfer of the GDRs see "Selling and Transfer Restrictions."

B. Notwithstanding any other provision of the Deposit Agreement or the Conditions, each Holder and Beneficial Owner, by virtue of their ownership of any GDR or any Deposited Property, shall be deemed thereby to agree to comply with requests from the Company or the Depositary from time to time pursuant to PRC law, any request made by a regulatory authority or any stock exchange on which the Shares are, or may be registered, traded or listed, or the Articles of Association, which are made to provide information, inter alia, as to the capacity in which such Holder or former Holder, Beneficial Owner or former Beneficial Owner holds or held, owns or owned a beneficial ownership interest in GDRs (and Deposited Property, as the case may be) and regarding the identity of any other person interested in such GDRs (and Deposited Property), the nature of such interest and various related matters, whether or not they are Holders and/or Beneficial Owners at the time of such request.

C. Applicable laws and regulations may require holders and beneficial owners of Shares, including the Holders and Beneficial Owners of GDRs, to satisfy reporting requirements or obtain regulatory approvals in certain circumstances. Holders and Beneficial Owners of GDRs are solely responsible for complying with such reporting requirements and obtaining such approvals. By virtue of their ownership of any GDR or any Deposited Property, each Holder and Beneficial Owner shall be deemed thereby to agree to file such reports and obtain such approvals to the extent and in the form required by applicable laws and regulations as in effect from time to time. None of the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

5. CASH DISTRIBUTIONS

Whenever the Depositary receives, or receives confirmation from the Custodian of the receipt from the Company of, any cash dividend or other cash distribution on or in respect of the Deposited Shares or receipt of proceeds from the sale of any Shares, rights, securities or other entitlements under the terms of the Deposit Agreement or the Conditions, the Depositary shall, if at the time of receipt thereof any amounts received in Foreign Currency can in the judgment of the Depositary (pursuant to Condition 11) be converted on a practicable basis into Dollars transferable to the United States, promptly convert, or cause to be converted, such dividends, distribution or proceeds into Dollars in accordance with the terms described in Condition 11 and will promptly distribute the amount thus received from such conversion (net of (a) applicable fees and charges set forth in Condition 19, and (b) applicable taxes withheld) to the Holders entitled thereto. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Holder a fraction of one cent, and any balance not so distributable shall be held by the Depositary (without liability for interest thereon) and shall be added to and become part of the next sum received by the Depositary for distribution to Holders of GDRs then outstanding at the time of the next distribution. If the Company, the Custodian or the Depositary is required to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Property an amount on account of taxes, duties or other governmental charges, the amount distributed to Holders in respect of the GDRs representing such Deposited Property shall be reduced accordingly. Such withheld amounts shall be forwarded by the Company, the Custodian or the Depositary to the relevant governmental authority. Evidence of payment thereof by the Company shall be forwarded by the Company to the Depositary upon request.

6. DISTRIBUTIONS OF SHARES

If any distribution upon any Deposited Property consists of a dividend in, or free distribution of, Shares, the Company shall cause such Shares to be deposited with the Custodian and, if applicable, registered in the name of the Depositary, the Custodian or any of their nominees, as the case may be. Upon receipt of confirmation of such deposit from the Custodian, the Depositary shall establish the GDR Record Date upon the terms described in Condition 10 and shall, subject to the terms of the Deposit Agreement and the Conditions, either (i) distribute to the Holders as of the GDR Record Date in proportion to the number of GDRs held as of the GDR Record Date, additional GDRs, which represent the aggregate number of Shares received as such dividend or free distribution, subject to the other terms of the Deposit Agreement and Conditions and net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes, by either (x) if GDRs are not available in book-entry form, issuing additional GDR Certificates for an aggregate number of GDRs representing the number of Shares received as such dividend or free distribution, or (y) if GDRs are available in book-entry form, reflecting on the records of the Depositary such increase in the aggregate number of GDRs representing such Shares and give notice to the Common Depositary of the related increase in the number of GDRs evidenced by the Master GDR Certificate, or (ii) if additional GDRs are not so distributed, each GDR issued and outstanding after the GDR Record Date shall, to the extent permissible by law, thenceforth also represent rights and interests in the additional Shares distributed upon the Deposited Property represented thereby, net of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes. In lieu of delivering fractional GDRs, the Depositary shall sell the number of Shares represented by the aggregate of such fractions and distribute the net proceeds of such sale upon the terms described in Condition 5. If the Depositary determines that any distribution in Shares would violate applicable law, is not operationally practicable, is subject to any tax or other governmental charges which the Depositary is obliged to withhold, or if the Company, in the fulfillment of its obligations under Clause 7.1.4 of the Deposit Agreement, has furnished an opinion of counsel determining that the distribution to Holders of the Shares and the GDRs representing such Shares must be registered under the Securities Act or other laws or requires other regulatory steps in order to be distributed to Holders (and no such registration statement has been declared effective or steps have been taken), the Depositary may dispose of all or a portion of such Shares in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable, and the Depositary shall distribute the net proceeds of any such sale, after deduction of (a) fees and charges of, and expenses incurred by, the Depositary and (b) taxes, to Holders entitled thereto upon the terms described in Condition 5. The Depositary shall hold and/or distribute any unsold balance of such property in accordance with the provisions of the Deposit Agreement and the Conditions.

7. DISTRIBUTIONS OTHER THAN CASH OR SHARES

Whenever the Depositary receives from the Company property other than cash, Shares or rights to purchase additional Shares and receives a notice from the Company indicating that the Company wishes such distribution to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall distribute the property so received to the Holders of record as of the GDR Record Date set in accordance with Condition 10, in proportion to the number of GDRs held by them respectively and in such manner as the Depositary may deem practicable for accomplishing such distribution (i) upon receipt of payment or net of the applicable fees and charges of, and expenses incurred by, the Depositary, and (ii) net of any taxes withheld. The Depositary may dispose of all or a portion of the property so distributed and deposited, in such amounts and in such manner (including public or private sale) as the Depositary may deem practicable or necessary to satisfy any taxes (including applicable interest and penalties) or other governmental charges applicable to the distribution. If (i) the Company does not request the Depositary to make such distribution to Holders or requests not to make such distribution to Holders, (ii) the Depositary does not receive documentation within the terms of Clause 7.1.4 of the Deposit Agreement, or (iii) the Depositary determines (in accordance with Clause 5.1 of the Deposit Agreement) that all or a portion of such distribution is not lawful or is not reasonably practicable, the Depositary shall sell or cause such property to be sold in a public or private sale, at such place or places and upon such terms as it may deem practicable and shall (x) cause the proceeds of such sale, if any, to be converted into Dollars in accordance with Condition 11, and (y) distribute the proceeds of such conversion received by the Depositary (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) to the Holders as of the GDR Record Date upon the terms of Condition 5. If the Depositary is unable to sell such property, the Depositary may dispose of such property in any way it deems reasonably practicable under the circumstances.

8. RIGHTS ISSUES

A. Whenever the Company intends to distribute to the holders of the Deposited Property rights to subscribe for additional Shares, and provides a notice to the Depositary indicating that the Company wishes such rights to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall (x) establish a GDR Record Date (upon the terms described in Condition 10), (y) establish procedures to distribute such rights (by means of warrants or otherwise) and/or to enable the Holders to exercise the rights (upon payment of (a) the applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes), and (z) issue and deliver GDRs upon the valid exercise of such rights. The Company shall assist the Depositary to the extent necessary in establishing such procedures.

Nothing herein shall obligate the Depositary to make available to the Holders a method to exercise such rights to subscribe for Shares (rather than for GDRs).

B. If (i) the Depositary fails to receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement or determines that it is not lawful or not reasonably practicable to make the rights available to Holders or (ii) the Company requests that the rights not be made available to Holders of GDRs or (iii) any rights made available are not exercised and appear to be about to lapse, the Depositary shall determine whether it is lawful and reasonably practicable to sell such rights, in a riskless principal capacity, at such place and upon such terms (including public and private sale) as it may deem practicable. The Company shall assist the Depositary to the extent necessary to determine such legality and practicability. If the Depositary sells such rights, the Depositary shall, upon such sale, (x) cause the proceeds of such sale, if any, to be converted into Dollars upon the terms described in Condition 11, and (y) distribute the proceeds of such sale (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary and (b) taxes) upon the terms set forth in Condition 5.

If the Depositary is unable to make any rights available to Holders upon the terms described in the Deposit Agreement or to arrange for the sale of the rights upon the terms described above, the Depositary shall allow such rights to lapse.

The Depositary shall not be responsible for (i) any failure to determine that it may be lawful or practicable to make such rights available to Holders in general or any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with any sale or exercise, or (iii) the content of any materials forwarded to the Holders on behalf of the Company in connection with the rights distribution.

C. Notwithstanding anything to the contrary in the Deposit Agreement or this Condition 8, if registration (under the Securities Act or any other applicable law) of the rights or the securities to which any rights relate or any other regulatory step may be required in order for the Company to offer such rights or such securities to Holders and to sell the securities represented by such rights, the Depositary will not distribute such rights to the Holders unless and until a registration statement under the Securities Act or any other required regulatory step covering such offering is in effect or has been taken. If the Company, the Depositary or the Custodian shall be required to withhold and does withhold from any distribution of rights an amount on account of taxes or other governmental charges, the amount distributed to the Holders of GDRs representing such Deposited Property shall be reduced accordingly. If the Depositary determines that any distribution of Deposited Property or rights to subscribe therefor is subject to any tax or other governmental charges which the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such Deposited Property or rights to subscribe therefor in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay any such taxes or charges. There can be no assurance that Holders generally, or any Holder in particular, will be given the opportunity to exercise such rights on the same terms and conditions as the holders of Deposited Property or to exercise such rights. Nothing in the Deposit Agreement or this Condition 8 shall obligate the Company to file any registration statement or take any other required regulatory step in respect of any rights or Deposited Property or other securities to be acquired upon the exercise of such rights.

9. REDEMPTION

If the Company intends to exercise any right of redemption in respect of any of the Deposited Property, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.2 of the Deposit Agreement, the Depositary shall send to each Holder a notice in accordance with Condition 25 setting forth the intended exercise by the Company of the redemption rights and any other particulars set forth in the Company's notice to the Depositary. The Depositary shall instruct the Custodian to present to the Company the Deposited Property in respect of which redemption rights are being exercised against payment of the applicable redemption price. Upon receipt of confirmation from the Custodian that the redemption has taken place and that funds representing the redemption price have been received, the Depositary shall convert, transfer, and distribute the proceeds (net of applicable (a) fees and charges of, and the expenses incurred by, the Depositary, and (b) taxes), retire GDRs and cancel GDRs upon delivery of such GDRs by Holders thereof and on the terms set forth in the applicable Conditions. If less than all outstanding Deposited Property is redeemed, the GDRs to be retired will be selected by lot or on a pro rata basis, as may be determined by the Depositary. The redemption price per GDR shall be the per share amount received by the Depositary upon the redemption of the Deposited Shares represented by GDRs (subject to the terms of the Deposit Agreement and the applicable fees and charges of, and expenses incurred by, the Depositary, and taxes) multiplied by the number of Deposited Shares represented by each GDR redeemed.

10. GDR RECORD DATES

Whenever the Depositary shall receive notice of the fixing of a record date by the Company for the determination of holders of Deposited Property entitled to receive any distribution (whether in cash, Shares, rights or other distribution), or whenever, for any reason, the Depositary causes a change in the number of Deposited Shares that are represented by each GDR, or whenever the Depositary shall receive notice of any meeting of, or solicitation of consents or proxies of, holders of Shares or other Deposited Property, or whenever the Depositary finds it necessary or convenient in connection with the giving of any notice, solicitation of any consent or any other matter, the Depositary shall fix a record date (the "GDR Record Date") for the determination of the Holders of GDRs who shall be entitled to receive such dividend or distribution, to give instructions for the exercise of voting rights at any such meeting, or to give or withhold such consent, or to receive such notice or solicitation or to otherwise take action, or to exercise the rights of Holders with respect to such changed number of Deposited Shares represented by each GDR. The Depositary shall make reasonable efforts to establish the GDR Record Date as closely as practicable to the applicable record date for the Deposited Property (if any) set by the Company in the PRC. Subject to applicable law and the provisions of the Deposit Agreement and these Conditions, only the Holders of GDRs at the close of business in New York on such GDR Record Date shall be entitled to receive such distribution, to give such voting instructions, to receive such notice or solicitation, or otherwise take action.

If the GDR Record Date is different from the applicable record date for the Shares set by the Company in the PRC, the Depositary shall suspend generally the issuance and cancellation of GDRs, and the registration of transfers of GDRs during the period in between the GDR Record Date and the record date for the Shares.

11. CONVERSION OF FOREIGN CURRENCY

Whenever the Depositary or the Custodian shall receive any Foreign Currency by way of dividend or other distribution or as the net proceeds from the sale of securities, other property or rights, and if at the time of the receipt thereof the Foreign Currency so received can in the judgement of the Depositary be converted on a practicable basis into Dollars transferable to the U.S. and distributed to the Holders entitled thereto, the Depositary shall convert or cause to be converted by sale or in any other manner that it may reasonably determine, the Foreign Currency so received into Dollars and shall distribute such Dollars (net of the fees and charges set forth in Condition 19, and applicable taxes withheld) in accordance with the terms of the applicable Conditions. The Depositary and/or its agent (which may be a division, branch or Affiliate of the Depositary) may act as principal for any conversion of Foreign Currency. If the Depositary shall have distributed warrants or other instruments that entitle the holders thereof to such Dollars, the Depositary shall distribute such Dollars to the holders of such warrants and/or instruments upon surrender thereof for cancellation, in either case without liability for interest thereon. Such distribution shall be made upon an averaged or other practicable basis without regard to any distinctions among Holders on account of any application of exchange restrictions or otherwise. If such conversion or distribution generally or with regard to a particular Holder can be effected only with the approval or licence of any government or agency thereof, the Depositary shall have the authority, with the assistance of the Company to the extent necessary, to file such application, for such approval or licence, if any, as it may consider desirable. In no event, however, shall the Depositary be obliged to make such a filing. If at any time the Depositary shall determine that in its judgement the conversion of any currency other than Dollars and the transfer and distribution of proceeds of such conversion received by the Depositary is not practicable or lawful, or if any approval or licence of any government or agency thereof which is required for such conversion, transfer or distribution is denied or, in the opinion of the Depositary, is not obtainable at a reasonable cost, or if any such approval or licence is not obtained within a reasonable period as determined by the Depositary, the Depositary may in its discretion (i) make such conversion and distribution in Dollars to the Holders for whom such conversion, transfer and distribution is lawful and practicable, (ii) distribute the Foreign Currency (or an appropriate document evidencing the right to receive such Foreign Currency) to Holders for whom this is lawful and practicable, and (iii) hold (or cause the Custodian to hold) such Foreign Currency (without liability for interest thereon) for the respective accounts of the Holders entitled to receive the same.

12. DISTRIBUTION OF ANY PAYMENTS

Any distribution of cash under Condition 5, 6, 7, 8, 9, 13 or 14 will be made by the Depositary to those Holders who are Holders of record on the GDR Record Date established by the Depositary in accordance with Condition 10 for that purpose and, distributions will be made in Dollars subject to Condition 11 by cheque drawn upon a bank in New York City, electronic transfer or, in the case of the Master GDR Certificate, according to usual practice between the Depositary and Euroclear and Clearstream, as the case may be. The Depositary may deduct and retain from all moneys due in respect of such GDR in accordance with the Deposit Agreement all fees, taxes, duties, charges, costs and expenses which may become or have become payable under the Deposit Agreement or under applicable law in respect of such GDR or the related Deposited Property.

13. CAPITAL REORGANISATION

Upon any change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of Deposited Property, or upon any recapitalisation, reorganisation, merger or consolidation or sale of assets affecting the Company or to which it is a party, any securities which shall be received by the Depositary or the Custodian in exchange for, or in conversion, replacement or otherwise in respect of, such Deposited Property shall, to the extent permitted by law, be treated as new Deposited Property under the Deposit Agreement and the Conditions, and the GDRs shall, subject to the terms of the Deposit Agreement, the Conditions and applicable law, evidence GDRs representing the right to receive such replacement securities. The Depositary may, with the Company's approval, and shall, if the Company shall so request, subject to the terms of the Deposit Agreement (including, without limitation, with respect to (a) the applicable fees and charges of, and expenses incurred by, the

Depositary, and (b) taxes) and the Conditions, and subject to the receipt by the Depositary of an opinion of counsel satisfactory to the Depositary (obtained at the expense of the Company) that such distributions are not in violation of any applicable laws or regulations, execute and deliver additional GDRs or make appropriate adjustments in its records, as in the case of a stock dividend on the Shares, or call for the surrender of outstanding GDRs to be exchanged for new GDRs, in either case, as well as in the event of newly deposited Shares, with necessary modifications to the form of GDR attached to the Deposit Agreement specifically describing such new Deposited Property or corporate change. Notwithstanding the foregoing, if any security so received may not be lawfully distributed to some or all Holders, the Depositary may, with the Company's approval, and shall if the Company requests, subject to the receipt by the Depositary of an opinion of counsel satisfactory to the Depositary (obtained at the expense of the Company) that such action is not in violation of any applicable laws or regulations, sell such securities at public or private sale, at such place or places and upon such terms as it may deem proper, and may allocate the net proceeds of such sales (net of (a) applicable fees and charges of, and expenses incurred by, the Depositary, and (b) taxes) for the account of the Holders otherwise entitled to such securities upon an averaged or other practicable basis without regard to any distinctions among such Holders and distribute the net proceeds so allocated to the extent practicable as in the case of a distribution received in cash pursuant to Condition 5. The Depositary shall not be responsible for (i) any failure to determine that it is lawful or practicable to make such securities available to Holders in general or to any Holder in particular, (ii) any foreign exchange exposure or loss incurred in connection with such sale, or (iii) any liability to the purchaser of such securities.

14. ELECTIVE DISTRIBUTIONS

Wherever the Company intends to distribute a dividend payable at the election of the holders of Shares in cash or in additional Shares and provides a notice to the Depositary indicating that the Company wishes such elective distribution to be made available to Holders of GDRs, upon receipt of satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement and after making the requisite determinations set forth in Clause 5.1 of the Deposit Agreement, the Depositary shall make such elective distribution available to Holders. If the Depositary fails to receive satisfactory documentation within the terms of Clause 7.1.4 of the Deposit Agreement or determines that it is not lawful or not reasonably practicable to make the elective distribution available to Holders of GDRs, or if the Company requests that such elective distribution not be made available to Holders of GDRs, the Depositary shall, to the extent permitted by law, distribute to the Holders, on the basis of the same determination as is made in the PRC in respect of the Shares for which no election is made, either (X) cash upon the terms described in Condition 5, or (Y) additional GDRs representing such additional Shares upon the terms described in Condition 6. If the above conditions are satisfied, the Depositary shall establish a GDR Record Date in accordance with Condition 10 and establish procedures to enable Holders to elect the receipt of the proposed dividend in cash or in additional GDRs. The Company shall assist the Depositary in establishing such procedures to the extent necessary. If a Holder elects to receive the proposed dividend (X) in cash, the dividend shall be distributed upon the terms described in Condition 5, or (Y) in GDRs, the dividend shall be distributed upon the terms described in Condition 6. Nothing in the Deposit Agreement or this Condition 14 shall obligate the Depositary to make available to Holders a method to receive the elective dividend in Shares (rather than GDRs). There can be no assurance that Holders and Beneficial Owners generally, or any Holder or Beneficial Owner in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of the Deposited Property.

15. TAXATION AND APPLICABLE LAWS

A. Payments to Holders of dividends or other distributions made to Holders on or in respect of the Deposited Property will be subject to deduction of PRC and other withholding taxes, if any, at the applicable rates, and notwithstanding any other provision of the Deposit Agreement or the Conditions, the Depositary and the Custodian will be entitled, subject to applicable law, to deduct from any cash dividend or other cash distribution which either of them receives from the Company such amount as is necessary in order to provide for any tax, charge, fee or other amount that is, or could become, payable by or on behalf of the Depositary to fiscal or other governmental authority on account of receiving such cash dividend or other cash distribution.

The Holder or Beneficial Owner of any GDR or any Deposited Property shall be deemed thereby to accept (by virtue of his ownership or deposit, as the case may be) that, if any tax or other governmental charge shall become payable with respect to any GDR, Deposited Property or GDR Certificate, such tax or other governmental charge shall be payable by the Holder and Beneficial Owner to the Depositary. The Custodian may refuse the deposit of Shares and the Depositary may refuse to issue or deliver GDRs, to register the transfer, split-up or combination of GDR Certificates and the withdrawal of Deposited Property until payment in full of such tax, charge, penalty or interest is received. The Depositary may, for the account of the Holder or Beneficial Owner, discharge the same out of the proceeds of sale, subject to PRC law and regulations, of an appropriate number of Deposited Shares or other Deposited Property with the Holder and Beneficial Owner remaining liable for any deficiency and being entitled to distribution of any surplus. Any such request shall be made by giving notice pursuant to Condition 25.

By virtue of its ownership of any GDR or Deposited Property, each Holder and Beneficial Owner shall be deemed to agree to indemnify the Depositary, the Company, the Custodian, and any of their agents, officers, employees and Affiliates for, and to hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for such Holder or Beneficial Owner. The obligations of Holders and Beneficial Owners under this Condition 15A shall survive any transfer of GDRs, any cancellation of GDRs and withdrawal of Deposited Shares, and the termination of the Deposit Agreement.

B. If any governmental or administrative authorisation, consent, registration or permit or any report to any governmental or administrative authority is required under any applicable law in the PRC in order for the Depositary to receive from the Company Shares to be deposited under the Conditions or in order for Shares, other securities or other property to be distributed under Condition 5, 6, 7, 13 or 14 or to be subscribed under Condition 8, the Depositary shall request that the Company apply for or assist in the application for, as the case may be, such authorisation, consent, registration or permit or file such report on behalf of the Holders within the time required under such law. In this connection, the Company has undertaken in the Deposit Agreement to take such action as may be reasonably required and to the extent it is legally able to do so, to assist in obtaining or filing the same. The Depositary shall not distribute GDRs, Shares, other securities or other property with respect to which such authorisation, consent or permit or such report has not been obtained or filed, as the case may be, and shall have no duties to obtain any such authorisation, consent or permit or to file any such report.

16. VOTING RIGHTS

A. Holders of GDRs will have voting rights with respect to the Deposited Shares. The Company has agreed to notify the Depositary of any meeting of holders of Shares of the Company at which holders of Shares or other Deposited Property are entitled to vote, or of solicitation of consents or proxies from holders of Shares or other Deposited Property and the Depositary will vote or cause to be voted the Deposited Shares in the manner set out in this Condition 16.

As soon as practicable after receipt from the Company of any such notice, the Depositary will fix the GDR Record Date in respect of such meeting or solicitation of consent or proxy in accordance with Condition 10. The Depositary shall, if requested by the Company in writing in a timely manner in accordance with Clause 5.3 of the Deposit Agreement and at the Company's expense and provided no applicable legal prohibitions exist, distribute to Holders as of the GDR Record Date: (a) such notice of meeting or solicitation of consent or proxy as well as any other material provided by the Company to the Depositary in connection therewith, (b) a statement that the Holders at the close of business in New York on the GDR Record Date will be entitled, subject to any applicable law, the provisions of the Deposit Agreement, the Conditions, the Articles of Association and the provisions of or governing the Deposited Property (which provisions, if any, shall be summarised in pertinent part by the Company), to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Shares or other Deposited Property represented by such Holder's GDRs, and (c) a brief statement as to the manner in which such voting instructions may be given.

B. Voting instructions may be given to the Depositary only in respect of a number of GDRs representing an integral number of Shares or other Deposited Property. Subject to applicable law, the provisions of the Deposit Agreement, the Conditions, the Articles of Association and the provisions of the Deposited Property, if the Depositary has received voting instructions from a Holder as of the GDR Record Date to vote the Deposited Property on or before the date specified by the Depositary, the Depositary shall endeavour, in so far as is practicable and permitted by PRC law and practice, to vote or cause the Custodian to vote the Shares and/or other Deposited Property represented by such Holder's GDRs for which timely and valid voting instructions have been received in the manner so instructed by such Holders. Holders of GDRs will not be able to instruct the Depositary to introduce proposals for the agenda of meetings of holders of Shares; request that a meeting of holders of Shares be called; or nominate candidates for the Board of Directors or certain other of the Company's governance bodies.

C. Neither the Depositary nor the Custodian shall, under any circumstances exercise any discretion as to voting and neither the Depositary nor the Custodian shall vote, attempt to exercise the right to vote, or in any way make use of the Shares or other Deposited Property represented by GDRs except pursuant to and in accordance with such instructions from Holders. If the Depositary timely receives voting instructions from a Holder which fail to specify the manner in which the Depositary is to vote the Deposited Property represented by such Holder's GDRs, the Depositary will deem such Holder (unless otherwise specified in the notice distributed to Holders) to have instructed the Depositary to vote in favour of the items set forth in such voting instructions. Notwithstanding anything else contained herein, the Depositary shall, if so requested in writing by the Company, represent all Deposited Property (whether or not voting instructions have been received in respect of such Deposited Property from Holders as of the GDR Record Date) for the sole purpose of establishing quorum at a meeting of shareholders.

D. There can be no assurance that Holders generally or any Holder in particular will receive the notice described above with sufficient time to enable the Holder to return voting instructions to the Depositary in a timely manner.

By continuing to hold GDRs, all Holders and Beneficial Owners shall be deemed to have agreed to the provisions of this Condition 16 as it may be amended from time to time in order to comply with applicable PRC law.

E. Notwithstanding anything else contained in the Deposit Agreement or the Conditions, the Depositary shall not have any obligation to take any action with respect to any meeting, or solicitation of consents or proxies, of holders of Deposited Property if the taking of such action would violate U.S., Swiss, English or PRC laws. The Company agrees to take any and all actions reasonably necessary to enable Holders and Beneficial Owners to exercise the voting rights accruing to the Deposited Property and to deliver to the Depositary an opinion of U.S., Swiss, English and/or PRC counsel (obtained at the expense of the Company), if so requested by the Depositary, addressing any actions requested to be taken.

17. LIABILITY

A. Neither the Depositary nor the Company shall be obliged to do or perform any act which is inconsistent with the provisions of the Deposit Agreement or the Conditions or shall incur any liability (i) if the Depositary or the Company shall be prevented or forbidden from, or delayed in, doing any act or thing required by the terms of the Deposit Agreement or the Conditions, by reason of any provision of any present or future law or regulation of the U.S., England, Switzerland, the PRC or any other country, or of any relevant governmental or regulatory authority or stock exchange, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or on account of potential criminal or civil penalties or restraint, or by reason of any provision, present or future, of the Articles of Association or any provision of or governing any Deposited Property or by reason of any other circumstances beyond their control (including, without limitation, acts of God or war, nationalisation, expropriation, currency restrictions, work stoppage, strikes, civil unrest, acts of terrorism, revolutions, rebellions, explosions and computer failure), (ii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, the Conditions or in the Articles of

Association or provisions of or governing Deposited Property, (iii) for any action or inaction in reliance upon the advice or information from any professional adviser (including legal counsel and accountants), any person presenting Shares for deposit, any Holder, any Beneficial Owner or authorised representative thereof, or any other person believed by it in good faith to be competent to give such advice or information, but only insofar as the terms of this subsection (iii) are not prohibited by applicable law, (iv) for the inability by a Holder or Beneficial Owner to benefit from any distribution, offering, right or other benefit which is made available to holders of Shares but is not, under the terms of the Deposit Agreement or the Conditions, made available to Holders of GDRs or (v) for any consequential or punitive damages for any breach of the terms of the Deposit Agreement or the Conditions.

B. In acting hereunder the Depositary shall have only those duties, obligations and responsibilities expressly specified in the Deposit Agreement and these Conditions and, other than holding the Deposited Property for the benefit of Holders as bare trustee, does not assume any relationship of trust for or with the Holders or the Beneficial Owners.

C. The Depositary, its controlling persons, its agents, any Custodian and the Company, its controlling persons and its agents may rely on, and shall be protected in acting upon, any written notice, request, direction or other document believed by it to be genuine and to have been duly signed or presented by the proper party or parties (including a translation which is made by a translator believed by it to be competent or which appears to be authentic).

D. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement or the Conditions.

E. Without limitation of the foregoing, neither the Depositary, nor the Company, nor any of their respective controlling persons or agents, shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Property or in respect of the GDRs, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required (and no Custodian shall be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary).

F. The Depositary has no obligation under the Deposit Agreement to take steps to monitor, supervise or enforce the observance and performance by the Company of its obligations under the Deposit Agreement or the Conditions.

G. Neither the Depositary, the Custodian nor any of their agents, officers, directors or employees shall be liable (except by reason of its own gross negligence, bad faith, fraud or wilful default or that of its agents, officers, directors or employees) to the Company or any Holder or owner of a GDR, by reason of having accepted as valid or not having rejected any certificate for Shares or GDRs purporting to be such and subsequently found to be forged or not authentic.

H. The Depositary and each of its agents (and any holding, subsidiary or associated company of the Depositary) may engage or be interested in any financial or other business transactions with the Company or any of its subsidiaries or affiliates or in relation to the Deposited Property (including, without prejudice to the generality of the foregoing, the conversion of any part of the Deposited Property from one currency to another), may at any time hold GDRs for its own account, and shall be entitled to charge and be paid all usual fees, commissions and other charges for business transacted and acts done by it as a bank or in any other capacity, and not in the capacity of Depositary, in relation to matters arising under the Deposit Agreement (including, without prejudice to the generality of the foregoing, charges on the conversion of any part of the Deposited Property from one currency to another and any sales of property) without accounting to Holders or any other person for any profit arising therefrom.

I. The Depositary shall endeavour to effect any such sale as is referred to or contemplated in Conditions 6, 7, 8, 13 or 14 or any such conversion as is referred to in Condition 8 in accordance with the Depositary's normal practices and procedures, but shall have no liability (in the absence of its own gross negligence, bad faith, fraud or wilful default or that of its agents, officers, directors or employees) with respect to the terms of such sale or conversion or if such sale or conversion shall not be possible.

J. The Depositary shall, subject to all applicable laws, have no responsibility whatsoever to the Company, any Holder, Beneficial Owner or person with an interest in a GDR as regards any deficiency which might arise because the Depositary is subject to any tax in respect of the Deposited Property or any part thereof or any income therefrom or any proceeds thereof.

K. In connection with any proposed modification, waiver, authorisation or determination permitted by the terms of the Deposit Agreement or the Conditions, the Depositary shall not, except as otherwise expressly provided in Condition 24, be obliged to have regard to the consequence thereof for the Holders, Beneficial Owners, a person with an interest in a GDR or any other person.

L. Notwithstanding anything else contained in the Deposit Agreement or the Conditions, the Depositary may refrain, without liability, from doing anything which could or might, in its reasonable opinion, be contrary to any law, directive or regulation or render it liable to any person and the Depositary may, without liability, do anything which is, in its reasonable opinion, necessary to comply with any such law, directive or regulation.

M. The Depositary shall be under no obligation to check, monitor or enforce compliance with any ownership restrictions in respect of GDRs or Shares under any applicable PRC law. Notwithstanding the generality of Condition 3, the Depositary shall refuse to register any transfer of GDRs or any deposit of Shares against issue of GDRs if notified by the Company, or if the Depositary becomes aware of the fact that such transfer or issue would be in violation of the limitations set forth above or any other applicable laws.

N. The Depositary may call for, and shall be at liberty to accept as sufficient and rely upon, evidence of any fact or matter or the expediency of any transaction or thing, a certificate, letter or other communication, whether oral or written, signed or otherwise communicated on behalf of the Company, by the Board of Directors of the Company or by a person duly authorised by the Board of Directors of the Company, or such other certificate from persons which the Depositary considers appropriate and the Depositary shall not be bound in any such case to call for further evidence or be responsible to any person for any loss or liability that may be occasioned by the Depositary acting and relying on such certificate.

O. The Depositary and its agents shall not be liable for any failure to carry out any instructions to vote any of the Deposited Property, or for the manner in which any vote is cast or the effect of any vote (other than where such failure or action is a result of its own gross negligence, bad faith, fraud or wilful default or is not in accordance with the terms of the Deposit Agreement and the Conditions). The Depositary shall not incur any liability (save in the case of its own gross negligence, bad faith, fraud or wilful default) for any failure to determine that any distribution or action may be lawful or reasonably practicable, for the content of any information submitted to it by the Company for distribution to the Holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the Deposited Property, for the validity or worth of the Deposited Property, for the value of any Deposited Property or any distribution thereon, for any interest on Deposited Property, for any tax consequences that may result from the ownership of GDRs, Shares or Deposited Property, for the creditworthiness of any third party, for allowing any rights to lapse upon the terms of the Deposit Agreement and the Conditions, for the failure or timeliness of any notice from the Company or for any action of or failure to act by, or any information provided or not provided by, Euroclear or Clearstream or any Euroclear or Clearstream, as the case may be.

P. No provision of the Deposit Agreement or the Conditions shall require the Depositary to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity, security and/or prefunding against such risk of liability is not assured.

Q. The Depositary may, in the performance of its obligations hereunder and in the Deposit Agreement, instead of acting personally, employ and pay an agent, whether a lawyer or other person, including obtaining an opinion of legal advisers in form and substance reasonably satisfactory to it, to transact or concur in transacting any business and do or concur in doing all acts required to be done by such party, including the receipt and payment of money. Save for the failure on the part of the Depositary to exercise due care in the selection or retention of any such agent, the Depositary will not be liable to anyone for any misconduct or omission by any such agent so employed by it or be bound to supervise the proceedings or acts of any such agent.

R. None of the Depositary, the Custodian, the Company or any of their respective agents or affiliates shall be required to take any actions whatsoever on behalf of Holders or Beneficial Owners to satisfy reporting requirements or obtain regulatory approvals under applicable laws and regulations which shall be the sole responsibility of the Holders and Beneficial Owners as described in Condition 4C.

S. The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without gross negligence, fraud, bad faith or wilful default while it acted as Depositary.

T. The Depositary shall not be liable for any acts or omissions made by a predecessor depositary whether in connection with an act or omission of the Depositary or in connection with any matter arising wholly prior to the appointment of the Depositary or after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without gross negligence, fraud, bad faith or wilful default while it acted as Depositary.

18. ISSUE AND DELIVERY OF REPLACEMENT GDRS AND EXCHANGE OF GDRS

Subject to the payment of the relevant fees, taxes, duties, charges, costs and expenses and such terms as to evidence and indemnity as the Depositary may require, replacement GDRs will be issued by the Depositary and will be delivered in exchange for or in replacement of outstanding lost, stolen, mutilated, defaced or destroyed GDRs upon surrender thereof (except in the case of destruction, loss or theft) at the Principal New York Office.

19. GDR FEES AND CHARGES

A. The following GDR fees are payable under the terms of the Deposit Agreement:

(i) Issuance Fee: by any person for whom the GDRs are issued (i.e., an issuance upon a deposit of Shares, upon a change in the GDR(s)-to-Share(s) ratio, or for any other reason (excluding issuances as a result of distributions described in paragraph (iv) below)), a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) issued under the terms of the Deposit Agreement and the Conditions;

(ii) Cancellation Fee: by any person for whom GDRs are being cancelled (e.g., a cancellation of GDRs for delivery of Deposited Property, upon a change in the GDR(s)-to-Share(s) ratio, or for any other reason), a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) cancelled;

(iii) Cash Distribution Fee: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of cash dividends or other cash distributions (e.g., upon the sale of rights and other entitlements);

(iv) Stock Distribution/Rights Exercise Fees: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of GDRs pursuant to (a) stock dividends or other free stock distributions or (b) an exercise of rights to purchase additional GDRs;

(v) Other Distribution Fee: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held for the distribution of securities other than GDRs or rights to purchase additional GDRs (e.g., spin-off shares);

(vi) Depositary Services Fee: by any Holder of GDRs, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) held on the applicable record date(s) established by the Depositary;

(vii) Registration Fee: by any person for whom or to whom GDRs are transferred, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) transferred for the registration of GDR transfers (e.g., upon a registration of the transfer of registered ownership of GDRs, upon a transfer of GDRs into Euroclear or Clearstream and vice versa, or for any other reason); and

(viii) Conversion Fee: by any person for whom GDRs are converted or to whom the converted GDRs are delivered, a fee not in excess of U.S.$5.00 per 100 GDRs (or fraction thereof) converted for the conversion of GDRs of one series for GDRs of another series (e.g., upon the conversion of Partial Entitlement GDRs for Full Entitlement GDRs, and vice versa).

Certain of the GDR fees and charges (such as the Depositary Services Fee) may become payable shortly after the closing of an offering of the GDRs.

In addition, the Company, Holders, Beneficial Owners, persons depositing Shares or withdrawing Deposited Property in connection with GDR issuances and cancellations and persons for whom GDRs are issued or cancelled shall be responsible for the following GDR charges under the terms of the Deposit Agreement:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of Shares or other Deposited Property on the share register and applicable to transfers of Shares or other Deposited Property to or from the name of the Custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Shares or withdrawing Deposited Property or of the Holders and Beneficial Owners of GDRs;

(iv) in connection with the conversion of Foreign Currency, the fees, expenses, spreads, taxes and other charges of the Depositary and/or conversion service providers (which may be a division, branch or Affiliate of the Depositary). Such fees, expenses, spreads, taxes and other charges shall be deducted from the Foreign Currency;

(v) any reasonable and customary out-of-pocket expenses incurred in such conversion and/or on behalf of Holders and Beneficial Owners in complying with currency exchange control or other governmental requirements; and

(vi) the fees, charges, costs and expenses incurred by the Depositary, the Custodian or any nominee in connection with the GDR programmes.

B. Any other charges and expenses of the Depositary under the Deposit Agreement and the Conditions will be paid by the Company upon agreement between the Depositary and the Company. All GDR fees and charges may, at any time and from time to time, be changed by agreement between the Depositary and Company but, in the case of GDR fees and charges payable by Holders and Beneficial Owners, only in the manner contemplated by Condition 24. The Depositary shall provide, without charge, a copy of its latest GDR fee schedule to anyone upon request.

C. GDR fees and charges payable for (i) the issuance of GDRs and (ii) the cancellation of GDRs will be payable by the person for whom the GDRs are so issued by the Depositary (in the case of GDR issuances) and by the person for whom GDRs are being cancelled (in the case of GDR cancellations). In the case of GDRs issued by the Depositary into Euroclear or Clearstream, the GDR issuance and cancellation fees and charges will be payable by the Euroclear Participant(s) or Clearstream Participant(s) receiving the GDRs from the Depositary or the Euroclear Participant(s) or Clearstream Participant(s) holding the GDRs being cancelled, as the case may be, on behalf of the Beneficial Owner(s) and will be charged by the Euroclear Participant(s) or Clearstream Participant(s) to the account(s) of the applicable Beneficial Owner(s) in accordance with the procedures and practices of the Euroclear Participant(s) or Clearstream Participant(s) as in effect at the time. GDR fees and charges in respect of distributions and the Depositary services fee are payable by Holders as of the applicable GDR Record Date established by the Depositary. In the case of distributions of cash, the amount of the applicable GDR fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the Depositary services fee, the applicable Holders as of the GDR Record Date established by the Depositary will be invoiced for the amount of the GDR fees and charges, and such GDR fees and charges may be deducted from distributions made to Holders. For GDRs held through Euroclear or Clearstream, the GDR fees and charges for distributions other than cash and the Depositary services fee may be deducted from distributions made through Euroclear and Clearstream and may be charged to the Euroclear Participants or Clearstream Participants in accordance with the procedures and practices prescribed by Euroclear or Clearstream from time to time and the Euroclear Participants or Clearstream Participants in turn charge the amount of such GDR fees and charges to the Beneficial Owners for whom they hold GDRs. In the case of (i) registration of GDR transfers, the GDR transfer fee will be payable by the Holder whose GDRs are being transferred or by the person to whom the GDRs are transferred, and (ii) conversion of GDRs of one series for GDRs of another series, the GDR conversion fee will be payable by the Holder whose GDRs are converted or by the person to whom the converted GDRs are delivered.

D. The Depositary may reimburse the Company for certain expenses incurred by the Company in respect of the GDR programme established pursuant to the Deposit Agreement, by making available a portion of the GDR fees charged in respect of the GDR programme or otherwise, upon such terms and conditions as the Company and the Depositary may agree from time to time. The Company shall pay to the Depositary such fees and charges and reimburse the Depositary for such out of pocket expenses as the Depositary and the Company may agree from time to time. Responsibility for payment of such fees, charges and reimbursements may from time to time be changed by agreement between the Company and the Depositary. Unless otherwise agreed, the Depositary shall present its statement for such fees, charges and reimbursements to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

20. LISTING

The Company has undertaken in the Deposit Agreement to use its reasonable endeavours to obtain and thereafter maintain, so long as any GDR is outstanding, admission of trading for GDRs on SIX Swiss Exchange AG (or any successor of SIX Swiss Exchange AG) and a listing of the Shares on the SZSE. For that purpose the Company will pay all fees and sign and deliver all undertakings required by SIX Swiss Exchange AG (or any successor of SIX Swiss Exchange AG) and the SZSE and other regulatory authorities as may be required under applicable law in connection therewith.

21. THE CUSTODIAN

The Depositary has agreed with the Custodian that the Custodian will receive and hold all Deposited Property in an account of the Depositary or for the account and to the order of the Depositary in accordance with the applicable terms of the Deposit Agreement. The Custodian shall be responsible solely to the Depositary. Upon receiving notice of the resignation of the Custodian, the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. Whenever the Depositary, in its sole discretion, determines that it is in the best interest of the Holders to do so, it may terminate the appointment of the Custodian, provided that the Depositary shall promptly appoint a successor Custodian, which shall, upon acceptance of such appointment, become the Custodian under the Deposit Agreement. The Depositary shall use reasonable endeavours to procure that a Custodian is appointed at all times. The Depositary shall notify Holders of such change as soon as is practically possible following such change taking effect in accordance with Condition 25.

Citibank, N.A. may at any time act as Custodian of the Deposited Shares pursuant to the Deposit Agreement, in which case any reference to Custodian shall mean Citibank, N.A. solely in its capacity as Custodian pursuant to the Deposit Agreement.

Notwithstanding anything contained in the Deposit Agreement or the Conditions, the Depositary shall not be obligated to give notice to the Company, any Holders of GDRs or any other Custodian of its acting as Custodian pursuant to the Deposit Agreement.

22. RESIGNATION AND TERMINATION OF APPOINTMENT OF THE DEPOSITARY

A. The Depositary may, without giving a reason and without liability for any cost or expense in connection therewith, at any time resign as Depositary by written notice of resignation delivered to the Company, which resignation shall be effective on the earlier to occur of (i) the 90th day after delivery thereof to the Company, after which the Depositary shall be entitled to take the termination actions contemplated in Condition 23(A), and (ii) the appointment by the Company of a successor depositary and the acceptance by such successor depositary of such appointment.

The Depositary may at any time be removed by the Company by written notice of removal delivered to the Depositary, which removal shall be effective on the later to occur of (i) the 90th day after delivery thereof to the Company, after which the Depositary shall be entitled to take the termination actions contemplated in Condition 23(A), and (ii) the appointment by the Company of a successor depositary and the acceptance by such successor depositary of such appointment.

B. The Company has undertaken in the Deposit Agreement to use its reasonable efforts to procure the appointment of a successor depositary following the receipt of a notice of resignation from the Depositary or the giving of a notice of the termination of the appointment of the Depositary. Upon any such appointment and acceptance, notice thereof shall be duly given by the successor depositary to the Holders in accordance with Condition 25.

C. Any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

23. TERMINATION OF DEPOSIT AGREEMENT

A. The Company may at any time terminate the Deposit Agreement. Upon written direction of the Company, the Depositary shall provide notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination.

If ninety (90) days shall have expired after (i) the Depositary shall have delivered to the Company a written notice of its election to resign pursuant to Clause 11.1 of the Deposit Agreement and Condition 22(A) or (ii) the Company shall have delivered to the Depositary a written notice of the removal of the Depositary pursuant to Clause 11.1 of the Deposit Agreement and Condition 22(A) and, in either case, a successor depositary shall not have been appointed and accepted its appointment as provided in Clause 11.1 of the Deposit Agreement and Condition 22(B), the Depositary may terminate the Deposit Agreement by providing notice of such termination to the Holders of all GDR Certificates then outstanding at least thirty (30) days prior to the date fixed in such notice for such termination.

The date fixed for termination of the Deposit Agreement in any termination notice distributed by the Depositary to the Holders of GDRs is referred to as the "Termination Date". Until the Termination Date, the Depositary shall continue to perform all of its obligations under the Deposit Agreement and the Conditions, and the Holders and Beneficial Owners will be entitled to all of their rights under the Deposit Agreement and the Conditions.

B. If any GDRs shall remain outstanding after the Termination Date, the Registrar and the Depositary shall not, after the Termination Date, have any obligation to perform any further acts under the Deposit Agreement or the Conditions, except that the Depositary shall, subject, in each case, to the terms and conditions of the Deposit Agreement and the Conditions, continue to (i) collect dividends and other distributions pertaining to Deposited Property, (ii) sell securities and other property received in respect of Deposited Property, (iii) deliver Deposited Property, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any securities or other property, in exchange for GDRs surrendered to the Depositary (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreement and Condition 19), and (iv) take such actions as may be required under applicable law in connection with its role as Depositary under the Deposit Agreement.

At any time after the Termination Date, the Depositary may sell the Deposited Property then held under the Deposit Agreement and shall after such sale hold un-invested the net proceeds of such sale, together with any other cash then held by it under the Deposit Agreement, in an un-segregated account and without liability for interest, for the pro-rata benefit of the Holders whose GDRs have not theretofore been surrendered. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement and the Conditions except (i) to account for such net proceeds and other cash (after deducting or charging, as the case may be, in each case, the fees and charges of, and expenses incurred by, the Depositary, and all applicable taxes or governmental charges for the account of the Holders and Beneficial Owners, in each case upon the terms set forth in Clause 10.1 of the Deposit Agreement and Condition 19), and (ii) as may be required at law in connection with the termination of the Deposit Agreement. After the Termination Date, the Company shall be discharged from all obligations under the Deposit Agreement and the Conditions, except for its obligations to the Depositary under Clause 10 of the Deposit Agreement and Condition 19. The obligations under the terms of the Deposit Agreement and the Conditions of Holders and Beneficial Owners of GDRs outstanding as of the Termination Date shall survive the Termination Date and shall be discharged only when the applicable GDRs are presented by their Holders to the Depositary for cancellation under the terms of the Deposit Agreement and the Conditions (except as specifically provided therein).

C. Notwithstanding anything contained in the Deposit Agreement or any GDR, in connection with the termination of the Deposit Agreement, the Depositary may, independently and without the need for any action by the Company, make available to Holders of GDRs a means to withdraw the Deposited Shares represented by their GDRs and to direct the deposit of such Deposited Shares into an unsponsored global depositary receipts programme established by the Depositary, upon such terms and conditions as the Depositary may deem reasonably appropriate, subject however, in each case, to satisfaction of the requirements by the unsponsored global depositary receipts programme under the Securities Act, and to receipt by the Depositary of payment of the applicable fees and charges of, and reimbursement of the applicable expenses incurred by, the Depositary.

24. AMENDMENT OF DEPOSIT AGREEMENT AND CONDITIONS

All and any of the provisions of the Deposit Agreement and these Conditions may at any time and from time to time be amended by written agreement between the Company and the Depositary in any respect which they may deem necessary or desirable. Notice of any amendment of the Deposit Agreement and these Conditions (except to correct a manifest error) shall be duly given to the Holders by the Depositary and any amendment (except as aforesaid) which shall increase or impose fees or charges payable by Holders or which shall otherwise, in the opinion of the Depositary, be materially prejudicial to the interests of the Holders (as a class) shall not become effective so as to impose any obligation on the Holders of the outstanding GDRs until the expiry of thirty (30) days after such notice shall have been given. Every Holder or Beneficial Owner at the time any amendment or supplement so becomes effective shall be deemed, by continuing to hold GDRs or any beneficial interest therein to consent to and approve such amendment or supplement and to be bound by the terms of the Deposit Agreement and the Conditions as amended and supplemented thereby.

In no event shall any amendment impair the right of any Holder to receive, subject to and upon compliance with Clause 3 of the Deposit Agreement and Condition 2, the Deposited Property attributable to the relevant GDR except in order to comply with mandatory provisions of applicable law.

The parties hereto agree that substantial rights of Holders and Beneficial Owners shall not be deemed materially prejudiced by any amendments or supplements which (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for the GDRs or Shares to be settled in electronic-book entry form and (ii) do not impose or increase any fees or charges to be borne by Holders or Beneficial Owners.

Notwithstanding anything in the Deposit Agreement or the Conditions to the contrary, if any governmental body should adopt new laws, rules or regulations which would require an amendment or supplement of the Deposit Agreement or the Conditions to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement, and the Conditions at any time in accordance with such changed laws, rules or regulations. Such amendment or supplement to the Deposit Agreement and the Conditions in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance with such laws, rules or regulations.

25. NOTICES

Any and all notices to be given to any Holder shall be deemed to have been duly given if (a) personally delivered or sent by mail, addressed to such Holder at the address of such Holder as it appears on the books of the Depositary or, if such Holder shall have filed with the Depositary a request that notices intended for such Holder be mailed to some other address, at the address specified in such request, or (b) if a Holder shall have designated such means of notification as an acceptable means of notification under the terms of the Deposit Agreement and the Conditions, by means of electronic messaging addressed for delivery to the e-mail address designated by the Holder for such purpose.

Notice to Holders shall be deemed to be notice to Beneficial Owners for all purposes of the Deposit Agreement and the Conditions. Failure to notify a Holder or any defect in the notification to a Holder shall not affect the sufficiency of notification to other Holders or to the Beneficial Owners of GDRs held by such other Holders.

Delivery of a notice sent by mail, air courier or facsimile transmission shall be deemed to be effective at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a facsimile transmission) is deposited, postage prepaid, in a post office letter box or delivered to an air courier service, without regard for the actual receipt or time of actual receipt thereof by a Holder. The Depositary or the Company may, however, act upon any facsimile transmission received by it from any Holder, the Custodian, the Depositary or the Company, notwithstanding that such facsimile transmission shall not be subsequently confirmed by letter.

Delivery of a notice by means of electronic messaging shall be deemed to be effective at the time of the initiation of the transmission by the sender (as shown on the sender's records), notwithstanding that the intended recipient retrieves the message at a later date, fails to retrieve such message, or fails to receive such notice on account of its failure to maintain the designated e-mail address, its failure to designate a substitute e-mail address or for any other reason.

26. COPIES OF COMPANY NOTICES

On or before the day when the Company first gives notice, by publication, or otherwise, to holders of any Shares or other Deposited Property, whether in relation to the taking of any action in respect thereof or in respect of any dividend or other distribution thereon or of any meeting or adjourned meeting of such holders or otherwise, the Company has undertaken in the Deposit Agreement to transmit to the Custodian and the Depositary a copy of such notice and any other material in English but otherwise in the form given or to be given to holders of Shares or other Deposited Property.

In addition, save as otherwise agreed with the Depositary, the Company will transmit to the Depositary English-language versions of the other notices, reports and communications which are generally made available by the Company to holders of Shares or other Deposited Property. The Depositary will, at the expense of the Company, make available a copy of any such notices, reports or communications issued by the Company and delivered to the Depositary for inspection by the Holders and Beneficial Owners at the Principal New York Office and the Principal London Office, at the office of the Custodian and at any other designated transfer office. The Depositary shall arrange, at the request of the Company and at the Company's expense, for the distribution of copies thereof to all Holders on a basis similar to that for holders of Shares or other Deposited Property or on such other basis as the Company may advise the Depositary.

27. MONEYS HELD BY THE DEPOSITARY

The Depositary shall be entitled to deal with moneys paid to it by the Company for the purposes of the Deposit Agreement in the same manner as other moneys paid to it as a banker by its customers and shall not be liable to account to the Company or any holder or any other person for any interest thereon, except as otherwise agreed.

28. SEVERABILITY

If any one or more of the provisions contained in the Deposit Agreement or in the Conditions shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained therein or herein shall in no way be affected, prejudiced or otherwise disturbed thereby.

29. GOVERNING LAW

A. The Deposit Agreement, the Conditions, the Deed Poll and the GDRs, and any non-contractual obligations arising out of or in connection with them, are governed by and construed in accordance with English law, except that the required certifications from the persons making deposits or withdrawals of Shares pursuant to the Deposit Agreement are governed by and shall be construed in accordance with the laws of the State of New York. For the avoidance of doubt, the rights and obligations attaching to the Deposited Shares will be governed by PRC law.

B. Any claim, dispute or difference of whatever nature arising under, out of or in connection with the Deposit Agreement, the Conditions, the Deed Poll and the GDRs, and the legal relationship established thereby (including any claim, dispute or difference regarding the existence, termination or validity of the Deposit Agreement, the Conditions, the Deed Poll or the GDRs or any non-contractual obligations arising out of or in connection with any of them) (a "Dispute"), shall be referred to, and finally resolved by, binding arbitration in accordance with the rules of the London Court of International Arbitration (the "Rules"), which Rules shall be deemed to be incorporated into this Condition 29(B).

The seat, or legal place, of the arbitration shall be London, England and the language of the arbitration shall be English.

The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall constitute one 'side' which shall nominate one arbitrator; the respondent(s), irrespective of number, shall constitute one 'side' which shall nominate the second arbitrator; and a third arbitrator, who shall serve as chairman, shall be appointed by the LCIA Court.

The jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996 is expressly excluded.

Each of (a) the Company; (b) the Depositary; and (c) the Holders and the Beneficial Owners (who are deemed, by virtue of being a Holder or Beneficial Owner and owning, acquiring or holding, as the case may be, a GDR, to have notice of and be subject to all applicable provisions of the Deposit Agreement and the Conditions):

(i) irrevocably consents to the consolidation of two or more arbitrations commenced pursuant to this Condition 29(B) pursuant to the Rules (or as otherwise permitted), and to be joined, and to the joinder of any other persons, to such consolidated arbitration(s);

(ii) agrees not to challenge the terms and enforceability of this Condition 29(B) including, but not limited to, any challenge based on lack of mutuality, and hereby irrevocably waives any such challenge;

(iii) irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it or they may now or hereafter have to the proceedings brought in the arbitral tribunal specified in this Condition 29(B), and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in the arbitral tribunal that any proceedings brought in the arbitral tribunal specified in this Condition 29(B) has been brought in an inconvenient forum;

(iv) irrevocably and unconditionally waives, to the fullest extent permitted by law, and agrees not to plead or claim, any right of sovereign or other immunity from proceedings brought in the arbitral tribunal specified in this Condition 29(B) with respect to any matter arising out of, or in connection with the Deposit Agreement, the Conditions, the Deed Poll and/or the GDRs; and

(v) hereby 'opts out' of Article 9B of the Rules.

30. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to the Deposit Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 (the "Act") of the United Kingdom to enforce any term of the Deposit Agreement but this does not affect any right or remedy granted under the Deed Poll or which otherwise exists or is available apart from the Act.

DEPOSITARY

Citibank, N.A.
388 Greenwich Street
New York, New York 10013
United States of America

CUSTODIAN

Industrial and Commercial Bank of China Limited
No. 55 Fuxingmennei Street
Xicheng District
Beijing P.R.C.
Post Code: 100140

and/or such other Depositary and/or such other Custodian or Custodians and/or principal offices as may from time to time be duly appointed and notified to the Holders.

The GDRs will initially be evidenced by a single Master GDR Certificate in registered form. The Master GDR Certificate will be registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc as common depositary for Euroclear and Clearstream on the date the Regulation S GDRs are issued.

The Master GDR Certificate contains provisions which apply to the GDRs whilst they are in master form. Words and expressions given a defined meaning in the Conditions shall have the same meanings in this section unless otherwise provided in this section.

EXCHANGE

The Master GDR Certificates will only be exchanged for certificates in definitive registered form representing GDRs in the circumstances described in paragraphs (i), (ii) or (iii) below in whole but not in part and until exchanged in full subject to the Conditions and the Deposit Agreement. The Depositary will irrevocably undertake in the Master GDR Certificate to deliver certificates in definitive registered form representing GDRs in exchange for the Master GDR Certificate to the Holders within 60 calendar days in the event that:

(i) Euroclear or Clearstream notifies the Company that it is unwilling or unable to continue as clearing or settlement system and a successor clearing or settlement system is not appointed within 90 calendar days; or

(ii) Euroclear or Clearstream is closed for business for a continuous period of 14 calendar days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, and, in each case, no alternative clearing system satisfactory to the Depositary is available within 45 calendar days; or

(iii) the Depositary has determined that, on the occasion of the next payment in respect of the Master GDR Certificate, the Depositary or its agent would be required to make any deduction or withholding from any payment in respect of the Master GDR Certificate which would not be required were the GDRs represented by certificates in definitive registered form, provided that the Depositary shall have no obligation to so determine or to attempt to so determine.

Any exchange shall be at the expense of the relevant Holder.

A GDR evidenced by an individual definitive certificate will not be eligible for clearing and settlement through Euroclear or Clearstream. Upon any exchange of a part of a Master GDR Certificate for certificates in definitive registered form, or any distribution of GDRs pursuant to Conditions 4, 5, 6, 7 or 9 or any reduction in the number of GDRs represented thereby following any withdrawal of Deposited Property pursuant to Condition 2, or any increase in the number of GDRs following the deposit of Shares pursuant to Condition 1, the relevant details shall be entered by the Depositary on the register maintained by the Depositary whereupon the number of GDRs represented by the Master GDR Certificate shall be reduced or increased (as the case may be) for all purposes by the amount so exchanged and entered on the register. If the number of GDRs represented by a Master GDR Certificate is reduced to zero, such Master GDR Certificate shall continue in existence until the obligations of the Company under the Deposit Agreement and the Conditions and the obligations of the Depositary pursuant to the Deposit Agreement and the Conditions have terminated.

PAYMENTS, DISTRIBUTIONS AND VOTING RIGHTS

Payments of cash dividends and other amounts (including cash distributions) will be made by the Depositary through Euroclear and Clearstream, on behalf of persons entitled thereto upon receipt of funds therefore from the Company. Any free distribution or rights issue of Shares to the Depositary on behalf of the Holders will result in the records maintained by the Depositary being adjusted to reflect the enlarged number of GDRs represented by the Master GDR Certificate.

Holders of GDRs will have voting rights as set out in the Conditions.

SURRENDER OF GDRS

Any requirement in the Conditions relating to the surrender of a GDR to the Depositary shall be satisfied by the production by Euroclear or Clearstream, on behalf of a person entitled to an interest therein of such evidence of entitlement of such person as the Depositary may reasonably require, which is expected to be a certificate or other documents issued by Euroclear or Clearstream, as appropriate. The delivery or production of any such evidence shall be sufficient evidence in favor of the Depositary, any Agent and the Custodian of the title of such person to receive (or to issue instructions for the receipt of) all money or other property payable or distributable in respect of the Deposited Property represented by such GDRs and to issue voting instructions.

NOTICES

For as long as the Master GDR Certificate is registered in the name of a nominee for a common depositary holding on behalf of Euroclear and Clearstream, notices to Holders may be given by the Depositary by delivery of the relevant notice to Euroclear and Clearstream for communication to persons entitled thereto in substitution for delivery of notices in accordance with Condition 24.

GOVERNING LAW

The Master GDR Certificate, and any non-contractual obligations arising out of or in connection with the Master GDR Certificate, shall be governed by and construed in accordance with English law.

THE DEPOSITARY

The Depositary is Citibank, N.A., a national banking association organized under the laws of the United States. The Depositary is an indirect wholly-owned subsidiary of Citigroup, Inc., a Delaware corporation. The Depositary is primarily regulated by the United States Office of the Comptroller of the Currency. See "*Information Relating to the Depositary*." There are no bank or other guarantees attached to the GDRs which are intended to underwrite the Depositary's obligations.

Rights of Holders of GDRs

Relationship of Holders of GDRs with the Depositary: The rights of Holders against the Depositary are governed by the Conditions and the Deposit Agreement, which are governed by English law. The Depositary and the Company are parties to the Deposit Agreement. Holders of GDRs have contractual rights in relation to cash and other Deposited Property (including Deposited Shares, which are Shares of the Company represented by GDRs) deposited with the Depositary under Clause 3 of the Deposit Agreement, and otherwise under the Deposit Agreement by virtue of the Deed Poll. The Depositary will hold the Deposited Shares and other non-cash assets as bare trustee for the Holders; however, the Depositary does not otherwise assume any relationship of trust for or with the Holders or the beneficial owners of the GDRs or any other person. Any cash held by the Depositary for Holders will be held by the Depositary as banker.

Voting: With respect to voting of Deposited Shares and other Deposited Property represented by GDRs, the Conditions and the Deposit Agreement provide that, upon receipt of notice from the Company of any meeting at which the holders of Shares or other Deposited Property are entitled to vote, or of a solicitation of consent or proxy from holders of Shares or Deposited Property, the Depositary shall, providing that no relevant legal prohibitions exist, send to any person who is a Holder on the record date established by the Depositary for that purpose (which shall be as close as possible to the corresponding record date set by the Company) such notice of meeting or solicitation of consent or proxy, along with a brief statement on the manner in which such Holders may provide the Depositary with voting instructions for matters to be considered. The Deposit Agreement provide that the Depositary will endeavor to exercise or cause to be exercised the voting rights with respect to Deposited Shares in accordance with instructions from Holders. As of the date of this Prospectus, the Company confirms that there are no restrictions under applicable law, the Articles of Association or the provisions of the Deposited Shares that would prohibit or restrict the Depositary from voting any of the Deposited Shares in accordance with instructions from Holders, except for those generally applicable to all shareholders of the Company.

Delivery of Deposited Shares: Pursuant to the China-Switzerland Stock Connect, GDR holders will not be permitted to redeem their GDRs and hold the Deposited Shares underlying such GDRs in an on-shore account (such as a QFI account) or have the underlying Deposited Shares held on their behalf by a Designated Broker. If GDR holders wish to hold A Shares they must purchase them separately either from the funds received from a sale of GDRs (whether a sale of GDRs on SIX Swiss Exchange (or another legitimate trading venue) or a redemption of GDRs and sale of the underlying A Shares on the Shenzhen Stock Exchange through a Designated Broker) or from funds unconnected with their holding of GDRs. GDR holders or former GDR holders that are non-PRC investors may only hold A Shares if they are QFIIs or RQFIIs or are otherwise able to hold A Shares through another exemption.

Rights of the Company

The Company has broad rights to remove the Depositary under the terms of the Deposit Agreement, but no specific rights under the Deposit Agreement which are triggered in the event of the insolvency of the Depositary.

Insolvency of the Depositary

Applicable insolvency law: If the Depositary becomes insolvent, the insolvency proceedings will be governed by US laws applicable to the insolvency of banks.

Effect of applicable insolvency law in relation to cash: The Conditions state that any cash held by the Depositary for Holders is held by the Depositary as banker. Under current US and English law, it is expected that any cash held for Holders by the Depositary as banker under the Conditions would constitute an unsecured obligation of the Depositary. Holders would therefore only have an unsecured claim in the event of the Depositary's insolvency for such cash that would also be available to general creditors of the Depositary.

Effect of applicable insolvency law in relation to non-cash assets: The Deposit Agreement states that the Deposited Shares and other non-cash assets which are held by the Depositary for Holders are held by the Depositary as bare trustee and, accordingly, the Holders will be tenants in common for such Deposited Shares and other non-cash assets. Under current US and English law, it is expected that any Deposited Shares and other non-cash assets held for Holders by the Depositary on trust under the Conditions would not constitute assets of the Depositary and that Holders would have ownership rights relating to such Deposited Shares and other non-cash assets and be able to request the Depositary's receiver or conservator to deliver such Depositary Shares and other non-cash assets that would be unavailable to general creditors of the Depositary.

Default of the Depositary

If the Depositary fails to pay cash or deliver non-cash assets to Holders in the circumstances required by the Conditions or the Deposit Agreement or otherwise engages in a default for which it would be liable under the terms of the Conditions or the Deposit Agreement, the Depositary will be in breach of its contractual obligations under the Conditions. In such case, Holders will have a claim under English law against the Depositary for the Depositary's breach of its contractual obligations under the Deposit Agreement.

THE CUSTODIAN

The Custodian is Industrial and Commercial Bank of China Limited, a joint stock limited company incorporated in the PRC with limited liability.

Relationship of Holders of GDRs with the Custodian: The Custodian and the Depositary are parties to a custody agreement, which is governed by Hong Kong law. The Holders do not have any contractual relationship with, or rights enforceable against, the Custodian. The Depositary will hold the Deposited Shares in electronic form in an account with CSDC. The CSDC account will be in the name of the Depositary and the Deposited Shares will be registered in the Company's share register in the name of the Depositary and deposited in the GDR facilities.

Default of the Custodian

Failure to deliver cash: Any cash dividend payments from the Company (which are expected to be denominated in Renminbi) will initially be received by the Depositary in a custody account held with the Custodian in the Depositary's name. Subject to applicable PRC regulations, amounts received from the Company by the Depositary into its account with the Custodian will then be converted into USD by the Custodian in accordance with the Conditions and the USD will be wired to the Depositary's account in New York. After deduction of any fees and expenses of the Depositary, the USD will then be credited to the appropriate accounts of the Holders. If the Custodian fails to deliver cash to the Depositary as required under the custody agreement or otherwise engages in a default for which it would be liable under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations under the custody agreement. In such case, the Depositary would have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and appoint a successor custodian and may exercise such rights if it deems necessary.

Failure to deliver non-cash assets: If the Custodian fails to deliver Deposited Shares or other non-cash assets held for the Depositary as required by the custody agreement or otherwise defaults under the terms of the custody agreement, the Custodian will be in breach of its contractual obligations to the Depositary. In such case, the Depositary will have a claim under Hong Kong law against the Custodian for the Custodian's breach of its contractual obligations under the custody agreement. The Depositary can also remove the Custodian and may appoint a substitute or additional custodians and exercise such rights if it deems necessary. Under the Deposit Agreement, the Depositary is permitted to act as a custodian, and may choose to act in this capacity for policy, regulatory, or business reasons; however, it is currently uncertain if or when the Depositary will be licenced to act as a custodian in the PRC.

The Depositary's obligations: The Depositary has no obligation to pursue a claim for breach of obligations against the Custodian on behalf of Holders. The Depositary is not responsible for and shall incur no liability in connection with or arising from default by the Custodian due to any act or omission to act on the part of the Custodian.

Insolvency of the Custodian

Applicable law: If the Custodian becomes insolvent, the insolvency proceedings will be governed by applicable PRC law.

Effect of applicable insolvency law in relation to cash: On an insolvency of the Custodian, cash held by the Custodian in a custody account for the Depositary would not constitute assets of the Custodian and the Depositary would have ownership rights relating to such cash. As a result, the Depositary would have the right to claim the cash in the custody account in full, without being subject to insolvency proceedings.

Effect of applicable insolvency law in relation to non-cash assets: All of the Deposited Shares will be registered in the name of the Depositary and be held by the Depositary in an account under its own name with the CSDC. In the event that the Custodian becomes insolvent, as legal title to the Deposited Shares will be held by the Depositary and the Deposited Shares will not be under the possession or control of the Custodian, the Deposited Shares will not constitute part of the Custodian's assets subject to the insolvency proceedings.

