

Financial report

I. Auditor's Report

To all shareholders of Hengli Petrochemical Co., Ltd.:

I. Opinion

We have audited the financial statements of Hengli Petrochemical Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2022, and the consolidated and company income statements, consolidated and company cash flow statements and consolidated and company statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial positions as at 31 December 2022, and their financial performance and their cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. 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 the Company and have fulfilled our other ethical responsibilities in accordance with the China Code of Ethics for Certified Public Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended 31 December 2022. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

(I) Revenue recognition

Key audit matter	Addressed in the context of our audit
Revenue recognition	
As mentioned in note to the financial statements of the Company, the operating revenue for the period was RMB 222.32 billion. The primary revenue sources and recognition criteria are shown in note to the financial statements of the Company. Since revenue is one of the key performance indicators of the	In the audit of the financial statements for the year, we have implemented the following procedures for the matter of revenue recognition: 1. Evaluate and test the design and operation effectiveness of key internal controls related to revenue recognition of the Company; 2. Understand the various types of

<p>Company, there is an inherent risk that management will manipulate revenue recognition in order to achieve specific goals or expectations. Therefore, we recognize revenue recognition as a key audit matter.</p>	<p>income of the Company and their recognition conditions, and evaluate whether the income recognition policy meets the requirements of the accounting standards; 3. Combined with the comparison of gross profit margins of companies in the same industry, an analysis procedure is performed on the Company's revenue, costs and gross profit margins to analyze the rationality of the gross profit margin change trend; 4. Select sample and inspect the Company's various types of income related contracts, invoices, income confirmation documents and other documents to test the authenticity of income; 5. Perform a sample test on the revenue recognized around the balance sheet date to assess whether the sales revenue is recognized in the appropriate accounting period; 6. Carry out confirmation procedure on the income amount of the Company's major customers and the balances of receivable.</p>
<p>Provision for decline in value of inventories</p>	
<p>As mentioned in note to the financial statements of the Company, the inventories balance as of balance sheet date is RMB 40.96 billion and the balance of provision for decline in value of inventories is RMB 3.13 billion, with the carrying amount of inventories of RMB 37.84 billion. The carrying amount of inventories is a material amount. The Company's inventories are mainly crude oil and refining-related products, which are greatly affected by the macroeconomic and crude oil market price fluctuations. Whether the provision for decline in value of inventories is sufficient or not has a significant impact on the financial statements, and the Company's provision for decline in value of inventories is subject to the judgment of the management involved in the determination of the net realizable value. Therefore, we recognize provision for decline in value of inventories as a key audit matter.</p>	<p>In the audit of the financial statements for the year, we have implemented the following procedures for the matter of Provision for decline in value of inventories: 1. Evaluate and test the design and operation effectiveness of key internal controls related to provision for decline in value of inventories of the Company; 2. Check whether the calculation and accounting treatment of provision for decline in value of inventories is correct, whether provision or write-off for the year is consistent with the relevant amount of profit and loss account; 3. Evaluate the estimations used by the management when calculating provision for decline in value, such as the estimated selling price and expected selling expenses and related custom duties, etc., and consider the possibility of errors or management bias; 4. for inventories on the balance sheet date, obtain new or further evidence on selling price subsequent to year end, and consider its</p>

	<p>impact on the net realizable value; 5. Evaluate the appropriateness of management's financial statement disclosure of provision for decline in value of inventories.</p>
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IV. Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company is responsible for the preparation of the financial statements to achieve fair presentation in accordance with Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control as management determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

VI. 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 auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 auditing standards, 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 understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw attention to users of the financial statements 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 the Company to cease to continue as a going concern.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Zhonghui Certified Public Accountants
(special general partnership)

Chinese Certified Public Accountant: Han Jian
(Engagement partner)

Chinese Certified Public Accountant: Fang Sai

China: Hangzhou

Report date: 26 April 2023

II. Financial statements

Consolidated Balance Sheet

As at 31/12/2022

Prepared by: Hengli Petrochemical Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	As at 31/12/2022	As at 31/12/2021
Current assets:			
Cash and bank balances		28,076,405,879.84	15,986,052,894.48
Settlement reserve			
Due from banks and other financial institutions			
Financial assets held for trading		604,414,444.44	814,371,626.26
Derivative financial assets			
Notes receivable			
Accounts receivable		372,445,926.69	2,643,843,371.51
Receivable financing		2,287,271,229.26	3,419,957,708.03
Prepayments		1,997,468,820.54	2,636,915,914.02
Insurance premium receivables			
Reinsurance premium receivables			
Reserve receivable for reinsurance			
Other receivables		701,520,929.51	851,677,558.80
Including: Interest receivables			
Dividend receivables			
Financial assets purchased under agreements to resell			
Inventories		37,835,511,471.41	33,553,002,801.39
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		4,468,726,603.40	5,274,219,295.85
Total current assets		76,343,765,305.09	65,180,041,170.34
Non-current assets:			
Loans and advances			
Debts investment		20,427,397.26	

Other debts investment			
Long-term receivables			
Long-term equity investments		559,215,493.16	
Other equity instruments investment			199,800,000.00
Other non-current financial assets			
Investment properties		164,271,812.80	170,531,320.40
Fixed assets		118,718,591,050.99	122,731,048,012.02
Construction in progress		27,287,491,499.08	7,782,853,597.20
Productive biological assets			
Oil and gas assets			
Right-of-use assets		87,844,283.36	99,832,568.84
Intangible assets		8,924,775,668.34	7,341,732,386.19
Development cost			
Goodwill		77,323,123.69	77,323,123.69
Long-term deferred expenses		2,027,293,324.85	2,621,643,788.93
Deferred tax assets		892,227,246.46	188,827,083.44
Other non-current assets		6,327,248,356.84	3,902,592,546.65
Total non-current assets		165,086,709,256.83	145,116,184,427.36
TOTAL ASSETS		241,430,474,561.92	210,296,225,597.70
Current Liabilities:			
Short-term loans		69,316,898,813.08	55,590,693,332.04
Borrowings from central bank			
Deposits and placements from banks and other financial institutions			
Financial liabilities held for trading		346,020,729.70	296,817,004.51
Derivative financial liabilities			
Notes payable		20,603,775,870.27	16,050,294,580.41
Accounts payable		8,869,309,998.90	10,689,214,747.52
Receipts in advance			
Contract liabilities		12,090,983,326.47	6,126,546,843.89
Financial assets sold under agreements to repurchase			
Due to customers and banks			

Securities brokering			
Securities underwriting			
Employee benefits payable		476,509,780.18	483,000,867.62
Taxes payable		1,036,013,713.16	1,276,893,624.38
Other payables		382,263,173.05	439,952,644.33
Including: Interest payables			
Dividends payable			4,882,110.00
Fees and commissions payable			
Reinsurance premium payable			
Liabilities held-for-sale			
Non-current liabilities due within one year		9,349,028,245.01	5,423,226,970.81
Other current liabilities		3,382,127,557.85	1,399,269,151.61
Total current liabilities		125,852,931,207.67	97,775,909,767.12
Non-current liabilities:			
Claims reserve of insurance contract			
Long-term loans		58,347,153,350.72	52,122,314,344.25
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		55,750,879.91	62,777,270.39
Long-term payables		858,833,333.34	21,899,253.29
Long-term employee benefits payable			
Provisions			13,000,000.00
Deferred income		3,376,501,714.84	2,998,678,284.64
Deferred tax liabilities		18,914,506.94	927,466.51
Other non-current liabilities			
Total non-current liabilities		62,657,153,785.75	55,219,596,619.08
TOTAL LIABILITIES		188,510,084,993.42	152,995,506,386.20
Owners' equity (or Shareholders' equity):			
Paid-in capital (or Share capital)		7,039,099,786.00	7,039,099,786.00
Other equity instruments			

Including: Preferred shares			
Perpetual bonds			
Capital reserve		18,686,516,127.76	18,455,844,491.64
Less: Treasury shares			228,626,593.18
Other comprehensive income		-50,052,317.06	-150,616,377.30
Specific reserve		1,602,239.79	139,116,306.31
Surplus reserve		905,565,700.75	858,111,239.40
General risk reserve			
Undistributed profits		26,279,812,029.77	31,118,454,108.29
Total owners' equity (or shareholders' equity) attributable to the parent		52,862,543,567.01	57,231,382,961.16
Minority interests		57,846,001.49	69,336,250.34
Total owners' equity (or shareholders' equity)		52,920,389,568.50	57,300,719,211.50
Total liabilities and owners' equity (or shareholders' equity)		241,430,474,561.92	210,296,225,597.70

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

Parent Company Balance Sheet

As at 31/12/2022

Prepared by: Hengli Petrochemical Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	As at 31/12/2022	As at 31/12/2021
Current assets:			
Cash and bank balances		31,980,728.03	54,180,520.50
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivable financing			
Prepayments		1,271,836.74	151,294.55
Other receivables		811,162,769.45	1,203,854,808.69
Including: Interest receivables			
Dividend receivables		800,000,000.00	1,200,000,000.00

Inventories			
Contract assets			
Assets held-for-sale			
Non-current assets due within one year			
Other current assets		42,450,791.47	38,321,150.31
Total current assets		886,866,125.69	1,296,507,774.05
Non-current assets:			
Debts investment			
Other debts investment			
Long-term receivables			
Long-term equity investments		44,316,275,704.93	43,317,275,704.93
Other equity instruments investment			
Other non-current financial assets			
Investment properties		37,900,752.88	39,171,412.60
Fixed assets		2,852,515,397.82	1,544,172,730.17
Construction in progress		34,483,864.48	744,990.30
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development cost			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Total non-current assets		47,241,175,720.11	44,901,364,838.00
TOTAL ASSETS		48,128,041,845.80	46,197,872,612.05
Current Liabilities:			
Short-term loans			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		20,337,770.04	
Accounts payable		1,001,201.98	460,000.00
Receipts in advance			
Contract liabilities			275,393,889.34

Employee benefits payable		2,400,000.00	2,100,000.00
Taxes payable		7,588,420.83	5,101,190.67
Other payables		6,593,083,472.18	5,552,789,186.72
Including: Interest payables			
Dividends payable			
Liabilities held-for-sale			
Non-current liabilities due within one year		2,030,618,280.89	
Other current liabilities			35,801,205.61
Total current liabilities		8,655,029,145.92	5,871,645,472.34
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
TOTAL LIABILITIES		8,655,029,145.92	5,871,645,472.34
Owners' equity (or Shareholders' equity):			
Paid-in capital (or Share capital)		7,039,099,786.00	7,039,099,786.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		24,142,978,843.34	23,989,306,711.37
Less: Treasury shares			228,626,593.18
Other comprehensive income			
Specific reserve			
Surplus reserve		2,679,861,592.27	2,092,463,830.38

Undistributed profits		5,611,072,478.27	7,433,983,405.14
Total owners' equity (or shareholders' equity)		39,473,012,699.88	40,326,227,139.71
Total liabilities and owners' equity (or shareholders' equity)		48,128,041,845.80	46,197,872,612.05

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

Consolidated Income Statement

For the year ended 31 December 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
I. Total revenue from operations		222,372,593,675.48	197,996,549,201.17
Including: Revenue from operations		222,323,583,969.88	197,970,344,885.30
Interest income		26,648,486.54	11,794,813.84
Premium earned			
Fees and commissions income		22,361,219.06	14,409,502.03
II. Total cost of operations		218,462,766,541.73	179,170,933,901.38
Including: Cost of operations		204,077,597,066.45	167,518,086,060.40
Interest expenses			
Fees and commissions expenses			
Cash surrender amount			
Net expenses of claim settlement			
Net provisions for insurance contract reserves			
Insurance policies dividend expenses			
Reinsurance expenses			
Taxes and surcharges		6,631,019,180.66	3,440,428,415.46
Selling expenses		392,769,176.78	291,365,785.46
Administrative expenses		1,889,298,663.76	1,985,395,698.86
Research and development expenses		1,184,711,003.40	1,019,452,366.89
Financial expense		4,287,371,450.68	4,916,205,574.31
Including: Interest expenses		4,632,905,829.96	4,700,106,102.45
Interest income		332,736,566.09	108,112,244.03
Add: Other income		1,595,543,126.20	759,858,866.70
Investment income ("-" for loss)		-322,324.78	19,231,050.43

Including: Gains from investments in associates and joint ventures			
Gain from derecognition of financial assets at amortized cost			
Foreign exchange gain ("-" for loss)			
Gain from net exposure of hedging ("-" for loss)			
Gains from changes of fair value ("-" for loss)		-45,679,570.72	356,140,714.22
Credit impairment loss ("-" for loss)		-2,373,806.12	-17,289,998.54
Assets impairment loss ("-" for loss)		-3,128,732,830.34	-154,662,546.51
Gain from disposal of assets ("-" for loss)		-3,332,571.69	1,788,290.01
III. Operating profit ("-" for loss)		2,324,929,156.30	19,790,681,676.10
Add: Non-operating income		105,330,717.22	58,627,931.62
Less: Non-operating expenses		20,681,258.19	21,252,623.94
IV. Total profit ("-" for loss)		2,409,578,615.33	19,828,056,983.78
Less: Income tax expenses		91,541,665.11	4,289,878,953.49
V. Net profit ("-" for loss)		2,318,036,950.22	15,538,178,030.29
(I) Classified by continuity of operations			
1. Net profit from continuing operations ("-" for loss)		2,318,036,950.22	15,538,178,030.29
2. Net profit from discontinued operations ("-" for loss)			
(II) Classified by attribution to ownership			
1. Net profit attributable to shareholders of the parent ("-" for loss)		2,318,303,166.69	15,531,076,723.36
2. Net profit attributable to minority interests ("-" for loss)		-266,216.47	7,101,306.93
VI. Other comprehensive income - after tax		105,052,177.39	-50,897,138.73
(I) Other comprehensive income - after tax attributable to owners of the parent		100,564,060.24	-49,792,414.77
1. Other comprehensive income not reclassified into profit or loss subsequently			

(1)Changes in remeasurement of defined benefit plan			
(2)Share of other comprehensive income of the equity method investments			
(3)Changes in fair value of other equity instruments investment			
(4)Changes in fair value of the Company's own credit risks			
2. Other comprehensive income that will be reclassified into profit or loss subsequently		100,564,060.24	-49,792,414.77
(1)Share of other comprehensive income of associates and joint ventures under equity method			
(2)Changes in the fair value of other debt investments			
(3)Reclassification of financial assets recognised as other comprehensive income			
(4)Credit impairment loss of other debt investments			
(5)Cash flow hedging reserve		-6,398,442.57	-136,689,188.58
(6)Translation of foreign currency financial statements		106,962,502.81	86,896,773.81
(7)Others			
(II) Other comprehensive income - after tax attributable to minority interests		4,488,117.15	-1,104,723.96
VII. Total comprehensive income		2,423,089,127.61	15,487,280,891.56
(I) Total comprehensive income attributable to owners of the parent		2,418,867,226.93	15,481,284,308.59
(II) Total comprehensive income attributable to minority interests		4,221,900.68	5,996,582.97
VIII. Earnings per share:			
(I) Basic earnings per share (RMB per share)		0.33	2.21
(II) Diluted earnings per share (RMB per share)		0.33	2.21

For the business combination under common control in this period, the net profit realized by the acquiree before the merger is: 0 yuan, and the net profit realized by the acquiree in the previous period is: 0 yuan.