The Depositary's obligations: The Depositary has no obligation to pursue a claim in the Custodian's insolvency on behalf of the Holders. The Depositary has no responsibility for, and will incur no liability in connection with or arising from, the insolvency of any custodian. In the event of the insolvency of the Custodian, the Holders have no direct recourse to the Custodian under the Deposit Agreement, though the Depositary can remove the Custodian and appoint a substitute or additional custodian(s) and may exercise such rights if it deems necessary.

PERSONS HOLDING TITLE TO GDRS OR BENEFICIAL INTERESTS THEREIN ARE REMINDED THAT THE ABOVE DOES NOT CONSTITUTE LEGAL ADVICE AND IN THE EVENT OF ANY DOUBT REGARDING THE EFFECT OF THE DEFAULT OR INSOLVENCY OF THE DEPOSITARY OR THE CUSTODIAN, SUCH PERSONS SHOULD CONSULT THEIR OWN ADVISORS IN MAKING A DETERMINATION.

STANDARD FOR DEPOSITORY RECEIPTS

As of the date on which the listing of the GDRs on SIX Swiss Exchange in accordance with the Standard for Depository Receipts becomes effective, and for so long as any of the GDRs remain listed on SIX Swiss Exchange, the Company will be subject to the Listing Rules and any additional regulations enacted by SIX Exchange Regulation.

SIX Swiss Exchange (SIX Swiss Exchange AG; formerly known as SWX Swiss Exchange AG) was founded in 1993 as the successor to the local stock exchanges in Zurich, Basel and Geneva. Full electronic trading in foreign equities and derivatives began in 1995. In 1996, SIX Swiss Exchange introduced full electronic trading in Swiss equities, derivatives and bonds. In 2008, the SWX Swiss Exchange AG changed its name to SIX Swiss Exchange AG.

A listing in accordance with the Standard for Depository Receipts requires, *inter alia*, that (i) the articles of association of the issuer comply with the national law to which the issuer is subject, (ii) the operating and financial track record of the issuer extends over a period of at least three years, (iii) the issuer's consolidated equity capital amounts to at least CHF 25 million, (iv) at the time of the listing, at least 20% of the issuer's outstanding GDRs in the same category are in public ownership and the capitalization of those securities in public ownership amounts to a minimum of CHF 25 million, (v) the issuer reports according to PRC GAAP (for PRC companies), (vi) the GDRs have been validly issued at the time of listing, (vii) the depositary must either be governed by the Swiss Banking Act (BA) or, as securities firm, by the Financial Institutions Act (FinIA) or be subject to equivalent foreign supervision, and (viii) the deposit agreement must provide for the underlying shares to be held by the depositary on a fiduciary basis (or on the basis of similar arrangements under applicable law) on behalf of the investors with rights to the global depositary receipts in question so that they can be separated and segregated in favor of the investors in the event of debt restructuring or insolvency of the depositary, and for the depositary to exercise all property and membership rights attached to the underlying shares in the interests of those investors.

As of the date of this Prospectus, eight issuers of depositary receipts and around 250 equity issuers were listed on SIX Swiss Exchange (source: https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/shares/companies.html).

GENERAL RULES ON SECURITIES TRADING

Trading on SIX Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in GDRs begins each business day at 15:00 Central European Time ("**CET**") or Central European Summer Time ("**CEST**"), as applicable, and continues until 17:20 CET or CEST (as applicable), at which time the closing auction starts, and continues until trading closes at 17:30 CET or CEST (as applicable), with a random close of trading within two minutes. Following the closing auction, "Trading-At-Last" ("**TAL**") provides investors with on book trading at the official closing price until 17:40 CET or CEST (as applicable). After the close of exchange trading, new orders can be entered or deleted until 22:00 CET or CEST (as applicable). From 6:00 CET or CEST (as applicable), new entries and enquiries can be made until 11:00 CET or CEST (as applicable). The system is not available between 22:00 and 6:00 CET or CEST (as applicable). For the opening phase (starting at 15:00 CET or CEST (as applicable)), the system closes the order book and starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on SIX Swiss Exchange. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to the price limit. A round lot of the GDRs consists of one GDR. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. SIX Swiss Exchange may provide for a duty to trade on SIX Swiss Exchange in individual market segments. Members of SIX Swiss Exchange must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in GDRs effected by or through members of SIX Swiss Exchange are subject to a stock exchange levy. This levy includes the reporting fee and is payable per trade and participant. The fee is defined individually for each trading segment.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on SIX Swiss Exchange. For transactions effected via the exchange system, reporting occurs automatically. Off-order book transactions during trading hours need to be reported to SIX Swiss Exchange within one minute. Transaction information is collected, processed and immediately distributed by SIX Swiss Exchange. Transactions outside trading hours must be reported no later than the next opening. SIX Swiss Exchange distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX Swiss Exchange data in real time to all subscribers as well as to other information providers such as SIX Financial Information Ltd and Reuters.

A quotation may be suspended by SIX Swiss Exchange if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of SIX Swiss Exchange as the organizer of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market.

CLEARING, PAYMENT AND SETTLEMENT

Custodial and depositary links have been established between Euroclear and Clearstream to facilitate the initial issue of the GDRs and cross-market transfers of the GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise.

Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

CORPORATE GOVERNANCE REPORTING

Pursuant to the Listing Rules, an issuer of GDRs listed on SIX Swiss Exchange is required to declare in the prospectus for the listing of the GDRs and in its annual reports that it adheres to the corporate governance standards of its domestic market.

DIRECTIVE ON THE DISCLOSURE OF MANAGEMENT TRANSACTIONS

The Directive on Disclosure of Management Transactions of 20 March 2018 issued by SIX Swiss Exchange (the "**DMT**") requires issuers with GDRs listed on SIX Swiss Exchange to ensure that members of their board of directors and senior management disclose transactions they have made in the securities (including A shares and GDRs) of such issuer. Under the DMT, the relevant individuals must disclose any such transaction to the issuer, and the issuer must forward such information to SIX Swiss Exchange. Such transactions are subsequently published on a "no names basis" on SIX Swiss Exchange's website.

AD-HOC PUBLICITY

Under the Listing Rules, the Company will, with effect as of the First Day of Trading, be required to publish facts that are, with respect to the price of the GDRs, the A Shares or other securities issued by the Company, price-sensitive and that have arisen in the sphere of the Company's business activities. Facts that are not known publicly and that, from an ex-ante perspective, are capable of leading to a significant price change are classified as price-sensitive. Price-sensitive facts include, but are not limited to, financial figures and reports, changes in key employee positions including changes affecting the composition of the Board or the senior management, mergers, takeovers, spin-offs, restructuring operations, changes in capital, takeover bids, changes in business operations (such as new sales partners, new and significant products, and withdrawal or recall of a significant product), information on trading results (such as significant changes in earnings such as profit decrease/increase or profit warning, and cessation of dividends), changes to the shareholder structure and financial restructuring. As a rule, the Company will be required to disclose any price-sensitive fact immediately as soon as it has become aware of its material elements. Disclosure needs to be made to SIX Swiss Exchange (90 minutes ahead of time if published during trading hours), to no less than two electronic stock market information systems (such as Bloomberg, Reuters or Telekurs), to no less than two Swiss newspapers of nationwide distribution and, upon request, to all interested parties.

DISCLOSURE REGARDING DEPOSITARY OR DEPOSIT AGREEMENT

Issuers with GDRs listed on SIX Swiss Exchange are required to report changes to the depositary or the deposit agreement to SIX Exchange Regulation at the same time as the holders of the GDRs are informed.

The following description of the Offering should be read in conjunction with the other sections of this Prospectus, including the "*Forward-Looking Statements*" and "*Risk Factors*" sections and the Company's Consolidated Financial Statements included elsewhere herein.

GENERAL

The Offering consists of an offering of Offer GDRs outside the United States in "offshore transactions" as defined in, and in reliance on Regulation S, and on the basis of various exemptions, including those provided by the Prospectus Regulation, or the UK Prospectus Regulation, and (ii) offers in Switzerland solely to professional clients within the meaning of article 4 para 3 of FinSA. The Offer GDRs have not been or will not be registered under the Securities Act or any state securities law in the United States and may be offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

The Offer GDRs have not been and will not be registered under the securities laws of the United Kingdom, a member state in the EEA, Australia, Canada or Japan and may not be offered or sold to investors in these jurisdictions absent an exemption from registration or approval under the applicable securities laws of the relevant jurisdiction. Prospective investors and depositary banks should advise themselves of applicable laws and regulations relating to the Offering and purchase of the Offer GDRs. See also "*Notice to Investors*" and "*Selling and Transfer Restrictions*".

The Offer Period is expected to be from December 21, 2022 to 15:00 CET on December 21, 2022. The Company, together with the Joint Global Coordinators, acting on behalf of the Managers, reserves the right to extend or shorten the Offer Period or terminate the Offering, without any prior notice, at any time and for any reason.

The Offer Price Range is between US$18.05 to US$18.48 per Offer GDR. All Offer GDRs sold in the Offering will be sold at the Offer Price. The Offer Price for the Offer GDRs will be determined by agreement between the Company and the Joint Global Coordinators following a bookbuilding process. A number of factors may be considered in determining the Offer Price and the bases of allocation under the Offering, including the level and nature of demand for the Offer GDRs and the objective of encouraging the development of an orderly after-market in the Offer GDRs. The Offer Price may be established at a level determined in accordance with these arrangements, taking into account indications of interest received (whether before or after the times and/or dates stated) from persons (including market makers and fund managers connected with the Managers).

The Company expects to determine the final Offer Price together with the Joint Global Coordinators on the basis of a bookbuilding process on or around December 21, 2022. The Company expects to publish the final Offer Price and the final number of the Offer GDRs sold in the Offering by a media release and in the Supplement on or around December 21, 2022, which will be made available on the Company's website at http://www.jsessh.com/en/tzzcat/gdr/.

UNDERWRITING

Under the terms of, and subject to, the conditions contained in an underwriting agreement dated on or around the date of this Prospectus entered into among the Company and the Managers (the "**Underwriting Agreement**"), each Manager, severally and not jointly, agrees to procure purchasers for, or failing which, to purchase from the Company their respective numbers of the Offer GDRs at the closing of the Offering pursuant to the Underwriting Agreement and the related pricing supplement, subject to various conditions, including, among other things, (i) the execution of an offer size and pricing agreement, (ii) the absence of a material adverse change in the business, management, condition (operational, legal, regulatory, financial or otherwise), results of operations or prospects of the Group, (iii) receipt of customary certificates, legal opinions and letters satisfactory to the Joint Global Coordinators, acting for themselves and on behalf of the other Managers and (iv) the making of necessary filings and the receipt of necessary approvals in connection with the Offering.

Subject to the execution of the offer size and pricing supplement, the Underwriting Agreement provides that each Manager will, severally and not jointly, purchase its quota of the Offer GDRs from the Company, as the case may be, each at the Offer Price, less commissions, which may be deducted from the proceeds of the Offering. The GDRs will be allocated and sold to the prospective investors until December 28, 2022, such date being the expected date of delivery of the Offer GDRs against payment of the Offer Price.

The Joint Global Coordinators, acting for themselves and on behalf of the other Managers, also has the right to terminate the Underwriting Agreement upon the occurrence of certain events at any time prior to closing of the Offering. If the right to terminate the Underwriting Agreement is exercised, the Offering will lapse and any previously purported allocation and purchase of the Offer GDRs will be deemed to not have been made.

In connection with the Underwriting Agreement, the Company has made certain representations and warranties, and agreed, subject to certain limitations and exemptions, to indemnify the Managers against certain liabilities in connection with the Offering.

Each of the Managers has represented and agreed that it has not taken, and will not take, any action that would, or is intended to permit or require a public offer of the Offer GDRs in any country or jurisdiction where any such action for that purpose is required.

The Company has agreed to pay, among other expenses, the costs associated with the publication and distribution of this Prospectus, certain legal expenses of the Company and the Managers, costs of the accountants and other advisors retained by the Company, costs associated with the delivery of the Offer GDRs, and all fees and expenses incurred in connection with the approval of this Prospectus by the Review Body and the listing of the Offer GDRs on SIX Swiss Exchange.

UPSIZE OPTION

Under the terms of the Underwriting Agreement and in connection with the Offering, the Company offers up to 14,490,000 additional GDRs at the Offer Price to raise additional proceeds based on the Upsize Option, which may be jointly exercised by the Company and the Joint Global Coordinators (acting on behalf of the Managers) on the date of pricing of the Offering based on demand.

LOCK-UP

The Company has agreed that neither it nor any of its affiliates shall, during a period commencing on the date hereof and ending 90 days after the Closing Date, without the prior written consent of the Joint Global Coordinators except for the issuance of the GDRs and the corresponding underlying A Shares:

(i) issue, offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, grant instruction rights (*Weisungsrechte*) or otherwise transfer or dispose of (or publicly announce any such issuance, offer, sale or disposal), or file a registration statement under any securities regulation relating to, directly or indirectly, any A Shares, any GDRs or any other shares, or any securities convertible into or exchangeable or exercisable for any A shares or GDRs or warrants or other rights to purchase any A Shares or any GDRs;

(ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the A Shares or the GDRs; or

(whether any such transaction described in subsection (i) or (ii) above is to be settled by delivery of A Shares, GDRs or other securities, in cash or otherwise)

(iii) announce its intention to do any of the foregoing.

Save that the lock-up arrangements described above shall not apply to (i) the issuance of GDRs and the newly issued A Shares in connection with the Offering, (ii) GDRs or other securities acquired in open market transactions after the First Day of Trading, (iii) transactions required by law, regulations or judicial authority orders, (iv) the issue of any A Shares or GDRs or the purchase and sale of any A Shares or GDRs or the grant of any option, right, warrant or contract to purchase A Shares or GDRs, in each case in connection with any employee or management stock option or purchase scheme or (v) transfers of GDRs to any wholly-owned subsidiary of the Company; provided, however, that in the case of any transfer pursuant to subsection (v) above, each transferee shall enter into a lock-up undertaking substantially identical to the one set out above.

Pursuant to a letter of commitment dated December 20, 2022, Jiangsu Shenghong Science and Technology Co., Ltd., the controlling shareholder of our Company, together with its controlling shareholder, Jiangsu Shenghong New Materials Group Co., Ltd., has agreed to procure certain designated entities to place binding orders of such number of GDRs as may be purchased with US$500 million in aggregate with the Managers and procure such designated entities to purchase such number of GDRs as allocated by the Joint Global Coordinators at their discretion within these orders at the Offer Price, subject to certain conditions. The final number of GDRs to be allocated to such designated entities will be subject to the final determination by our Company and the Joint Global Coordinators following the bookbuilding process in connection with the Offering in compliance with the Listing Rules, and in any event will not exceed 80% of the final number of Offer GDRs in the Offering. Jiangsu Shenghong Science and Technology Co., Ltd. and Jiangsu Shenghong New Materials Group Co., Ltd. have also agreed that any GDRs to be purchased by such designated entities pursuant to the letter of commitment will be subject to a lock up restriction of 36 months from the First Day of Trading in accordance with the applicable law.

LISTING AND TRADING OF THE GDRS

Prior to this Offering, there has been no public market for the GDRs. Application has been made and approval has, subject to certain conditions, been given for the GDRs to be admitted to trading and listing on the SIX Swiss Exchange in accordance with the Standard for Depository Receipts.

It is expected that the GDRs will be listed and that trading of the GDRs will commence on or around December 28, 2022.

In addition to buying or selling GDRs through SIX Swiss Exchange, a GDR holder will be able to (i) subject to the cap on the total outstanding number of GDRs approved by the CSRC, buy GDRs by requesting a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and instruct the Depositary to create GDRs by depositing such A Shares and (ii) sell GDRs by requesting a Designated Broker to redeem their GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange. Designated Brokers will be SIX Swiss Exchange members (or otherwise designated by SIX Swiss Exchange) and designated by the Shenzhen Stock Exchange who hold accounts with Shenzhen Stock Exchange members enabling them to create or redeem GDRs by buying or selling the underlying A Shares on the Shenzhen Stock Exchange (subject to quotas imposed by relevant regulators, as described below) and providing relevant instructions to the Depositary.

In order to buy GDRs, an investor may either (i) buy GDRs on SIX Swiss Exchange or another legitimate trading venue in the normal manner or (ii) subject to the cap on the total outstanding number of GDRs approved by the CSRC, instruct (either directly or through their normal broker) a Designated Broker to buy A Shares on the Shenzhen Stock Exchange and then instruct the Depositary to create GDRs by depositing such A Shares.

In order to sell GDRs, an investor may either (i) sell GDRs on SIX Swiss Exchange or another legitimate trading venue in the normal manner or (ii) instruct (either directly or through their normal broker) a Designated Broker to redeem the GDRs and sell the underlying A Shares on the Shenzhen Stock Exchange.

A Designated Broker may also buy or sell (and hold an inventory of) A Shares as principal in order to facilitate the creation and redemption of GDRs on a cross-border basis.

Three Designated Brokers were confirmed by SIX Swiss Exchange from as of December 20, 2022. The PBOC and the SAFE have published the Administrative Measures on Cross-border Funds under Depositary Receipts (For Trial Implementation) in May 2019, which requires the Designated Brokers to file certain documents and register with the SAFE. Pursuant to their SAFE registration, each Designated Broker will be subject to restrictions relating to, amongst other things, the types of securities such Designated Broker can deal in (such as the A shares underlying GDRs, money market funds and treasury bills, and other securities as specifically approved by the CSRC), as well as daily inventory-related quotas on the maximum amount and value of cash and securities held by such Designated Broker and foreign exchange-related quotas on the cumulative net inflow of funds into the PRC in connection with the redemption and creation of GDRs executed by such Designated Broker. The list of Designated Brokers is available on the website of the Shenzhen Stock Exchange and on the website of SIX Swiss Exchange.

Investors should note that GDRs traded on SIX Swiss Exchange are centrally cleared and place of settlement is SIS. Settlement for exchange traded transactions usually occurs two trading days after the trade date. Settlement of purchases of GDRs through a Designated Broker will also take place on a two trading day rolling basis. However, settlement of redemption of GDRs through a Designated Broker (where the Designated Broker sells the underlying A Shares on the Shenzhen Stock Exchange) may take place on either a two trading day rolling basis or a three trading day rolling basis, depending on whether the relevant Designated Broker holds any inventory of A Shares at such time. This one trading day difference is due to the requirement in China for A Shares to be pre-delivered for selling purpose and the time it takes to effect a nontrade transfer of A Shares from the Depositary to the Designated Broker before the Designated Broker can sell A Shares on the Shenzhen Stock Exchange. Therefore, investors redeeming GDRs may be subject to one day market risk in China where the relevant Designated Broker does not hold any inventory of A Shares.

AMENDMENTS AND CHANGES

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through the electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of the SIX Swiss Exchange (currently https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

OTHER RELATIONSHIPS BETWEEN THE MANAGERS AND THE GROUP

The Managers and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company, for which they received customary fees, and they and their respective affiliates may provide such services for the Company and its respective affiliates in the future. As a result, the Managers and their respective affiliates may have a commercial interest in continuing to provide services to the Company and its respective affiliates that may be material to the Offering.

In connection with the Offering, the Managers and/or any of their respective affiliates and/or funds managed by affiliates of the Managers acting as an investor for its or their own account(s) may subscribe for Offer GDRs and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Offer GDRs being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Managers and/or any of their respective affiliates and/or funds managed by affiliates of the Company acting as an investor for its or their own account(s). In addition, certain of the Managers or their affiliates may enter into financing or hedging arrangements (including swaps) with investors in connection with which such the Managers (or their affiliates) may from time to time acquire, hold or dispose of GDRs). Neither the Managers nor the Company intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

SELLING RESTRICTIONS

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set forth in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

General

No action has been or will be taken by the Company in any country or jurisdiction that would, or is intended to, permit a public offering of the GDRs, or the possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Offer GDRs may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the GDRs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer, subscription and sale of the Offer GDRs offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute or form an offer or invitation to subscribe for or buy any of the Offer GDRs offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the Company or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer GDRs, of any such restrictions.

China

Each Manager has represented and agreed that the Offer GDRs are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan area), except as permitted by the applicable laws of the PRC.

Switzerland

In Switzerland, the Offer GDRs will be offered solely to professional clients within the meaning of article 4 para 3 of FinSA. The Offer GDRs may not be publicly offered, directly or indirectly, in Switzerland within the meaning of FinSA. Each purchaser of the GDRs in Switzerland will be deemed to have represented and agreed that it qualifies as a "professional client" within the meaning of FinSA.

Australia

This Prospectus:

(i) does not constitute a disclosure document under part 6D.2 of the Corporations Act of the Commonwealth of Australia ("**Corporations Act**");

(ii) has not been, and will not be, lodged with the Australian Securities and Investments Commission ("**ASIC**") as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act; and

(iii) may only be provided in Australia to selected investors who are able to demonstrate that they fall within one or more of the categories of investors ("**Exempt Investors**") available under section 708 of the Corporations Act.

The Offer GDRs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Offer GDRs may be issued, and no draft or definitive prospectus, advertisement or other offering material relating to any Offer GDRs may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer GDRs, you represent and warrant to us that you are an Exempt Investor.

As any offer of Offer GDRs under this Prospectus will be made without disclosure in Australia under Part 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Part 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the Offer GDRs, you undertake to us that you will not, for a period of 12 months from the date of issue of the Offer GDRs, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Part 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

This Prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this Prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Dubai International Financial Centre

Each Manager has represented and agreed that it has not offered and will not offer the GDRs to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules Module of the DFSA Rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

European Economic Area

In relation to each Member State of the EEA (each a "**Relevant State**"), no GDRs have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the GDRs which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that the GDRs may be offered to the public in that Relevant State at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2(e) of the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of GDRs shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to the Offer GDRs in any Relevant State means the communication in any form or by any means on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offering. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

(a) The GDRs have not been offered or sold and will not offer or sell in Hong Kong, by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) no advertisement, invitation or document relating to the GDRs has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Offer GDRs, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offer GDRs which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Offer GDRs offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, Each Manager has represented, warranted and agreed that the Offer GDRs which it subscribes will be subscribed by it as principal and that, in connection with the offering made hereby, it will not, directly or indirectly, offer or sell any Offer GDRs in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Qatar

This Prospectus does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The GDRs have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Offer GDRs shall not constitute a public offer of securities in the State of Qatar.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. This Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer GDRs may not be circulated or distributed, nor may the Offer GDRs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offer GDRs are subscribed or purchased under Section 275 of the SFA by a relevant person who is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the GDRs pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Taiwan

The Offer GDRs have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Offer GDRs in Taiwan.

United Arab Emirates

Each Manager has represented and agreed that the Offer GDRs have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

United Kingdom

No Offer GDRs have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer GDRs which has been approved by the Financial Conduct Authority, except that the Offer GDRs may be offered to the public in the United Kingdom at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Managers for any such offer; or

(c) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of the Offer GDRs shall require the Company or any Manager to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Offer GDRs in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer GDRs to be offered so as to enable an investor to decide to purchase or subscribe for any Offer GDRs and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

The issue and distribution of this Prospectus is restricted by law. In the United Kingdom, this document is not being distributed by, nor has it been approved for the purposes of Section 21 of the FSMA by, a person authorized under the FSMA. In the United Kingdom, this document is for distribution only to, and directed only at, persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation and who (i) have professional experience in matters relating to investments (being investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) are persons falling within article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order, or (iii) are otherwise persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). In the United Kingdom, this document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this Prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company. The Securities are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

United States

The GDRs have not been and will not be registered under the Securities Act and may not be offered or sold within the United States.

The GDRs are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

TRANSFER RESTRICTIONS

Each purchaser of the GDRs will be deemed to have represented and agreed as follows:

1. The purchaser is, at the time of the offer to it of GDRs and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act.

2. The purchaser is aware that the GDRs have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S.

3. Any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions shall not be recognised by the Company in respect of the GDRs.

4. The purchaser understands that the GDRs and the Master GDR Certificate will bear a legend substantially to the following effect:

   THIS MASTER GDR CERTIFICATE, THE GDRS EVIDENCED HEREBY AND THE A SHARES OF JIANGSU EASTERN SHENGHONG CO., LTD. REPRESENTED THEREBY (THE "SHARES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDERS AND THE BENEFICIAL OWNERS HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS MASTER GDR CERTIFICATE, ACKNOWLEDGE THAT SUCH CERTIFICATE, THE GDRS AND THE SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREE, FOR THE BENEFIT OF THE COMPANY AND THE DEPOSITARY, THAT THIS MASTER GDR CERTIFICATE, THE GDRSs AND THE SHARES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES.

5. The purchaser understands that the GDRs will initially be represented by a Master GDR Certificate.

6. The Company, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

The following is a general summary of certain tax consequences of the acquisition, ownership and disposition of Offer GDRs based on the PRC, Swiss and US tax laws and regulations in force on the date of this Prospectus. Tax consequences are subject to changes in applicable law, including changes that could have a retroactive effect. This is not a complete analysis of the potential tax effects relevant to a decision to invest in Offer GDRs nor does the following summary take into account or discuss the tax laws of any jurisdiction other than the PRC, Switzerland and the US It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to any particular holder of Offer GDRs.

Investors are urged to consult their own tax advisors as to tax consequences of the acquisition, ownership and disposition of Offer GDRs. Tax consequences may differ according to the provisions of different tax treaties (see below) and the investor's particular circumstances.

CERTAIN PRC TAX CONSIDERATIONS

Taxation of Dividends

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (《中华人民共和国个人所得税法》) (the "**IIT Law**") recently amended by the Standing Committee of the National People's Congress on August 31, 2018 and effective on January 1, 2019 and the Implementation Regulations for the Individual Income Tax Law of the People's Republic of China (《中华人民共和国个人所得税法实施条例》) (the "**Regulation on IIT Law**") recently amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by PRC companies to individual investors are generally subject to a PRC withholding tax at a flat rate of 20%. For non-resident individual investors, the receipt of dividends from a PRC company is normally subject to a individual income tax of 20% unless specifically exempted by the competent tax authority of the State Council or reduced in accordance with an applicable tax treaty.

Enterprises

According to the Enterprise Income Tax Law of the People's Republic of China (《中华人民共和国企业所得税法》) (the "**EIT Law**") recently amended by the Standing Committee of the National People's Congress on December 29, 2018 and effective on the same date and the Implementation Regulations for the Enterprise Income Tax Law of the People's Republic of China (《中华人民共和国企业所得税法实施条例》) (the "**Regulation on EIT Law**") recently amended by the State Council on April 23, 2019 and effective on the same date, non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the established institutions or establishments, shall be subject to 10% enterprise tax for income from the PRC. Such withholding tax may be reduced pursuant to an applicable treaty on avoidance of double taxation. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the taxpayer shall be the withholding agent. Tax is withheld by the withholding agent from the amount paid or due each time it is paid or due. Such withholding tax may be reduced pursuant to an applicable treaty on avoidance of double taxation.

Tax Treaties

Investors who reside in countries which have entered into treaties on avoidance of double taxation with the PRC may be entitled to a reduction of withholding tax on dividends to investors by PRC companies. The PRC currently has such tax treaties with a number of countries, including but not limited to, Switzerland, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

According to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《国家税务总局关于发布<非居民纳税人享受协定待遇管理办法>的公告》) promulgated by the State Taxation Administration of the PRC on October 14, 2019 and effective on January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection". Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

Taxation of Capital Gains

Individual Investors

According to the IIT Law and the Regulation on IIT Law, PRC resident individuals are subject to individual income tax at the rate of 20% on gains realized from the transfer of equity interests in PRC resident enterprises. According to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《财政部国家税务总局关于个人转让股票所得继续暂免征收个人所得税的通知》) promulgated by the Ministry of Finance and the State Taxation Administration of the PRC on March 30, 1998, from January 1, 1997, income of individuals realized from transfer of the shares of listed enterprises continues to be temporarily exempted from individual income tax.

Although the State Administration of Taxation has not stated whether it will continue to exempt individual income tax on income of individuals from transfer of listed shares in the IIT Law and its implementation rules, on December 31, 2009, the Ministry of Finance, the State Taxation Administration of the PRC and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《关于个人转让上市公司限售股所得征收个人所得税有关问题的通知》) (the "**Circular**") which states that individuals' income from transfer of listed shares on certain domestic exchanges (including Shenzhen Stock Exchange) shall continue to be exempted from individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales restriction (as defined in the Circular and its supplementary notice (《关于个人转让上市公司限售股所得征收个人所得税有关问题的补充通知》) issued on November 10, 2010). As at the date of this Prospectus, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares or deposit receipts of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares or deposit receipts of PRC resident enterprises listed on overseas stock exchanges.

Enterprises

According to the EIT Law and the Regulation on EIT Law, non-resident enterprises that have not set up institutions or establishments in China, or have set up institutions or establishments but the income obtained by the said enterprises has no actual connection with the established institutions or establishments, shall be generally subject to 10% enterprise tax for income from the PRC. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the taxpayer shall be the withholding agent. Tax is withheld by the withholding agent from the amount paid or due each time it is paid or due. Such withholding tax may be reduced pursuant to an applicable treaty on avoidance of double taxation.

Tax Treaties

Investors who reside in countries which have entered into treaties on avoidance of double taxation with the PRC may be entitled to a reduction of withholding tax on dividends to investors by PRC companies. The PRC currently has such tax treaties with a number of countries, including but not limited to, Switzerland, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

According to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《国家税务总局关于发布<非居民纳税人享受协定待遇管理办法>的公告》) promulgated by the State Taxation Administration of the PRC on October 14, 2019 and effective on January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection". Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

Other Chinese Tax Considerations

PRC Stamp Duty

Pursuant to the Stamp Duty Law of the People's Republic of China (《中华人民共和国印花税法》) (the "**Stamp Duty Law**") which was promulgated by the SCNPC on June 10, 2021 and effective on July 1, 2022, PRC stamp duty on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of GDRs by non-PRC investors outside the PRC. According to the Stamp Duty Law, PRC stamp duty shall only be applicable to documents executed in the PRC which have legal binding effect in the PRC and are governed by the PRC laws.

Estate Tax

According to the existing laws of the PRC, non-PRC residents are not subject to estate tax for the holding of GDRs.

CERTAIN SWISS TAX CONSIDERATIONS

Swiss Withholding Tax

Dividend payments and similar cash or in-kind distributions are not subject to Swiss federal withholding tax (*Verrechnungssteuer*).

Swiss Federal Stamp Taxes

The issuance and the delivery of the (newly created) Offer GDR to the initial Offer GDR holders at the Offer Price is not subject to Swiss federal issuance stamp tax (*Emissionsabgabe*) or Swiss federal securities transfer stamp tax (*Umsatzabgabe*) ("**Swiss Federal Securities Transfer Stamp Tax**").

The subsequent purchase or sale of Offer GDR, whether by Swiss resident individuals who hold their Offer GDR as private assets ("**Resident Private GDR Holders**") (i) corporate and individual GDR holders who are resident in Switzerland for tax purposes, (ii) corporate and individual Offer GDR holders who are not resident in Switzerland, and who, in each case, hold their Offer GDR as part of a trade or business carried on in Switzerland through a permanent establishment with fixed place of business situated in Switzerland for tax purposes and (iii) Swiss resident private individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealing, or leveraged investments, in shares and other securities (collectively, "**Domestic Commercial GDR Holders**") or Offer GDR holders who are not resident in Switzerland for tax purposes, and who, during the respective taxation year, have not engaged in a trade or business carried on through a permanent establishment with fixed place of business situated in Switzerland for tax purposes, and who are not subject to corporate or individual income taxation in Switzerland for any other reason (collectively, "**Non-Resident GDR Holders**"), may be subject to a Swiss Federal Securities Transfer Stamp Tax at a current rate of up to 0.3%, as well as SIX Swiss Exchange turnover fee, both calculated on the purchase price or the sale proceeds, respectively, if (i) such transfer occurs through or with a Swiss or Liechtenstein bank or by or with involvement of another Swiss securities dealer as defined in the Swiss federal stamp tax act and (ii) no exemption applies.

The following categories of foreign institutional investors that are subject to regulation similar to that imposed by Swiss federal supervisory authorities are exempt from their portion (50%, i.e., up to 0.15%) of the Swiss Federal Securities Transfer Stamp Tax: states and central banks, social security institutions, pension funds, (non-Swiss) collective investment schemes (as defined in the Swiss Collective Investment Law), certain life insurance companies and certain non-Swiss quoted companies and their non-Swiss consolidated group companies. Swiss collective investment schemes (as defined in the Swiss Collective Investment Law) are as well exempt from their portion (50%, i.e., up to 0.15%) of the Swiss federal securities transfer stamp tax.

Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

Non-Resident GDR Holders

Non-Resident GDR Holders are not subject to any Swiss federal, cantonal or communal income tax on dividend payments and similar distributions because of the mere holding of the Offer GDRs. The same applies for capital gains on the sale of Offer GDRs.

Resident Private GDR Holders and Domestic Commercial GDR Holders

Resident Private GDR Holders who receive dividends and similar cash or in-kind distributions, which are not repayments of the nominal value (*Nennwertrückzahlungen*) of the shares deposited for the Offer GDRs or capital contribution reserves (*Reserven aus Kapitaleinlagen*), are required to report such receipts in their individual income tax returns and are subject to Swiss federal, cantonal and communal income tax on any net taxable income for the relevant tax period.

A gain or a loss by Resident Private GDR Holders realized upon the sale or other disposition of GDRs to a third party will generally be a tax-free private capital gain or a not tax-deductible capital loss, as the case may be.

Domestic Commercial GDR Holders who receive dividends and similar cash or in-kind distributions are required to recognize such payments in their income statements for the relevant tax period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings accumulated (including the dividends) for such period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

Domestic Commercial GDR Holders are required to recognize a gain or loss realized upon the disposal of GDRs in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings (including the gain or loss realized on the sale or other disposition of GDRs) for such taxation period. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings or leveraged transactions in securities.

Swiss Wealth Tax and Capital Tax

Non-Resident GDR Holders

Non-Resident GDR Holders holding the Offer GDRs are not subject to cantonal and communal wealth or annual capital tax because of the mere holding of the Offer GDRs.

Resident Private GDR Holders and Domestic Commercial GDR Holders

Resident Private GDR Holders are required to report their Offer GDRs as part of their private wealth and are subject to cantonal and communal wealth tax on any net taxable wealth (including Offer GDRs).

Domestic Commercial GDR Holders are required to report their Offer GDRs as part of their business wealth or taxable capital, as defined, and are subject to cantonal and communal wealth or annual capital tax.

No wealth or capital tax is levied at the federal level.

International Automatic Exchange of Information in Tax Matters

Switzerland has concluded a bilateral agreement with the EU on the international automatic exchange of information ("**AEOI**") in tax matters (the "**AEOI Agreement**"). This AEOI Agreement became effective as of January 1, 2017, and applies to all 27 member states as well as Gibraltar. Furthermore, on January 1, 2017, the multilateral competent authority agreement on the automatic exchange of financial account information and, based on such agreement, a number of bilateral AEOI agreements with other countries became effective. Based on this AEOI Agreement and the bilateral AEOI agreements and the implementing laws of Switzerland, Switzerland collects data in respect of financial assets, which may include Shares, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of residents in a EU member state or a treaty state from 2017, and exchanges it since 2018. Switzerland has signed and is expected to sign further AEOI agreements with other countries. A list of the AEOI agreements of Switzerland in effect or signed and becoming effective can be found on the website of the State Secretariat for International Finance (SIF).

Swiss Facilitation of the Implementation of the US Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the United States to facilitate the implementation of FATCA. The agreement ensures that the accounts held by US persons with Swiss financial institutions are disclosed to the US tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the United States and Switzerland. On 20 September 2019, the protocol of amendment to the double taxation treaty between Switzerland and the US entered into force allowing US competent authority in accordance with the information reported in aggregated form to request all the information on US accounts without a declaration of consent and on non-consenting non-participating financial institutions. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the United States on changing the current direct notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the US tax authorities.

OUR COMPANY

Our Company's name is Jiangsu Eastern Shenghong Co., Ltd. (江苏东方盛虹股份有限公司). Our Company is a joint stock company with limited liabilities established in accordance with the PRC Company Law and governed by the laws and regulations of the PRC. For details, see "*Our Business—History*." Neither our Articles of Association nor the operation of law limit the duration of our Company.

The principal purpose of our Company, as set out in article 13 of the Articles of Association, is "promote further development of the Company and maximize investment returns for all shareholders by following the operation mode stipulated by international practices and norms for joint stock companies, focusing on economic benefits, taking scientific and technological progress as motivation, and relying on modern management."

Our financial year of our Company ends on December 31 of each calendar year.

Our Articles of Association were last amended on August 11, 2022.

Our registered office and principal place of business is at No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC. The legal entity identifier (LEI) of our Company is 3003003WRWKC1GZHMH20.

AUDITORS

The independent auditor of our Company is BDO China Shu Lun Pan Certified Public Accountants LLP, with its major business premise at 4th Floor, No. 61 East Nanjing Road, Huangpu District, Shanghai, the PRC, who has been the auditors of the Company for the financial years of 2018 and onward. BDO China Shu Lun Pan Certified Public Accountants LLP has a business license issued by State Administration for Industry and Commerce of the PRC, and recorded by the MOF and the Chinese Institute of Certified Public Accountants, under the supervision of the CSRC and the Chinese Institute of Certified Public Accountants.

The CSRC is an audit oversight authority recognized by the Swiss Federal Council in accordance with Article 8 of the Audit Oversight Act of 16 December 200541 (AOA) and Annex 2 of the Auditor Oversight Ordinance of 22 August 200742 (AOO).

DEPOSITARY

Holders of GDRs may contact Citibank, N.A., as Depositary for the GDRs with questions relating to the transfer of GDRs on the books of the Depositary, which shall be maintained at its principal executive office at 388 Greenwich Street, New York, New York 10013, US.

LISTING AGENT

UBS AG, being recognized as a recognized representative by the Regulatory Board of SIX Swiss Exchange in accordance with Article 58a of the Listing Rules, has filed on behalf of the Company the application for the listing of the GDRs, in accordance with the Standard for Depository Receipts of SIX Swiss Exchange.

PAYING AGENT

For GDRs held in custody with SIS, the principal duties of a paying agent include distributions of dividends and other payments with respect to book-entry interests in the GDRs, if any, which will be effected via SIS. See also "*Clearing and Settlement—The Clearing Systems*."

NOTICES

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Prospectus will be announced through electronic media and a supplement (if required). Notices required under the Listing Rules will be published in electronic form on the website of SIX Swiss Exchange (currently at https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/news-tools/official-notices.html#/l).

Any public disclosure information with respect to us or the GDRs will be available at our website at http://www.jsessh.com/en/ and the website of Shenzhen Stock Exchange at www.szse.com.cn.

WEBLINKS

The Company's website	http://www.jsessh.com/en/

As of the First Day of Trading, the following weblinks will be available:

E-mail distribution list (push system)	http://www.jsessh.com/en/tzzguanxi/subscribe/
Ad-hoc messages (pull system)	http://www.jsessh.com/en/tzzcat/ad-hoc-publicity/
Financial reports	http://www.jsessh.com/en/tzzcat/financial-statements/
Corporate calendar	http://www.jsessh.com/en/tzzcat/corporate-calendar/

Information on our website, the website of the Shenzhen Stock Exchange, any website directly or indirectly linked to our website or the website of the Shenzhen Stock Exchange, or any other website mentioned in this Prospectus does not form part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decisions to invest in the GDRs.

Security Codes

GDR ISIN	US47737H1115
GDR Common Code	256908786
GDR CUSIP	47737H 111
SIX Swiss Exchange ticker symbol	DFSH
Swiss Security Number (*Valorennummer*)	123.408.194
A Shares ISIN	CNE0000012K6
Shenzhen Stock Exchange stock code	000301

INFORMATION POLICY

We release our financial results in the form of annual, semi-annual and quarterly reports and in electronic form. Our annual reports are published within four months after the end of each financial year. In addition, our semi-annual reports are released within two months after the end of the first half of each financial year, and quarterly reports are released within one month after the end of the first and the third financial quarter of each year. Our annual, semi-annual and quarterly reports will be published on our website and the website of the Shenzhen Stock Exchange at www.szse.com.cn.

From the First Day of Trading, copies of all information and documents pertaining to press releases, media conferences, investor updates and presentations at analyst and investor presentation conferences can be downloaded from our website at http://www.jsessh.com/en/ or the Company upon request at No. 73, East Shi Chang Road, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC 215228 (phone: +86 0512 6357 3480; email: tzzgx@jsessh.com).

NO MATERIAL CHANGES

Except as disclosed in this Prospectus, there have been no material changes in the Group's assets and liabilities, financial position or profits and losses since September 30, 2022.

CLEARING AND SETTLEMENT OF OFFER GDRS

Custodial and depositary links have been established between Euroclear and Clearstream to facilitate the initial issue of the Offer GDRs and cross-market transfers of the Offer GDRs associated with secondary market trading on SIX Swiss Exchange or otherwise.

Secondary market trading of the GDRs on SIX Swiss Exchange will be cleared through LCH Ltd, SIX x-Clear AG and/or European Central Counterparty N.V. Settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

THE CLEARING AND SETTLEMENT SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including joint bookrunners, securities brokers and dealers, banks, trust companies, clearing corporations (including SIS) and certain other organizations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective clients may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

SIS provides custody services for clients in Switzerland and abroad. SIS is the national Central Securities Depository (CSD) of the Swiss financial market and an International Central Securities Depository (ICSD), providing services for the settlement and custody of national and international securities, including GDRs traded on SIX Swiss Exchange.

Distributions of dividends and other payments with respect to book-entry interests in the Offer GDRs held through Euroclear or Clearstream will be credited, to the extent received by the Depositary, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

REGISTRATION AND FORM

Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master GDR Certificate registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream. As necessary, the Depositary will adjust the amounts of Offer GDRs on the relevant register to reflect the amounts of Offer GDRs held through Euroclear and Clearstream, respectively. Beneficial ownership in the Offer GDRs will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

The aggregate holdings of book-entry interests in the Offer GDRs in Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Offer GDRs, will be responsible for establishing and maintaining accounts for their participants and clients having interests in the book-entry interests in the Offer GDRs. The Depositary will be responsible for maintaining a record of the aggregate holdings of Offer GDRs registered in the name of the common depositary for Euroclear and Clearstream. The Depositary will be responsible for ensuring that payments received by it from the Company for holders holding through Euroclear or Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Company will not impose any fees in respect of the Offer GDRs; however, holders of book-entry interests in the Offer GDRs may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream and certain fees and expenses payable to the Depositary in accordance with the terms of the Deposit Agreement. See "*Terms and Conditions of the Global Depositary Receipts*."

GLOBAL CLEARANCE AND SETTLEMENT PROCEDURES

Initial Settlement

The Offer GDRs will be in global form evidenced by a Master GDR Certificate. Purchasers electing to hold book-entry interests in Offer GDRs through Euroclear or Clearstream accounts will follow the settlement procedures applicable to depositary receipts.

Secondary Market Trading

For a description of the transfer restrictions relating to the Offer GDRs, see "*Selling and Transfer Restrictions—Transfer Restrictions*."

Clearing and settlement of securities listed on SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date. Accordingly, investors should note that GDRs traded on SIX Swiss Exchange are centrally cleared and place of settlement is SIS. Settlement for exchange transactions usually occurs two trading days after the trade date.

Trading between Euroclear and Clearstream Participants

Secondary market sales of book-entry interests in the Offer GDRs held through Euroclear or Clearstream to purchasers of book-entry interests in the Offer GDRs through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear or Clearstream and will be settled using the normal procedures applicable to depositary receipts.

General

Although the foregoing sets forth the procedures of Euroclear and Clearstream in order to facilitate the transfers of interests in the Offer GDRs among participants of Euroclear and Clearstream, none of Euroclear and Clearstream are under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Depositary, the Custodian or their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

SETTLEMENT OF THE OFFER GDRS

Payment for the Offer GDRs is expected to be made in USD in same-day funds through the facilities of Euroclear and Clearstream. Book-entry interests in the Offer GDRs held through Euroclear and Clearstream will be represented by the Master GDR Certificate registered in the name of Citivic Nominees Limited, as nominee for Citibank Europe plc, as common depositary for Euroclear and Clearstream. Except in limited circumstances described herein, investors may hold beneficial interests in the Offer GDRs evidenced by the corresponding Master GDR Certificate only through Euroclear or Clearstream, as applicable.

Transfers within Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system.

Citibank, N.A. ("**Citibank**") has been appointed as Depositary pursuant to the Deposit Agreement. Citibank is an indirect wholly owned subsidiary of Citigroup Inc., a Delaware corporation. Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

Citibank was originally organised on June 16, 1812, and is now a national banking association organised under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal executive office is at 388 Greenwich Street, 4th Floor, New York, NY 10013, United States of America. Citibank's Consolidated Balance Sheets are set forth in Citigroup's most recent Annual Report (audited balance sheet) and Quarterly Report (unaudited), each on file on Form 10-K and Form 10-Q, respectively, with the United States Securities and Exchange Commission. Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's Annual Report on Form 10-K and Quarterly Report on Form 10-Q are available for inspection at the Depositary Receipt office of Citibank, 388 Greenwich Street, 4th Floor, New York, New York 10013.

The following technical terms and abbreviations when used in this Prospectus have the definitions and/or descriptions ascribed to them opposite below, except where otherwise indicated.

Abbreviation	Definitions/Descriptions
ABS	Acrylonitrile Butadiene Styrene, a terpolymer made by polymerizing styrene and AN in the presence of polybutadiene. It is a common thermoplastic used to make light, rigid, molded products such as pipe, automotive body parts, wheel covers, enclosures, and protective head gear;
acetone	an organic compound, a key ingredient in the production of MMA;
acrylamide	an organic compound, can be produced by the hydrolysis of AN and is mainly used to manufacture various polymers;
ammonia	a nitrogen and hydrogen compound in the form of colorless gas with a characteristic pungent odour;
AN	acrylonitrile, a colorless liquid, is an important raw material for the manufacture of synthetic resins such as ABS, synthetic rubber such as nitrile rubber, synthetic fibers such as acrylic and many other chemical products;
aromatics	a family of hydrocarbons characterised by a single or multiple ring structure. The most commonly traded are benzene, toluene and xylene;
benzene	the simplest aromatic hydrocarbon (C_6H_6). Each carbon in the ring has a single hydrogen attached. It is a volatile inflammable liquid created by catalytically reforming naphtha, in the thermal cracking process and is used in production of other chemicals such as styrene, cumene, cyclohexane and maleic anhydride;
butadiene	also called 1,3-butadiene, a flammable gaseous olefin used in making synthetic rubbers;
butanediol (BDO)	a chemical intermediate (colorless liquid) which is used in the production of high performance polymers, solvents and fine chemicals;
butyl acrylate	butyl acrylate is a colorless liquid, produced from the esterification of crude acrylic acid and butanol. It is used in the production of coatings and inks, adhesives, sealants, textiles, plastics and elastomers;
CAGR	compound annual growth rate;
C7	hydrocarbons with seven carbons;
C7+	hydrocarbons with seven carbons that are positively charged;
C8+	hydrocarbons with eight carbons that are positively charged;
C9	hydrocarbons with nine carbons;
CHDM	cyclohexanedimethanol, a mixture of isomeric organic compounds. It is a colorless low-melting solid used in the production of polyester resins;
Consolidated capacity	the aggregate amount of designed production capacity of various production entities corresponding to the shareholding ratio of the manufacturer over the production entities;
cracking	a refining process which breaks down large molecules of oil into smaller molecules. When the process is achieved by applying heat only, it is known as thermal cracking. If a catalyst is used as well, it is known as catalytic cracking. Cracking uses molecular decomposition and recombination to produce a range of more useful base chemicals suitable for motor fuels or petrochemicals;
crude oil	a naturally occurring petroleum product composed of hydrocarbon deposits and other organic materials. It is refined to produce usable products including gasoline, diesel oil, and various other forms of petrochemicals;

Abbreviation	Definitions/Descriptions
debottlenecking	increasing production capacity of existing facilities through the modification of existing equipment to remove throughput restrictions;
differentiated fiber	differentiated fiber are modified in several directions, such as color, morphology, high performance and high functionality through chemical modification or physical deformation. It is usually manufactured by the slicing and spinning process;
DTY	draw textured yarn, is made by using POY as the original yarn and through stretching and false-twisting deformation process, having a certain degree of elasticity and shrinkage;
East China	a geographical region that covers the eastern area of China, including the provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang, as well as the municipality of Shanghai;
EO	Ethylene Oxide, an organic compound, is mainly used in the manufacture of various solvents, diluents, non-ionic surfactants, synthetic detergents, antifreeze and disinfectants, which are widely used in the laundry, pharmaceutical, printing and dyeing industries;
EOA	ethanolamine, mainly used in the manufacture of chemical reagents, pesticides, pharmaceuticals, solvents, dye intermediates, rubber accelerators, corrosion inhibitors and surfactants;
EOD	Ethylene Oxide Derivatives, are produced by the reaction of ethylene oxide with organic compounds containing active hydrogen under the action of catalysts.
ethanol	ethanol is naturally produced by the fermentation of sugars by yeasts or via petrochemical processes such as ethylene hydration. It has medical applications as an antiseptic and disinfectant. It is used as a chemical solvent and in the synthesis of organic compounds, and as a fuel source. Ethanol also can be dehydrated to make ethylene, an important chemical feedstock;
ethylbenzene	an aromatic liquid hydrocarbon, is a chemical intermediate made from the reaction of benzene and ethylene. It is a precursor to styrene production;
ethylene	an essential organic chemical base derived from the thermal cracking of ethane and naphtha or from dehydration of ethanol. It is used to make polyester and many organic chemical intermediates such as polyethylene, ethylene oxide, ethylene glycol, vinyl chloride, styrene, acetaldehyde and ethanol;
ethylene glycol	an organic chemical compound, derived from the oxidation of ethylene. This includes monoethylene glycol (MEG), diethylene glycol, triethylene glycol and polyethylene glycol;
ethylene n-butyl acrylate (EnBA)	copolymer made of ethylene and n-butyl acrylate;
EVA	Ethylene-Vinyl Acetate copolymer, a common synthetic material, is widely used in foam, functional scaffolding film, film, hot melt adhesive and adhesive, wire and cable, and toys;
EVOH	ethylene vinyl alcohol, a formal copolymer of ethylene and vinyl alcohol, is commonly used as an oxygen barrier in food packaging;
false-twisting	a method by which certain synthetic yarns are given stretch characteristics. Yarns are wound under heat to eliminate the twist, but because of the yarns' tendency to retain the twist, fabrics made from them have elasticity;
FDY	full draw yarn, is a synthetic fiber filament made by spinning and stretching process, can be directly used for textile manufacturing;

Abbreviation	Definitions/Descriptions
feedstock	major raw materials used in a processing plant, of which naphtha and ethane are the most important for olefins production;
hot-melt adhesive (HMA)	thermoplastic bonding materials applied as melts that achieve a solid state and resultant strength on cooling;
hydrocarbon	substances composed of carbon and hydrogen;
integrated gasification combined cycle (IGCC)	a technology using a high pressure gasifier to turn coal and other carbon based fuels into pressurized gas—synthesis gas (syngas);
maleic anhydride	a colorless or white solid with an acrid odor. It is produced industrially on a large scale for applications in coatings and polymers;
methacrylic acid	colorless, viscous liquid and is produced industrially on a large scale as a precursor to its esters, especially MMA, and to PMMA;
methanol	an organic chemical and the simplest alcohol, used especially as a solvent, antifreeze, or denaturant for ethanol and in the synthesis of other chemicals;
MMA	methyl methacrylate, an important chemical raw material, is mainly used in the production of polymethyl methacrylate and the manufacture of resins, plastics, coatings, adhesives and other products;
monomer	a substance comprising molecules which can undergo polymerisation, by contributing constitutional units to the essential structure of a macro-molecule;
MTBE	methyl tertiary butyl ether, an organic ether that is volatile, combustible in the form of a colorless liquid that is categorised as an oxygenate due to its ability to boost the oxygen content and octane rating of gasoline. It is relatively water soluble and exhibits an unpleasant taste and odour in solution;
MTO	Methanol to Olefins, a process for producing low carbon olefins such as ethylene and propylene from methanol;
naphtha	a general term used for low boiling hydrocarbon fractions that are a product of crude oil or condensate refining. Naphtha is used as feedstock for ethylene and propylene production;
Nelson Complexity Index (NCI)	a measure to compare the secondary conversion capacity of a petroleum refinery with the primary distillation capacity, providing an easy metric for quantifying and ranking the complexity of various refineries and units;
olefins	a straight or branched-chain hydrocarbon with at least one unsaturated carbon-carbon bond such as ethylene, propylene, and butadiene;
oligomers	a molecule that consists of a few repeating units which could be derived, actually or conceptually, from smaller molecules, monomers;
PBAT	polybutylene adipate terephthalate, a biodegradable thermoplastic polyester resin produced by having 1,4-butanediol (BDO), PTA and adipate acid going through polycondensive and kneading process, having very good mechanical properties in the extension, elongation and impact performance;
PBS	polybutylene succinate, is a thermoplastic polymer resin of the polyester family. PBS is a biodegradable aliphatic polyester with properties that are comparable to polypropylene;
PDO	1, 3-propanediol, mainly used in the production of polymers;

Abbreviation	Definitions/Descriptions
PET	polyethylene terephthalate, is a fiber forming polymer made from PTA and MEG by esterification or ester exchange and polycondensation reaction;
PETG	polyethylene terephthalate glycol, an amorphous variation of PET with glycol added in polymerization to offer different chemical properties. It is a thermoplastic polyester that delivers significant chemical resistance, durability, and formability for manufacturing;
PGA	polyglycolide or polyglycolic acid (PGA), is a biodegradable, thermoplastic polymer and the simplest linear, aliphatic polyester. It is widely used as a material for the synthesis of absorbable sutures and are being evaluated in the biomedical field;
phenol	aromatic organic compound, primarily used to synthesize plastics and related materials;
Photovoltaics (PV)	photovoltaics, is the conversion of light into electricity using semiconducting materials that exhibit the photovoltaic effect, which is commercially used for electricity generation and as photosensors;
POE	polyolefin elastomer, a range of copolymers based on metallocene catalysis utilizing ethylene and α-olefins including butene and octene comonomers, one of the leading materials used in automotive exteriors and interiors, wire and cable coatings, extrusion coating, films, injection molding, medical products, adhesives, footwear, and foams;
polyether polyol	an organic polymer, which is produced by the polymerization reaction between the initiator (compound containing active hydrogen group) and EO, propylene oxide (PO) and butane oxide (BO) in the presence of catalyst;
polyethylene	a polymer derived from polymerisation of ethylene and is used to make various plastics such as film, sheet, piping and containers;
polymer	when certain individual molecules (monomers) come together and link up in a chain-like fashion they form a polymer. The chemical reaction that forms a polymer is called polymerisation;
polymer polyol	produced by polymerization between one or several vinyl monomers and polyether polyol as the base, mainly used in making polyurethane foam products;
Polymethyl methacrylate (PMMA)	a synthetic resin produced from the polymerization of MMA;
Polyol	compounds with multiple hydroxyl functional groups available for organic reactions;
polypropylene	a polymer derived from the polymerisation of propylene and used to make packaging materials, toys, mechanical parts, housewares and synthetic fibers;
production capacity	the capacity of a production facility based on technology licenses and/or production rates guaranteed by the construction contractor;
propylene	an organic chemical base, which is a colorless, flammable, gaseous hydrocarbon obtained from the thermal cracking of hydrocarbons. It is used to make polypropylene, acrylonitrile, propanoic acid ester, phenol, acetone, synthetic petroleum, synthetic resins, synthetic rubber and synthetic fibers;
propylene oxide (PO)	colorless volatile liquid with an odour similar to ether, mainly used for the production of polyether polyols for use in making polyurethane plastics;

Abbreviation	Definitions/Descriptions
PTA	purified terephthalic acid, is white crystal or powder at room temperature with low toxicity and high flammability. It is a commodity chemical, used principally as a precursor to PET and used to make clothing and plastic bottles;
PTT	polytrimethylene terephthalate, a synthesized polyester produced by a method called condensation polymerization or transesterification. Similar to PET, the PTT is used to make carpet fibers;
PX	para-xylene, is a colorless, clear liquid used in the production of plastics, polyester fibers and films;
resins	any natural or synthetic organic compound consisting of a non-crystalline or viscous liquid substance. Natural resins are organic substances that are transparent or translucent, formed in plant secretions. Synthetic resins comprise a large class of synthetic products that have some of the physical properties of natural resins but are different chemically. Most synthetic resins are polymers;
SCR	selective catalytic reduction;
SM	styrene monomer;
styrene	a colorless liquid that is a chemical intermediate made from dehydrogenation of ethylbenzene with a vinyl group which can readily undergo polymerization;
toluene	benzene rings where one of the hydrogen atoms is replaced by a methyl group (-CH3). It is used as an octane enhancer in gasoline, as a chemical intermediate in the production of benzene, paraxylene, toluene diisocyanate and as a solvent in paints and chemicals;
UHMWPE	ultra-high-molecular-weight polyethylene, an extremely tough plastic with high abrasion and wear resistance;
VA	vinyl acetate, a colorless liquid mainly as the precursor to polyvinyl acetate and ethylene-vinyl acetate copolymers, important industrial polymers;
Vinyl	refers to vinyl group, a functional group in an organic compound with the formula H-C=CH2;
xylene	an aromatic hydrocarbon that is a base for many petrochemicals and is used to derive orthoxylene and paraxylene;

INDEX TO FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED DECEMBER 31, 2021

Contents **Page**

FOR THE SIX MONTHS ENDED JUNE 30, 2022

Contents **Page**

FOR THE NINE MONTHS ENDED SEPTEMEBR 30, 2022

Contents **Page**

JIANGSU EASTERN SHENGHONG CO., LTD.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR EACH OF THE YEARS ENDED
DECEMBER 31 2019, 2020 AND 2021

Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Jiangsu Eastern Shenghong Co., Ltd. ("Eastern Shenghong"), which comprise the consolidated and company's balance sheets as at December 31, 2019, 2020 and 2021, 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 shareholders' equity for each of the years ended December 31, 2019, 2020 and 2021, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at December 31, 2019, 2020 and 2021 and the consolidated and company's financial performance and cash flows for each of the years ended December 31, 2019, 2020 and 2021 in accordance with the requirements of Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Eastern Shenghong in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Eastern Shenghong has prepared separate sets of financial statements for each of the years ended December 31, 2019, December 31, 2020 and December 31, 2021 in accordance with Accounting Standards for Business Enterprises, on which we issued separate auditor's reports to the shareholders of Eastern Shenghong, dated April 7, 2020, April 13, 2021 and April 17, 2022, respectively. This report is intended solely for the Board of Directors of Eastern Shenghong 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Eastern Shenghong ("Management") is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Eastern Shenghong's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

(2) Obtain an understand of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

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

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

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

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

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

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.
Consolidated Balance Sheets
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Note 5*	**As at December 31, 2021**	**As at December 31, 2020**	**As at December 31, 2019**
Current assets:				
Cash at bank and on hand	*5.1*	13,398,450,538.95	18,556,686,869.47	7,437,048,706.00
Deposit reservation for balance				
Lending funds				
Financial assets held for trading	*5.2*	141,719,671.46	558,934,767.38	952,104,976.47
Derivative financial assets				
Notes receivable	*5.3*	348,987,413.80		641,483,353.18
Accounts receivable	*5.4*	531,097,626.60	336,149,774.87	305,571,547.66
Receivables financing	*5.5*	77,650,379.06	449,679,866.95	329,349,846.37
Advances to suppliers	*5.6*	738,790,250.32	637,530,700.72	679,620,987.51
Premiums receivable				
Reinsurances receivable				
Reinsurance contract reserves receivable				
Other receivables	*5.7*	92,825,594.30	41,090,611.74	113,103,976.46
Purchase of resale financial assets				
Inventories	*5.8*	6,085,991,650.69	3,910,849,372.32	4,078,337,722.70
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets	*5.9*	3,601,776,114.95	1,170,455,199.78	615,178,839.49
Total current assets		25,017,289,240.13	25,661,377,163.23	15,151,799,955.84
Non-current assets:				
Loans and advances issued				
Debt investments				
Other debt investments				
Long-term receivables				
Long-term equity investments	*5.10*	139,961,042.52	72,268,276.17	56,220,775.71
Investments in other equity instruments	*5.11*	583,395,820.00	685,961,180.00	638,826,600.00
Other non-current financial assets	*5.12*	4,477,532.09	6,738,046.30	267,209,296.71
Investment properties	*5.13*	1,134,963,721.44	1,188,180,799.72	1,492,024,511.26
Fixed assets	*5.14*	31,186,602,365.19	26,054,386,350.02	26,036,607,057.67
Construction in progress	*5.15*	59,972,450,211.13	15,006,833,388.30	3,378,415,134.25
Biological assets				
Oil and gas assets				
Right-of-use assets	*5.16*	1,092,117,728.00		
Intangible assets	*5.17*	3,054,656,734.27	2,829,748,766.82	2,031,377,626.84
Capitalized development costs				
Goodwill	*5.18*	694,977,494.40	694,977,494.40	694,977,494.40
Long-term prepaid expenses	*5.19*	20,199,672.88	16,607,080.55	756,179.34
Deferred tax assets	*5.20*	472,404,205.44	465,022,839.60	408,532,597.68
Other non-current assets	*5.21*	8,629,047,411.26	10,650,265,119.74	3,560,086,585.80
Total non-current assets		106,985,253,938.62	57,670,989,341.62	38,565,033,859.66
Total assets		132,002,543,178.75	83,332,366,504.85	53,716,833,815.50

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

Legal Representative: Chief Accountant: Chief Finance Officer:

Liabilities and shareholders' equity	Note 5	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Current liabilities:				
Short-term borrowings	*5.22*	11,640,180,358.86	9,217,979,290.73	6,568,258,608.63
Borrowing from the Central Bank				
Borrowing funds				
Financial liabilities held for trading	*5.23*	3,567,808.37	53,267,088.20	876,090.00
Derivative financial liabilities				
Notes payable	*5.24*	5,792,969,431.39	4,632,876,879.18	2,682,640,525.81
Accounts payable	*5.25*	12,696,217,538.89	4,679,586,988.53	3,632,196,894.37
Advances from customers	*5.26*	34,444,991.05	40,041,159.00	645,210,777.42
Contract liabilities	*5.27*	884,411,615.82	726,569,056.54	
Financial assets sold for repurchase				
Savings absorption and interbank deposits				
Acting trading securities				
Acting underwriting securities				
Employee benefits payable	*5.28*	534,015,775.82	340,657,463.89	288,713,880.56
Taxes payable	*5.29*	177,753,147.32	289,403,723.28	141,844,788.85
Other payables	*5.30*	2,582,749,884.22	996,359,701.70	314,602,043.21
Handling charges and commissions payable				
Accounts payable reinsurance				
Liabilities held for sale				
Non-current liabilities due within one year	*5.31*	5,071,129,222.05	3,120,765,485.74	3,125,669,790.74
Other current liabilities	*5.32*	368,691,811.04	97,722,661.81	
Total current liabilities		39,786,131,584.83	24,195,229,498.60	17,400,013,399.59
Non-current liabilities:				
Provision for insurance contacts				
Long-term borrowings	*5.33*	52,373,793,742.68	23,151,155,888.81	8,712,242,431.49
Bonds payable	*5.34*	3,927,567,223.43	996,698,113.14	994,811,320.74
Of which: Preferred shares				
Perpetual debt				
Lease liabilities	*5.35*	985,281,636.81		
Long-term payables	*5.36*	2,691,695,545.75	2,247,847,344.41	1,512,463,198.46
Long-term employee benefits payable				
Provisions				
Deferred income	*5.37*	2,254,329,127.92	2,102,048,647.78	1,653,014,740.41
Deferred tax liabilities	*5.20*	542,445,448.41	448,767,704.14	353,438,077.77
Other non-current liabilities	*5.38*	33,269,790.86	44,009,116.31	57,632,843.39
Total non-current liabilities		62,808,382,515.86	28,990,526,814.59	13,283,602,612.26
Total liabilities		102,594,514,100.69	53,185,756,313.19	30,683,616,011.85
Shareholders' equity:				
Share capital	*5.39*	8,934,888,229.16	7,823,263,574.16	7,017,452,930.16
Other equity instruments	*5.40*	1,218,368,686.59		
Of which: Preferred shares				
Perpetual debt				
Capital reserves	*5.41*	10,161,654,344.13	13,026,663,948.36	10,257,823,045.57
Less: Treasury shares				
Other comprehensive income	*5.42*	61,610,475.56	141,511,143.47	109,648,355.15
Special reserves	*5.43*	20,965,757.18	36,537,457.57	26,369,073.72
Surplus reserves	*5.44*	601,569,763.59	371,183,266.63	324,619,555.31
General risk reserves				
Retained earnings	*5.45*	6,615,477,283.13	2,639,792,012.38	2,888,666,040.69
Total equity attributable to shareholders of the Company		27,614,534,539.34	24,038,951,402.57	20,624,579,000.60
Non-controlling interests		1,793,494,538.72	6,107,658,789.09	2,408,638,803.05
Total shareholders' equity		29,408,029,078.06	30,146,610,191.66	23,033,217,803.65
Total liabilities and shareholders' equity		132,002,543,178.75	83,332,366,504.85	53,716,833,815.50

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.
Company's Balance Sheet
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Note 14*	**As at December 31, 2021**	**As at December 31, 2020**	**As at December 31, 2019**
Current assets:				
Cash at bank and on hand		350,977,071.10	302,600,943.91	163,456,664.92
Financial assets held for trading		86,357,171.46	87,977,608.85	131,226,994.94
Derivative financial assets				
Notes receivable				103,457,140.97
Accounts receivable	*14.1*	81,581,660.48	49,209,354.00	104,999,340.47
Receivables financing		11,597,971.23	17,989,139.57	
Advances to suppliers		794,484.75	1,454,282.62	850,094.29
Other receivables	*14.2*	927,682,975.81	73,808.51	164,245,087.26
Inventories		15,161,894.49	20,546,515.38	8,548,184.43
Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets		8,443,065.26	1,878,776.15	5,073,152.84
Total current assets		1,482,596,294.58	481,730,428.99	681,856,660.12
Non-current assets:				
Debt investments				
Other debt investments				
Long-term receivables				
Long-term equity investments	*14.3*	46,036,050,438.00	23,185,478,357.92	17,697,309,414.74
Investments in other equity instruments		583,395,820.00	685,961,180.00	638,826,600.00
Other non-current financial assets		1,406,830,003.25	3,474,168,350.14	267,209,296.71
Investment properties		689,393,828.27	719,403,919.34	992,428,068.96
Fixed assets		378,136,332.02	381,820,182.48	359,625,782.91
Construction in progress		1,122,908.68	322,468.27	1,575,864.47
Biological assets				
Oil and gas assets				
Right-of-use assets				
Intangible assets		69,907,675.68	71,757,425.01	37,455,127.28
Capitalized development costs				
Goodwill				
Long-term prepaid expenses				
Deferred tax assets		68,063,800.33	15,875,813.27	8,665,762.10
Other non-current assets		1,928,267.00	2,768,720.00	
Total non-current assets		49,234,829,073.23	28,537,556,416.43	20,003,095,917.17
Total assets		50,717,425,367.81	29,019,286,845.42	20,684,952,577.29

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

Legal Representative: Chief Accountant: Chief Finance Officer:

Liabilities and shareholders' equity	*Note 14*	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Current liabilities:				
Short-term borrowings		2,523,513,438.99	1,634,187,196.09	1,876,713,883.22
Financial liabilities held for trading		3,567,808.37	39,213,848.20	876,090.00
Derivative financial liabilities				
Notes payable		635,850,000.00		
Accounts payable		247,406,837.44	27,739,906.79	26,692,331.78
Advances from customers		31,132,194.01	42,272,204.52	60,317,125.04
Contract liabilities		28,925,918.19	17,408,413.40	
Employee benefits payable		21,757,749.42	22,809,892.65	40,730,452.32
Taxes payable		5,225,770.93	49,837,114.50	13,084,594.26
Other payables		5,814,246,665.10	4,262,750,696.77	20,628,922.25
Liabilities held for sale				
Non-current liabilities due within one year		1,625,330,341.78	16,618,750.00	15,000,000.00
Other current liabilities		3,791,388.68	2,364,683.20	
Total current liabilities		10,940,748,112.91	6,115,202,706.12	2,054,043,398.87
Non-current liabilities:				
Long-term borrowings		1,864,000,000.00	499,000,000.00	
Bonds payable		3,927,567,223.43	996,698,113.14	994,811,320.74
Of which: Preferred shares				
Perpetual debt				
Lease liabilities				
Long-term payables		1,200,580,000.00	1,405,775,833.33	1,000,000,000.00
Long-term employee benefits payable				
Provisions				
Deferred income				
Deferred tax liabilities		160,430,710.48	75,259,710.90	66,358,381.00
Other non-current liabilities		33,269,790.86	44,009,116.31	57,632,843.39
Total non-current liabilities		7,185,847,724.77	3,020,742,773.68	2,118,802,545.13
Total liabilities		18,126,595,837.68	9,135,945,479.80	4,172,845,944.00
Shareholders' equity:				
Share capital		5,946,488,521.00	4,834,863,866.00	4,029,053,222.00
Other equity instruments		1,218,368,686.59		
Of which: Preferred shares				
Perpetual debt				
Capital reserves		21,394,743,718.63	13,350,132,175.35	10,573,704,374.36
Less: Treasury shares				
Other comprehensive income		68,171,865.00	145,095,885.00	109,744,950.00
Special reserves				
Surplus reserves		652,896,900.49	363,567,531.87	347,912,464.42
Retained earnings		3,310,159,838.42	1,189,681,907.40	1,451,691,622.51
Total shareholders' equity		32,590,829,530.13	19,883,341,365.62	16,512,106,633.29
Total liabilities and shareholders' equity		50,717,425,367.81	29,019,286,845.42	20,684,952,577.29

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.
Consolidated Income Statement
(All amounts in RMB Yuan unless otherwise stated)

Item	Note 5	Year 2021	Year 2020	Year 2019
I. Revenue		51,722,179,697.92	33,698,796,950.06	36,736,918,927.52
Of which: Revenue	5.46	51,722,179,697.92	33,698,796,950.06	36,736,918,927.52
Interest income				
Premiums earned				
Incomes for handling charges and commissions				
II. Cost of sales		45,599,276,835.62	32,757,006,914.90	33,985,107,182.26
Of which: Cost of sales	5.46	43,073,203,645.89	31,047,552,185.40	31,715,081,202.73
Interest costs				
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	209,420,399.49	144,737,546.86	147,662,409.94
Selling expenses	5.48	155,396,328.60	127,155,253.05	462,184,171.99
General and administrative expenses	5.49	642,262,065.98	365,571,135.93	372,095,870.90
Research and development expenses	5.50	427,210,997.61	247,692,466.79	239,910,317.05
Financial expenses	5.51	1,091,783,398.05	824,298,326.87	1,048,173,209.65
Of which: Interest expenses		1,163,780,314.49	977,774,037.30	948,894,799.87
Interest income		142,311,545.44	88,392,891.08	46,477,143.25
Add: Other income	5.52	108,304,116.91	155,324,080.15	86,054,523.92
Investment income (loss expressed with "-")	5.53	-22,845,888.62	136,938,857.71	157,784,116.35
Of which: Share of net profits of associates and joint ventures		12,792,766.35	24,269,191.07	5,302,227.30
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	19,602,121.17	-52,914,770.50	15,940,216.36
Credit impairment losses (loss expressed with "-")	5.55	-13,759,136.23	403,174.20	10,210,342.11
Assets impairment losses (loss expressed with "-")	5.56	-215,740,376.30	-114,233,062.33	-55,585,666.14
Gains on disposal of assets (loss expressed with "-")	5.57	18,290,382.02	43,114,282.96	9,516,732.37
III. Operating profit (loss expressed with "-")		6,016,754,081.25	1,110,422,597.35	2,975,732,010.23
Add: Non- operating income	5.58	52,869,927.78	24,078,955.82	17,015,039.42
Less: non-operating expenses	5.59	10,892,311.68	17,046,747.59	5,495,170.50
IV. Total profit (total loss expressed with "-")		6,058,731,697.35	1,117,454,805.58	2,987,251,879.15

Item	*Note 5*	Year 2021	Year 2020	Year 2019
Less: income tax expenses	*5.60*	972,485,590.84	277,727,236.86	433,546,666.39
V. Net profit (net loss expressed with "-")		5,086,246,106.51	839,727,568.72	2,553,705,212.76
(I) Classified by continuity of operations				
1. Net profit from continuing operations (net loss expressed with "-")		5,086,246,106.51	839,727,568.72	2,548,085,484.68
2. Net profit from discontinued operations (net loss expressed with "-")				5,619,728.08
(II) Classified by ownership of the equity.				
1. Net profit attributable to shareholders of the Company (net loss expressed with "-") . .		4,543,604,009.84	766,648,020.16	2,463,151,017.02
2. Net profit attributable to non-controlling interests (net loss expressed with "-")		542,642,096.67	73,079,548.56	90,554,195.74
VI. Other comprehensive income, net of tax		-80,529,509.69	30,971,686.06	107,615,579.20
Other comprehensive income, net of tax, attributable to shareholders of the Company . .		-79,900,667.91	31,862,788.32	107,638,355.15
(I) Other comprehensive income that will not to be reclassified to profit or loss		-76,924,020.00	35,350,935.00	107,734,950.00
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.		-76,924,020.00	35,350,935.00	107,734,950.00
4. Changes in the fair value of the company's own credit risk.				
(II) Other comprehensive income that will be reclassified to profit or loss.		-2,976,647.91	-3,488,146.68	-96,594.85
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 hedging reserve . . .				
6. Translation differences of foreign currency financial statements		-2,976,647.91	-3,488,146.68	-96,594.85
7. Others.				

Item	*Note 5*	Year 2021	Year 2020	Year 2019
Net after-tax amount of other comprehensive income attributable to non-controlling interests		-628,841.78	-891,102.26	-22,775.95
VII. Total comprehensive income		5,005,716,596.82	870,699,254.78	2,661,320,791.96
Total comprehensive incomes attributable to the Company's shareholders		4,463,703,341.93	798,510,808.48	2,570,789,372.17
Total comprehensive incomes attributable to non-controlling interests		542,013,254.89	72,188,446.30	90,531,419.79
VIII. Earnings per share:				
(I) Basic earnings per share (yuan/share)		0.76	0.14	0.48
(II) Diluted earnings per share (yuan/share)		0.73	0.14	0.48

In case of business combination under common control for the current period, the net profit realized by the combinee before the combination in 2021 was RMB3,776,983,744.96; the net profit realized by the combinee in 2020 was RMB526,992,784.23, and the net profit realized by the combinee in 2020 was RMB1,047,109,134.53.

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.
Company's Income Statement
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note 14*	Year 2021	Year 2020	Year 2019
I. Revenue	*14.4*	6,795,760,267.56	3,359,918,620.83	1,044,949,320.54
Less: operating cost	*14.4*	6,450,648,253.97	2,985,587,879.48	607,907,540.27
Taxes and surcharges		22,174,045.71	23,537,407.90	24,184,785.51
Selling expenses		441,023.08	1,309,727.65	370,392.28
General and administrative expenses		114,822,884.51	55,493,908.14	72,214,474.33
Research and development expenses				
Financial expenses		405,899,765.25	144,016,757.46	92,287,643.22
Of which: Interest expenses		411,369,821.66	171,827,567.13	92,598,811.18
Interest income		8,653,785.42	6,497,767.70	4,482,637.60
Add: Other income		7,016,425.40	6,978,423.48	653,002.76
Investment income (loss expressed with "-")	*14.5*	2,953,065,236.71	26,261,285.20	179,287,984.78
Of which: Share of net profits of associates and joint ventures		14,397,830.28	22,390,633.79	1,745,902.60
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 "-")		193,642,851.87	-26,109,180.65	11,289,055.63
Credit impairment losses (loss expressed with "-")		-1,443,804.82	2,853,722.39	-1,691,285.47
Assets impairment losses (loss expressed with "-")				
Gains on disposal of assets (loss expressed with "-")		264,886.34	31,933,879.11	55,415,862.91
II. Operating profit ("-" for losses)		2,954,319,890.54	191,891,069.73	492,939,105.54
Add: Non- operating income		879,411.17	10,179,431.89	4,986,795.22
Less: non-operating expenses		3,281,262.95	146,483.20	1,595,342.47
III. Total profit (total loss expressed with "-")		2,951,918,038.76	201,924,018.42	496,330,558.29
Less: income tax expenses		58,624,352.52	45,373,343.88	111,698,677.47
IV. Net profit (net loss expressed with "-")		2,893,293,686.24	156,550,674.54	384,631,880.82
(I) Net profit from continuing operations (net loss expressed with "-")		2,893,293,686.24	156,550,674.54	384,631,880.82
(II) Net profit from discontinued operations (net loss expressed with "-")				
V. Other comprehensive income, net of tax		-76,924,020.00	35,350,935.00	107,734,950.00
(I) Other comprehensive income that will not to be reclassified to profit or loss		-76,924,020.00	35,350,935.00	107,734,950.00
1. Changes arising from remeasurement of defined benefit plan				

Item	Note 14	Year 2021	Year 2020	Year 2019
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.		-76,924,020.00	35,350,935.00	107,734,950.00
4. Changes in the fair value of the Company's own credit risk.				
(II) Other comprehensive income that will 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 hedging reserve . . .				
6. Translation differences of foreign currency financial statements				
7. Others.				
VI. Total comprehensive income		2,816,369,666.24	191,901,609.54	492,366,830.82
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.
Consolidated Statement of Cash Flows
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note 5*	Year 2021	Year 2020	Year 2019
I. Cash flows from operating activities				
Cash received from sale of goods or rendering of services		54,734,917,497.56	36,946,269,943.07	39,705,116,181.88
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 interest, 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				
Refund of taxes and surcharges		388,110,756.85	227,687,554.13	197,138,790.33
Cash received relating to other operating activities	*5.61*	7,261,607,193.29	4,275,878,880.66	3,379,791,973.72
Sub-total of cash inflows from operating activities		62,384,635,447.70	41,449,836,377.86	43,282,046,945.93
Cash paid for goods and services		44,106,942,148.69	29,808,387,038.63	31,032,075,629.65
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 interest, handling charges and commissions				
Cash paid for policy dividends				
Cash paid to and on behalf of employees		2,045,774,094.97	1,773,268,645.12	1,713,518,919.50

Item	Note 5	Year 2021	Year 2020	Year 2019
Payments of taxes and surcharges		2,081,548,173.10	568,086,811.03	811,873,573.69
Cash paid relating to other operating activities	5.61	8,816,659,938.00	5,318,059,013.90	2,503,458,822.28
Sub-total of cash outflows from operating activities		57,050,924,354.76	37,467,801,508.68	36,060,926,945.12
Net cash flows from operating activities		5,333,711,092.94	3,982,034,869.18	7,221,120,000.81
II. Cash flows from investing activities				
Cash received from disposal of investments		1,469,048,210.16	1,303,687,896.02	4,473,566,300.57
Cash received from returns on investments		22,957,557.09	123,972,053.72	94,636,003.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		154,619,227.95	392,727,477.01	118,748,154.43
Net cash received from disposal of subsidiaries and other business units			4,605,889.80	137,163,660.15
Cash received relating to other investing activities	5.61	807,790,634.52	1,148,467,854.56	7,010,151,052.13
Sub-total of cash inflows from investing activities		2,454,415,629.72	2,973,461,171.11	11,834,265,170.37
Cash paid to acquire fixed assets, intangible assets and other long-term assets		41,717,365,127.29	18,617,544,384.87	7,757,115,112.16
Cash paid to acquire investments		1,745,304,798.91	879,137,906.52	3,981,947,451.80
Net increase in pledge loans				
Net cash paid for the acquisition of subsidiaries and other business units				
Cash payments relating to other investing activities	5.61		1,056,000,000.00	4,615,153,441.38
Sub-total of cash outflows from investing activities		43,462,669,926.20	20,552,682,291.39	16,354,216,005.34
Net cash flows from investing activities		-41,008,254,296.48	-17,579,221,120.28	-4,519,950,834.97
III. Cash flows from financing activities				
Cash received from capital contributions			7,546,571,431.64	1,346,580,000.00
Of which: Cash received from capital contributions by non-controlling interests of subsidiaries			3,965,420,000.00	1,296,580,000.00
Cash received from borrowings		52,877,996,262.84	34,004,988,237.07	13,615,987,460.34
Cash received relating to other financing activities	5.61	6,920,000,000.00	3,000,000,000.00	2,570,500,000.00
Sub-total of cash inflows from financing activities		59,797,996,262.84	44,551,559,668.71	17,533,067,460.34
Cash repayments for borrowings		16,233,037,978.54	16,755,064,778.59	12,926,694,979.57

Item	Note 5	Year 2021	Year 2020	Year 2019
Cash payments for distribution of dividends, profits or interest expenses.		3,885,492,625.12	2,295,089,961.38	1,341,756,317.80
Of which: Share dividends and profits paid to non-controlling interests of subsidiaries		96,000,000.00	96,307,171.05	
Cash payments relating to other financing activities	5.61	10,267,394,901.34	2,367,388,408.44	4,390,489,382.96
Sub-total of cash outflows from financing activities		30,385,925,505.00	21,417,543,148.41	18,658,940,680.33
Net cash flows from financing activities		29,412,070,757.84	23,134,016,520.30	-1,125,873,219.99
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		7,831,605.34	-37,291,046.59	-5,143,734.24
V. Net increase in cash and cash equivalents		-6,254,640,840.36	9,499,539,222.61	1,570,152,211.61
Plus: beginning balance of cash and cash equivalents.		15,931,142,588.10	6,431,603,365.49	4,861,451,153.88
VI. Ending balance of cash and cash equivalents		9,676,501,747.74	15,931,142,588.10	6,431,603,365.49

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.
Company's Statement of Cash Flows
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note 14*	Year 2021	Year 2020	Year 2019
I. Cash flows from operating activities				
Cash received from sale of goods or rendering of services		7,758,306,701.37	4,104,861,024.16	1,104,646,165.35
Refund of taxes and surcharges				
Cash received relating to other operating activities		11,510,949,935.59	5,284,546,807.25	1,651,042,968.50
Sub-total of cash inflows from operating activities		19,269,256,636.96	9,389,407,831.41	2,755,689,133.85
Cash paid for goods and services		6,451,730,597.11	3,530,885,552.02	508,977,962.90
Cash paid to and on behalf of employees		104,311,003.21	96,592,098.89	97,536,728.34
Payments of taxes and surcharges		88,239,322.41	79,755,435.26	162,774,916.00
Cash paid relating to other operating activities		12,567,789,796.76	1,556,974,757.45	1,648,972,885.63
Sub-total of cash outflows from operating activities		19,212,070,719.49	5,264,207,843.62	2,418,262,492.87
Net cash flows from operating activities		57,185,917.47	4,125,199,987.79	337,426,640.98
II. Cash flows from investing activities				
Cash received from disposal of investments		1,270,588.24	91,940,895.63	1,870,386,545.93
Cash received from returns on investments		2,704,888,860.15	41,545,931.85	40,790,135.41
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		348,249.74	351,557,921.50	108,062,340.70
Net cash received from disposal of subsidiaries and other business units				
Cash received relating to other investing activities				1,546,991,052.13
Sub-total of cash inflows from investing activities		2,706,507,698.13	485,044,748.98	3,566,230,074.17
Cash paid to acquire fixed assets, intangible assets and other long-term assets		31,452,678.57	98,342,156.38	40,577,796.86
Cash paid to acquire investments		9,681,660,000.00	8,093,000,000.00	5,961,000,000.00
Net cash paid for the acquisition of subsidiaries and other business units				
Cash payments relating to other investing activities				1,262,440,000.00
Sub-total of cash outflows from investing activities		9,713,112,678.57	8,191,342,156.38	7,264,017,796.86
Net cash flows from investing activities		-7,006,604,980.44	-7,706,297,407.40	-3,697,787,722.69

Item	*Note 14*	Year 2021	Year 2020	Year 2019
III. Cash flows from financing activities				
Cash received from capital contributions.			3,581,151,431.64	
Cash received from borrowings . .		9,550,723,006.00	2,472,646,058.00	3,245,480,935.00
Cash received relating to other financing activities.		5,500,000,000.00	2,250,000,000.00	1,000,000,000.00
Sub-total of cash inflows from financing activities.		15,050,723,006.00	8,303,797,489.64	4,245,480,935.00
Cash repayments for borrowings		1,780,914,311.63	2,172,737,513.10	680,000,000.00
Cash payments for distribution of dividends, profits or interest expenses		702,818,976.10	565,261,603.02	461,556,381.97
Cash payments relating to other financing activities.		5,700,200,000.00	1,850,547,717.98	
Sub-total of cash outflows from financing activities.		8,183,933,287.73	4,588,546,834.10	1,141,556,381.97
Net cash flows from financing activities		6,866,789,718.27	3,715,250,655.54	3,103,924,553.03
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		-95.08	-262.92	-8.29
V. Net increase in cash and cash equivalents		-82,629,439.78	134,152,973.01	-256,436,536.97
Plus: beginning balance of cash and cash equivalents.		287,339,525.05	153,186,552.04	409,623,089.01
VI. Ending balance of cash and cash equivalents		204,710,085.27	287,339,525.05	153,186,552.04

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.
Consolidated Statement of Changes in Shareholders' Equity
(All amounts in RMB Yuan unless otherwise stated)

	Year 2021													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
I. Balance as at December 31, 2020	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	17,545,469,389.50	5,002,390,105.22	22,547,859,494.72
Plus: changes in accounting policies														
Correction of prior errors														
Business combination under common control					5,757,601,451.98			2,238,508.94			733,642,052.15	6,493,482,013.07	1,105,268,683.87	7,598,750,696.94
Others														
II. Balance as at January 1, 2021	7,823,263,574.16				13,026,663,948.36		141,511,143.47	36,537,457.57	371,183,266.63		2,639,792,012.38	24,038,951,402.57	6,107,658,789.09	30,146,610,191.66
III. Movement for the period (decrease expressed with "-")	1,111,624,655.00			1,218,368,686.59	-2,865,009,604.23		-79,900,667.91	-15,571,700.39	230,386,496.96		3,975,685,270.75	3,575,583,136.77	-4,314,164,250.37	-738,581,113.60
(I) Total comprehensive income							-79,900,667.91				4,543,604,009.84	4,463,703,341.93	542,013,254.89	5,005,716,596.82
(II) Capital contribution and reduction by shareholders	1,111,624,655.00			1,218,368,686.59	1,290,373.84							2,331,283,715.43	-5,804,613,991.73	-3,473,330,276.30
1. Common share capital contribution by shareholders	1,111,528,326.00											1,111,528,326.00	-5,848,387,200.00	-4,736,858,874.00
2. Capital contribution by the holders of other equity instruments	96,329.00			1,218,368,686.59	1,290,373.84							1,219,755,389.43		1,219,755,389.43
3. Amount recorded in shareholders' equity arising from share-based payment arrangements														
4. Others													43,773,208.27	43,773,208.27
(III) Distribution of profits									154,991,088.91		-1,202,477,475.51	-1,047,486,386.60	-96,000,000.00	-1,143,486,386.60
1. Appropriation to surplus reserves									154,991,088.91		-154,991,088.91			
2. Appropriation to common risk provision														
3. Distribution to shareholders											-1,047,486,386.60	-1,047,486,386.60	-96,000,000.00	-1,143,486,386.60
4. Others														

Year 2021

Item	Equity attributable to shareholders of the Company												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total		
		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 reserves								-15,571,700.39				-15,571,700.39	-381,021.13	-15,952,721.52
1. Accrual in the period								41,785,777.82				41,785,777.82	4,460,412.85	46,246,190.67
2. Use in the period								57,357,478.21				57,357,478.21	4,841,433.98	62,198,912.19
(VI) Others					-2,866,299,978.07				75,395,408.05		634,558,736.42	-2,156,345,833.60	1,044,817,507.60	-1,111,528,326.00
IV. Balance as at December 31, 2021	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

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

Legal Representative: Chief Accountant: Chief Finance Officer:

Year 2020

Item	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual debt	Other equity instruments: Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
	Equity attributable to shareholders of the Company													
I. Balance as at December 31, 2019	7,017,452,930.16				4,500,257,361.05		109,648,355.15	24,909,779.40	324,619,555.31		2,039,310,549.38	14,016,198,530.45	1,283,813,020.81	15,300,011,551.26
Plus: changes in accounting policies														
Correction of prior errors														
Business combination under common control					5,757,565,684.52			1,459,294.32			849,355,491.31	6,608,380,470.15	1,124,825,782.24	7,733,206,252.39
Others														
II. Balance as at January 1, 2020	7,017,452,930.16				10,257,823,045.57		109,648,355.15	26,369,073.72	324,619,555.31		2,888,666,040.69	20,624,579,000.60	2,408,638,803.05	23,033,217,803.65
III. Movement for the period (decrease expressed with "-")	805,810,644.00				2,768,840,902.79		31,862,788.32	10,168,383.85	46,563,711.32		-248,874,028.31	3,414,372,401.97	3,699,019,986.04	7,113,392,388.01
(I) Total comprehensive income							31,862,788.32				766,648,020.16	798,510,808.48	72,188,446.30	870,699,254.78
(II) Capital contribution and reduction by shareholders	805,810,644.00				2,776,427,800.99							3,582,238,444.99	3,965,420,000.00	7,547,658,444.99
1. Common share capital contribution by shareholders	805,810,644.00				2,776,427,800.99							3,582,238,444.99	3,965,420,000.00	7,547,658,444.99
2. Capital contribution by the holders of other equity instruments														
3. Amount recorded in shareholders' equity arising from share-based payment arrangements														
4. Others														
(III) Distribution of profits									46,563,711.32		-1,015,522,048.47	-968,958,337.15	-96,307,171.05	-1,065,265,508.20
1. Appropriation to surplus reserves									46,563,711.32		-46,563,711.32			
2. Appropriation to common risk provision														
3. Distribution to shareholders											-968,958,337.15	-968,958,337.15	-96,307,171.05	-1,065,265,508.20
4. Others														

Item	Year 2020													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
(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 reserves								10,168,383.85				10,168,383.85	132,631.70	10,301,015.55
1. Accrual in the period								46,887,429.85				46,887,429.85	4,147,321.12	51,034,750.97
2. Use in the period								36,719,046.00				36,719,046.00	4,014,689.42	40,733,735.42
(VI) Others					-7,586,898.20							-7,586,898.20	-242,413,920.91	-250,000,819.11
IV. Balance as at December 31, 2020 . . .	7,823,263,574.16				13,026,663,948.36		141,511,143.47	36,537,457.57	371,183,266.63		2,639,792,012.38	24,038,951,402.57	6,107,658,789.09	30,146,610,191.66

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

Legal Representative: Chief Accountant: Chief Finance Officer:

Year 2019

Equity attributable to shareholders of the Company

Item	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual debt	Other equity instruments: Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
I. Balance as at December 31, 2018	7,017,452,930.16				3,387,693,579.62		-3,885,126.93		176,701,031.77		2,374,513,538.24	12,952,475,952.86	4,764,256.93	12,957,240,209.79
Plus: changes in accounting policies							5,895,126.93				5,837,915.14	11,733,042.07		11,733,042.07
Correction of prior errors														
Business combination under common control					8,849,387,204.79			32,646,938.86			-353,445,644.29	8,528,588,499.36		8,528,588,499.36
Others														
II. Balance as at January 1, 2019	7,017,452,930.16				12,237,080,784.41		2,010,000.00	32,646,938.86	176,701,031.77		2,026,905,809.09	21,492,797,494.29	4,764,256.93	21,497,561,751.22
III. Movement for the period (decrease expressed with "-")					-1,979,257,738.84		107,638,355.15	-6,277,865.14	147,918,523.54		861,760,231.60	-868,218,493.69	2,403,874,546.12	1,535,656,052.43
(I) Total comprehensive income							107,638,355.15				2,463,151,017.02	2,570,789,372.17	90,531,419.79	2,661,320,791.96
(II) Capital contribution and reduction by shareholders													2,296,580,000.00	2,296,580,000.00
1. Common share capital contribution by shareholders													2,296,580,000.00	2,296,580,000.00
2. Capital contribution by the holders of other equity instruments														
3. Amount recorded in shareholders' equity arising from share-based payment arrangements														
4. Others														
(III) Distribution of profits									147,918,523.54		-550,823,845.74	-402,905,322.20		-402,905,322.20
1. Appropriation to surplus reserves									147,918,523.54		-147,918,523.54			
2. Appropriation to common risk provision														
3. Distribution to shareholders											-402,905,322.20	-402,905,322.20		-402,905,322.20
4. Others														
(IV) Transfer within shareholders' equity														
1. Transfer from capital reserves to share capital														

	Year 2019													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
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 reserves								-6,277,865.14				-6,277,865.14	248,389.43	-6,029,475.71
1. Accrual in the period								47,668,452.88				47,668,452.88	4,044,394.23	51,712,847.11
2. Use in the period								53,946,318.02				53,946,318.02	3,796,004.80	57,742,322.82
(VI) Others					-1,979,257,738.84						-1,050,566,939.68	-3,029,824,678.52	16,514,736.90	-3,013,309,941.62
IV. Balance as at December 31, 2019	7,017,452,930.16				10,257,823,045.57		109,648,355.15	26,369,073.72	324,619,555.31		2,888,666,040.69	20,624,579,000.60	2,408,638,803.05	23,033,217,803.65

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.
Company's Statement of Changes in Shareholders' Equity
(All amounts in RMB Yuan unless otherwise stated)

	Year 2021										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Balance as at December 31, 2020	4,834,863,866.00				13,350,132,175.35		145,095,885.00		363,567,531.87	1,189,681,907.40	19,883,341,365.62
Plus: changes in accounting policies											
Correction of prior errors											
Others											
II. Balance as at January 1, 2021	4,834,863,866.00				13,350,132,175.35		145,095,885.00		363,567,531.87	1,189,681,907.40	19,883,341,365.62
III. Movement for the period (decrease expressed with "-")	1,111,624,655.00			1,218,368,686.59	8,044,611,543.28		-76,924,020.00		289,329,368.62	2,120,477,931.02	12,707,488,164.51
(I) Total comprehensive income							-76,924,020.00			2,893,293,686.24	2,816,369,666.24
(II) Capital contribution and reduction by shareholders	1,111,624,655.00			1,218,368,686.59	1,290,373.84						2,331,283,715.43
1. Common share capital contribution by shareholders	1,111,528,326.00										1,111,528,326.00
2. Capital contribution by the holders of other equity instruments	96,329.00			1,218,368,686.59	1,290,373.84						1,219,755,389.43
3. Amount recorded in shareholders' equity arising from share-based payment arrangements											
4. Others											
(III) Distribution of profits									289,329,368.62	-772,815,755.22	-483,486,386.60
1. Appropriation to surplus reserves									289,329,368.62	-289,329,368.62	
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											

	Year 2021										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
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 reserves											
1. Accrual in the period											
2. Use in the period											
(VI) Others					8,043,321,169.44						8,043,321,169.44
IV. Balance as at December 31, 2021	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

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

Legal Representative: Chief Accountant: Chief Finance Officer:

	Year 2020										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Balance as at December 31, 2019	4,029,053,222.00				10,573,704,374.36		109,744,950.00		347,912,464.42	1,451,691,622.51	16,512,106,633.29
Plus: changes in accounting policies											
Correction of prior errors											
Others											
II. Balance as at January 1, 2020	4,029,053,222.00				10,573,704,374.36		109,744,950.00		347,912,464.42	1,451,691,622.51	16,512,106,633.29
III. Movement for the period (decrease expressed with "-")	805,810,644.00				2,776,427,800.99		35,350,935.00		15,655,067.45	-262,009,715.11	3,371,234,732.33
(I) Total comprehensive income							35,350,935.00			156,550,674.54	191,901,609.54
(II) Capital contribution and reduction by shareholders	805,810,644.00				2,776,427,800.99						3,582,238,444.99
1. Common share capital contribution by shareholders	805,810,644.00				2,776,427,800.99						3,582,238,444.99
2. Capital contribution by the holders of other equity instruments											
3. Amount recorded in shareholders' equity arising from share-based payment arrangements											
4. Others											
(III) Distribution of profits									15,655,067.45	-418,560,389.65	-402,905,322.20
1. Appropriation to surplus reserves									15,655,067.45	-15,655,067.45	
2. Distribution to shareholders										-402,905,322.20	-402,905,322.20
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											

Item	Year 2020										
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
		Preferred shares	Perpetual debt	Others							
4. Transfer remeasurements of defined benefit obligation to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Accrual in the period											
2. Use in the period											
(VI) Others											
IV. Balance as at December 31, 2020	4,834,863,866.00				13,350,132,175.35		145,095,885.00		363,567,531.87	1,189,681,907.40	19,883,341,365.62

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

Legal Representative: Chief Accountant: Chief Finance Officer:

	Year 2019										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Balance as at December 31, 2018	4,029,053,222.00				10,562,263,278.47		70,483,291.69		302,400,947.17	1,435,270,247.38	16,399,470,986.71
Plus: changes in accounting policies							-68,473,291.69		7,048,329.17	73,158,004.59	11,733,042.07
Correction of prior errors											
Others											
II. Balance as at January 1, 2019	4,029,053,222.00				10,562,263,278.47		2,010,000.00		309,449,276.34	1,508,428,251.97	16,411,204,028.78
III. Movement for the period (decrease expressed with "-")					11,441,095.89		107,734,950.00		38,463,188.08	-56,736,629.46	100,902,604.51
(I) Total comprehensive income							107,734,950.00			384,631,880.82	492,366,830.82
(II) Capital contribution and reduction by shareholders											
1. Common share capital contribution by shareholders											
2. Capital contribution by the holders of other equity instruments											
3. Amount recorded in shareholders' equity arising from share-based payment arrangements											
4. Others											
(III) Distribution of profits									38,463,188.08	-441,368,510.28	-402,905,322.20
1. Appropriation to surplus reserves									38,463,188.08	-38,463,188.08	
2. Distribution to shareholders										-402,905,322.20	-402,905,322.20
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											

Item	Year 2019										
	Share capital	Other equity instruments			Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
		Preferred shares	Perpetual debt	Others							
4. Transfer remeasurements of defined benefit obligation to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Accrual in the period											
2. Use in the period											
(VI) Others					11,441,095.89						11,441,095.89
IV. Balance as at December 31, 2019	4,029,053,222.00				10,573,704,374.36		109,744,950.00		347,912,464.42	1,451,691,622.51	16,512,106,633.29

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

Legal Representative: Chief Accountant: Chief Finance Officer:

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 at December 31, 2021, both the registered capital and paid-in capital of the Company were RMB5,946,488,500.00.

See Note 5.39 for details about the changes in equity in 2021. Registered address: No. 73, Market East Road, Shengze Town, Wujiang District, Suzhou, Jiangsu, and the headquarters address: No. 73, Market East Road, Shengze Town, Wujiang District, Suzhou, Jiangsu.

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.

Jiangsu Shenghong Technology Co., Ltd. is the parent company of the Company, 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 December 31, 2021, entities within the scope of the consolidated financial statements of the Company are as follows:

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.
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.
Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation 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.
Lianyungang Shenghong Refining and Chemical Industry Fund Partnership (Limited Partnership)
Suzhou Yinghong Industrial Investment Fund (Limited Partnership)
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.*
Jiangsu Honggang Petrochemical Co., Ltd.
Shenghong Oils Sales Co., Ltd.
Shenghong (Lianyungang) Oils Sales Co., Ltd.
Shenghong Petrochemical (Singapore) International Co., Ltd.
Shenghong Shipping (Singapore) International Co., Ltd.
Lianyungang Guanhong Trading Co., Ltd.
Jiangsu Hongwei Chemical Co., Ltd.
Lianyungang Shengtai New Materials Co., Ltd.
Lianyungang Hongke New Materials Co., Ltd.
Shenghong (Shanghai) Polyester Material 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.
Jiangsu Sierbang Petrochemical Co., Ltd.
Lianyungang Shunmeng Trading Co., Ltd.
Inner Mongolia Shenghuayi Energy Co., Ltd.
Inner Mongolia Sierbang Energy and Chemical Technology Co., Ltd.
Jiangsu Hongjing New Materials Co., Ltd.

As at December 31, 2020 entities within the scope of the consolidated financial statements of the Company are as follows:

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.
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.
Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation 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.
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.*
Jiangsu Honggang Petrochemical Co., Ltd.
Shenghong Oils Sales Co., Ltd.
Shenghong (Lianyungang) Oils Sales Co., Ltd.
Shenghong Petrochemical (Singapore) International Co., Ltd.
Lianyungang Guanhong Trading Co., Ltd.
Jiangsu Hongwei Chemical Co., Ltd.
Shenghong (Shanghai) Polyester Material Co., Ltd.
Shenghong New Materials (Suqian) Co., Ltd.
Jiangsu Reborn Eco-tech Co., Ltd.
Jiangsu Sierbang Petrochemical Co., Ltd.
Lianyungang Shunmeng Trading Co., Ltd.
Inner Mongolia Shenghuayi Energy Co., Ltd.
Inner Mongolia Sierbang Energy and Chemical Technology Co., Ltd.

As at December 31, 2019 entities within the scope of the consolidated financial statements of the Company are as follows:

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.
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.
Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation Co., Ltd.
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.
Jiangsu Xingda Natural Gas Pipeline Co., Ltd.
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.*
Jiangsu Honggang Petrochemical Co., Ltd.
Shenghong Oils Sales Co., Ltd.
Shenghong (Lianyungang) Oils Sales Co., Ltd.
Shenghong Petrochemical (Singapore) International Co., Ltd.
Jiangsu Sierbang Petrochemical Co., Ltd.
Lianyungang Shunmeng Trading Co., Ltd.
Inner Mongolia Shenghuayi Energy Co., Ltd.
Inner Mongolia Sierbang Energy and Chemical Technology Co., Ltd.
Sierbang (Shanghai) Supply Chain Management Co., Ltd.

* Jiangsu Shenghong Petrochemical Industry Group Co., Ltd. was formerly known as Jiangsu Shenghong Petrochemical Industry Development Co., Ltd.

See Note "6 Changes in the scope of consolidation" for details of the changes in the scope of consolidation during the reporting period.

See Note "7 Equity in other entities" for relevant information on subsidiaries of the Company.

2 Basis of preparation for the financial statements

2.1 Basis of preparation

The 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.

On December 31, 2021, Eastern Shenghong consolidated Jiangsu Sierbang Petrochemical Co., Ltd. under the same control and restated the financial statements for each of the years ended December 31, 2019, 2020 and 2021 in accordance with Accounting Standards for Business Enterprises, on which BDO CHINA Shu Lun Pan Certified Public Accountants LLP issued auditor's reports to the shareholders of Eastern Shenghong, dated 13 May 2022. The matter detailed in Note "6.2 Business combination under common control".

2.2 Going concern

The 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 2019

In 2017, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23—Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24—Hedge Accounting (collectively hereinafter referred to as the "New Financial Instruments Standards") and the Circular on the Transitional Measures Related to the Implementation of the Accounting New Financial Instruments Standards (Cai Kuai [2017] No. 20) ("the Circular"), which came into effect on January 1, 2019. The Company and its subsidiaries (the "Group") has adopted these standards for the first time in the 2019 financial statements. Pursuant to the New Financial Instruments Standards and the Circular, for financial instruments that have not been derecognized at the date of initial implementation, previous recognition and measurement that are inconsistent with the requirements of the revised standard should be adjusted retrospectively. On January 1, 2019, main impacts of the implementation of the New Financial Instruments Standards are as follows:

Content of and reason for changes in accounting policies	Affected items	Impact on the balance as at January 1, 2019 Consolidated
(1) Reclassify financial investments originally presented in items "other current assets", "financial assets held for trading" and "other non-current financial assets" to items "financial assets held for trading" and "other non-current financial assets".	Financial assets held for trading	1,510,030,000.00

Content of and reason for changes in accounting policies	Affected items	Impact on the balance as at January 1, 2019 Consolidated
	Other current assets	-1,510,030,000.00
	Available-for-sale financial assets	-6,985,943.90
	Other non-current assets	-20,000,000.00
	Other non-current financial assets	39,950,000.00
	Deferred tax liabilities	3,241,014.03
	Retained earnings	9,723,042.07
(2) Reclassify available-for-sale equity instrument investments as the item "financial assets measured at fair value through the current profit or loss".	Financial assets held for trading	126,794,722.26
	Available-for-sale financial assets	-126,794,722.26
	Other comprehensive income	3,885,126.93
	Retained earnings	-3,885,126.93
(3) Designate available-for-sale equity instrument investments held not for trading as "financial assets measured at fair value through other comprehensive income".	Available-for-sale financial assets	-492,500,000.00
	Investments in other equity instruments	495,180,000.00
	Other comprehensive income	2,010,000.00
	Deferred tax liabilities	670,000.00
(4) Reclassify notes receivable measured at fair value through other comprehensive income to the item "receivables financing"	Notes receivable	-631,098,965.05
	Receivables financing	631,098,965.05
(5) Reclassify the item "interest receivable" to the corresponding asset, and the item "interest payable" to the corresponding liability.	Cash at bank and on hand	12,649,576.42
	Financial assets held for trading	2,047,333.33
	Other receivables — Interest receivable	-14,696,909.75
	Short-term borrowings	9,770,889.19
	Non-current liabilities due within one year	19,701,439.39
	Other payables — Interest payable	-29,472,328.58

Standard adopted for the first time for 2020

In 2017, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 14—Revenue (the "New Revenue Standard"), which came into effect on January 1, 2020. The Group adopted this standard for the first time in the 2020 financial statements. On January 1, 2020, main impacts of the implementation of the New Revenue Standard are as follows:

Content of and reason for changes in accounting policies	Affected items	Impact on the balance as at Wednesday, January 1, 2020
The obligation of transferring goods to customers in the future in advances from customers relevant to sales of goods or rendering of services is reclassified to contract liabilities, and the VAT payment obligation which has not happened yet is reclassified to other current liabilities as the output tax to be carried forward.	Advances from customers	-601,927,787.30
	Contract liabilities	535,089,320.89
	Other current liabilities	66,838,466.41

Standard adopted for the first time for 2021

In 2018, the Ministry of Finance released the revised Accounting Standard for Business Enterprises No. 21—Leases (the "New Lease Standard"), which became effective on January 1, 2021. The Group adopted this New Lease Standard for the first time in the 2021 financial statements. The Group did not restate comparatives retrospectively and recognised the cumulative effect of applying this standard initially as an adjustment to the relevant line items in the financial statements as permitted under the specific transitional provisions in the standard. On January 1, 2021, main impacts of the implementation of the New Lease Standard are as follows:

Content of and reason for changes in accounting policies	Affected items	Impact on the balance as at January 1, 2021
As a lessee, the Company adjusts the operating lease existing before the first execution date	Right-of-use assets	697,683,319.94
	Lease liabilities	652,020,683.70
	Non-current liabilities due within one year	45,662,636.24

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 accounting estimates

3.1 Statement on compliance with Accounting Standards for Business Enterprises

The financial statements meet the requirements of the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance, and truly and completely reflect the consolidated and the company's financial position of the Company as at December 31, 2019, December 31, 2020 and December 31, 2021, and the consolidated and the company's financial performance and cash flows for the three years then ended.

3.2 Accounting period

The accounting year is from January 1 to December 31.

3.3 Business cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

The Company's functional currency is Renminbi ("RMB"). Subsidiaries of the Company determine their functional currency based on the main economic environment in the place where they operate, while Shenghong Petrochemical (Singapore) International Co., Ltd. and Shenghong Shipping (Singapore) International Co., Ltd. adopt USD as the functional currency. The financial statements are presented in RMB.

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

Business combination under common control: For assets and liabilities (including the goodwill formed by the acquisition of the combinee by the ultimate controller) obtained through business combination by the combining party, they are measured based on the book value of the assets and liabilities of the combinee in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

Business combination not under common control: The combination cost refers to the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer on the acquisition date for the purpose of acquiring the control over the acquiree. The Company recognizes 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 includes 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. Various identifiable assets, identifiable liabilities and contingent liabilities which are obtained from the combinee in the course of business combination and eligible for recognition are measured at fair value on the acquisition date.

Expenses incurred directly relating to the business combination are included in the current profit or loss; transaction expenses incurred in issuing equity or debt securities for business combination are included in the initial recognition amount of those equity or debt securities.

3.6 Preparation method of consolidated financial statements

3.6.1 Scope of consolidation

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

3.6.2 Consolidation procedures

The Company takes the enterprise group as a whole accounting entity, and prepares the consolidated financial statements according to uniform accounting policies to reflect the overall financial position, operating results and cash flows of the enterprise group. Impacts of the internal transaction between the Company and its subsidiary or among subsidiaries of the Company should be offset. If any internal transaction indicates that relevant assets have been impaired, the impairment loss should be recognized in full. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policies and accounting periods of the Company.

The share of owners' equity, current net profit or loss and current comprehensive income of subsidiaries attributable to minority owners are respectively and separately presented under the owner's equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the current loss shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, non-controlling interests will be written down accordingly.

(1) Increase in subsidiaries or business

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the operating results and cash flows of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated financial statements; the beginning amount of the consolidated financial statements and relevant items in the comparative statements are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

If the control can be exercised over the investee under the common control as a result of additional investment and other reasons, equity investments held before obtaining the control over the combinee, relevant gains or losses and other comprehensive income recognized from the later of the date when the original equity is obtained or the date when the combining party and the combinee are under the same control to the combination date and other changes in net assets will respectively be used to offset the retained earnings at the beginning of period for the comprehensive financial statements or the current profit or loss.

During the reporting period, subsidiaries or business acquired from the business combination not under common control are included in the consolidated financial statements from the acquisition date based on the fair value of various identifiable assets, identifiable liabilities or contingent liabilities determined on the acquisition date.

If the control can be exercised over the investee not under common control as a result of additional investments and other reasons, the equity of the acquiree held before the acquisition date will be remeasured at the fair value of such equity on the acquisition date, and the difference between the fair value and book value of such equity will be included in the current investment income. Other comprehensive income that will be reclassified to profit or loss and other changes in owners' equity calculated by the equity method where the equity of the acquiree held before the acquisition date involves with are transferred into the investment income for the period where the acquisition date belongs.

(2) Disposal of subsidiaries

① <u>General treatment methods</u>

When the Company losses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal should be remeasured by the Company at the fair value thereof on the date of losing the control. The difference between the sum of the equity disposal consideration and the fair value of the remaining equity and the sum of the share calculated at the original shareholding ratio in net assets enjoyed in the original subsidiary and continuously calculated from the acquisition date or combination date and the goodwill will be included in the investment income for the period where the control is lost. Other comprehensive income that will be reclassified to profit or loss and other change in owners' equity calculated by the equity method, associated with the equity investments of original subsidiaries should be transferred into the investment income for the period where the control is lost.

② <u>Disposal of subsidiaries by stages</u>

If the control is lost due to disposal of the equities in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions of disposing equity investment in the subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions belong to 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.

When these transactions belong to a package of transactions, they are accounted for as a transaction of disposing subsidiary and losing control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control is recognized as other comprehensive income in the consolidated financial statements, and is transferred into current profit or loss upon loss of control.

Where multiple transactions do not belong to a package deal, before the loss of control, accounting treatment should be made via the partial disposal of equity investments in the subsidiary without losing control; at the loss of control, accounting treatment will be made by the general treatment method for the disposal of subsidiaries.

(3) Purchase of minority interest of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share calculated at the newly increased shareholding ratio in the net assets the subsidiary continuously calculates from the acquisition date or combination date. If the share premium is insufficient to offset, retained earnings will be adjusted.

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

The share premium of capital reserves in the consolidated balance sheet will be adjusted based on difference between the disposal price and the share which should be enjoyed for the disposal of long-term equity investments in the net assets the subsidiary continuously calculates from the acquisition date or the combination date; if the share premium 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 the joint venture arrangement under which the joint venturer enjoys the assets relevant to such arrangement and assumes the liabilities relevant to the same.

The Company recognizes the following items related to its share of benefits in the 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) Revenues from sale of output enjoyed by it from the joint operation;

(4) Revenues from sale of output from the joint operation based on its percentage; and

(5) Separate costs and costs for the joint operation based on the shares held by the Company.

The Company had no investment in any joint venture.

3.8 Recognition criteria for cash and cash equivalents

Cash refers to the Company's cash on hand and the unrestricted deposits; The term "cash equivalents" refers to short-term and highly liquid investments held by the Company 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 statements

3.9.1 Foreign currency transactions

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

The balance of foreign currency items on the balance sheet date are measured at the spot exchange rate on the balance sheet date. The exchange difference arising therefrom is included in the current profit or loss, while other exchange difference arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified to capitalization is dealt with according to the principle of borrowing capitalization.

3.9.2 Translation of foreign currency statements

Assets and liabilities in the balance sheet shall be translated at the spot exchange rates on balance sheet date; owners' equity items, except for the item of "retained earnings", shall be translated at the spot exchange rates on the dates when the transactions occur. The revenue or expense items in the income statement are translated at the exchange rate which is similar to the spot exchange rate prevailing on the transaction date and determined by the systematic and reasonable method, which means that they are translated at the exchange rate at the beginning of the month where relevant transaction takes place.

When the Company disposes of an overseas business, the translation differences in foreign currency statements related to such overseas business should be transferred to the current profit or loss from the owners' equity.

3.10 Financial instruments

When the Company becomes a party to a contract for financial instrument, a financial asset, financial liability or equity instrument should be recognized.

3.10.1 Classification of financial instruments

According to the business model of financial assets and contractual cash flow characteristics of the same, which are subject to the management of the Company, financial assets are classified at the initial recognition as: financial assets measured at the amortized cost, financial assets measured at fair value through the other comprehensive income and financial assets measured at fair value through the current profit or loss.

Financial assets not designated to be measured at fair value through the current profit or loss in line with the following conditions will be reclassified into the financial assets measured at amortized cost:

— The business model is adopted for the purpose of obtaining the contractual cash flow;

— The contractual cash flow is only used for interest payment based on the principal or unpaid principal.

The Company classifies the financial assets that meet the following conditions at the same time and have not been designated to be measured at fair value through profit or loss as the financial assets (debt instruments) measured at fair value through other comprehensive income:

— The business model is adopted for the purpose of obtaining the contractual cash flow and selling such financial assets;

— The contractual cash flow is only used for interest payment based on the principal or unpaid principal.

At the initial recognition, the Company may irrevocably designate the non-trading equity instrument investments as financial assets (equity instruments) measured at fair value through other comprehensive income. The designation is made based on a single investment and the relevant investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the financial assets measured at amortized cost and the financial assets measured at fair value through other comprehensive income, the Company classifies other financial assets as financial assets measured at fair value through the current profit or loss. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate the financial assets that should have been classified as the financial assets measured at amortized cost or those measured at fair value through other comprehensive income as the financial assets measured at fair value through the current profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through the current profit or loss and financial liabilities measured at the amortized cost.

At the initial recognition, financial liabilities meeting one of the following conditions may be designated as the financial liabilities measured at fair value through the current profit or loss:

(1) This designation can eliminate or significantly reduce the accounting mismatch.

(2) According to the corporate risk management or investment strategies stated in the official written document, the management and performance evaluation of the financial liability portfolio or the financial asset and financial liability portfolio are conducted based on the fair value, and the report of the same is made to key management personnel on the basis within the enterprise.

(3) The financial liabilities contain embedded derivative needed to be separated.

3.10.2 Recognition and measurement of financial instruments

(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 are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount; accounts receivable without significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company are initially measured at the contract transaction price.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At recovery or disposal, the difference between the purchase price obtained and the book value of such financial assets is included in the 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 receivables financing and other creditor's investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The interest, impairment losses or gains and exchange gains or losses calculated by the effective interest method will be included in the current profit or loss, and other gains or losses will be included in the other comprehensive income.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to the 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, including the investment in other equity instruments, are initially measured at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in the other comprehensive income. Dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to the retained earnings.

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

Financial assets measured at fair value through the current profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

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

Financial liabilities measured at fair value through the current profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid is included in the current profit or loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current profit or loss.

3.10.3 Derecognition and transfer of financial assets

Where a financial asset satisfies any of the following requirements, the Company shall derecognize it:

— The contractual right of collecting cash flows of financial assets is terminated;

— The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;

— The financial assets have been transferred, and the Company does not retain the control over the financial assets though it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

At the transfer of financial assets, where nearly all of the risks and rewards related to the ownership of the financial assets have been retained, such financial assets should not be derecognized.

In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.

The Company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of financial assets meets the derecognition conditions, the difference of the following two amounts is included in the current profit or loss:

(1) The book value of the transferred financial asset;

(2) The sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in owners' equity (the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through other comprehensive income).

Where the partial transfer of a financial asset meets the derecognition criteria, the entire book value of the financial asset transferred should be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts should be included in the current profit or loss:

(1) The book value of the derecognized part;

(2) The sum of the consideration for the derecognized part and the amount corresponding to the derecognition part in the accumulated change amount of fair value originally and directly included in owners' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets should continue to be recognized, and the consideration received should be recognized as a financial liability.

3.10.4 Derecognition of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liabilities or any part thereof shall be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognized, and at the same time, the new financial liabilities shall be recognized.

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities should be derecognized in whole or in part, and the financial liabilities of which terms have been modified should be recognized as the new financial liabilities.

Where financial liabilities are derecognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) should be included in the current profit or loss.

Where the Company redeems part of its financial liabilities, it should, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) should be included in the current profit or loss.

3.10.5 Method of determining fair values of financial assets and financial liabilities

The fair value of a financial instrument having an active market is determined on the basis of quoted price 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 asset or liability characteristics considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable inputs. And the unobservable input values can be used only when the observable input values are unable or unpractical to be obtained.

3.10.6 Test method and accounting treatment for impairment of financial assets

(1) Measurement and accounting treatment for the impairment of financial assets

The Company estimates the expected credit loss of financial assets measured at the amortized cost, financial assets (debt instruments) measured at fair value through other comprehensive income and financial guarantee contract individually or in portfolio.

If there is obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the lifetime expected credit loss of such financial instrument; if there is no obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the future 12-month expected credit loss of such financial instrument. Amount increased or reversed of loss provision arising therefrom will be included in the current profit or loss as impairment loss or gain.

If the credit risk of the financial instrument is low on the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that any financial asset has had credit impairment, the Company will make the provision for impairment for such financial asset individually.

For receivables and contract assets arising from the transactions specified in the *Accounting Standards for Business Enterprises No. 14—Revenue* (2017), whether or not they contain significant financing components, the Company always makes the provision for credit loss at the amount equivalent to the lifetime expected credit loss.

For lease receivables, the Company always makes the provision for credit loss at the amount equivalent to the lifetime expected credit loss.

If the Company no longer reasonably expects that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset will be directly written down.

The Company estimates the expected credit risk and measures the expected credit loss based on the individual financial instrument or the financial instrument portfolio. When the Company does the above things based on the financial instrument portfolio, it may divide financial instruments into different portfolios based on the common risk characteristics.

After considering the credit risk characteristics of different customers, the Company estimates the expected credit losses of accounts receivable and other receivables based on the aging portfolio.

(2) Receivables with the measurement of expected credit loss made by portfolio (excluding accounts receivable)

Item	**Basis for portfolio determination**	**Measurement method for expected credit loss**
Portfolio of credit risk characteristics	Aging portfolio	Based on the historical experience in credit loss and in light of the current situation and the prediction of future economic position, the expected credit loss is calculated based on the default risk exposure and the expected credit loss ratio over the following 12 months or the whole duration.
Related-party portfolio	Related party	

(3) Accounts receivable with the measurement of expected credit loss made by portfolio

① Specific portfolio and measurement method for expected credit loss

Item	Basis for portfolio determination	Measurement method for expected credit loss
Credit risk characteristic portfolio of accounts receivable.	Aging portfolio	Based on the historical experience in credit loss and in light of the current situation and the prediction of future economic position, the expected credit loss is calculated based on the default risk exposure and the lifetime expected credit loss ratio.
Portfolio of related parties of accounts receivable.	Related party	

② Accounts receivable—Comparison table of the aging of credit risk characteristics portfolios and the expected credit loss rate during the entire duration

Credit risk characteristics (Aging)	Expected credit loss ratio 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, goods in progress, stock commodities and goods in transit.

Inventories are initially measured at cost, and the inventory cost includes the purchase 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 net realizable value of different types of inventories

On the balance sheet date, inventories shall be valuated 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. During routine activities, 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 the normal production and operation process, for merchandise inventories for direct sale, including finished goods, stock commodities and materials for sale, their net realizable values are recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges; for material inventories required to be processed, their net realizable values are recognized at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges. For inventories held to under any sales contract or service contract, their net realizable values are calculated based on the contract price. If the quantity of inventories held by the Company is more than that ordered in sales contract, the net realizable value of the excess inventories will be calculated based on general selling price.

When the provision for inventory depreciation is made, where the previous factor rendering the write-down of the inventory value has been eliminated, for which the net realizable value of the inventory is higher than the book value of the same, the provision for inventory depreciation should be reversed from the amount of provision for inventory depreciation originally made, and the reversed amount should be included in the current profit or loss.

3.11.4 Inventory system

The perpetual inventory system is adopted.

3.11.5 Amortization method for low-cost consumables and packaging materials

(1) Low-cost consumables are amortized at lump-sum method;

(2) Packaging materials: Lump-sum amortization method.

3.12 Contract assets

The applicable accounting policies as of January 1, 2020

3.12.1 Recognition method and criteria 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. The right of the Company to the charge of consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) shall be presented as contract assets. Contract assets and contract liabilities under the same contract should be presented at net amount. The Company's unconditional (depending only on the passage of time) right to receive consideration from customers is shown separately as a receivable.

3.12.2 Determination method and accounting treatment for the expected credit loss of contract assets

See Note "3.10.6 Test method and accounting treatment for the impairment of financial assets", for the determination method and accounting treatment for the expected credit loss of contract assets.

3.13 Assets held for sale

Where the Company recovers its book value mainly through selling (including the exchange of non-monetary assets with commercial essence) but not continuously using a non-current asset or disposal group, such non-current asset or disposal group shall be classified into the category of assets held for sale:

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.

For any non-current asset (excluding financial assets, Deferred tax assets and the assets arising from employee compensation) or disposed asset portfolio classified assets as held for sale, where its book value is higher than the net amount of its fair value less the selling expense, the book value shall be written down to the net amount of the fair value less the selling expense, and the amount written down shall be recognized as the losses from asset impairment and included in the current profit or loss, while the provision for impairment of assets held for sale is made.

3.14 Long-term equity investments

3.14.1 Judgment criteria for joint control and significant influence

Joint 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 exercises joint control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a 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 exert significant influence on an investee, the investee should be the Company's associate.

3.14.2 Determination of initial investment costs

(1) Long-term equity investments acquired from business combination

The initial investment cost of the long-term equity investments in subsidiaries generating from the business combination under common control is determined at the share of book value of the combinee's owners' equity on the consolidated financial statements of the ultimate controller. The difference between the initial investment cost of long-term equity investments and the book value of consideration paid is used to adjust the share premium in capital reserves; and if the share premium in capital reserve is insufficient to be offset, retained earnings will be adjusted. If the Control can be exercised over the investee under common control as a result of additional investment and other reasons, the difference between the initial investment cost of long-term equity investments and the sum of the book value of long-term equity investments before the combination and the book value of consideration paid for further obtaining shares on the combination date, recognized in the above-mentioned principle, will be used to adjust the share premium. If the share premium is insufficient to be offset, retained earnings will be offset accordingly.

The initial investment cost of long-term equity investments in subsidiaries generating from the business combination not under common control is recognized at the combination cost determined on the acquisition date. If the control can be exercised over the investee not under the common control due to additional investment and other reasons, the sum of the book value of the equity investment previously held and the newly increased investment costs will be recognized as the initial investment cost.

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

For long-term equity investments acquired through making payments in cash, its initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuing equity securities, the initial investment cost is the fair value of the issued equity securities.

3.14.3 Subsequent measurement and recognition of profits or losses

(1) Long-term equity investment accounted for under the cost method

The Company's long-term equity investments in its subsidiaries are accounted for by the cost method, except for those meeting the held-for-sale conditions. Under the cost method, 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 proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

(2) Long-term equity investment accounted for under the equity method

The Company's long-term equity investments in associates and joint ventures are accounted for 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 respectively recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee that should enjoyed or assumed by the Company, and adjusts the book value of long-term equity investment; according to the profit declared to be distributed by the investee or the part shall be enjoyed cash dividends calculation, to reduce the book value of long-term equity investment correspondingly; for other changes in owners' equity excepting for all profit or loss of the investee, other comprehensive income and distribution of profits (hereinafter referred to as "other changes in owners' equity"), the book value of long-term equity investment shall be adjusted and included in the owners' equity.

The Company should, based on the fair value of net identifiable assets of the investee when the investment is made, recognize its attributable share of the net profits or losses, other comprehensive income and other changes in owners' equity of the investee after the adjustment made to the net profit and other comprehensive income of the investee according to the accounting policies and accounting period adopted by the Company.

Unrealized gains or losses on internal transactions between the Company and its affiliates or joint ventures that are attributable to the Company on the basis of their proportionate share are offset, and investment income is recognized on this basis, except when the assets invested or sold constitute a business. Unrealized losses from internal transactions between the Company and any investee should be recognized in full if they belong to the losses from asset impairment.

The Company's net loss incurred by a joint venture or an associate, except for the obligation to assume additional losses, is limited to a write-down to zero of the book value of the long-term equity investment and other long-term interests that substantially constitute a net investment in the joint venture or associate. Where any joint venture or associate realize net profit in the future, the Company will recognize its share of profit after offsetting the unrecognized share of loss with such profit.

(3) Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between the book value and the actual purchase price is included in the current profit or loss.

In case of partial disposal of long-term equity investments accounted for under equity method, the remaining equity shall still be accounted for using the equity method; other comprehensive income recognized under the original equity method shall be carried forward according to the corresponding proportion on the same basis as the direct disposal of related assets or liabilities by the investee; and changes in other owners' equity related to the original equity investment are transferred into the current profit or loss.

If the Company loses its common control over or significant influence on an investee due to its disposal of equity investment or to other reasons, other comprehensive income recognized based on the measurement of original equity investments under the equity method are accounted for on the same basis as the related assets or liabilities directly disposed by the investee when the equity method is terminated, and the changes in other owners' equity are fully transferred to the current profit or loss when the accounting by the equity method is terminated.

Where the Company loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting should be made by the equity method, and an adjustment should be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognized before the control over the investee is obtained should be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in owners' equity recognized on account of the accounting by the equity method should be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets should be recognized, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same should be included in the current profit or loss, and other comprehensive income and other changes in owners' equity which have been recognized before the control over the investee is obtained should be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment should be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed should be firstly recognized as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment should be made respectively for each transaction.

3.15 Investment properties

Investment properties refer to the properties held for earning rent or for capital appreciation, or for both, including rented land use right, land use right held for transfer after the capital appreciation, rented buildings (including self-built or developed buildings for renting, and building in the process of construction or development for renting in the future).

Subsequent expenditures related to investment properties are included in the costs of investment properties when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; otherwise, such subsequent expenditures shall be included in the current profit or loss when occur.

The Company measures the existing investment properties by using the cost model. For investment properties measured using the cost method-a building used for rental is subject to Company's depreciation policy for fixed assets, and the land use right used for rental is subject to the amortization policy for intangible assets.

Category	**Depreciation/ amortization life (year)**	**Net residual value rate**	**Annual depreciation (amortization) rate**
		(%)	*(%)*
Buildings and constructions	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 tangible assets held for commodity production, rendering of services, renting or business management, with the useful lives over one year. Fixed assets are recognized when they simultaneously meet the following conditions:

(1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and

(2) The costs of the fixed assets can be measured reliably.

Fixed assets are initially measured at cost (taking into account the effect of expected disposal cost factors).

Subsequent expenditures related to fixed assets are included in the cost of fixed assets when it is probable that the economic benefits associated with them will flow and their cost can be measured reliably; for the replaced portion, it is book value shall be derecognized; all other subsequent expenditures are recognized in profit or loss when incurred.

3.16.2 Depreciation method

Depreciation of fixed assets is made on a category basis using the straight-line method. The depreciation rate is determined based on the category, estimated useful life and estimated net residual value rate of fixed assets. For fixed assets for which provision for impairment has been made, depreciation is determined in future periods based on their book value net of provision for impairment and on their remaining useful lives. Where the fixed assets have the components with different useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to make provision for depreciation on a separate basis.

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are presented by categories as follows:

Category	Depreciation method	Depreciation life (year)	Net residual rate	Annual depreciation rate
			(%)	*(%)*
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 equipment	Straight-line method	5~14	3~5	6.79~19.40
Office equipment and other equipment	Straight-line method	2~20	0, 3~5, 65	4.75~50.00

Accounting policies applied before January 1, 2021:

The fixed assets acquired through finance lease are recognized if one of the following conditions is specified in the agreement concluded by the Company and the leaser:

(1) Upon the expiration of the lease term, the ownership of the leased asset has been transferred to the Company;

(2) The Company has the option to buy the asset at a price that is far lower than the fair value of the leased asset at the date when the option becomes exercisable;

(3) The lease term covers the most of the useful life of the leased asset;

(4) There is no large difference between the present value of the minimum lease payments on the lease commencement date and the fair value of the asset.

(5) The leased assets are only to be used by the lessee for reason of their specialized nature unless major modifications are made.

Fixed assets acquired under finance lease are subject to the depreciation policies for self-owned fixed assets. Where it is reasonably certain that the ownership of the leased assets will be obtained by the end of the lease term, the provision for depreciation of the leased assets shall be made over the remaining useful life; otherwise, such provision will be made over the shorter of the lease term or the remaining useful life.

3.16.3 Disposal of fixed assets

Fixed assets that are disposed or expected to produce no economic benefits through use or disposal are derecognized. The difference of the income from sales, transfer, retirement or damage of fixed assets deducting the book value and related taxes is included in the current profit or loss.

3.17 Construction in progress

The construction in progress is measured at the actual cost incurred. The actual cost includes the construction cost, installation cost, borrowing cost eligible for capitalization and other necessary expenditure incurred before making the construction in progress reach the working condition for its intended use. When the construction in progress reaches the working condition for its intended use, it will be transferred to fixed assets, and the provision for depreciation of the construction in progress will be made in the next month.

3.18 Borrowing costs

3.18.1 Recognition criteria of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and included in relevant asset costs; other borrowing costs should be recognized as cost based on the amount incurred and be included in the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment properties, inventories and other assets that may reach its intended use or sale status only after long-time acquisition and construction or production activities.

3.18.2 Capitalization period for borrowing costs

The capitalization period refers to the period from the time-point when borrowing costs are capitalized to the time-point when the capitalization is ceased, except the period when the capitalization of borrowing costs is suspended.

Borrowing costs may be capitalized only when all the following conditions are met at the same time:

(1) Asset expenditures, 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) The borrowing costs have already been incurred;

(3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

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 status.

3.18.3 Period of capitalization suspension

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

3.18.4 Measurement method of capitalization rate and capitalized amounts of borrowing costs

As for special borrowings for acquiring, constructing or producing assets eligible for capitalization, borrowing costs actually incurred during the period for special borrowings less the interest income from the unused borrowings deposited in the bank or investment income from temporary investment with the unused borrowings should 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 amount 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 calculated by weighted average actual interest rate of general borrowings.

During the capitalization period, exchange differences on the principal and interest of special borrowings in foreign currencies are capitalized and included in the cost of the assets eligible for capitalization. Exchange differences arising from the principal amount of foreign currency borrowings other than special borrowings in foreign currencies and interest thereon are recognized in the current profit or loss.

3.19 Intangible assets

3.19.1 Measurement of intangible assets

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

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended uses.

(2) Subsequent measurement

The useful lives of intangible assets are analyzed and determined on acquisition.

Intangible assets with definite useful lives are amortized over the period in which they bring economic benefits to the enterprise; if such period cannot be estimated, the intangible assets will be deemed as intangible assets with indefinite useful lives and will not be amortized.

3.19.2 Estimated useful lives of intangible assets with definite useful lives

Item	Estimated useful life (year)	Basis
Land use right	36~50	Period indicated on the land certificate
Software	2~10	Benefit period
Patent use right	20	Benefit period
Others	10	Benefit period

3.19.3 Determination basis of intangible assets with indefinite useful lives and procedures for reviewing the useful life thereof

The emission rights and coal replacement volume indicators obtained by the Company have no definite permitted period of use and will be used for operation on an ongoing basis, and the period for which they will bring future economic benefits to the Company cannot be reliably estimated. Therefore, the Company recognizes the emission rights and coal replacement volume indicators without definite permitted period of use as intangible assets with indefinite useful lives.

The useful lives of intangible assets with indefinite useful lives are reviewed at the end of each period.

Upon review, the useful lives of such intangible assets are still indefinite.

3.19.4 Specific criteria for classifying research and development phases

The Company's internal research and development expenditures include those incurred in the research phase and those in the development phase.

Research phase: research phase 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, to produce any new or substantially improved material, device or product.

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

The research expenditure is included in the current profit or loss when it occurs. The development expenditure is recognized as intangible assets when it meets the following conditions at the same time, and is included in the current profit or loss when it fails to meet the following conditions:

(1) It is technically feasible to finish intangible assets for use or sale;

(2) It is intended to finish and use or sell the intangible assets;

(3) The ways how the intangible assets generate economic benefits include the way where it is able to prove that the products made by using the intangible assets exist a market or that the intangible assets themselves have the market, and the way where the serviceability of the intangible assets can be proved in case they are used internally;

(4) It is able to finish the development of the intangible assets and to use or sell the same with the support of sufficient technologies, financial resources and other resources; and

(5) The expenditure attributable to the intangible assets 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 the current profit or loss.

3.20 Long-term assets impairment

Where there are signs of impairment on long-term assets, such as long-term equity investments, investment properties measured with cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with definite useful lives and oil and gas assets, on the balance sheet date, the impairment test should be made. If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. Provision for asset impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company will estimate the recoverable amount of the asset portfolio where the individual asset belongs. Asset portfolio is the smallest one that can independently generate cash inflows.

Goodwill from business combination, intangible assets with indefinite useful lives and intangible assets that have not reached the usable condition should be subject to the impairment test at least once at the end of each year, no matter whether they have any impairment indication.

The Company has conducted an impairment test of goodwill. The book value of goodwill arising from business combination is amortized to related asset groups by the reasonable method as of the purchase date; if it is difficult do so, such value will be amortized to the relevant portfolio of asset groups. Relevant asset group or portfolio of asset groups refers to the asset group or portfolio of asset groups that is able to benefit from the synergistic effect of business combination.

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

The losses from impairment of the above assets cannot be reversed in subsequent accounting periods once recognized.