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

Parent Company Income Statement

For the year ended 31 December 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
I. Revenue from operations		1,633,324.64	2,310,851.89
Less: Cost of operations		1,270,659.72	952,994.79
Taxes and surcharges		22,046,809.69	12,141,530.05
Selling expenses			
Administrative expenses		95,862,573.23	130,424,237.24
Research and development expenses			20,952,230.72
Financial expense		33,033,234.46	54,347,063.00
Including: Interest expenses		34,113,823.35	54,706,662.38
Interest income		1,099,802.78	384,375.40
Add: Other income		1,787,238.79	18,043,306.79
Investment income ("-" for loss)		6,022,872,521.63	8,420,000,000.00
Including: Gains from investments in associates and joint ventures			
Gain from derecognition of financial assets at amortized cost			
Gain from net exposure of hedging ("-" for loss)			
Gains from changes of fair value ("-" for loss)			
Credit impairment loss ("-" for loss)		-102,189.08	-465,814.46
Assets impairment loss ("-" for loss)			
Gain from disposal of assets ("-" for loss)			35,537.55
II. Operating profit ("-" for loss)		5,873,977,618.88	8,221,105,825.97
Add: Non-operating income			
Less: Non-operating expenses			
III. Total profit ("-" for loss)		5,873,977,618.88	8,221,105,825.97
Less: Income tax expenses			
IV. Net profit ("-" for loss)		5,873,977,618.88	8,221,105,825.97
(I) Net profit from continuing operations ("-" for loss)		5,873,977,618.88	8,221,105,825.97

(II) Net profit from discontinued operations ("-" for loss)			
V. Other comprehensive income - after tax			
(I) Other comprehensive income not reclassified into profit or loss subsequently			
1.Changes in remeasurement of defined benefit plan			
2.Share of other comprehensive income of the equity method investments			
3.Changes in fair value of other equity instruments investment			
4.Changes in fair value of the Company's own credit risks			
(II) Other comprehensive income that will be reclassified into profit or loss subsequently			
1.Share of other comprehensive income of associates and joint ventures under equity method			
2.Changes in the fair value of other debt investments			
3.Reclassification of financial assets recognised as other comprehensive income			
4.Credit impairment loss of other debt investments			
5.Cash flow hedging reserve			
6.Translation of foreign currency financial statements			
7.Others			
VI. Total comprehensive income		5,873,977,618.88	8,221,105,825.97
VII. Earnings per share:			
(I) Basic earnings per share (RMB per share)			
(II) Diluted earnings per share (RMB per share)			

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

Consolidated Cash Flows Statement

For the year ended 31 December 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		267,426,902,574.47	212,351,925,115.56
Net increase in deposits from customers and inter-banks			
Net increase in due to central bank			
Net increase in fund borrowings from other financial institutes			
Cash received from insurance premium of original insurance contracts			
Net cash received from reinsurance business			
Net increase in insured's deposits and investments			
Cash received from interests, fees and commissions		52,563,354.96	27,965,319.27
Net increase of placement from banks and other financial institutions			
Net increase in fund of repurchase business			
Net cash received in securities brokerage agency			
Tax refund received		5,562,889,817.74	552,572,461.99
Other cash received relating to operating activities		5,936,292,171.41	4,719,525,033.29
Sub-total of cash inflows		278,978,647,918.58	217,651,987,930.11
Cash paid for goods and services		234,363,054,837.45	181,578,139,486.63
Net increase in issued loans and advance			
Net increase in deposits in central bank and inter-banks			

Cash paid for claims of original insurance contracts			
Net increase in due from banks and other financial institutions			
Cash paid for interest, fees and commission			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		3,736,263,307.53	3,532,628,843.05
Payments of all types of taxes		11,290,319,184.00	9,820,452,805.72
Other cash paid relating to operating activities		3,635,039,806.17	4,050,593,050.60
Sub-total of cash outflows		253,024,677,135.15	198,981,814,186.00
Net cash flows from operating activities		25,953,970,783.43	18,670,173,744.11
II. Cash flows from investing activities:			
Cash received from disposal of investments		2,882,252,002.75	1,438,264,672.10
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,064,483.56	8,423,344.25
Cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		347,902,490.45	281,403,186.19
Sub-total of cash inflows		3,237,218,976.76	1,728,091,202.54
Cash paid to acquire fixed assets, intangible assets and other long-term assets		25,714,852,414.63	13,391,395,161.48
Cash paid to acquire investments		2,503,807,796.91	939,228,172.71
Net increase in pledged loans			
Cash paid to acquire subsidiaries and other business units			

Other cash paid relating to investing activities		1,315,628,697.98	495,190,393.63
Sub-total of cash outflows		29,534,288,909.52	14,825,813,727.82
Net cash flows from investing activities		-26,297,069,932.76	-13,097,722,525.28
III. Cash flows from financing activities :			
Cash received from capital contribution		6,300,000.00	
Including: Cash received from investment by minority interests of subsidiaries		6,300,000.00	
Cash received from borrowings		97,969,621,917.23	72,179,717,682.00
Cash received relating to other financing activities		3,735,166,378.16	10,949,520,513.01
Sub-total of cash inflows		101,711,088,295.39	83,129,238,195.01
Cash repayments of amounts borrowed		74,702,848,106.14	67,818,014,305.56
Cash payments for interest expenses and distribution of dividends or profits		12,120,673,280.05	9,984,438,506.54
Including: Dividend paid to minority interests of subsidiaries			2,653,648.05
Other cash payments relating to financing activities		4,482,150,476.99	12,714,372,824.46
Sub-total of cash outflows		91,305,671,863.18	90,516,825,636.56
Net cash flows from financing activities		10,405,416,432.21	-7,387,587,441.55
IV. Effect of foreign exchange rate changes on cash		671,837,669.76	-89,431,227.90
V. Net increase in cash and cash equivalents		10,734,154,952.64	-1,904,567,450.62
Add: Opening balance of cash and cash equivalent		9,589,548,876.75	11,494,116,327.37
VI. Closing balance of cash and cash equivalent		20,323,703,829.39	9,589,548,876.75

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

Parent Company Cash Flows Statement

For the year ended 31 December 2022

Unit: Yuan Currency: RMB

Item	Note	2022	2021
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services			
Tax refund received		65,555,330.97	44,265,082.26
Other cash received relating to operating activities		993,485,513.95	910,731,814.54
Sub-total of cash inflows		1,059,040,844.92	954,996,896.80
Cash paid for goods and services			
Cash paid to and on behalf of employees		7,320,727.56	6,422,177.03
Payments of all types of taxes		19,550,279.49	9,320,023.36
Other cash paid relating to operating activities		119,160,048.56	1,736,414,544.10
Sub-total of cash outflows		146,031,055.61	1,752,156,744.49
Net cash flows from operating activities		913,009,789.31	-797,159,847.69
II. Cash flows from investing activities:			
Cash received from disposal of investments		577,647.63	
Cash received from returns on investments		6,423,294,874.00	11,569,955,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			100,000.00
Cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Sub-total of cash inflows		6,423,872,521.63	11,570,055,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,458,394,502.24	718,503,491.24
Cash paid to acquire investments		1,000,000,000.00	405,030,000.00

Cash paid to acquire subsidiaries and other business units			
Other cash paid relating to investing activities			
Sub-total of cash outflows		2,458,394,502.24	1,123,533,491.24
Net cash flows from investing activities		3,965,478,019.39	10,446,521,508.76
III. Cash flows from financing activities :			
Cash received from capital contribution			
Cash received from borrowings		1,998,113,207.54	
Cash received relating to other financing activities		382,298,725.15	733,671,060.00
Sub-total of cash inflows		2,380,411,932.69	733,671,060.00
Cash repayments of amounts borrowed			1,000,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		7,111,099,533.86	5,476,226,684.76
Other cash payments relating to financing activities		170,000,000.00	3,880,275,628.39
Sub-total of cash outflows		7,281,099,533.86	10,356,502,313.15
Net cash flows from financing activities		-4,900,687,601.17	-9,622,831,253.15
IV. Effect of foreign exchange rate changes on cash			
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalent		54,180,520.50	27,650,112.58
VI. Closing balance of cash and cash equivalent		31,980,728.03	54,180,520.50

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

Co rrection of errors															
Bu siness combin ation under commo n control															
Ot hers															
II. Balance in beginni ng of year	7,039,09 9,786.00				18,455,8 44,491.6 4	228,62 6,593.1 8	- 150,616, 377.30	139,116, 306.31	858,111, 239.40		31,118,45 4,108.29		57,231,38 2,961.16	69,336, 250.34	57,300,71 9,211.50
III. Movem ent over the year (“-“for decrea se)					230,671, 636.12	- 228,62 6,593.1 8	100,564 ,060.24	- 137,514, 066.52	47,454, 461.35		- 4,838,64 2,078.52		- 4,368,83 9,394.15	- 11,490, 248.85	- 4,380,32 9,643.00
(I) Total compre hensive income							100,564 ,060.24				2,318,30 3,166.69		2,418,867 ,226.93	4,221,9 00.68	2,423,08 9,127.61

(II) Owner's contributions and decrease of capital					230,671, 636.12	- 228,62 6,593.1 8						459,298, 229.30	- 13,954, 922.38	445,343, 306.92
1. Capital contribution from owner														
2. Increase in owners' equity resulted from other equity instruments														
3. Increase in owners' equity resulted from					77,070,0 49.00							77,070,0 49.00		77,070,04 9.00

share-based payments														
4. Others					153,601,587.12	-228,626,593.18						382,228,180.30	-13,954,922.38	368,273,257.92
(III) Appropriation of profits								47,454,461.35		-7,156,945,245.21		-7,109,490,783.86	-1,757,227.15	-7,111,248,011.01
1. Transfer to surplus reserve								47,454,461.35		-47,454,461.35		-		
2. Transfer to general risk reserve														
3. Distribution to owners (or shareholders)										-7,109,490,783.86		-7,109,490,783.86	-1,757,227.15	-7,111,248,011.01

4. Changes of equity from the revaluation of defined benefit plan															
5. Other comprehensive income transfer to retained earnings															
6. Others															
(V) Specific reserve								- 137,514, 066.52					- 137,514,0 66.52		- 137,514,0 66.52
1. Appropriation for the year								268,184, ,171.73					268,184,1 71.73		268,184,1 71.73

2. Used in the year								405,698,238.25					405,698,238.25		405,698,238.25
(VI) Others															
IV. Balance at end of year	7,039,099,786.00				18,686,516,127.76	-	-	1,602,239.79	905,565,700.75		26,279,812,029.77		52,862,543,567.01	57,846,001.49	52,920,389,568.50

Item	2021															
	Equity attributable to the parent company												Minority interests	TOTAL OWNERS' EQUITY		
	Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Undistributed profits	Others	Subtotal			
		Preferred shares	Perpetual bonds	Others												
I. Balance at end of	7,039,099,786.00				18,350,115,179.65	324,811,781.18	-	100,823,962.53	77,581,307.23	743,268,339.04		21,120,648,008.95		46,905,076,877.16	119,314,084.65	47,024,390,961.81

previous year															
Add: Changes in accounting policies											- 5,201,038.90		- 5,201,038.90		- 5,201,038.90
Correction of errors															
Business combination under common control															
Others															
II. Balance in beginning of year	7,039,099,786.00				18,350,115,179.65	324,811,781.18	-100,823,962.53	77,581,307.23	743,268,339.04		21,115,446,970.05		46,899,875,838.26	119,314,084.65	47,019,189,922.91
III. Movement over the year					105,729,311.99	-96,185,188.00	-49,792,414.77	61,534,999.08	114,842,900.36		10,003,007,138.24		10,331,507,122.90	-49,977,834.31	10,281,529,288.59

3. Surplus reserve cover the deficit															
4. Change s of equity from the revaluat ion of defined benefit plan															
5. Other compre hensive income transfer to retaine d earning s															
6. Others															
(V) Specific reserve								61,534, 999.08					61,534,99 9.08		61,534,9 99.08

1. Appropriation for the year							171,844,652.03					171,844,652.03		171,844,652.03	
2. Used in the year							110,309,652.95					110,309,652.95		110,309,652.95	
(VI) Others															
IV. Balance at end of year	7,039,099,786.00				18,455,844,491.64	228,626,593.18	-150,616,377.30	139,116,306.31	858,111,239.40		31,118,454,108.29		57,231,382,961.16	69,336,250.34	57,300,719,211.50

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

Parent Company Statement of Changes in Equity

For the year ended 31 December 2022

Unit: Yuan Currency: RMB

Item	2022										
	Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	TOTAL OWNERS' EQUITY
		Preferred shares	Perpetual bonds	Others							
I. Balance at end of previous year	7,039,099,786.00	-	-	-	23,989,306,711.37	228,626,593.18			2,092,463,830.38	7,433,983,405.14	40,326,227,139.71

Add: Changes in accounting policies											
Correction of errors											
Others											
II. Balance in beginning of year	7,039,09 9,786.00				23,989,3 06,711.37	228,626, 593.18			2,092,4 63,830. 38	7,433,9 83,405.1 4	40,326,2 27,139.71
III. Movement over the year (" - "for decrease)	-	-	-	-	153,672,1 31.97	- 228,626, 593.18	-	-	587,397, 761.89	- 1,822,91 0,926.8 7	- 853,214, 439.83
(I) Total comprehensive income										5,873,97 7,618.88	5,873,97 7,618.88
(II) Owner's contributions and decrease of capital					153,672,1 31.97	- 228,626, 593.18					382,298, 725.15
1. Capital contribution from owner											
2. Increase in owners' equity resulted from other equity instruments											
3. Increase in owners' equity resulted from share-based payments											
4. Others					153,672,1 31.97	- 228,626, 593.18					382,298, 725.15

2. Used in the year											
(VI) Others											
IV. Balance at end of year	7,039,09 9,786.00	-	-	-	24,142,9 78,843.3 4	-	-	-	2,679,86 1,592.27	5,611,07 2,478.27	39,473,0 12,699.8 8

Item	2021										
	Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	Undistributed profits	TOTAL OWNERS' EQUITY
		Preferred shares	Perpetual bonds	Others							
I. Balance at end of previous year	7,039,09 9,786.00				23,794,7 48,212.7 0	324,811,7 81.18			1,270,35 3,247.78	5,448,21 4,846.5 3	37,227,6 04,311.8 3
Add: Changes in accounting policies											
Correction of errors											
Others											
II. Balance in beginning of year	7,039,09 9,786.00				23,794,7 48,212.7 0	324,811,7 81.18			1,270,35 3,247.78	5,448,21 4,846.5 3	37,227,6 04,311.8 3
III. Movement over the year ("-" for decrease)					194,558, 498.67	- 96,185,1 88.00			822,110, 582.60	1,985,76 8,558.61	3,098,6 22,827.8 8

(IV) Transfer within equity											
1. Capital reserve converting into share capital (or Share capital)											
2. Surplus reserve converting into share capital (or Share capital)											
3. Surplus reserve cover the deficit											
4. Changes of equity from the revaluation of defined benefit plan											
5. Other comprehensive income transfer to retained earnings											
6. Others											
(V) Specific reserve											
1. Appropriation for the year											
2. Used in the year											
(VI) Others											
IV. Balance at end of year	7,039,09 9,786.00				23,989,3 06,711.37	228,626, 593.18			2,092,4 63,830. 38	7,433,9 83,405.1 4	40,326,2 27,139.71

Legal representative: Fan Hongwei Person in charge of financial function: Liu Xuefen Prepared by: Zheng Minxia

III. Company information

1. Company profile

Hengli Petrochemical Co., Ltd. (hereinafter referred to as "the Company") is formerly known as Dalian Rubber & Plastics Machinery Co., Ltd. (hereinafter referred to as "DXS"), whose name was changed on 27 May 2016. The Company was founded on 9 March 1999. The Company's shares were listed on the Shanghai Stock Exchange on 20 August 2001 with stock name: Hengli Petrochemical and stock code: 600346. The unified social credit code of the Company is 912102001185762674 and the registered address of the Company is OSBL Project-Public Works Office Building, No.298 Changsong Road, Lingang Industrial Zone, Changxing Island, Dalian, Liaoning Province. The legal representative is Fan Hongwei. The Company's registered capital is RMB 7,039,099,786.00 with total number of shares of 7,039,099,786 shares with par value of RMB 1 each, including 7,039,099,786 shares of tradable A shares without any restricted conditions.

On 27 January 2016, China Securities Regulatory Commission approved the Company's major asset restructuring through document "Approval of Dalian Rubber & Plastics Machinery Co., Ltd.'s major asset restructuring and issue shares to Hengli Group Co., Ltd. to raise capital for assets purchasing" (Securities Regulatory approval [2016] No.187). The major asset restructuring includes: (1) DXS's previous holding company Dalian State-owned Assets Investment and Operation Group Co., Ltd. (hereinafter referred to as "DGJ") transferred 200,202,495 shares (29.98% of DXS's total capital) of DXS's shares to Hengli Group Co., Ltd. (hereinafter referred to as "Hengli Group") with a price of RMB 5.8435 per share;(2) DXS sold all assets and liabilities as of 30 June, 2015 to Dalian Yinghui Machinery Manufacturing Co., Ltd. and received cash as consideration;(3) The Company issued 1,906,327,800 shares by private placement to acquire 85% shares in Jiangsu Hengli Chemical Fiber Co., Ltd. (hereinafter referred to as "Hengli Chemical Fiber") which were held by Hengli Group, Dechengli International Group Co. (hereinafter referred to as the "Dechengli"), Jiangsu Hegao Investment Co., Ltd. (hereinafter referred to as "Hegao Investment") and Hailaide international investment Ltd. (hereinafter referred to as "Hailaide"), and paid in cash to acquire 14.99% shares of Hengli Chemical Fiber which were held by Hegao investment. The issuance of shares mentioned above were verified by Ruihua Certified Public Accountants (LLP) and issued capital verification reports Ruihua YanZi No.33030006 [2016]. After the issuance of shares, the number of total outstanding shares of the Company increased to 2,574,114,642 shares;(4) The Company issued 251,572,300 shares by private placement to Jiangsu Soho Investment Group Co. Ltd., Xiamen Xiangyu Co., Ltd. and other six specific investors to raise supporting funds for this assets purchasing. The issuance of shares in above was verified by Ruihua Certified Public Accountants (LLP) and issued capital verification reports Ruihua Yan Zi No.33030014 [2016]. After the issuance of shares, the number of total outstanding shares of the Company increased to 2,825,686,942 shares.

On 31 January 2018, according to the "Approval on Purchase of Assets by issuance of shares to Fan Hongwei and others, and Raising of Supporting Funds by Hengli Petrochemical Co., Ltd." (Zheng Jian Xu Ke [2018] No.235) issued by China Securities Regulatory Commission, the Company implemented the assets restructuring which included (1) The Company issued 1,719,402,983 shares by private placement to Fan Hongwei, Hengneng Investment (Dalian) Co., Ltd. (hereinafter referred to as "Hengneng Investment") and Hengfeng Investment (Dalian) Co., Ltd. (hereinafter referred to as "Hengfeng Investment") to acquire 100% shares of Hengli Investment (Dalian) Co., Ltd.

(hereinafter referred to as "Hengli Investment") and 100% shares of Hengli Petrochemical (Dalian) Refining Co., Ltd. (hereinafter referred to as "Hengli Refining"). The share issuance mentioned above were verified by Ruihua Certified Public Accountants (LLP) and issued capital verification reports Ruihua YanZi No.33050001 [2018] . After the issuance of shares, the number of total outstanding shares of the Company increased to 4,545,089,925 shares; (2) The Company issued 507,700,000 shares by private placement to Ping An Asset Management Co., Ltd., Beixin Ruifeng Fund Management Co., Ltd., and other six specific investors to raise supporting funds for this assets purchasing. The share issuance mentioned above were verified by Ruihua Certified Public Accountants (LLP) and issued capital verification reports Ruihua Yan Zi No.33050002 [2018] . After the issuance of shares, the number of total outstanding shares of the Company increased to 5,052,789,925 shares.

On 30 April 2019, the Company's annual shareholders meeting of 2018 resolved the "Proposal of the Company's profit distribution and conversion of capital reserve to share capital of 2018". Based on the total number of outstanding shares of 4,965,774,651 shares (being total shares of 5,052,789,925 shares deducted by 87,015,274 share of stock repurchased), capital reserve is converted to share capital by issuance of 0.4 shares for each share held by all shareholders and the total shares increased by 1,986,309,861 shares. Share registration date was 26 June 2019. After the increment in shares, the number of total outstanding shares of the Company increased to 7,039,099,786 shares.

The primary organizational structure of the Company: In accordance with the provisions of national laws and regulations and the Company's articles of association, a standardized multi-level governance structure consisting of shareholders' general meeting, the board of directors, the board of supervisors and the management has been established; the board of directors has strategy committee, audit committee and remuneration committee, nomination committee and the board office. The Company has sales department, purchasing department, general manager's office, personnel department, production department, quality control department, finance department, securities department and other major functional departments.

The Company engages in petrochemical industry. The business scope is: production and sales of chemical fibers (excluding chemical dangerous goods); sales of purified terephthalic acid (PTA); import and export of goods. The main products are oil refining products, chemical products, PTA, polyester chips, polyester fibers and films, etc.

The financial statements and notes to the financial statements have been approved to issue by the Board of Directors on 26 April 2023.

2. Scope of consolidation

There are total 87 subsidiaries in the scope of consolidation of the Company in 2022. Details refer to "Interests in other entities". Comparing with previous year, the scope of consolidation of the Company increased 21 entities and decrease of 7 deregistered entities and there was no transfer of entities, details refer to "Changes in scope of consolidation".

II. Basis of preparation of financial statements

1. Basis of preparation

The financial statements of the Company are prepared on going concern basis and in compliance with Accounting Standards for Business Enterprises and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance (collectively, "Accounting Standards for Business Enterprises"). In addition, the Company also discloses relevant financial information according to Information Disclosures Regulations for Companies that Offering Shares in Public No.15 - General Provision of Preparing Financial Report (revised in 2014) issued announced by China Securities Regulatory Commission.

2. Going concern

The Company has no events or circumstances that have caused significant doubts about the assumption of going concern within 12 months after the end of the reporting period.

III. Significant accounting policies and accounting estimates

Specific accounting policies and accounting estimates:

The Company and its subsidiaries determines certain specific accounting policies and accounting estimates for impairment of receivables, depreciation of fixed assets, amortization of intangible assets and revenue recognition according to the characteristics of the production and operation. Specific accounting policies refer to the note to financial statements.

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared in compliance with the Accounting Standard for Business Enterprises to truly and completely reflect the Company's financial positions, operating results and cash flows.

2. Accounting period

The financial year of the Company is from 1 January to 31 December of each calendar year.

3. Operating cycle

The normal business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company considers 12 months as an operating cycle and apply it as a standard for the liquidity of assets and liabilities.

4. Functional currency

The Company and domestic subsidiaries use Renminbi ("RMB") as functional currency. Overseas subsidiaries of the Company determine its functional currency as US dollar in accordance with its primary economic environment of the business location and converted into RMB in preparation of consolidated financial statements.

The financial statements of the Company have been prepared in RMB.

5. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

1. Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets acquired and liabilities assumed by acquirer in the business combination are measured at their carrying amounts of the acquiree in the consolidated financial statements of the ultimate controlling party at the combination date, except for adjustments due to different accounting policies. The difference between the carrying amount of the consideration paid for the combination (or total par value of shares issued) and the carrying amount of the net assets acquired is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

Business combinations involving entities under common control achieved in stages and involved multiple transactions, the difference between the carrying amount of the net assets acquired and the sum of carrying amount of investment prior to combination date and carrying amount of new considerations paid for the combination at the combination date is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. The profit or loss, other comprehensive income and changes in other owner's equity recognized by the acquirer during the period from the later of initial investment date and the date that the acquirer and acquiree both under common ultimate control to the combination date are offset the opening retained earnings or profit for loss for the current period in the comparative statements, except for other comprehensive income arising from the remeasurement of the net benefit or net asset change of the defined benefit plan by the investee.

2. Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, firstly the acquirer shall reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination, and then if the cost of combination is still less than the acquirer's interest in the fair values of the acquiree's identifiable net assets after that reassessment, the acquirer shall recognize the remaining difference immediately in profit or loss for the current period.

If, at the date of combination or the end of the current period, due to various factors, the fair value of each asset paid as consideration for the combination or the fair value of the identifiable assets and liabilities of the purchased party is obtained during the combination cannot be reasonably determined, the Company calculates the value of business combination based on the temporarily determinable value. If, within the 12 months after acquisition, additional information

can prove the existence of related information at acquisition date and the contingent consideration need to be adjusted, it is deemed to happen on the date of combination and retrospectively adjusted. Any adjustment of consideration for the combination or value of identifiable assets or liabilities made after 12 months of combination, the adjustment should follow Accounting Standard for Business Enterprise No.28 – Changes in accounting policies, accounting estimates and correction of error.

Where the temporary difference obtained by the acquirer was not recognized due to inconformity with the conditions applied for recognition of deferred income tax, if, within the 12 months after acquisition, additional information can prove the existence of related information at acquisition date and the expected economic benefits on the acquisition date arising from deductible temporary difference by the acquiree can be achieved, relevant income tax assets can be recognized, and goodwill can be adjusted accordingly. If the goodwill is not sufficient, the difference is recognized as profit or loss for the current period. Apart from above, the differences is taken into profit or loss of the current period if the recognition of deferred income tax assets is related to the business combination.

For business combinations involving entities not under common control achieved in stages that involves multiple transactions, the Company determine whether the multiple transactions belongs to a single transactions in accordance with accounting standards. If the terms, conditions and economic impact of the disposal comply with any cases as following, the multiple transactions should be accounted as if a single transaction. ① These transactions are concluded simultaneously or affected by each other. ② To reach a complete business results, these transactions is as a whole. ③ Whether one transaction happening or not is up to another transaction. ④ To assess one transaction separately is not economical but assess along with other transactions, they are economically justified.

In a business combination achieved in stages and considered as a single transaction, the transactions should be regard all as one acquisition. For those cannot be considered as a single transaction, the combination cost is the sum of consideration paid at acquisition date and fair value of the acquiree's equity investment held prior to acquisition date; the cost of equity of the acquiree held prior to acquisition date shall be re-measured at the fair value at acquisition date, the difference between the fair value and the carrying amount shall be recognized as investment income or loss for the current period. Other comprehensive income and changes of investment equity related with acquiree's equity held prior to acquisition date shall be transferred to investment profit or loss for current period at acquisition date, besides there is other comprehensive income incurred by the changes of net assets or net liabilities due to the remeasurement of defined benefit plan.

3. Transaction costs for business combination

The overhead for the business combination, including the expenses for audit, legal services, valuation advisory, and other administrative expenses, are recorded in profit or loss for the current period when incurred. The transaction costs of equity or debt instruments issued as the considerations of business combination are included in the initial recognition amount of the equity or debt instruments.

6. Basis of preparation of consolidated financial statements

1. Scope of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control exists when the Company has power over the investee; is exposed, or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. A subsidiary is an entity that is controlled by the Company (including enterprise, a portion of an investee as a deemed separate entity, and structured entity controlled by the enterprise).

2. Preparation of the consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. In preparing consolidated financial statements, subsidiaries adopt the same accounting period and accounting policies as those of the Company.

All assets, liabilities, interests, income, fees and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their operating results and cash flows are included in the consolidated income statement and consolidated cash flow statement respectively from the date they are controlled by the ultimate controlling party. During the reporting period, the opening balance of the consolidated balance sheet was being adjusted, and the related items of the comparative statement were being adjusted as if the reporting entity has exercised control since the time when the ultimate controlling party began to control.

Where a subsidiary has been acquired through a business combination involving entities not under common control, the opening balances of the consolidated balance sheet shall not be adjusted for the subsidiary or the business, the subsidiary's revenue, expenses and profit shall be included in the consolidated income statement, and cash flows shall be included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The shareholders' equity of the subsidiaries that is not attributable to the Company is presented under shareholders' equity in the consolidated balance sheet as minority interest. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the profit or loss attributable to minority interest. When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

3. Acquiring minority interests of subsidiary and disposal of interests in subsidiary without losing control

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the transaction is treated as equity transaction, and the book value of shareholder's equity attributed to the Company and to the minority interest is adjusted to reflect the change in the Company's interest in the subsidiaries. The difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

4. Losing control over the subsidiary

When the Company disposes of a subsidiary, the income, expenses, and profit of the subsidiary from the beginning of current period to the disposal date are included in the consolidated income statement; the cash flows of the subsidiary from the beginning of current period to the disposal date is included in the consolidated cash flow statement. For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time when the control is lost (i. e. to be transferred to investment income, except for the changes arising from remeasuring net assets or net liabilities of defined benefit plan of the subsidiary using the equity method). The remaining equity interests are measured subsequently according to "Accounting Standard for Business Enterprises No.2 – Long-term Equity Investments" or "Accounting Standard for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments". See "Long-term equity investments" or "Financial instruments" for details.

5. Disposal of equity investment by stage-up until losing control

When the Company disposes of equity investment in a subsidiary by a stage-up approach with multiple transactions until the control over the subsidiary is lost, it shall determine whether these multiple transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to "A single transaction".

For those arrangements qualified as a single transaction, the carrying amount of long-term equity investments relating to each transaction of disposal is derecognized, the difference between the consideration received and the carrying amount of disposed long-term equity investments is recognized as other comprehensive income, and finally is recognized in profit or loss for the current period at the date of losing control.

For those arrangements are not regarded as a single transaction, the accounting treatment shall follow "disposal of interests in subsidiary without losing control" and "for the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons" as appropriate. The difference between each consideration received and the share of carrying value of net assets in proportion to disposed portion of shareholding percentage in the subsidiary is recognized in capital reserve as an equity transaction. Capital reserve is not transferred to profit or loss for the current period when losing control.

7. Classification of joint arrangements and accounting treatment of joint operations

8. Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term (generally refers to the expiration within 3 months from the purchase date), highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

9. Foreign currency transactions and translation of financial statements prepared in foreign currencies

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company at the spot exchange rates (as announced by the People's Bank of China) on the dates of the transactions. However, the Company's foreign currency exchange business or transactions involving foreign currency conversion are converted into the amount of the recording currency according to the actual exchange rate.

2. Translation of financial statements prepared in foreign currencies

At the balance sheet date, Items in foreign currencies are translated using the spot exchange rates at the balance sheet date. All the resulting exchange differences are taken to profit or loss, except for (1) those relating to foreign currency borrowings specifically for acquisition and construction of assets qualified for capitalisation, which are capitalised in accordance with the principle of capitalisation of borrowing costs; (2) non-monetary foreign currency items are designated as part of the hedge of the Company's net investment of a foreign operation are recognised in other comprehensive income until the net investment is disposed of, at which the cumulative amount is reclassified to the profit or loss for the current period; and (3) non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rates prevailing on the transaction dates, while the amounts denominated in the functional currencies do not change.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rates prevailing on the transaction dates, while the amounts denominated in the functional currencies do not change. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rates prevailing on the date on which the fair values are determined. The resulting exchange differences are recognised in profit or loss or as other comprehensive income for the current period, depending on the nature of the non-monetary item.

3. Translation of foreign currency financial statements

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirements: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owner's equity items except for "undistributed profits" are translated at the spot exchange rates at the dates on which such items arose; income and expenses items in the income statement are translated at the average exchange rate for the period in which the transaction occurred. The undistributed profits brought forward are reported at the prior year's closing balance; the undistributed profits as at the end of the year are presented after translated the profit appropriation items; differences between the aggregate of asset and liability items and owners' equity items are recognised as "translation differences arising on the translation of financial statements denominated in foreign currencies" in other comprehensive income. On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operations which has been included in owners' equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

Items of the cash flow statement are translated using the spot exchange rate when it incurs. Effects arising from changes of exchange rates on cash and cash equivalents is presented separately as "Effect of changes in exchange rates on cash and cash equivalents" in the cash flow statement.

10. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification, recognition and measurement of financial assets

(1) Recognition and initial measurement of financial assets and liabilities

Financial asset or financial liability will be recognised when the Company became one of the parties under a financial instrument contract. For the purchase or sale of financial assets in a conventional way, the Company recognizes the assets received and liabilities assumed on the transaction day.

Financial assets and liabilities are measured at fair value upon initial recognition. For financial assets measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the period. For other categories of financial assets and liabilities, relevant transaction costs are included in the amount initially recognised. Accounts receivable without significant financing component are initially recognised based on the transaction price expected to be entitled by the Company.

(2) Classification and measurement of financial assets

The Company classifies the financial assets according to the business model for managing the financial assets and characteristics of the contractual cash flows as follows: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

① The Company's business model for managing such financial assets is to collect contractual cash flows; ② The contractual terms of the financial asset stipulate that cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost shall be recognised in profit or loss for the current period when the financial asset is derecognised, amortised using the effective interest method or with impairment recognised.

For financial assets at amortized costs, it is recognized on the initially recognized amount adjusted by: (1) after deducting the already paid principal; (2) after multiplying or subtracting the accumulative amount of amortization incurred from amortizing the balance between the initially recognized amount and the amount of the maturity date by employing the actual interest rate method; and (3) after deducting the impairment losses that have actually incurred (applicable to financial assets only).

The effective interest method refers to the method whereby the post-amortization costs and the interest incomes of different installments or interest expenses are calculated according to the effective interests of the financial asset or financial liabilities (including a set of financial assets or

financial liabilities). The effective interest refers to the interest rate used to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability. When determining the effective interest, the future cash flow shall be predicted on the basis of taking into account all the contractual stipulations concerning the financial asset or financial liability (including the right to repay the loans ahead of schedule, call options, similar options, etc.), but the future credit losses shall not be taken into account.

The Company recognizes interest income based on the calculation of financial asset book balance multiplied by the effective interest rate, except for the following circumstances: ① For purchased or originated financial assets that have incurred credit impairment, from the initial recognition, their interest income is determined on the financial asset amortization costs and credit-adjusted effective interest rates; ② For the purchased or originated financial assets without credit impairment, but become credit impaired in the subsequent period, the interest income is determined according to the amortized cost and effective interest rate of the financial asset. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above regulations, interest income should be determined by multiplying the effective interest rate and the financial asset book balance.

2) Financial assets measured at fair value through other comprehensive income

Financial asset is classified as measured at fair value through other comprehensive income if it meets both of the following conditions: ① The Company's business model for managing such financial assets is achieved both by collecting collect contractual cash flows and selling such financial a. ② The contractual terms of the financial asset stipulate that cash flows generated on specific dates are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and foreign exchange gains and losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

For non-trading equity instrument investment, the Company can irrevocably designate the financial assets measured at fair value through other comprehensive income. Such designation is made on individual basis of each non-trading equity instrument investment which also qualified as equity instruments in the issuer's perspective. Subsequent to such designation, dividend (except for return of portion of investment costs) is recognized as profit or loss for the current period, other gains or losses (including exchange gain or loss) are recognized in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to profit or loss.

3) Financial assets measured at fair value through profit or loss

The Company classifies the financial assets other than those measured at amortised cost and measured at fair value through other comprehensive income as financial assets measured at fair value through profit or loss. Upon initial recognition, the Company irrevocably designates certain financial assets that are required to be measured at amortised cost or at fair value through other

comprehensive income as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch.

Subsequent to initial recognition, such financial assets are subsequently measured at fair value, any differences are gains or losses recorded in profit or loss for the current year.

(3) Classification and measurement of financial liabilities

The Company's financial liabilities includes financial liabilities measured at fair value through profit or loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or continuing involvement, financial guarantee contracts and financial liabilities at amortized cost.

1) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss includes trading financial liabilities (including financial liabilities with embedded derivatives) and designated financial liabilities measured at fair value through profit or loss. In a business combination involving enterprises not under common control, if the Company, as a buyer, recognizes a financial liability from the contingent consideration, the financial liability shall be accounted for at fair value through profit or loss.

After initial recognition, financial liabilities measured at fair value through profit or loss are subsequently measured at fair value. Any gains or losses generated are recognized in profit or loss for the current period.

The amount of change in fair value of designated financial liabilities measured at fair value through profit or loss due to changes in the Company's own credit risk is included in other comprehensive income unless the treatment causes or expands accounting mismatches in profit or loss. Other changes in fair value of this financial liability are included in profit or loss for the current period. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or continuing involvement

Such financial liabilities are measured in according to the accounting policies of Transfer of financial assets.

3) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are not belonging to the above 1) or 2), they are subsequently measured at the higher of the following: ① the amount of loss provision determined according to the impairment method of financial instruments; ② the balance of the initial recognition amount after deducting the accumulated amortization amount determined in accordance with the income recognition method.

4) Financial liabilities at amortized cost

Apart from the above 1), 2) or 3), the Company classifies the remaining financial liabilities as financial liabilities at amortized cost.

Such financial liabilities are measured at amortized cost using the effective interest rate method after initial recognition, and the resulting gains or losses are included in profit or loss for

the current period when they are derecognized or amortized in accordance with the effective interest rate method.

(4) Equity instruments

Equity instruments refer to contracts that can prove the ownership of the Company's remaining equity in assets after deducting all liabilities. The Company issues (including refinancing), repurchases, sells or cancels Equity instruments as a change in equity. Transaction costs related to equity transactions are deducted from equity. The Company's various distributions to equity instruments holders (excluding stock dividends) reduce shareholder equity. The Company does not recognise the fair value changes of equity instruments.

The distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

- 1) A contractual obligation to deliver cash or other financial assets to other parties.
- 2) A contractual obligation to exchange financial assets or financial liabilities with another party under potentially adverse conditions.
- 3) A non-derivative contract that has to be settled with or can be settled with the firm's own equity instruments in the future, under which the firm will deliver a variable number of its own equity instruments.
- 4) A derivative contract that has to be settled with or can be settled with the firm's own equity instruments in the future, except for a derivative contract in which a fixed number of its own equity instruments are to be exchanged for a fixed amount of cash or other financial assets.