3.21 Long-term prepaid expenses

Long-term prepaid expenses are various expenses that have been already incurred but will be borne in the current period and in the future with an amortization period over one year.

3.21.1 Amortization method

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

3.21.2 Amortization period

Long-term prepaid expenses are amortized evenly over the remaining useful life.

3.22 Contract liabilities

Accounting policies applicable as of January 1, 2020

According to the relationship between the performance of obligations and the customer payment, the Company presents contract assets or contract liabilities in the balance sheet. The obligation of the Company to transfer goods or provide services to customers for the considerations collected or receivable from customers are presented as contract liabilities. Contract assets and contract liabilities under the same contract should be presented at net amount.

3.23 Employee benefits

3.23.1 Accounting treatment of short-term compensation

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in the current profit or loss or asset-related costs.

The social insurance premiums and housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education fund drew as required, are used to calculate corresponding amount of employee compensation according to the stipulated provision basis and proportion during the accounting period in which the employees provide services to the Company.

The employee welfare expenses incurred in the Company are included in the current profit or loss or assets-related cost based on the actually incurred amount, in which the non-monetary benefits are measured at fair value.

3.23.2 Accounting treatment of post-employment benefits

Defined contribution plan

The Company pays basic endowment insurance premium and unemployment insurance premium for its employees in accordance with relevant provisions of local government. During the accounting period when the Company receives services from employees, the payable amount calculated based on the basis and proportion prescribed is recognized as a liability and included in the current profit or loss, or related asset cost.

3.23.3 Accounting treatment of dismissal benefits

Where the Company provides dismissal benefits for employees, the employee compensation liabilities incurred from such dismissal benefits are included in the current profit or loss at the date when the Company 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

When an obligation relating to a contingency meets all the following conditions at the same time, it will be recognized as an estimated liability by the Company:

(1) The 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; and

(3) The amount of the obligation can be measured reliably.

Provisions are initially measured at 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 contingencies. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

If there is continuous range for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimates will be determined at the average amount of upper and lower limits within the range; under other circumstances, the best estimates shall be treated as follows in different circumstances:

- If contingencies are involved with single project, the estimate will be determined based on the amount which is most likely to occur.

- If contingencies are involved with several projects, the estimate will be determined based on various possible results and relevant probabilities.

If all or part of the expenses necessary for liquidating provisions are expected to be compensated by a third party, the compensation will be separately recognized as assets when it is virtually certain that the compensation will be received. The compensation recognized should not exceed the book value of provisions.

The Company reviews the book value of provisions on the balance sheet date. If there is unambiguous evidence indicating that such book value cannot reflect the current best estimate, such book value will 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 time of the initial recognition, in accordance with contractual terms of financial instruments issued and economic substance reflected and not only legal form.

The Company classifies the financial instruments or their components as financial liabilities at the time of the initial recognition when the perpetual debts/preferred shares and other financial instruments issued by it meet the following conditions:

(1) Having the contract obligation where the Company cannot unconditionally avoid to paying with cash or other financial assets;

(2) Including the contract obligation of settlement via delivering the own equity instruments with variable amount;

(3) Including the derivative instrument settled with the own equity (such as the convertibility), and the settlement of such derivative instrument does not be conducted by exchanging the cash or other financial assets of fixed assets with the own equity instrument with fixed number;

(4) Including the contract term where the contract obligation can be formed indirectly;

(5) If the perpetual debts are in the same order of liquidation as the common bonds and other bonds issued by the issuer upon liquidation of the issuer.

The Company classifies the whole financial instruments or their components as financial liabilities at the time of the initial recognition when the perpetual debts/preferred shares and other financial instruments issued by it do not meet 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

If the Company fulfills its performance obligations in a contract, it will recognize revenue when relevant customer obtains right of control over relevant goods or services. Obtaining the control over relevant goods or services means that the customer is able to make decisions on the use of the goods or the rendering of the services and can obtain almost all of the economic benefits therefrom.

If two or more performance obligations are covered in the contract, on the contract commencement date, the transaction price will be amortized to individual performance obligation based on the relative proportion of the individual selling price of goods or services involved in the individual performance obligation. The Company measures revenue at the transaction price amortized to individual performance obligation.

The transaction price is the amount of consideration that the Company expects to receive for the transfer of goods or services to customers, excluding amounts collected on behalf of third parties and amounts that are expected to be returned to customers. The Company determines the transaction price according to the contract terms and in light of its previous regular practice, in the meantime, factors such as variable consideration, significant financing composition existing in the contract, non-cash consideration, and consideration payable to customers will be taken into account. The Company determines the transaction price involving the variable consideration at the amount that should not exceed the amount of accumulatively recognized revenue that is highly unlikely to have a major reversal when relevant uncertainty is eliminated. If the significant financing component in covered in the contract, the Company will determine the transaction price based on the amount of cash payable at once by the customer when the customer acquires the control over goods or services, as assumed, and amortize the difference between such transaction price and the contract price by the effective interest method during the contract period.

If the Company meets one of the following conditions, it shall perform the performance obligation within a certain period; otherwise, it shall perform the performance obligation at a certain point of time:

- The customer obtains and consumes the economic benefits brought by the performance of the Company while the company is performing the obligation;

- The customer is able to control the goods under construction in the Company's performance process.

- The goods produced in the course of performing obligations have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed to date.

For a performance obligation performed within a certain period, the Company recognizes the revenue according to the performance progress within such period, except for the case that the performance progress cannot be reasonably determined. The Company may determine the performance progress by the output method or input method based on the nature of goods or service. When the performance progress cannot be reasonably determined, if the cost incurred is expected to be compensated, the Company recognizes the revenue according to the amount of the cost incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain time-point, the Company recognizes revenue when the customer obtains control over the relevant goods or services. The Company will consider the following signs when judging whether the customer has acquired Service control over the goods or services, including:

- The customer has the current payment obligation for such goods or service, i.e. the Company enjoys the current right to collect the payment for such goods or service.

- The Company has transferred the legal ownership of such goods to the customer, i.e. the customer possesses the legal ownership of such goods.

- The Company has transferred goods to the customer in kind, i.e. the customer has possessed such goods in kind.

- The substantial risks and rewards of the ownership of such goods have been transferred by the Company to the customer, i.e. the customer has acquired the substantial risks and rewards of the ownership of such goods.

- 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 revenue recognition accounting policies due to different operating models for similar businesses

None.

3.27 Contract costs

Accounting policies applicable as of January 1, 2020

The contract costs include contract performance costs and contract acquisition costs.

The costs incurred by the Company to perform a contract that are not regulated by the accounting standards for inventories, fixed assets or intangible assets, are recognized as an asset as contract performance costs when the following conditions are met:

- Such cost is directly relevant to the contract that has been or is expected to be acquired.

- Such cost increases the resource that will be used by the Company for obligation performance.

- Such cost is expected to be recoverable.

If the incremental cost incurred by the Company for obtaining the contract is expected to be recovered, the contract acquisition cost is recognized as an asset.

Assets related to contract cost are amortized on the basis for the recognition of revenue from goods or services relevant to such assets; however, if the amortization period of contract acquisition cost is less than one year, the Company will include such cost in the current profit or loss when it occurs.

If the assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess part and recognize it as loss from asset impairment:

1. The remaining consideration expected to be obtained due to the transfer of goods or services related to the asset;

2. Estimate the costs that will occur in order to transfer the relevant goods or services.

If there is a subsequent change in the impairment factors in previous periods, such that the aforementioned difference is higher than the carrying amount of the asset, the Company reverses the provision for impairment and recognizes it in the current profit or loss, provided that the book value of the reversed asset does not exceed the book value of the asset at the date of reversal recorded by assuming no impairment provision had been made.

3.28 Government grants

3.28.1 Type

Government grants refer to monetary or non-monetary assets obtained from the government for free, and are classified into asset-related government grants and income-related government grants.

The asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. The income-related government grants refer to government grants other than asset-related government grants.

3.28.2 Timing of recognition

Government grants are recognized when the Company is eligible for and is capable of receiving the government grants.

3.28.3 Accounting treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. If such grants are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (If such grants are relevant to routine activities of the Company, they will be included in other income; if such grants are irrelevant to routine activities of the Company, they will be included in non-operating revenue); 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 the deferred income, and, during the period when relevant costs or losses are recognized, be included in the current profit or loss (where government grants relating to income are relevant to routine activities of the Company, such grants shall be included in the other income; where government grants relating to income is irrelevant to routine activities of the Company, such grants shall be included in the non-operating revenue); government grants relating to income used to compensate for relevant costs or losses incurred in the Company shall be included in the current profit or loss (where government grants relating to income are relevant to routine activities of the Company, such grants shall be included in the other income; where government grants relating to income is irrelevant to routine activities of the Company, such grants shall be included in the non-operating revenue).

The interest subsidies of policy-based preferential loans obtained by the Company are subject to the following accounting treatments according to two situations:

(1) When the finance department appropriates the interest subsidies to the lending bank, and the lending bank provides the loan 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 taxes include the current income tax and deferred income tax. The Company recognizes current income tax and deferred income tax in the current profit or loss, except for the income tax arising from business combinations and transactions or events directly recognized in owners' equity (including other comprehensive income).

Deferred tax assets and deferred tax liabilities are recognized based on the difference (temporary difference) between the tax basis of the assets and liabilities and their book values.

Deferred tax assets are recognized for deductible temporary differences to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible temporary differences. For deductible losses and tax credits that can be carried forward to subsequent periods, Deferred tax assets arising therefrom are recognized to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible losses and tax credits.

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

Special circumstances in which Deferred tax assets or deferred tax liabilities shall not be recognized include:

- Initial recognition of goodwill;

- A transaction or event that is neither a business combination nor, when it occurs, affects accounting profit and taxable income (or deductible loss).

Taxable temporary differences related to investments in subsidiaries, associates and joint ventures are recognized as deferred tax liabilities; unless the Company is able to control the time for reversing such temporary differences and such temporary differences are unlikely to be reversed in the foreseeable future. For the deductible temporary differences related to investments in subsidiaries, associates and joint ventures, the Deferred tax assets are recognized when the temporary differences may be reversed in the foreseeable future and they are likely to be obtained to offset the taxable income of deductible temporary differences in the future.

On the balance sheet date, the Deferred tax assets and deferred tax liabilities are measured at the tax rates applicable to the period where relevant assets are expected to be recovered or relevant liabilities are expected to be discharged, according to the tax law.

On the balance sheet date, the Company reviews the book value of Deferred tax assets. If it is unlikely to obtain sufficient taxable income in the future to offset against the benefit of Deferred tax assets, the book value of Deferred tax assets will be written down. The amount written down may be reversed when the taxable income obtained may be sufficient.

If the Company has the legal right to settle in net amounts 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, the Deferred tax assets and deferred tax liabilities are presented at net of offsetting amounts when both of the following conditions are met:

- The taxpayer has the legal right to settle current income tax assets and current income tax liabilities on a net basis;

- The 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 income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities.

3.30 Leases

Accounting policies applicable as of January 1, 2021

The term “lease” refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period in order to obtain consideration.

On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If any party to a contract has exchanged the right to control the use of one or more identified assets within a certain period for consideration, the contract is concluded for lease or involved with lease.

If the contract contains multiple individual leases, the Company will split the contract and make accounting treatment over each individual lease. If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts.

As for rent concessions such as rent reductions and deferred payments agreed upon for existing lease contracts that are directly triggered by the COVID-19 epidemic and meet the following conditions, the Company does not assess whether a lease change has occurred or reassess the lease classification using the simplified method for all lease options:

- The reduced lease consideration is less than or basically equal to the original lease consideration, in which the lease consideration is not discounted or is discounted at the discount rate applicable before the rent concession;

- The reduction is only for the lease payment that is payable before June 30, 2021, and both the increase and the decrease in the lease payments payable after June 30, 2021 do not affect the satisfaction of such condition; and

- Other lease terms and conditions are determined to be unchanged after a comprehensive consideration of the qualitative and quantitative factors.

1. The Company as the lessee

(1) Right-of-use assets

On the commencement date of the lease term, the Company recognizes leases other than short-term lease and low-value asset lease as the right-of-use assets. The right-of-use assets are initially measured at costs. Such costs include:

- the initially measured amount of lease liabilities;
- the lease payment amount on or before the commencement date of the lease term, or the balance of such amount less the amount relevant to the enjoyed lease incentive, if any;
- the initially direct expense incurred in the Company; and
- the cost expected to incur in the Company for the purpose of disassembling and removing the leased assets, restoring the location of the leased assets or restoring the leased assets to the status specified in the lease clauses, excluding the cost on producing inventories.

The Company subsequently makes the provision for depreciation of right-of-use assets by the straight-line method. If there is a reasonable assurance that the ownership of a leased asset can be acquired when the lease term expires, the depreciation of the right-of-use asset will be made over the remaining useful life of such lease asset; otherwise, the depreciation of such leased asset is made over the shorter of the lease term or the remaining useful life of the leased asset.

The Company determines whether the right-of-use assets are impaired and conduct the accounting treatment for the identified impairment loss in accordance with the principles described in the Note "3.20 Impairment of long-term assets".

(2) Lease liabilities

On the commencement date of the lease term, the Company recognizes leases other than short-term leases and low-value asset leases as the lease liabilities. The lease liabilities are initially measured at the present value of unpaid lease payment. The lease payment includes:

- the fixed payments (including substantial fixed payments), less the relevant amount of the lease incentive (if any);
- the variable lease payments made by some index or ratio;
- the payments expected to be payable based on the residual value of the guarantee provided by the Company;
- the exercise price of purchased option, provided that the Company reasonably determines that it will exercise the option; and
- the amount to be paid to exercise the lease termination option, provided that it is reflected that the Company will exercise the lease termination option during the lease term.

The Company adopts the implicit rate of lease as the discount rate, but if the implicit rate of lease cannot be reasonably determined, the incremental borrowing rate will be adopted as the discount rate.

The Company calculates the interest cost of the lease liability in each period of the lease term according to the fixed periodic interest rate, and records it into the current profit or loss or the cost of related assets.

The variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the costs of related assets when they actually occur.

After the commencement of the lease term, the Company shall re-measure the lease liability and adjust corresponding right-of-use assets based on the following situations: If the book value of the right-of-use assets has been reduced to zero and further reduction of lease liabilities is still required, the Company will include the remaining amount in the current profit or loss.

- If the Company's assessment results of call options, lease renewal options or lease termination options have changed, or the actual exercise of the said options is inconsistent with the original assessment results, the Company remeasures its lease liabilities based on the lease payments after change and the present value calculated at 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 remeasures lease liabilities based on the lease payments after change and the present value calculated at original discount rate. However, if the changes in lease payments result from changes in floating interest rates, the present value is calculated using the revised discount rate.

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

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the relevant lease payments are included in the current profit or loss or the cost of related assets by straight-line method over each period within the lease term. Short-term leases refer to the leases that do not exceed 12 months on the commencement date of the lease term and do not include any purchase option. Low-value asset leases refer to any lease of a single lease asset with lower value when it is brand new. For the lease asset subleased by the Company subleases or expected to be subleased, the original lease is not a lease of low-value assets.

(4) Lease changes

Where any lease has changed and meet the following conditions at the same time, the Company should take such lease as an individual lease for accounting treatment:

- Such lease change has expanded the lease scope by adding one or more rights to the use of leased assets;

- Where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

Where the lease change is taken as an individual lease for accounting treatment, on the effective date of lease change, the Company re-amortizes the contract consideration after change, re-determines the lease term, and remeasures the lease liabilities based on the present value calculated based on the changed lease payment at the revised discount rate.

If the lease scope or term is reduced due to the lease change, the Company will reduce the book value of right-of-use assets accordingly and include relevant gains or losses from the partial or whole termination of the lease in the current profit or loss. If other lease change causes the remeasurement of lease liabilities, the Company will adjust the book value of right-of-use assets accordingly.

(5) Rent concession relevant to the COVID-19 epidemic

Where the simplified method for the rent concession relevant to the COVID-19 epidemic is adopted, the Company should not assess whether the lease has changed, but should continuously calculate the interest cost in lease liabilities based on the discount rate consistent with that adopted before such rent concession and include such expense in the current profit or loss, and continuously make the provision for depreciation of right-of-use assets by the method adopted before such rent concession. In the event of rent reduction or exemption, the Company will treat the reduced rent as variable lease payments. When the original rent payment obligation is relieved by reaching a concession agreement, the undiscounted amount or the discounted amount at the discount rate before the concession is used to offset the cost or expenses of related assets, and the lease liabilities will be adjusted accordingly; if the rent payment is delayed, the Company will offset the lease liabilities recognized in the previous period at the time of actual payment.

For the short-term lease and the low-value asset lease, the Company continues to include the rent under the original lease contract in asset-related cost or expense by the method that is consistent with the method applicable before the rent concession. In case of the rent relief, the Company should take the rent relieved as the variable rent payment and use it to offset the asset-related cost or expense during the rent concession period; in case of the deferred rent payment, the Company should recognize the rent payable as payables during the original payment period and offset the payables recognized in the prior period when the rent is actually paid.

2. The Company as the lessor

On the lease commencement date, the Company divides leases into the finance lease and operating lease. The finance lease refers to the lease where all risks and rewards related to the ownership of leased assets have been transferred, no matter whether the ownership has been finally transferred. The operating lease refers to other leases than the finance lease. The Company, as the sublessor, classifies subleases based on the right-of-use assets generating from the original leases.

(1) Accounting treatment of operating lease

The lease receipt from operating lease is recognized as the rent revenue by the straight-line method during each period within the lease term. The Company capitalizes the incurred initial direct expense relevant to the operating lease, and amortizes the same on the same basis for rent revenue recognition during the lease term to include the same in the current profit or loss. Variable lease payment not included in the lease receipt is included in the current profit or loss when it is actually incurred. In case of any change in operating lease, the Company will make accounting treatment for the operating lease changed by taking it as a new lease from the change commencement date, the amount receivable of the new lease will be recognized at the lease payment to be received or receivable which is relevant to the lease before the change.

(2) Accounting treatment of finance lease

On the lease commencement date, the Company recognizes finance lease receivables finance leases, and derecognizes assets under the finance lease. At the initial measurement of finance lease receivables, the Company takes the net lease investment as the entry value as the finance lease receivables. The net lease investment refers to the sum of the unguaranteed residual value and the present value calculated via discount based on the lease receipt which has not been received on the commencement date of lease term at the interest rate implicit in lease.

The Company determines via calculation the interest income over all periods within the lease term based on the fixed and periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with "3.10 Financial instruments" herein.

Variable lease payment not included in the net lease investment for measurement is included in the current profit or loss when it is actually incurred.

Where any finance lease has changed and meets the following conditions at the same time, the Company should take such lease as an individual lease for accounting treatment:

- where the change expands the scope of the lease by adding the right to use one or more leased assets;

- The added consideration is equal to the amount of adjustment made based on the contract to the separate price for the expended part of the lease.

Where the changed finance lease does not be taken as an individual lease for accounting treatment, the Company will treat such changed finance lease according to the following situations:

- If the change takes effect on the commencement of the lease, the lease will be classified as an operating lease, and the Company will treat it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the leased assets;

- If the change comes into effect on the commencement date of the lease, the lease will be classified as a finance lease, and the Company will carry out accounting treatment according to the policy in Note 3.10 Financial instruments on modifying or renegotiating the contract.

(3) Rent concession relevant to the COVID-19 epidemic

- For the operating lease where the simplified method is adopted for the rent concession relevant to the COVID-19 epidemic, the Company continues to recognize the original contract rent as the lease revenue by the method that is consistent with the method applicable before the rent concession; in case of any rent relief, the Company will recognize the variable lease payment rent at the rent relieved and use the same to offset the lease revenue during the period for rent concession; in case of any deferred rent collection, the Company will recognize receivables at the rent receivable during the original collection period and offset the receivables recognized in the prior period when the rent is actually received.

- For the finance leases that adopt the simplified method of rent concession related to the COVID-19 epidemic, the Company continues to calculate interest according to the same discount rate consistent with that before concession and recognize it as rental income. In case of the rent relief, the Company should take the rent relieved as the variable lease payment, and offset the originally recognized lease revenue at amount undiscounted or discounted at the discount rate before the rent concession when the original rent collection right is waived by reaching an rent concession agreement, and the part insufficient for offset should be included in the investment income; meanwhile, the Company should adjust the finance lease receivables accordingly; if case of the deferred rent collection, the Company should offset the originally recognized finance lease receivables at the actual payment.

3. Leaseback

The Company determines via assessment whether the assets transfer under leaseback belongs to sales according to the principle specified in "Note 3.26 Revenue".

(1) Acting as the lessee

If the assets transfer under leaseback belongs to sales, the Company, as the lessee, will measure the right-of-use assets arising from leaseback based on the part relevant to the use right acquired via leaseback in the book value of the original assets, and recognize relevant gain or loss only regarding the right transferred to the lessor; if the assets transfer under leaseback does not belong to sales, the Company, as the lessee, will continue to recognize the transferred assets, and will recognize a financial liability equal to the transfer revenue at the same time. Please refer to Note 3.10 Financial instruments for the accounting treatment for financial liabilities.

(2) Acting as the lessor

If the assets transfer under leaseback belongs to sales, the Company, as the lessor, will carry out the accounting treatment for assets purchase, and make the accounting treatment for assets lease-out according to "2. The Company as the lessor" mentioned above; if the assets transfer under leaseback does not belong to sales, the Company, as the lessor, will not recognize the transferred assets, but will recognize a financial asset equal to the transfer revenue at the same time. Please refer to Note 3.10 Financial instruments for the accounting treatment for financial assets.

Accounting policies applied before January 1, 2021

The Company divides leases into the finance lease and the operating lease. The finance lease refers to the lease where all risks and rewards related to the ownership of assets have been transferred. The operating lease refers to other leases than the finance lease.

If the rent relief, deferred rent payment and other rent concessions directly caused by the novel coronavirus pneumonia (COVID-19) epidemic or agreed regarding the existing lease contract meet the following conditions at the same time, the Company will adopt a simplified method to measure all leases without the assessment on whether any lease has changed and the re-assessment for lease classification:

- The lease consideration after such concession is less than or basically equal to the original lease consideration, in which the lease consideration is not discounted or is discounted at the discount rate applicable before the rent concession;

- The rent concession is only for the lease payment that is payable before June 30, 2021. The increase in the lease payment that is payable after June 30, 2021 does not affect the satisfaction of such condition and the decrease in same does not satisfy such condition; and

- Other lease terms and conditions are determined to be unchanged after a comprehensive consideration of the qualitative and quantitative factors.

1. Accounting treatment of operating lease

(1) Lease fees paid by the Company for leased asset are amortized by the straight-line method over the whole lease term (including the rent-free period), and included in the period charges. Initial direct costs related to lease transactions paid by the Company are included in the period charges.

When assets lessor bears costs related to the lease borne by the Company, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term and include them in current expenses.

For the operating lease where the simplified method is adopted for the rent concession relevant to the COVID-19, the Company continues to include the rent under the original lease contract in assets-related cost or expense by the method that is consistent with the method applicable before the rent concession. In case of any rent relief, the Company will recognize the contingent rent at the rent relieved and include the same in the profit or loss during the period for such rent relief; in case of any deferred rent payment, the Company will recognize the rent payable as payables during the original payment period and offset the payables recognized in the prior period when the rent is actually paid.

(2) Lease fees received by the Company from leasing assets are amortized at the straight-line method over the whole lease period (including rent-free period) and recognized as lease-related revenue. Initial direct cost related to any lease transaction paid by the Company is included in the period charges; if it has a large amount, it will be capitalized, and included in the current income by stages within the whole lease term on same basis for recognition of lease-related revenue.

When the Company has borne the costs related to the lease which shall be borne by the lessee, the Company should deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term.

For the operating lease where the simplified method is adopted for the rent reduction relevant to the COVID-19, the Company continues to recognize the original contract rent as the lease revenue by the method that is consistent with the method applicable before the rent reduction; in case of any rent reduction, the Company will recognize the contingent rent at the rent reduced and use the same to offset the lease revenue during the period for rent reduction; in case of any deferred rent collection, the Company will recognize receivables at the rent receivable during the original collection period and offset the receivables recognized in the prior period when the rent is actually received.

2. Accounting treatment of finance lease

(1) Assets acquired under the finance lease: On the lease commencement date, the entry value of the leased asset is recognized at the lower between the fair value of the leased asset or the present value of the minimum lease payment, while the entry value of the long-term payables is recognized at the minimum lease payment. The difference between the aforesaid book values is recognized as the unrecognized finance charges. The Company amortizes the unrecognized finance charges by the effective interest method during the lease term, and includes the amortized amount in the financial expenses. The initial direct expenses on the Company are included in the value of leased asset.

For finance leases where the simplified method for the rend concession relevant to the COVID-19 epidemic is adopted, the Company continues to recognize the unrecognized finance fees as the current finance fees at the discount rate consistent with that adopted before the rent concession, and to make the provision for depreciation of assets acquired under finance leases by the method consistent with that adopted before the rent concession; in case of the rent relief, the Company will take the rent relieved as the contingent rent, include the same in the current profit or loss when the original rent payment obligation is discharged by reaching an rent concession agreement, and adjust the long-term payables accordingly, or discount the rent relieved at the discount rate adopted before the rent concession, include the discounted amount in the current profit or loss and adjust the unrecognized finance fees; in case of deferred rent payment, the Company will offset the long-term payables recognized in prior period at the actual payment.

(2) Assets leased out under the finance lease: on the lease commencement date, the Company recognizes the difference between the sum of finance lease payment receivable and unguaranteed residual value and the present value of the assets as unrealized financing income, and as the lease revenue in each period where the rent is received. The Company's initial direct expenses related to lease are included in the initial measurement of finance lease payment receivable, and the income recognized in lease term is decreased accordingly.

For finance leases where the simplified method for the rent concession relevant to the COVID-19 epidemic is adopted, the Company continues to recognize the unrealized financing income as the lease revenue at the interest rate implicit in lease which is consistent with that adopted before the rent concession. In the event of rent reduction or exemption, the Company will treat the reduced rent as contingent rent, and when a concession agreement is reached, etc. to waive the right to receive the original rent, the rental income recognized in the previous period will be offset. The part insufficient to be offset will be included in investment income, the long-term receivables will be adjusted accordingly, or the amount discounted at the discount rate before concession will be included in the current profit or loss and the unrealized financing income will be adjusted; if the collection of rent is delayed, the Company will offset the long-term receivables recognized in the previous period when it is actually received.

3.31 Discontinued operation

Discontinued operation refers to the component which meets one of the following conditions and can be separately distinguished, moreover such component has been disposed or classified as held for sale by the Company:

(1) The component represents an independent major business or a sole major business area;

(2) The component is a part of a related plan where an independent major business or a sole major business area will be disposed as planned; or

(3) The component is a subsidiary acquired only for re-sale.

Profit or loss from continued operation and profit or loss from discontinued operation are presented in the income statement. Impairment losses from discontinued operation, reversed amount and other operation profit or loss and disposal profit or loss are presented as profit or loss from discontinued operations. For the discontinued operations reported in the current period, the information previously reported as profit or loss from continued operations are re-presented as the profit or loss from discontinued operations for the comparable accounting period in the current financial statements.

3.32 Hedging accounting

3.32.1 Classification of hedging

(1) The term "fair value hedging" 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 hedging" 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 and a highly probable forecast transaction, or a foreign exchange risk contained in an unrecognized firm commitment.

(3) A "hedging of net investment in an overseas operation" refers to a hedging of the foreign exchange risk arising from net investment in an overseas operation. The term "net investment in overseas business" refers to the Company's equity share in the net assets of its overseas business.

3.32.2 Designation of hedging relationship and identification of hedging effectiveness

At the commencement of the hedge, the enterprise 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 quantity of the hedging instrument, nature of the hedged projects, nature of the hedged risks, type of hedging and effective evaluation methods on hedging instrument by the Company. Hedging effectiveness refers to the degree of the changes in fair value or cash flow of the hedging instrument offsetting the changes in fair value or cash flow of the hedged item arising from hedged risks.

The Company continues to evaluate the hedging effectiveness, and ensures that whether the hedging meets the requirement for effectiveness by use of the hedging 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 the economic relationship between the hedged item and the hedging instrument.

(2) In the value change arising from the economic relationship between the hedged item and the hedging instrument, the impact of credit risk is not dominant.

(3) The appropriate hedging ratio is adopted, and it will not cause the unbalance of the relative weight of the hedged item and the hedging instrument, so as not to produce any accounting result that is inconsistent with the hedging accounting objective. If the hedging ratio is no longer appropriate, but the hedging risk management objective does not change, the quantity of hedged items or hedging instruments will be adjusted to make the hedging ratio meet the effectiveness requirements again.

3.32.3 Accounting method of hedging

(1) Fair value hedging

Changes in the fair value of derivative instruments are recognized in the 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 at the amortized cost, an adjustment made to the book value of the hedged item should be amortized during the remaining period from the adjustment date to the maturity date and should be recorded in the current profit or loss. 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 hedging

The portion of profit or loss on the hedging instrument that is attributable to the effective hedging is directly recognized as other comprehensive income; while the portion that is attributable to the ineffective hedging is included in the current profit or loss.

Where the hedged transaction affects the current profit or loss, amount recognized in other comprehensive income should be transferred into the current profit or loss when the hedged financial revenues or financial expenses are recognized, or when anticipated sales occur. 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 definite undertaking is not expected to occur, the gains or losses of the hedging instrument included in other comprehensive income will 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) Hedging 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 the current profit or loss.

3.33 Segment report

The Company determines the operating segment based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting segment based on the operating segment and discloses the segment information.

The operating segment includes the Company's constituent parts meeting the following conditions at the same time: (1) These constituent parts can cause revenue or expense during the routine activities; (2) The Management of the Company is able to make the regular assessment on the operating results of these constituent parts, so as to decide the resource distribution made therefor and assess the performance thereof; (3) The Company is able to obtain such accounting-related information as financial condition, operating results and cash flows of these constituent parts. If two or more operating segments have the similar economic characteristics, meeting certain conditions, they can be combined into one operating segment.

3.34 Changes in significant accounting policies and accounting estimates

3.34.1 Changes in significant accounting policies

(1) Implementation of the *Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No. 23—Transfer of Financial Assets*, the *Accounting Standards for Business Enterprises No. 24—Hedge Accounting* and the *Accounting Standards for Business Enterprises No. 37—Presentation of Financial Instruments (Revised in 2017)* (hereinafter collectively referred to as the "New Standards for Financial Instruments")

In 2017, the Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No. 23—Transfer of Financial Assets*, the *Accounting Standards for Business Enterprises No. 24—Hedge Accounting*, and the *Accounting Standards for Business Enterprises No. 37—Presentation of Financial Instruments*. According to the revised standards, for financial instruments that have not been derecognized on the implementation date, if the previous confirmation and measurement are inconsistent with the revised standards, the retrospective adjustment will be made. If the comparative data of financial statements for prior periods are inconsistent with the revised standards, no adjustment will be required.

The Company has implemented the New Standards for Financial Instruments as of January 1, 2019, and adjusted the retained earnings and other comprehensive income as at January 1, 2019 based on the cumulatively affected amounts arising from the retroactive adjustment.

Based on balances as at December 31, 2018 adjusted according to the document (CK [2019] No. 6) and the document (CK [2019] No. 16), the comparison of results of the classification and measurement of all financial assets and financial liabilities made according to the standards for recognition and measurement of financial instruments before and after revision is as follows:

Consolidated

Original Standards for Financial Instruments			New Standards for Financial Instruments		
Item	**Measurement category**	**Book value**	**Item**	**Measurement category**	**Book value**
Cash at bank and on hand	Measured at amortized cost	6,375,751,039.00	Cash at bank and on hand	Measured at amortized cost	6,388,400,615.42
Financial assets measured at fair value through the current profit or loss.	Measured at fair value through the current profit or loss	1,530,030,000.00	Financial assets held for trading	Measured at fair value through the current profit or loss	1,512,077,333.33
			Other non-current financial assets		20,000,000.00
Other current assets . .	Measured at amortized cost	1,990,000,000.00	Other current assets	Measured at amortized cost	1,990,000,000.00
Notes receivable	Measured at amortized cost	741,467,875.96	Notes receivable	Measured at amortized cost	110,368,910.91
			Receivables financing	Measured at fair value through other comprehensive income	631,098,965.05

Original Standards for Financial Instruments			New Standards for Financial Instruments		
Item	**Measurement category**	**Book value**	**Item**	**Measurement category**	**Book value**
Accounts receivable . .	Measured at amortized cost	219,881,749.57	Accounts receivable	Measured at amortized cost	219,881,749.57
			Receivables financing	Measured at fair value through other comprehensive income	
Other receivables. . . .	Measured at amortized cost	110,033,635.48	Other receivables	Measured at amortized cost	95,336,725.73
Available-for-sale financial assets (Including the other current assets)	Measured at fair value through other comprehensive income (debt instruments)		Debt investments (Including the other current assets)	Measured at amortized cost	
			Other debt investments (Including the other current assets)	Measured at fair value through other comprehensive income	
	Measured at fair value through the other comprehensive income (equity instruments)	126,794,722.26	Financial assets held for trading	Measured at fair value through the current profit or loss	126,794,722.26
			Other non-current financial assets		
			Investments in other equity instruments	Measured at fair value through other comprehensive income	
	Measured at cost (equity instruments)	499,485,943.90	Financial assets held for trading	Measured at fair value through the current profit or loss	
			Other non-current financial assets		19,950,000.00
			Investments in other equity instruments	Measured at fair value through other comprehensive income	495,180,000.00

The Company

Original Standards for Financial Instruments			New Standards for Financial Instruments		
Item	**Measurement category**	**Book value**	**Item**	**Measurement category**	**Book value**
Cash at bank and on hand	Measured at amortized cost	411,019,884.63	Cash at bank and on hand	Measured at amortized cost	411,019,884.63
Financial assets measured at fair value through the current profit or loss.	Measured at fair value through the current profit or loss	683,000,000.00	Financial assets held for trading	Measured at fair value through the current profit or loss	663,000,000.00
			Other non-current financial assets		20,000,000.00
Notes receivable	Measured at amortized cost	94,930,511.33	Notes receivable	Measured at amortized cost	94,930,511.33
			Receivables financing	Measured at fair value through other comprehensive income	

Original Standards for Financial Instruments			New Standards for Financial Instruments		
Item	**Measurement category**	**Book value**	**Item**	**Measurement category**	**Book value**
Accounts receivable . .	Measured at amortized cost	38,842,752.63	Accounts receivable	Measured at amortized cost	38,842,752.63
			Receivables financing	Measured at fair value through other comprehensive income	
Other receivables. . . .	Measured at amortized cost	1,761,254.37	Other receivables	Measured at amortized cost	1,761,254.37
Available-for-sale financial assets (Including the other current assets)	Measured at fair value through other comprehensive income (debt instruments)		Debt investments (Including the other current assets)	Measured at amortized cost	
			Other debt investments (Including the other current assets)	Measured at fair value through other comprehensive income	
	Measured at fair value through the other comprehensive income (equity instruments)	126,794,722.26	Financial assets held for trading	Measured at fair value through the current profit or loss	126,794,722.26
			Other non-current financial assets		
			Investments in other equity instruments	Measured at fair value through other comprehensive income	
	Measured at cost (equity instruments)	499,485,943.90	Financial assets held for trading	Measured at fair value through the current profit or loss	
			Other non-current financial assets		19,950,000.00
			Investments in other equity instruments	Measured at fair value through other comprehensive income	495,180,000.00

(2) Implementation of the *Accounting Standards for Business Enterprises No. 14—Revenue* (Revised in 2017) (hereinafter referred to as the "New Standards for Revenue")

The Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 14—Revenue* in 2017. For the initial implementation of the revised standards, the retained earnings at the beginning of the current year and the amounts of other relevant items in the financial statements should be adjusted based on the cumulatively affected amount, without adjustment to the information in the comparable period.

The Company has implemented the New Standards for Revenue as of January 1, 2020. According to these Standards, the Company only adjusted the retained earnings at the beginning of 2020 and the amounts of other relevant items in the financial statements based on the cumulatively affected amounts in the contract which has not been completed on the initial implementation day, without adjustment to the financial statements for the year ended December 31, 2019.

(3) Implementation of the *Accounting Standards for Business Enterprises No. 21—Leases* (Revised in 2018)

In 2018, the Ministry of Finance revised the *Accounting Standards for Business Enterprises No. 21—Leases* (hereinafter referred to as the "New Standards for Leases"). The Company has implemented the new lease standards as from January 1, 2021. According to the New Standards for Lease, the Company chooses not to re-assess on the initial implementation day whether the contract existing on such day is a lease or includes a lease.

• The Company acted as the lessee:

The Company adjusted the retained earnings at the beginning of the year when the New Standards for Lease is initially implemented and the amounts of other relevant items in the financial statements based on the cumulatively affected amounts arising from the initial implementation of the New Standards for Lease, without adjustment to the information in the comparable period.

For the operating lease existing before the initial implementation day, the Company, on the initial implementation day, measured the lease liabilities at the present value discounted based on the remaining lease payment at the interest rate for incremental borrowings of the Company on the same day, and measured right-of-use assets by the following method based on each lease:

— It is assumed that the book value of the new lease standards will be adopted from the lease commencement date, and the incremental borrowing rate of the Company on the first execution date will be used as the discount rate.

— For the amount equal to the lease liability, necessary adjustments will be made based on the prepaid rent.

The Company chose one or more simplified method(s) to deal with each operating lease existing before the initial implementation day, while adopting the above mentioned methods:

(1) Taking leases completed within 12 months after the initial implementation day as short-term leases;

(2) Adopting the same discount rate for leases with the similar characteristics at the measurement of lease liabilities;

(3) Excluding the initial direct expense at the measurement of right-of-use assets;

(4) In case the lease renewal option or lease termination option exist, determining the lease term based on the actual implementation of the option before the initial implementation day and other latest situations;

(5) As an alternative to the impairment test of the right-of-use asset/whether the contract including the lease is an onerous contract before the first implementation date will be evaluated according to Note "3.24 Provisions"; and the right-of-use assets will be adjusted according to the amount of the loss allowance included in the balance sheet before the first implementation date;

(6) The lease change that occurred before the first implementation date will not be retrospectively adjusted, and accounting treatments will be made in accordance with the new lease standards based on the final arrangement for the lease change.

At the measurement of lease liabilities, the Company discounted the lease payment at the interest rate prevailing on January 1, 2021 for incremental borrowings of the lessee.

Minimum unpaid lease payment for the significant operating lease as at December 31, 2020 Present value discounted at the interest rate* prevailing on January 1, 2021 for incremental borrowings of the Company	697,683,319.94
Lease liabilities under the New Standards for Lease as at January 1, 2021	697,683,319.94
Difference between the present value discounted and the lease liabilities	

* The subsidiaries of the Company Jiangsu Honggang Petrochemical Co., Ltd., Shenghong Refining and Chemical (Lianyungang) Co., Ltd. and Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation Co., Ltd. used the interest rate for incremental borrowings of 4.65%, Shenghong Petrochemical (Singapore) International Co., Ltd. used the interest rate for incremental borrowings of 5.00%, and Jiangsu Sierbang Petrochemical Co., Ltd. used the interest rate for incremental borrowings of 4.02% for discount.

For finance leases existing before the initial implementation day, the Company measures the right-of-use assets and lease liabilities respectively at the original book values on the initial implementation day of the assets acquired under finance leases and the account payable for finance lease.

- The Company as the lessor

The Company re-assessed the sublease that was divided into the operating lease before the initial implementation day and still existed on such day based on the remaining contract term and the contract clauses of the original lease and the sublease on the initial implementation day, and reclassified the same according to the New Standards for Lease. If the sublease was reclassified as the finance lease, the Company will make the accounting treatment for such sublease by taking it as a new finance lease.

Other than subleases, the Company did not need to adjust leases where it acted as a lessor according to the New Standards for Lease. From the initial implementation day, the Company makes accounting treatment according to the New Standards for Lease.

3.34.2 Adjustment to items in the financial statements at the beginning of the year for initial implementation of the new standards for financial instruments, revenue and leases according to the new standards for financial instruments, revenue and leases initially implemented

(1) Adjustment to items in the financial statements at the beginning of 2019 for the initial implementation of the new standards for financial instruments on January 1, 2019

Consolidated Balance Sheet

Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount adjusted
Current assets:			
Cash at bank and on hand	6,375,751,039.00	6,388,400,615.42	12,649,576.42
Financial assets held for trading	N/A	1,638,872,055.59	1,638,872,055.59
Notes receivable	741,467,875.96	110,368,910.91	-631,098,965.05
Receivables financing	N/A	631,098,965.05	631,098,965.05
Other receivables	110,033,635.48	95,336,725.73	-14,696,909.75
Other current assets	4,147,804,752.81	2,637,774,752.81	-1,510,030,000.00
Non-current assets:			
Available-for-sale financial assets	626,280,666.16	N/A	-626,280,666.16

Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount adjusted
Investments in other equity instruments	N/A	495,180,000.00	495,180,000.00
Other non-current financial assets	N/A	39,950,000.00	39,950,000.00
Other non-current assets	858,487,211.90	838,487,211.90	-20,000,000.00
Current liabilities:			
Short-term borrowings	6,597,615,200.00	6,607,386,089.19	9,770,889.19
Other payables	1,849,349,954.28	1,819,877,625.70	-29,472,328.58
Non-current liabilities due within one year	2,302,697,569.32	2,322,399,008.71	19,701,439.39
Non-current liabilities:			
Deferred tax liabilities	303,890,360.90	307,801,374.93	3,911,014.03
Shareholders' equity:			
Other comprehensive income	-3,885,126.93	2,010,000.00	5,895,126.93
Retained earnings	2,021,067,893.95	2,026,905,809.09	5,837,915.14

(2) Adjustment to items in the financial statements at the beginning of 2020 for the initial implementation of the new standards for revenue on January 1, 2020

Consolidated Balance Sheet

Item	Balance as at December 31, 2019	Balance as at January 1, 2020	Amount adjusted		
			Reclassification	Remeasurement	Total
Advances from customers	645,210,777.42	43,282,990.12	-601,927,787.30		-601,927,787.30
Contract liabilities		535,089,320.89	535,089,320.89		535,089,320.89
Other current liabilities		66,838,466.41	66,838,466.41		66,838,466.41

(3) Adjustment to items in the financial statements at the beginning of 2021 for the initial implementation of the new standards for leases on January 1, 2021

Consolidated Balance Sheet

Item	Balance as at December 31, 2020	Balance as at January 1, 2021	Amount adjusted		
			Reclassification	Remeasurement	Total
Right-of-use assets		697,683,319.94		697,683,319.94	697,683,319.94
Lease liabilities		652,020,683.70	-45,662,636.24	697,683,319.94	652,020,683.70
Non-current liabilities due within one year	3,120,765,485.74	3,166,428,121.98	45,662,636.24		45,662,636.24

3.34.3 Changes in significant accounting estimates

None.

4 Taxation

4.1 Major tax types and tax rates

Tax type	Basis of tax assessment	Tax rate Year 2021	Year 2020	Year 2019
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*	*Note 1*	*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%	1.2%, 12%	1.2%, 12%
Urban maintenance and construction tax	Levied based on the paid-in turnover tax	5%, 7%	5%, 7%	5%, 7%
Enterprise income tax	Levied based on the amount of taxable income	*Note 2*	*Note 2*	*Note 2*

Note 1: In 2019, value-added tax rates adopted by enterprises were 3%, 5%, 6%, 11% and 16%. 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:

Taxpayer	Income tax rate Year 2021	Year 2020	Year 2019
Jiangsu Eastern Shenghong Co., Ltd.	25%	25%	25%
Jiangsu Sierbang Petrochemical Co., Ltd.	15%	25%	15%
Lianyungang Shunmeng Trading Co., Ltd.	25%	25%	25%
Sierbang (Shanghai) Supply Chain Management Co., Ltd.	/	25%	25%
Inner Mongolia Shenghuayi Energy Co., Ltd.	25%	25%	25%
Inner Mongolia Sierbang Energy and Chemical Technology Co., Ltd.	25%	25%	25%
Jiangsu Hongjing New Materials Co., Ltd.	25%	/	/
Jiangsu Guowang High-tech Fibre Co., Ltd.	15%	15%	15%
Suzhou Shenghong Fiber Co., Ltd.	15%	15%	15%
Jiangsu Zhonglu Technology Development Co., Ltd.	15%	15%	15%
Suzhou Suzhen Biological Engineering Co., Ltd.	15%	15%	15%
Jiangsu Shenghong Fiber Testing Co., Ltd.	25%	25%	25%
Jiangsu Ganghong Fiber Co., Ltd.	15%	25%	25%
Jiangsu Shenghong Technology and Trade Co., Ltd.	25%	25%	25%
Lantean Holding Group Co., Limited	16.50%	16.50%	16.50%
Suzhou Tangnan Sewage Treatment Co., Ltd.	25%	25%	25%

Taxpayer	Income tax rate Year 2021	Year 2020	Year 2019
Jiangsu Honggang Petrochemical Co., Ltd.	25%	25%	25%
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	25%	25%	25%
Shenghong (Lianyungang) Refining and Chemical Co., Ltd..	25%	25%	25%
Shenghong Refining and Chemical (Lianyungang) Port Storage and Transportation Co., Ltd.	Exempted	25%	25%
Shenghong Petrochemical (Singapore) International Co., Ltd.	17%	17%	17%
Shenghong Shipping (Singapore) International Co., Ltd.	17%	/	/
Shenghong Oils Sales Co., Ltd.	25%	25%	25%
Shenghong (Lianyungang) Oils Sales Co., Ltd.	25%	25%	25%
Lianyungang Guanhong Trading Co., Ltd..	25%	25%	/
Jiangsu Hongwei Chemical Co., Ltd.	25%	25%	/
Shenghong (Shanghai) Polyester Material Co., Ltd.	25%	25%	/
Lianyungang Shengtai New Materials Co., Ltd.	25%	/	/
Lianyungang Hongke New Materials Co., Ltd.	25%	/	/
Shenghong New Materials (Suqian) Co., Ltd.	25%	25%	/
Jiangsu Reborn Eco-tech Co., Ltd.	25%	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%	/	/
Suzhou Silk Real Estate Co., Ltd.	/	/	25%
Suzhou Shengze Yunfangcheng E-commerce Co., Ltd.	/	/	25%
Jiangsu Hengwu Media Co., Ltd.	/	/	20%
Wujiang Silk Real Estate Co., Ltd..	/	/	25%
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	25%	25%	25%
Jiangsu Xingda Natural Gas Pipeline Co., Ltd.	25%	25%	25%
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	25%	25%	25%
Suzhou Shenghong Digital Cloud Technology Co., Ltd.	25%	25%	/
Suzhou Shengze Real Estate Leasing Co., Ltd.	25%	/	/
Suzhou Shengze Warehousing Management Co., Ltd.	25%	/	/
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership)	25%	/	/
Suzhou Yinghong Industrial Investment Fund (Limited Partnership)	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%.

On December 7, 2017, Jiangsu Guowang High-tech Fibre Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR201732002135 and the valid term of 3 years, jointly issued by the Finance Department of Jiangsu Province, the Science and Technology Department of Jiangsu Province, Jiangsu Provincial Tax Service, State Taxation Administration, and the Local Taxation Bureau of Jiangsu Province. From 2017 to 2019, it shall be entitled to enterprise 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%.

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%.

On November 30, 2018, Suzhou Shenghong Fiber Co., Ltd. obtained the hi-tech enterprise certificate with the number of GR201832007341 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 2018 to 2020, 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%.

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%.

On December 27, 2017, Jiangsu Sierbang Petrochemical Co., Ltd. passed the qualification examination for high-tech enterprises and was recognized as a hi-tech enterprise, obtaining the *High-tech Enterprise Certificate* with the number of GR201732004365 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, the Local Taxation Bureau of Jiangsu Province. According to the *Record Form for Matters Concerning Enterprise Income Tax Discount* issued by Lianyungang Hi-tech Industrial Development Zone Tax Service, State Taxation Administration, during the period from January 1, 2017 to December 31, 2019, the Company, as a high-tech enterprise, enjoyed the preferential enterprise 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 in 2021, 2022 and 2023.

4.2.8 Jiangsu Hengwu Media Co., Ltd.

According to the Circular on Implementing the Policy on Inclusive Tax Reliefs for Small and Micro Enterprises (CS [2019] No. 13), for Jiangsu Hengwu Media Co., Ltd., an original subsidiary of the Company, from January 1, 2019 to December 31, 2021, the portion of less than RMB1 million, and the portion of more than RMB1 million but less than RMB3 million, of the annual taxable income, shall be included in the actual taxable income at 25% and 50% respectively, based on which the enterprise income tax payable shall be calculated at the reduced tax rate of 20%.

5 Notes to the items of consolidated financial statements

5.1 Cash at bank and on hand

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Cash on hand	100,907.36	213,497.81	71,725.90
Bank deposits	10,730,471,449.11	16,454,123,945.58	6,421,647,383.42
Other Cash at bank and on hand	2,667,536,122.35	2,091,723,007.19	1,015,329,596.68
Interest on outstanding time deposits	342,060.13	10,626,418.89	
Total	13,398,450,538.95	18,556,686,869.47	7,437,048,706.00
Including: total amount of deposit abroad	108,555,051.56	147,836,881.64	4,227,244.82

Cash at bank and on hand restricted for use due to mortgage, pledge or freezing, or placed overseas with restrictions on fund repatriation are as follows:

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Bank acceptance bills deposit	1,656,234,434.52	1,394,641,080.95	676,639,855.93
Letters of credit deposits	754,539,709.73	556,262,800.03	309,335,371.70
Loan deposit	119,900,000.00	48,352,562.64	
Time deposit or call deposit used for guarantee	1,153,120,625.00	600,000,000.00	1,500,000.00
Others	38,154,021.96	26,287,837.75	17,970,112.88
Total	3,721,948,791.21	2,625,544,281.37	1,005,445,340.51

5.2 Financial assets held for trading

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Financial assets measured at fair value through current profit or loss	141,719,671.46	558,934,767.38	952,104,976.47
Of which: investment in equity instruments	86,338,213.82	87,933,786.56	93,784,219.94
Derivative financial assets	1,781,457.64	43,822.29	49,992,755.80
Bank wealth management and trust products	53,600,000.00	470,957,158.53	808,328,000.73
Total	141,719,671.46	558,934,767.38	952,104,976.47

See Note 5.63 for details of bank wealth management.

5.3 *Notes receivable*

5.3.1 Presentation of notes receivable by category

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Bank acceptance bills	348,987,413.80		641,483,353.18
Commercial acceptance bills . .			
Total	348,987,413.80		641,483,353.18

5.3.2 Pledged notes receivable of the Company as at the end of the period

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Bank acceptance bills	11,349,094.00		
Commercial acceptance bills . .			
Total	11,349,094.00		

5.4 *Accounts receivable*

5.4.1 Disclosure of accounts receivable by aging

Aging	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Within 1 year	558,297,383.24	353,402,436.37	321,198,730.27
1-2 years	13,173.25	42,828.20	555,266.60
2-3 years	39,338.90	555,266.60	25,497.84
Over 3 years.	4,054,535.91	3,501,736.16	3,487,235.06
Sub-total.	562,404,431.30	357,502,267.33	325,266,729.77
Less: provision for bad debts . .	31,306,804.70	21,352,492.46	19,695,182.11
Total	531,097,626.60	336,149,774.87	305,571,547.66

5.4.2 Classified disclosure of accounts receivable by provision of bad debts

As at December 31, 2021

Type	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision	
		(%)		*(%)*	
Provision for bad debts accrued on an individual basis					
Provision for bad debts made by portfolio	562,404,431.30	100.00	31,306,804.70	5.57	531,097,626.60
Total	562,404,431.30	100.00	31,306,804.70	5.57	531,097,626.60

As at December 31, 2020

Type	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision	
		(%)		(%)	
Provision for bad debts accrued on an individual basis	554,632.00	0.16	554,632.00	100.00	
Provision for bad debts made by portfolio	356,947,635.33	99.84	20,797,860.46	5.83	336,149,774.87
Total	357,502,267.33	100.00	21,352,492.46	5.97	336,149,774.87

As at December 31, 2019

Type	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision	
		(%)		(%)	
Provision for bad debts accrued on an individual basis	554,632.00	0.17	554,632.00	100.00	
Provision for bad debts made by portfolio	324,712,097.77	99.83	19,140,550.11	5.89	305,571,547.66
Total	325,266,729.77	100.00	19,695,182.11	6.06	305,571,547.66

Provision for bad debts accrued on an individual basis:

Name	As at December 31, 2020			
	Book balance	Provision for bad debts	Proportion of provision	Reason for provision
			(%)	
House rent	554,632.00	554,632.00	100.00	Lawsuit payments are expected to be irrecoverable
Total	554,632.00	554,632.00	100.00	

Name	As at December 31, 2019			
	Book balance	Provision for bad debts	Proportion of provision	Reason for provision
			(%)	
House rent	554,632.00	554,632.00	100.00	Lawsuit payments are expected to be irrecoverable
Total	554,632.00	554,632.00	100.00	

Provision for bad debts made by portfolio:

Provision made on portfolio basis:

Name	As at December 31, 2021			As at December 31, 2020			As at December 31, 2019		
	Accounts receivable	Provision for bad debts	Proportion of provision	Accounts receivable	Provision for bad debts	Proportion of provision	Accounts receivable	Provision for bad debts	Proportion of provision
			(%)			(%)			(%)
Portfolio of related parties	13,698,775.91			7,657,609.18			8,390,432.21		
Accounts receivable with allowance for bad debts accrued by aging analysis method	548,705,655.39	31,306,804.70	5.71	349,290,026.15	20,797,860.46	5.95	316,321,665.56	19,140,550.11	6.05
Total	562,404,431.30	31,306,804.70	5.57	356,947,635.33	20,797,860.46	5.83	324,712,097.77	19,140,550.11	5.89

5.4.3 Provision, reversal or recovery of provision for bad debts during the reporting period

		Increase or decrease in 2021			
Category	**As at December 31, 2020**	**Provision**	**Recovery or reversal**	**Write-off or charge-off**	**As at December 31, 2021**
Provision for bad debts of accounts receivable	21,352,492.46	9,954,312.24			31,306,804.70
Total	21,352,492.46	9,954,312.24			31,306,804.70

			Increase or decrease in 2020			
Category	**As at December 31, 2019**	**As at January 1, 2020**	**Provision**	**Recovery or reversal**	**Write-off or charge-off**	**As at December 31, 2020**
Provision for bad debts of accounts receivable	19,695,182.11	19,695,182.11	1,657,310.35			21,352,492.46
Total	19,695,182.11	19,695,182.11	1,657,310.35			21,352,492.46

			Increase or decrease in 2019				
Category	**As at December 31, 2018**	**As at December 31, 2019**	**Provision**	**Recovery or reversal**	**Write-off or charge-off**	**Others**	**As at December 31, 2019**
Provision for bad debts of accounts receivable	16,462,798.76	16,462,798.76	3,989,062.20		240,362.00	516,316.85	19,695,182.11
Total	16,462,798.76	16,462,798.76	3,989,062.20		240,362.00	516,316.85	19,695,182.11

5.4.4 Accounts receivable actually charged-off during this reporting period

Item	**Year 2021**	**Year 2020**	**Year 2019**
Accounts receivable actually charged off			240,362.00

5.4.5 Top 5 of accounts receivable as at the end of the period, presented by debtor

	As at December 31, 21			As at December 31, 20			As at December 31, 2019		
	Accounts receivable	Proportion in the total accounts receivable	Provision for bad debts	Accounts receivable	Proportion in the total accounts receivable	Provision for bad debts	Accounts receivable	Proportion in the total accounts receivable	Provision for bad debts
		(%)			(%)			(%)	
The sum amount of the top 5 ending balances	269,059,074.66	47.84	13,452,953.74	159,657,577.19	44.66	7,982,878.86	156,449,191.72	48.10	7,822,459.59

5.4.6 The accounts receivable derecognized due to the transfer of financial assets

None.

5.4.7 Amounts of assets or liabilities arising from transfer of accounts receivable and relevant continuous involvement

None.

5.4.8 See Note 10.6 for details about the receivables from related parties during the reporting period

5.5 Receivables financing

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Notes receivable	77,650,379.06	449,679,866.95	329,349,846.37
Total	77,650,379.06	449,679,866.95	329,349,846.37

See Note 5.63 for details about pledge of receivables financing.

5.6 Advances to suppliers

5.6.1 Presentation of advances to suppliers by aging

	As at December 31, 2021		As at December 31, 2020		As at December 31, 2019	
Aging	Amount	Proportion	Amount	Proportion	Amount	Proportion
		(%)		*(%)*		*(%)*
Within 1 year. . .	727,788,655.90	98.51	618,018,865.77	96.94	665,885,128.54	97.98
Over 1 year	11,001,594.42	1.49	19,511,834.95	3.06	13,735,858.97	2.02
Total	738,790,250.32	100.00	637,530,700.72	100.00	679,620,987.51	100.00

5.6.2 Significant advances from customers with aging more than one year

None.

5.6.3 Top five of advances to suppliers as at the end of the period

	As at December 31, 2021		As at December 31, 2020		As at December 31, 2019	
Supplier	Ending balance	Proportion in the total ending balance of advances to suppliers	Ending balance	Proportion in the total ending balance of advances to suppliers	Ending balance	Proportion in the total ending balance of advances to suppliers
		(%)		*(%)*		*(%)*
The sum amount of the top 5 ending balances	186,756,729.29	25.28	234,189,502.32	36.73	202,431,695.92	29.79

5.7 Other receivables

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Other receivables	92,825,594.30	41,090,611.74	113,103,976.46
Total	92,825,594.30	41,090,611.74	113,103,976.46

5.7.1 Disclosure of other receivables by aging

Aging	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Within 1 year	83,375,280.55	42,751,161.98	112,374,374.24
1-2 years	16,724,286.87	592,949.02	41,131.14
2-3 years	479,296.64	5,235.80	6,802,360.12
Over 3 years	2,658,848.94	4,377,188.65	2,582,799.72
Sub-total	103,237,713.00	47,726,535.45	121,800,665.22
Less: provision for bad debts	10,412,118.70	6,635,923.71	8,696,688.76
Total	92,825,594.30	41,090,611.74	113,103,976.46

5.7.2 Provision for bad debts of other receivables

	Stage I	Stage II	Stage III	
Provision for bad debts	12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2020	6,635,923.71			6,635,923.71
In 2021, as at December 31, 2020				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in 2021	3,804,823.99			3,804,823.99
Reversal in 2021				
Write-off in 2021				
Charge-off in 2021	25,000.00			25,000.00
Other changes	3,629.00			3,629.00
Balance as at December 31, 2021	10,412,118.70			10,412,118.70

Provision for bad debts	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2019	8,696,688.76			8,696,688.76
In 2020, as at December 31, 2019				
— Transfer to Stage II . . .				
— Transfer to Stage III. . .				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in 2020	-2,060,484.55			-2,060,484.55
Reversal in 2020				
Write-off in 2020				
Charge-off in 2020				
Other changes	280.50			280.50
Balance as at December 31, 2020	6,635,923.71			6,635,923.71

Provision for bad debts	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at January 1, 2019	25,018,771.92			25,018,771.92
In 2019, as at January 1, 2019.				
— Transfer to Stage II . . .				
— Transfer to Stage III. . .				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in 2019	-14,199,404.31			-14,199,404.31
Reversal in 2019				
Write-off in 2019				
Charge-off in 2019				
Other changes	2,122,678.85			2,122,678.85
Balance as at December 31, 2019	8,696,688.76			8,696,688.76

5.7.3 Changes in the book balance of other receivables are as follows:

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2020	47,726,535.45			47,726,535.45
In 2021, as at December 31, 2020				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increase in 2021	55,536,177.55			55,536,177.55
Derecognition in 2021	25,000.00			25,000.00
Other changes				
Balance as at December 31, 2021	103,237,713.00			103,237,713.00

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2019	121,800,665.22			121,800,665.22
In 2020, as at December 31, 2019				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increase in 2020	-74,074,129.77			-74,074,129.77
Derecognition in 2020				
Other changes				
Balance as at December 31, 2020	47,726,535.45			47,726,535.45

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at January 1, 2019	120,355,497.65			120,355,497.65
In 2019, as at January 1, 2019				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increase in 2019	1,445,167.57			1,445,167.57
Derecognition in 2019				
Other changes				
Balance as at December 31, 2019	121,800,665.22			121,800,665.22

5.7.4 Provision, reversal or recovery of provision for bad debts during the reporting period

Category	As at December 31, 2020	Increase or decrease in 2021				As at December 31, 2021
		Provision	Recovery or reversal	Write-off or charge-off	Other changes	
Provision for bad debts of other receivables	6,635,923.71	3,804,823.99		25,000.00	3,629.00	10,412,118.70
Total	6,635,923.71	3,804,823.99		25,000.00	3,629.00	10,412,118.70

Category	As at December 31, 2019	Increase or decrease in 2020				As at December 31, 2020
		Provision	Recovery or reversal	Write-off or charge-off	Other changes	
Provision for bad debts of other receivables	8,696,688.76	-2,060,484.55			280.50	6,635,923.71
Total	8,696,688.76	-2,060,484.55			280.50	6,635,923.71

Category	As at December 31, 2018	As at January 1, 2019	Increase or decrease in 2019				As at December 31, 2019
			Provision	Recovery or reversal	Write-off or charge-off	Other changes	
Provision for bad debts of other receivables	25,018,771.92	25,018,771.92	-14,199,404.31			2,122,678.85	8,696,688.76
Total	25,018,771.92	25,018,771.92	-14,199,404.31			2,122,678.85	8,696,688.76

5.7.5 Other receivables actually charged-off during the reporting period

Item	Year 2021	Year 2020	Year 2019
Other receivables actually charged off	25,000.00		

5.7.6 Classification of other receivables by the nature of payment

Nature of payment	Book balance		
	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Advances	19,438,584.69	16,274,225.20	17,337,842.66
Various deposits and security deposits	81,101,743.74	29,786,799.16	44,442,661.86
Petty cash	886,931.03	1,188,500.47	835,190.97
Equity transfer fund			58,284,720.00
Others	1,810,453.54	477,010.62	900,249.73
Total	103,237,713.00	47,726,535.45	121,800,665.22

5.7.7 Top 5 of other receivables as at the end of the period

	As at December 31, 2021			As at December 31, 2020			As at December 31, 2019		
	Other receivables	Proportion in total other receivables	Provision for bad debts	Other receivables	Proportion in total other receivables	Provision for bad debts	Other receivables	Proportion in total other receivables	Provision for bad debts
		(%)			(%)			(%)	
The sum amount of the top 5 ending balances	82,489,340.44	79.90	6,050,737.02	36,416,486.46	76.30	4,846,687.58	115,511,733.60	94.84	6,790,954.38

5.7.8 Other receivables involving government grants

None.

5.7.9 Other receivables derecognized due to the transfer of financial assets

None.

5.7.10 Assets or liabilities amount arising from the transfer of other receivables and continuous involvement

None.