If the Company cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, such contractual obligation meets the definition of a financial liability. If a financial instrument has to be settled with or can be settled with the Company's own equity instruments in the future, consideration needs to be given to whether the Company's own equity instruments used to settle the instrument is to be used as a substitute for cash or other financial assets, or to give the holder of the instrument the remaining interest in the issuer's assets after deduction of all liabilities. If it is the former, the instrument is a financial liability of the Company; if it is the latter, the instrument is an equity instrument of the Company.

(5) Derivative instruments and embedded derivative instruments

Derivative financial instruments include forward exchange contract, currency exchange rate swap agreement, interest rate swap agreement and foreign currency option contract etc. Derivative financial instruments are initially measured at the fair value of the date a derivative contract entered into and subsequently measured at their fair value. Any gains or losses arising from changes in fair value are directly recognized to profit or loss for the current period.

Embedded derivatives refer to derivatives embedded in non-derivatives (ie, host contracts). For the hybrid contract composed of embedded derivatives and the host contract, if the host contract is a financial asset, the Company does not split the embedded derivative from the hybrid contract, but applies the hybrid contract as a whole to the Company's accounting policies in classification of financial assets. If the host contract included in the hybrid contract is not a financial asset and meets the following conditions at the same time, the Company will split the embedded derivative from the hybrid contract and treat it as a separate derivative:

- 1) The economic characteristics and risks of embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

2) A separate instrument with the same terms as the embedded derivative meets the definition of derivative.

3) The hybrid contract is not measured at fair value and its changes are included in profit or loss for the current period for accounting treatment.

If the embedded derivative is split from the hybrid contract, the Company will account for the host contract of the hybrid contract in accordance with the applicable accounting standards. If the Company cannot reliably measure the fair value of the embedded derivative according to the terms and conditions of the embedded derivative, the fair value of the embedded derivative is determined based on the difference between the fair value of the hybrid contract and the fair value of the host contract. After using the above method, if the fair value of the embedded derivative on the acquisition date or the subsequent balance sheet date cannot be measured separately, the Company designates the hybrid contract as a whole as financial assets at fair value through profit or loss.

2. Recognition and measurement of transfer of financial assets

Transfer of financial assets refers to the transference or deliverance of financial assets (or its cash flows) to the other party (the transferee) other than the issuer of financial assets. The derecognition of financial assets means that the Company transfers the previously recognized financial assets from its balance sheet.

The financial assets that meet one of the following conditions will be derecognized by the Company: (1) the contractual right to receive cash flows of the financial asset is expired; (2) the financial asset has been transferred, and almost all risks and rewards of ownership of the financial asset transferred to the transferee; (3) the financial asset has been transferred by the Company foregone the control of the financial assets although the Company has neither transferred nor retained almost all the risks and rewards of ownership of the financial asset.

If the Company neither transfers nor retains almost all the risks and rewards of ownership of financial assets, and retains control of the financial assets, it will continue to recognize the relevant financial assets to the extent that they are continuing to be involved in the transferred financial assets and recognises the relevant liabilities. The degree of continuing involvement in the transferred financial assets refers to the level of risk on the exposed impact in changes in value of financial asset to the Company.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carry amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt

instrument investments at fair value through other comprehensive income). For non-trading equity instruments designated by the Company to be measured at fair value and whose changes are included in other comprehensive income, if the whole or part of the transfer meets the conditions for derecognition, the difference calculated according to the above method is included in retained earnings.

3. Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the Company derecognizes the financial liability (or part of it). If the Company (borrower) and the lender sign an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different, the original financial liability is derecognized and a new financial liability is recognized simultaneously. If the Company makes substantial amendments to the original financial liabilities (or part of them) contract terms, the original financial liabilities shall be derecognized, and a new financial liability shall be recognized in accordance with the revised terms.

If the financial liability (or part of it) is derecognized, the Company shall include the difference between its book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) into profit or loss for the current period. If the Company repurchases part of its financial liabilities, the book value of the financial liabilities as a whole will be allocated according to the proportion of their respective fair values at the repurchase date and the total fair value at the repurchase date. The difference between the book value allocated to the derecognized portion and the consideration paid (including non-cash assets transferred out or liabilities assumed) is included in profit or loss for the current period.

4. Determination of the fair value of financial instruments

For the method for determining the fair value of financial assets and financial liabilities, see notes to the financial statements.

5. Impairment of financial instruments

The Company accounts for impairment of financial assets at amortised cost, contract assets, debt instrument investment at fair value through other comprehensive income, lease receivables and financial guarantee contracts as mentioned in this note. ECLs are the weighted average of credit losses of financial instruments weighted by the risk of default. Credit losses refer to the difference between all contractual cash flows receivable according to the contract and discounted according to the original effective interest rate and all cash flows expected to be received, i. e. the present value of all cash shortages.

For purchased or originated financial assets that have suffered credit impairment, the Company only recognizes the cumulative changes in expected credit losses for the entire duration of the period since initial recognition as loss provisions on the balance sheet date.

For the receivables or contract assets and lease receivables arising from transactions under "Accounting Standards for Business Enterprises No.14-Revenue", the Company uses a simplified measurement method to measure the loss allowance based on the expected credit loss during the lifetime period.

For receivables or contract assets recognized on transactions under "Accounting Standards for Business Enterprises No. 14 - Revenue" without significant financing components, the Company uses simplified measurement methods to calculate the expected credit loss equivalent to the lifetime period.

For financial instruments other than the above measurement methods, the Company measures loss allowance in accordance with the general method and assesses on each balance sheet date whether its credit risk has increased significantly since initial recognition. If the credit risk has increased significantly since the initial recognition, the Company measures the loss allowance based on the amount of expected credit loss throughout the lifetime; if the credit risk has not increased significantly since the initial recognition, the Company will predict the credit loss of the financial instruments within the next 12 months and recognize the loss allowance.

The expected credit loss for lifetime period refers to the expected credit loss caused by all possible default events during the entire expected duration of the financial instrument. Expected credit loss in the next 12 months refers to the event of financial instrument default that may occur within 12 months after the balance sheet date (if the expected duration of the financial instrument is less than 12 months, then the expected duration) which is a portion of expected credit losses for the entire duration.

The Company considers all reasonable and reliable information, including forward-looking information, by comparing the risk of default of a financial instrument on the balance sheet date with the risk of default on the initial recognition date to determine the relative changes in default risk of the financial instrument during the expected lifetime and to assess whether the credit risk of financial instruments has increased significantly since initial recognition. For financial instruments that cannot obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the level of individual instruments, the Company considers whether the credit risk has increased significantly on a portfolio basis. If the Company determines that a financial instrument has only a low credit risk on the balance sheet date, it is assumed that the credit risk of the financial instrument has not increased significantly since initial recognition.

The Company remeasures the expected credit losses on each balance sheet date, and the resulting increase or reversal of the loss allowance is included in profit or loss for the current period as an impairment loss or gain. For financial assets measured at amortised cost, the loss allowance offsets the book value of the financial asset presented in the balance sheet; for debt instrument investments measured at fair value through other comprehensive income, the Company recognises loss allowance in other comprehensive income and does not offset the book value of the financial asset presented in the balance sheet.

6. Offset of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are separately shown in the balance sheet and not allowed to offset.

11. Notes receivables

Recognition and accounting treatment of expected credit loss of notes receivable

The Company determines the expected credit losses of bills receivable according to the simplified measurement method described in this note and makes accounting treatment. On the balance sheet date, the Company measures the credit loss of bills receivable based on the present value of the difference between the contractual cash flow that should be received and the cash

flow expected to be received. When the expected credit loss information of a single bill receivable cannot be assessed at a reasonable cost, the Company divides the bill receivable into several groups based on the characteristics of credit risk. On the basis of referring to historical credit loss experience, combining the current situation and considering forward-looking information, the Company estimates the expected credit loss on group basis. The basis for determining the groups is as follows:

Name of group	Determination basis
Bank acceptance bills group	Acceptors are banks with low credit risk
Commercial acceptance bills group	Acceptors are enterprises with high credit risk

12. Accounts receivable

Determination method and accounting treatment of expected credit loss of accounts receivable

Determination method and accounting treatment of expected credit loss of accounts receivable
The Company determines the expected credit losses of accounts receivable and makes accounting treatment in accordance with the simplified measurement method described in this note. On the balance sheet date, the Company measures the credit losses of accounts receivable based on the present value of the difference between the contractual cash flow that should be received and the cash flow expected to be received. When the expected credit loss information of a single accounts receivable cannot be assessed at a reasonable cost, the Company divides the accounts receivable into several groups based on credit risk characteristics. On the basis of referring to historical credit loss experience, combining the current situation and considering forward-looking information, the Company estimates expected credit losses on group basis. The basis for determining the groups is as follows:

Name of group	Determination basis
Ageing group	Accounts receivable with similar credit risk characteristics by ageing
Group of related parties in the scope of consolidation	Receivables from related parties within the scope of consolidation have similar credit risk characteristics
Group of high credit rating	Accounts receivable of Fortune 500 clients within credit term

13. Receivables financing

The Company determines the expected credit losses of receivables financing and makes accounting treatment in accordance with the general method described in this note. On the balance sheet date, the Company measures the credit loss of receivables financing based on the present value of the difference between the contractual cash flow due and the expected cash flow received. When the expected credit loss information of a single item of receivables financing cannot be assessed at a reasonable cost, the Company divides receivables financing into several groups based on the characteristics of credit risk. On the basis of referring to historical credit loss experience, combining the current situation and considering forward-looking information, the Company estimates the expected credit losses on group basis. The basis for determining the groups is as follows:

Name of group	Determination basis
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Group of low credit risk	Including bank acceptance bills with low credit risk, letters of credit and other receivables financing with low credit risk characteristics
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14. Other receivables

Determination method and accounting treatment of expected credit loss of other receivables

The Company determines the expected credit losses of other receivables and makes accounting treatment in accordance with the general method described in this note. On the balance sheet date, the Company measures the credit losses of other receivables based on the present value of the difference between the contractual cash flow that should be received and the expected cash flow received. When the expected credit loss information of single other receivables cannot be assessed at a reasonable cost, the Company divides the other receivables into several groups based on the characteristics of credit risk. On the basis of referring to the historical credit loss experience, combining the current situation and considering forward-looking information, the Company estimates on the expected credit losses on group basis. The basis for determining the groups is as follows:

Name of group	Determination basis
Ageing group	Other receivables with similar credit risk characteristics by ageing
Group of related parties in the scope of consolidation	Receivables from related parties within the scope of consolidation have similar credit risk characteristics
Group of related parties outside the scope of consolidation	Receivables from related parties outside the scope of consolidation have similar credit risk characteristics
Group of government receivables	Other receivables such as government grants receivable and various tax refunds have similar credit risk characteristics

15. Inventories

1. Inventories include finished products or commodities held for sale in daily activities, in-process products in the production process, materials and materials consumed in the production process or the provision of labor services, in-transit materials and subcontracting processing materials.

2. The inventory obtained by the Company is measured at actual cost. (1) The cost of purchased inventory is the purchase cost of the inventory, and the inventory cost obtained through further processing is composed of the purchase cost and processing cost. (2) The book value of inventory obtained in settlement under debt restructuring is determined on the fair value of the forfeited creditor's rights and the relevant taxes and fees that can be directly attributed to the inventory when the inventory reaches the current position and status. (3) Under the presumption that the exchange of non-monetary assets has commercial substance and the fair value of the assets swapped in or out can be reliably measured, the book value of inventory swapped in the exchange of non-monetary assets is usually determined on the basis of the fair

value of the assets swapped out, unless there is strong evidence that the fair value of the swapped assets is more reliable; for non-monetary asset exchanges that do not meet the above presumption, the book value of the swapped assets and related taxes payable are used as the cost of swapped in inventory. (4) The inventory acquired by the combination of enterprises under common control is determined based on the book value of the acquiree; the inventories acquired by the combination of enterprises not under common control are determined by the fair value.

3. The cost of inventories issued by enterprises is measured by the weighted average method.

4. Amortization method for low-value consumables and packaging materials

Low-value consumables are one-off amortized when taken for use.

Packaging materials are one-off amortized when taken for use.

5. On the balance sheet date, inventory is measured at the lower of cost and net realizable value. The net realizable value of inventories is the amount after the estimated selling price of inventories minus the estimated costs to be incurred to completion, the estimated selling expenses and related taxes. When determining the net realizable value of inventories, based on the reliable evidence obtained, taking into account the purpose of holding the inventory and the impact of events after the balance sheet date, except for clear evidence that the market price on the balance sheet date is abnormal, the net realizable value of inventory items at the end of the current period is determined on the basis of the market price on the balance sheet date, of which:

(1) The inventory of finished goods, commodities and materials used for sale, such as commodities directly used for sale, is determined by the amount of the estimated selling price of the inventory minus the estimated selling expenses and related taxes during normal production and operation ;

(2) For the inventory of materials that need to be processed, in the normal production and operation process, the net realizable value is determined based on the estimated selling price of the finished product minus the estimated cost at the time of completion, the estimated selling expenses and related taxes. On the balance sheet date, if a part of the same inventory has a contract price agreement and other parts do not have a contract price, the net realizable value is determined separately and compared with its corresponding cost to determine the amount of provision for or reversal of decline in value of inventory.

At period end, the provision for decline in value is calculated according to a single inventory item; but for a large number of inventories with low unit prices, the provision for decline in value is calculated according to the inventory category; For the product series produced and sold in the same region, has the same or similar end user, and difficult to measure the inventory separately from other items, the provision for the decline in value in inventory is combined.

After accruing the provision for decline in value in inventory, if the factors that previously reduced the value of the inventory have disappeared and the net realizable value of the inventory is higher than its book value, it will be reversed within the original provision for decline in value, and reversal amount is included in profit or loss for the current period.

6. The inventory system is a perpetual inventory system.

16. Contract assets

17. Assets held for sale

18. Debt investments

19. Other debt investments

(1). Determination method and accounting treatment of expected credit loss of other debt investments

Long-term equity investments referred to in this section refer to Long-term equity investments that the Company has control, joint control or significant influence over the investee, including equity investments in subsidiaries, joint ventures and associates.

1. Judgment criteria for joint control and significant influence

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. If the Company and other joint venturers jointly exercise joint control over the investee and jointly control the investee and have rights to the net assets of the investee, the investee is a joint venture of the Company. When judging whether there is joint control, the protective rights enjoyed are not considered.

Significant influence refers to the power to participate in the decision-making of an enterprise's financial and operating decisions, but it cannot control or jointly control the formulation of these policies with other parties. If the Company can exert significant influence on the investee, the investee is an associate of the Company. When determining whether it can exert significant influence on the invested unit, consider that the investor directly or indirectly holds the voting shares of the invested unit and the current executable potential voting rights held by the investor and other parties are assumed to be converted into the investee, the impact includes the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

2. Determination of investment cost of long-term equity investments

(1) If the combination is formed under a business combination under common control, the merger party pays cash, transfers non-cash assets, assumes debt or issues equity securities as the acquisition consideration, and the share of owner's equity of the acquiree on the consolidated financial statements of the ultimate controlling party on the acquisition date as its initial investment cost. The difference between the initial investment cost of long-term equity investments and the cash paid, non-cash assets transferred, the book value of the debt assumed or the total face value of the shares issued adjusts the capital reserve; if the capital reserve is insufficient to offset, the retained earnings are adjusted. Step by step acquisition of the equity of the acquiree under common control through multiple transactions, and ultimately forming a business combination under common control, it should be treated separately as whether "single transaction": if it belongs to a "single transaction", each transaction is treated collectively as a single transactions on obtaining control rights. If it does not belong to a "single transaction", the initial investment costs of long-term equity investments is the share of the book value of the owner's equity in the acquiree's consolidated financial statements. The difference between the cost and the book value of long-term equity investments before the combination plus the book value of the new consideration paid for the shares on the acquisition date is adjusted to the capital reserve; if the

capital reserve is insufficient to offset, the retained earnings are adjusted. The equity investment held before the acquisition date by equity method or other comprehensive income recognized for other equity instruments investment is temporarily not subject to accounting treatment.

(2) If a business combination is not formed under common control, the Company determines the combination cost as the initial investment cost of long-term equity investments according to the purchase date. The combination cost is the fair value of the assets paid, liabilities incurred or assumed by the purchaser to obtain control of the purchased party on the purchase date, and the equity securities issued. Overhead expenses such as auditing, legal services, evaluation and consulting and other related Administrative expenses incurred by the purchaser for the business merger are included in profit or loss for the current period; The transaction cost of the equity securities or debt securities issued by the purchaser as the combination consideration is included in the initial recognition amount of equity securities or debt securities. The Company regards the contingent consideration stipulated in the acquisition agreement as part of the transfer consideration for the business combination, and it is included in the cost of the business combination according to its fair value on the date of purchase. For a business combination not under common control that is realized step-by-step through multiple transactions, it is determined whether the multiple transactions belong to a "single transaction" in accordance with the accounting standards for the enterprise. In the case of a "single transaction", each transaction is treated as a whole transaction that obtains control. If it does not belong to a "single transaction", the initial investment cost of long-term equity investments calculated based on the cost method shall be the sum of the original holding equity amount of the acquiree's equity investment plus the newly added investment cost; If the equity is accounted for using the equity method, the relevant other comprehensive income will not be accounted for temporarily; if the original equity investment is invested by other equity instruments, the difference between the fair value and the carrying amount, and the cumulative change in fair value originally included in other comprehensive income, are transferred to directly to retained earnings.