5.7.11 See Note 10.6 for details about other receivables from related parties during the reporting period

5.8 *Inventories*

5.8.1 Classification of inventories

Item	As at December 31, 2021			As at December 31, 2020			As at December 31, 2019		
	Book balance	Provision for inventory depreciation and provision for impairment of contract performance costs	Book value	Book balance	Provision for inventory depreciation and provision for impairment of contract performance costs	Book value	Book balance	Provision for depreciation	Book value
Materials in transit	180,140,146.31		180,140,146.31	207,021,227.79		207,021,227.79	60,383,296.95		60,383,296.95
Raw materials	3,247,245,125.74	15,312,686.19	3,231,932,439.55	1,692,719,367.28	9,945,956.13	1,682,773,411.15	1,649,724,070.85	21,475,509.52	1,628,248,561.33
Merchandise inventories	2,352,938,275.51	102,688,828.20	2,250,249,447.31	1,793,681,748.08	48,922,379.75	1,744,759,368.33	2,121,506,548.50	24,404,232.52	2,097,102,315.98
Goods in progress	236,442,390.13	8,283,173.87	228,159,216.26	244,739,070.72	7,441,327.98	237,297,742.74	278,361,681.79	8,225,405.83	270,136,275.96
Goods dispatched	196,535,155.08	1,038,611.90	195,496,543.18	38,954,520.54		38,954,520.54	22,411,020.26		22,411,020.26
Others	13,858.08		13,858.08	43,101.77		43,101.77	56,252.22		56,252.22
Total	6,213,314,950.85	127,323,300.16	6,085,991,650.69	3,977,159,036.18	66,309,663.86	3,910,849,372.32	4,132,442,870.57	54,105,147.87	4,078,337,722.70

5.8.2 Provision for inventory depreciation and provision for impairment of contract performance costs

Item	As at December 31, 2020	Increase in 2021		Decrease in 2021		As at December 31, 2021
		Provision	Others	Reversal or write-off	Others	
Raw materials	9,945,956.13	14,295,713.31		8,928,983.25		15,312,686.19
Merchandise inventories	48,922,379.75	192,122,877.22		138,356,428.77		102,688,828.20
Goods in progress	7,441,327.98	8,283,173.87		7,441,327.98		8,283,173.87
Goods dispatched		1,038,611.90				1,038,611.90
Total	66,309,663.86	215,740,376.30		154,726,740.00		127,323,300.16

Item	As at December 31, 2019	As at January 1, 2020	Increase in 2020		Decrease in 2020		As at December 31, 2020
			Provision	Others	Reversal or write-off	Others	
Raw materials	21,475,509.52	21,475,509.52	9,945,956.13		21,475,509.52		9,945,956.13
Merchandise inventories	24,404,232.52	24,404,232.52	96,903,264.43		72,385,117.20		48,922,379.75
Goods in progress	8,225,405.83	8,225,405.83	7,383,841.77		8,167,919.62		7,441,327.98
Total	54,105,147.87	54,105,147.87	114,233,062.33		102,028,546.34		66,309,663.86

Item	As at December 31, 2018	Increase in 2019		Decrease in 2019		As at December 31, 2019
		Provision	Others	Reversal or write-off	Others	
Raw materials	16,834,970.66	20,415,544.21		15,775,005.35		21,475,509.52
Merchandise inventories	47,600,953.51	26,876,540.65		50,073,261.64		24,404,232.52
Goods in progress	1,850,889.61	8,061,656.63		1,687,140.41		8,225,405.83
Development products	1,424,935.49				1,424,935.49	
Total	67,711,749.27	55,353,741.49		67,535,407.40	1,424,935.49	54,105,147.87

5.8.3 Specific basis of determining net realization value, reasons for reversal or write-off of provision for inventory depreciation in the current period

Item	Specific basis of determining net realization value	Reason for reversal of provision for inventory depreciation in the current period	Reason for write-off of provision for inventory depreciation in the current period
Raw materials	The net realizable value is determined as the amount of the estimated selling price less the estimated costs of completion, estimated sales expenses and relevant taxes and surcharges.	Not applicable	Inventories with provision for depreciation made on or before January 1, 2021 have been sold in 2021
Goods in process	The net realizable value is determined as the amount of the estimated selling price less the estimated costs of completion, estimated sales expenses and relevant taxes and surcharges.	Not applicable	Inventories with provision for depreciation made on or before January 1, 2021 have been sold in 2021

Item	Specific basis of determining net realization value	Reason for reversal of provision for inventory depreciation in the current period	Reason for write-off of provision for inventory depreciation in the current period
Merchandise inventories . . .	The net realizable value is determined as the amount of the estimated selling price less the estimated sales expenses and relevant taxes and surcharges.	Not applicable	Inventories with provision for depreciation made on or before January 1, 2021 have been sold in 2021
Development products	The net realizable value is determined as the amount of the estimated selling price less the estimated sales expenses and relevant taxes and surcharges.	Not applicable	Decrease in the scope of business combination
Goods dispatched . . .	The net realizable value is determined as the amount of the estimated selling price less the estimated sales expenses and relevant taxes and surcharges.	Not applicable	Not applicable

5.8.4 Borrowing costs capitalized and included to inventory costs: None

5.8.5 See Note 5.63 for details about the inventories used for guarantee among the ending balances.

5.9 Other current assets

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Input VAT retained for future offsetting	3,201,420,491.80	1,109,072,559.79	582,164,013.71
Uncertified input tax	104,969,343.08	59,505,422.24	27,396,133.98
Prepayment of income tax and other taxes	295,386,280.07	1,877,217.75	5,618,691.80
Total	3,601,776,114.95	1,170,455,199.78	615,178,839.49

5.10 Long-term equity investments

Investee	As at December 31, 2020	Increase or decrease in 2021								As at December 31, 2021	Provision for impairment Balance as at December 31, 2021
		Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity change	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
Associates											
Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	49,789,918.06	1,000,000.00		-1,859,608.52						48,930,309.54	
Tianjiao Technology Venture Capital Co., Ltd.	22,478,358.11			14,397,830.28						36,876,188.39	
Suzhou Wujiang CNPC Kunlun Gas Co., Ltd.		53,900,000.00		254,544.59						54,154,544.59	
Total	72,268,276.17	54,900,000.00		12,792,766.35						139,961,042.52	

Investee	As at December 31, 2019	Increase or decrease in 2020								As at December 31, 2020	Provision for impairment Balance as at December 31, 2020
		Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity change	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
Associates											
Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	26,911,360.78	21,000,000.00		1,878,557.28						49,789,918.06	
Tianjiao Technology Venture Capital Co., Ltd.	24,722,664.82			22,455,688.29			24,699,995.00			22,478,358.11	
Jiangsu Dongfang Yingta Security and Preservation Systems Co., Ltd.	4,586,750.11		4,521,695.61	-65,054.50							
Total	56,220,775.71	21,000,000.00	4,521,695.61	24,269,191.07			24,699,995.00			72,268,276.17	

Investee	As at December 31, 2018	Increase or decrease in 2019: Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity change	Cash dividends or profits declared to be distributed	Provision for impairment	Others	As at December 31, 2019	Balance of provision for impairment as at December 31, 2019
Associates											
Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	14,100,000.00	11,900,000.00		911,360.78						26,911,360.78	
Tianjiao Technology Venture Capital Co., Ltd.	38,555,526.23		13,333,333.33	4,433,799.92			4,933,328.00			24,722,664.82	
Jiangsu Dongfang Yingta Security and Preservation Systems Co., Ltd.	8,351,014.52		3,520,000.00	-244,264.41						4,586,750.11	
Jiangsu Shengze Oriental Agricultural Development Commercial Factoring Co., Ltd.	25,743,914.29			2,519,744.65					28,263,658.94		
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	16,899,057.80		14,486,221.00	-2,412,836.80							
Suchou Sifang Outdoor Media Co., Ltd.	1,820,514.71			94,423.16					1,914,937.87		
Total	105,470,027.55	11,900,000.00	31,339,554.33	5,302,227.30			4,933,328.00		30,178,596.81	56,220,775.71	

5.11 Investments in other equity instruments

5.11.1 Details of investments in other equity instruments

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Non-trading equity instruments	583,395,820.00	685,961,180.00	638,826,600.00
Total	583,395,820.00	685,961,180.00	638,826,600.00

5.11.2 Details of non-trading equity instrument investments

As at December 31, 2021/Year 2021

Item	Initial cost	Dividend income recognized in 2021	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	1,257,381.70	90,895,820.00		The investment is held by the Company for long-term strategy

As at December 31, 2020/Year 2020

Item	Initial cost	Dividend income recognized in 2021	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	7,387,159.83	193,461,180.00		The investment is held by the Company for long-term strategy

As at December 31, 2019/Year 2019

Item	Initial cost	Dividend income recognized in 2021	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	2,737,315.17	146,326,600.00		The investment is held by the Company for long-term strategy

5.12 Other non-current financial assets

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Financial assets measured at fair value through current profit or loss	4,477,532.09	6,738,046.30	267,209,296.71

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) As at December 31, 2020	1,121,718,930.08	516,874,566.26	1,638,593,496.34
(2) Increase in 2021	1,271,012.87		1,271,012.87
— Outsourcing	70,536.94		70,536.94
— Transfer-in of inventories, fixed assets and construction in progress	1,200,475.93		1,200,475.93
(4) As at December 31, 2021	1,122,989,942.95	516,874,566.26	1,639,864,509.21
2. Accumulative depreciation and accumulative amortization			
(1) As at December 31, 2020	308,725,225.31	141,687,471.31	450,412,696.62
(2) Increase in 2021	37,619,352.23	16,868,738.92	54,488,091.15
— Provision or amortization	37,619,352.23	16,868,738.92	54,488,091.15
(3) Decrease in 2021			
— Disposal			
(4) As at December 31, 2021	346,344,577.54	158,556,210.23	504,900,787.77
3. Provision for impairment			
(1) As at December 31, 2020			
(2) Increase in 2021			
— Provision			
(3) Decrease in 2021			
— Disposal			
(4) As at December 31, 2021			
4. Book value			
(1) Book value as at December 31, 2021	776,645,365.41	358,318,356.03	1,134,963,721.44
(2) Book value as at December 31, 2020	812,993,704.77	375,187,094.95	1,188,180,799.72

Item	Buildings and constructions	Land use right	Total
1. Original book value			
(1) As at December 31, 2019	1,340,939,163.09	582,316,107.90	1,923,255,270.99
(2) Increase in 2020	2,709,875.85		2,709,875.85
— Outsourcing	2,709,875.85		2,709,875.85
— Transfer-in of inventories, fixed assets and construction in progress			
(3) Decrease in 2020	221,930,108.86	65,441,541.64	287,371,650.50
— Disposal	221,930,108.86	65,441,541.64	287,371,650.50
(4) As at December 31, 2020	1,121,718,930.08	516,874,566.26	1,638,593,496.34

Item	Buildings and constructions	Land use right	Total
2. Accumulative depreciation and accumulative amortization			
(1) As at December 31, 2019	301,496,216.43	129,734,543.30	431,230,759.73
(2) Increase in 2020	45,361,972.41	18,240,858.72	63,602,831.13
— Provision or amortization	45,361,972.41	18,240,858.72	63,602,831.13
(3) Decrease in 2020	38,132,963.53	6,287,930.71	44,420,894.24
— Disposal	38,132,963.53	6,287,930.71	44,420,894.24
(4) As at December 31, 2020	308,725,225.31	141,687,471.31	450,412,696.62
3. Provision for impairment			
(1) As at December 31, 2019			
(2) Increase in 2020			
— Provision			
(3) Decrease in 2020			
— Disposal			
(4) As at December 31, 2020			
4. Book value			
(1) Book value as at December 31, 2020	812,993,704.77	375,187,094.95	1,188,180,799.72
(2) Book value as at December 31, 2019	1,039,442,946.66	452,581,564.60	1,492,024,511.26

Item	Buildings and constructions	Land use right	Total
1. Original book value			
(1) As at December 31, 2018	1,606,406,634.41	582,316,107.90	2,188,722,742.31
(2) Increase in 2019	934,422.08		934,422.08
— Outsourcing	66,422.08		66,422.08
— Transfer-in of inventories, fixed assets and construction in progress	868,000.00		868,000.00
(3) Decrease in 2019	266,401,893.40		266,401,893.40
— Disposal	284,142.22		284,142.22
— Transfer to own properties or inventories	45,127,758.86		45,127,758.86
— Disposal of subsidiaries	220,989,992.32		220,989,992.32
(4) As at December 31, 2019	1,340,939,163.09	582,316,107.90	1,923,255,270.99
2. Accumulative depreciation and accumulative amortization			
(1) As at December 31, 2018	311,739,041.38	110,987,787.98	422,726,829.36
(2) Increase in 2019	48,677,254.17	18,746,755.32	67,424,009.49
— Provision or amortization	48,677,254.17	18,746,755.32	67,424,009.49
(3) Decrease in 2019	58,920,079.12		58,920,079.12
— Disposal	160,886.08		160,886.08
— Transfer to own properties or inventories	5,780,940.05		5,780,940.05
— Disposal of subsidiaries	52,978,252.99		52,978,252.99
(4) As at December 31, 2019	301,496,216.43	129,734,543.30	431,230,759.73
3. Provision for impairment			
(1) As at December 31, 2018			
(2) Increase in 2019			
— Provision			
(3) Decrease in 2019			
— Disposal			
(4) As at December 31, 2019			

Item	Buildings and constructions	Land use right	Total
4. Book value			
(1) Book value as at December 31, 2019	1,039,442,946.66	452,581,564.60	1,492,024,511.26
(2) Book value as at December 31, 2018	1,294,667,593.03	471,328,319.92	1,765,995,912.95

5.13.2 Investment properties with pending certificate of title as at December 31, 2021.

Item	Book value	Reason for pending certificate of title
Plant later cleaned for leasing	4,333,389.16	In the process of reporting
A small number of business premises in Dongfang Market, Shengze Town	18,543,102.90	In the process of negotiation
Total	22,876,492.06	

5.14 Fixed assets

5.14.1 Fixed assets and disposal of fixed assets

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Fixed assets	31,186,602,365.19	26,054,386,350.02	26,036,607,057.67
Total	31,186,602,365.19	26,054,386,350.02	26,036,607,057.67

5.14.2 Details of fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Office equipment and other equipment	Total
1. Original book value					
(1) As at December 31, 2020	9,876,160,038.11	24,541,949,370.73	72,130,266.58	797,098,875.90	35,287,338,551.32
(2) Increase in 2021	2,039,455,214.88	4,900,245,523.49	39,311,639.88	223,666,655.05	7,202,679,033.30
— Purchase	13,562,660.02	157,507,307.93	39,223,215.09	37,755,920.46	248,049,103.50
— Transferred from construction in progress	2,025,892,554.86	4,740,299,012.02	34,690.27	186,017,807.99	6,952,244,065.14
— Increase due to business combination		2,439,203.54	53,734.52	236,630.08	2,729,568.14
— Others				-343,703.48	-343,703.48
(3) Decrease in 2021	16,482,728.85	126,189,173.65	8,562,054.85	1,341,624.56	152,575,581.91
— Disposal or scrapping	9,444,906.56	126,189,173.65	8,562,054.85	1,341,624.56	145,537,759.62
— Disposal of subsidiaries					
— Others	7,037,822.29				7,037,822.29
(4) As at December 31, 2021	11,899,132,524.14	29,316,005,720.57	102,879,851.61	1,019,423,906.39	42,337,442,002.71
2. Accumulated depreciation					
(1) As at December 31, 2020	1,576,735,542.40	6,800,833,975.08	40,432,731.62	472,534,106.07	8,890,536,355.17
(2) Increase in 2021	364,804,589.45	1,497,137,183.60	10,683,313.25	109,270,371.75	1,981,895,458.05
— Provision	364,804,589.45	1,497,059,942.16	10,673,741.75	109,269,596.76	1,981,807,870.12
— Increase due to business combination		77,241.44	9,571.50	34,455.02	121,267.96
— Others				-33,680.03	-33,680.03
(3) Decrease in 2021	3,102,005.21	53,823,106.39	4,511,170.21	1,124,630.12	62,560,911.93
— Disposal or scrapping	3,102,005.21	53,823,106.39	4,511,170.21	1,124,630.12	62,560,911.93
— Disposal of subsidiaries					
— Others					
(4) As at December 31, 2021	1,938,438,126.64	8,244,148,052.29	46,604,874.66	580,679,847.70	10,809,870,901.29

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Office equipment and other equipment	Total
3. Provision for impairment					
(1) As at December 31, 2020	30,731,178.12	311,418,821.57	231,924.65	33,921.79	342,415,846.13
(2) Increase in 2021.					
— Provision.					
(3) Decrease in 2021	756,631.13	556,702.06	133,776.71		1,447,109.90
— Disposal or scrapping	756,631.13	556,702.06	133,776.71		1,447,109.90
(4) As at December 31, 2021	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 December 31, 2021.	9,930,719,850.51	20,760,995,548.77	56,176,829.01	438,710,136.90	31,186,602,365.19
(2) Book value as at December 31, 2020.	8,268,693,317.59	17,429,696,574.08	31,465,610.31	324,530,848.04	26,054,386,350.02

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Office equipment and other equipment	Total
1. Original book value					
(1) As at December 31, 2019	9,512,832,940.60	23,216,254,676.39	65,814,857.05	740,657,865.38	33,535,560,339.42
(2) Increase in 2020.	366,607,081.64	1,393,964,411.36	13,446,877.74	137,785,732.81	1,911,804,103.55
— Purchase	22,538,994.64	276,590,428.69	13,446,877.74	130,441,758.73	443,018,059.80
— Transferred from construction in progress	344,068,087.00	1,117,373,982.67		7,343,974.08	1,468,786,043.75
— Increase due to business combination					
(3) Decrease in 2020	3,279,984.13	68,269,717.02	7,131,468.21	81,344,722.29	160,025,891.65
— Disposal or scrapping	3,279,984.13	68,269,717.02	7,131,468.21	81,344,722.29	160,025,891.65
— Disposal of subsidiaries					
(4) As at December 31, 2020	9,876,160,038.11	24,541,949,370.73	72,130,266.58	797,098,875.90	35,287,338,551.32
2. Accumulated depreciation					
(1) As at December 31, 2019	1,245,963,875.49	5,443,038,177.65	36,757,164.39	430,778,218.09	7,156,537,435.62
(2) Increase in 2020.	331,571,887.41	1,358,783,983.89	8,390,007.40	107,880,353.89	1,806,626,232.59
— Provision.	331,571,887.41	1,358,783,983.89	8,390,007.40	107,880,353.89	1,806,626,232.59
(3) Decrease in 2020	800,220.50	988,186.46	4,714,440.17	66,124,465.91	72,627,313.04
— Disposal or scrapping	800,220.50	988,186.46	4,714,440.17	66,124,465.91	72,627,313.04
— Disposal of subsidiaries					
(4) As at December 31, 2020	1,576,735,542.40	6,800,833,975.08	40,432,731.62	472,534,106.07	8,890,536,355.17
3. Provision for impairment					
(1) As at December 31, 2019	30,731,178.12	311,418,821.57	231,924.65	33,921.79	342,415,846.13
(2) Increase in 2020.					
— Provision.					
(3) Decrease in 2020					
— Disposal or scrapping					
(4) As at December 31, 2020	30,731,178.12	311,418,821.57	231,924.65	33,921.79	342,415,846.13
4. Book value					
(1) Book value as at December 31, 2020.	8,268,693,317.59	17,429,696,574.08	31,465,610.31	324,530,848.04	26,054,386,350.02
(2) Book value as at December 31, 2019.	8,236,137,886.99	17,461,797,677.17	28,825,768.01	309,845,725.50	26,036,607,057.67

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Office equipment and other equipment	Total
1. Original book value					
(1) As at December 31, 2018	8,463,943,630.35	20,036,990,899.72	55,481,680.94	558,221,661.02	29,114,637,872.03
(2) Increase in 2019.	1,048,889,310.25	3,190,642,307.93	19,680,944.22	196,843,765.56	4,456,056,327.96
— Purchase	54,450.04	11,964,161.24	19,680,944.22	185,193,006.41	216,892,561.91
— Transferred from construction in progress	1,048,834,860.21	3,178,678,146.69		11,650,759.15	4,239,163,766.05
— Increase due to business combination					
(3) Decrease in 2019		11,378,531.26	9,347,768.11	14,407,561.20	35,133,860.57
— Disposal or scrapping		11,378,531.26	7,563,603.96	4,201,120.03	23,143,255.25
— Disposal of subsidiaries			1,784,164.15	10,206,441.17	11,990,605.32
(4) As at December 31, 2019	9,512,832,940.60	23,216,254,676.39	65,814,857.05	740,657,865.38	33,535,560,339.42
2. Accumulated depreciation					
(1) As at December 31, 2018	935,875,123.77	4,190,920,180.48	33,250,196.53	343,976,938.71	5,504,022,439.49
(2) Increase in 2019.	310,088,751.72	1,256,752,923.36	8,913,486.39	96,436,559.08	1,672,191,720.55
— Provision.	310,088,751.72	1,256,752,923.36	8,913,486.39	96,436,559.08	1,672,191,720.55
(3) Decrease in 2019		4,634,926.19	5,406,518.53	9,635,279.70	19,676,724.42
— Disposal or scrapping		4,634,926.19	4,551,728.59	2,274,001.91	11,460,656.69
— Disposal of subsidiaries			854,789.94	7,361,277.79	8,216,067.73
(4) As at December 31, 2019	1,245,963,875.49	5,443,038,177.65	36,757,164.39	430,778,218.09	7,156,537,435.62
3. Provision for impairment					
(1) As at December 31, 2018	30,731,178.12	311,418,821.57		33,921.79	342,183,921.48
(2) Increase in 2019.			231,924.65		231,924.65
— Provision.			231,924.65		231,924.65
(3) Decrease in 2019					
— Disposal or scrapping					
(4) As at December 31, 2019	30,731,178.12	311,418,821.57	231,924.65	33,921.79	342,415,846.13
4. Book value					
(1) Book value as at December 31, 2019.	8,236,137,886.99	17,461,797,677.17	28,825,768.01	309,845,725.50	26,036,607,057.67
(2) Book value as at December 31, 2018.	7,497,337,328.46	15,534,651,897.67	22,231,484.41	214,210,800.52	23,268,431,511.06

5.14.3 Temporarily idle fixed assets

As at December 31, 2021

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Buildings and constructions	28,585,764.50	16,759,456.63		11,826,307.87	
Total	28,585,764.50	16,759,456.63		11,826,307.87	

As at December 31, 2020

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Buildings and constructions	28,585,764.50	15,388,567.00		13,197,197.50	
Total	28,585,764.50	15,388,567.00		13,197,197.50	

As at December 31, 2019

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Buildings and constructions	28,585,764.50	14,017,677.37		14,568,087.13	
Total	28,585,764.50	14,017,677.37		14,568,087.13	

5.14.4 Fixed assets under after-sale lease-back through financing lease

As at December 31, 2020

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
Buildings and constructions . .	16,381,041.41	3,414,992.11		12,966,049.30
Machinery equipment	1,824,981,850.84	570,687,032.94		1,254,294,817.90
Total.	1,841,362,892.25	574,102,025.05		1,267,260,867.20

As at December 31, 2019

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
Buildings and constructions . .	16,381,041.41	2,896,259.13		13,484,782.28
Machinery equipment	1,824,981,850.84	484,000,395.02		1,340,981,455.82
Total.	1,841,362,892.25	486,896,654.15		1,354,466,238.10

5.14.5 Details of fixed assets leased under operating lease

Item	Book value		
	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Machinery equipment	1,502,421.82	1,376,546.18	1,790,012.56
Office equipment and other facilities.	1,328,843.23	1,564,198.38	2,044,682.18
Total	2,831,265.05	2,940,744.56	3,834,694.74

5.14.6 Fixed assets with pending certificates as at December 31, 2021

Item	Book value	Reason for pending certificates of title
Buildings and constructions	1,208,892,023.80	In process

5.14.7 See Note 5.63 for details about fixed assets used for guarantee during the reporting period

5.15 Construction in progress

5.15.1 Construction in progress and project materials

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Construction in progress.	56,844,804,505.00	13,922,577,165.74	3,339,903,458.67
Project materials	3,127,645,706.13	1,084,256,222.56	38,511,675.58
Total	59,972,450,211.13	15,006,833,388.30	3,378,415,134.25

5.15.2 *Construction in progress*

Item	As at December 31, 2021			As at December 31, 2020			As at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Refining-chemical integration project with the annual output of 16 million tons	48,328,262,739.94		48,328,262,739.94	8,956,796,139.88		8,956,796,139.88	2,205,309,097.32		2,205,309,097.32
2.4 million tons/year PTA Expansion Project				3,096,336,101.03		3,096,336,101.03	437,203,181.28		437,203,181.28
Shengze Gas Turbine Cogeneration Project	456,430,389.66		456,430,389.66	64,404,819.22		64,404,819.22	10,402,880.01		10,402,880.01
Recycled Differential and Functional Polyester Filament Yarn and Supporting Materials Project with Annual Output of 250,000 Tons	1,056,957,884.97		1,056,957,884.97	97,899,456.87		97,899,456.87			
Ganghong Fiber Project with Annual Output of 200,000 Tons of Differential Functional Fibers (CP7)	403,612,944.47		403,612,944.47	4,659,275.85		4,659,275.85			
Super-simulation Functional Fiber Project with Annual Output of 500,000 Tons – Phase I	891,993,734.68		891,993,734.68						
Propane Industry Chain Project Phase I	5,233,836,441.10		5,233,836,441.10	1,239,127,434.29		1,239,127,434.29	354,881,253.20		354,881,253.20
Propane Industry Chain Project Phase II	5,716,807.35		5,716,807.35						
Others	467,993,562.83		467,993,562.83	463,353,938.60		463,353,938.60	332,107,046.86		332,107,046.86
Total	56,844,804,505.00		56,844,804,505.00	13,922,577,165.74		13,922,577,165.74	3,339,903,458.67		3,339,903,458.67

See Note 5.63 for details about the constructions in progress used for guarantee among the ending balances.

5.16 Right-of-use assets

Item	Buildings and constructions	Machinery equipment	Total
1. Original book value			
(1) Balance as at January 1, 2021	696,674,797.77	1,008,522.17	697,683,319.94
(2) Increase in 2021	302,802,508.31	195,829,090.32	498,631,598.63
— New lease	303,017,441.11	195,829,090.32	498,846,531.43
— Increase due to business combination			
— Revaluation adjustment			
— Others	-214,932.80		-214,932.80
(3) Decrease in 2021	192,421.04	3,024,703.13	3,217,124.17
— Transfer to fixed assets			
— Disposal	192,421.04	3,024,703.13	3,217,124.17
(4) Balance as at December 31, 2021	999,284,885.04	193,812,909.36	1,193,097,794.40
2. Accumulated depreciation			
(1) Balance as at January 1, 2021			
(2) Increase in 2021	62,314,859.08	39,270,147.95	101,585,007.03
— Provision	62,367,406.31	39,270,147.95	101,637,554.26
— Others	-52,547.23		-52,547.23
(3) Decrease in 2021		604,940.63	604,940.63
— Transfer to fixed assets			
— Disposal		604,940.63	604,940.63
(4) Balance as at December 31, 2021	62,314,859.08	38,665,207.32	100,980,066.40
3. Provision for impairment			
(1) Balance as at January 1, 2021			
(2) Increase in 2021			
— Provision			
(3) Decrease in 2021			
— Transfer to fixed assets			
— Disposal			
(4) Balance as at December 31, 2021			
4. Book value			
(1) Book value as at December 31, 2021	936,970,025.96	155,147,702.04	1,092,117,728.00
(2) Balance as at January 1, 2021	696,674,797.77	1,008,522.17	697,683,319.94

5.17 Intangible assets

5.17.1 Details of intangible assets

Item	Land use right	Software	Dumping right	Patent right	Coal substitution index	Others	Total
1. Original book value							
(1) As at December 31, 2020	2,997,383,834.27	54,381,845.82	47,754,432.33	59,480,000.00		1,589,796.76	3,160,589,909.18
(2) Increase in 2021	213,284,077.25	3,162,079.09			83,046,366.88		299,492,523.22
— Purchase	107,827,172.93	3,162,079.09			83,046,366.88		194,035,618.90
— Others							
— Internal research and development							
— Increase due to business combination	105,456,904.32						105,456,904.32
(3) Decrease in 2021							
— Disposal							
— Decrease due to business combination							
(4) As at December 31, 2021	3,210,667,911.52	57,543,924.91	47,754,432.33	59,480,000.00	83,046,366.88	1,589,796.76	3,460,082,432.40
2. Accumulated amortization							
(1) As at December 31, 2020	296,498,282.33	15,601,112.78		18,702,002.33		39,744.92	330,841,142.36
(2) Increase in 2021	66,076,918.20	5,328,065.47		3,020,592.42		158,979.68	74,584,555.77
— Provision	64,172,021.88	5,328,065.47		3,020,592.42		158,979.68	72,679,659.45
— Increase due to business combination	1,904,896.32						1,904,896.32
(3) Decrease in 2021							
— Disposal							
(4) As at December 31, 2021	362,575,200.53	20,929,178.25		21,722,594.75		198,724.60	405,425,698.13
3. Provision for impairment							
(1) As at December 31, 2020							
(2) Increase in 2021							
— Provision							
(3) Decrease in 2021							
— Disposal							
(4) As at December 31, 2021							
4. Book value							
(1) Book value as at December 31, 2021	2,848,092,710.99	36,614,746.66	47,754,432.33	37,757,405.25	83,046,366.88	1,391,072.16	3,054,656,734.27
(2) Book value as at December 31, 2020	2,700,885,551.94	38,780,733.04	47,754,432.33	40,777,997.67		1,550,051.84	2,829,748,766.82

Item	Land use right	Software	Dumping right	Patent right	Others	Total
1. Original book value						
(1) As at December 31, 2019	2,171,955,219.73	43,892,813.33	16,239,632.33	59,480,000.00		2,291,567,665.39
(2) Increase in 2020	829,089,864.79	10,489,032.49	31,514,800.00		1,589,796.76	872,683,494.04
— Purchase	829,089,864.79	10,489,032.49	31,514,800.00		1,589,796.76	872,683,494.04
— Others						
(3) Decrease in 2020	3,661,250.25					3,661,250.25
— Disposal	3,661,250.25					3,661,250.25
— Decrease due to business combination						
(4) As at December 31, 2020	2,997,383,834.27	54,381,845.82	47,754,432.33	59,480,000.00	1,589,796.76	3,160,589,909.18
2. Accumulated amortization						
(1) As at December 31, 2019	234,247,248.32	10,261,380.32		15,681,409.91		260,190,038.55
(2) Increase in 2020	62,428,089.29	5,339,732.46		3,020,592.42	39,744.92	70,828,159.09
— Provision	62,428,089.29	5,339,732.46		3,020,592.42	39,744.92	70,828,159.09
(3) Decrease in 2020	177,055.28					177,055.28
— Disposal	177,055.28					177,055.28
— Decrease due to business combination						
(4) As at December 31, 2020	296,498,282.33	15,601,112.78		18,702,002.33	39,744.92	330,841,142.36
3. Provision for impairment						
(1) As at December 31, 2019						
(2) Increase in 2020						
— Provision						
(3) Decrease in 2020						
— Disposal						
(4) As at December 31, 2020						
4. Book value						
(1) Book value as at December 31, 2020	2,700,885,551.94	38,780,733.04	47,754,432.33	40,777,997.67	1,550,051.84	2,829,748,766.82
(2) Book value as at December 31, 2019	1,937,707,971.41	33,631,433.01	16,239,632.33	43,798,590.09		2,031,377,626.84

Item	Land use right	Software	Dumping right	Patent right	Total
1. Original book value					
(1) As at December 31, 2018	1,965,395,625.98	36,828,491.70	16,239,632.33	59,480,000.00	2,077,943,750.01
(2) Increase in 2019	524,888,184.00	10,136,686.48			535,024,870.48
— Purchase	524,888,184.00	9,212,158.19			534,100,342.19
— Others		924,528.29			924,528.29
(3) Decrease in 2019	318,328,590.25	3,072,364.85			321,400,955.10
— Disposal	301,675,315.97				301,675,315.97
— Decrease due to business combination	16,653,274.28	3,072,364.85			19,725,639.13
(4) As at December 31, 2019	2,171,955,219.73	43,892,813.33	16,239,632.33	59,480,000.00	2,291,567,665.39
2. Accumulated amortization					
(1) As at December 31, 2018	231,509,907.18	7,457,058.76		12,660,817.49	251,627,783.43
(2) Increase in 2019	47,210,276.93	4,285,293.01		3,020,592.42	54,516,162.36
— Provision	47,210,276.93	4,285,293.01		3,020,592.42	54,516,162.36
(3) Decrease in 2019	44,472,935.79	1,480,971.45			45,953,907.24
— Disposal	43,266,801.65				43,266,801.65
— Decrease due to business combination	1,206,134.14	1,480,971.45			2,687,105.59
(4) As at December 31, 2019	234,247,248.32	10,261,380.32		15,681,409.91	260,190,038.55
3. Provision for impairment					
(1) As at December 31, 2018	99,955,143.91				99,955,143.91
(2) Increase in 2019					
— Provision					
(3) Decrease in 2019	99,955,143.91				99,955,143.91
— Disposal	99,955,143.91				99,955,143.91
(4) As at December 31, 2019					
4. Book value					
(1) Book value as at December 31, 2019	1,937,707,971.41	33,631,433.01	16,239,632.33	43,798,590.09	2,031,377,626.84
(2) Book value as at December 31, 2018	1,633,930,574.89	29,371,432.94	16,239,632.33	46,819,182.51	1,726,360,822.67

5.17.2 Land use right with pending certificates of title as at December 31, 2021

None.

5.17.3 See Note 5.63 for details about the intangible assets used for guarantee among the ending balances

5.18 Goodwill

5.18.1 Changes in goodwill

Name of the investee or matters forming goodwill	As at December 31, 2020	Increase in 2021		Decrease in 2021		As at December 31, 2021
		Formed from the business combination	Others	Disposal	Others	
Original book value						
Counter purchase	1,293,588,590.25					1,293,588,590.25
Provision for impairment						
Counter purchase	598,611,095.85					598,611,095.85
Book value	694,977,494.40					694,977,494.40

Name of the investee or matters forming goodwill	As at December 31, 2019	Increase in 2020		Decrease in 2020		As at December 31, 2020
		Formed from the business combination	Others	Disposal	Others	
Original book value						
Counter purchase	1,293,588,590.25					1,293,588,590.25
Provision for impairment						
Counter purchase	598,611,095.85					598,611,095.85
Book value	694,977,494.40					694,977,494.40

Name of the investee or matters forming goodwill	As at December 31, 2018	Increase in 2019		Decrease in 2019		As at December 31, 2019
		Formed from the business combination	Others	Disposal	Others	
Original book value						
Counter purchase	1,293,588,590.25					1,293,588,590.25
Provision for impairment						
Counter purchase	598,611,095.85					598,611,095.85
Book value	694,977,494.40					694,977,494.40

5.19 Long-term prepaid expenses

Item	As at December 31, 2020	Increase in 2021	Amortization in 2021	Other decreases	As at December 31, 2021
Deferred expenses of refining and chemical projects	16,607,080.55	10,475,260.99	13,378,544.20		13,703,797.34
Others		8,856,356.60	2,360,481.06		6,495,875.54
Total	16,607,080.55	19,331,617.59	15,739,025.26		20,199,672.88

Item	As at December 31, 2019	Increase in 2020	Amortization in 2020	Other decreases	As at December 31, 2020
Deferred expenses of refining and chemical projects	756,179.34	15,850,901.21			16,607,080.55
Total	756,179.34	15,850,901.21			16,607,080.55

Item	As at December 31, 2018	Increase in 2019	Amortization in 2019	Other decreases	As at December 31, 2019
Decoration costs of Xinhua Garden	35,200.00		4,800.00	30,400.00	
Publishing rights of outdoor advertising and rental fees of advertising assets	2,870,992.09		250,691.79	2,620,300.30	
Cloud service charges	61,458.92		61,458.92		
Deferred expenses of refining and chemical projects		756,179.34			756,179.34
Total	2,967,651.01	756,179.34	316,950.71	2,650,700.30	756,179.34

5.20 Deferred tax assets and deferred tax liabilities

5.20.1 Deferred tax assets without offset

Item	As at December 31, 2021		As at December 31, 2020		As at December 31, 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for credit impairment losses	35,558,801.05	6,994,881.41	25,476,210.46	5,349,240.01	27,760,135.05	5,780,711.59
Provision for asset impairment	378,868,278.69	57,487,812.81	334,472,243.89	80,117,792.56	337,571,996.17	83,186,426.35
Deferred income	670,205,244.22	117,641,107.13	663,712,914.25	132,548,579.77	586,916,909.90	115,319,329.90
Deductible losses	1,043,699,593.00	243,695,759.45	833,623,837.96	203,769,197.14	718,941,577.40	174,339,102.53
Unrealized internal profit or loss	29,381,807.24	4,407,271.09	47,495,210.60	7,264,677.65	22,365,025.38	3,536,886.68
Others	263,598,813.31	42,177,373.55	143,893,409.88	35,973,352.47	105,480,562.52	26,370,140.63
Total	2,421,312,537.51	472,404,205.44	2,048,673,827.04	465,022,839.60	1,799,036,206.42	408,532,597.68

5.20.2 Deferred tax liabilities before offsetting

Item	As at December 31, 2021		As at December 31, 2020		As at December 31, 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Accelerated depreciation of fixed assets	1,832,624,473.34	287,360,853.35	1,247,782,244.69	217,410,795.14	872,028,604.56	138,505,714.18
Gains or losses from changes in fair value of equity investments	176,413,858.73	44,103,464.69	281,564,717.44	70,391,179.36	265,787,235.75	66,411,437.76
Appreciation of business combination not under common control	505,050,562.60	126,262,640.66	536,891,184.79	134,222,796.20	576,344,381.64	144,086,095.41
Others	338,873,958.85	84,718,489.71	106,971,733.78	26,742,933.44	28,602,199.75	4,434,830.42
Total	2,852,962,853.52	542,445,448.41	2,173,209,880.70	448,767,704.14	1,742,762,421.70	353,438,077.77

5.20.3 Details of unrecognized Deferred tax assets

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Deductible temporary differences	6,053,509.12	4,526,184.92	863,379.97
Deductible losses	475,765,885.02	282,407,847.73	373,902,976.96
Total	481,819,394.14	286,934,032.65	374,766,356.93

5.20.4 Unrecognized deductible losses of deferred tax assets will expire in the following year

Year	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019	Remark
Year 2020			293,908,502.95	
Year 2021		74,352,473.97	4,481,487.00	
Year 2022	3,949,182.33	3,949,182.33	2,235,352.33	
Year 2023	1,718,943.93	1,718,943.93	398,687.98	
Year 2024	66,526,849.34	77,726,448.76	72,878,946.70	
Year 2025	110,183,925.20	124,660,798.74		
Year 2026	293,386,984.22			
Total	475,765,885.02	282,407,847.73	373,902,976.96	

5.21 Other non-current assets

Item	As at December 31, 2021			As at December 31, 2020			As at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Prepayment for long-term asset purchase and construction	8,629,047,411.26		8,629,047,411.26	10,650,265,119.74		10,650,265,119.74	3,560,086,585.80		3,560,086,585.80
Total	8,629,047,411.26		8,629,047,411.26	10,650,265,119.74		10,650,265,119.74	3,560,086,585.80		3,560,086,585.80

5.22 Short-term borrowings

5.22.1 Classification of short-term borrowings

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Credit borrowings	4,881,171,115.41	1,755,667,395.48	1,771,286,635.00
Pledged borrowings	11,303,527.00	232,387,724.44	
Mortgaged borrowings	180,000,000.00	89,400,000.00	559,900,000.00
Guaranteed borrowings	3,591,386,869.68	4,765,915,407.83	2,435,223,079.09
Pledged and guaranteed borrowings			113,000,000.00
Mortgaged and guaranteed borrowings	2,956,043,039.38	2,361,595,011.01	1,676,330,000.00
Interest on short-term borrowings	20,275,807.39	13,013,751.97	12,518,894.54
Total	11,640,180,358.86	9,217,979,290.73	6,568,258,608.63

5.22.2 The overdue outstanding short-term borrowings: None

None.

5.22.3 See Notes 5.63 and 10.5 for details about the guarantees for short-term borrowings as at December 31, 2021

5.23 Financial liabilities held for trading

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Financial liabilities held for trading	3,567,808.37	53,267,088.20	876,090.00
Including: derivative financial liabilities	3,567,808.37	53,267,088.20	876,090.00
Total	3,567,808.37	53,267,088.20	876,090.00

5.24 Notes payable

Category	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Bank acceptance bills	5,656,985,782.35	4,468,335,861.47	2,682,640,525.81
Commercial acceptance bills	135,983,649.04	164,541,017.71	
Total	5,792,969,431.39	4,632,876,879.18	2,682,640,525.81

The Company has no due and unpaid notes payable as at the end of the period.

See Note 10.6 for details about notes to related parties as at the end of the reporting period.

5.25 Accounts payable

5.25.1 Presentation of accounts payable

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Payables for goods	2,152,437,802.04	1,807,347,004.72	2,291,843,308.49
Payable for equipment and construction	10,543,779,736.85	2,872,239,983.81	1,340,353,585.88
Total	12,696,217,538.89	4,679,586,988.53	3,632,196,894.37

5.25.2 See Note 10.6 for details about payables to related parties among the ending balances during the reporting period

5.26 Advances from customers

5.26.1 Presentation of advances from customers

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Advances from customers	34,444,991.05	40,041,159.00	645,210,777.42
Total	34,444,991.05	40,041,159.00	645,210,777.42

5.26.2 Significant advances from customers with aging more than one year

Item	As at December 31, 2021	Reason for no payment or carry-forward
Rental received in advance for commercial and residential buildings	3,010,812.00	Long-term rentals received in advance
Total	3,010,812.00	

Item	As at December 31, 2020	Reason for no payment or carry-forward
Rental received in advance for commercial and residential buildings	3,010,812.00	Long-term rentals received in advance
Total	3,010,812.00	

Item	As at December 31, 2019	Reason for no payment or carry-forward
Rental received in advance for commercial and residential buildings	3,010,812.00	Long-term rentals received in advance
Total	3,010,812.00	

5.26.3 See Note 10.6 for details about the advances from related parties among the ending balances during the reporting period

5.27 Contract liabilities

5.27.1 Details of contract liabilities

Item	As at December 31, 2021	As at December 31, 2020
Advances from customers	884,411,615.82	726,569,056.54
Total	884,411,615.82	726,569,056.54

5.27.2 See Note 10.6 for details about the contract liabilities to related parties among the ending balances during the reporting period

5.28 Employee benefits payable

5.28.1 Presentation of Employee benefits payable

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
Short-term compensation	340,657,463.89	3,076,202,816.94	2,882,844,505.01	534,015,775.82
Post-employment benefits — defined contribution plans		164,236,573.45	164,236,573.45	
Dismissal benefits		3,550,340.32	3,550,340.32	
Total	340,657,463.89	3,243,989,730.71	3,050,631,418.78	534,015,775.82

Item	As at December 31, 2019	Increase in 2020	Decrease in 2020	As at December 31, 2020
Short-term compensation	288,713,880.56	2,190,606,061.96	2,138,662,478.63	340,657,463.89
Post-employment benefits – defined contribution plans		96,385,115.69	96,385,115.69	
Dismissal benefits		1,124,987.91	1,124,987.91	
Total	288,713,880.56	2,288,116,165.56	2,236,172,582.23	340,657,463.89

Item	As at December 31, 2018	Increase in 2019	Decrease in 2019	As at December 31, 2019
Short-term compensation	295,114,926.60	1,803,026,044.89	1,809,427,090.93	288,713,880.56
Post-employment benefits – defined contribution plans		109,296,160.87	109,296,160.87	
Dismissal benefits		1,467,443.21	1,467,443.21	
Total	295,114,926.60	1,913,789,648.97	1,920,190,695.01	288,713,880.56

5.28.2 Presentation of short-term compensation

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
1. Salaries, bonuses, allowances and subsidies	340,092,918.45	2,738,690,077.83	2,545,189,181.69	533,593,814.59
(2) Employee benefits		170,251,502.94	170,251,502.94	
(3) Social insurance premiums		86,713,138.12	86,713,138.12	
Including: Medical insurance premiums		70,559,972.94	70,559,972.94	
Work-related injury insurance premiums		6,181,049.05	6,181,049.05	
Maternity insurance premiums		8,703,001.89	8,703,001.89	
Others		1,269,114.24	1,269,114.24	
(4) Housing provident funds		74,257,074.62	74,257,074.62	
(5) Labor union funds and employee education funds	564,545.44	6,291,023.43	6,433,607.64	421,961.23
Total	340,657,463.89	3,076,202,816.94	2,882,844,505.01	534,015,775.82

Item	As at December 31, 2019	Increase in 2020	Decrease in 2020	As at December 31, 2020
(1) Salaries, bonuses, allowances and subsidies.	287,757,992.71	1,944,017,040.87	1,891,682,115.13	340,092,918.45
(2) Employee benefits		120,854,440.70	120,854,440.70	
(3) Social insurance premiums.		60,654,257.58	60,654,257.58	
Including: Medical insurance premiums		50,115,772.41	50,115,772.41	
Work-related injury insurance premiums		2,910,640.08	2,910,640.08	
Maternity insurance premiums		7,163,856.58	7,163,856.58	
Others		463,988.51	463,988.51	
(4) Housing provident funds	34,848.00	62,149,800.72	62,184,648.72	
(5) Labor union funds and employee education funds . . .	921,039.85	2,930,522.09	3,287,016.50	564,545.44
Total	288,713,880.56	2,190,606,061.96	2,138,662,478.63	340,657,463.89

Item	As at December 31, 2018	Increase in 2019	Decrease in 2019	As at December 31, 2019
(1) Salaries, bonuses, allowances and subsidies.	294,333,041.65	1,589,084,459.90	1,595,659,508.84	287,757,992.71
(2) Employee benefits		102,999,048.08	102,999,048.08	
(3) Social insurance premiums.		56,646,268.30	56,646,268.30	
Including: Medical insurance premiums		46,689,039.42	46,689,039.42	
Work-related injury insurance premiums		4,494,427.48	4,494,427.48	
Maternity insurance premiums		5,169,935.88	5,169,935.88	
Others		292,865.52	292,865.52	
(4) Housing provident funds		51,470,986.00	51,436,138.00	34,848.00
(5) Labor union funds and employee education funds . . .	781,884.95	2,825,282.61	2,686,127.71	921,039.85
Total	295,114,926.60	1,803,026,044.89	1,809,427,090.93	288,713,880.56

5.28.3 Presentation of defined contribution plans

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
Basic endowment insurance premiums . .		159,228,921.36	159,228,921.36	
Unemployment insurance premium . .		5,007,652.09	5,007,652.09	
Total		164,236,573.45	164,236,573.45	

Item	As at December 31, 2019	Increase in 2020	Decrease in 2020	As at December 31, 2020
Basic endowment insurance premiums		93,460,813.78	93,460,813.78	
Unemployment insurance premium		2,924,301.91	2,924,301.91	
Total		96,385,115.69	96,385,115.69	

Item	As at December 31, 2018	Increase in 2019	Decrease in 2019	As at December 31, 2019
Basic endowment insurance premiums		106,143,242.17	106,143,242.17	
Unemployment insurance premiums		3,152,918.70	3,152,918.70	
Total		109,296,160.87	109,296,160.87	

5.29 Taxes payable

Tax item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Value added tax	69,492,684.43	64,005,723.90	13,798,729.58
Enterprise income tax	34,008,828.21	185,412,553.70	96,639,280.04
Individual income tax	15,903,484.09	3,171,138.43	2,473,846.79
Urban maintenance and construction tax	15,464,337.29	3,936,127.21	3,156,586.62
Educational surtax	13,393,253.75	5,100,402.72	3,792,835.64
Real estate tax	12,889,367.25	12,182,908.36	11,058,680.59
Land use tax	7,631,735.29	6,020,142.87	4,580,787.70
Stamp duty	5,427,579.03	7,732,000.97	4,704,616.16
Environmental protection tax	3,541,877.98	1,842,725.12	1,545,389.85
Others			94,035.88
Total	177,753,147.32	289,403,723.28	141,844,788.85

5.30 Other payables

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Other payables	2,582,749,884.22	996,359,701.70	314,602,043.21
Total	2,582,749,884.22	996,359,701.70	314,602,043.21

5.30.1 Presentation of other payables by nature

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Payment for equity payable	2,088,727,200.00	600,000,000.00	
Margin, deposit, risk fund	365,489,835.59	324,942,797.54	256,039,443.13
Accrued expenses	116,040,826.11	61,950,913.60	50,287,169.21
Collection, payment and transactions	12,469,713.38	9,290,942.68	3,506,373.88
Others	22,309.14	175,047.88	4,769,056.99
Total	2,582,749,884.22	996,359,701.70	314,602,043.21

5.30.2 See Note 10.6 for details about others payables to related parties in the ending balance

5.31 Non-current liabilities due within one year

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Long-term borrowings maturing within one year . . .	2,980,467,493.76	2,403,173,812.81	2,604,260,091.21
Bonds payable maturing within one year	998,584,905.54		
Long-term payables maturing within one year	909,895,313.23	668,582,298.20	487,179,355.40
Lease liabilities maturing within one year	77,877,881.53		
Interest on long-term borrowings with interest paid by installments and principal paid at maturity . . .	81,495,920.92	34,009,374.73	19,230,344.13
Interest on bonds payable with interest paid by installments and principal paid at maturity	22,807,707.07	15,000,000.00	15,000,000.00
Total	5,071,129,222.05	3,120,765,485.74	3,125,669,790.74

5.32 Other current liabilities

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Output tax to be carried forward	111,023,850.95	91,240,165.45	
Provisions.		6,482,496.36	
Short-term bonds payable	257,667,960.09		
Total	368,691,811.04	97,722,661.81	

5.33 Long-term borrowings

Classification of long-term borrowings:

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Guaranteed borrowings	5,650,559,231.62	1,676,172,300.00	
Mortgaged borrowings.	450,000,000.00	450,000,000.00	
Guaranteed and pledged borrowings		765,000,000.00	935,000,000.00
Guaranteed and mortgaged borrowings	46,454,245,132.47	19,905,150,255.48	7,388,938,494.82
Guaranteed, mortgaged and pledged borrowings			400,000,000.00
Credit borrowings		499,000,000.00	
Less: interest adjustment	181,010,621.41	144,166,666.67	11,696,063.33
Total	52,373,793,742.68	23,151,155,888.81	8,712,242,431.49

5.34 Bonds payable

5.34.1 Details of bonds payable

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Corporate bonds		996,698,113.14	994,811,320.74
Convertible corporate bonds . .	3,927,567,223.43		
Total	3,927,567,223.43	996,698,113.14	994,811,320.74

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	As at December 31, 2020	Issued in 2021	Included in bonds payable	Interest accrued by par value	Amortization of premiums or discounts	Debt-to-equity swap in 2021	Reclassified to: bonds payable maturing within one year in 2021	As at December 31, 2021
19 Shenghong G1	100.00	2019/9/30	3 years	1,000,000,000.00	996,698,113.14			60,000,000.00	1,886,792.40		998,584,905.54	
Shenghong Convertible Bond	100.00	2021/3/22	6 years	5,000,000,000.00		5,000,000,000.00	3,753,908,339.47	7,807,707.07	175,019,683.96	1,360,800.00		3,927,567,223.43
Total				6,000,000,000.00	996,698,113.14	5,000,000,000.00	3,753,908,339.47	67,807,707.07	176,906,476.36	1,360,800.00	998,584,905.54	3,927,567,223.43

Bond name	Par value	Date of issue	Term of bonds	Amount issued	As at December 31, 2019	Issued in 2020	Interest calculated at par value	Amortization of premiums or discounts	As at December 31, 2020
19 Shenghong G1	100.00	2019/9/30	3 years	1,000,000,000.00	994,811,320.74		60,000,000.00	1,886,792.40	996,698,113.14
Total				1,000,000,000.00	994,811,320.74		60,000,000.00	1,886,792.40	996,698,113.14

Bond name	Par value	Date of issue	Term of bonds	Amount issued	As at December 31, 2018	Issued in 2019	Included in bonds payable	Interest accrued by par value	Amortization of premiums or discounts	As at December 31, 2019
19 Shenghong G1	100.00	2019/9/30	3 years	1,000,000,000.00		1,000,000,000.00	994,339,622.64	15,000,000.00	471,698.10	994,811,320.74
Total				1,000,000,000.00		1,000,000,000.00	994,339,622.64	15,000,000.00	471,698.10	994,811,320.74

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).

At the initial measurement of convertible corporate bonds issued by the Company in 2021, the balance of the fair value corresponding to the liability less the issue expense that should be amortized, amounting to 3,753,908,339.47, should be included in bonds payable, and the balance of the fair value corresponding to the equity less the issue expense that should be amortized, amounting to RMB1,218,700,368.09, should be included in other equity instruments. In 2021, "Shenghong Convertible Bonds" with the par value of RMB1,360,800.00 had been converted into 96,329 shares of corporate stock, and the cash of RMB2,537.79 was paid for the part less than a share; capital reserves recognized for such conversion amounted to RMB1,290,373.84, and other equity instruments carried forward accordingly amounted to RMB331,681.50. In 2021, the amortization cost on the liability, adjusted by the effective interest rate method, amounted to RMB174,716,443.09, and the transfer-out interest for such conversion adjusted accordingly amounted to RMB303,240.87; thus, the total interest adjusted amounted to RMB175,019,683.96.

5.35 Lease liabilities

Item	As at December 31, 2021
Payables for leases	1,063,159,518.34
Less: lease liabilities maturing within one year	77,877,881.53
Total	985,281,636.81

5.36 Long-term payables

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Long-term payables	2,691,695,545.75	2,247,847,344.41	1,512,463,198.46
Total	2,691,695,545.75	2,247,847,344.41	1,512,463,198.46

Long-term payables

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Account payable for finance lease	2,023,501,802.59	1,645,362,295.84	1,102,379,220.22
Less: unrecognized financing expense	130,546,499.16	134,708,486.56	102,736,666.36
Less: the part maturing within one year	909,895,313.23	668,582,298.20	487,179,355.40
Related-party borrowings	1,708,635,555.55	1,405,775,833.33	1,000,000,000.00
Total	2,691,695,545.75	2,247,847,344.41	1,512,463,198.46

5.37 Deferred income

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021	Forming reason
Government grants	2,102,048,647.78	205,123,751.00	52,843,270.86	2,254,329,127.92	Asset-related government grants received
Total	2,102,048,647.78	205,123,751.00	52,843,270.86	2,254,329,127.92	

Item	As at December 31, 2019	Increase in 2020	Decrease in 2020	As at December 31, 2020	Forming reason
Government grants	1,653,014,740.41	501,158,040.57	52,124,133.20	2,102,048,647.78	Asset-related government grants received
Total	1,653,014,740.41	501,158,040.57	52,124,133.20	2,102,048,647.78	

Item	As at December 31, 2018	Increase in 2019	Decrease in 2019	As at December 31, 2019	Forming reason
Government grants	1,086,653,995.27	619,719,700.00	53,358,954.86	1,653,014,740.41	Asset-related government grants received
Total	1,086,653,995.27	619,719,700.00	53,358,954.86	1,653,014,740.41	

5.38 Other non-current liabilities

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Long-term house rent	33,269,790.86	44,009,116.31	57,632,843.39
Total	33,269,790.86	44,009,116.31	57,632,843.39

5.39 Share capital

Item	As at December 31, 2020	Changes in 2021 ("+" for increase and "-" for decrease) New shares issued	Share donation	Conversion of capital reserves into share capital	Debt-to-equity swap	Sub-total	As at December 31, 2021
Total shares.	7,823,263,574.16	1,111,528,326.00			96,329.00	1,111,624,655.00	8,934,888,229.16

Reasons for changes in share capital:

(1) Under the conversion of "Shenghong Convertible Bonds", the share quantity was 96,329; see Note 5.34 Bonds payable for details.

(2) As approved by the *Official Reply on Approving Jiangsu Eastern Shenghong Co., Ltd. to Purchase Assets and Raise Matching Funds by Issuing Shares to Shenghong Petrochemical Group Co., Ltd. and other Companies* (ZJXK [2021] No. 4179) issued by the China Securities Regulatory Commission, the Company privately issued 1,111,528,326 shares of common stock in RMB to Shenghong Petrochemical Group Co., Ltd. and Lianyungang Bohong Industrial Co., Ltd. For the purpose of purchasing relevant assets. The Company received the Confirmation of Acceptance of Application for Share Registration issued by China Securities Depository and Clearing Corporation Limited, Shenzhen Branch on January 14, 2022, and the registration formalities of newly issued shares for the relevant shares have been completed at China Securities Depository and Clearing Corporation Limited, Shenzhen Branch. These newly-added shares was listed on the Shenzhen Stock Exchange on January 27, 2022.

Item	As at December 31, 2019	Changes in 2020 ("+" for increase and "-" for decrease) New shares issued	Share donation	Conversion of capital reserves into share capital	Debt-to-equity swap	Sub-total	As at December 31, 2020
Total shares.	7,017,452,930.16	805,810,644.00				805,810,644.00	7,823,263,574.16

Reasons for changes in share capital:

According to the 30th, the 33rd, the 37th and the 41st meetings of the seventh board of directors and the second meeting of the eighth board of directors held by the Company on May 31, 2019, August 8, 2019, November 5, 2019, February 10, 2020 and February 28, 2020, the second meeting of the eighth board of directors and the 5th Extraordinary General Meeting of Shareholders in 2019 and the 3rd Extraordinary General Meeting of Shareholders in 2020 respectively held on June 18, 2019 and March 16, 2020 and upon the approval by the China Securities Regulatory Commission with *the Official Reply on Approving Jiangsu Eastern Shenghong Co., Ltd. to Make the Non-public Offering of Shares* (ZJXK [2020] No. 655), the Company issued 805,810,644 shares of RMB ordinary shares (A shares) to Shenghong (Suzhou) Group Co., Ltd. and other 15 specific investors in non-public offering, increased the share capital by 805,810,644 shares, and increased the capital reserves by RMB2,776,427,800.99.

Item	As at December 31, 2018	Changes in 2019 ("+" for increase and "-" for decrease)					As at December 31, 2019
		New shares issued	Share donation	Conversion of capital reserves into share capital	Debt-to-equity swap	Sub-total	
Total shares	7,017,452,930.16						7,017,452,930.16

5.40 Other equity instruments

5.40.1 Basic information on preferred shares, perpetual debt and other financial instruments outstanding at the end of the period

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).

5.40.2 Information on changes in such financial instruments as preferred shares and perpetual debts, outstanding at the end of the period

Outstanding financial instruments	As at December 31, 2020		Increase in 2021		Decrease in 2021		As at December 31, 2021	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Shenghong Convertible Bond			50,000,000.00	1,218,700,368.09	13,608.00	331,681.50	49,986,392	1,218,368,686.59
Total			50,000,000.00	1,218,700,368.09	13,608.00	331,681.50	49,986,392	1,218,368,686.59

The increase and decrease in other equity instruments in 2021 respectively amounted to RMB1,218,700,368.09 and RMB331,681.50; for details, see Note "5.34 Bonds payable".

5.41 Capital reserves

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
Capital (share capital) premium	13,015,222,852.47	1,290,373.84	2,866,299,978.07	10,150,213,248.24
Other capital reserves	11,441,095.89			11,441,095.89
Total	13,026,663,948.36	1,290,373.84	2,866,299,978.07	10,161,654,344.13

Reasons for main changes:

(1) The increase in 2021 in capital (share capital) premium of the Company, amounting to RMB1,290,373.84, was caused by the increase in capital reserves under the conversion of the Company's "Shenghong Convertible Bonds" into shares; see Note 5.34 Bonds payable for details.

(2) The decrease in 2021 in capital (share capital) premium of the Company, amounting to RMB514,355,363.98, was caused by the effect of the change in the share of owners' equity of the Company's secondary subsidiary Shenghong Refining and Chemical (Lianyungang) Co., Ltd. on the non-controlling interests and the equity attributable to shareholders of the Company during the reporting period; see Note 7.2 for details.

(3) In decrease in 2021 in capital (share capital) premium of the Company, amounting to RMB2,351,944,254.08, was caused by the business combination under common control took place during the reporting period; see Note 6.2 for details.

Item	As at December 31, 2019	Increase in 2020	Decrease in 2020	As at December 31, 2020
Capital (share capital) premium	10,246,381,949.68	2,776,463,568.45	7,622,665.66	13,015,222,852.47
Other capital reserves	11,441,095.89			11,441,095.89
Total	10,257,823,045.57	2,776,463,568.45	7,622,665.66	13,026,663,948.36

Reasons for main changes:

(1) The increase in 2020 in capital (share capital) premium of the Company, amounting to RMB2,776,427,800.99, was caused by the non-public offering of RMB ordinary shares; see Note 5.39 for details.

(2) The decrease in 2020 in capital (share capital) premium of the Company, amounting to RMB7,621,846.55, was caused by the effect of the change in the share of owners' equity of the Company's secondary subsidiary Shenghong Refining and Chemical (Lianyungang) Co., Ltd. on the non-controlling interests and the equity attributable to shareholders of the Company during the reporting period; see Note 7.2 for details.

Item	As at December 31, 2018	Increase in 2019	Decrease in 2019	As at December 31, 2019
Capital (share capital) premium	12,237,080,784.41	12,121,304.30	2,002,820,139.03	10,246,381,949.68
Other capital reserves		11,441,095.89		11,441,095.89
Total	12,237,080,784.41	23,562,400.19	2,002,820,139.03	10,257,823,045.57

Reasons for main changes:

(1) The increase in 2019 in capital (share capital) premium of the Company, amounting to RMB12,121,304.30, was caused by the effect of the change in the share of owners' equity of the Company's secondary subsidiary Shenghong Refining and Chemical (Lianyungang) Co., Ltd. on the non-controlling interests and the equity attributable to shareholders of the Company during the reporting period; see Note 7.2 for details.

(2) The increase in 2019 in other capital reserves of the Company, amounting to RMB11,441,095.89, was caused by the fact that the Company borrowed RMB1,000,000,000.00 from Shenghong (Suzhou) Group Co., Ltd., an affiliated enterprise controlled by the controlling shareholder gratuitously. The loan period is from September 26, 2019 to January 30, 2020. According to the principle of equity transaction, the Company calculated the interest costs according to the loan interest rate of the bank for the same period and included it into capital reserves.

(3) The decrease in 2019 in capital (share capital) premium of the Company, amounting to RMB1,970,431,679.08, was caused by the business combination under common control took place during the reporting period; see Note 6.2 for details.

(4) The decrease in 2019 in capital (share capital) premium of the Company, amounting to RMB32,388,459.95, was caused by the effect of the change in the share of owners' equity of the Company's subsidiary Jiangsu Sierbang Petrochemical Co., Ltd. on the non-controlling interests and the equity attributable to shareholders of the Company during the reporting period; see Note 7.2 for details.