(3) Except for long-term equity investments formed by business combination, other equity investments are initially measured at cost: if they are obtained by paying cash, the actual purchase price is used as their initial investment cost; if they are obtained by issuing equity securities, they are stated at the fair value of equity securities as its initial investment cost. The expenses directly related to the issuance of equity securities are determined in accordance with the relevant provisions of Accounting Standards for Enterprises No.37-Presentation of Financial Instruments. On the presumption that the fair value of the commercial substance and swapped-in assets or swapped-out assets can be reliably measured, the initial investment cost of long-term equity investments swapped in for non-monetary assets are based on the fair value of swapped assets and related taxes payable, unless there is solid evidence that the fair value of the swapped assets is more reliable; for non-monetary asset exchanges that do not meet the above presumption, the carrying amount of the swapped assets and related taxes payable shall be used as the Initial investment cost of long-term equity investments. The initial investment cost of long-term equity investments obtained through debt restructuring is determined on the basis of the fair value of the waived claims. The expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments are also included in the investment cost.

For the additional investment that can exert significant influence on the invested unit or implement joint control but does not constitute control, the cost of long-term equity investments is

the original holding determined in accordance with "Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments". The sum of the fair value of equity investment plus the newly added investment cost is used as the initial investment cost under equity method. If the originally held equity investment is classified as other equity instruments investment, the difference between its fair value and carrying amount, and the cumulative fair value change originally included in other comprehensive income should be transferred to directly to retained earnings.

3. Subsequent measurement and recognition of profit or loss of long-term equity investments

(1) Long-term equity investments measured at cost

The Company uses the cost method to account for long-term equity investments in subsidiaries. Apart from the cash dividends or profits declared but not yet paid that included in the acquisition of the investment, the Company recognizes the investment income in accordance with the cash dividends or profits declared to be issued by the investee in the current period.

(2) Long-term equity investments under equity method

For long-term equity investments in associates and joint ventures, the equity method is used.

If the initial investment cost of long-term equity investments calculated by the equity method is greater than the fair value share of the identifiable net assets of the investee when investing, the initial investment cost of long-term equity investments will not be adjusted; the initial investment cost of long-term equity investments is less than the fair value share of the investee's identifiable net assets at the time of purchase, the difference should be included in profit or loss for the current period, while adjusting the cost of long-term equity investments. After acquiring long-term equity investments, if the accounting policy and accounting period adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, and recognize the investment gain or loss and other comprehensive income etc. The investment income and other comprehensive income shall be the share of the net profit or loss and other comprehensive income of the investee, and the carrying amount of long-term equity investments is adjusted; The Company recognizes its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Company. According to the profits or cash dividends declared to be distributed by the investee, the carrying amount of long-term equity investments is reduced accordingly; adjust the carrying amount of long-term equity investments and include in owners' equity. The unrealized internal transaction gains and losses that occur between the Company and associates and joint ventures are calculated based on the ratio enjoyed by the Company and are offset, and investment income is recognized on this basis. Unrealized internal transaction losses with the investee that belong to assets impairment loss are fully recognized.

When the Company confirms that it should share the losses of the investee, it will be processed in the following order: First, offset the carrying amount of Long-term equity investments. Secondly, if the carrying amount of long-term equity investments is not enough to offset, continue to recognise the investment loss and offset the carrying amount of long-term receivable items to the limit of carrying amounts of other long-term equity that substantially constitute net investment in the investee. After the above-mentioned treatment, if the Company still undertakes additional obligations according to the investment contract or agreement, the

estimated liabilities shall be recognized according to the obligations assumed and included in the current investment losses. If the investee realizes a net profit in a later period, the Company resumes the recognition of the profit sharing amount after the income makes up for the unrecognized loss sharing amount.

During the period of holding the investment, the investee is included in the consolidated financial statements based on the amount attributable to the investee in the consolidated financial statements' net profit, other comprehensive income and changes in other owners' equity.

If the Company's assets invested in joint ventures and associates constitute a business, and the investor acquires long-term equity investments but does not obtain control, the fair value of the investment business is used as the initial basis for the new investment cost of long-term equity investments. The difference between the initial investment cost and the carrying amount of the invested business is included in profit or loss for the current period. If the assets sold by the Company to a joint venture or an associate constitute a business, the difference between the consideration received and the carrying amount of the business shall be included in profit or loss for the current period. If the assets purchased by the Company from associates and joint ventures constitute business, they shall be accounted for in accordance with the provisions of "Accounting Standards for Business Enterprises No.20-Business Combinations", and the profits or losses related to the transaction shall be fully recognised.

4. Disposal of long-term equity investments

For the disposal of Long-term equity investments, the difference between the Carrying amount and the actual consideration received shall be included in profit or loss for the current period.

(1) Disposal of long-term equity investments under equity method

For long-term equity investments that are accounted for using the equity method, if the remaining equity after disposal is still accounted for using the equity method, when disposing of the investment, the same basis as the investee directly disposes of related assets or liabilities shall be used and the relevant share of other comprehensive income in the accounting treatment. Owners' equity confirmed by the investee in addition to changes in net profit and loss, other comprehensive income and profit distribution, and owners' equity are carried forward to profit or loss for the current period according to the sharing.

If the joint control or significant influence on the investee is lost due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be accounted according to the financial instrument recognition and measurement standards. The difference between the fair value and carrying of the day when the joint control or significant influence is lost the amount is included in profit or loss for the current period. The other comprehensive income of the original equity investment confirmed by the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method of accounting is terminated. Owners' equity confirmed by the investee in addition to changes in Owners' equity other than net profit and loss, Other comprehensive income and profit distribution, all transferred to profit or loss for the current period when the equity method of accounting is terminated.

(2) Disposal of long-term equity investments under cost method

Long-term equity investments that are accounted for using the cost method, and the remaining equity is still accounted for using the cost method after disposal. Other comprehensive

income recognised by adopting equity method accounting or financial instrument recognition and measurement standard accounting before obtaining control of the investee is treated on the same basis as the invested unit directly disposes of related assets or liabilities, and is treated according to share of profit or loss for the current period. Changes in owners' equity other than net profit and loss, other comprehensive income and net profit distribution in the investee's net assets recognized by the equity method of accounting are carried forward to profit or loss for the current period according to the share.

When the Company can no longer exercise control over an investee due to dilution of shareholding by issuance of new shares to other investors by the investee but the Company can still exercise joint control of or significant influence on the investee, the difference between the Company's share of the increment of net assets in investee by the new shareholding percentage after new share issuance and the pro-rata portion of carrying value of long term equity investment for the decreased shareholding percentage is recognized in profit or loss in the current period. The remaining equity investment is accounted for equity method as if it was acquired since initial acquisition.

When the Company can no longer exercise control over an investee due to partial disposal of equity investment or other reasons and the remaining equity investment after disposal can exercise joint control of or significant influence over an investee, the remaining equity investment is accounted for under equity method and re-measured by equity method as if it has been acquired since date of acquisition. Where the remaining equity investment can no longer exercise joint control of or significant influence over an investee, the remaining equity investment is accounted for in accordance with Accounting Standard for Business Enterprises No.22- Recognition and Measurement of Financial Instruments and the difference between the fair value and the carrying amount at the date of the loss of control is charged to profit or loss for the current period.

The Company's control over an investee is lost through multiple disposals and the multiple disposals shall be viewed as one single transaction, the multiple disposals is accounted for one single transaction which result in the Company's loss of control over the investee. Each difference between the consideration received and the book value of the investment disposed is recognized in other comprehensive income and reclassified in full to profit or loss at the time when control over the investee is loss.

20. Long-term receivables

21. Long-term equity investments

Long-term equity investments referred to in this section refer to Long-term equity investments that the Company has control, joint control or significant influence over the investee, including equity investments in subsidiaries, joint ventures and associates.

1. Judgment criteria for joint control and significant influence

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. If the Company and other joint venturers jointly exercise joint control over the investee and jointly control the investee and have rights to the net

assets of the investee, the investee is a joint venture of the Company. When judging whether there is joint control, the protective rights enjoyed are not considered.

Significant influence refers to the power to participate in the decision-making of an enterprise's financial and operating decisions, but it cannot control or jointly control the formulation of these policies with other parties. If the Company can exert significant influence on the investee, the investee is an associate of the Company. When determining whether it can exert significant influence on the invested unit, consider that the investor directly or indirectly holds the voting shares of the invested unit and the current executable potential voting rights held by the investor and other parties are assumed to be converted into the investee, the impact includes the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

2. Determination of investment cost of long-term equity investments

(1) If the combination is formed under a business combination under common control, the merger party pays cash, transfers non-cash assets, assumes debt or issues equity securities as the acquisition consideration, and the share of owner's equity of the acquiree on the consolidated financial statements of the ultimate controlling party on the acquisition date as its initial investment cost. The difference between the initial investment cost of long-term equity investments and the cash paid, non-cash assets transferred, the book value of the debt assumed or the total face value of the shares issued adjusts the capital reserve; if the capital reserve is insufficient to offset, the retained earnings are adjusted. Step by step acquisition of the equity of the acquiree under common control through multiple transactions, and ultimately forming a business combination under common control, it should be treated separately as whether "single transaction": if it belongs to a "single transaction", each transaction is treated collectively as a single transactions on obtaining control rights. If it does not belong to a "single transaction", the initial investment costs of long-term equity investments is the share of the book value of the owner's equity in the acquiree's consolidated financial statements. The difference between the cost and the book value of long-term equity investments before the combination plus the book value of the new consideration paid for the shares on the acquisition date is adjusted to the capital reserve; if the capital reserve is insufficient to offset, the retained earnings are adjusted. The equity investment held before the acquisition date by equity method or other comprehensive income recognized for other equity instruments investment is temporarily not subject to accounting treatment.

(2) If a business combination is not formed under common control, the Company determines the combination cost as the initial investment cost of long-term equity investments according to the purchase date. The combination cost is the fair value of the assets paid, liabilities incurred or assumed by the purchaser to obtain control of the purchased party on the purchase date, and the equity securities issued. Overhead expenses such as auditing, legal services, evaluation and consulting and other related Administrative expenses incurred by the purchaser for the business merger are included in profit or loss for the current period; The transaction cost of the equity securities or debt securities issued by the purchaser as the combination consideration is included in the initial recognition amount of equity securities or debt securities. The Company regards the contingent consideration stipulated in the acquisition agreement as part of the transfer consideration for the business combination, and it is included in the cost of the business combination according to its fair value on the date of purchase. For a business combination not under common control that is realized step-by-step through multiple transactions, it is determined

whether the multiple transactions belong to a "single transaction" in accordance with the accounting standards for the enterprise. In the case of a "single transaction", each transaction is treated as a whole transaction that obtains control. If it does not belong to a "single transaction", the initial investment cost of long-term equity investments calculated based on the cost method shall be the sum of the original holding equity amount of the acquiree's equity investment plus the newly added investment cost; If the equity is accounted for using the equity method, the relevant other comprehensive income will not be accounted for temporarily; if the original equity investment is invested by other equity instruments, the difference between the fair value and the carrying amount, and the cumulative change in fair value originally included in other comprehensive income, are transferred to directly to retained earnings.

(3) Except for long-term equity investments formed by business combination, other equity investments are initially measured at cost: if they are obtained by paying cash, the actual purchase price is used as their initial investment cost; if they are obtained by issuing equity securities, they are stated at the fair value of equity securities as its initial investment cost. The expenses directly related to the issuance of equity securities are determined in accordance with the relevant provisions of Accounting Standards for Enterprises No.37-Presentation of Financial Instruments. On the presumption that the fair value of the commercial substance and swapped-in assets or swapped-out assets can be reliably measured, the initial investment cost of long-term equity investments swapped in for non-monetary assets are based on the fair value of swapped assets and related taxes payable, unless there is solid evidence that the fair value of the swapped assets is more reliable; for non-monetary asset exchanges that do not meet the above presumption, the carrying amount of the swapped assets and related taxes payable shall be used as the Initial investment cost of long-term equity investments. The initial investment cost of long-term equity investments obtained through debt restructuring is determined on the basis of the fair value of the waived claims. The expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investments are also included in the investment cost.

For the additional investment that can exert significant influence on the invested unit or implement joint control but does not constitute control, the cost of long-term equity investments is the original holding determined in accordance with "Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments". The sum of the fair value of equity investment plus the newly added investment cost is used as the initial investment cost under equity method. If the originally held equity investment is classified as other equity instruments investment, the difference between its fair value and carrying amount, and the cumulative fair value change originally included in other comprehensive income should be transferred to directly to retained earnings.

3. Subsequent measurement and recognition of profit or loss of long-term equity investments

(1) Long-term equity investments measured at cost

The Company uses the cost method to account for long-term equity investments in subsidiaries. Apart from the cash dividends or profits declared but not yet paid that included in the acquisition of the investment, the Company recognizes the investment income in accordance with the cash dividends or profits declared to be issued by the investee in the current period.

(2) Long-term equity investments under equity method

For long-term equity investments in associates and joint ventures, the equity method is used.

If the initial investment cost of long-term equity investments calculated by the equity method is greater than the fair value share of the identifiable net assets of the investee when investing, the initial investment cost of long-term equity investments will not be adjusted; the initial investment cost of long-term equity investments is less than the fair value share of the investee's identifiable net assets at the time of purchase, the difference should be included in profit or loss for the current period, while adjusting the cost of long-term equity investments. After acquiring long-term equity investments, if the accounting policy and accounting period adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, and recognize the investment gain or loss and other comprehensive income etc. The investment income and other comprehensive income shall be the share of the net profit or loss and other comprehensive income of the investee, and the carrying amount of long-term equity investments is adjusted; The Company recognizes its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Company. According to the profits or cash dividends declared to be distributed by the investee, the carrying amount of long-term equity investments is reduced accordingly; adjust the carrying amount of long-term equity investments and include in owners' equity. The unrealized internal transaction gains and losses that occur between the Company and associates and joint ventures are calculated based on the ratio enjoyed by the Company and are offset, and investment income is recognized on this basis. Unrealized internal transaction losses with the investee that belong to assets impairment loss are fully recognized.

When the Company confirms that it should share the losses of the investee, it will be processed in the following order: First, offset the carrying amount of Long-term equity investments. Secondly, if the carrying amount of long-term equity investments is not enough to offset, continue to recognise the investment loss and offset the carrying amount of long-term receivable items to the limit of carrying amounts of other long-term equity that substantially constitute net investment in the investee. After the above-mentioned treatment, if the Company still undertakes additional obligations according to the investment contract or agreement, the estimated liabilities shall be recognized according to the obligations assumed and included in the current investment losses. If the investee realizes a net profit in a later period, the Company resumes the recognition of the profit sharing amount after the income makes up for the unrecognized loss sharing amount.

During the period of holding the investment, the investee is included in the consolidated financial statements based on the amount attributable to the investee in the consolidated financial statements' net profit, other comprehensive income and changes in other owners' equity.

If the Company's assets invested in joint ventures and associates constitute a business, and the investor acquires long-term equity investments but does not obtain control, the fair value of the investment business is used as the initial basis for the new investment cost of long-term equity investments. The difference between the initial investment cost and the carrying amount of the invested business is included in profit or loss for the current period. If the assets sold by the Company to a joint venture or an associate constitute a business, the difference between the consideration received and the carrying amount of the business shall be included in profit or loss for the current period. If the assets purchased by the Company from associates and joint ventures

constitute business, they shall be accounted for in accordance with the provisions of "Accounting Standards for Business Enterprises No.20-Business Combinations", and the profits or losses related to the transaction shall be fully recognised.

4. Disposal of long-term equity investments

For the disposal of Long-term equity investments, the difference between the Carrying amount and the actual consideration received shall be included in profit or loss for the current period.

(1) Disposal of long-term equity investments under equity method

For long-term equity investments that are accounted for using the equity method, if the remaining equity after disposal is still accounted for using the equity method, when disposing of the investment, the same basis as the investee directly disposes of related assets or liabilities shall be used and the relevant share of other comprehensive income in the accounting treatment. Owners' equity confirmed by the investee in addition to changes in net profit and loss, other comprehensive income and profit distribution, and owners' equity are carried forward to profit or loss for the current period according to the sharing.

If the joint control or significant influence on the investee is lost due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be accounted according to the financial instrument recognition and measurement standards. The difference between the fair value and carrying of the day when the joint control or significant influence is lost the amount is included in profit or loss for the current period. The other comprehensive income of the original equity investment confirmed by the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method of accounting is terminated. Owners' equity confirmed by the investee in addition to changes in Owners' equity other than net profit and loss, Other comprehensive income and profit distribution, all transferred to profit or loss for the current period when the equity method of accounting is terminated.

(2) Disposal of long-term equity investments under cost method

Long-term equity investments that are accounted for using the cost method, and the remaining equity is still accounted for using the cost method after disposal. Other comprehensive income recognised by adopting equity method accounting or financial instrument recognition and measurement standard accounting before obtaining control of the investee is treated on the same basis as the invested unit directly disposes of related assets or liabilities, and is treated according to share of profit or loss for the current period. Changes in owners' equity other than net profit and loss, other comprehensive income and net profit distribution in the investee's net assets recognized by the equity method of accounting are carried forward to profit or loss for the current period according to the share.

When the Company can no longer exercise control over an investee due to dilution of shareholding by issuance of new shares to other investors by the investee but the Company can still exercise joint control of or significant influence on the investee, the difference between the Company's share of the increment of net assets in investee by the new shareholding percentage after new share issuance and the pro-rata portion of carrying value of long term equity investment for the decreased shareholding percentage is recognized in profit or loss in the current period. The remaining equity investment is accounted for equity method as if it was acquired since initial acquisition.

When the Company can no longer exercise control over an investee due to partial disposal of equity investment or other reasons and the remaining equity investment after disposal can exercise joint control of or significant influence over an investee, the remaining equity investment is accounted for under equity method and re-measured by equity method as if it has been acquired since date of acquisition. Where the remaining equity investment can no longer exercise joint control of or significant influence over an investee, the remaining equity investment is accounted for in accordance with Accounting Standard for Business Enterprises No.22- Recognition and Measurement of Financial Instruments and the difference between the fair value and the carrying amount at the date of the loss of control is charged to profit or loss for the current period.

The Company's control over an investee is lost through multiple disposals and the multiple disposals shall be viewed as one single transaction, the multiple disposals is accounted for one single transaction which result in the Company's loss of control over the investee. Each difference between the consideration received and the book value of the investment disposed is recognized in other comprehensive income and reclassified in full to profit or loss at the time when control over the investee is loss.

22. Investment properties

(1). If the measurement of cost model is adopted:

Depreciation or Amortization Method

1. Investment properties refer to real estate held to earn rent or capital appreciation, or both. Including land use rights that have been leased, land use rights that are held and ready to be transferred after value-added, leased buildings (including buildings used for rent after self-construction or development activities are completed, and future use during construction or development of leased buildings).

2. Investment properties are initially measured according to cost, and subsequent measurement is made using the cost model. For subsequent expenditures related to Investment properties, if the economic benefits related to the asset are likely to flow in and their costs can be reliably measured, then they are included in the cost of Investment properties. Other subsequent expenditures are included in profit or loss for the current period when they occur.

3. For Investment Properties measured by the cost model, depreciation or amortization is provided using the same method as fixed assets and intangible assets.

4. When the purpose of Investment properties is changed to self-use, from the date of change, the Investment properties are converted into fixed assets or intangible assets, and the carrying amount before conversion is used as the credit value after conversion. When the purpose of self-used real estate or Inventories is changed to earn rent or capital appreciation, from the date of change, the Fixed assets or Intangible assets are converted into Investment properties and converted into Investment properties measured by the cost model to the carrying amount before conversion As the booked value after conversion; when converted to Investment properties measured by fair value model, the fair value on the conversion date is used as the booked value after conversion.

5. When Investment Properties are disposed of, or permanently withdrawn from use and it is expected that no financial benefits can be obtained from their disposal, the recognition of the investment properties is terminated. Investment properties sold, transferred, scrapped or

damaged are deducted from their carrying amount and related taxes and are included in profit or loss for the current period.

23. Fixed assets

(1). Recognition conditions

Fixed assets refer to tangible assets fulfill the following characteristics: (1) held for the production of goods, provision of labor services, lease or operation and (2) the service life exceeds one fiscal year.

Fixed assets are recognized if it meet the following conditions: (1) The economic benefits related to the fixed assets are likely to flow into the enterprise and (2) The cost of the fixed assets can be measured reliably. Subsequent expenditures related to fixed assets, if they meet the above recognition conditions, are included in the cost of fixed assets; those that do not meet the above recognition conditions are included in profit or loss for the current period when incurred.

(2). Depreciation method

Category	Depreciation method	Useful life (years)	Estimate residual value (%)	Annual depreciation rate (%)
Property and buildings	Straight line method	10-30	5-10	3.00-9.50
Specific equipment	Straight line method	3-20	5-10	4.50-31.67
General equipment	Straight line method	3-15	5-10	6.00-31.67
Transportation equipment	Straight line method	2-15	5-10	6.00-47.50
Ship	Straight line method	25	Light Displacement Tonnage x Expected scrap price	3.07

Note:

(1) The renovation costs of the fixed assets that meet the capitalization conditions will be accrued separately in the shorter period of the two renovation periods and the useful life of the fixed assets.

(2) For the fixed assets that have been impaired, the cumulative impairment provision of fixed assets shall be deducted from the calculation of depreciation rate.

(3) The Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets at least at the end of the year.

4. Other note

(1) Fixed assets that have been suspended for three consecutive months due to insufficient construction and natural disasters are recognized as idle fixed assets (except for seasonal

suspension). Idle fixed Assets adopts the same depreciation method as other Fixed Assets of the same category.

(2) If the fixed assets are in the state of disposal, or if no economic benefits are expected to be generated through use or disposal, it is derecognised and its depreciation and impairment are suspended.

(3) The difference between the disposal income of fixed assets sold, transferred, scrapped or damaged after deducting its book value and related taxes is included in profit or loss for the current period.

(4) The overhaul costs incurred by the Company's regular inspections of fixed assets, and there is conclusive evidence that the conditions that meet the recognition conditions of fixed assets are included in the cost of fixed assets, and those that do not meet the recognition conditions of fixed assets are included in profit or loss for the current period. Fixed assets are depreciated during regular maintenance intervals.

(3). Basis for identification, valuation and depreciation methods of fixed assets under financing lease

24. Construction in progress

1. Construction in progress while satisfying economic benefits is likely to flow in, and costs can be reliably measured are recognised. Construction in progress is measured at the actual cost incurred before the construction of the asset reaches its intended status of uses.

2. When Construction in progress reaches the intended status of uses, it will be transferred to fixed assets according to the actual cost of the project. If it has reached the expected usable status but has not yet completed the settlement of completion, it will first be transferred to fixed assets at the estimated value. After the completion of the final settlement, the original provisional valuation will be adjusted according to the actual cost, but the original depreciation will not be adjusted.

25. Borrowing costs

Borrowing costs, including interest on borrowings, amortization of discounts or premiums, other relevant expenses, and exchange differences due to foreign currency borrowings.

1. Principle of borrowing costs capitalization

Borrowing costs incurred by the Company, which can be directly attributed to the acquisition, construction or production of assets that meet the capitalization conditions, are capitalized and included in the cost of related assets. Other Borrowing costs are recognized as expenses based on the amount incurred when they occur, and are included in profit or loss for the current period.

2. Capitalization period of borrowing costs

(1) When the following conditions are met at the same time, capitalization begins: 1) Asset expenditure has occurred; 2) Borrowing costs have occurred; 3) The purchase, construction or production activities necessary to make the asset reach the intended use or sale state have begun.

(2) Suspension of capitalization: If an asset that meets the conditions of capitalization is abnormally interrupted during the acquisition, construction or production process, and the interruption lasts for more than 3 months, the capitalization of Borrowing costs is suspended; Borrowing costs incurred during the interruption are recognized as current expenses, until the

purchase or construction of assets or production activities restart. If the interruption is the necessary procedure for the acquisition or construction or production of assets that meet the capitalization conditions to reach the intended status of uses or status of sale, borrowing costs will continue to be capitalized.

(3) Cessation of capitalization: Borrowing costs cease to be capitalized when the assets purchased or constructed or produced that meet the capitalization conditions reach the intended use or sale. When part of the assets in the acquisition, construction or production of capitalized assets are completed separately and can be used separately, the capitalization of borrowing costs of the partial assets will be ceased. If each part of the purchased or constructed asset is completed separately, but it cannot be used until it is completed or sold externally, the capitalization of borrowing costs shall be ceased when the asset is completed.

3. Borrowing costs capitalization rate and calculation method of capitalization amount

If specific loans are borrowed for the purchase or construction or production of assets that meet the capitalization conditions, the interest expenses actually incurred in the current period of the specific loans (including the amortization of discounts or premiums determined in accordance with the effective interest rate method), minus the amount of interest income obtained from the bank or the investment income obtained by making a temporary investment by the unused borrowing loans, is the amount of interest that should be capitalized; if the general borrowings are occupied for the purchase or construction or production of assets that meet the capitalization conditions, the weighted average amount of asset expenditures on the amount of cumulative asset expenditure exceeding the specific loans is multiplied by the capitalization rate (weighted average interest rate) of the general borrowing to calculate and determine the amount of interest that should be capitalized for the general borrowing. During the capitalization period, the amount of interest capitalized in each accounting period shall not exceed the amount of interest actually incurred by the relevant borrowings in the current period. The exchange differences on the principal and interest of foreign currency special borrowings shall be capitalized during the capitalization period. Other relevant expenses incurred by special borrowings occur before the assets eligible for capitalization purchased or constructed or produced reach the intended status of use or sale, they are capitalized; Other relevant expenses incurred in general borrowings are included in profit or loss for the current period when incurred. If there is a discount or premium on the loans, the amount of discount or premium that should be amortized in each accounting period is determined according to the effective interest rate method, and the amount of interest in each period is adjusted.

26. Biological assets

27. Oil and gas assets

28. Right-of-use asset

29. Intangible assets

(1). Measurement, useful life, impairment test

1. Initial measurement of intangible assets

Intangible assets are initially measured at cost. The cost of externally purchased intangible assets includes the purchase price, related taxes and other expenses directly attributable to the asset for its intended use. If the payment for the purchase of intangible assets is delayed beyond the normal credit conditions and is essentially of a financing nature, the cost of the intangible assets is determined on the basis of the present value of the purchase price. Debt restructuring acquires the intangible assets used by the debtor to pay off debts, and the book value is determined on the basis of the fair value of the waived claims and other costs that can be directly attributed to the tax and other costs incurred in bringing the asset to its intended use. Intangible assets obtained from debtor to pay off debts under debt restructuring, its book value is determined on the basis of the fair value of the waived claims and other costs that can be directly attributed to the tax and other costs incurred in bringing the asset to its intended use. Under the presumption that the exchange of non-monetary assets has commercial substance and the fair value of the assets exchanged in or out can be reliably measured, the intangible assets exchanged in the swap of non-monetary assets are stated at fair value of the assets swapped and related taxes as the cost of swapping intangible assets, unless there is strong evidence that the fair value of the swapped assets is more reliable; for non-monetary asset exchanges that do not meet the above presumption, the book value of the swapped assets and related taxes payable are used as the cost of intangible assets, and there is no recognition of any profit or loss.

Expenses related to intangible assets are included in the cost of intangible assets if the related economic benefits are likely to flow into the Company and the costs can be reliably measured. Expenditures for other items other than these are included in profit or loss for the current period when they occur.

The acquired land use rights are usually accounted for as intangible assets. For self-development and construction of buildings and other buildings, related land use rights expenditures and building construction costs are accounted for as intangible assets and fixed assets, respectively. In the case of purchased properties and buildings, the relevant price will be allocated between the land use rights and the buildings. If it is difficult to allocate them reasonably, all of them will be treated as fixed assets.

2. Intangible asset useful life and amortization

According to the contract rights or other legal rights, industry, history experience, and other relevant experts to determine a combination of factors, reasonably determine the intangible asset can bring economic benefits for the Company, as intangible assets with limited useful life; not Where the intangible assets are reasonably determined to bring economic benefits to the Company, they are regarded as intangible assets with uncertain service life.

For intangible assets with a finite useful life, the following factors are usually considered when estimating the useful life: (1) the usual life cycle of the products produced using the asset and the information available on the service life of similar assets; (2) technology, process, etc. The current situation of the country and the estimation of the future development trend; (3) the market demand for the products produced by the asset or the provision of labor services; (4) the expected actions of current or potential competitors; (5) the maintenance of the asset Expected maintenance expenditures that bring economic benefits, and the Company's ability to pay for related expenditures; (6) Relevant legal regulations or similar restrictions on the asset's control period, such as concession periods, lease periods, etc .; (7) There is correlation of the useful life of other assets. The estimated useful life of intangible assets with finite useful life:

Item	Basis of estimated useful life	Period (years)
Software	Expected benefit period	5 years
Special technology	Expected benefit period	10 years
Land use rights	Registered useful life of land use rights	50 years

Intangible assets with a finite useful life are amortized systematically and rationally within the useful life according to the expected realization method of the economic benefits related to the intangible asset. If the expected realization method cannot be reliably determined, the straight-line method is used. Intangible assets with uncertain useful life are not amortized, but the useful life of the intangible assets is reviewed every year and an impairment test is conducted.

At the end of each year, the Company reviews the useful life and amortization method of intangible assets with a finite useful life. If it is different from the previous estimate, the original estimate is adjusted and the accounting estimate is changed; it is estimated that an intangible asset can no longer be given if the enterprise brings future economic benefits, the book value of this intangible asset will be transferred to profit or loss for the current period.

(2). Accounting policy for internal research and development expenditures

The expenditures of internal research and development projects are divided into expenditures in the research phase and expenditures in the development phase. Criteria for dividing research stage and development stage: the planned investigation stage for acquiring new technologies and knowledge should be determined as the research stage, which has the characteristics of planning and exploration; The application of research results or other knowledge to a plan or design before commercial production or use to produce new or substantially improved materials, devices, products and other stages should be determined as the development stage, which is targeted and likely to produce results characteristics.

Expenditures for the research phase of internal research and development projects are included in profit or loss for the current period when they occur. Expenses during the development phase of an internal research and development project that meet the following conditions are recognized as intangible assets: (1) it is technically feasible to complete the intangible asset so that it can be used or sold; (2) it is Intention to use or sell; (3) The way in which intangible assets generate economic benefits, including the ability to prove that the products produced using the intangible assets exist in the market or the intangible assets themselves exist in the market, and the intangible assets will be used internally, can prove their usefulness; (4) sufficient technical, financial resources and other resources support to complete the development of the intangible asset and the ability to use or sell the intangible asset; (5) The expenditure attributable to the development stage of the intangible asset can be reliably measured. If the above conditions are not met, it will be included in profit or loss for the current period when it occurs; if there is no way to distinguish between research phase expenditure and development phase expenditure, all research and development expenditure incurred will be included in profit or loss for the current period.

30. Long-term asset impairment

Long-term equity investments, investment property and productive biological assets measured using the cost model, fixed assets, construction in progress, oil and gas assets, right-of-use assets, intangible assets, goodwill and other long-term assets are subject to impairment if there are indication of the following:

1. The market price of assets has fallen sharply in the current period, and the decline is significantly higher than the expected decline due to the passage of time or normal use;
2. The economic, technical or legal environment in which the enterprise operates and the market in which the assets are located will undergo major changes in the current period or in the near future, thereby adversely affecting the enterprise;
3. The market interest rate or other market investment return rate has increased in the current period, which affects the discount rate of the enterprise's calculation of the present value of the expected future cash flow, resulting in a substantial reduction in the asset's recoverable amount;
4. There is evidence that the asset has become obsolete or its physical has been damaged;
5. Assets have been or will be idle, terminated or planned to be disposed of in advance;
6. Evidence from internal reports of the Company indicates that the economic performance of the asset has been or will be lower than expected, such as the net cash flow created by the asset or the realized operating profit (or loss) is far below (or higher than) the expected amount, etc. ;
7. Other indications that assets may have been impaired.

If there is any indication of impairment of the above-mentioned long-term assets on the balance sheet date, an impairment test shall be conducted. If the result of the impairment test indicates that the recoverable amount of the asset is lower than its book value, the impairment provision shall be made according to the difference and included in the impairment loss. The recoverable amount is the higher of the net value of the asset's fair value minus disposal costs and the present value of the asset's expected future cash flow. The method for determining the fair value is detailed in this note; the disposal expenses include legal expenses related to the disposal of assets, related taxes, handling fees, and direct expenses incurred to bring the asset to a saleable status; the expected future cash flow of the asset is determined according to the present value of expected future cash flow generated during the continuous use of the asset and at the time of final disposal, and an appropriate discount rate is selected to determine the discounted amount.

The asset impairment provision is calculated and determined on the basis of individual assets. If it is difficult to estimate the recoverable amount of an individual asset, the asset group to which the asset group belongs determines the recoverable amount of the asset group. An asset group is the smallest asset portfolio that can independently generate cash inflows.

The goodwill presented separately in the financial statements will be allocated to the asset group or combination of asset groups that is expected to benefit from the synergy effect of the business combination during the impairment test. If the test results indicate that the recoverable amount of the asset group or combination of asset groups containing the allocated goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of impairment loss is offset against the book value of goodwill allocated to the asset group or

combination of asset groups, and then proportionally based on the proportion of the book value of other assets in the asset group or combination of asset groups other than goodwill.

Goodwill and intangible assets with indefinite useful life are tested for impairment at least at the end of each year.

Once assets impairment loss is recognised, it will not be reversed in the future period.

31. Long-term deferred expenses

Long-term deferred expenses are accounted for based on actual expenditures and amortized evenly over the benefit period or the prescribed period. If the long-term deferred expense item cannot benefit the future accounting period, all the amortized value of the item that has not been amortized shall be transferred to profit or loss for the current period, of which:

Improvement expenditures incurred on leased fixed assets shall be amortized evenly over the remaining useful life of the leased assets if it can be reasonably determined that the ownership of the leased assets will be obtained at the expiration of the lease term. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, it shall be amortized equally over the shorter of the remaining lease term and the remaining useful life of the leased asset.

The decoration costs incurred by the leased fixed assets, if it can be reasonably determined that the ownership of the leased assets will be obtained at the expiration of the lease term, shall be amortized equally between the interval between two decorations and the shorter period of the remaining useful life of the leased assets. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, the leased asset shall be amortized equally over the shorter of the interval between two decorations, the remaining lease term and the remaining useful life of the leased asset.

32. Contract liabilities

(1). Recognition method for contract liabilities

Contract liabilities is the Company's obligation to transfer goods to customers for the consideration that has been received or receivable from customers. The Company presented the net amount of contract assets offsetting with contract liabilities when they are aroused in the same contract.

33. Employee benefits

(1). Accounting treatment of short-term employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to the employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

According to their liquidities, employee benefits are presented as "employee benefits payable" and "long-term employee benefits payable" on the balance sheet.

In the accounting period in which employees have rendered services, the Company recognized the employee wages, bonus, social security contributions according to regulations such as medical insurance, work injury insurance and maternity insurance as well as housing funds as liability, and charged to profit or loss for the current period or cost of relevant assets. If employee benefits are non-monetary benefits, if they can be measured reliably, they shall be measured at fair value. If the liability is not expected to be settled wholly in twelve months after the balance sheet date, and the amount is significant, the liability is measured at the discounted amount.