5.42 Other comprehensive income

Item	As at December 31, 2020	Current period						As at December 31, 2021
		Amount before income tax in 2021	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	Amount after tax attributable to minority shareholders	
1. Other comprehensive income that will not to be reclassified to profit or loss	145,095,885.00	-102,565,360.00			-25,641,340.00	-76,924,020.00		68,171,865.00
Including: changes in fair value of other equity instrument investment	145,095,885.00	-102,565,360.00			-25,641,340.00	-76,924,020.00		68,171,865.00
2. Other comprehensive income that will be reclassified to profit or loss	-3,584,741.53	-3,605,489.69				-2,976,647.91	-628,841.78	-6,561,389.44
Including: translation differences of foreign currency statements	-3,584,741.53	-3,605,489.69				-2,976,647.91	-628,841.78	-6,561,389.44
Total of other comprehensive income	141,511,143.47	-106,170,849.69			-25,641,340.00	-79,900,667.91	-628,841.78	61,610,475.56

		Current period						
Item	As at December 31, 2019	Amount before income tax in 2020	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	Amount after tax attributable to minority shareholders	As at December 31, 2020
1. Other comprehensive income that will not to be reclassified to profit or loss	109,744,950.00	47,134,580.00			11,783,645.00	35,350,935.00		145,095,885.00
Including: changes in fair value of other equity instrument investment	109,744,950.00	47,134,580.00			11,783,645.00	35,350,935.00		145,095,885.00
2. Other comprehensive income that will be reclassified to profit or loss	-96,594.85	-4,379,248.94				-3,488,146.68	-891,102.26	-3,584,741.53
Including: translation differences of foreign currency statements	-96,594.85	-4,379,248.94				-3,488,146.68	-891,102.26	-3,584,741.53
Total of other comprehensive income	109,648,355.15	42,755,331.06			11,783,645.00	31,862,788.32	-891,102.26	141,511,143.47

Item	As at December 31, 2018	As at January 1, 2019	Current period						As at December 31, 2019
			Amount before income tax in 2019	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	Amount after tax attributable to minority shareholders	
1. Other comprehensive income that will not to be reclassified to profit or loss . .		2,010,000.00	143,646,600.00			35,911,650.00	107,734,950.00		109,744,950.00
Including: changes in fair value of other equity instrument investment.		2,010,000.00	143,646,600.00			35,911,650.00	107,734,950.00		109,744,950.00
2. Other comprehensive income that will be reclassified to profit or loss.	-3,885,126.93		-119,370.80				-96,594.85	-22,775.95	-96,594.85
Including: Profit or loss from changes in fair value of available-for-sale financial assets	-3,885,126.93								
Translation differences of foreign currency financial statements.			-119,370.80				-96,594.85	-22,775.95	-96,594.85
Total of other comprehensive income . . .	-3,885,126.93	2,010,000.00	143,527,229.20			35,911,650.00	107,638,355.15	-22,775.95	109,648,355.15

5.43 Special reserves

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
Work safety expenses . . .	36,537,457.57	41,785,777.82	57,357,478.21	20,965,757.18
Total	36,537,457.57	41,785,777.82	57,357,478.21	20,965,757.18

Item	As at December 31, 2019	Increase in 2020	Decrease in 2020	As at December 31, 2020
Work safety expenses . . .	26,369,073.72	46,887,429.85	36,719,046.00	36,537,457.57
Total	26,369,073.72	46,887,429.85	36,719,046.00	36,537,457.57

Item	As at December 31, 2018	Increase in 2019	Decrease in 2019	As at December 31, 2019
Work safety expenses . . .	32,646,938.86	47,668,452.88	53,946,318.02	26,369,073.72
Total	32,646,938.86	47,668,452.88	53,946,318.02	26,369,073.72

5.44 Surplus reserves

Item	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021
Statutory surplus reserves	371,183,266.63	230,386,496.96		601,569,763.59
Total	371,183,266.63	230,386,496.96		601,569,763.59

Item	As at December 31, 2019	As at January 1, 2020	Increase in 2020	Decrease in 2020	As at December 31, 2020
Statutory surplus reserves.	324,619,555.31	324,619,555.31	46,563,711.32		371,183,266.63
Total.	324,619,555.31	324,619,555.31	46,563,711.32		371,183,266.63

Item	As at December 31, 2018	As at January 1, 2019	Increase in 2019	Decrease in 2019	As at December 31, 2019
Statutory surplus reserves.	176,701,031.77	176,701,031.77	147,918,523.54		324,619,555.31
Total.	176,701,031.77	176,701,031.77	147,918,523.54		324,619,555.31

5.45 Retained earnings

Item	Year 2021	Year 2020	Year 2019
Retained earnings at the end of the previous year before adjustment	1,906,149,960.23	2,039,310,549.38	2,374,513,538.24
Total adjustments to retained earnings at the beginning of the year ("+" for increase and "-" for decrease)	733,642,052.15	849,355,491.31	-347,607,729.15
Retained earnings at the beginning of the year after adjustment	2,639,792,012.38	2,888,666,040.69	2,026,905,809.09
Plus: net profit attributable to shareholders of the Company in the current period	4,543,604,009.84	766,648,020.16	2,463,151,017.02
Business combination under common control	634,558,736.42		-1,050,566,939.68
Less: withdrawal of statutory surplus reserves	154,991,088.91	46,563,711.32	147,918,523.54
Withdrawal of discretionary surplus reserves			
Appropriation to common risk provision			
Common stock dividends payable	1,047,486,386.60	968,958,337.15	402,905,322.20
Common stock dividends transferred to share capital			
Retained earnings at the end of the period	6,615,477,283.13	2,639,792,012.38	2,888,666,040.69

Details of adjustment to retained earnings at the beginning of the year:

	Retained earnings affected at the beginning of the period		
Item	Year 2021	Year 2020	Year 2019
Changes in accounting policies			5,837,915.14
Change in scope of business combination caused by common control	733,642,052.15	849,355,491.31	-353,445,644.29
Total	733,642,052.15	849,355,491.31	-347,607,729.15

5.46 Revenue and cost of sales

Revenue and cost of sales

	Year 2021		Year 2020		Year 2019	
Item	**Revenue**	**Cost**	**Revenue**	**Cost**	**Revenue**	**Cost**
Primary business	44,879,506,708.18	36,451,241,867.83	28,753,066,798.25	26,224,373,092.00	35,310,148,260.06	30,391,928,044.64
Other businesses	6,842,672,989.74	6,621,961,778.06	4,945,730,151.81	4,823,179,093.40	1,426,770,667.46	1,323,153,158.09
Total	51,722,179,697.92	43,073,203,645.89	33,698,796,950.06	31,047,552,185.40	36,736,918,927.52	31,715,081,202.73

5.47 Taxes and surcharges

Item	Year 2021	Year 2020	Year 2019
Urban maintenance and construction tax	49,965,287.35	24,274,473.98	27,791,840.35
Educational surtax	39,764,410.07	21,101,478.15	23,901,308.37
Real estate tax	55,780,815.36	50,518,829.33	49,243,371.78
Land use tax	30,901,826.24	23,348,802.57	17,426,066.05
Stamp duty	23,991,630.46	20,030,048.51	20,725,326.24
Environmental protection tax	6,367,257.87	4,842,026.46	7,330,282.94
Land value increment tax	2,648,095.24		516,855.16
Others	1,076.90	621,887.86	727,359.05
Total	209,420,399.49	144,737,546.86	147,662,409.94

5.48 Selling expenses

Item	Year 2021	Year 2020	Year 2019
Total of selling expenses	155,396,328.60	127,155,253.05	462,184,171.99
In which, the large-amount expense project:			
Employee benefits	75,501,035.13	54,944,661.33	49,093,325.59
Warehousing expenses	49,849,845.80	47,588,092.29	33,217,725.33
Short reversal costs	5,332,336.02	6,354,427.43	5,085,006.52
Travel expenses	1,848,441.48	4,117,548.17	4,825,865.43
Transportation expenses			354,786,468.22

5.49 General and administrative expenses

Item	Year 2021	Year 2020	Year 2019
Total general and administrative expenses	642,262,065.98	365,571,135.93	372,095,870.90
In which, the large-amount expense project:			
Employee benefits	289,972,520.81	200,433,970.18	205,166,423.83
Expenses on shutdown and maintenance	100,190,749.44	18,781,948.23	4,281,116.66
Consulting service fees	85,967,395.03	21,677,083.65	38,999,624.88
Depreciation and amortization expenses	82,497,557.21	60,701,174.54	58,169,268.89
Office expenses	14,715,565.65	11,928,651.97	10,499,046.80
Water, electricity and property management expenses	12,823,962.05	11,426,401.80	10,007,581.73

5.50 Research and development expenses

Item	Year 2021	Year 2020	Year 2019
Technology research and development expenses	427,210,997.61	247,692,466.79	239,910,317.05
Total	427,210,997.61	247,692,466.79	239,910,317.05

5.51 Financial expenses

Item	Year 2021	Year 2020	Year 2019
Interest costs	1,163,780,314.49	977,774,037.30	948,894,799.87
Less: interest income	142,311,545.44	88,392,891.08	46,477,143.25
Profit or loss on foreign exchange	25,994,483.52	-98,852,548.32	89,771,968.80
Bank charges and others	44,320,145.48	33,769,728.97	55,983,584.23
Total	1,091,783,398.05	824,298,326.87	1,048,173,209.65

5.52 Other income

Item	Year 2021	Year 2020	Year 2019
Government grants	107,431,457.93	154,094,407.36	85,099,024.84
Handling charges for withholding personal income tax	872,658.98	1,229,672.79	955,499.08
Total	108,304,116.91	155,324,080.15	86,054,523.92

5.53 Investment income

Item	Year 2021	Year 2020	Year 2019
Long-term equity investment income calculated under the equity method	12,792,766.35	24,269,191.07	5,302,227.30
Investment income from disposal of long-term equity investments/subsidiaries		2,056,966.39	18,139,130.17
Investment income from financial assets held for trading during the holding period	2,735,606.01	2,667,155.47	1,611,689.60
Interest income from debt investments during the holding period		19,325,870.03	
Dividend revenue from other equity instrument investment during the holding period	1,257,381.70	7,387,159.83	2,737,315.17
Investment income from disposal of financial assets	-39,631,642.68	81,232,514.92	82,283,907.89
Interest income from lending to subsidiaries within the original scope of consolidation			47,709,846.22
Total	-22,845,888.62	136,938,857.71	157,784,116.35

5.54 Gains arising from changes in fair value

Sources of gains from changes in fair value	Year 2021	Year 2020	Year 2019
Financial assets held for trading	19,971,470.73	1,144,502.90	16,900,433.41
Financial liabilities held for trading	-3,567,808.37	-54,367,988.20	-876,090.00
Other non-current financial assets	3,198,458.81	308,714.80	-84,127.05
Total	19,602,121.17	-52,914,770.50	15,940,216.36

5.55 Credit impairment losses

Item	Year 2021 ("-" for losses)	Year 2020 ("-" for losses)	Year 2019 ("-" for losses)
Losses on bad debts of accounts receivable	-9,954,312.24	-1,657,310.35	-3,989,062.20
Losses from bad debts of other receivables	-3,804,823.99	2,060,484.55	14,199,404.31
Total	-13,759,136.23	403,174.20	10,210,342.11

5.56 Assets impairment losses

Item	Year 2021 ("-" for losses)	Year 2020 ("-" for losses)	Year 2019 ("-" for losses)
Losses from inventory depreciation	-215,740,376.30	-114,233,062.33	-55,353,741.49
Losses from impairment of fixed assets			-231,924.65
Total	-215,740,376.30	-114,233,062.33	-55,585,666.14

5.57 Gains on disposal of assets

	Amount			Amount included in non-recurring profit or loss in the current period		
Item	Year 2021	Year 2020	Year 2019	Year 2021	Year 2020	Year 2019
Gains from disposal of fixed assets	18,375,213.86	17,877,679.95	80,102.78	18,375,213.86	17,877,679.95	80,102.78
Gains from disposal of intangible assets	-84,831.84	720,845.51	9,436,629.59	-84,831.84	720,845.51	9,436,629.59
Gains from disposal of assets held for sale		24,515,757.50			24,515,757.50	
Total	18,290,382.02	43,114,282.96	9,516,732.37	18,290,382.02	43,114,282.96	9,516,732.37

5.58 Non-operating income

	Amount			Amount included in non-recurring profit or loss in the current period		
Item	Year 2021	Year 2020	Year 2019	Year 2021	Year 2020	Year 2019
Revenue from indemnity and fines	46,367,579.29	10,412,168.26	8,612,479.92	46,367,579.29	10,412,168.26	8,612,479.92
Payment not required to be paid	579,994.44	8,856,748.81	4,461,397.69	579,994.44	8,856,748.81	4,461,397.69
Donations received	1,857,572.50	1,801,076.09		1,857,572.50	1,801,076.09	
Others	4,064,781.55	3,008,962.66	3,941,161.81	4,064,781.55	3,008,962.66	3,941,161.81
Total	52,869,927.78	24,078,955.82	17,015,039.42	52,869,927.78	24,078,955.82	17,015,039.42

5.59 Non-operating expenses

	Amount			Amount included in non-recurring profit or loss in the current period		
Item	Year 2021	Year 2020	Year 2019	Year 2021	Year 2020	Year 2019
Expenses on compensation, fines and overdue fines	2,426,669.44	295,896.43	1,593,675.35	2,426,669.44	295,896.43	1,593,675.35
Donation outlay	128,300.00	842,027.00	1,238,164.00	128,300.00	842,027.00	1,238,164.00
Others	3,274,728.20	272,166.36	856,063.48	3,274,728.20	272,166.36	856,063.48
Losses from the damage and scrapping of non-current assets	5,062,614.04	15,636,657.80	1,807,267.67	5,062,614.04	15,636,657.80	1,807,267.67
Total	10,892,311.68	17,046,747.59	5,495,170.50	10,892,311.68	17,046,747.59	5,495,170.50

5.60 Income tax expenses

5.60.1 Table of income tax expenses

Item	Year 2021	Year 2020	Year 2019
Current income tax expenses	860,547,872.41	238,887,852.41	428,988,737.28
Deferred income tax expenses	111,937,718.43	38,839,384.45	4,557,929.11
Total	972,485,590.84	277,727,236.86	433,546,666.39

5.60.2 Adjustment process of accounting profits and income tax expenses

Item	Year 2021	Year 2020	Year 2019
Total profits	6,058,731,697.35	1,117,454,805.58	2,987,251,879.15
Income tax expenses calculated at statutory (or applicable) tax rate	1,514,682,924.34	279,363,701.40	746,812,969.77
Effect of the application of various tax rates by subsidiaries	-662,095,696.78	-50,918,786.48	-248,976,155.56
Effect of adjustments to the income tax for the prior years		2,832,388.23	-15,695,860.95
Effect of non-taxable income	-10,870,966.67	-15,376,553.87	-6,955,639.06
Effect of non-deductible costs, expenses and losses	15,740,802.11	8,297,675.86	9,745,011.76
Effect of deductible losses from using the Deferred tax assets unrecognized in previous periods	-1,027,568.30	-1,339,457.24	-20,005,051.83
Effect of deductible temporary differences or losses from Deferred tax assets unrecognized in the current period	85,804,690.03	33,420,299.24	17,637,012.58
Others	30,251,406.11	21,447,969.72	-49,015,620.32
Income tax expenses	972,485,590.84	277,727,236.86	433,546,666.39

5.61 Items of statement of cash flows

5.61.1 Cash received relating to other operating activities

Item	Year 2021	Year 2020	Year 2019
Government grants	208,392,317.98	578,476,987.52	653,562,440.91
Interest income	152,595,904.20	77,766,472.19	59,126,719.67
Current accounts	329,095,638.28	839,715,259.55	301,002,459.44
Non-operating revenue and others	48,936,773.37	13,425,521.53	14,725,037.23
Recovery of restricted funds	6,522,586,559.46	2,766,494,639.87	2,351,375,316.47
Total	7,261,607,193.29	4,275,878,880.66	3,379,791,973.72

5.61.2 Cash paid relating to other operating activities

Item	Year 2021	Year 2020	Year 2019
Current amounts	1,189,888,602.64	984,260,019.08	64,303,270.40
Expenditure on selling expenses and general and administrative expenses	146,013,422.59	102,039,259.50	312,052,132.57
Financial expenses	38,749,753.48	33,769,728.97	27,983,584.23
Non-operating expenses and others	5,829,697.64	1,410,089.79	3,082,243.24
Expenditure on restricted funds	7,436,178,461.65	4,196,579,916.56	2,096,037,591.84
Total	8,816,659,938.00	5,318,059,013.90	2,503,458,822.28

5.61.3 Cash received relating to other investing activities

Item	Year 2021	Year 2020	Year 2019
Cash received from business combination	111,154,505.56	27,927,276.83	
Retained value-added tax rebates	590,153,860.63	44,055,155.51	
Loans from and to related parties		996,485,422.22	4,753,151,052.13
Pledged money to provide guarantee for related-party loans		20,485,422.22	2,210,000,000.00
Others	106,482,268.33	80,000,000.00	47,000,000.00
Total	807,790,634.52	1,148,467,854.56	7,010,151,052.13

5.61.4 Cash payments relating to other investing activities

Item	Year 2021	Year 2020	Year 2019
Loans from and to related parties		976,000,000.00	4,568,153,441.38
Others		80,000,000.00	47,000,000.00
Total		1,056,000,000.00	4,615,153,441.38

5.61.5 Cash received relating to other financing activities

Item	Year 2021	Year 2020	Year 2019
Funds of related parties	6,000,000,000.00	2,850,000,000.00	1,585,000,000.00
Financial sale-leaseback	920,000,000.00	150,000,000.00	900,000,000.00
Collection of security deposit for finance lease			85,500,000.00
Total	6,920,000,000.00	3,000,000,000.00	2,570,500,000.00

5.61.6 Cash payments relating to other financing activities

Item	Year 2021	Year 2020	Year 2019
Funds of related parties	5,700,000,000.00	1,850,000,000.00	585,000,000.00
Financial sale-leaseback	632,295,584.72	516,840,690.46	706,490,764.20
Amount paid by the subsidiaries of the business combination under the common control			3,070,998,618.76
Loan service charge			28,000,000.00
Intermediary fees on non-public offering of shares		547,717.98	
Lease liabilities	175,239,316.62		
Purchase of non-controlling interests of subsidiaries	3,759,660,000.00		
Sporadic share capital of convertible bonds	200,000.00		
Total	10,267,394,901.34	2,367,388,408.44	4,390,489,382.96

5.62 Supplementary information to the statement of cash flow

5.62.1 Supplementary information to the statement of cash flows

Supplementary information	Year 2021	Year 2020	Year 2019
1. Net profit adjusted to cash flows from operating activities			
Net profit	5,086,246,106.51	839,727,568.72	2,553,705,212.76
Plus: credit impairment losses	13,759,136.23	-403,174.20	-10,210,342.11
Provision for asset impairment	215,740,376.30	114,233,062.33	55,585,666.14
Depreciation of fixed assets, investment properties (buildings and constructions) and right-of-use assets	2,048,449,209.52	1,850,597,350.31	1,739,218,324.91
Amortization of intangible assets and investment properties (land use right)	58,814,274.87	61,164,175.72	42,889,666.41
Amortization of Long-term prepaid expenses	2,360,481.06		316,950.71
Losses from disposal or scrapping of fixed assets, intangible assets and other long-term assets ("-" for gains)	-14,825,063.58	-27,477,678.36	-7,713,039.97
Losses from changes in fair value ("-" for gains)	-19,602,121.17	52,914,770.50	-15,940,216.36
Financial expenses ("-" for gains)	1,185,508,752.36	829,577,799.21	1,031,646,814.91
Investment losses ("-" for gains)	20,753,488.41	-136,938,857.71	-157,784,116.35
Decreases in Deferred tax assets ("-" for increases)	-7,381,365.84	-56,490,241.92	-5,167,123.73
Increases in deferred tax liabilities ("-" for decreases)	119,319,084.27	83,545,981.37	9,725,052.84
Decreases in inventories ("-" for increases)	-2,390,882,654.67	89,295,925.32	-240,485,954.42

Supplementary information	Year 2021	Year 2020	Year 2019
Decreases in operating receivables ("-" for increases)	-1,473,568,938.99	-1,184,323,268.06	467,493,567.66
Increases in operating payables ("-" for decreases)	439,131,456.23	1,456,310,440.40	1,772,141,795.01
Others	49,888,871.43	10,301,015.55	-14,302,257.60
Net cash flows from operating activities	5,333,711,092.94	3,982,034,869.18	7,221,120,000.81
2. Significant investing and financing activities not involving cash receipts and payments			
Conversion of debt into capital			
Convertible corporate bonds maturing within one year			
Fixed assets acquired under finance leases			
3. Net changes in cash and cash equivalents			
Ending balance of cash	9,676,501,747.74	15,931,142,588.10	6,431,603,365.49
Less: beginning balance of cash	15,931,142,588.10	6,431,603,365.49	4,861,451,153.88
Plus: ending balance of cash equivalents			
Less: beginning balance of cash equivalents			
Net increase in cash and cash equivalents	-6,254,640,840.36	9,499,539,222.61	1,570,152,211.61

5.62.2 Breakdown of cash and cash equivalents

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
I. Cash	9,676,501,747.74	15,931,142,588.10	6,431,603,365.49
Including: cash on hand	100,907.36	213,497.81	71,725.90
Unrestricted bank deposit	9,549,950,748.11	15,854,123,945.58	6,420,147,383.42
Other unrestricted Cash at bank and on hand	126,450,092.27	76,805,144.71	11,384,256.17
Unrestricted deposits in central bank			
Deposits with banks and other financial institutions			
Loans to or from banks and other financial institutions			
II. Cash equivalents			
Including: bond investments maturing within three months			
III. Ending balance of cash and cash equivalents	9,676,501,747.74	15,931,142,588.10	6,431,603,365.49
Including: cash and cash equivalents restricted for use by the company or subsidiaries in the group			

5.63 Assets with restrictions on the ownership or right of use

Item	Book value			Reason for restriction
	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019	
Cash at bank and on hand	3,721,948,791.21	2,625,544,281.37	1,005,445,340.51	See Note 5.1 for the reason for restriction
Notes receivable and receivable financing	11,349,094.00	54,893,701.22		Bank acceptance bills and working capital loan
Fixed assets	15,296,727,008.76	15,412,278,601.38	16,313,134,836.01	Working capital loan, project loan, finance lease, bank acceptance bill, supply chain financing, letters of credit, and prepayment financing
Intangible assets	2,104,578,676.87	1,702,041,166.50	845,772,781.91	Working capital loan, project loan, supply chain financing, bank acceptance bill and letters of credit
Inventories	473,000,000.00	500,000,000.00	1,372,000,000.00	Working capital loan
Financial assets held for trading	53,600,000.00	470,957,158.53	329,474,288.97	Bank acceptance bills and working capital loan
Construction in progress	276,251,300.12	23,008,849.56		Project loan, and finance lease
Total	21,937,454,870.96	20,788,723,758.56	19,865,827,247.40	

6 Changes in the scope of consolidation

6.1 Business combination not under common control

6.1.1 Business combinations not under common control in the reporting period

Year 2021

Name of acquiree	Time-point for equity acquisition	Cost on equity acquisition	Equity acquisition ratio	Way of equity acquisition	Acquisition date	Determination basis of acquisition date	Revenue 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
			(%)					
Guowang High-tech Fibre (Suqian) Co., Ltd.	2021/6/24		95.00	Acquisition in cash	2021/6/24	Date of the industrial and commercial registration for change	9,042.41	-18,713,283.32

On June 5, 2021, Shenghong New Materials (Suqian) Co., Ltd., a wholly-owned subsidiary of the Company, signed the Agreement on Equity Transfer with Siyang Science and Technology Innovation Investment Development Co., Ltd. and Jiangsu Eastern Shenghong Co., Ltd., by which Siyang Science and Technology Innovation Investment Development Co., Ltd. and Jiangsu Eastern Shenghong Co., Ltd. respectively transferred the 95% and 5% of equity held they held in Guowang High-tech Fibre (Suqian) Co., Ltd. to Shenghong New Materials (Suqian) Co., Ltd. at a price of RMB0.00, and Guowang High-tech Fibre (Suqian) Co., Ltd. obtained a new business license on June 24, 2021. On the acquisition date, as Siyang Yiyang Environmental Protection Technology Co., Ltd. was a wholly-owned subsidiary of Guowang High-tech Fibre (Suqian) Co., Ltd., the Company obtained the equity of Siyang Yiyang Environmental Protection Technology Co., Ltd. while obtaining the equity of Guowang High-tech Fibre (Suqian) Co., Ltd.

Year 2020

Name of acquiree	Time-point for equity acquisition	Cost on equity acquisition	Equity acquisition ratio	Way of equity acquisition	Acquisition date	Determination basis of acquisition date	Revenue 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
			(%)					
Lianyungang Guanhong Trading Co., Ltd.	2020/3/5		100.00	Acquisition in cash	2020/3/5	Date of the industrial and commercial registration for change	653,950,292.60	-779,569.04
Jiangsu Reborn Eco-tech Co., Ltd.	2020/12/11		100.00	Acquisition in cash	2020/12/11	Date of the industrial and commercial registration for change		-719,394.48

On March 5, 2020, Jiangsu Honggang Petrochemical Co., Ltd., a subsidiary of Jiangsu Shenghong Petrochemical Industry Group Co., Ltd., a wholly-owned subsidiary of the C100%ompany, signed the Equity Transfer Agreement with Hongwei (Lianyungang) Fine Chemicals Co., Ltd., and Hongwei (Lianyungang) Fine Chemicals Co., Ltd. transferred its 100% equity of Lianyungang Guanhong Trading Co., Ltd. to Jiangsu Honggang Petrochemical Co., Ltd. at the price of RMB0. Lianyungang Guanhong Trading Co., Ltd. obtained an updated business license on March 5, 2020.

On December 11, 2020, Shenghong New Materials (Suqian) Co., Ltd., a wholly-owned subsidiary of the Company, signed the Agreement on Equity Transfer with Guowang High-tech Fibre (Suqian) Co., Ltd., and Guowang High-tech Fibre (Suqian) Co., Ltd. transferred its 100% equity in Jiangsu Reborn Eco-tech Co., Ltd. to Shenghong New Materials (Suqian) Co., Ltd. at a price of RMB0.00, and Jiangsu Reborn Eco-tech Co., Ltd. obtained an updated business license on December 11, 2020.

6.1.2 Combination costs and goodwill

Year 2021

	Guowang High-tech Fibre (Suqian) Co., Ltd.
Combination cost	
Less: fair value of net identifiable assets acquired.	
Amount of goodwill/combination cost in short of the fair value of net identifiable assets acquired	

Year 2020

Item	Lianyungang Guanhong Trading Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.
Combination cost		
Less: fair value of net identifiable assets acquired.	-819.11	
Difference between the combination cost and the fair value of net identifiable assets acquired	819.11	

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

Year 2021

	Guowang High-tech Fibre (Suqian) Co., Ltd.	
	Fair value on the acquisition date	Book value on the acquisition date
Assets:	915,201,371.85	915,201,371.85
Including: Cash at bank and on hand	67,381,297.29	67,381,297.29
Construction in progress	194,440,557.41	194,440,557.41
Intangible assets	103,552,008.00	103,552,008.00
Other non-current assets	526,670,701.16	526,670,701.16
Liabilities:	915,201,371.85	915,201,371.85
Including: Other payables	790,015,000.00	790,015,000.00
Deferred income	86,387,473.00	86,387,473.00
Net assets		
Less: Non-controlling interests		
Net assets gained		

Note: the identifiable assets and liabilities on the acquisition date are the figures in the consolidated statements of Guowang High-tech Fibre (Suqian) Co., Ltd. and its subsidiaries.

Year 2020

Item	Lianyungang Guanhong Trading Co., Ltd.		Jiangsu Reborn Eco-tech Co., Ltd.	
	Fair value on the acquisition date	Book value on the acquisition date	Fair value on the acquisition date	Book value on the acquisition date
Assets:	8,180.89	8,180.89	280,939,563.40	280,939,563.40
Cash at bank and on hand	8,180.89	8,180.89	27,919,095.94	27,919,095.94
Other current assets.			7,972,685.71	7,972,685.71
Fixed assets			9,248.69	9,248.69
Construction in progress			90,598,048.97	90,598,048.97
Intangible assets			31,172,784.87	31,172,784.87
Other non-current assets			123,267,699.22	123,267,699.22
Liabilities:	9,000.00	9,000.00	280,939,563.40	280,939,563.40
Payables	9,000.00	9,000.00	59,577,054.83	59,577,054.83
Other payables			195,481,508.57	195,481,508.57
Deferred income			25,881,000.00	25,881,000.00
Net assets	-819.11	-819.11		
Less: Non-controlling interests				
Net assets gained	-819.11	-819.11		

6.2 Business combination under common control

Business combinations under common control in the reporting period

Year 2021

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
Jiangsu Sierbang Petrochemical Co., Ltd. . . .	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	2021/12/31	Date of the industrial and commercial registration for change	17,893,025,054.58	3,776,983,744.96

According to the Proposal on Issuing Shares and Paying for the Purchase of Assets in Cash and Raising Matching Funds and Related Transactions approved by the resolutions of the 29th meeting of the 8th Board of Directors of the Company held on July 9, 2021 and the 4th extraordinary general meeting of shareholders in 2021 held on August 23, 2021, the Company purchased 100% equity of Sierbang held by Shenghong Petrochemical, Bohong Industrial, CCB Investment and BOC Financial Assets by issuing shares and paying cash, and the total transaction consideration was RMB14.36 billion.

The Company issued shares to two counterparties including Shenghong Petrochemical and Bohong Industrial to purchase 85.4546% of the shares held by them in Sierbang and raised matching funds. The number of new shares issued was 1,111,528,326 shares with a face value of RMB1 per share. and paid cash of RMB2,088,727,200 to two counterparties, including CCB Investment and BOC Financial Assets, to purchase 14.5454% equity of Sierbang held by them.

On the combination date, as Lianyungang Shunmeng Trading Co., Ltd., Inner Mongolia Shenghuayi Energy Co., Ltd., Inner Mongolia Sierbang Energy and Chemical Technology Co., Ltd. and Jiangsu Hongjing New Materials Co., Ltd. are wholly-owned subsidiaries of Jiangsu Sierbang Petrochemical Co., Ltd. The Company acquired equity of Jiangsu Sierbang Petrochemical Co., Ltd. and then acquired the equities of the above equities.

Year 2019

Acquiree	Time of equity acquisition	Cost on equity acquisition	Equity acquisition ratio	Determination basis on combination date	Revenue of the consolidated party from the date of consolidation to the end of the period	Net profit of the consolidated party from the date of consolidation to the end of the period
			(%)			
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	2019/3/26	1,010,813,182.57	100.00	Transfer of control and related procedures		-17,865,046.54
Suzhou Suzhen Biological Engineering Co., Ltd.	2019/3/6	67,999,800.00	100.00	Transfer of control and related procedures	349,953,820.49	47,717,258.03
Jiangsu Honggang Petrochemical Co., Ltd.	2019/5/7	1,992,185,636.19	100.00	Transfer of control	4,801,262,628.06	42,264,445.68
Total		3,070,998,618.76			5,151,216,448.55	72,116,657.17

6.3 Disposal of subsidiaries

Loss of control due to single disposal of investment in subsidiaries

Year 2020

Company name	Registered place	Business nature	Total shareholding ratio of the Company	Total voting ratio of the Group	Reason for no longer being a subsidiary
Sierbang (Shanghai) Supply Chain Management Co., Ltd.	Shanghai	Commercial service industry	100%	100%	Note

Note: The subsidiary Jiangsu Sierbang Petrochemical Co., Ltd. and Suzhou Shenghong Investment Holdings Co., Ltd., subsidiaries of the Company, signed an equity transfer agreement on November 20, 2020 for disposal of 100% equity held by Sierbang (Shanghai) Supply Chain Management Co., Ltd. at a consideration of RMB10,000,000.00 on December 1, 2020. Therefore, starting from December 1, 2020, the Company will no longer include Sierbang (Shanghai) Supply Chain Management Co., Ltd. in its scope of consolidation. Relevant financial information of the Sierbang (Shanghai) Supply Chain Management Co., Ltd. is as follows:

Item	Book value as at disposal date
Current assets	8,501,380.50
Current liabilities	208,500.00
Total	8,292,880.50
Gains or losses from disposals	1,707,119.50
Disposal consideration	10,000,000.00

Item	From January 1, 2020 to December 1, 2020
Operating revenue	
Operating costs	
Net profit	408,205.87

Year 2019

Subsidiary	Price of equity disposal	Proportion of equity disposed	Method of equity disposal	Date of the loss of control	Basis to determine the date of control loss	Difference between the disposal price and the share in net assets of the subsidiary in consolidated financial statements corresponding to the investment disposed
Suzhou Silk Real Estate Co., Ltd.	208,321,600.00	100.00	Sales	April 28, 2019	Date of cessation of rights and benefits	3,047,778.25
Wujiang Silk Real Estate Co., Ltd.	52,858,500.00	90.00	Sales	April 28, 2019	Date of cessation of rights and benefits	5,012,554.58
Jiangsu Hengwu Media Co., Ltd.	16,114,696.36	100.00	Sales	April 30, 2019	Date of cessation of rights and benefits	-118,234.82
Suzhou Shengze Yunfangcheng E-commerce Co., Ltd.	64,760,800.00	100.00	Sales	November 30, 2019	Date of cessation of rights and benefits	-5,605,506.84
Total	342,055,596.36					2,336,591.17

6.4 Change of consolidation scope due to other reasons

Year 2021

Company name	Method of equity acquisition	Time for equity acquisition	Registered capital	Contribution proportion
Shenghong Shipping (Singapore) International Co., Ltd.	Newly established subsidiary	April 19, 2021	USD500,000	100%
Hongbang New Materials (Suqian) Co., Ltd.	Newly established subsidiary	August 10, 2021	RMB500 million	100%
Honghai New Materials (Suqian) Co., Ltd.	Newly established subsidiary	August 12, 2021	RMB500 million	100%
Suzhou Shengze Real Estate Leasing Co., Ltd.	Newly established subsidiary	November 2, 2021	RMB471,881,475.91	100%
Suzhou Shengze Warehousing Management Co., Ltd.	Newly established subsidiary	November 2, 2021	RMB175,282,578	100%
Lianyungang Shengtai New Materials Co., Ltd.	Newly established subsidiary	November 26, 2021	RMB100 million	100%
Lianyungang Hongke New Materials Co., Ltd.	Newly established subsidiary	December 23, 2021	RMB10 million	100%
Suzhou Yinghong Industrial Investment Fund (Limited Partnership)	Others	September 15, 2021	RMB3,001 million	99.967%
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership)	Others	November 11, 2021	RMB2,500 million	99.996%

Year 2020

Company name	Method of equity acquisition	Time for equity acquisition	Registered capital	Contribution proportion
Jiangsu Hongwei Chemical Co., Ltd.	Newly established subsidiary	January 3, 2020	RMB10 million	100%
Shenghong (Shanghai) Polyester Material Co., Ltd.	Newly established subsidiary	September 16, 2020	RMB100 million	100%
Shenghong New Materials (Suqian) Co., Ltd.	Newly established subsidiary	December 8, 2020	RMB500 million	100%
Suzhou Shenghong Digital Cloud Technology Co., Ltd.	Newly established subsidiary	December 29, 2020	RMB10 million	100%

7 Equity in other entities

7.1 Equity in subsidiaries

7.1.1 Structure of the Group

				As at December 31, 2021		As at December 31, 2020		As at December 31, 2019		
				Shareholding ratio (%)		Shareholding ratio (%)		Shareholding ratio (%)		
Subsidiary	Principal place of business	Registered place	Business nature	Direct	Indirect	Direct	Indirect	Direct	Indirect	Way of acquisition
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	Suzhou	Suzhou	Energy sale and management	100		100		100		Investment
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	Suzhou	Suzhou	Electricity and heat supply	100		100		100		Investment
Jiangsu Guowang High-tech Fibre Co., Ltd.	Suzhou	Suzhou	R&D, production and sales of polyester filament yarn	100		100		100		Business combination not under common control
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	Suzhou	Suzhou	Petrochemical industry investment	100		100		100		Investment
Jiangsu Sierbang Petrochemical Co., Ltd.	Lianyungang	Lianyungang	Production and sale of chemical products	100		100		100		Business combination under common control
Shenghong New Materials (Suqian) Co., Ltd.	Suqian	Suqian	R&D of new material technology	100		100				Investment
Suzhou Shenghong Digital Cloud Technology Co., Ltd.	Suzhou	Suzhou	Software and information technology services	100		100				Investment

Subsidiary	Principal place of business	Registered place	Business nature	As at December 31, 2021 Shareholding ratio (%)		As at December 31, 2020 Shareholding ratio (%)		As at December 31, 2019 Shareholding ratio (%)		Way of acquisition
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Suzhou Shengze Real Estate Leasing Co., Ltd.	Suzhou	Suzhou	Real estate leasing	100						Investment
Suzhou Shengze Warehousing Management Co., Ltd.	Suzhou	Suzhou	Warehousing services	100						Investment
Suzhou Yinghong Industrial Investment Fund (Limited Partnership) *Note*	Suzhou	Suzhou	Equity investments	99.967						Others
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership) *Note*	Lianyungang	Lianyungang	Investment, and investment management	99.996						Others

Note: Suzhou Yinghong Industrial Investment Fund (Limited Partnership) and Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership) are structured entities.

7.1.2 Major non-wholly-owned subsidiaries

As at December 31, 2021

Subsidiary	**Shareholding ratio of minority shareholders**	**Profit or loss attributable to minority shareholders in the current period**	**Dividends declared to be distributed to minority shareholders in the current period**	**Ending balance of non-controlling interests**
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	7.99%	-6,735,296.97		1,793,494,538.72

As at December 31, 2020

Subsidiary	**Shareholding ratio of minority shareholders**	**Profit or loss attributable to minority shareholders in the current period**	**Dividends declared to be distributed to minority shareholders in the current period**	**Ending balance of non-controlling interests**
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	26.35%	-3,573,659.88		5,002,390,105.22

As at December 31, 2019

Subsidiary	**Shareholding ratio of minority shareholders**	**Profit or loss attributable to minority shareholders in the current period**	**Dividends declared to be distributed to minority shareholders in the current period**	**Ending balance of non-controlling interests**
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	19.08%	-622,898.93		1,283,813,020.81

7.1.3 Main financial information of major non-wholly-owned subsidiaries

As at December 31, 2021

Subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	11,423,033,486.67	60,480,476,706.82	71,903,510,193.49	12,786,139,837.44	36,670,738,847.87	49,456,878,685.31

As at December 31, 2020

Subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	14,357,422,432.88	20,278,375,830.75	34,635,798,263.63	3,876,144,616.70	11,769,771,633.33	15,645,916,250.03

As at December 31, 2019

Subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	3,847,090,792.96	4,495,846,017.37	8,342,936,810.33	1,021,363,736.66	592,993,300.00	1,614,357,036.66

Year 2021

Subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	2,745,219,041.56	-39,645,015.73	-43,250,505.42	-2,361,245,610.24

Year 2020

Subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	200,323,508.34	-17,738,511.13	-22,117,760.07	-2,367,135,183.81

Year 2019

Subsidiary	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shenghong Refining and Chemical (Lianyungang) Co., Ltd.		-23,378,224.78	-23,497,595.58	504,984,840.01

7.2 Transactions leading to changes in the share of owners' equity in subsidiaries and still controlling the subsidiaries

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

Year 2021

	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.
Cost of purchase/consideration of disposal	
— Cash	7,259,660,000.00
Total cost of purchase/consideration of disposal	7,259,660,000.00
Less: share of net assets of subsidiaries calculated at the ratio of equity acquired/disposed	6,745,304,636.02
Difference	514,355,363.98
Including: adjustment to capital reserves	-514,355,363.98
Adjustment to surplus reserves	
Adjustment to retained earnings	

Year 2020

	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.
Cost of purchase/consideration of disposal	
— Cash	3,965,420,000.00
Total cost of purchase/consideration of disposal	3,965,420,000.00
Less: share of net assets of subsidiaries calculated at the ratio of equity acquired/disposed	3,973,041,846.55
Difference	-7,621,846.55
Including: adjustment to capital reserves	-7,621,846.55
Adjustment to surplus reserves	
Adjustment to retained earnings	

Year 2019

	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.
Cost of purchase/consideration of disposal		
— Cash	1,296,580,000.00	1,000,000,000.00
Total cost of purchase/consideration of disposal	1,296,580,000.00	1,000,000,000.00
Less: share of net assets of subsidiaries calculated at the ratio of equity acquired/disposed	1,284,458,695.70	1,032,388,459.95
Difference	12,121,304.30	-32,388,459.95
Including: adjustment to capital reserves	12,121,304.30	-32,388,459.95
Adjustment to surplus reserves		
Adjustment to retained earnings		

7.3 *Equity in joint venture arrangements or associates*

Significant joint ventures or associates

Name of joint venture or associate	Principal place of business	Registered place	Business nature	As at December 31, 2021 Shareholding ratio (%)		As at December 31, 2020 Shareholding ratio (%)		As at December 31, 2019 Shareholding ratio (%)		Accounting treatment method for the investments in joint ventures or associates
				Direct	Indirect	Direct	Indirect	Direct	Indirect	
Tianjiao Technology Venture Capital Co., Ltd.	Suzhou	Suzhou	Venture capital	33.33		33.33		33.33		Accounting under the equity method
Jiangsu Oriental Inta Security System Co., Ltd.	Suzhou	Suzhou	Security					22.00		Accounting under the equity method
Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	Suzhou	Suzhou	Research and experimental development		48.00		47.00		47.00	Accounting under the equity method
Suzhou Wujiang CNPC Kunlun Gas Co., Ltd.	Suzhou	Suzhou	Gas operation		49.00					Accounting under the equity method

8 Risks related to financial instruments

In the course of business operation, the Company will face various financial risks, including the credit risk, market risk and liquidity risk. The Board of Directors of the Company takes full responsibilities for determining the risk management objects and policies and bearing the ultimate liabilities for that, however, the Board of Directors has authorized the management of the Company to design and implement the process capable of ensuring the effective implementation of the risk management objects and policies. The Board of Directors reviews the effectiveness of the enforced procedures and the rationality of risk management objectives and policies by quarterly reports submitted by financial departments. The internal auditors of the Company also will audit the risk management policies and procedures, and report the relative facts to the audit committee.

The overall objective of risk management of the Company is to prepare the risk management policies ensuring the risk under control as far as possibility without affecting the Company's business development goals.

8.1 Credit risk

Credit risk refers to a risk that one party to the financial instruments suffers financial losses due to the failure of the other party in performing the obligations. The Company mainly faces customer credit risks caused by sales on account. Prior to the conclusion of the new contract, the Company will evaluate the credit risk of the new customer including the external credit rating and bank credential letter under some circumstances if it is available. The Company sets a credit limit for each customer. The limit is the maximum amount dispensing with additional approval.

The Company carries out the quarterly monitoring on credit rating information of existing customers the monthly review on the aging analysis of accounts receivable to make sure that the overall credit risk of the Company is under control. The Company group customers by their credit characteristics while monitoring the customer credit risk. Customers rated as "high risk" level will be placed in a restricted customer list. The Company may sell goods to such customers on credit in future periods in case of additional approval; otherwise, the Company must require advance payments of the corresponding amount.

8.2 Liquidity risk

The liquidity risk refers to the risk of capital shortage of an enterprise occurring in the course of cash payment or settlement via other financial assets. The policy of the Company is to ensure that there is sufficient cash for the payment of the matured debts. Liquidity risk is under centralized control of the financial department of the Company. The financial department monitors cash balance and readily realizable and marketable securities and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts in all cases of reasonable prediction.

8.3 Market risk

Market risks of financial instruments refer to the risks of fluctuation in the fair values or future cash flows of financial instruments due to changes in market prices, and include exchange rate risks, interest rate risks, and other price risks.

8.3.1 Interest rate risk

Interest rate risk refers to the risk that fair values or future cash flows of financial instruments may fluctuate due to the change in market interest rate.

Interest rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market interest rate. The Company's interest rate risk mainly derives from long-term or short-term borrowings and bonds payable with fixed interest rate from banks. The Company makes loans according to the amount and time demand of funds and after comprehensive analysis of interest rate and time of borrowing from various banks. The Company has established good bank-enterprise relationship with banks and has sufficient bank credit lines. The Company has consistently maintained a good credit record, and the interest rates of the borrowing contracts signed with banks float at a certain percentage of the benchmark interest rates announced by the central bank for the same period and at the same level.

8.3.2 Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate. The Company will match the foreign currency income with the foreign currency expenses as far as possible to reduce the exchange rate risk.

8.3.3 Other price risks

As for the equity investments held by the Company in other listed companies, the management believes that the market price risks, to which these investing activities are exposed, are acceptable.

The equity investments held by the Company in the listed companies are listed as below:

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Financial assets held for trading	86,338,213.82	87,933,786.56	93,784,219.94
Total	86,338,213.82	87,933,786.56	93,784,219.94

As at December 31, 2021, on the conditions that all the other variables remain unchanged, if the value of the equity instruments increases or decreases by 30%, then the current profit or loss of the Company will increase or decrease by RMB25,901,500.00. The management believes that rate of 30% has reasonably reflected the scope of potential changes in the equity instruments in the next year.

As at December 31, 2020, on the conditions that all the other variables remain unchanged, if the value of the equity instruments increases or decreases by 30%, then the current profit or loss of the Company will increase or decrease by RMB26,380,100.00. The management believes that rate of 30% has reasonably reflected the scope of potential changes in the equity instruments in the next year.

As at December 31, 2019, on the conditions that all the other variables remain unchanged, if the value of the equity instruments increases or decreases by 30%, then the current profit or loss of the Company will increase or decrease by RMB28,135,300.00. The management believes that rate of 30% has reasonably reflected the scope of potential changes in the equity instruments in the next year.

9 Disclosure of fair value

Input values used in the fair value measurement are divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access on the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs refer to unobservable inputs of relevant assets or liabilities.

The level of the measurement result of fair value shall be subject to the lowest level which the input that is of great significance to the entire measurement of fair value belongs to.

9.1 Fair value of assets and liabilities measured at fair value as at December 31, 2021

	Fair value as at December 31, 2021			
Item	**Measurement at Level 1 fair value**	**Measurement at Level 2 fair value**	**Measurement at Level 3 fair value**	**Total**
Continuous measurement of fair value				
♦Financial assets held for trading	86,338,213.82	55,381,457.64		141,719,671.46
1. Financial assets measured at fair value through the current profit or loss	86,338,213.82	55,381,457.64		141,719,671.46
(1) Investment in equity instrument	86,338,213.82			86,338,213.82
(2) Derivative financial assets		1,781,457.64		1,781,457.64
(3) Bank wealth management and trust products		53,600,000.00		53,600,000.00
♦Receivables financing			77,650,379.06	77,650,379.06
♦Investment in other equity instruments			583,395,820.00	583,395,820.00
♦Other non-current financial assets			4,477,532.09	4,477,532.09
Total assets continuously measured at fair value	86,338,213.82	55,381,457.64	665,523,731.15	807,243,402.61
♦Financial liabilities held for trading		3,567,808.37		3,567,808.37
1. Derivative financial liabilities		3,567,808.37		3,567,808.37
Total liabilities with continuous measurement at fair value		3,567,808.37		3,567,808.37

9.2 Basis of determination for market prices subject to continuous and non-continuous measurements at Level 1 fair values

The equity instrument investments classified as measured at fair value through the current profit or loss amounted to RMB86,338,213.82, and recognized at the closing price of open market trading on December 31, 2021.

9.3 Qualitative and quantitative information on the valuation techniques and important parameters adopted for continuous and non-continuous measurements at Level 2 fair values

Item	Fair value as at December 31, 2021	Valuation techniques
Principal-guarantee bank financial products	53,600,000.00	Income method
Derivative financial assets	1,781,457.64	Income method
Derivative financial liabilities	3,567,808.37	Income method

9.4 Qualitative and quantitative information on the valuation techniques and important parameters adopted for continuous and non-continuous measurements at Level 2 fair values

Item	Fair value as at December 31, 2021	Valuation techniques
Receivable financing	77,650,379.06	Note
Other non-current financial assets	4,477,532.09	Book basis method
Investments in other equity instruments	583,395,820.00	Market approach

Note: The receivable financing represents notes receivable of RMB77,650,379.06 that are discounted or expected to be transferred by endorsement. The maturity of the notes is usually shorter than 6 months, and the difference between the fair value and the face value is insignificant, and the face amount is used as the fair value measurement

10 Related parties and related transactions

10.1 Parent company of the Company

As at the date of the report, the status of the parent company was as follows:

Parent company	Registered place	Business nature	Registered capital	Shareholding ratio in the Company	Voting ratio in the Company
				(%)	*(%)*
Jiangsu Shenghong Technology Co., Ltd.	Suzhou	Investment	RMB2,992,741,100.00	46.55	46.55

Miao Hangen and Zhu Hongmei are the ultimate controllers of the Company.

10.2 Subsidiaries of the Company

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

10.3 Joint ventures and associates of the Company

See "Note 7 Equity in other entities" for the details of significant joint ventures or associates of the Company.

10.4 Other related parties

Other related party	Relationship with the Company
Jiangsu Shenghong New Material Group Co., Ltd.	Parent of the parent company
Jiangsu Shenghong Technology Co., Ltd.	Parent company
Jiangsu Oriental Inta Security System Co., Ltd.	Other related transactions
Wujiang Oriental Market Supply Chain Service Co., Ltd.	Other related transactions
Lianyungang Hongyang Thermal Power Co., Ltd.	Other related transactions
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 same 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 same ultimate controller
Suzhou Shenghong Hotel Co., Ltd. Wujiang Shenghong Renaissance Hotel	Other related transactions
Suzhou Suzhen Thermal Power Co., Ltd.	Other related transactions
Wujiang Feixiang Printing and Dyeing Co., Ltd.	Controlled by the same ultimate controller
Wujiang Rongwei Spray Weaving Factory	Other related transactions
Yu Xiaofang	Other related transactions
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	Other related transactions
Jiangsu Wujiang Silk Group Co., Ltd.	Other shareholders directly or indirectly holding more than 5% of the shares
Lianyungang Bohong Industrial Co., Ltd.	Controlled by the same ultimate controller
Suzhou Wujiang Chuanglian Equity Investment Management Co., Ltd.	Other related transactions
Jiangsu Shengze Investment Co., Ltd.	Other related transactions
Tang Jinkui	Other related transactions
Wujiang Shenghong Dangerous Goods Transportation Co., Ltd.	Controlled by the same ultimate controller
Jiangsu Hengwu Media Co., Ltd.	Other related transactions
NEW VIEW TRADING LIMITED	Other related transactions
Jiangsu Jujie Microfibre Group Co., Ltd.	Other related transactions
Suzhou Silk Real Estate Co., Ltd.	Other related transactions
Wujiang Jiayu Industrial Development Co., Ltd.	Other related transactions
Suzhou Shengze Oriental Market Textile Electronic Trading Center Co., Ltd.	Other related transactions
Suzhou Silk Capital Network Technology Co., Ltd.	Other related transactions
Wujiang Yingwang Trading Co., Ltd.	Other related transactions
Wujiang Yuantu Trading Co., Ltd.	Other related transactions
Wujiang Yonghui Import and Export Co., Ltd.	Other related transactions
Suzhou Yongwen Trading Co., Ltd.	Other related transactions
Hongwei (Lianyungang) Fine Chemicals Co., Ltd.	Other related transactions
Shanghai Lianhong International Trade Co., Ltd.	Other related transactions
Suzhou Shenghong Investment Holdings Co., Ltd.	Other related transactions
Lianyungang Ruitai Investment Co., Ltd.	Other related transactions

10.5 Related transactions

10.5.1 Related transaction on purchase or sales of goods, and rendering or receipt of services

Table of purchase of goods/receipt of services

Related party	Content of related transaction	Year 2021	Year 2020	Year 2019
Shenghong Group Co., Ltd..	Commodity, steam, electricity, etc.	90,613,962.06	98,122,055.83	107,123,010.72
Jiangsu Oriental Inta Security System Co., Ltd.	Security services, etc.	621,752.46	346,297.74	386,475.42
Suzhou Suzhen Thermal Power Co., Ltd.	Energy, steam, water, etc.	2,026,761.12	5,292,977.03	10,043,676.73
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Storage tank use, storage services and electricity	153,002,376.58	113,987,298.96	100,251,008.98
Suzhou Shenghong Hotel Co., Ltd. Wujiang Shenghong Renaissance Hotel	Meetings, catering, etc.	146,599.68	246,613.45	564,815.70
Lianyungang Xinrongtai Terminal Co., Ltd.	Terminal fees	80,801,461.77	52,472,754.97	51,225,714.47
Lianyungang Hongyang Thermal Power Co., Ltd.	Steam	852,402,303.84	588,320,206.36	694,688,713.41
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	Water and electricity			20,328.34
Wujiang Shenghong Dangerous Goods Transportation Co., Ltd.	Freight charges			24,381.83
Jiangsu Hengwu Media Co., Ltd.	Office expenses			20,816.92
NEW VIEW TRADING LIMITED	Purchase of goods			116,218,725.92
Total		1,179,615,217.51	858,788,204.34	1,080,567,668.44

Table of sales of goods/rendering of services

Related party	Content of related transaction	Year 2021	Year 2020	Year 2019
Shenghong Group Co., Ltd..	Commodities, energy, etc.	47,742,060.69	33,649,974.12	45,539,877.19
Wujiang Feixiang Printing and Dyeing Co., Ltd.	Steam and water	7,099,149.75	4,748,223.17	7,173,691.74
Wujiang Oriental Market Supply Chain Service Co., Ltd..	Steam and water	750,214.52	602,757.38	621,515.74
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Steam, water, electricity, sewage treatment, etc.	20,789,238.36	6,993,064.61	3,639,370.46
Lianyungang Xinrongtai Terminal Co., Ltd.	Steam, water, electricity, sewage treatment, etc.	406,157.69	857,248.88	297,838.36
Shenghong Petrochemical Group Co., Ltd.	Commodities, water, electricity, sewage treatment	1,430,948.92	655,987.83	636,438.89
Wujiang Rongwei Spray Weaving Factory	Goods	18,801.43	125,697.36	251,698.26
Jiangsu Jujie Microfibre Group Co., Ltd.	Goods		6,685,353.76	
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	Steam	110,666.89		811,987.78
Suzhou Silk Real Estate Co., Ltd.	Water and electricity			3,327.77
Wujiang Jiayu Industrial Development Co., Ltd.	Real estate sales			52,961,904.73
Total		78,347,238.25	54,318,307.11	111,937,650.92

10.5.2 Management on commission/contracting and commissioned management/sub-contract

Table of information on the management on commission/contracting by the Company:

None.

Table of information on the management on sub-contracting by the Company:

None.

10.5.3 Related-party leases

The Company as the lessor:

Name of lessee	Type of leased assets	Lease revenue recognized		
		Year 2021	Year 2020	Year 2019
Wujiang Oriental Market Supply Chain Service Co., Ltd.	House rent	182,285.72	182,285.72	182,285.72
Shenghong Group Co., Ltd.	Transformer and its ancillary facilities rental	14,705,115.96	10,623,511.83	11,514,568.62
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Housing and equipment rental	436,217.14	489,459.81	664,586.34
Lianyungang Xinrongtai Terminal Co., Ltd.	Housing and equipment rental	87,421.22	56,646.08	165,444.28
Shenghong Petrochemical Group Co., Ltd.	House rent	2,098,952.79	1,450,763.68	1,158,586.92
Yu Xiaofang	House rent	146,672.58	12,222.71	
Suzhou Shengze Oriental Market Textile Electronic Trading Center Co., Ltd.	House rent			187,528.80
Suzhou Silk Real Estate Co., Ltd.	House rent			105,714.27
Jiangsu Hengwu Media Co., Ltd.	House rent			49,539.97
Total		17,656,665.41	12,814,889.83	14,028,254.92

The Company as the lessee (applicable to the old lease standards)

Name of lessor	Type of leased assets	Rental fees recognized	
		Year 2020	Year 2019
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Tank rental	6,090,550.00	854,748.43
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	House rent		1,667,493.97
Zhu Hongmei	Housing rental		90,000.00

The Company as the lessee (applicable to the new lease standards)

Name of lessor	Type of leased assets	Rental costs for short-term leases and low-value asset leases that are streamlined for accounting, and variable lease payments not included in the measurement of the lease liabilities Year 2021
Zhu Hongmei	Housing rental	216,000.00

Name of lessor	Type of leased assets	Cash paid for rent Year 2021
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Tank rental	45,706,140.00

Name of lessor	Type of leased assets	Increase in right-of-use assets Year 2021
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Tank rental	195,829,090.32

Name of lessor	Type of leased assets	Interest costs on lease liabilities undertaken Year 2021
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Tank rental	6,904,825.61

10.5.4 Related-party guarantees

As at December 31, 2021

The Company as a guarantor:

The Company has no external guarantees, mortgages, pledges, etc.

The Company as the guaranteed:

(RMB'0,000)

Guarantor	Guaranteed amount	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Shenghong Technology Co., Ltd.	87,900.00	2020.01.23	2025.10.13	No
Jiangsu Shenghong Technology Co., Ltd., Miao Hangen and Zhu Hongmei	43,000.00	2018.01.30	2028.12.25	No

Guarantor	Guaranteed amount	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Jiangsu Shenghong New Material Group Co., Ltd.	17,000.00	2020.09.10	2025.09.10	No
	48,000.00	2020.12.16	2025.12.15	No
	10,445.00	2021.08.23	2025.08.22	No
	12,337.00	2021.08.25	2025.08.24	No
	10,000.00	2021.09.01	2025.08.24	No
	USD4,000.00	2020.02.20	2025.02.20	No
	70,000.00	2020.02.20	2026.02.20	No
	30,000.00	2019.9.6	2025.7.19	No
	30,000.00	2021.3.10	2026.3.9	No
	60,000.00	2020.10.25	2025.6.2	No
	15,000.00	2020.1.15	2025.1.14	No
	35,000.00	2021.6.24	2026.6.23	No
	25,000.00	2021.8.16	2026.8.16	No
	42,000.00	2020.12.14	2024.12.31	No
Jiangsu Shenghong New Material Group Co., Ltd., Miao Hangen	72,000.00	2021.6.21	2025.9.11	No
Jiangsu Shenghong New Material Group Co., Ltd., Miao Hangen and Zhu Hongmei	70,000.00	2021.4.22	2025.3.9	No
	35,000.00	2021.1.25	2024.11.29	No
	300,000.00	2019.12.31	2026.12.20	No
Miao Hangen and Zhu Hongmei	150,000.00	2021.06.10	2025.9.26	No
	94,900.00	2020.01.23	2025.10.13	No
	19,200.00	2021.06.15	2025.12.08	No
	5,000.00	2020.09.07	2025.01.03	No
	22,000.00	2021.3.10	2025.10.26	No
	33,000.00	2021.6.16	2025.6.15	No
	30,000.00	2020.11.10	2025.1.19	No
Miao Hangen, Zhu Hongmei, Tang Jinkui, Zhu Yuqin	39,000.00	2020.08.25	2024.07.19	No
	20,000.00	2020.11.25	2024.03.04	No
	52,000.00	2020.11.25	2024.02.21	No
Shenghong Holding Group Co., Ltd.	52,000.00	2020.11.25	2025.02.21	No
	75,000.00	2020.12.17	2032.06.08	No
	30,000.00	2020.1.19	2028.1.19	No
	74,000.00	2021.1.1	2024.12.31	No
Shenghong (Suzhou) Group Co., Ltd.	4,751.00	2021.09.03	2025.09.02	No
	12,080.00	2021.09.06	2025.09.05	No
	11,300.00	2021.09.07	2025.09.06	No
	14,842.00	2021.09.08	2025.09.07	No
	15,000.00	2021.10.18	2025.9.29	No
	30,000.00	2021.10.27	2025.9.29	No
	66,400.00	2021.11.29	2031.11.29	No
Shenghong (Suzhou) Group Co., Ltd., Miao Hangen and Zhu Hongmei	96,000.00	2021.4.20	2025.12.21	No
	119,000.00	2019.6.28	2028.6.27	No
	84,000.00	2021.8.9	2025.8.8	No
Jiangsu Shenghong New Material Group Co., Ltd., additional guarantee for recycling loan of Shenghong Petrochemical Group Co., Ltd.	20,000.00	2021.7.29	2026.7.28	No
	35,000.00	2021.8.26	2026.8.25	No
	35,000.00	2021.9.26	2026.7.21	No

Guarantor	Guaranteed amount	Commencement date of guarantee	Maturity date of guarantee	Whether the performance of the guarantee has been completed
Shenghong Petrochemical Group Co., Ltd.	9,590.29	2019.6.27	2025.7.10	No
	9,588.18	2019.6.28	2025.7.10	No
	1,000.00	2021.9.23	2025.9.23	No
Miao Hangen and Zhu Hongmei, mortgage of real estate of RMB136.8 million	80,000.00	2019.9.20	2032.9.20	No
	20,000.00	2019.9.20	2032.9.20	No
	75,000.00	2019.9.20	2032.9.20	No
	50,000.00	2019.9.20	2032.9.20	No
	30,000.00	2019.9.20	2032.9.20	No
	15,000.00	2019.9.20	2032.9.20	No
Shenghong Group Co., Ltd., Shenghong (Suzhou) Group Co., Ltd., Shenghong Petrochemical Group Co., Ltd., Miao Hangen, Zhu Hongmei, Tang Jinkui, Zhu Yuqin	4,150,000.00	2020.11.13	2038.11.12	No
Miao Hangen, Zhu Hongmei, Shenghong (Suzhou) Group Co., Ltd., Jiangsu Shenghong Technology Co., Ltd.	300,000.00	2021.11.30	2027.11.29	No
Jiangsu Shenghong Technology Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Hangen and Zhu Hongmei	611,500.00	2014.4.25	2028.4.24	No
	USD32,500.00	2014.6.10	2028.4.24	No
	47,000.00	2016.6.30	2028.4.24	No
Jiangsu Shenghong New Material Group Co., Ltd., Shenghong Holding Group Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Hangen and Zhu Hongmei	213,262.00	2018.6.27	2029.6.27	No
Shenghong Petrochemical Group Co., Ltd., Shenghong Holding Group Co., Ltd., Miao Hangen and Zhu Hongmei	80,000.00	2020.10.20	2026.12.10	No
	500,000.00	2021.5.13	2034.4.18	No

Except for the guarantee provided by the above-related parties for the Company, there was no mortgage or pledge provided by related parties for the Company in 2021.

10.5.5 Loans from and to related parties

Year 2021

(RMB'0,000)

Related party	Loans as at December 31, 2020	Loans from related parties/ Recovery in 2021	Loans to related parties/Recovery in 2021	Loans as at December 31, 2021	Interest in loans to/from related parties in 2021
Shenghong (Suzhou) Group Co., Ltd. . . .	140,000.00	550,000.00	570,000.00	120,000.00	4,072.20
Jiangsu Shenghong Technology Co., Ltd.		50,000.00		50,000.00	805.56
Total	140,000.00	600,000.00	570,000.00	170,000.00	4,877.76

Year 2020

(RMB'0,000)

Related party	Loans as at December 31, 2019	Loans from related parties/ Recovery in 2020	Loans to related parties/Recovery in 2020	Loans as at December 31, 2020	Interest in loans to/from related parties in 2020
Shenghong (Suzhou) Group Co., Ltd. . . .	100,000.00	225,000.00	185,000.00	140,000.00	2,766.00
Wujiang Yingwang Trading Co., Ltd. . .		21,600.00	21,600.00		472.90
Wujiang Yuantu Trading Co., Ltd. . .		40,250.00	40,250.00		696.66
Wujiang Yonghui Import and Export Co., Ltd.		8,750.00	8,750.00		160.67
Suzhou Yongwen Trading Co., Ltd. . .		27,000.00	27,000.00		602.36
Total	100,000.00	322,600.00	282,600.00	140,000.00	4,698.59

Year 2019

(RMB'0,000)

Related party	Loans as at December 31, 2018	Loans from related parties/Recovery in 2019	Loans to related parties/Recovery in 2019	Loans as at December 31, 2019
Shenghong Petrochemical Group Co., Ltd..		502,500.00	502,500.00	
Shenghong (Suzhou) Group Co., Ltd..		100,000.00		100,000.00
Hongwei (Lianyungang) Fine Chemicals Co., Ltd.	9,955.34		9,955.34	
Shanghai Lianhong International Trade Co., Ltd.		2,860.00	2,860.00	
Total	9,955.34	605,360.00	515,315.34	100,000.00

10.5.6 Other transactions of related parties

(1) According to resolutions made at the 29th meeting of the 8th Board of Directors of the Company held on July 9, 2021 and the *Proposal on Purchase of Assets and Raising of Supporting Funds via Share Issuance and Cash Payment and on Related Transactions* approved upon deliberation at the 4th extraordinary general meeting of shareholders in 2021 held on August 23, 2021, the Company purchased 100% of equity held by Shenghong Petrochemical, Bohong Industrial, CCB Investment and BOC Financial Assets in Sierbang via share issuance and cash payment, and the total transaction consideration was RMB14.36 billion.

The Company issued shares to two counterparties including Shenghong Petrochemical and Bohong Industrial to purchase 85.4546% of equity held by them in Sierbang and raised matching funds. The number of new shares issued was 1,111,528,326 shares with a face value of RMB1 per share. The Company received the Confirmation of Acceptance of Application for Share Registration issued by China Securities Depository and Clearing Corporation Limited, Shenzhen Branch on January 14, 2022, and the registration formalities of newly issued shares for the relevant shares have been completed at China Securities Depository and Clearing Corporation Limited, Shenzhen Branch. These new shares were listed on the Shenzhen Stock Exchange on January 27, 2022.

(2) The Company invested RMB1,108,160,000 to accept the transfer of 33.323% of property shares jointly held by Suzhou Wujiang Chuanglian Equity Investment Management Co., Ltd. (hereinafter referred to as "Chuanglian Investment") and Jiangsu Shengze Investment Co., Ltd. (hereinafter referred to as "Shengze Investment") in Suzhou Yinghong Industrial Investment Fund (Limited Partnership). The above-mentioned related transactions have been adopted upon deliberation at the sixth extraordinary general meeting of shareholders of the Company in 2021 held on September 14, 2021. On September 15, 2021, the Company signed the Agreement on the Transfer of Property Shares of Suzhou Yinghong Industrial Investment Fund (Limited Partnership) with Chuanglian Investment and Shengze Investment. On the same day, Suzhou Yinghong Industrial Investment Fund (Limited Partnership) completed relevant procedures for industrial and commercial registration of changes, and obtained the *Notice of Approval on Change Registration of Partnership* issued by the Administrative Approval Bureau of Wujiang District, Suzhou City.

(3) According to the *Proposal on Transferring the Property of Huiying Building and Related Transactions* adopted upon deliberation at the 15th meeting of the 8th Board of Directors held on September 9, 2020, the Company signed the *Agreement on Property Transfer* ("the Agreement") with Jiangsu Wujiang Silk Group Co., Ltd. According to the Agreement, the Company transferred the property of Huiying Building held by it to Jiangsu Wujiang Silk Group Co., Ltd. at the consideration of RMB291,538,500.00, an assessed market value. Jiangsu Tops Real Estate Asset Appraisal, Planning and Surveying and Mapping Co., Ltd. issued the *Assets Appraisal Report* (STPPZBZ [2020] No. 00027) on June 24, 2020.

(4) According to the Proposal on Accepting the Property Share of Suzhou Yinghong Industrial Investment Fund and Related Transactions adopted upon deliberation at the 16th meeting of the 8th Board of Directors held on October 26, 2020 and the 8th extraordinary general meeting in 2020 held on November 13, 2020, the Company accepted the 66.64% of property share (where the paid-in amount of contribution amounted to RMB2.0 billion) held by Jiangsu Shenghong Technology Co., Ltd. in Suzhou Yinghong Industrial Investment Fund (Limited Partnership) at a consideration of RMB2.0 billion.

(5) On November 20, 2020, Jiangsu Sierbang Petrochemical Co., Ltd. and Suzhou Shenghong Investment Holdings Co., Ltd. signed an agreement on equity transfer, by which the 100% of equity of Sierbang (Shanghai) Supply Chain Management Co., Ltd. was sold at the price of RMB10.00 million.

(6) On December 11, 2019, the Company and Suzhou Silk Capital Network Technology Co., Ltd. (hereinafter referred to as "Silk Capital Network") signed the Agreement on Equity Transfer in Wujiang District, Suzhou City, by which Silk Capital Network acquired the 100% of equity held by the Company in Suzhou Shengze Yunfangcheng E-commerce Co., Ltd. (hereinafter referred to as "Yunfangcheng") in cash. According to the Assets Appraisal Report issued by Jiangsu Jinzhengtong Assets and Real Estate Appraisal Office, all the equities of shareholders of Yunfangcheng were valued at RMB62,811,700.00. The pricing for this transaction was based on the appraisal result given by the assets appraisal report. After the mutual consultation of both parties involved, the profit obtained by Yunfangcheng during the appraisal period was also included in the transfer consideration. The transaction price for the 100% of equity of Yunfangcheng was RMB64,760,800.00. On December 30, 2019, Yunfangcheng obtained the renewed business license.

(7) On April 12, 2019, Jiangsu Shenghong Petrochemical Industry Group Co., Ltd. (hereinafter referred to as "Petrochemical Industry"), a wholly-owned subsidiary of the Company, and Lianyungang Ruitai Investment Co., Ltd. (hereinafter referred to as "Ruitai Investment") signed the Agreement on Equity Acquisition in Wujiang District, Suzhou City, by which Petrochemical Industry acquired the 100% of equity held by Ruitai Investment in Jiangsu Honggang Petrochemical Co., Ltd. (hereinafter referred to as "Honggang Petrochemical") in cash. According to the Assets Appraisal Report given by Shanghai Orient Appraisal Co., Ltd., on the appraisal base date, all the equities of shareholders of Honggang Petrochemical were valued at RMB1,992,185,600.00 by the asset-based approach. The pricing for this transaction was based on the appraisal result given by the assets appraisal report. After the mutual consultation of both parties involved, the transaction price for the 100% of equity of Honggang Petrochemical was RMB1,992,185,600.00. On May 7, 2019, Honggang Petrochemical obtained the renewed business license.

(8) On March 8, 2019, Petrochemical Industry, a wholly-owned subsidiary of the Company, signed the Agreement on Equity Acquisition with Shenghong (Suzhou) Group Co., Ltd. (hereinafter referred to as "Shenghong Suzhou") and Shenghong Petrochemical Group Co., Ltd. (hereinafter referred to as "Shenghong Petrochemical") in Wujiang District, Suzhou City, by which Petrochemical Industry acquired the 100% of equity jointly held by Shenghong Suzhou and Shenghong Petrochemical in Shenghong Refining and Chemical in cash. According to the Assets Appraisal Report given by Shanghai Orient Appraisal Co., Ltd., on the appraisal base date, all the equities of shareholders of Shenghong Refining and Chemical were valued at RMB960,813,200.00 by the asset-based approach. The pricing for this transaction was based on the appraisal result given by the assets appraisal report. As Shenghong Refining and Chemical received the additional capital contribution of RMB50.00 million from shareholders after the auditing date or appraisal base date, after the mutual consultation, both parties involved agreed that the transaction price for the 100% of equity of Shenghong Refining and Chemical should be RMB1,010,813,200.00. On March 26, 2019, Shenghong Refining and Chemical obtained the renewed business license.

(9) On March 1, 2019, Jiangsu Guowang High-tech Fibre Co., Ltd. (hereinafter referred to as "Guowang High-tech"), a wholly-owned subsidiary of the Company, and Jiangsu Shenghong New Material Group Co., Ltd. (hereinafter referred to as "Shenghong New Material") signed the Agreement on Equity Acquisition in Shengze Town, by which Guowang High-tech acquired the 100% of equity held by Shenghong New Material in Suzhou Suzhen Biological Engineering Co., Ltd. (hereinafter referred to as "Suzhen Biological") in cash. According to the Assets Appraisal Report given by Shanghai Orient Appraisal Co., Ltd., on the appraisal base date, all the equities of shareholders of Suzhen Biological were valued at RMB67,999,800.00 by the asset-based approach, and on this basis, the transaction price for the 100% of equity of Suzhen Biological was determined through negotiation to be 67,999,800.00. On March 6, 2019, Suzhen Biological obtained the renewed business license.

(10) On January 24, 2019, the Company signed the Agreement on Equity and Creditor's Right Transfer with Wujiang Jiayu Industrial Development Co., Ltd. (hereinafter referred to as "Jiayu Industrial"), by which the Company transferred the 100% of equity and creditor's right it held in Suzhou Silk Real Estate Co., Ltd. (hereinafter referred to as "Suzhou Silk Real Estate") and the 90% of equity and creditor's right it held in Wujiang Silk Real Estate Co., Ltd. (hereinafter referred to as "Wujiang Silk Real Estate") to Jiayu Industrial. On October 31, 2018, by taking the assessed fair value as the consideration, all the equities of shareholders of Suzhou Silk Real Estate and Wujiang Silk Real Estate were valued at RMB208,321,500.00 and RMB58,731,700.00 respectively, and the equity value corresponding to the 90% of equity of Wujiang Silk Real Estate amounted to RMB52,858,500.00. Thus, the total value corresponding to the aforesaid equities amounted to RMB261,180,100.00. The transfer prices for the creditor's rights respectively enjoyed by the Company in Suzhou Silk Real Estate and Wujiang Silk Real Estate were RMB284,551,100.00 and RMB137,380,800.00. The total transfer price for the aforesaid equities and creditor's rights held by the Company amounted to RMB683,111,900.00. On February 27, 2019, Suzhou Silk Real Estate and Wujiang Silk Real Estate obtained their renewed business license.

(11) On January 31, 2019, the Company and Jiayu Industrial signed the Agreement on Property Transfer, by which the Company transferred 72 shops and 1 cinema possessed by the Company and located at Chunzhisheng Commercial Plaza, No. 38 Guanyin Lane, North of Shengze Town, Wujiang District, Suzhou City to Jiayu Industrial. During the period for the public listing at Suzhou Assets and Equity Exchange, the Company collected 1 potential transferee. According to the announcement on assets and equity exchange, Jiayu Industrial was the final transferee of the transferred object, and the transfer consideration was RMB55.61 million.

10.6 Receivables from and payables to related parties

10.6.1 Receivables

Item	Related party	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
		Book balance	Book balance	Book balance
Accounts receivable				
	Lianyungang Rongtai Petrochemical Storage Co., Ltd.	3,468,912.92	1,471,083.35	1,340,453.03
	Lianyungang Xinrongtai Terminal Co., Ltd.	83,348.14	175,268.31	32,870.66
	Shenghong Group Co., Ltd.	8,461,903.98	5,152,385.48	6,105,843.33
	Wujiang Feixiang Printing and Dyeing Co., Ltd.	1,453,513.86	649,172.09	911,265.19
	Shenghong Petrochemical Group Co., Ltd.	204,341.88	209,699.95	
	Wujiang Oriental Market Supply Chain Service Co., Ltd.	26,755.13		
Sub-total		13,698,775.91	7,657,609.18	8,390,432.21
Other receivables				
	Suzhou Silk Capital Network Technology Co., Ltd.			58,284,720.00
Sub-total				58,284,720.00

10.6.2 Payables

Item	Related party	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Accounts payable				
	Lianyungang Hongyang Thermal Power Co., Ltd.	144,034,078.44	58,988,863.38	202,102,203.50
	Lianyungang Rongtai Petrochemical Storage Co., Ltd.	16,528,913.43	17,208,271.43	10,914,258.11
	Lianyungang Xinrongtai Terminal Co., Ltd.	24,390,133.94	4,869,841.52	7,523,083.80
	Shenghong Group Co., Ltd.		4,568,028.85	11,000,000.00
	Suzhou Suzhen Thermal Power Co., Ltd.	1,213,727.50	49,496.32	400,000.00
	Jiangsu Oriental Inta Security System Co., Ltd.	34,200.00		
	Zhu Hongmei			90,000.00
Sub-total		186,201,053.31	85,684,501.50	232,029,545.41
Notes payable				
	Lianyungang Hongyang Thermal Power Co., Ltd.	27,785,681.00	257,415,568.70	
	Lianyungang Rongtai Petrochemical Storage Co., Ltd.		5,442,582.59	
Sub-total		27,785,681.00	262,858,151.29	
Other payables				
	Jiangsu Shenghong Technology Co., Ltd.		600,000,000.00	
	Yu Xiaofang	15,500.00		
	Shenghong (Suzhou) Group Co., Ltd.			5,000,000.00
	Sub-total	15,500.00	600,000,000.00	5,000,000.00

Item	Related party	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Advances from customers . . .				
	Yu Xiaofang	134,584.18		
	Jiangsu Shengze Oriental Textile City Development Co., Ltd.			175,315.59
	Wujiang Oriental Market Supply Chain Service Co., Ltd.			62,783.85
	Sub-total	134,584.18		238,099.44
Contract liabilities and other current liabilities				
	Wujiang Oriental Market Supply Chain Service Co., Ltd.		29,833.43	
	Jiangsu Jujie Microfibre Group Co., Ltd.		110,561.89	
	Wujiang Rongwei Spray Weaving Factory	720.13	8,682.11	
	Jiangsu Shengze Oriental Textile City Development Co., Ltd.	435,662.40		
	Sub-total	436,382.53	149,077.43	
Long-term payables				
	Jiangsu Shenghong Technology Co., Ltd.	508,055,555.55		
	Shenghong (Suzhou) Group Co., Ltd.	1,200,580,000.00	1,405,775,833.33	1,000,000,000.00
	Sub-total	1,708,635,555.55	1,405,775,833.33	1,000,000,000.00

11 Share-based payment

None.