(2). Accounting treatment of Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which a corporate pays fixed contributions into an escrow fund and will have no further obligation. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

(1) Defined contribution plans

The Company pays basic pension insurance and unemployment insurance for employees in accordance with the relevant regulations of the current government. In the accounting periods which employees rendered services, the amount of defined contribution plan is recognized as liability and charged to profit or loss for the current period or cost of relevant assets.

(3). Accounting treatment of employee termination benefits

Termination benefits is recognized on the earlier of either the Company cannot unilaterally withdraw the termination benefits provided by the labor relationship cancellation plan or the redundancy proposal, and the Company recognises the costs or expenses related to the restructuring related to the payment of the termination benefits. Termination benefits expenses are included in profit or loss for the current period. However, if the termination benefits are not expected to be fully paid within twelve months after the end of this reporting period, it is treated as other long-term employee benefits.

Employee internal retirement plans are handled on the same principle as the above dismissal benefits. The Company will include the salary and social insurance contribution of early retired personnel from the date when the employee ceases to provide services to the normal retirement date, and shall be included in profit or loss for the current period (termination benefits) when the conditions for recognising the estimated liabilities are met. Financial compensation after the official retirement date (such as the normal pension pension) will be treated as post-employment benefits.

(4). Accounting treatment of other long-term employee benefits

Other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contributions plan; those benefits are accounted for in accordance with the above requirements relating to defined contribution plan, but the movement of net liabilities or assets in re-measurement of defined benefit plan is recorded in profit or loss for the current period or cost of relevant assets.

34. Lease liabilities

35. Provision of liabilities

A provision is recognized as a liability when an obligation related to a contingency satisfied all of the following conditions: (1) The obligation is a present obligation of the Company; (2) It is probable that an outflow of economic benefits will be required to settle the obligation; (3) The amount of the obligation can be measured reliably.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Company reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to reflect the best estimate.

The best estimates are divided into the following situations: If the required expenditure exists in a continuous range (or interval), and the probability of various results in the range is the same, the best estimate is based on the middle value of the range: namely The average of the lower limit amount is determined. The required expenditure does not exist in a continuous range (or interval), or although there is a continuous range, but the possibility of various results in this range is not the same, if contingencies involve a single item, the best estimate is based on the amount most likely to occur; if contingencies involve multiple items, the best estimate is calculated and determined based on various possible results and related probabilities.

If all or part of the expenses required to pay off the provisions of the Company are expected to be compensated by a third party, when the compensation amount is basically determined to be received, it is separately recognized as an asset, and the recognized compensation amount does not exceed the carrying amount of the provisions.

Carrying amount of the provisions are reviewed on each balance sheet date. If there is solid evidence that the carrying amount cannot reflect the current best estimate, the carrying amount shall be adjusted according to the current best estimate.

36. Share-based payments

1. Category of share-based payment

The Company's share-based payment is a transaction that grants equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services provided by employees (or other parties). Includes Share-based payment settled with equity and share-based payment settled with cash.

2. Determination method of fair value of equity instruments

(1) If there is an active market, it shall be determined according to the quoted price the active market; (2) If there is no active market, it shall be determined by using valuation techniques, including reference to the prices used in recent market transactions conducted by parties who are familiar with the situation and voluntarily trade, reference to the current fair value, discounted cash flow method and option pricing model of other financial instruments that are substantially the same.

3. Basis in determination of best estimate of exercisable equity instruments

On each balance sheet date during the vesting period, the Company makes the best estimate based on the latest information on the number of employees with exercisable rights and other follow-up information, and corrects the number of equity instruments expected to exercise. On the exercise date, the number of equity instruments expected to be exercised should be consistent with the actual exercisable amount.

4. Accounting treatment of share-based payment

(1) Share-based payment settled by equity

If the equity-settled share-based payment is exchanged for employees to provide services, and the right is available immediately after the grant, the relevant cost or expense will be included in the fair value of equity instruments on the grant date, and the capital reserve will be adjusted accordingly. If the exercise right is available only after completing the service within the vesting period or meeting the prescribed performance conditions, on each balance sheet date during the vesting period, based on the best estimate of the number of available rights Equity instruments and the fair value of the equity instruments on its grant date, the services obtained in the current period are included in the relevant costs or expenses, and the capital reserve is adjusted accordingly. After the exercisable date, no adjustment will be made to the recognised costs or expenses and the total owner's equity.

For the equity-settled Share-based payment is exchanged for the services of the other party, if the fair value of the services of the other party can be reliably measured, it is measured according to the fair value of the service of the other party. If the fair value of the other party's services cannot be measured reliably but the equity value of equity instruments can be measured reliably, it is measured in accordance with the fair value of equity instruments on the date of service acquisition, included in the relevant costs or expenses, and the owners' equity is increased accordingly.

(2) Share-based payment settled in cash

Share-based payment settled in cash in exchange for employee services, and the right to exercise immediately after the grant, the Company's fair value of the liabilities assumed are included in the relevant costs or expenses on the grant date, and the liabilities are increased accordingly. Share-based payment settled in cash that can be exchanged for employee services after completing the services within the waiting period or meeting the prescribed performance conditions, based on the best estimate of the right to exercise on each balance sheet date during the vesting period and the fair value of the Company's liabilities, the services obtained in the current period are included in the relevant costs or expenses and corresponding liabilities. On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is remeasured, and the changes are included in profit or loss for the current period.

(3) Modify and terminate share-based payment plan

If the modification increases the fair value of equity instruments granted, the Company will recognise the increase in the cost of services obtained in accordance with the increase in fair value of equity instruments. If the modification increases the number of equity instruments awarded, the Company will recognize the increase in the fair value of equity instruments accordingly as an increase in access to services. If the Company revises the conditions of exercise rights in a manner beneficial to employees, the Company considers the revised conditions of exercise rights when dealing with the conditions of exercise rights.

If the modification reduces the fair value of the equity instruments granted, the Company continues to recognize the services based on amount of fair value of the equity instruments on the grant date, regardless of the decrease in the fair value of the equity instruments. If the modification reduces the number of granted equity instruments, the Company treats the reduction as a cancellation of the granted equity instruments. If the vesting conditions are modified in a way that is unfavorable to the employees, the modified vesting conditions shall not be considered when dealing with the vesting.

If the share-based payment settled by equity is cancelled, it will be treated as an accelerated exercise on the cancellation date, and the unrecognized amount will be recognised immediately (Amount that should be recognised in the remaining vesting period is immediately included in profit or loss for the current period, and capital reserve is also recognised). Employees or other parties can choose to meet the non-feasible rights conditions but not met within the waiting period, as a cancellation of equity settlement of share-based payment. However, if a new Equity instrument is awarded, and the equity instruments granted on the grant date of the new equity instruments are deemed to replace the equity instruments that were cancelled, then the authorized replacement equity instruments are processed in the same way as the modification of terms and conditions of the original equity instruments.

5. Involving share-based payment transactions between companies within the scope of consolidation of the Company, between the Company and the actual controlling party or other shareholders of the Company, or between the Company and other companies in the group to which the Company belongs, it is accounted in accordance with the relevant provisions of Article 7 of intra-group share-based payment of "Interpretation No. 4 of Accounting Standards for Business Enterprises".

37. Preferred shares, perpetual bonds and other financial instruments

38. Revenue

(1). Accounting policies adopted for revenue recognition and measurement

1. General principles of revenue recognition

Under the new revenue standard, the Company determine the timing of revenue recognition on the basis of transfer of control. The Company recognises revenue when it satisfies a performance obligation in the contract, i.e. when the customer obtains control of the relevant goods or services.

If one of the following conditions is fulfilled, the Company performs its performance obligation within a certain period; otherwise, it performs its performance obligation at a point of time: (1) when the customer simultaneously receives and consumes the benefits provided by the Company when the Company performs its obligations under the contract; (2) when the customer is able to control the goods in progress in the course of performance by the Company under the contract; (3) when the goods produced by the Company under the contract are irreplaceable and the Company has the right to receive payment for performance completed to date during the whole contract term.

For performance obligations performed within a certain period, the Company recognises revenue by measuring the progress towards complete of that performance obligation within that certain period. When the progress of performance cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, the revenue shall be recognised at the amount of costs incurred until the progress of performance can be reasonably determined.

For performance obligation performed at a point of time, the Company recognises revenue at the point of time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Company considers the following indications: (1) the Company has the current right to receive payment for the goods, which is when the customer has the current payment obligations for the goods; (2) the Company has transferred the legal title of the goods to the customer, which is when the client possesses the legal title of the goods; (3) the Company has transferred the physical possession of goods to the customer, which is when the customer obtains physical possession of the goods; (4) the Company has transferred all of the substantial risks and rewards of ownership of the goods to the customer, which is when the customer obtain all of the substantial risks and rewards of ownership of the goods to the customer; (5) the customer has accepted the goods; (6) other information indicates that the customer has obtained control of the goods.

When a contract contains two or more performance obligations, the Company will allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods promised by each individual performance obligation on the commencement date of the contract. Revenue is recognised on the transaction price allocated to each individual performance obligation. The transaction price is the amount of consideration that the Company expects to be entitled to receive due to the transfer of goods to customers. The amount collected by the Company on behalf of a third party and the amount that the Company expects to return to the customer are accounted for as a liability and not included in the transaction price. For contracts that contain variable consideration, the Company estimates the amount of consideration to which it will be entitled using either the expected value method or the most likely amount. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. For contracts that contain significant financing components, the Company determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when the control of goods or services is transferred to the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

2. Specific revenue recognition principle

Based on actual situation, the Company recognizes revenue when the following conditions are met:

(1) Sales of product: Domestic sales revenue is recognised when the control of the product has been transferred to the purchaser, the continued management and control of the product is no longer implemented, the payment has been recovered or the evidence for payment has been

obtained and the relevant economic benefits are likely to flow in, and the cost of the product can be reliably measured. Export sale revenue is recognised on the export date shown on the export declaration of the goods after the goods are shipped according to the customer's requirements, the payment has been recovered or the receipt of the payment has been obtained and the relevant economic benefits are likely to flow in, the cost of the product can be reliably measured.

(2) Futures brokerage business: The net transaction fee charged by the Company from the customers (deducting the transaction fee payable by the Company to exchange company) is recognized as the net fee income when the daily payment is settled with the customer.

(2). Differences in accounting policies for revenue recognition due to the adoption of different business models for similar businesses

39. Contract cost

40. Government grants

1. Category of government grants

Government grants refer to the Company's obtain of monetary or non-monetary assets from the government without consideration. It is divided into government grants related to assets and government grants related to income.

Government grants related to assets refer to government grants acquired by the Company and used to purchase or construct or form long-term assets, including financial grants for the purchase of fixed assets or intangible assets, and financial discounts for dedicated loans for fixed assets, etc. ; Government grants related to income refer to government grants other than government grants related to assets. Government grants should be distinguished between that related to assets and related to income and apply different accounting treatment. If it is difficult to distinguish, the overall classification is classified as government grants related to income

The specific standards adopted by the Company in the classification of government grants are:

(1) The grant objects specified in the Government grants document are used to purchase or construct or form long-term assets, or the expenditures of the subsidies are mainly used to purchase or construct or form long-term assets, they are classified as government grants related to assets.

(2) The government grants obtained according to the government documents that are all or mainly used to compensate the expenses or losses in the future period or the government grants that have occurred, and are classified as government grants related to income.

(3) If the government document does not clearly specify the target of the grant, the Government grants will be divided into Government grants of Related to assets or Government grants of Related to income in the following ways: 1) Government documents specify the specific project targeted by the grant, the expenditure amount is divided by relative ratio of that forming the asset and the expenditure amount included in the expense according to the budget of this particular project. The ratio needs to be reviewed on each balance sheet date and changed if necessary.2) Government documents only use general expressions and do not indicate specific items, it is regarded as government grants related to income.

2. Timing of recognition of government grants

The Company usually recognises and measures the government grants according to the actual amount received when they are actually received. However, for the end of the period, there is solid evidence that it can meet the relevant conditions stipulated by the financial support policy. It is expected that the financial support funds can be received, and it is measured according to the Amount receivable. Government grants measured according to Amount receivable should also meet the following conditions:

(1) It is based on the financial support item officially released by the local financial department and proactively disclosed in accordance with the “Government Information Disclosure Regulations” and its financial fund administrative methods, and its administrative methods should be inclusive (any enterprise that meets the prescribed conditions can apply), not specifically for specific enterprises;

(2) The Amount of the subsidy receivable has been confirmed by the authority government department, or it can be reasonably calculated according to the relevant regulations of the officially released financial fund management method, and it is expected that there will be no significant uncertainty in its amount;

(3) The relevant grant approval has clearly promised the payment period, and the payment is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed that it can be received within the specified period;

(4) According to the specific situation of the Company and the subsidy, other relevant conditions (if any) that should be met.

3. Accounting treatment of government grants

Government grants are monetary assets, measured by the amount received or receivable; non-monetary assets, measured by the fair value; if the fair value of non-monetary assets cannot be reliably obtained, measured by the nominal amount. Government grants measured in nominal amount are directly included in profit or loss for the current period.

The Company adopts the gross method for Government grants, the specific accounting treatment is as follows:

Government grants related to assets are recognized as deferred income, and are included in profit or loss for the current period in a reasonable and systematic way within the useful life of the relevant assets. When related assets are sold, transferred, scrapped or damaged before the end of the useful life, the relevant deferred income balance is transferred to the profit and loss of the asset disposal period.

Government grants related to income, which are used to compensate the related cost or loss of the Company in the future period, are recognized as deferred income, and are included in profit or loss for the current period during the period when the related cost or loss is recognized. The compensation for the related costs or losses incurred by the enterprise is directly included in profit or loss for the current period.

The policy discount loans obtained by the Company are divided into the following two situations and are separately accounted for:

(1) If the government makes the payment of subsidy to the bank offering the loan, the actual amount of money received by the loan is recorded as the book amount, and the borrowing costs are calculated according to the loan principle and the preferential interest rate of the policy.

(2) If the government makes the payment of subsidy directly to the Company, the interest subsidy is reducing the borrowing costs.

If the recognised government grants need to be returned, the returned will be accounted in the current period for in the following situations:

(1) that initially deducted the carrying amount of the asset, is recognized by increasing the carrying amount of the asset;

(2) if there exists of the related deferred income balance, then the deferred income balance is reduced by the amount repayable, any excess is charged to profit or loss for the current period.

(3) In other cases, it is directly included in profit or loss for the current period.

The distinguishing principles of government grants included in different profit and loss items are: Government grants related to the daily activities of the Company, included in other income or offsetting related costs according to the economic business substance; Government grants not related to the daily activities of the Company, included in non-operating income and expenses.

41. Deferred tax assets and deferred tax liabilities

1. Recognition and measurement of deferred tax assets and deferred tax liabilities

The Company uses the balance sheet liability method to recognize deferred income tax based on the temporary difference between the carrying amount of assets, liabilities, and the balance sheet date and the tax base. The Company's current income tax and deferred income tax are included in profit or loss for the current period as income tax expenses or credit, but excluding income tax arising from: (1) business combination; (2) transactions or matter recognised directly in owners' equity; (3) according to the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments" and other regulations, the dividend payment of financial instruments classified as equity instruments can be deducted before corporate income tax according to tax policies and the distributed profits come from transactions or matters previously recognized in owners' equity.

The Company recognizes a deferred tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

(1) Initial recognition of goodwill or initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary

difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The difference between the carrying amount of assets and liabilities and their tax base (If the items that have not been recognized as assets and liabilities can be determined in accordance with the provisions of the tax law, the tax base, the difference between the tax base and the book amount), is calculate and recognized deferred tax assets or deferred tax liabilities according to the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are paid off.

Deferred tax assets recognsied are limited to the amount of taxable income that is likely to be used to offset the deductible temporary differences. On the balance sheet date, if there is solid evidence that it is likely to obtain sufficient taxable income in the future period to offset the deductible temporary difference, the deferred tax assets that have not been recognized in the previous accounting period are recognized. The carrying amount of deferred tax assets is reviewed regularly. If it is likely that sufficient taxable income cannot be obtained in the future to offset the benefits of deferred tax assets, the carrying amount of deferred tax assets will be written down. When it is likely to obtain sufficient taxable income, the amount written down will be reversed.

2. When the Company has the legal right to settle on a net basis and intends to settle on a net basis or acquire assets and settle liabilities simultaneously, the Company's current income tax assets and current income tax liabilities are presented in net amounts after offset.

When the Company have the legal right to settle the current income tax assets and current income tax liabilities in net, and the deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax collection department on the same taxpayer or different taxpayers, but in each future period of significant deferred tax assets and liabilities reversal, the taxpayer involved intends to settle the current income tax assets and liabilities in net amount or obtain assets and settle liabilities at the same time and deferred tax liabilities are presented in net amount after offset.

42. Leases

(1). Accounting treatment for operating leases

(2). Accounting treatment for financing leases

(3). Determination method and accounting treatment of lease under the new lease standard

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified asset(s) for a period of time in exchange for consideration.

For a contract that contains multiple separate lease, the Company separates and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and lessor separates the lease and non-lease components.

1. The Company as a lessee

(1) Right-of-use assets

At the commencement date of lease term, the Company recognizes right-of-use assets for leases (excluding short-term leases and leases of low-value assets). Right-of-use assets are measured initially at cost. Such cost comprises: the amount of the initial measurement of lease liability; lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive); initial direct costs incurred by the Company; the costs of the Company expected to be incurred for dismantling and removing the leased asset, restoring the site on which the leased asset is located or restoring it to the condition as agreed in the terms of the lease.