12 Commitments and contingencies

12.1 Significant commitments

Maximum amount guarantee and guarantee for consortium loans:

Miao Hangen, Zhu Hongmei, their controlled enterprises and other related parties provided the maximum joint liability guarantee of RMB3,964,000,000 for Jiangsu Eastern Shenghong Co., Ltd., the maximum joint liability guarantee of RMB3,449,000,000 for Jiangsu Guowang High-tech Fibre Co., Ltd., and the maximum joint liability guarantee of RMB390,000,000 for Suzhou Shenghong Fiber Co., Ltd. the maximum joint liability guarantee of RMB612,000,000 for Jiangsu Zhonglu Technology Development Co., Ltd., the maximum joint liability guarantee of RMB480,000,000 for Jiangsu Ganghong Fiber Co., Ltd., the maximum joint liability guarantee of RMB330,000,000 for Jiangsu Shenghong Petrochemical Industry Group Co., Ltd. and the maximum joint liability guarantee of RMB3,860,000,000 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, and the maximum joint liability guarantee of RMB3,880,000,000 for Jiangsu Sierbang Petrochemical Co., Ltd.

12.2 Contingencies

Significant contingencies on the balance sheet date

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

As at December 31, 2021, the Company has no any significant contingent liability arising from pending litigation or arbitration.

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

As at December 31, 2021, 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.	25,000.00	2021.8.6	2027.8.11	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. Note	64,900.00	2021.9.10	2037.9.10	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Honggang Petrochemical Co., Ltd.	270,000.00	2019.9.20	2032.9.20	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	3,598,395.56	2020.11.13	2038.11.12	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong (Lianyungang) Refining and Chemical Co., Ltd.	69,488.62	2021.11.8	2025.11.8	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	105,645.68	2021.1.20	2025.12.21	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	50,000.00	2021.8.26	2025.8.26	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	23,999.50	2021.9.22	2025.9.23	No
Jiangsu Eastern Shenghong Co., Ltd.	Guowang Hi-Tech (Suqian) Co., Ltd.	67,000.00	2021.8.23	2031.8.22	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	33,085.35	2021.2.20	2028.12.27	No
Between subsidiaries:					
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Ganghong Fiber Co., Ltd.	5,000.00	2020.09.07	2025.01.03	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Ganghong Fiber Co., Ltd.	33,600.00	2018.01.30	2028.12.25	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Ganghong Fiber Co., Ltd.	40,415.67	2019.01.07	2027.01.08	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Ganghong Fiber Co., Ltd.	22,536.00	2021.06.28	2031.07.06	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.	Suzhou Shenghong Fiber Co., Ltd.	17,518.21	2020.08.25	2024.07.19	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Suzhou Shenghong Fiber Co., Ltd.	23,803.12	2019.12.31	2024.12.18	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Suzhou Shenghong Fiber Co., Ltd.		2021.12.31	2022.12.31	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Zhonglu Technology Development Co., Ltd.	20,000.00	2021.03.05	2025.03.04	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Zhonglu Technology Development Co., Ltd.	15,187.42	2021.03.10	2025.10.26	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	35,180.67	2020.12.22	2024.02.15	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	26,179.03	2021.01.21	2025.2.26	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	30,000.00	2021.6.16	2025.6.15	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Honggang Petrochemical Co., Ltd.	20,000.00	2021.10.28	2022.11.08	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Honggang Petrochemical Co., Ltd.	8,648.70	2021.6.25	2025.6.25	No
Jiangsu Guowang High-tech Fibre Co., Ltd.	Jiangsu Honggang Petrochemical Co., Ltd.		2021.12.30	2022.9.10	No
	Sub-total	**4,605,583.53**			

Note: Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. signed the Pledge Contract of Accounts Receivable of Consortium Loans with Suzhou Branch of China Development Bank, Suzhou Branch of Bank of China and Jiangsu Suzhou Rural Commercial Bank Co., Ltd. in September, 2019. The loan syndicate provided Jiangsu Gas Turbine Thermal Power Co., Ltd. with a total loan of RMB800,000,000. The pledgor, Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd., took the right to charge for electricity and heat sales and other related rights and interests enjoyed by the pledgor after the completion of the Wujiang Shengze 2×100MW gas turbine cogeneration project as the pledge. As of December 31, 2021, the borrowings of Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. actually incurred amounted to RMB649,000,000, and the project has not yet been completed.

12.3 Discontinued operation

12.3.1 Net profits from continued and discontinued operation attributable to owners of the company

Item	Year 2019
Net profit of the continued operation, attributable to owners of the company	2,548,085,484.68
Net profit of discontinued operation, attributable to owners of the company	5,619,728.08

12.3.2 Net profit from discontinued operation

Item	Year 2019
Profit or loss from discontinued operation:	
Revenue	18,409,425.79
Total profits	1,957,447.30
Income tax expenses (Income)	221,236.63
Net profit	1,736,210.67
Profit or loss from disposal of discontinued operation:	
Total disposal profits or losses	2,336,591.17
Income tax expenses	-1,546,926.24
Net disposal profit or loss	3,883,517.41
Total	5,619,728.08

13 Post balance sheet events

13.1 Distribution of profits

According to the proposal on distribution of profits and conversion of capital reserves into share capital in 2021 approved at the 49th meeting of the 8th Board of Directors of the Company held on April 17, 2022, in 2021, the Company intended to, by taking the total share capital on the equity registration date when the distribution plan will be implemented in the future as the distribution base, distribute the cash dividend of RMB1.50 (including tax) for every 10 shares to each shareholder, without the donation of bonus shares and the conversion of reserves into or share capital. Such proposal has been adopted upon deliberation at the annual general meeting of shareholders for 2021 held on May 9, 2022.

13.2 The Issuance of GDRs

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.

14 Notes to main items of the company's financial statements

14.1 Accounts receivable

14.1.1 Disclosure of accounts receivable by aging

Aging	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Within 1 year	85,320,361.88	51,457,987.06	110,148,133.49
1-2 years	13,173.25	42,338.90	555,266.60
2-3 years	39,338.90	555,266.60	14,501.10
Over 3 years	4,054,535.91	3,501,736.16	3,487,235.06
Sub-total	89,427,409.94	55,557,328.72	114,205,136.25
Less: provision for bad debts	7,845,749.46	6,347,974.72	9,205,795.78
Total	81,581,660.48	49,209,354.00	104,999,340.47

14.1.2 Disclosure of accounts receivable by category based on the method for provision for bad debts

As at December 31, 2021

	Book balance		Provision for bad debts		
Category	**Amount**	**Proportion**	**Amount**	**Proportion of provision**	**Book value**
		(%)		*(%)*	
Provision for bad debts accrued on an individual basis					
Provision for bad debts made by portfolio . .	89,427,409.94	100.00	7,845,749.46	8.77	81,581,660.48
Total	89,427,409.94	100.00	7,845,749.46	8.77	81,581,660.48

As at December 31, 2020

	Book balance		Provision for bad debts		
Category	**Amount**	**Proportion**	**Amount**	**Proportion of provision**	**Book value**
		(%)		*(%)*	
Provision for bad debts accrued on an individual basis	554,632.00	1.00	554,632.00	100.00	
Provision for bad debts made by portfolio . . .	55,002,696.72	99.00	5,793,342.72	10.53	49,209,354.00
Total	55,557,328.72	100.00	6,347,974.72	11.43	49,209,354.00

As at December 31, 2019

Category	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision	
		(%)		(%)	
Provision for bad debts accrued on an individual basis	554,632.00	0.49	554,632.00	100.00	
Provision for bad debts made by portfolio . . .	113,650,504.25	99.51	8,651,163.78	7.61	104,999,340.47
Total	114,205,136.25	100.00	9,205,795.78	8.06	104,999,340.47

Provision for bad debts made individually:

Item	As at December 31, 2020			
	Book balance	Provision for bad debts	Proportion of provision	Reason for provision
			(%)	
House rent	554,632.00	554,632.00	100.00	Lawsuit payments are expected to be irrecoverable
Total	554,632.00	554,632.00	100.00	

Name	As at December 31, 2019			
	Book balance	Provision for bad debts	Proportion of provision	Reason for provision
			(%)	
House rent	554,632.00	554,632.00	100.00	Lawsuit payments are expected to be irrecoverable
Total	554,632.00	554,632.00	100.00	

Provision for bad debts made by portfolio:

Provision made on portfolio basis:

Name	As at December 31, 2021 Accounts receivable	As at December 31, 2021 Provision for bad debts	As at December 31, 2021 Proportion of provision	As at December 31, 2020 Accounts receivable	As at December 31, 2020 Provision for bad debts	As at December 31, 2020 Proportion of provision	As at December 31, 2019 Accounts receivable	As at December 31, 2019 Provision for bad debts	As at December 31, 2019 Proportion of provision
			(%)			(%)			(%)
Portfolio of related parties	9,942,172.97			5,801,557.57			7,017,108.52		
Accounts receivable with allowance for bad debts accrued by aging analysis method	79,485,236.97	7,845,749.46	9.87	49,201,139.15	5,793,342.72	11.77	106,633,395.73	8,651,163.78	8.11
Total	89,427,409.94	7,845,749.46	8.77	55,002,696.72	5,793,342.72	10.53	113,650,504.25	8,651,163.78	7.61

14.1.3 Provision, reversal or recovery of provision for bad debts during the reporting period

Category	As at December 31, 2020	Changes in 2021 Provision	Changes in 2021 Recovery or reversal	Changes in 2021 Write-off or charge-off	As at December 31, 2021
Provision for bad debts of accounts receivable	6,347,974.72	1,497,774.74			7,845,749.46
Total	6,347,974.72	1,497,774.74			7,845,749.46

Category	As at December 31, 2019	As at January 1, 2020	Changes in 2020 Provision	Changes in 2020 Recovery or reversal	Changes in 2020 Write-off or charge-off	As at December 31, 2020
Provision for bad debts of accounts receivable	9,205,795.78	9,205,795.78	-2,857,821.06			6,347,974.72
Total	9,205,795.78	9,205,795.78	-2,857,821.06			6,347,974.72

Category	As at December 31, 2018	As at January 1, 2019	Changes in 2019			As at December 31, 2019
			Provision	Recovery or reversal	Write-off or charge-off	
Provision for bad debts of accounts receivable	6,590,020.13	6,590,020.13	2,615,775.65			9,205,795.78
Total	6,590,020.13	6,590,020.13	2,615,775.65			9,205,795.78

14.1.4 Accounts receivable actually charged off during the reporting period

None.

14.1.5 Top 5 of accounts receivable as at December 31, 2020, presented by debtor

	As at December 31, 2021			As at December 31, 2020			As at December 31, 2019		
	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts	Accounts receivable	Proportion in total accounts receivable (%)	Provision for bad debts
The sum amount of the top 5 ending balances	40,193,564.47	44.95	1,586,583.03	28,142,524.36	50.65	1,149,506.96	86,538,926.98	75.77	4,021,654.18

14.1.6 Accounts receivable derecognized due to the transfer of financial assets

None.

14.1.7 Amounts of assets or liabilities arising from transfer of accounts receivable and relevant continuous involvement

None.

14.2 Other receivables

Item	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Other receivables	927,682,975.81	73,808.51	164,245,087.26
Total	927,682,975.81	73,808.51	164,245,087.26

14.2.1 Disclosure of other accounts receivable by aging

Aging	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Within 1 year	927,674,449.70	49,182.32	164,250,219.04
1-2 years		33,856.64	
2-3 years	26,856.64		
Over 3 years	344,129.72	432,199.72	432,199.72
Sub-total	928,045,436.06	515,238.68	164,682,418.76
Less: provision for bad debts	362,460.25	441,430.17	437,331.50
Total	927,682,975.81	73,808.51	164,245,087.26

14.2.2 Provision for bad debts of other receivables

	Stage I	Stage II	Stage III	
Provision for bad debts	12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2020	441,430.17			441,430.17
In 2021, balance as at December 31, 2020				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in 2021	-53,969.92			-53,969.92
Reversal in 2021				
Write-off in 2021				
Charge-off in 2021	25,000.00			25,000.00
Other changes				
Balance as at December 31, 2021	362,460.25			362,460.25

Provision for bad debts	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2019	437,331.50			437,331.50
In 2020, balance as at December 31, 2019				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in 2020	4,098.67			4,098.67
Reversal in 2020				
Write-off in 2020				
Charge-off in 2020				
Other changes				
Balance as at December 31, 2020	441,430.17			441,430.17

Provision for bad debts	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at January 1, 2019	1,361,821.68			1,361,821.68
In 2019, balance as at January 1, 2019				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Provision in 2019	-924,490.18			-924,490.18
Reversal in 2019				
Write-off in 2019				
Charge-off in 2019				
Other changes				
Balance as at December 31, 2019	437,331.50			437,331.50

14.2.3 Changes in the book balance of other receivables:

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2020	515,238.68			515,238.68
In 2021, balance as at December 31, 2020				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increased in 2021	927,530,197.38			927,530,197.38
Derecognized in 2021				
Other changes				
Balance as at December 31, 2021	928,045,436.06			928,045,436.06

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2019	164,682,418.76			164,682,418.76
In 2020, balance as at December 31, 2019				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increase in 2020				
Derecognized in 2020				
Decrease in 2020	164,167,180.08			164,167,180.08
Balance as at December 31, 2020	515,238.68			515,238.68

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at January 1, 2019	3,123,076.05			3,123,076.05
In 2019, balance as at January 1, 2019				
— Transfer to Stage II				
— Transfer to Stage III				
— Reversal from Stage II				
— Reversal from Stage I				
Increased in 2019	161,559,342.71			161,559,342.71
Derecognized in 2019				
Other changes				
Balance as at December 31, 2019	164,682,418.76			164,682,418.76

14.2.4 Provision, reversal or recovery of provision for bad debts during the reporting period

Category	As at December 31, 2020	Changes in 2021 Provision	Recovery or reversal	Write-off or charge-off	As at December 31, 2021
Provision for bad debts of other receivables	441,430.17	-53,969.92		25,000.00	362,460.25
Total	441,430.17	-53,969.92		25,000.00	362,460.25

Category	As at December 31, 2019	Changes in 2020			As at December 31, 2020
		Provision	Recovery or reversal	Write-off or charge-off	
Provision for bad debts of other receivables	437,331.50	4,098.67			441,430.17
Total	437,331.50	4,098.67			441,430.17

Category	As at December 31, 2018	As at January 1, 2019	Changes in 2019			As at December 31, 2019
			Provision	Recovery or reversal	Write-off or charge-off	
Provision for bad debts of other receivables	1,361,821.68	1,361,821.68	-924,490.18			437,331.50
Total	1,361,821.68	1,361,821.68	-924,490.18			437,331.50

14.2.5 Other receivables actually charged off during the reporting period

Item	Year 2021	Year 2020	Year 2019
Other receivables actually charged off	25,000.00		

14.2.6 Classification of other receivables by nature

Nature	Book balance		
	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Advances and current accounts	927,642,123.48	82,621.80	105,955,069.04
Various deposit and security deposit	320,000.00	320,000.00	350,000.00
Petty cash	25,682.86	39,987.16	
Equity transfer fund			58,284,720.00
Others	57,629.72	72,629.72	92,629.72
Total	928,045,436.06	515,238.68	164,682,418.76

14.3 Long-term equity investments

Item	As at December 31, 2021			As at December 31, 2020			As at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	45,999,174,249.61		45,999,174,249.61	23,162,999,999.81		23,162,999,999.81	17,667,999,999.81		17,667,999,999.81
Investments in associates and joint ventures	36,876,188.39		36,876,188.39	22,478,358.11		22,478,358.11	29,309,414.93		29,309,414.93
Total	46,036,050,438.00		46,036,050,438.00	23,185,478,357.92		23,185,478,357.92	17,697,309,414.74		17,697,309,414.74

14.3.1 Investments in subsidiaries

Investee	As at December 31, 2020	Increase in 2021	Decrease in 2021	As at December 31, 2021	Provision for impairment in 2021	Balance of provision for impairment as at December 31, 2021
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.	100,000,000.00	135,000,000.00		235,000,000.00		
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	9,895,000,000.00	3,500,000,000.00		13,395,000,000.00		
Shenghong New Materials (Suqian) Co., Ltd.	315,000,000.00	1,685,000,000.00		2,000,000,000.00		
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		1,000,000.00		
Suzhou Shengze Warehousing Management Co., Ltd.		1,000,000.00		1,000,000.00		
Jiangsu Sierbang Petrochemical Co., Ltd.		11,243,576,695.44		11,243,576,695.44		
Total	23,162,999,999.81	22,836,174,249.80		45,999,174,249.61		

Investee	As at December 31, 2019	Increase in 2020	Decrease in 2020	As at December 31, 2020	Provision for impairment in 2020	Balance of provision for impairment as at December 31, 2020
Jiangsu Guowang High-tech Fibre Co., Ltd.	12,732,999,999.81			12,732,999,999.81		
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	60,000,000.00	60,000,000.00		120,000,000.00		
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	100,000,000.00			100,000,000.00		
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	4,775,000,000.00	5,120,000,000.00		9,895,000,000.00		
Shenghong New Materials (Suqian) Co., Ltd.		315,000,000.00		315,000,000.00		
Total	17,667,999,999.81	5,495,000,000.00		23,162,999,999.81		

Investee	As at December 31, 2018	Increase in 2019	Decrease in 2019	As at December 31, 2019	Provision for impairment in 2019	Balance of provision for impairment as at December 31, 2019
Jiangsu Guowang High-tech Fibre Co., Ltd.	12,732,999,999.81			12,732,999,999.81		
Wujiang Silk Real Estate Co., Ltd.	18,000,000.00		18,000,000.00			
Jiangsu Hengwu Media Co., Ltd.	17,292,300.00		17,292,300.00			
Suzhou Silk Real Estate Co., Ltd.	100,000,000.00		100,000,000.00			
Suzhou Shengze Yunfangcheng E-commerce Co., Ltd.	96,750,913.42		96,750,913.42			
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	60,000,000.00			60,000,000.00		
Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd.	10,000,000.00	90,000,000.00		100,000,000.00		
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.		4,775,000,000.00		4,775,000,000.00		
Total	13,035,043,213.23	4,865,000,000.00	232,043,213.42	17,667,999,999.81		

14.3.2 Investments in associates and joint ventures

Investee	As at December 31, 2020	Increase or decrease in 2021 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	Others	As at December 31, 2021	Balance of provision for impairment as at December 31, 2021
Associate											
Tianjiao Technology Venture Capital Co., Ltd.	22,478,358.11			14,397,830.28						36,876,188.39	
Sub-total	22,478,358.11			14,397,830.28						36,876,188.39	
Total	22,478,358.11			14,397,830.28						36,876,188.39	

Investee	As at December 31, 2019	Increase or decrease in 2020 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	Others	As at December 31, 2020	Balance of provision for impairment as at December 31, 2020
Associate											
Tianjiao Technology Venture Capital Co., Ltd.	24,722,664.82			22,455,688.29			24,699,995.00			22,478,358.11	
Jiangsu Oriental Inta Security System Co., Ltd.	4,586,750.11		4,521,695.61	-65,054.50							
Total	29,309,414.93		4,521,695.61	22,390,633.79			24,699,995.00			22,478,358.11	

Investee	As at December 31, 2018	Increase or decrease in 2019: 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	Others	As at December 31, 2019	Balance of provision for impairment as at December 31, 2019
Associate											
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	16,564,731.20		14,121,098.29	-2,443,632.91							
Tianjiao Technology Venture Capital Co., Ltd.	38,555,526.23		13,333,333.33	4,433,799.92			4,933,328.00			24,722,664.82	
Jiangsu Oriental Inta Security System Co., Ltd.	8,351,014.52		3,520,000.00	-244,264.41						4,586,750.11	
Total	63,471,271.95		30,974,431.62	1,745,902.60			4,933,328.00			29,309,414.93	

14.4 Revenue and cost of sales

Revenue and cost of sales

Item	Year 2021 Revenue	Year 2021 Cost	Year 2020 Revenue	Year 2020 Cost	Year 2019 Revenue	Year 2019 Cost
Primary business	1,162,776,905.67	900,142,766.21	816,346,049.68	485,623,268.59	1,033,426,591.09	600,209,465.10
Other business	5,632,983,361.89	5,550,505,487.76	2,543,572,571.15	2,499,964,610.89	11,522,729.45	7,698,075.17
Total	6,795,760,267.56	6,450,648,253.97	3,359,918,620.83	2,985,587,879.48	1,044,949,320.54	607,907,540.27

14.5 Investment income

Item	Year 2021	Year 2020	Year 2019
Long-term equity investment income calculated under the cost method	2,700,000,000.00		
Long-term equity investment income calculated under the equity method	14,397,830.28	22,390,633.79	1,745,902.60
Investment income from disposal of long-term equity investment		349,846.89	139,843,100.37
Investment income from financial assets held for trading during the holding period	2,735,606.01	2,667,155.47	1,611,689.60
Dividend revenue from other equity instrument investment during the holding period	1,257,381.70	7,387,159.83	2,737,315.17
Investment income from disposal of financial assets	234,674,418.72	-6,533,510.78	24,525,276.77
Interest on inter-bank lending			11,970,096.15
Others			-3,145,395.88
Total	2,953,065,236.71	26,261,285.20	179,287,984.78

15 Supplementary information

15.1 Statement on non-recurring profit or loss

Item	Year 2021	Year 2020	Year 2019	Description
Profit or loss from disposal of non-current assets	1,740,436.70	25,623,958.55	27,439,675.52	
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)	86,742,709.47	119,601,371.53	68,882,717.66	
Capital possession fee included in the current profit or loss and collected from non-financial enterprises			47,709,846.22	
Profit or loss from assets investment or management entrusted to other persons	14,936,683.50	6,899,214.00	16,873,958.06	
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	3,776,983,744.96	526,992,784.23	1,029,672,127.98	
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	-35,127,274.29	17,714,572.63	40,442,422.33	

Item	Year 2021	Year 2020	Year 2019	Description
Other non-operating revenue and expenses than the above-mentioned items	40,754,482.86	19,958,970.65	7,927,831.57	
Other profit or loss conforming to the definition of non-recurring profit or loss		-15,108,383.68		
Sub-total	3,886,030,783.20	701,682,487.91	1,238,948,579.34	
Affected income tax	-18,658,314.09	-9,086,784.41	-34,042,515.43	
Affected non-controlling interests (after tax)	-559,323,457.98	-81,197,749.51	-92,313,364.69	
Total	3,308,049,011.13	611,397,953.99	1,112,592,699.22	

15.2 Rate of return on net assets and earnings per share

	Weighted average rate of return on net assets	Earnings per share *(RMB)*	
Year 2021		**Basic earnings per share**	**Diluted earnings per share**
	(%)		
Net profit attributable to common shareholders of the Company	17.11	0.76	0.73
Net profit attributable to common shareholders of the Company after the deduction of non-recurring profits or losses	6.60	0.26	0.24

	Weighted average rate of return on net assets	Earnings per share *(RMB)*	
Year 2020		**Basic earnings per share**	**Diluted earnings per share**
	(%)		
Net profit attributable to common shareholders of the Company	3.41	0.14	0.14
Net profit attributable to common shareholders of the Company after the deduction of non-recurring profits or losses	0.97	0.04	0.04

	Weighted average rate of return on net assets	Earnings per share *(RMB)*	
Year 2019		**Basic earnings per share**	**Diluted earnings per share**
	(%)		
Net profit attributable to common shareholders of the Company	12.04	0.48	0.48
Net profit attributable to common shareholders of the Company after the deduction of non-recurring profits or losses	10.06	0.34	0.34

Jiangsu Eastern Shenghong Co., Ltd.

(Official Seal)

December 21, 2022

Jiangsu Eastern Shenghong Co., Ltd.

Review Report and Interim Financial Statements

For the Six Months Ended June 30, 2022

Review Report

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

We have reviewed the accompanying interim financial statements for the six months then ended of Jiangsu Eastern Shenghong Co., Ltd. (hereinafter referred to as the "Eastern Shenghong"), which comprise the consolidated and company's balance sheets as at June 30, 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 shareholders' equity for the six months then ended, 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 June 30, 2022 and the consolidated and company's financial performance and cash flows for the six 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 six months ended June 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
As at June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Notes 5*	**June 30, 2022**	**December 31, 2021**
		(Unaudited)	*(Restated, notes 2.23)*
Current Assets:			
Cash at bank and on hand	*5.1*	22,578,276,402.07	13,398,450,538.95
Deposit reservation for balance			
Lending funds			
Financial assets held for trading	*5.2*	146,415,692.00	141,719,671.46
Derivative financial assets			
Notes receivable	*5.3*	189,055,803.80	348,987,413.80
Accounts receivable	*5.4*	1,214,914,017.17	531,097,626.60
Receivable financing	*5.5*	667,804,036.51	77,650,379.06
Advance to suppliers	*5.6*	1,199,264,406.68	738,790,250.32
Premium receivable			
Reinsurances receivable			
Reinsurance contract reserves receivable			
Other receivables	*5.7*	81,915,444.79	92,825,594.30
Purchase of resale financial assets			
Inventories	*5.8*	7,422,796,102.56	6,085,991,650.69
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	*5.9*	963,743,476.13	3,601,776,114.95
Total current assets		34,464,185,381.71	25,017,289,240.13
Non-current assets:			
Loans and advances issued			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	*5.10*	124,180,720.55	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
Investment properties	*5.13*	1,107,716,569.56	1,134,963,721.44
Fixed assets	*5.14*	37,090,677,505.64	31,227,365,482.65
Construction in progress	*5.15*	66,984,460,598.07	59,972,450,211.13
Biological assets			
Oil and gas assets			
Right-of-use assets	*5.16*	1,331,138,220.05	1,092,117,728.00
Intangible assets	*5.17*	3,045,585,237.94	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*	10,569,290.42	20,199,672.88
Deferred tax assets	*5.20*	531,129,737.54	472,404,205.44
Other non-current assets	*5.21*	5,368,287,594.49	8,629,047,411.26
Total non-current assets		116,872,118,788.66	107,026,017,056.08
Total assets		151,336,304,170.37	132,043,306,296.21

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	Notes 5	June 30, 2022	December 31, 2021
		(Unaudited)	(Restated, notes 2.23)
Current liabilities:			
Short-term borrowings	5.22	21,208,888,755.25	11,640,180,358.86
Borrowings from the Central Bank			
Borrowing funds			
Financial liabilities held for trading	5.23	9,209,128.05	3,567,808.37
Derivative financial liabilities			
Notes payable	5.24	5,226,336,441.17	5,792,969,431.39
Accounts payable	5.25	11,900,603,768.18	12,696,217,538.89
Advances from customers	5.26	35,002,505.98	34,444,991.05
Contract liabilities	5.27	930,816,661.41	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	327,033,313.29	534,015,775.82
Taxes payable	5.29	77,813,350.75	177,753,147.32
Other payables	5.30	329,683,621.36	2,582,749,884.22
Handling charges and commissions payable			
Accounts payable reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year	5.31	6,581,191,847.51	5,071,129,222.05
Other current liabilities	5.32	386,253,751.59	368,691,811.04
Total current liabilities		47,012,833,144.54	39,786,131,584.83
Non-current liabilities:			
Provision for insurance contacts			
Long-term borrowings	5.33	62,622,819,263.39	52,373,793,742.68
Bonds payable	5.34	4,039,739,361.17	3,927,567,223.43
Of which: Preferred shares			
Perpetual debt			
Lease liabilities	5.35	1,196,362,548.01	985,281,636.81
Long-term payables	5.36	1,393,795,176.77	2,691,695,545.75
Long-term employee benefits payable			
Provisions			
Deferred income	5.37	2,257,702,796.85	2,254,329,127.92
Deferred tax liabilities	5.20	659,125,513.88	542,445,448.41
Other non-current liabilities	5.38	29,081,197.20	33,269,790.86
Total non-current liabilities		72,198,625,857.27	62,808,382,515.86
Total liabilities		119,211,459,001.81	102,594,514,100.69
Shareholders' equity:			
Share capital	5.39	9,201,635,824.16	8,934,888,229.16
Other equity instruments	5.40	1,218,257,979.85	1,218,368,686.59
Of which: Preferred shares			
Perpetual debt			
Capital reserves	5.41	13,622,678,549.54	10,161,654,344.13
Less: Treasury shares			
Other comprehensive income	5.42	70,651,734.64	61,610,475.56
Special reserve	5.43	9,676,927.21	20,965,757.18
Surplus reserves	5.44	601,569,763.59	601,569,763.59
General risk reserves			
Retained earnings	5.45	7,400,374,461.10	6,656,240,400.59
Total equity attributable to shareholders of the Company		32,124,845,240.09	27,655,297,656.80
Non-controlling interests		-71.53	1,793,494,538.72
Total shareholders' equity		32,124,845,168.56	29,448,792,195.52
Total liabilities and shareholders' equity		151,336,304,170.37	132,043,306,296.21

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
As at June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

Assets	*Note 12*	June 30, 2022	December 31, 2021
		(Unaudited)	*(Restated, notes 2.23)*
Current Assets:			
Cash at bank and on hand		2,917,759,623.77	350,977,071.10
Financial assets held for trading		92,815,692.00	86,357,171.46
Derivative financial assets			
Notes receivable			
Accounts receivable	*12.1*	51,626,506.07	81,581,660.48
Receivable financing		15,553,929.50	11,597,971.23
Advance to suppliers		1,062,817.81	794,484.75
Other receivables	*12.2*	6,493,248,808.48	927,682,975.81
Inventories		51,295,166.63	15,161,894.49
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		23,298,194.27	8,443,065.26
Total current assets		9,646,660,738.53	1,482,596,294.58
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	*12.3*	46,510,407,362.72	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		586,938,314.62	689,393,828.27
Fixed assets		363,922,076.20	378,136,332.02
Construction in progress		20,638,362.14	1,122,908.68
Biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		82,612,569.87	69,907,675.68
Capitalized development costs			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets		158,881,142.74	68,063,800.33
Other non-current assets		605,304.00	1,928,267.00
Total non-current assets		48,307,400,952.29	49,234,829,073.23
Total assets		57,954,061,690.82	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	*Note 12*	June 30, 2022	December 31, 2021
		(Unaudited)	*(Restated, notes 2.23)*
Current liabilities:			
Short-term borrowings		1,623,071,468.79	2,523,513,438.99
Financial liabilities held for trading			3,567,808.37
Derivative financial liabilities			
Notes payable		592,850,000.00	635,850,000.00
Accounts payable		1,159,952,324.02	247,406,837.44
Advances from customers		20,622,467.24	31,132,194.01
Contract liabilities		2,830,121,441.11	28,925,918.19
Employee benefits payable		9,436,158.50	21,757,749.42
Taxes payable		6,191,057.33	5,225,770.93
Other payables		3,953,876,304.87	5,814,246,665.10
Liabilities held for sale			
Non-current liabilities due within one year		2,225,674,276.91	1,625,330,341.78
Other current liabilities		366,837,274.52	3,791,388.68
Total current liabilities		12,788,632,773.29	10,940,748,112.91
Non-current liabilities:			
Long-term borrowings		5,456,900,000.00	1,864,000,000.00
Bonds payable		4,039,739,361.17	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		44,677,878.00	160,430,710.48
Other non-current liabilities		29,081,197.20	33,269,790.86
Total non-current liabilities		9,570,398,436.37	7,185,847,724.77
Total liabilities		22,359,031,209.66	18,126,595,837.68
Shareholders' equity:			
Share capital		6,213,236,116.00	5,946,488,521.00
Other equity instruments		1,218,257,979.85	1,218,368,686.59
Of which: Preferred shares			
Perpetual debt			
Capital reserves		25,184,141,629.03	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		2,258,325,990.79	3,310,159,838.42
Total shareholders' equity		35,595,030,481.16	32,590,829,530.13
Total liabilities and shareholders' equity		57,954,061,690.82	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
For the Six Months Ended June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	Notes 5	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	(Unaudited and unreviewed)
I. Revenue		30,242,102,319.11	26,148,481,749.69
Of which: Revenue	5.46	30,242,102,319.11	26,148,481,749.69
Interest income			
Premiums earned			
Incomes for handling charges and commissions			
II. Cost of sales		28,317,008,714.26	21,961,873,217.38
Of which: Cost of sales	5.46	26,640,455,316.06	20,980,331,354.09
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	96,814,469.57	82,968,887.62
Selling expenses	5.48	91,184,333.22	73,857,140.24
General and administrative expenses	5.49	309,882,671.05	213,701,093.16
Research and development expenses	5.50	240,158,815.37	154,843,421.49
Finance expenses	5.51	938,513,108.99	456,171,320.78
Of which: Interest expenses		924,743,515.29	507,495,384.37
Interest income		82,815,093.69	74,554,896.11
Add: Other income	5.52	61,445,441.71	50,266,623.19
Investment income (loss expressed with "-")	5.53	-4,616,499.86	-97,415,984.39
Of which: Share of net profits of associates and joint ventures		-1,780,321.97	944,370.02
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	-522,395.04	3,279,832.73
Credit impairment losses (loss expressed with "-")	5.55	-38,395,450.43	-19,191,068.65
Assets impairment losses (loss expressed with "-")	5.56	-78,817,755.52	-43,704,250.08
Gains on disposal of assets (loss expressed with "-")	5.57	-7,185,304.56	15,417,935.97
III. Operating profit (loss expressed with "-")		1,857,001,641.15	4,095,261,621.08
Add: Non-operating income	5.58	16,640,905.62	19,573,710.96
Less: Non-operating expenses	5.59	16,418,671.75	6,247,249.64
IV. Total profit (total loss expressed with "-")		1,857,223,875.02	4,108,588,082.40
Less: Income tax expenses	5.60	223,271,202.66	891,458,676.62
V. Net profit (net loss expressed with "-")		1,633,952,672.36	3,217,129,405.78
(I) Classified by continuity of operations			
1. Net profit from continuing operation (net loss expressed with "-")		1,633,952,672.36	3,217,129,405.78
2. Net profit from discontinued operations (net loss expressed with "-")			

Item	Notes 5	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	*(Unaudited and unreviewed)*
(II) Classified by ownership of the equity			
1. Net profit attributable to shareholders of the Company (net loss expressed with "-")		1,636,110,429.11	2,924,575,138.77
2. Net profit attributable to non-controlling interests (net loss expressed with "-")		-2,157,756.75	292,554,267.01
VI. Other comprehensive income, net of tax		9,039,467.30	-2,157,969.55
Other comprehensive income, net of tax, attributable to shareholders of the Company		9,041,259.08	-1,878,116.94
(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		9,041,259.08	-1,878,116.94
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		9,041,259.08	-1,878,116.94
7. Others			
Net after-tax amount of other comprehensive income attributable to non-controlling interests		-1,791.78	-279,852.61
VII. Total comprehensive income		1,642,992,139.66	3,214,971,436.23
Total comprehensive income attributable to the Company's shareholders		1,645,151,688.19	2,922,697,021.83
Total comprehensive income attributable to non-controlling interests		-2,159,548.53	292,274,414.40
VIII. Earnings per share:			
(I) Basic earnings per share (yuan/share)		0.28	0.49
(II) Diluted earnings per share (yuan/share)		0.26	0.46

In case of business combination under common control, net profit realized by the combinee before the combination in the period was RMB______; net profit realized by the combinee in the previous period was RMB______.

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
For the Six Months Ended June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note 12*	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	*(Unaudited and unreviewed)*
I. Revenue	12.4	4,091,000,207.42	2,935,774,345.55
Less: Cost of sale	12.4	3,976,370,526.03	2,749,581,182.32
Taxes and surcharges		20,458,447.13	13,283,458.70
Selling expenses		160,327.32	283,920.78
General and administrative expenses		29,246,165.10	32,555,863.25
Research and development expenses			
Finance expenses		442,124,254.39	164,786,565.32
Of which: interest expenses		439,432,298.14	163,244,572.76
Interest income		11,645,535.87	3,748,780.51
Add: Other income		7,537,675.24	4,567,355.71
Investment income (loss expressed with "-")	12.5	-4,943,462.24	-3,607,695.58
Of which: Share of net profits of associates and joint ventures		55,833.94	2,218,495.30
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 "-")		6,784,665.03	-15,489,440.44
Credit impairment losses (loss expressed with "-")		1,435,029.29	99,048.90
Assets impairment losses (loss expressed with "-")			
Gains on disposal of assets (loss expressed with "-")		64,676.74	
II. Operating profit (loss expressed with "-")		-366,480,928.49	-39,147,376.23
Add: Non-operating income		359,590.94	355,762.01
Less: Non-operating expenses		306,316.37	160,820.23
III. Total profit (total loss expressed with "-")		-366,427,653.92	-38,952,434.45
Less: Income tax expenses		-206,570,174.89	-10,446,147.30
IV. Net profit (net loss expressed with "-")		-159,857,479.03	-28,506,287.15
(I) Net profit from continuing operation (net loss expressed with "-")		-159,857,479.03	-28,506,287.15
(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 impairment of other debt investments			

Item	*Note 12*	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	*(Unaudited and unreviewed)*
5. Cash flow hedge reserve			
6. Translation differences of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		-159,857,479.03	-28,506,287.15
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
For the Six Months Ended June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	*Notes 5*	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	*(Unaudited and unreviewed)*
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		31,238,406,272.40	27,626,931,414.26
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		4,555,487,259.76	308,950,526.34
Cash received relating to other operating activities	*5.61*	5,406,660,972.87	2,753,659,315.47
Sub-total of cash inflows from operating activities		41,200,554,505.03	30,689,541,256.07
Cash paid for goods and services		27,972,928,601.58	20,136,621,813.07
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		1,357,090,041.21	1,035,866,584.38
Payments of taxes and surcharges		656,228,724.88	1,002,985,480.03
Cash paid relating to other operating activities	*5.61*	5,104,548,902.95	5,101,551,700.95
Sub-total of cash outflows from operating activities		35,090,796,270.62	27,277,025,578.43
Net cash flows from operating activities		6,109,758,234.41	3,412,515,677.64
II. Cash flows from investing activities			
Cash received from disposal of investments		294,113.99	630,201,865.16
Cash received from returns on investments		51,392,192.00	6,547,233.60
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,364,090.26	113,133,518.40

Item	Notes 5	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	(Unaudited and unreviewed)
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities	5.61	2,213,042,532.18	395,068,826.99
Subtotal of cash inflows from investing activities		2,269,092,928.43	1,144,951,444.15
Cash paid to acquire fixed assets, intangible assets and other long-term assets		13,431,416,921.78	17,284,094,468.39
Cash paid to acquire investments		2,109,119,033.15	1,772,425,245.92
Net increase in pledge loans			
Net cash paid for the acquisition of subsidiaries and other business units			
Cash payments relating to other investing activities	5.61	3,538,028,939.70	
Sub-total of cash outflows from investing activities		19,078,564,894.63	19,056,519,714.31
Net cash flows from the investing activities		-16,809,471,966.20	-17,911,568,270.16
III. Cash flows from financing activities			
Cash received from capital contributions			4,077,798,690.97
Of which: Cash received from capital contributions by non-controlling interests of subsidiaries			
Cash received from borrowings		32,908,800,745.46	34,099,399,726.69
Cash received relating to other financing activities	5.61	3,004,900,000.00	1,870,000,000.00
Subtotal of cash inflows from financing activities		39,991,499,436.43	35,969,399,726.69
Cash repayments for borrowings		12,302,570,901.34	7,821,464,286.97
Cash payments for distribution of dividends, profits or interest expenses		2,871,698,367.43	2,332,352,445.03
Of which: Share dividends and profits paid to non-controlling interests of subsidiaries			96,000,000.00
Cash payments relating to other financing activities	5.61	6,005,517,114.65	2,147,355,071.43
Sub-total of cash outflows from financing activities		21,179,786,383.42	12,301,171,803.43
Net cash flows from financing activities		18,811,713,053.01	23,668,227,923.26
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		32,381,829.52	-29,663,210.35
V. Net increase in cash and cash equivalents		8,144,381,150.74	9,139,512,120.39
Add: Beginning balance of cash and cash equivalents		9,676,501,747.74	15,931,142,588.10
VI. Ending balance of cash and cash equivalents		17,820,882,898.48	25,070,654,708.49

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
For the Six Months Ended June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

Item	*Note 12*	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	*(Unaudited and unreviewed)*
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		8,954,772,044.29	3,238,012,041.09
Refunds of taxes and surcharges			
Cash received relating to other operating activities		79,428,780,762.42	4,038,209,525.10
Sub-total of cash inflows from operating activities		88,383,552,806.71	7,276,221,566.19
Cash paid for goods and services		4,441,797,643.61	2,591,391,512.84
Cash paid to and on behalf of employees		61,270,071.67	58,780,100.05
Payments of taxes and surcharges		33,998,413.68	74,056,286.85
Cash paid relating to other operating activities		84,883,337,447.17	3,679,996,593.65
Sub-total of cash outflows from operating activities		89,420,403,576.13	6,404,224,493.39
Net cash flows from operating activities		-1,036,850,769.42	871,997,072.80
II. Cash flows from investing activities			
Cash received from disposal of investments		1,244,987,647.14	1,270,588.24
Cash received from returns on investments		209,070,970.86	2,190,784.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		542,752.00	320,522.00
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		1,454,601,370.00	3,781,894.44
Cash paid to acquire fixed assets, intangible assets and other long-term assets		36,028,167.20	13,705,232.86
Cash paid to acquire investments		2,518,727,200.00	4,285,000,000.00
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		2,554,755,367.20	4,298,705,232.86
Net cash flows from the investing activities		-1,100,153,997.20	-4,294,923,338.42
III. Cash flows from financing activities			
Cash received from capital contributions		4,077,798,690.97	
Cash received from borrowings		7,868,000,000.00	5,471,842,496.00
Cash received relating to other financing activities		1,800,000,000.00	1,700,000,000.00
Sub-total of cash inflows from financing activities		13,745,798,690.97	7,171,842,496.00
Cash payments for borrowings		4,958,031,070.00	886,288,311.63
Cash payments for distribution of dividends, profits or interest expenses		1,180,695,084.87	554,521,665.18
Cash payments relating to other financing activities		3,015,005,572.00	1,700,000,000.00
Sub-total of cash outflows from financing activities		9,153,731,726.87	3,140,809,976.81
Net cash flows from financing activities		4,592,066,964.10	4,031,032,519.19
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		221.72	-32.37
V. Net increase in cash and cash equivalents		2,455,062,419.20	608,106,221.20
Add: Beginning balance of cash and cash equivalents		204,710,085.27	287,339,525.05

Item	Note 12	For the six months ended June 30, 2022	For the six months ended June 30, 2021
		(Unaudited)	*(Unaudited and unreviewed)*
VI. Ending balance of cash and cash equivalents		2,659,772,504.47	895,445,746.25

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
For the Six Months Ended June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

For the six months ended June 30, 2022 (Unaudited)

Item	Equity attributable to shareholders of the Company												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total		
		Preferred shares	Perpetual debt	Others										
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											40,763,117.46	40,763,117.46		40,763,117.46
Correction of prior errors														
Business combination under common control														
Others														
II. Balance as at the beginning of the current 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		6,656,240,400.59	27,655,297,656.80	1,793,494,538.72	29,448,792,195.52
III. Movement for the period (decrease expressed with "-")	266,747,595.00			-110,706.74	3,461,024,205.41		9,041,259.08	-11,288,829.97			744,134,060.51	4,469,547,583.29	-1,793,494,610.25	2,676,052,973.04
(I) Total comprehensive income							9,041,259.08				1,636,110,429.11	1,645,151,688.19	-2,159,548.53	1,642,992,139.66
(II) Capital contribution and reduction by shareholders	266,747,595.00			-110,706.74	3,789,397,910.40							4,056,034,798.66	-2,116,819,093.21	1,939,215,705.45
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	33,486.00			-110,706.74	439,285.13							362,064.39		362,064.39
3. Amount recorded in shareholders' equity arising from share-based payment arrangements														
4. Others														
(III) Distribution of profits											-891,976,368.60	-891,976,368.60		-891,976,368.60
1. Appropriation to surplus reserves														
2. Appropriation to common risk provision														
3. Distribution to shareholders											-891,976,368.60	-891,976,368.60		-891,976,368.60
4. 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														

For the six months ended June 30, 2022 (Unaudited)

Item	Equity attributable to shareholders of the Company												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total		
		Preferred shares	Perpetual debt	Others										
5. Other comprehensive income carried forward to retained earnings														
6. Others														
(V) Special reserves								-11,288,829.97				-11,288,829.97		-11,288,829.97
1. Accrual in the period								37,327,984.04				37,327,984.04		37,327,984.04
2. Use in the period								48,616,814.01				48,616,814.01		48,616,814.01
(VI) Others					-328,373,704.99							-328,373,704.99	325,484,031.49	-2,889,673.50
IV. Balance as at the end of this period	9,201,635,824.16			1,218,257,979.85	13,622,678,549.54		70,651,734.64	9,676,927.21	601,569,763.59		7,400,374,461.10	32,124,845,240.09	-71.53	32,124,845,168.56

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

Legal Representative: Chief Accountant: Chief Finance Officer:

For the six months ended June 30, 2021 (Unaudited and unreviewed)

Item	Equity attributable to shareholders of the Company												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total		
		Preferred shares	Perpetual debt	Others										
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	17,545,469,389.50	5,002,390,105.22	22,547,859,494.72
Add: Changes in accounting policies														
Correction of prior errors														
Business combination under common control					5,757,601,451.98			2,238,508.94			733,642,052.15	6,493,482,013.07	1,105,268,683.87	7,598,750,696.94
Others														
II. Balance as at the beginning of the current year	7,823,263,574.16				13,026,663,948.36		141,511,143.47	36,537,457.57	371,183,266.63		2,639,792,012.38	24,038,951,402.57	6,107,658,789.09	30,146,610,191.66
III. Movement for the period (decrease expressed with "-")				1,218,673,725.75	-4,216,667.38		-1,878,116.94	-2,422,856.46			2,441,088,752.17	3,651,244,837.14	200,585,054.95	3,851,829,892.09
(I) Total comprehensive income							-1,878,116.94				2,924,575,138.77	2,922,697,021.83		2,922,697,021.83
(II) Capital contribution and reduction by shareholders				1,218,673,725.75								1,218,673,725.75		1,218,673,725.75
1. Common share capital contribution by shareholders														
2. Capital contribution by the holders of other equity instruments				1,218,673,725.75								1,218,673,725.75		1,218,673,725.75
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		-483,486,386.60
1. Appropriation to surplus reserves														
2. Appropriation to common risk provision														
3. Distribution to shareholders											-483,486,386.60	-483,486,386.60		-483,486,386.60
4. 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 reserves								-2,422,856.46				-2,422,856.46		-2,422,856.46
1. Accrual in the period								7,790,368.68				7,790,368.68		7,790,368.68
2. Use in the period								10,213,225.14				10,213,225.14		10,213,225.14

	For the six months ended June 30, 2021 (Unaudited and unreviewed)													
	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
(VI) Others					-4,216,667.38							-4,216,667.38	200,585,054.95	196,368,387.57
IV. Balance as at the end of this period	7,823,263,574.16			1,218,673,725.75	13,022,447,280.98		139,633,026.53	34,114,601.11	371,183,266.63		5,080,880,764.55	27,690,196,239.71	6,308,243,844.04	33,998,440,083.75

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
For the Six Months Ended June 30, 2022
(All amounts in RMB Yuan unless otherwise stated)

	For the six months ended June 30, 2022 (Unaudited)										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
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 "-")	266,747,595.00			-110,706.74	3,789,397,910.40					-1,051,833,847.63	3,004,200,951.03
(I) Total comprehensive income										-159,857,479.03	-159,857,479.03
(II) Capital contribution and reduction by shareholders	266,747,595.00			-110,706.74	3,789,397,910.40						4,056,034,798.66
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	33,486.00			-110,706.74	439,285.13						362,064.39
3. Amount recorded in shareholders' equity arising from share-based payment arrangements											
4. Others											
(III) Distribution of profits										-891,976,368.60	-891,976,368.60
1. Appropriation to surplus reserves											
2. Distribution to shareholders										-891,976,368.60	-891,976,368.60
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											
4. Transfer remeasurements of defined benefit obligation to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Accrual in the period											
2. Use in the period											
(VI) Others											
IV. Balance as at the end of this period	6,213,236,116.00			1,218,257,979.85	25,184,141,629.03		68,171,865.00		652,896,900.49	2,258,325,990.79	35,595,030,481.16

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

Legal Representative: Chief Accountant: Chief Finance Officer:

For the six months ended June 30, 2021 (Unaudited and unreviewed)

Item	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual debt	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total shareholders' equity
I. Balance as at the end of the last year	4,834,863,866.00				13,350,132,175.35		145,095,885.00		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		145,095,885.00		363,567,531.87	1,189,681,907.40	19,883,341,365.62
III. Movement for the period (decrease expressed with "-")				1,218,673,725.75						-511,992,673.75	706,681,052.00
(I) Total comprehensive income										-28,506,287.15	-28,506,287.15
(II) Capital contribution and reduction by shareholders				1,218,673,725.75							1,218,673,725.75
1. Common share capital contribution by shareholders											
2. Capital contribution by the holders of other equity instruments				1,218,673,725.75							1,218,673,725.75
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											
4. Transfer remeasurements of defined benefit obligation to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(V) Special reserves											
1. Accrual in the period											
2. Use in the period											
(VI) Others											
IV. Balance as at the end of this period	4,834,863,866.00			1,218,673,725.75	13,350,132,175.35		145,095,885.00		363,567,531.87	677,689,233.65	20,590,022,417.62

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 Six Months Ended June 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 June 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 June 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.
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership)
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.
Jiangsu Honggang Petrochemical Co., Ltd.
Lianyungang Guanghong 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.

Names
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.

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 six months ended 30 June 2022 (the "Interim Financial Statements") comprise the consolidated and company's balance sheets as at 30 June 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 six 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 six months ended 30 June 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.

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:

Content of and reason for changes in accounting policies	Affected items in the financial statements	June 30, 2022/ For the six months ended June 30, 2022	December 31, 2021 /2021
Interpretation of Accounting Standards for Business Enterprises No. 15.	Fixed assets	42,081,006.41	42,081,006.41
	Accumulated depreciation	2,271,462.86	1,317,888.95
	Retained earnings	39,809,543.55	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 June 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 1 January 1, 2022 to 30 June 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 <u>General method of disposal</u>

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	

(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	

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 valuated 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

The applicable accounting policies as of January 1, 2020

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 year 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; and

(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 rate
		(year)	*(%)*	*(%)*
Buildings and constructions . . .	Straight-line method	20~45	3-5	2.11~4.85
Machinery equipment	Straight-line depreciation	3~20	3-5	4.75~32.33
Transportation facilities	Straight-line depreciation	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

Item	**Estimated useful life**	**Basis**
	(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

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; and

(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

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:

① The customer obtains and consumes the economic benefits brought by the Company's performance while the Company is performing the contract.

② The customer can control the commodities under construction during the Company's performance.

③ 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:

① 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.

② The Company has transferred the legal title to the commodity to the customer, i.e. the customer has the legal title to the commodity.

③ The Company has transferred the physical commodity to the customer, i.e. the customer has taken physical possession of the commodity.

④ 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 new chemical materials: a. domestic sales: according to the sales contract and sales order, revenue is recognized when the goods are picked up from the plant, and when the goods are delivered to the customer; b. foreign sales: revenue is recognized when the goods are shipped out of the country; the export customs clearance procedures are completed and the customs declaration documents are obtained.

(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 in installments. When the monthly leasing services are completed, the Company recognizes the lease revenue by amortizing it evenly according to 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:

1. Where such cost is directly related to a current or expected contract.

2. Where such cost increases the resources of the Company for fulfilling its performance obligations in the future.

3. 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; or

(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 disclose 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	Tax basis	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 paid-in turnover tax	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: The corporate income tax rates paid by each entity within the scope of business combination are as follows:

Name	Income tax rate
Jiangsu Eastern Shenghong Co., Ltd.	25%
Jiangsu Sierbang Petrochemical Co., Ltd.	Note 3
Jiangsu Guowang High-tech Fibre Co., Ltd.	Note 4
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	Note 5
Shenghong New Materials (Suqian) Co., Ltd.	Note 6
Jiangsu Shengze Dongfang Hengchuang Energy Co., Ltd.	Note 7
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%
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership)	25%
Jiangsu Shenghong Energy and Chemical New Materials Co., Ltd.	Note 8
Shenghong (Shanghai) New Material Technology Co., Ltd.	25%
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.	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 Guowang High-tech Fibre Co., Ltd. are as follows:

Name	Income tax rate
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%

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 Guanghong 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 Shenghong New Materials (Suqian) Co., Ltd. are as follows:

Name	Income tax rate
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 7: 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 8: 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%

4.2 Tax preference

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%.

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 June 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.

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. 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 June 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.

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%.

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%.

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 in 2021, 2022 and 2023.

5. Notes to main items of the consolidated financial statements

5.1 Cash at bank and on hand

Item	June 30, 2022	December 31, 2021
Cash on hand	126,787.99	100,907.36
Bank deposit	18,934,428,863.01	10,730,471,449.11
Other cash at bank and on hand	3,643,153,349.42	2,667,536,122.35
Interest on outstanding time deposits	567,401.65	342,060.13
Total	22,578,276,402.07	13,398,450,538.95
Of which: Total amount deposited abroad	109,869,364.57	108,555,051.56

Item	June 30, 2022	December 31, 2021
Bank acceptance bills deposit	2,787,581,458.80	1,656,234,434.52
Letters of credit deposit	433,078,769.45	754,539,709.73
Loan deposit	50,000,000.00	119,900,000.00
Time deposit or call deposit used for guarantee	1,471,421,000.00	1,153,120,625.00
Others	15,312,275.34	38,154,021.96
Total	4,757,393,503.59	3,721,948,791.21

5.2 Financial assets held for trading

Item	June 30, 2022	December 31, 2021
Financial assets measured at fair value through current profit or loss	146,415,692.00	141,719,671.46
Of which: Investment in equity instruments	90,415,788.60	86,338,213.82
Derivative financial assets	2,399,903.40	1,781,457.64
Bank wealth management and trust products	53,600,000.00	53,600,000.00
Total	146,415,692.00	141,719,671.46

5.3 Notes receivable

5.3.1 Notes receivable by classification

Item	June 30, 2022	December 31, 2021
Bank acceptance bills	189,055,803.80	348,987,413.80
Total	189,055,803.80	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

Aging	June 30, 2022	December 31, 2021
Within 1 year	1,277,027,446.78	558,297,383.24
1-2 years	5,825.87	13,173.25
2-3 years	17,471.15	39,338.90
Over 3 years	4,085,830.23	4,054,535.91
Sub-total	1,281,136,574.03	562,404,431.30
Less: Provision for bad debts	66,222,556.86	31,306,804.70
Total	1,214,914,017.17	531,097,626.60

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

Type	June 30, 2022					December 31, 2021				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
	Amount	Ratio	Amount	Provision ratio	Book value	Amount	Ratio	Amount	Provision ratio	Book value
		(%)		(%)			(%)		(%)	
Provision for bad debts accrued on an individual basis										
Provision for bad debts made by portfolio	1,281,136,574.03	100.00	66,222,556.86	5.17	1,214,914,017.17	562,404,431.30	100.00	31,306,804.70	5.57	531,097,626.60
Total	1,281,136,574.03	100.00	66,222,556.86	5.17	1,214,914,017.17	562,404,431.30	100.00	31,306,804.70	5.57	531,097,626.60

Provision for bad debts made by portfolio:

Provision made on portfolio basis:

Name	June 30, 2022		
	Accounts receivable	Provision for bad debts	Provision ratio
			(%)
Portfolio of related parties	8,705,011.14		
Accounts receivable with allowance for bad debts accrued by aging analysis method	1,272,431,562.89	66,222,556.86	5.20%
Total	1,281,136,574.03	66,222,556.86	5.17%

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

Type	December 31, 2021	Change in this period				June 30, 2022
		Provision	Recovery or reversal	Resale or write-off	Others	
Provision for bad debts of accounts receivable	31,306,804.70	34,932,116.36			-16,364.20	66,222,556.86
Total.	31,306,804.70	34,932,116.36			-16,364.20	66,222,556.86

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

5.5 Receivable financing

Item	June 30, 2022	December 31, 2021
Notes receivable	667,804,036.51	77,650,379.06
Total	667,804,036.51	77,650,379.06

5.6 Advance to suppliers

Presentation by aging

Aging	June 30, 2022 Amount	Ratio	December 31, 2021 Amount	Ratio
		(%)		*(%)*
Within 1 year	1,183,071,010.27	98.65	727,788,655.90	98.51
Over 1 years	16,193,396.41	1.35	11,001,594.42	1.49
Total	1,199,264,406.68	100.00	738,790,250.32	100.00

5.7 Other receivables

Item	June 30, 2022	December 31, 2021
Other receivables	81,915,444.79	92,825,594.30
Total	81,915,444.79	92,825,594.30

5.7.1 Other receivables by aging

Aging	June 30, 2022	December 31, 2021
Within 1 year	71,066,266.95	83,375,280.55
1-2 years	10,892,765.56	16,724,286.87
2-3 years	11,439,587.19	479,296.64
Over 3 years	2,586,813.08	2,658,848.94
Sub-total	95,985,432.78	103,237,713.00
Less: Provision for bad debts	14,069,987.99	10,412,118.70
Total	81,915,444.79	92,825,594.30

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

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2021	103,237,713.00			103,237,713.00
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	-7,252,280.22			-7,252,280.22
Derecognition in this period				
Other changes				
Balance as at June 30, 2022	95,985,432.78			95,985,432.78

5.7.3 Provision for bad debts for other receivable

Provision for bad debts	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
Balance as at December 31, 2021	10,412,118.70			10,412,118.70
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	3,463,334.07			3,463,334.07
Reversal in this period				
Charge-off in this period				
Write-off in this period				
Other changes	194,535.22			194,535.22
Balance as at June 30, 2022	14,069,987.99			14,069,987.99

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

Type	December 31, 2021	Change in this period Provision	Recovery or reversal	Charge-off or write-off	Other changes	June 30, 2022
Provision for bad debts of other receivables	10,412,118.70	3,463,334.07			194,535.22	14,069,987.99
Total	10,412,118.70	3,463,334.07			194,535.22	14,069,987.99

5.7.5 Actual charged-off of other receivables in this period

None.

5.7.6 Other receivables by nature

Nature of payment	Book balance as at June 30, 2022	Book balance as at December 31, 2021
Advances	20,063,868.74	19,438,584.69
Various deposits and security deposits	70,355,852.58	81,101,743.74
Petty cash	1,772,997.02	886,931.03
Others	3,792,714.44	1,810,453.54
Total	95,985,432.78	103,237,713.00

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 related parties in the ending balance are detailed in Note 8.6

5.8 *Inventories*

5.8.1 *Classification of inventories*

	June 30, 2022			December 31, 2021		
Item	Book balance	Provision for inventory depreciation reserve/provision for impairment of contract performance costs	Book value	Book balance	Provision for inventory depreciation reserve/provision for impairment of contract performance costs	Book value
Raw materials	2,841,539,739.33	17,469,400.57	2,824,070,338.76	3,247,245,125.74	15,312,686.19	3,231,932,439.55
Materials in transit	62,782,651.80	62,782,651.80	180,140,146.31	180,140,146.31		
Goods in progress	255,378,772.02	1,573,860.30	253,804,911.72	236,442,390.13	8,283,173.87	228,159,216.26
Merchandise inventories	4,314,584,348.68	32,446,148.40	4,282,138,200.28	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	7,474,285,511.83	51,489,409.27	7,422,796,102.56	6,213,314,950.85	127,323,300.16	6,085,991,650.69

5.8.2 *Provision for inventory depreciation reserve and provision for impairment of contract performance costs*

		Increase in the current period		Decrease in the current period		
Item	December 31, 2021	Provision	Others	Reversal or write-off	Others	June 30, 2022
Raw materials	15,312,686.19	17,469,400.57		15,312,686.19		17,469,400.57
Goods in progress	8,283,173.87	1,573,860.30	8,283,173.87	1,573,860.30		
Merchandise inventories	102,688,828.20	59,774,494.65	130,017,174.45	32,446,148.40		
Goods dispatched	1,038,611.90			1,038,611.90		
Total	127,323,300.16	78,817,755.52		154,651,646.41		51,489,409.27

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 5.63

5.9 Other current assets

Item	June 30, 2022	December 31, 2021
Input VAT retained for future offsetting	504,195,317.22	3,201,420,491.80
Uncertified input tax	54,118,762.16	104,969,343.08
Prepayment of income tax and other taxes	405,429,396.75	295,386,280.07
Total	963,743,476.13	3,601,776,114.95

5.10 Long-term equity investments

		Increase/decrease in this period									
Investee	**December 31, 2021**	**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**	**June 30, 2022**	**Balance of provision for impairment as at the end of the period**
Associates											
Jiangsu Xinshijie Advanced Functional Fiber Innovation Center Co., Ltd.	48,930,309.54			-1,985,991.25						46,944,318.29	
Tianjiao Technology Venture Capital Co., Ltd.	36,876,188.39			55,833.94			14,000,000.00			22,932,022.33	
Suzhou Wujiang CNPC Kunlun Gas Co., Ltd.	54,154,544.59			149,835.34						54,304,379.93	
Total	139,961,042.52			-1,780,321.97			14,000,000.00			124,180,720.55	

5.11 Investment in other equity instruments

5.11.1 Investment in other equity instruments

Item	June 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 from For the six months ended June 30, 2022	Cumulative changes in fair value	Amounts transferred from other comprehensive income to retained earnings	Reasons designated as being 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	June 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 property

5.13.1 Investment properties measured under cost model

Item	Buildings and constructions	Land use rights	Total
1. Original book value			
(1) As at December 31, 2021	1,122,989,942.95	516,874,566.26	1,639,864,509.21
(2) Increase in this period			
— Outsourcing			
— Transfer-in of inventories, fixed assets and construction in progress			
— Increase due to business combination			
(3) Decrease in this period			
— Disposal			
(4) As at June 30, 2022	1,122,989,942.95	516,874,566.26	1,639,864,509.21
2. Accumulated depreciation and accumulated amortization			
(1) As at December 31, 2021	346,344,577.54	158,556,210.23	504,900,787.77
(2) Increase in this period	19,292,163.67	7,954,988.21	27,247,151.88
— Provision or amortization	19,292,163.67	7,954,988.21	27,247,151.88
(3) Decrease in this period			
— Disposal			
(4) As at June 30, 2022	365,636,741.21	166,511,198.44	532,147,939.65

Item	Buildings and constructions	Land use rights	Total
3. Provisions for impairment			
(1) As at December 31, 2021			
(2) Increase in this period			
— Provision			
(3) Decrease in this period.			
— Disposal			
(4) As at June 30, 2022.			
4. Book value			
(1) Book value as at June 30, 2022. . .	757,353,201.74	350,363,367.82	1,107,716,569.56
(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	Reason for pending certificate of title
A small number of business premises in Dongfang Market, Shengze Town	6,710,165.14	In the process of negotiation

5.14 Fixed assets

5.14.1 Fixed assets and disposal of fixed assets

Item	June 30, 2022	December 31, 2021
Fixed assets	37,090,677,505.64	31,227,365,482.65
Total	37,090,677,505.64	31,227,365,482.65

5.14.2 Fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation facilities	Office equipment and other facilities	Total
1. Original book value					
(1) As at December 31, 2021	11,899,132,524.14	29,316,005,720.57	102,879,851.61	1,019,423,906.39	42,337,442,002.71
(2) Changes in accounting policies	5,791,578.39	36,289,428.02			42,081,006.41
(3) As at December 31, 2021 (after change in accounting policy)	11,904,924,102.53	29,352,295,148.59	102,879,851.61	1,019,423,906.39	42,379,523,009.12
(4) Increase in this period	1,392,326,935.97	5,151,869,959.19	6,434,634.39	441,452,070.36	6,992,083,599.91
— Purchase	64,836,491.95	86,947,594.79	5,814,199.85	26,785,917.04	184,384,203.63
— Transfer from construction in progress	1,327,490,444.02	5,064,922,364.40	620,434.54	414,462,740.75	6,807,495,983.71
— Increase due to business combination					
— Others				203,412.57	203,412.57
(5) Decrease in this period	3,079,841.35	86,381,496.20	2,413,345.54	1,781,939.45	93,656,622.54
— Disposal or scrapping	3,079,841.35	86,381,496.20	2,413,345.54	1,781,939.45	93,656,622.54
— Others					
(6) As at June 30, 2022	13,294,171,197.15	34,417,783,611.58	106,901,140.46	1,459,094,037.30	49,277,949,986.49
2. Accumulated depreciation					
(1) As at December 31, 2021	1,938,438,126.64	8,244,148,052.29	46,604,874.66	580,679,847.70	10,809,870,901.29
(2) Changes in accounting policies	122,266.65	1,195,622.30	1,317,888.95		
(3) As at December 31, 2021 (after change in accounting policy)	1,938,560,393.29	8,245,343,674.59	46,604,874.66	580,679,847.70	10,811,188,790.24
(4) Increase in this period	201,747,818.08	814,544,367.72	7,426,006.89	63,316,239.43	1,087,034,432.12
— Provision	201,747,818.08	814,544,367.72	7,426,006.89	63,226,512.05	1,086,944,704.74
— Others				89,727.38	89,727.38
(5) Decrease in this period	494.78	49,158,228.73	2,290,643.45	470,110.78	51,919,477.74
— Disposal or scrapping	494.78	49,158,228.73	2,290,643.45	470,110.78	51,919,477.74
(6) As at June 30, 2022	2,140,307,716.59	9,010,729,813.58	51,740,238.10	643,525,976.35	11,846,303,744.62
3. Provisions for impairment					
(1) 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) As at June 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 June 30, 2022	11,123,888,933.57	25,096,191,678.49	55,062,754.42	815,534,139.16	37,090,677,505.64
(2) Book value as at December 31, 2021	9,930,719,850.51	20,760,995,548.77	56,176,829.01	438,710,136.90	31,186,602,365.19
(3) Book value as at December 31, 2021 (restated)	9,936,389,162.25	20,796,089,354.49	56,176,829.01	438,710,136.90	31,227,365,482.65

5.14.3 Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Buildings and constructions	28,585,764.50	17,444,901.43		11,140,863.07	
Total	28,585,764.50	17,444,901.43		11,140,863.07	

5.14.4 Fixed assets leased out through operating lease

Item	Book value as at the end of period
Machinery equipment	1,409,298.55
Office equipment and other facilities	1,178,543.33
Total	2,587,841.88

5.14.5 Fixed assets without certificate of title

Item	Book value	Reason for failure to properly handle the certificates of title
Buildings and constructions	764,690,645.82	In process

5.14.6 See Note 5.63 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

Item	June 30, 2022	December 31, 2021
Construction in progress	64,102,512,376.63	56,844,804,505.00
Project materials	2,881,948,221.44	3,127,645,706.13
Total	66,984,460,598.07	59,972,450,211.13

5.15.2 Construction in progress

Item	June 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	57,208,767,366.14		57,208,767,366.14	45,954,806,607.33		45,954,806,607.33
Shenghong Refining and Chemical 2# glycol + phenol/acetone project	2,454,746,647.22		2,454,746,647.22	2,373,456,132.61		2,373,456,132.61
Shengze Gas Turbine Cogeneration Project	621,928,099.47		621,928,099.47	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	123,612,209.37		123,612,209.37	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)	652,157,899.48		652,157,899.48	403,612,944.47		403,612,944.47
Super-simulation Functional Fiber Project with Annual Output of 500,000 Tons — Phase I	1,641,768,544.64		1,641,768,544.64	891,993,734.68		891,993,734.68
Propane Industry Chain Project Phase I				5,233,836,441.10		5,233,836,441.10
Propane Industry Chain Project Phase II	58,241,335.11		58,241,335.11	5,716,807.35		5,716,807.35
Hongwei Chemical POSM and Polyol Project	330,705,628.62		330,705,628.62	17,981,022.54		17,981,022.54
Phase II super simulation functional fiber project with an annual production capacity of 500,000 tons	72,450,002.09		72,450,002.09	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	129,281,744.00		129,281,744.00	32,989,407.68		32,989,407.68
Lianyungang Hongke New Material Co., Ltd., Biodegradable Material Project (Phase I)	3,531,164.56		3,531,164.56			
Honggang Petrochemical 2.4 million tons/year purified terephthalic acid (PTA) Phase III Project	14,254,440.80		14,254,440.80	13,267,196.77		13,267,196.77
Others	791,067,295.13		791,067,295.13	380,341,578.76		380,341,578.76
Total	64,102,512,376.63		64,102,512,376.63	56,844,804,505.00		56,844,804,505.00

5.15.3 See Note 5.63 for construction in progress used as guarantee in the ending balance

5.16 Right-of-use assets

Item	Buildings and constructions	Machinery equipment	Total
1. Original book value			
(1) As at December 31, 2021	999,284,885.04	193,812,909.36	1,193,097,794.40
(2) Increase in this period	288,884,139.91		288,884,139.91
— New lease	288,447,114.24		288,447,114.24
— Increase due to business combination			
— Revaluation adjustment			
— Others	437,025.67		437,025.67
(3) Decrease in this period			
— Transferred to fixed assets			
— Disposal			
(4) As at June 30, 2022	1,288,169,024.95	193,812,909.36	1,481,981,934.31
2. Accumulated depreciation			
(1) As at December 31, 2021	62,314,859.08	38,665,207.32	100,980,066.40
(2) Increase in this period	30,531,044.20	19,332,603.66	49,863,647.86
— Provision	30,235,497.36	19,332,603.66	49,568,101.02
— Others	295,546.84		295,546.84
(3) Decrease in this period			
—Transferred to fixed assets			
— Disposal			
(4) As at June 30, 2022	92,845,903.28	57,997,810.98	150,843,714.26
3. Provisions for impairment			
(1) As at December 31, 2021			
(2) Increase in this period			
— Provision			
(3) Decrease in this period			
— Transferred to fixed assets			
— Disposal			
(4) As at June 30, 2022			
4. Book value			
(1) Book value as at June 30, 2022	1,195,323,121.67	135,815,098.38	1,331,138,220.05
(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	Dumping right	Patent right	Coal substitution index	Others	Total
1. Original book value							
(1) As at December 31, 2021	3,210,667,911.52	57,543,924.91	47,754,432.33	59,480,000.00	83,046,366.88	1,589,796.76	3,460,082,432.40
(2) Increase in this period		16,255,869.64	12,805,249.82				29,061,119.46
— Purchase		16,255,869.64	12,805,249.82				29,061,119.46
— Internal research and development							
— Increase due to business combination							
(3) Decrease in this period							
— Disposal							
— Expired and derecognized part							
— Decrease from business combinations							
(4) As at June 30, 2022	3,210,667,911.52	73,799,794.55	60,559,682.15	59,480,000.00	83,046,366.88	1,589,796.76	3,489,143,551.86
2. Accumulated amortization							
(1) 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	32,846,311.78	3,696,517.96		1,510,296.21		79,489.84	38,132,615.79
— Provision	32,846,311.78	3,696,517.96		1,510,296.21		79,489.84	38,132,615.79
— Business combinations							
(3) Decrease in this period							
— Disposal							
(4) As at June 30, 2022	395,421,512.31	24,625,696.21		23,232,890.96		278,214.44	443,558,313.92
3. Provisions for impairment							
(1) As at December 31, 2021							
(2) Increase in this period							
— Provision							
(3) Decrease in this period							
— Disposal							
(4) As at June 30, 2022							
4. Book value							
(1) Book value as at June 30, 2022	2,815,246,399.21	49,174,098.34	60,559,682.15	36,247,109.04	83,046,366.88	1,311,582.32	3,045,585,237.94
(2) Book value as at December 31, 2021	2,848,092,710.99	36,614,746.66	47,754,432.33	37,757,405.25	83,046,366.88	1,391,072.16	3,054,656,734.27

5.17.2 Land use right without certificate of title

None.

5.17.3 See Note 5.63 for intangible assets used for guarantee in the ending balance

5.18 Goodwill

Changes in goodwill

Name of the investee or matters forming goodwill	December 31, 2021	Increase in this year		Decrease in the current period		June 30, 2022
		Amount formed through business combination	Others	Disposal	Others	
Original book value						
Counter purchase	1,293,588,590.25					1,293,588,590.25
Provisions for impairment						
Counter purchase	598,611,095.85					598,611,095.85
Book value	694,977,494.40					694,977,494.40

5.19 Long-term prepaid expenses

Item	December 31, 2021	Increase in the current period	Amortization in the current period	Other decreases	June 30, 2022
Deferred expenses of refining and chemical projects	13,703,797.34		6,382,444.70		7,321,352.64
Others	6,495,875.54		3,247,937.76		3,247,937.78
Total	20,199,672.88		9,630,382.46		10,569,290.42

5.20 Deferred tax assets and deferred tax liabilities

5.20.1 Deferred tax assets without offset

Item	June 30, 2022		December 31, 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for credit impairment losses	70,246,930.04	15,131,095.07	35,558,801.05	6,994,881.41
Provision for asset impairment	392,359,997.47	58,853,999.62	378,868,278.69	57,487,812.81
Deferred income	671,385,784.11	117,595,600.30	670,205,244.22	117,641,107.13
Deductible loss	1,386,395,862.52	317,744,932.10	1,043,699,593.00	243,695,759.45
Unrealized internal profit or loss	30,767,308.51	4,615,096.28	29,381,807.24	4,407,271.09
Others	97,721,623.08	17,189,014.17	263,598,813.31	42,177,373.55
Total	2,648,877,505.73	531,129,737.54	2,421,312,537.51	472,404,205.44

5.20.2 Deferred tax liabilities without offset

Item	June 30, 2022		December 31, 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Accelerated depreciation of fixed assets	2,369,744,664.04	369,615,985.11	1,832,624,473.34	287,360,853.35
Gains or losses from changes in fair value of equity investments	178,711,512.00	44,677,878.00	176,413,858.73	44,103,464.69
Appreciation of business combination not under common control	490,226,194.11	122,556,548.53	505,050,562.60	126,262,640.66
Others	489,100,408.90	122,275,102.24	338,873,958.85	84,718,489.71
Total	3,527,782,779.05	659,125,513.88	2,852,962,853.52	542,445,448.41

5.20.3 Details of unrecognized deferred tax assets

Item	June 30, 2022	December 31, 2021
Deductible temporary differences	8,446,620.93	6,053,509.12
Deductible loss	473,891,701.17	475,765,885.02
Total	482,338,322.10	481,819,394.14

5.21 Other non-current assets

	June 30, 2022			December 31, 2021		
Item	**Book balance**	**Provisions for impairment**	**Book value**	**Book balance**	**Provisions for impairment**	**Book value**
Prepayment for long-term asset purchase and construction	5,368,287,594.49		5,368,287,594.49	8,629,047,411.26		8,629,047,411.26
Total	5,368,287,594.49		5,368,287,594.49	8,629,047,411.26		8,629,047,411.26

5.22 Short-term borrowings

5.22.1 Classification of short-term borrowings

Item	June 30, 2022	December 31, 2021
Credit borrowings	10,775,794,554.95	4,881,171,115.41
Pledge borrowings		11,303,527.00
Mortgaged borrowings	190,000,000.00	180,000,000.00
Guaranteed borrowings	7,650,460,321.84	3,591,386,869.68
Mortgaged and guaranteed borrowings	2,563,792,880.66	2,956,043,039.38
Interest on short-term borrowings	28,840,997.80	20,275,807.39
Total	21,208,888,755.25	11,640,180,358.86

5.22.2 Overdue but outstanding short-term borrowings

None.

5.22.3 See Notes 5.63 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	June 30, 2022	December 31, 2021
Financial liabilities held for trading	9,209,128.05	3,567,808.37
Of which: Derivative financial liabilities	9,209,128.05	3,567,808.37
Total	9,209,128.05	3,567,808.37

5.24 Notes payable

Category	June 30, 2022	December 31, 2021
Bank acceptance bills		5,656,985,782.35
Commercial acceptance bills	205,000,000.00	135,983,649.04
Total	5,226,336,441.17	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	June 30, 2022	December 31, 2021
Payable for goods	3,110,045,311.27	2,152,437,802.04
Payable for equipment and construction	8,790,558,456.91	10,543,779,736.85
Total	11,900,603,768.18	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	June 30, 2022	December 31, 2021
Advances from customers:	35,002,505.98	34,444,991.05
Total	35,002,505.98	34,444,991.05

5.26.2 Significant advances from customers with aging more than one year

Item	June 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	June 30, 2022	December 31, 2021
Advances from customers	930,816,661.41	884,411,615.82
Total	930,816,661.41	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	December 31, 2021	Increase in this year	Decrease in the current period	June 30, 2022
Short-term compensation	534,015,775.82	1,716,499,935.08	1,923,482,397.61	327,033,313.29
Post-employment benefits — defined contribution plans		105,288,993.52	105,288,993.52	
Dismissal benefits		121,717.48	121,717.48	
Total	534,015,775.82	1,821,910,646.08	2,028,893,108.61	327,033,313.29

5.28.2 Presentation of short-term compensation

Item	December 31, 2021	Increase in this year	Decrease in the current period	June 30, 2022
(1) Salaries, bonuses, allowances and subsidies	533,593,814.59	1,505,114,864.11	1,711,931,079.35	326,777,599.35
(2) Employee benefits		106,967,977.21	106,967,977.21	
(3) Social insurance premium		56,278,673.35	56,278,673.35	
Of which: medical insurance premiums		45,131,005.54	45,131,005.54	
Work-related injury insurance premiums		5,437,803.53	5,437,803.53	
Maternity insurance premiums		5,662,971.36	5,662,971.36	
Others		46,892.92	46,892.92	
(4) Housing provident fund		46,821,426.52	46,821,426.52	
(5) Labor union funds and employee education funds	421,961.23	1,316,993.89	1,483,241.18	255,713.94
Total	534,015,775.82	1,716,499,935.08	1,923,482,397.61	327,033,313.29

5.28.3 Presentation of defined contribution plans

Item	December 31, 2021	Increase in this year	Decrease in the current period	June 30, 2022
Basic endowment insurance premiums		102,098,093.96	102,098,093.96	
Unemployment insurance premium		3,190,899.56	3,190,899.56	
Total		105,288,993.52	105,288,993.52	

5.29 Taxes payable

Item	June 30, 2022	December 31, 2021
Value added tax	39,253,370.60	69,492,684.43
Enterprise income tax	1,938,542.68	34,008,828.21
Individual income tax	7,043,838.96	15,903,484.09
Urban maintenance and construction tax	471,827.25	15,464,337.29
Educational surtax	1,865,262.74	13,393,253.75
Real estate tax	14,639,001.61	12,889,367.25
Land use taxes	7,796,959.04	7,631,735.29
Stamp duty	2,794,661.91	5,427,579.03
Environmental protection tax	2,009,885.96	3,541,877.98
Total	77,813,350.75	177,753,147.32

5.30 Other payables

Item	June 30, 2022	December 31, 2021
Other payables	329,683,621.36	2,582,749,884.22
Total	329,683,621.36	2,582,749,884.22

5.30.1 Other payables by nature of payment

Item	June 30, 2022	December 31, 2021
Payment for equity payable		2,088,727,200.00
Margin, deposit, risk fund	237,385,642.44	365,489,835.59
Accrued expenses	35,505,618.72	116,040,826.11
Collection, payment and transactions	51,947,170.86	12,469,713.38
Others	4,845,189.34	22,309.14
Total	329,683,621.36	2,582,749,884.22

5.30.2 No balance was due to shareholders holding more than 5% (including 5%) voting shares of the Company as at the end of the period

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	June 30, 2022	December 31, 2021
Long-term borrowings due within one year	4,320,178,775.70	2,980,467,493.76
Bonds payable maturing within one year	999,528,301.74	998,584,905.54
Long-term payables maturing within one year	942,758,582.42	909,895,313.23
Lease liability maturing within one year	172,321,526.39	77,877,881.53
Interest on long-term borrowings with interest paid by installments and principal paid at maturity	95,872,241.63	81,495,920.92
Interest on bonds payable with interest paid by installments and principal paid at maturity	50,532,419.63	22,807,707.07
Total	6,581,191,847.51	5,071,129,222.05

5.32 Other current liabilities

Item	June 30, 2022	December 31, 2021
Output tax to be carried forward	117,979,918.25	111,023,850.95
Short-term bonds payable	268,273,833.34	257,667,960.09
Total	386,253,751.59	368,691,811.04

5.33 Long-term borrowings

Item	June 30, 2022	December 31, 2021
Guaranteed borrowings	8,419,045,802.20	5,650,559,231.62
Mortgaged borrowings	370,000,000.00	450,000,000.00
Guaranteed and pledged borrowings	54,014,155,434.35	46,454,245,132.47
Less: Interest adjustment	180,381,973.16	181,010,621.41
Total	62,622,819,263.39	52,373,793,742.68

5.34 Bonds payable

5.34.1 Details of bonds payable

Item	June 30, 2022	December 31, 2021
Convertible corporate bonds	4,039,739,361.17	3,927,567,223.43
Total	4,039,739,361.17	3,927,567,223.43

5.34.2 Increase/decrease of bonds payable (excluding preferred share, perpetual debt and other financial instruments divided into the financial liabilities)

Bond name	Par value	Date of issue	Term of bond	Amount issued	December 31, 2021	Bonds issued in this period	Interest accrued by par value	Amortization of premiums or discounts	Debt-to-equity	June 30, 2022
Shenghong Convertible Bond	100.00	3/22/2021	6 years	5,000,000,000.00	3,927,567,223.43		7,721,511.56	112,626,337.74	454,200.00	4,039,739,361.17
Total				5,000,000,000.00	3,927,567,223.43		7,721,511.56	112,626,337.74	454,200.00	4,039,739,361.17

5.34.3 Description of conversion conditions and time of convertible corporate bonds

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 is from the first trading day (September 27, 2021) six months after the end of the convertible bonds issue (March 26, 2021) to the maturity date of the convertible bond (March 21, 2027), and 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 the "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-dividend date).

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 privately 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.

During the period, a total of RMB454,200.00 of "Shenghong Convertible Bond" were converted into 33,486 shares of the Company's stock, with a cash payment of RMB1,083.07 for the shortfall of one share, and capital surplus of RMB439,285.13 was recognized for the conversion and a corresponding carry forward of other equity instruments of RMB110,706.74. The amortized cost of the liability portion of RMB112,535,285.20 was adjusted by the effective interest rate method, and the interest transferred from the conversion was adjusted by RMB91,052.54, totaling RMB112,626,337.74 in interest adjustment.

5.35 Lease liabilities

Item	June 30, 2022	December 31, 2021
Payables for leases	1,368,684,074.40	1,063,159,518.34
Less: Lease liabilities maturing within one year	172,321,526.39	77,877,881.53
Total	1,196,362,548.01	985,281,636.81

5.36 Long-term payables

Item	June 30, 2022	December 31, 2021
Long-term payables	1,393,795,176.77	2,691,695,545.75
Total	1,393,795,176.77	2,691,695,545.75

Long-term payables

Item	June 30, 2022	December 31, 2021
Account payable for finance lease	2,486,772,569.31	2,023,501,802.59
Less: unrecognized financing expense	150,218,810.12	130,546,499.16
Less: the part maturing within one year	942,758,582.42	909,895,313.23
Related-party borrowings		1,708,635,555.55
Total	1,393,795,176.77	2,691,695,545.75

5.37 Deferred income

Item	December 31, 2021	Increase in this year	Decrease in the current period	June 30, 2022	Formation causes
Government grants	2,254,329,127.92	34,846,755.00	31,473,086.07	2,257,702,796.85	Asset-related government grants received
Total	2,254,329,127.92	34,846,755.00	31,473,086.07	2,257,702,796.85	

5.38 Other non-current liabilities

Item	June 30, 2022	December 31, 2021
Long-term house rent	29,081,197.20	33,269,790.86
Total	29,081,197.20	33,269,790.86

5.39 Share capital

Item	December 31, 2021	Changes in this period (increase expressed with "-" and decrease expressed with "-")					June 30, 2022
		New issue	Share donation	Conversion of reserves into share	Debt to equity	Sub-total	
Total shares	8,934,888,229.16	266,714,109.00			33,486.00	266,747,595.00	9,201,635,824.16

Reasons for changes in equity during the period:

(1) Conversion of "Shenghong Conversion Bond" into 33,486 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 Limited to Purchase Assets and Raise Matching Funds (ZJXK [2021] No.4179), the Company privately issued shares to Jinan Jiangshan Investment Partnership (Limited Partnership) and other 22 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 is from the first trading day (September 27, 2021) six months after the end of the convertible bonds issue (March 26, 2021) to the maturity date of the convertible bond (March 21, 2027), and 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 Limited to Purchase Assets and Raise Matching Funds (ZJXK [2021] No.4179), the Company privately 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.

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

	December 31, 2021		Increase in this year		Decrease in the current period		June 30, 2022	
Outstanding financial instruments	**Number**	**Book value**	**Number**	**Book value**	**Number**	**Book value**	**Number**	**Book value**
Shenghong Convertible Bond	49,986,392.00	1,218,368,686.59			4,542.00	110,706.74	49,981,850.00	1,218,257,979.85
Total	49,986,392.00	1,218,368,686.59	—	—	4,542.00	110,706.74	49,981,850.00	1,218,257,979.85

Other equity instruments decreased by RMB110,706.74 during the period, as described in Note 5.34 Bonds payable.

5.41 Capital reserves

Item	December 31, 2021	Increase in this year	Decrease in the current period	June 30, 2022
Capital (share capital) premium	10,150,213,248.24	3,789,397,910.40	328,373,704.99	13,611,237,453.65
Other capital reserves	11,441,095.89			11,441,095.89
Total	10,161,654,344.13	3,789,397,910.40	328,373,704.99	13,622,678,549.54

Main reasons for the changes are:

(1) Capital premium (equity 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) The capital premium (equity premium) of the Company increased by RMB439,285.13 during the period due to the increase in capital surplus 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 premium (equity 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.

5.42 Other comprehensive income

Item	December 31, 2021	Amount in the current period						June 30, 2022
		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	Amount after tax attributable to minority shareholders	
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	9,039,467.30				9,041,259.08	-1,791.78	2,479,869.64
Of which: translation differences of foreign currency financial statements	-6,561,389.44	9,039,467.30				9,041,259.08	-1,791.78	2,479,869.64
Total of other comprehensive income	61,610,475.56	9,039,467.30				9,041,259.08	-1,791.78	70,651,734.64

5.43 Special reserve

Item	December 31, 2021	Increase in this year	Decrease in the current period	June 30, 2022
Work safety expenses	20,965,757.18	37,327,984.04	48,616,814.01	9,676,927.21
Total	20,965,757.18	37,327,984.04	48,616,814.01	9,676,927.21

5.44 Surplus reserves

Item	December 31, 2021	1/1/2022	Increase in this year	Decrease in the current period	June 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 six months ended June 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)	40,763,117.46	733,642,052.15
Retained earnings at the beginning of the year after adjustment	6,656,240,400.59	2,639,792,012.38
Plus: Net profit attributable to shareholders of the Company in the current period	1,636,110,429.11	4,584,367,127.30
Business combination under common control		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	7,400,374,461.10	6,656,240,400.59

5.46 Revenue and cost of sales

5.46.1 Revenue and cost of sales

	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
Item	Revenue	Costs	Revenue	Costs
Primary business	26,769,171,122.19	23,268,401,384.52	23,016,421,733.39	17,981,195,381.21
Other business	3,472,931,196.92	3,372,053,931.54	3,132,060,016.30	2,999,135,972.88
Total	30,242,102,319.11	26,640,455,316.06	26,148,481,749.69	20,980,331,354.09

5.47 Taxes and surtaxes

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Urban maintenance and construction tax	12,003,918.53	16,407,192.43
Education surtax	9,104,462.32	12,552,788.63
Real estate tax	32,227,167.85	25,831,776.99
Land use taxes	15,721,034.98	12,950,076.25
Stamp duty	23,904,092.79	10,258,128.35
Environmental protection tax	3,642,074.60	2,016,388.37
Land value increment tax		2,648,095.24
Others	211,718.50	304,441.36
Total	96,814,469.57	82,968,887.62

5.48 Selling expenses

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Total selling expenses	91,184,333.22	73,857,140.24
In which, the large-amount expense project:		
Employee benefits	36,744,188.79	29,649,946.04
Warehousing expenses	34,480,184.53	27,788,635.82

5.49 General and administrative expenses

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Total general and administrative expenses	309,882,671.05	213,701,093.16
In which, the large-amount expense project:		
Employee benefits	174,390,295.30	127,478,040.28
Consulting service fees	19,482,802.72	14,042,675.32
Depreciation and amortization expenses	63,970,187.73	37,849,602.74
Office expenses	6,507,591.25	4,469,172.72
Water, electricity and property management expenses	7,463,685.14	5,829,501.56

5.50 Research and development expenses

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Technology research and development expenses	240,158,815.37	154,843,421.49
Total	240,158,815.37	154,843,421.49

5.51 Finance expenses

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Interest expenses	924,743,515.29	507,495,384.37
Less: Interest income	82,815,093.69	74,554,896.11
Profit or loss on foreign exchange	62,106,976.89	14,222,824.27
Bank charges and others	34,477,710.50	9,008,008.25
Total	938,513,108.99	456,171,320.78

5.52 Other income

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Government grants	59,901,053.42	49,389,359.52
Handling charges for withholding personal income tax	1,544,388.29	877,263.67
Total	61,445,441.71	50,266,623.19

5.53 Investment income

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Long-term equity investment income calculated under the equity method	-1,780,321.97	944,370.02
Investment income from financial assets held for trading during the holding period	2,855,653.29	1,392,517.56

Item	For the six months ended June 30, 2022	For the six months ended June 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	-9,508,849.01	-101,010,253.67
Total	-4,616,499.86	-97,415,984.39

5.54 Gains arising from changes in fair value

Sources	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Financial assets held for trading	-522,395.04	8,476,191.23
Financial liabilities held for trading		-5,196,358.50
Total	-522,395.04	3,279,832.73

5.55 Credit impairment losses

Item	For the six months ended June 30, 2022 (loss expressed with "-")	For the six months ended June 30, 2021 (loss expressed with "-")
Losses on bad debts of accounts receivable	-34,932,116.36	-20,708,775.51
Losses from bad debts of other receivables	-3,463,334.07	1,517,706.86
Total	-38,395,450.43	-19,191,068.65

5.56 Assets impairment losses

Item	For the six months ended June 30, 2022 (loss expressed with "-")	For the six months ended June 30, 2021 (loss expressed with "-")
Losses from inventory depreciation and impairment loss of contract performance cost	-78,817,755.52	-43,704,250.08
Total	-78,817,755.52	-43,704,250.08

5.57 Gains on disposal of assets

Item	For the six months ended June 30, 2022 (loss expressed with "-")	For the six months ended June 30, 2021 (loss expressed with "-")	Amount included in the current non-recurring profit or loss
Gains from disposal of fixed assets	-7,185,304.56	15,417,935.97	-7,185,304.56
Total	-7,185,304.56	15,417,935.97	-7,185,304.56

5.58 Non-operating income

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Amount included in the current non-recurring profit or loss
Revenue from indemnity and fines	14,636,826.16	12,811,897.49	14,636,826.16
Payment not required to be paid	212,299.40	78,529.02	212,299.40
Donations received	6,480.00	967,392.50	6,480.00
Others	1,785,300.06	5,715,891.95	1,785,300.06
Total	16,640,905.62	19,573,710.96	16,640,905.62

5.59 Non-operating expenses

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Amount included in the current non-recurring profit or loss
Expenses on compensation, fines and overdue fines	49,026.25	5,561,780.12	49,026.25
Donation outlay	15,996,000.00		15,996,000.00
Others	373,645.50	685,469.52	373,645.50
Total	16,418,671.75	6,247,249.64	16,418,671.75

5.60 Income tax expenses

List of income tax expenses

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Current income tax expenses	165,316,669.29	782,649,775.19
Deferred income tax expenses	57,954,533.37	108,808,901.43
Total	223,271,202.66	891,458,676.62

5.61 Items of statement of cash flows

5.61.1 Cash received relating to other operating activities

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Government grants	63,318,721.79	83,597,854.62
Interest income	90,682,615.98	85,181,315.00
Current accounts	149,060,995.40	126,560,170.95
Non-operating revenue and others	2,604,338.03	18,210,104.73
Recovery of restricted funds	4,072,170,985.63	2,440,109,870.17
Employee shareholding payments received	1,028,823,316.04	
Total	5,406,660,972.87	2,753,659,315.47

5.61.2 Cash paid relating to other operating activities

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Current accounts	121,190,856.34	950,015,844.46
Expenditure on selling expenses and general and administrative expenses	98,189,535.10	48,123,867.72
Finance expenses	24,453,513.36	37,298,872.10
Non-operating expenses and others	16,060,734.59	289,339.48
Expenditure on restricted funds	3,815,993,948.56	4,065,823,777.19
Payments for employee stock ownership	1,028,660,315.00	
Total	5,104,548,902.95	5,101,551,700.95

5.61.3 Cash received relating to other investing activities

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Cash received from business combination	50.00	67,381,297.29
Retained value-added tax rebates		327,687,529.70
Recovery of restricted funds	2,213,042,482.18	
Total	2,213,042,532.18	395,068,826.99

5.61.4 Cash payments relating to other investing activities

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Expenditure on restricted funds	3,538,028,939.70	
Total	3,538,028,939.70	

5.61.5 Cash received relating to other financing activities

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Funds of related parties	1,800,000,000.00	1,700,000,000.00
Financial sale-leaseback	1,085,000,000.00	170,000,000.00
Recovery of restricted loan deposits	119,900,000.00	
Total	3,004,900,000.00	1,870,000,000.00

5.61.6 Cash payments relating to other financing activities

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Funds of related parties	3,500,000,000.00	1,700,000,000.00
Purchase of non-controlling interests of subsidiaries	2,116,819,093.21	
Financial sale-leaseback	265,303,029.56	410,314,245.36
Intermediary fees on non-public offering of shares	15,005,572.00	
Others	108,389,419.88	37,040,826.07
Total	6,005,517,114.65	2,147,355,071.43

5.62 Supplementary information to the statement of cash flows

5.62.1 Supplementary information to the statement of cash flows

Supplementary information	For the six months ended June 30, 2022	For the six months ended June 30, 2021
1. Net profit adjusted to cash flows from operating activities		
Net profit	1,633,952,672.36	3,217,129,405.78
Add: credit impairment losses and provision for asset impairment	117,213,205.95	62,895,318.73
Depreciation of fixed assets, investment properties (buildings and structures) and right-of-use assets, etc.	1,123,724,356.30	959,005,307.17
Amortization of intangible assets and investment properties (land use rights)	27,178,424.72	29,967,108.23
Amortization of long-term prepaid expenses	3,247,937.76	34,890,651.61
Losses from disposal or scrapping of fixed assets, intangible assets and other long-term assets ("-" for gains)	7,185,304.56	-15,210,899.28

Supplementary information	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Losses on write-off of fixed assets ("-" for gains)	255,289.12	-66,811.24
Losses from changes in fair value ("-" for gains)	522,395.04	-3,279,832.73
Finance expenses ("-" for gains)	1,006,647,406.56	532,771,918.21
Investments losses ("-" for gains)	4,616,499.86	66,625,564.92
Decreases in deferred tax assets ("-" for increases)	-58,725,532.10	47,499,432.82
Increase in deferred tax liabilities ("-" for decreases)	116,680,065.47	61,309,468.61
Decreases in inventories ("-" for increases)	-752,688,656.55	-705,207,530.70
Decreases in operating receivables ("-" for increases)	2,798,513,864.89	-1,250,892,994.28
Increases in operating payables ("-" for decreases)	92,723,830.44	377,477,816.12
Others	-11,288,829.97	-2,398,246.33
Net cash flows from operating activities	6,109,758,234.41	3,412,515,677.64
2. Significant investing and financing activities not involving cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under finance leases		
3. Net change in cash and cash equivalents		
Ending balance of cash	17,820,882,898.48	25,070,654,708.49
Less: Beginning balance of cash	9,676,501,747.74	15,931,142,588.10
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase of cash and cash equivalents	8,144,381,150.74	9,139,512,120.39

5.62.2 Breakdowns of cash and cash equivalents

Item	June 30, 2022	December 31, 2021
I. Cash	17,820,882,898.48	9,676,501,747.74
Of which: Cash on hand	126,787.99	100,907.36
Unrestricted bank deposits	17,463,007,514.98	9,549,950,748.11
Other unrestricted cash at bank and on hand	357,748,595.51	126,450,092.27
Unrestricted deposits in central bank		
Deposits with banks and other financial institutions		
Loans to or from banks and other financial institutions		
II. Cash equivalents		
Of which: Bond investment maturing within three months		
III. Ending balance of cash and cash equivalents	17,820,882,898.48	9,676,501,747.74
Of which: cash and cash equivalents restricted for use by the company or subsidiaries in the group		

5.63 Assets with restrictions on the ownership or right of use

Item	Book value as at June 30, 2022	Reason for restriction
Cash at bank and on hand	4,757,393,503.59	See Note 5.1 for details of reasons for restrictions
Inventories	473,000,000.00	Working capital loans
Fixed assets	15,624,553,304.97	Working capital loans, project loans, finance leases, bank acceptance bill, supply chain financing, letters of credit and prepayment financing
Intangible assets	2,207,834,350.44	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	23,540,778,973.58	

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	Date of purchase	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

There were no business combinations under common control in this reporting period.

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

Name	Method of equity acquisition	Time for obtaining equity	Registered capital	Contribution proportion
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%

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

Name	Date of establishment	Date of equity exit	Basis for equity exit
Suzhou Yinghong Industrial Investment Fund (Limited Partnership)	December 20, 2019	June 22, 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 (%) Direct	Indirect	Method of acquisition
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 Guowang High-tech Fibre Co., Ltd.	Suzhou	Suzhou	R&D, production and sales of polyester filament yarn	100.00		Business combination not under common control
Jiangsu Shenghong Petrochemical Industry Group Co., Ltd.	Suzhou	Suzhou	Petrochemical industry investment	100.00		Investment
Shenghong New Materials (Suqian) Co., Ltd.	Suqian	Suqian	R&D of new material technology	100.00		Investment

Name of subsidiaries	Main premise	Registration place	Business nature	Shareholding ratio (%) Direct	Indirect	Method of acquisition
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
Lianyungang Shenghong Refining and Chemical Industrial Fund Partnership (Limited Partnership) Note	Lianyungang	Lianyungang	Project investment and investment management	100.00		Others
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

Note: Lianyungang Shenghong Refining and Chemical Industry Fund Partnership (Limited Partnership) has completed its liquidation and business cancellation was completed on July 28, 2022.

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 (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 (%) Direct	Shareholding ratio (%) Indirect	Accounting treatment method in investments in joint ventures or associates
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	46.55	46.55

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 subsidiaries of the Company 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 same 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 same 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.	Controlled by the same ultimate controller

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 six months ended June 30, 2022	2021
Shenghong Group Co., Ltd.	Commodities, steam, electricity, etc.	33,018,059.29	90,613,962.06
Jiangsu Oriental Inta Security System Co., Ltd.	Security services, etc.	146,833.67	621,752.46
Suzhou Suzhen Thermal Power Co., Ltd.	Energy, steam, water, etc.	818,624.66	2,026,761.12
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Storage services and electricity	102,952,150.18	153,002,376.58
Suzhou Shenghong Hotel Co., Ltd. Wujiang Shenghong Renaissance Hotel	Meeting, catering, etc.	16,821.50	146,599.68
Lianyungang Xinrongtai Terminal Co., Ltd.	Terminal fees	30,312,381.01	80,801,461.77
Lianyungang Hongyang Thermal Power Co., Ltd.	Steam	786,654,211.01	852,402,303.84
Total		953,919,081.32	1,179,615,217.51

Sales of goods/rendering of services

Related parties	Related party transactions	For the six months ended June 30, 2022	2021
Shenghong Group Co., Ltd.	Commodities, energy, etc.	24,015,019.55	47,742,060.69
Wujiang Feixiang Printing and Dyeing Co., Ltd.	Steam, water	3,133,193.53	7,099,149.75
Wujiang Oriental Market Supply Chain Service Co., Ltd.	Steam, water	256,063.31	750,214.52
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Steam, water, electricity, sewage treatment, etc.	28,576,559.11	20,789,238.36
Lianyungang Xinrongtai Terminal Co., Ltd.	Steam, water, electricity, sewage treatment, etc.	55,948.53	406,157.69
Shenghong Petrochemical Group Co., Ltd.	Commodities, water, electricity, sewage treatment	369,293.18	1,430,948.92
Wujiang Rongwei Spray Weaving Factory	Goods	1,143,736.77	18,801.43
Jiangsu Shengze Oriental Textile City Development Co., Ltd.	Steam	219,072.44	110,666.89
Total		57,768,886.42	78,347,238.25

8.5.2 Management on commission/contract and commissioned management/sub-contracting

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	For the six months ended June 30, 2022 Lease revenue recognized	2021 Lease revenue recognized
Wujiang Oriental Market Supply Chain Service Co., Ltd.	House rent		182,285.72
Shenghong Group Co., Ltd.	Lease of transformer and its supporting appurtenances	5,096,913.64	14,705,115.96
Lianyungang Rongtai Petrochemical Storage Co., Ltd.	Lease of buildings and equipment	192,342.14	436,217.14
Lianyungang Xinrongtai Terminal Co., Ltd.	Lease of buildings and equipment	65,596.52	87,421.22
Shenghong Petrochemical Group Co., Ltd.	House rent	730,686.21	2,098,952.79
Yu Xiaofang	House rent	72,933.34	146,672.58
Lianyungang Guanghong Industrial Co., Ltd.	House rent	30,233.24	
Total		6,188,705.09	17,656,665.41

The Company acted as lessee:

		For the six months ended June 30, 2022				2021			
Lessee	Type of leased asset	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		22,500,015.00		2,878,512.92	216,000.00	45,706,140.00	195,829,090.32	6,904,825.61
Zhu Hongmei	House rent	54,000.00							

8.5.4 Related-party guarantees

The Company as a guarantor:

The Company has no external guarantees, mortgages or pledges.

The Company as the guarantee:

Guarantor	Guaranteed amount	Commencement date of guaranty	End date	Whether the guarantee has been discharged
Jiangsu Shenghong Technology Co., Ltd..	87,900.00	1/23/2020	10/13/2025	No
Jiangsu Shenghong Technology Co., Ltd., Miao Han'gen and Zhu Hongmei	43,000.00	1/30/2018	12/25/2028	No
Jiangsu Shenghong New Materials Group Co., Ltd.	17,000.00	9/10/2020	9/10/2025	No
Jiangsu Shenghong New Materials Group Co., Ltd.	48,000.00	12/16/2020	12/15/2025	No
Jiangsu Shenghong New Materials Group Co., Ltd.	USD4,000.00	2/20/2020	2/20/2025	No
Jiangsu Shenghong New Materials Group Co., Ltd.	70,000.00	2/20/2020	2/20/2026	No
Jiangsu Shenghong New Materials Group Co., Ltd.	30,000.00	9/6/2019	7/19/2025	No

Guarantor	Guaranteed amount	Commencement date of guaranty	End date	Whether the guarantee has been discharged
Jiangsu Shenghong New Materials Group Co., Ltd.	30,000.00	3/10/2021	3/9/2026	No
Jiangsu Shenghong New Materials Group Co., Ltd.	35,000.00	6/24/2021	6/23/2026	No
Jiangsu Shenghong New Materials Group Co., Ltd.	25,000.00	8/16/2021	8/16/2026	No
Jiangsu Shenghong New Materials Group Co., Ltd.	52,000.00	1/1/2022	8/9/2025	No
Jiangsu Shenghong New Materials Group Co., Ltd.	35,000.00	1/24/2022	4/29/2025	No
Jiangsu Shenghong New Materials Group Co., Ltd., Miao Han'gen, Zhu Hongmei	70,000.00	4/22/2021	3/9/2025	No
Jiangsu Shenghong New Materials Group Co., Ltd., Miao Han'gen, Zhu Hongmei	44,000.00	12/31/2019	12/20/2026	No
Miao Han'gen, Zhu Hongmei	150,000.00	6/10/2021	4/1/2026	No
Miao Han'gen, Zhu Hongmei	150,000.00	6/10/2022	12/23/2025	No
Miao Han'gen, Zhu Hongmei	94,900.00	1/23/2020	10/13/2025	No
Miao Han'gen, Zhu Hongmei	22,000.00	3/10/2021	10/26/2025	No
Miao Han'gen, Zhu Hongmei	19,200.00	6/15/2022	12/8/2025	No
Miao Han'gen, Zhu Hongmei, Tang Jinkui, Zhu Yuqin	39,000.00	8/25/2020	7/19/2024	No
Shenghong Holding Group Co., Ltd.	75,000.00	12/17/2020	6/8/2032	No
Shenghong Holding Group Co., Ltd.	30,000.00	1/19/2020	1/19/2028	No
Shenghong Holding Group Co., Ltd.	74,000.00	1/1/2021	12/31/2025	No
Shenghong Holding Group Co., Ltd.	52,000.00	1/27/2022	2/20/2026	No
Shenghong Holding Group Co., Ltd.	JPY11,300.00	2/21/2022		No
Shenghong Holding Group Co., Ltd.	EUR30.00	3/9/2022		No
Shenghong Holding Group Co., Ltd.	EUR16.37	1/18/2022		No
Shenghong Holding Group Co., Ltd.	USD124.65	3/9/2022		No
Shenghong Holding Group Co., Ltd.	EUR40.50	3/16/2022		No
Shenghong Holding Group Co., Ltd.	EUR30.73	1/20/2022		No
Shenghong (Suzhou) Group Co., Ltd.	14,842.00	9/8/2021	9/7/2025	No
Shenghong (Suzhou) Group Co., Ltd.	15,000.00	10/18/2021	9/29/2025	No
Shenghong (Suzhou) Group Co., Ltd.	30,000.00	10/27/2021	9/29/2025	No
Shenghong (Suzhou) Group Co., Ltd.	66,400.00	11/29/2021	11/29/2031	No
Shenghong (Suzhou) Group Co., Ltd., Miao Han'gen, Zhu Hongmei	96,000.00	5/10/2022	1/10/2026	No
Shenghong (Suzhou) Group Co., Ltd., Miao Han'gen, Zhu Hongmei	119,000.00	6/28/2019	6/27/2028	No

Guarantor	Guaranteed amount	Commencement date of guaranty	End date	Whether the guarantee has been discharged
Shenghong (Suzhou) Group Co., Ltd., Miao Han'gen, Zhu Hongmei	84,000.00	8/9/2021	8/8/2025	No
Jiangsu Shenghong New Materials Group Co., Ltd., Additional guarantee of Shenghong Petrochemical Group Limited for liquidity loan	20,000.00	7/29/2021	7/28/2026	No
Jiangsu Shenghong New Materials Group Co., Ltd., Additional guarantee of Shenghong Petrochemical Group Limited for liquidity loan	35,000.00	8/26/2021	8/25/2026	No
Jiangsu Shenghong New Materials Group Co., Ltd., Additional guarantee of Shenghong Petrochemical Group Limited for liquidity loan	35,000.00	9/26/2021	7/21/2026	No
Shenghong Petrochemical Group Co., Ltd.	1,000.00	9/23/2021	9/23/2025	No
Shenghong Group Co., Ltd., Shenghong (Suzhou) Group Co., Ltd., Shenghong Petrochemical Group Limited, Miao Han'gen, Zhu Hongmei, Tang Jinkui, Zhu Yuqin	4,150,000.00	11/13/2020	11/12/2038	No
Jiangsu Shenghong Technology Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	611,500.00	4/25/2014	4/24/2028	No
Jiangsu Shenghong Technology Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	USD32,500.00	6/10/2014	4/24/2028	No
Jiangsu Shenghong Technology Co., Ltd., Shenghong Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	47,000.00	6/30/2016	4/24/2028	No
Jiangsu Shenghong New Materials Group Co., Ltd., Shenghong Holding Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Suzhou Huaxia Group Co., Ltd., Miao Han'gen, Zhu Hongmei	213,262.00	6/27/2018	6/27/2029	No
Shenghong Petrochemical Group Limited, Shenghong Holding Group Co., Ltd., Miao Han'gen, Zhu Hongmei	80,000.00	10/20/2020	12/10/2026	No
Shenghong Holding Group Co., Ltd., Shenghong Petrochemical Group Limited, Miao Han'gen, Zhu Hongmei	500,000.00	5/13/2021	4/18/2034	No

Guarantor	Guaranteed amount	Commencement date of guaranty	End date	Whether the guarantee has been discharged
Miao Han'gen, Zhu Hongmei, Shenghong (Suzhou) Group Co., Ltd., Jiangsu Shenghong Technology Co., Ltd.	300,000.00	11/30/2021	11/29/2027	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	80,000.00	9/20/2019	9/20/2032	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	20,000.00	9/20/2019	9/20/2032	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	75,000.00	9/20/2019	9/20/2032	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	50,000.00	9/20/2019	9/20/2032	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	30,000.00	9/20/2019	9/20/2032	No
Mr. and Mrs. Miao Han'gen, 136.8 million real estate mortgage	15,000.00	9/20/2019	9/20/2032	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 June 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		50,000.00		625.00
Total	170,000.00	180,000.00	350,000.00		2,291.29

8.6 Receivables from and payables to related parties

8.6.1 Receivables

Item	Related parties	June 30, 2022	December 31, 2021
		Book balance	Book balance
Accounts receivable	Lianyungang Rongtai Petrochemical Storage Co., Ltd.	3,798,678.91	3,468,912.92
	Lianyungang Xinrongtai Terminal Co., Ltd.	15,554.73	83,348.14
	Shenghong Group Co., Ltd.	4,293,023.56	8,461,903.98
	Wujiang Feixiang Printing and Dyeing Co., Ltd.	568,118.80	1,453,513.86
	Shenghong Petrochemical Group Co., Ltd.	19,164.87	204,341.88
	Wujiang Oriental Market Supply Chain Service Co., Ltd.		26,755.13
	Lianyungang Guanghong Industrial Co., Ltd.	10,470.27	
	Sub-total	8,705,011.14	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 June 30, 2022	Book balance as at December 31, 2021
Accounts payable	Lianyungang Hongyang Thermal Power Co., Ltd.	180,566,671.73	144,034,078.44
	Lianyungang Rongtai Petrochemical Storage Co., Ltd.	32,018,320.89	16,528,913.43
	Lianyungang Xinrongtai Terminal Co., Ltd.	4,228,671.94	24,390,133.94
	Suzhou Suzhen Thermal Power Co., Ltd.	198,327.87	1,213,727.50
	Jiangsu Oriental Inta Security Service Co., Ltd.		34,200.00
	Sub-total	217,011,992.43	186,201,053.31
Notes payable	Lianyungang Hongyang Thermal Power Co., Ltd.		27,785,681.00
	Sub-total		27,785,681.00
Other payables	Yu Xiaofang	15,500.00	15,500.00
	Shenghong Group Co., Ltd.	2,106.88	
	Shenghong Holding Group Co., Ltd.	1,580.00	
	Sub-total	19,186.88	15,500.00
Advances from customers	Yu Xiaofang	61,650.84	134,584.18

Item	Related parties	Book balance as at June 30, 2022	Book balance as at December 31, 2021
	Sub-total	61,650.84	134,584.18
Contract liabilities and other current liabilities.	Wujiang Rongwei Spray Weaving Factory	50,808.97	720.13
	Jiangsu Shengze Oriental Textile City Development Co., Ltd.	191,484.40	435,662.40
	Wujiang Oriental Market Supply Chain Service Co., Ltd.	42,542.20	
	Lianyungang Xinrongtai Terminal Co., Ltd.	61,974.16	
	Sub-total	346,809.73	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

9. Share-based payment

None.

10. Commitments and contingencies

10.1 Significant commitments

Maximum guarantee and syndicated loan guarantee:

Miao Han'gen, Zhu Hongmei and their controlled enterprises and other related parties provided Jiangsu Eastern Shenghong Co., Ltd. with a maximum joint liability guarantee of RMB3,664 million, provided Jiangsu Guowang High-tech Fibre Co., Ltd. with a joint and several liability guarantee with a maximum joint liability guarantee of RMB3,449 million, provided Suzhou Shenghong Fiber Co., Ltd. with a maximum joint and several liability guarantee of 390 million, provided Jiangsu Zhonglu Technology Development Co., Ltd. with a maximum joint and several liability guarantee of RMB412 million, provided Jiangsu Ganghong Fiber Co., Ltd., with a maximum joint and several liability guarantee of 430 million, provided Jiangsu Honggang Petrochemical Co., Ltd., with a maximum joint and several liability guarantee of RMB3,780 million and the syndicated loan guarantee of RMB2,700 million, provided Shenghong Refinery (Lianyungang) Co., Ltd. with a maximum joint and several liability guarantee of MB 41,500 million, provided Jiangsu Sierbang Petrochemical Co., Ltd., with a maximum joint and several liability guarantee of RMB2,580 million, and provides Lianyungang Shunmeng Trading Co., Ltd. with a maximum joint and several liability guarantee of RMB10 million.

10.2 Contingencies

Significant contingencies existing on balance-sheet date

10.2.1 Contingent liabilities or financial impacts arising from pending litigation or arbitration

There was no contingent liability arising from pending litigation or arbitration as at the end of the period.

10.2.2 Contingent liabilities arising from liability guarantees provided for other companies and their financial effects

As of the end of the period, the guarantees provided by the Company and its subsidiaries and among subsidiaries to each other are as follows:

Unit: RMB'0,000

Guarantor	The guaranteed	Amount of guarantee used	Commencement date of guaranty	End date	Whether the guarantee has been discharged
The Company and subsidiaries:					
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Zhonglu Technology Development Co., Ltd.	20,833.33	8/6/2021	8/11/2027	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. Note	62,300.00	9/10/2021	9/10/2037	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Honggang Petrochemical Co., Ltd.	254,403.70	9/20/2019	9/20/2032	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	4,050,000.00	11/13/2020	11/12/2038	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	150,000.00	11/8/2021	3/28/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	100,000.00	2/26/2022	10/19/2025	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	50,000.00	5/7/2022	5/18/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	38,000.00	5/20/2022	6/20/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Shenghong Refining and Chemical (Lianyungang) Co., Ltd.	95,000.00	4/29/2022	4/28/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	98,109.05	1/20/2021	6/30/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	38,023.53	8/26/2021	8/26/2025	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	23,999.50	9/22/2021	9/23/2025	No

Guarantor	The guaranteed	Amount of guarantee used	Commencement date of guaranty	End date	Whether the guarantee has been discharged
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	50,000.00	5/12/2022	5/16/2029	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	9,900.00	2/22/2022	4/7/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	50,000.00	1/13/2022	4/24/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	20,000.00	1/20/2022	4/26/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	52,500.00	1/26/2022	1/28/2027	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	30,000.00	1/10/2022	5/22/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Guowang High-tech Fibre Co., Ltd.	44,539.70	1/5/2022	5/24/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Guowang Hi-Tech (Suqian) Co., Ltd.	153,000.00	8/23/2021	8/22/2031	No
Jiangsu Eastern Shenghong Co., Ltd.	Guowang Hi-Tech (Suqian) Co., Ltd.	14,522.40	3/10/2022	5/21/2025	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	43,995.08	2/20/2021	6/30/2029	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	50,000.00	1/1/2022	12/20/2031	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	46,150.60	1/12/2022	1/20/2032	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	19,155.74	3/24/2022	3/24/2033	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Reborn Eco-tech Co., Ltd.	121.62	5/24/2022		No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	1,973.51	4/20/2022	12/28/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	2,177.51	3/17/2022	12/21/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	11,652.39	4/22/2022	4/13/2026	No
Jiangsu Eastern Shenghong Co., Ltd.	Jiangsu Sierbang Petrochemical Co., Ltd.	1,515.44	2/24/2022	2/16/2026	No

Guarantor	The guaranteed	Amount of guarantee used	Commencement date of guaranty	End date	Whether the guarantee has been discharged
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	159,000.00	1/1/2022	12/28/2029	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	21,000.00	2/28/2022	12/28/2029	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	20,000.00	3/29/2022	12/28/2029	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Eastern Shenghong Co., Ltd.	80,000.00	4/15/2022	12/28/2029	No
Jiangsu Sierbang Petrochemical Co., Ltd.	Jiangsu Eastern Shenghong Co., Ltd.	295,500.00	2/25/2022	11/29/2027	No
Among subsidiaries:					
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	5,000.00	2/22/2022	4/5/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	31,100.00	1/30/2018	12/25/2028	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	38,038.67	1/7/2019	1/8/2027	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	40,539.00	6/28/2021	7/6/2031	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.		6/28/2022	6/27/2023	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Ganghong Fiber Co., Ltd.	20,000.00	2/23/2022	2/24/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	3,440.00	8/25/2020	7/19/2024	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	19,989.58	12/31/2019	1/28/2025	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	28,976.59	12/31/2021	5/19/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	29,560.00	2/21/2022	4/12/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Shenghong Fiber Co., Ltd.	4,400.00	1/10/2022	6/14/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Zhonglu Technology Development Co., Ltd.	20,000.00	3/4/2022	3/6/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Zhonglu Technology Development Co., Ltd.	8,800.00	3/10/2021	10/26/2025	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Zhonglu Technology Development Co., Ltd.	26,932.79	1/5/2022	7/13/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Suzhen Biological Engineering Co., Ltd.	4,758.15	1/19/2022	7/18/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Suzhou Suzhen Biological Engineering Co., Ltd.	5,000.00	2/22/2022	3/15/2026	No

Guarantor	The guaranteed	Amount of guarantee used	Commencement date of guaranty	End date	Whether the guarantee has been discharged
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Shenghong Petrochemical Industry Development Co., Ltd.	45,500.00	2/18/2022	2/17/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Shenghong Petrochemical Industry Development Co., Ltd.	27,771.77	1/7/2022	2/12/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Shenghong Petrochemical Industry Development Co., Ltd.	30,000.00	6/17/2022	6/14/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Jiangsu Honggang Petrochemical Co., Ltd.	20,000.00	10/28/2021	10/27/2028	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Shenghong Petrochemical (Singapore) International Co., Ltd.	3,859.05	3/18/2022	3/18/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Shenghong Petrochemical (Singapore) International Co., Ltd.	4,026.84	4/26/2022	4/26/2026	No
Jiangsu Guowang High-tech Fibre Co., Ltd. . .	Shenghong Petrochemical (Singapore) International Co., Ltd.	8,053.68	5/10/2022	5/10/2026	No
	Sub-total	**6,583,119.22**			

Note: Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. entered into the Syndicated Loan Receivables Pledge Contract with China Development Bank Suzhou Branch, Bank of China Limited Suzhou Branch and Jiangsu Suzhou Rural Commercial Bank Co., Ltd. in September 2019, according to which, the loan syndicate provided a total loan of RMB800 million to Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. and Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. pledged the pledgee's rights to charge for the sale of electricity and heat and other related interests after the completion of the Wujiang Shengze 2×100MW combustion turbine cogeneration project. As of June 30, 2022, the actual borrowing incurred by Jiangsu Shengze Gas Turbine Thermal Power Co., Ltd. was RMB623,000,000 and the project has not yet been completed.

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

Aging	June 30, 2022	December 31, 2021
Within 1 year	53,955,839.61	85,320,361.88
1-2 years	5,825.87	13,173.25
2-3 years	17,471.15	39,338.90
Over 3 years	4,085,830.23	4,054,535.91
Sub-total	58,064,966.86	89,427,409.94
Less: provision for bad debts	6,438,460.79	7,845,749.46
Total	51,626,506.07	81,581,660.48

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

	June 30, 2022					December 31, 2021				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Type	Amount	Ratio	Amount	Provision ratio	Book value	Amount	Ratio	Amount	Provision ratio	Book value
		(%)		(%)			(%)		(%)	
Provision for bad debts accrued on an individual basis										
Provision for bad debts made by portfolio	58,064,966.86	100.00	6,438,460.79	11.09	51,626,506.07	89,427,409.94	100.00	7,845,749.46	8.77	81,581,660.48
Total	58,064,966.86	100.00	6,438,460.79	11.09	51,626,506.07	89,427,409.94	100.00	7,845,749.46	8.77	81,581,660.48

Provision for bad debts made by portfolio:

Provision made on portfolio basis:

	June 30, 2022		
Name	Accounts receivable	Provision for bad debts	Provision ratio
			(%)
Portfolio of related parties	7,101,244.89		
Accounts receivable with allowance for bad debts accrued by aging analysis method	50,963,721.97	6,438,460.79	12.63%
Total	58,064,966.86	6,438,460.79	11.09%

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

		Change in this period			
Type	December 31, 2021	Provision	Recovery or reversal	Resale or write-off	June 30, 2022
Provision for bad debts of accounts receivable	7,845,749.46	-1,407,288.67			6,438,460.79
Total	7,845,749.46	-1,407,288.67			6,438,460.79

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	June 30, 2022	December 31, 2021
Other receivables	6,493,248,808.48	927,682,975.81
Total	6,493,248,808.48	927,682,975.81

12.2.1 Other receivables by aging

Aging	June 30, 2022	December 31, 2021
Within 1 year	6,493,240,489.42	927,674,449.70
1-2 years	21,944.83	
2-3 years		26,856.64
Over 3 years	321,093.86	344,129.72
Sub-total	6,493,583,528.11	928,045,436.06
Less: Provision for bad debts	334,719.63	362,460.25
Total	6,493,248,808.48	927,682,975.81

12.2.2 Changes in book balance of other accounts receivable

Book balance	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
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	5,565,538,092.05			5,565,538,092.05
Derecognition in this period				
Other changes				
Balance as at June 30, 2022	6,493,583,528.11			6,493,583,528.11

12.2.3 Provision for bad debts for other accounts receivable

Provision for bad debts	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit impairment)	Stage III Lifetime expected credit loss (with credit impairment)	Total
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	-27,740.62			-27,740.62
Reversal in this period				
Charge-off in this period				
Write-off in this period				
Other changes				
Balance as at June 30, 2022	334,719.63			334,719.63

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

Type	December 31, 2021	Change in this period			June 30, 2022
		Provision	Recovery or reversal	Resale or write-off	
Provision for bad debts of other receivable	362,460.25	-27,740.62			334,719.63
Total	362,460.25	-27,740.62			334,719.63

12.2.5 Actual charged off of other receivables in this period

None.

12.2.6 Classification by nature of payment

Nature of payment	Book balance as at June 30, 2022	Book balance as at December 31, 2021
Advances and current accounts	6,493,221,583.28	927,642,123.48
Various deposit and security deposit	320,000.00	320,000.00
Petty cash	41,944.83	25,682.86
Others	57,629.72	
Total	6,493,583,528.11	928,045,436.06

12.2.7 Other receivables relating to government grants

None.

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

None.

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

None.

12.3 Long-term equity investments

	June 30, 2022			December 31, 2021		
Item	Book balance	Provisions for impairment	Book value	Book balance	Impairment Provision	Book value
Investment in subsidiaries	46,487,475,340.39		46,487,475,340.39	45,999,174,249.61		45,999,174,249.61
Investments in associates and joint ventures	22,932,022.33		22,932,022.33	36,876,188.39		36,876,188.39
Total	46,510,407,362.72		46,510,407,362.72	46,036,050,438.00		46,036,050,438.00

12.3.1 Investment in subsidiaries

Investee	December 31, 2021	Increase in this year	Decrease in the current period	June 30, 2022	Provision for impairment in this period	Balance of provision for impairment as at the end of the period
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			13,395,000,000.00		
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			1,000,000.00		
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.		6,235,513,527.05		6,235,513,527.05		
Total	45,999,174,249.61	6,758,898,645.14	6,270,597,554.36	46,487,475,340.39		

12.3.2 Investments in associates and joint ventures

Investee	December 31, 2021	Increase/decrease in this period								June 30, 2022	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		
Associates											
Tianjiao Technology Venture Capital Co., Ltd.	36,876,188.39			55,833.94			14,000,000.00			22,932,022.33	
Total	36,876,188.39			55,833.94			14,000,000.00			22,932,022.33	

12.4 Revenue and cost of sales

Revenue and cost of sales

Item	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Revenue	Costs	Revenue	Costs
Primary business	546,663,133.66	433,683,638.83	475,714,606.57	338,149,706.49
Other business	3,544,337,073.76	3,542,686,887.20	2,460,059,738.98	2,411,431,475.83
Total	4,091,000,207.42	3,976,370,526.03	2,935,774,345.55	2,749,581,182.32

12.5 Investment income

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Long-term equity investment income calculated under the equity method:	55,833.94	2,218,495.30
Investment income from financial assets held for trading during the holding period	2,855,653.29	37,530.06
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	-4,943,462.24	-3,607,695.58

13. Supplementary information

13.1 Statement on non-recurring profit or loss

Item	Amount	Explanations
Profit or loss from disposal of non-current assets	-7,440,832.71	
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)	61,445,441.71	
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, except the effective hedging relevant to the Company's normal business	-2,418,805.42	
Other non-operating revenue and expenses than the above-mentioned items	477,762.02	
Sub-total	52,063,565.60	
Affected income tax	-406,206.42	
Affected non-controlling interests (after tax)	-11,371,551.46	
Total	40,285,807.72	

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	5.83	0.28	0.26
Net profit attributable to common shareholders of the Company after the deduction of non-recurring profits or losses	5.69	0.27	0.25

Jiangsu Eastern Shenghong Co., Ltd.

(Official seal affixed)

December 21, 2022

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)

Assets	*Note 5*	**September 30, 2022**	**December 31, 2021**
		(Unaudited)	*(Restated, notes 2.3)*
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
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
		(Unaudited)	(Restated, notes 2.3)
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)

Assets	Note 12	September 30, 2022	December 31, 2021
		(Unaudited)	(Restated, notes 2.3)
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			
Other current assets		10,836,232.69	8,443,065.26
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	Note 12	September 30, 2022	December 31, 2021
		(Unaudited)	*(Restated, notes 2.3)*
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	Note 12	For the nine months ended September 30, 2022	For the nine months ended September 30, 2021
		(Unaudited)	*(Unaudited and unreviewed)*
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
		(Unaudited)	*(Unaudited and unreviewed)*
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			
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)

	Equity attributable to shareholders of the Company													
		Other equity instruments												
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserves	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
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											40,763,117.46	40,763,117.46		40,763,117.46
Correction of prior errors														
Business combination under common control					7,788,873.29						-9,403,913.23	-1,615,039.94		-1,615,039.94
Others														
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	2,638,436,017.58
(I) Total comprehensive income							19,443,699.42				1,577,312,625.61	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											-891,976,368.60	-891,976,368.60		-891,976,368.60
1. Appropriation to surplus reserves														
2. Appropriation to common risk provision														
3. Distribution to shareholders											-891,976,368.60	-891,976,368.60		-891,976,368.60
4. Others														

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

Item	Equity attributable to shareholders of the Company												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserves	Retained earnings	Sub-total		
		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								-10,545,253.33				-10,545,253.33		-10,545,253.33
1. Accrual in the period								56,207,037.91				56,207,037.91		56,207,037.91
2. Use in the period								66,752,291.24				66,752,291.24		66,752,291.24
(VI) Others					-315,156,098.19						-2,211,126.71	-317,367,224.90	325,484,031.49	8,116,806.59
IV. Balance as at the end of this period	9,201,645,027.16			1,218,227,756.08	13,643,806,932.99		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

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												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserves	Retained earnings	Sub-total		
		Preferred shares	Perpetual debt	Others										
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	17,545,469,389.50	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			1,218,538,062.99	-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							-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													-1,108,160,000.00	-1,108,160,000.00
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		1,219,101,482.05
3. Amount recorded in shareholders' equity arising from share-based payment arrangements														
4. Others													29,119,605.98	29,119,605.98
(III) Distribution of profits											-1,047,486,386.60	-1,047,486,386.60	-96,000,000.00	-1,143,486,386.60
1. Appropriation to surplus reserves														
2. Appropriation to common risk provision														
3. Distribution to shareholders											-1,047,486,386.60	-1,047,486,386.60	-96,000,000.00	-1,143,486,386.60
4. Others														

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

Item	Equity attributable to shareholders of the Company												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual debt	Other equity instruments: Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserves	Retained earnings	Sub-total		
(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								-8,194,785.98				-8,194,785.98	220,617.90	-7,974,168.08
1. Accrual in the period								30,818,480.97				30,818,480.97	3,296,826.89	34,115,307.86
2. Use in the period								39,013,266.95				39,013,266.95	3,076,208.99	42,089,475.94
(VI) Others					-126,497,854.28							-126,497,854.28	98,427,472.49	-28,070,381.79
IV. Balance as at the end of this period	7,823,302,965.16			1,218,538,062.99	12,908,478,995.43		140,849,046.05	28,342,671.59	371,183,266.63		5,534,263,188.90	28,024,958,196.75	5,445,176,870.70	33,470,135,067.45

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	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual debt	Other equity instruments: Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
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											
(III) Distribution of profits										-891,976,368.60	-891,976,368.60
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	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							
(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	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual debt	Other equity instruments: Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance as at the end of the last year	4,834,863,866.00				13,350,132,175.35		145,095,885.00		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		145,095,885.00		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)										
		Other equity instruments									
Item	Share capital	Preferred shares	Perpetual debt	Others	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
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 Guanghong 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:

Content of and reason for changes in accounting policies	Affected items in the financial statements	September 30, 2022/For the nine months ended September 30, 2022	December 31, 2021/2021
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 valuated 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

Item	Estimated useful life	Basis
	(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 Guanhong 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

Item	September 30, 2022	December 31, 2021
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

Aging	September 30, 2022	December 31, 2021
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

	September 30, 2022					December 31, 2021				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Type	Amount	Ratio	Amount	Provision ratio	Book value	Amount	Ratio	Amount	Provision ratio	Book value
		(%)		(%)			(%)		(%)	
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	550,386,060.13	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	550,386,060.13	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: Provision	Recovery or reversal	Resale or write-off	Others	September 30, 2022
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	
Book balance	12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	Total
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	
Provision for bad debts	12-month expected credit loss	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (with credit impairment)	Total
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
		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: 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	Balance of provision for impairment as at the end of the period
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

Item	September 30, 2022	December 31, 2021
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						
— Transfer-in of construction in progress		1,154,716.98				1,154,716.98
— 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*

	Balance as at September 30, 2022		Balance as at December 31, 2021	
Item	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*

	Balance as at September 30, 2022		Balance as at December 31, 2021	
Item	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 value	Book balance	Provisions for impairment	Book value
Prepayment for long-term asset purchase and construction	4,271,255,611.33		4,271,255,611.33	8,629,047,411.26		8,629,047,411.26
Total	4,271,255,611.33		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	Balance as at December 31, 2021	Changes in this period (increase expressed with "+" and decrease expressed with "-")					Balance as at September 30, 2022
		New issue	Share donation	Conversion of reserves into share	Debt to equity	Sub-total	
Total shares.	8,934,888,229.16	266,714,109.00			42,689.00	266,756,798.00	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 (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 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 (ZJXK [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	December 31, 2021		Increase in this period		Decrease in this period		September 30, 2022	
instruments	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

		Amount in the current period						
Item	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	Amount after tax attributable to minority shareholders	Balance as at September 30, 2022
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

Name	Method of equity acquisition	Date for obtaining equity	Registered capital	Contribution proportion
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

Name	Date of establishment	Date of equity exit	Basis for equity exit
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 (%) Direct	Indirect	Method of acquisition
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 (%) Direct	Indirect	Method of acquisition
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 (%) Direct	Indirect	Accounting treatment method in investments in joint ventures or associates
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:

		Lease revenue recognized for the nine months ended September 30, 2022				Lease revenue recognized in 2021			
Lessee	Type of leased asset	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 guarantee:

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 Book balance	December 31, 2021 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

Aging	Balance as at September 30, 2022	Balance as at December 31, 2021
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

	Balance as at September 30, 2022					Balance as at December 31, 2021				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Type	Amount	Ratio	Amount	Provision ratio	Book value	Amount	Ratio	Amount	Provision ratio	Book value
		(%)		(%)			(%)		(%)	
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	102,216,213.22	89,427,409.94	100.00	7,845,749.46	8.77	81,581,660.48
Total	108,148,425.18	100.00	5,932,211.96	5.49	102,216,213.22	89,427,409.94	100.00	7,845,749.46	8.77	81,581,660.48

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: Provision	Recovery or reversal	Resale or write-off	Balance as at September 30, 2022
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 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit)	Stage III Lifetime expected credit loss (with credit impairment)	Total
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

Provision for bad debts	Stage I 12-month expected credit loss	Stage II Lifetime expected credit loss (without credit)	Stage III Lifetime expected credit loss (with credit impairment)	Total
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 Provision	Recovery or reversal	Resale or write-off	As at September 30, 2022
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	Provisions for impairment	Book value
Investment in subsidiaries	53,532,868,172.53		53,532,868,172.53	45,999,174,249.61		45,999,174,249.61
Investments in associates and joint ventures	23,668,707.65		23,668,707.65	36,876,188.39		36,876,188.39
Total	53,556,536,880.18		53,556,536,880.18	46,036,050,438.00		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
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	6,235,495,949.86			
Jiangsu Shenghong Chemical Fiber New Materials Co., Ltd.		15,162,999,999.81		15,162,999,999.81		
Shenghong (Shanghai) New Material Technology Co., Ltd.		6,000,000.00		6,000,000.00		
Shenghong Petrochemical Group Shanghai New Materials Co., Ltd.		2,993,519.91		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

Investee	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	Others		
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