The Company accrues depreciation for the right-of-use assets on straight-line method. If there is reasonable certainty that the Company will obtain the ownership of a leased asset at the end of the lease term, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset; otherwise, the Company depreciates the leased asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(2) Lease liabilities

At the commencement date of lease term, the Company recognizes lease liabilities for leases (excluding short-term leases and leases of low-value assets). Lease liabilities are initially measured based on the present value of outstanding lease payment. Lease payment include: fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive); variable lease payment that are based on an index or a rate; amounts expected to be payable under the guaranteed residual value provided by the Company; the exercise price of a purchase option if the Company is reasonably certain to exercise that option; payments of penalties for terminating the lease option, if the lease term reflects that the Company will exercise that option. The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined reasonably, the Company's incremental borrowing rate is used.

The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into profit or loss in the period or cost of relevant assets. Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period or cost of relevant assets in which they actually arise.

After the commencement date of lease term, if the following circumstances occur, the Company re-measures the lease liability in accordance with the lease payments after modification: when the assessment results of the purchase, extension or termination option or the actual exercise condition changes, or the actual exercise of the lease renewal option or the lease termination option is inconsistent with the original assessment result; Changes in the expected payable amount based on guaranteed residual value; Changes in the index or ratio used to determine lease payments. For the lease modification that cause the lease liabilities to be remeasured, the Company adjusts the carrying value of the right-of-use assets accordingly. If the carrying value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Company will include the remaining amount in the profit or loss for the current period.

(3) Short-term leases and leases of low-value assets

The right-of-use asset and lease liability are not recognized by the Company for short-term leases and leases of low-value assets, and the relevant lease payments are included in profit or loss in the period or costs of relevant assets in each period of the lease term on a straight-line basis. Short-term leases are defined as leases with a lease term of not more than 12 months from the commencement date and excluding a purchase option. Leases of low-value assets are defined as leases with underlying low value when new. Where the Company subleases or expects to sublease a leased asset, the original lease shall not belong to a lease of low-value asset.

(4) Lease modification

The Company will account for the lease modification as a separate lease if the lease changes and meets the following conditions: the lease change expands the scope of lease by increasing the rights to use one or more leased assets; the increased consideration and the individual price of the expanded part of the lease are equivalent to the amount adjusted for the contract.

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

2. The Company as a lessor

At the commencement date of lease term, the Company classifies leases as financing leases and operating leases. A financing lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset, irrespective of whether the ownership of the asset is eventually transferred. An operating lease is a lease other than a finance lease.

As a sub-leasing lessor, the Company classifies the sub-leases based on the right-of-use assets of the original leases. If the original lease is a short-term lease and the Company chooses not to recognize the right-of-use asset and lease liability for the original lease, the Company classifies the sublease as an operating lease.

(1) Accounting treatment of operating leases

The lease payments derived from operating leases are recognized as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases to be incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the lease term. The variable lease payments not included in the measurement of lease payments shall be recognized in profit or loss in the period in which they are occurred.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes financing lease receivable and derecognizes the underlying assets. The Company initially measures financing lease receivable in the amount of net investment in the lease. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable at the commencement date of lease term, discounted at the interest rate implicit in the lease.

The Company calculates and recognizes interest income in each period during the lease term, based on a constant periodic interest rate. The derecognition and impairment losses of financing lease receivable are accounted for in accordance with this note. Variable lease payments not included in the measurement of the net investment in the lease are included in profit or loss in the period in which they are occurred.

3. Sale and leaseback transactions

The Company determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with principles described in this note.

(1) As a lessee

If the asset transfer in the sale and leaseback transaction is a sale, the Company, as a lessee, measures the right-of-use assets formed by the sale and leaseback based on the part of the book value of the original assets related to the use rights obtained from the leaseback, and recognize relevant gains or losses only for the right to transfer to the lessor; if the transfer of assets in the sale and leaseback transaction is not a sale, the Company, as a lessee, continues to recognize the transferred assets and recognizes a financial liability equal to the transfer income. For details of accounting treatment for financial liabilities, please see this note.

(2) As a lessor

If the transfer of assets in the sale and leaseback transaction is a sale, the Company, as a lessor, accounts for asset purchase, and accounts for asset lease in accordance with policies in the aforementioned “2. The Company as a lessor”; if the transfer of assets in the sale and leaseback transaction is not a sale, the Company, as a lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income. For details of accounting treatment for financial assets, please see this note.

43. Other significant accounting policies and accounting estimates

(1) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures related assets or liabilities at fair value assuming the assets or liabilities are exchanged in an orderly transaction in the principal market; in the absence of a principal market, assuming the assets or liabilities are exchanged in an orderly transaction in the most advantageous market. Principal market (or the most advantageous market) is the market that the Company can normally enter into a transaction on measurement date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, considering the ability of a market participant to generate an economic benefit from the best use of the asset, or the ability to generate an economic benefit from the sale of the asset to another market participant who can put it to the best use, maximizing the use of relevant observable inputs, and using unobservable inputs only if the observable inputs aren't available or impractical.

Fair value level for assets and liabilities measured or disclosed at fair value in the financial statements are determined according to the significant lowest level input to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; Level 3 inputs are unobservable inputs for the assets or liabilities, including interest rates that cannot be directly observed or verified by observable market data, stock volatility, future cash flows of disposal obligations assumed in business combinations, financial forecasts made using own data, etc. On each balance sheet date, the company reassesses the assets and liabilities that are continuously measured at fair value recognized in the financial

statements to determine whether there is a conversion between the fair value measurement levels.

(2) Share repurchase

If the shares of the company are purchased for reasons such as reducing registered capital or rewarding employees, the actual amount paid shall be treated as treasury shares. If the repurchased shares are canceled, the difference between the total face value of the shares calculated based on the par value of the canceled shares and the number of canceled shares and the actual amount paid for the repurchase shall be used to offset the capital reserve, if the capital reserve is insufficient for offsetting, and offset against retained earnings. If rewarding the repurchased shares to the employees of the company belongs to equity-settled share payment, when the employees exercise their rights to purchase the company's shares and receive the price, the cost of the treasury shares delivered to the employees will be transferred out of the capital reserve (other capital reserve) cumulative recorded during the waiting period.

(3) Hedging

1. Hedging includes fair value hedging / cash flow hedging / overseas operating net investment hedging.

2. For hedging instruments that meet the following conditions, hedging accounting methods are used: (1) The hedging relationship consists only of eligible hedging instruments and hedged instruments; (2) At the beginning of hedging, the Company formally designated hedging instrument and hedged items, and prepared written documents on the hedging relationship and the Company's risk management strategy and risk management objectives for hedging; (3) The hedging relationship meets the hedging validity requirement.

When the hedging meets the following conditions at the same time, the Company determines that the hedging relationship meets the requirements for hedging effectiveness: (1) There is an economic relationship between the hedged item and the hedging instrument; (2) Among the changes in value caused by the economic relationship between hedged items and hedging instruments, the impact of credit risk does not dominate; (3) The hedging ratio of the hedging relationship is equal to the ratio of the actual number of hedged items of the Company to the actual number of hedging instruments, but does not reflect the imbalance of the relative weight of the hedged items and hedging instruments.

The Company continuously evaluates whether the hedging relationship meets the requirements of hedging effectiveness on the hedging start date and later. The hedging relationship no longer meets the hedging effectiveness requirements due to the hedging ratio, but if the risk management objectives of the designated hedging relationship have not changed, the Company will rebalance the hedging relationship.

3. Accounting treatment of hedging

(a) Fair value hedge

1) Gains or losses from hedging instruments are included in profit or loss for the current period. If hedging instruments are hedged against non-tradable equity instruments (or their components) that are selected to be measured at fair value and whose changes are included in other comprehensive income, the gains or losses generated by the hedging instruments are included in other comprehensive income.

2) Profit or loss for the current period of the hedged item due to risk exposure is calculated as profit or loss for the current period, while adjusting the carrying amount of the confirmed hedged

item not measured at fair value. Hedged items are debt instruments (or their components) that are measured at fair value and whose changes are included in other comprehensive income. The gains or losses resulting from the hedged risk exposure are included in profit or loss for the current period, without adjustment its carrying amount; If the hedged item is a non-tradable equity instrument investment (or its component) measured at fair value and its changes are included in other comprehensive income, the gain or loss resulting from the hedged risk exposure is included in other comprehensive income, not adjusting its carrying amount.

If the hedged item is an unrecognized commitment (or its component), the cumulative change in fair value due to the hedged risk after the hedge relationship is designated is recognized as an asset or liability, and the relevant gains or losses are included profit or loss for each relevant period. When fulfilling the definite commitment to obtain assets or assume liabilities, the initial recognition amount of the asset or liability is adjusted to include the cumulative change in the fair value of the confirmed hedged item.

If the hedged item is a financial instrument (or a component thereof) measured at amortized cost, the adjustment made by the Company to the carrying amount of the hedged item will be amortized at the actual interest rate recalculated on the amortization date and included in profit or loss for the current period. If the hedged item is a debt instrument measured at fair value and its changes are included in other comprehensive income (components thereof), the accumulated recognized hedging gains or losses are amortized in the same manner and included in profit or loss for the current period, but does not adjust the carrying amount of the debt instrument (or its components).

(b) Cash flow hedge

1) The part of the hedging instrument gains or losses that belongs to the effective hedging is included in other comprehensive income as a cash flow hedge reserve, and the invalid part is included in profit or loss for the current period. The amount of cash flow hedge reserve is recognised according to the lower of the absolute value of the following two items:
① Accumulated gains or losses of hedging instruments since hedging; ② The cumulative change in the present value of the expected future cash flow of the hedged item since hedging.

2) The hedged item is an expected transaction, and the expected transaction causes the Company to subsequently recognize a non-financial asset or non-financial liability, or the expected transaction of non-financial assets and non-financial liabilities forms a certain commitment applicable to fair value hedge accounting, the Company transfers out the cash flow hedging reserve amount originally recognized in other comprehensive income and includes it in the initial recognition amount of the asset or liability.

3) Other cash flow hedges, the amount of cash flow hedge reserves originally included in other comprehensive income, are transferred out during the same period when the hedged expected transaction affects profit or loss, and are included in profit or loss for the current period.

(c) Net investment hedges for overseas operations

The portion of the gains or losses formed by hedging instruments that are effective hedges is included in other comprehensive income, and when disposing of overseas operations, they are transferred out and included in profit or loss for the current period The part of the loss that belongs to the invalid hedge is included in profit or loss for the current period.

(4) Treasury shares

Repurchase the Company's shares for reasons such as reducing registered capital or rewarding employees. Before cancellation or transfer, they are managed as treasury shares. The amount actually paid is used as the cost of treasury shares, reducing owners' equity and conducting registration for reference. If the treasury shares is transferred, the difference between the amount actually received and the amount of treasury shares booked is included in the capital reserve. If the capital reserve is insufficient to offset, the retained earnings are offset. If the treasury shares are cancelled, share capital is reduced by the par value of the stock and the number of shares cancelled, and the capital reserve is offset by the difference between the book balance of the cancelled treasury shares and the face value. If the capital reserve is insufficient, the retained earnings are offset. When repurchasing, transferring or canceling the Company's shares, no gains or losses are recognized.

(5) Restricted shares

In the equity incentive plan, the Company grants restricted stock to the motivated employee. The motivated employee subscribes for the stock first. If the unlocking conditions specified in the equity incentive plan are not subsequently met, the Company repurchases the stock at the price agreed in advance. If the restricted stock issued to employees has completed the capital increase procedures such as registration according to relevant regulations, on the grant date, the Company will recognise the share capital and capital reserve (Share capital premium) based on the subscription paid by the employees. Treasury shares and other payables are recognize for the repurchase obligations.

(6) Significant accounting judgments and estimates

In the process of applying the accounting policy of the Company, due to the inherent uncertainty of the operating activities, the Company needs to make judgments, estimates and assumptions on the carrying amount of the report items that cannot be accurately measured. These judgments, estimates and assumptions are based on the Company's management's past historical experience and made on the basis of considering other relevant factors. These judgments, estimates and assumptions will affect the reported amount of income, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results caused by the uncertainty of these estimates may be different from the current estimates of the Company's management, which will cause significant adjustments to the carrying amount of assets or liabilities affected in the future. The Company regularly reviews the aforementioned judgments, estimates and assumptions on the basis of continuous operation. If the changes in accounting estimates only affect the current period of change, the number of impacts will be recognised in the current period of change. If the changes affect both the current period and the future period, the number of impacts will be confirmed in the current period and future period of change. As of the balance sheet date, the Company needs to make judgments, estimates and assumptions on the financial statement items as follows:

1. Classification of lease

When the company acts as a lessor, according to the provisions of the Accounting Standards for Business Enterprises No. 21 - Leases, leases are classified as operating leases and financial leases. When determining the classification, management needs to make analysis and judgment on whether all risks and rewards related to the ownership of leased assets have been substantially transferred to the lessee.

2. Impairment of financial instruments

The Company uses the expected credit loss model to assess impairment of receivables and debt investments measured at amortized cost, receivables financing measured at fair value and changes included in other comprehensive income, and other debt investments. The use of the expected credit loss model involves significant management judgments and estimates. The key parameters of expected credit loss measurement include default probability, default loss rate and default risk exposure. The Company considers the quantitative analysis of historical statistical data and forward-looking information to establish default probability, default loss rate and default risk exposure model. The difference between the actual financial instrument impairment result and the original estimate will affect the carrying amount of the financial instrument and the accrual or reversal of credit impairment losses during the period when the estimate is changed.

3. Provision for decline in value in inventories

According to Inventories accounting policy, the Company measures according to the lower of cost and net realizable value. For inventories whose cost is higher than net realizable value and obsolete and unsalable, provision for decline in value of inventories is recognized. Impairment to net realizable value is based on the assessment of the marketability of Inventories and its net realizable value. Appraisal of Inventories impairment requires management to make judgments and estimates based on factors such as the purpose of holding Inventories and the impact of events after the balance sheet date. The difference between the actual result and the original estimate will affect the carrying amount of Inventories and the accrual of Inventory Provision for decline in value or return during the period when the estimate is changed.

4. Impairment of non-financial non-current assets

On the balance sheet date, the Company judges whether there is any sign of possible impairment of Non-current assets other than financial assets. For intangible assets with uncertain service life, in addition to the annual impairment test, when there are signs of impairment, an impairment test is also conducted. Non-current assets other than financial assets are tested for impairment when there are signs that their book amount is not recoverable.

When the carrying amount of an asset or asset group is higher than the recoverable amount, which is the higher of the fair value minus the disposal cost and the present value of the expected future cash flow, it indicates that an impairment has occurred.

The net value of fair value minus disposal expenses is determined by referring to the sales agreement price or observable market price of similar assets in fair transactions, minus the incremental costs that can be directly attributed to the disposal of the asset. When predicting the present value of future cash flows, it is necessary to make a significant judgment on the output, selling price, related operating costs of the asset (or asset group), and the discount rate used in calculating the present value. When estimating the recoverable amount, the Company will use all relevant information that can be obtained, including the prediction of production, selling price and related operating costs based on reasonable and supportable assumptions.

The Company assesses whether goodwill is impaired at least annually and requires an estimate of the use value of the asset group to which goodwill is allocated. When estimating the value in use, the Company needs to estimate the future cash flow from the asset group, and at the same time choose an appropriate discount rate to calculate the present value of the future cash flow.

5. Depreciation and amortization

After considering the residual value of the investment properties measured at cost model, fixed assets and Intangible assets, the Company depreciates and amortizes it according to the straight-line method during the service life. The Company regularly reviews the service life to determine the amount of depreciation and amortization expenses to be included in each reporting period. The service life is determined by the Company based on the previous experience of similar assets and the expected technical update. If the previous estimates change significantly, the depreciation and amortization expenses will be adjusted in the future.

6. Deferred tax assets

To the extent that there is likely to be enough taxable profits to offset losses, the Company recognizes deferred tax assets for all unutilized tax losses. This requires the Company's management to use a lot of judgment to estimate the time and amount of future taxable profits, combined with tax planning strategies to determine the amount of deferred tax assets that should be recognised.

7. Income tax

In the normal business activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether certain items can be paid before taxes requires the approval of the tax authorities. If the final determination result of these tax matters is different from the originally estimated amount, the difference will have an impact on the current income tax and deferred income tax during the final determination period.

8. Provision for liability

Provisions for liability are recognized when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, product quality warranty, and loss-making contract, and it is very likely that an outflow of economic benefits will be resulted from settlement of the obligation, and a reliable estimate of the amount of the obligation can be made. The recognition and measurement of provisions for liability largely depend on the management's judgement. In the process of making judgments, the Company needs to evaluate factors such as risks, uncertainties and time value of money related to these contingencies.

9. Fair value measurement

Certain assets and liabilities of the Company are measured at fair value in the financial statements. When estimating the fair value of an asset or liability, the Company uses the observable market data available; if the Level 1 input value is not available, a third-party qualified assessment agency is employed for valuation. The Company's management works closely with it to determine the appropriate valuation techniques and input values for related models. Relevant information about the valuation techniques and input values used in the process of determining the fair value of various assets and liabilities are disclosed in this note.

44. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting policies

Other note

Unless otherwise specified, the figures as shown in this section are in RMB.

1. Changes in significant accounting policies

(1) The Ministry of Finance issued the "Interpretation No. 15 of Accounting Standards for Business Enterprises" (Cai Kuai [2021] No. 35, hereinafter referred to as "Interpretation No. 15") on 30 December 2021. From January 1, 2022, the company will implement the "Accounting

Treatment for External Sales of Products or By-products Produced by Enterprises Before Their Fixed Assets Are Ready for Use or During the Research and Development Process" and "Judgment on Onerous Contracts" .

1) Regarding the accounting treatment of enterprises selling products or by-products produced before the fixed assets reach the intended usable state or during the research and development process (hereinafter collectively referred to as trial operation sales), according to Interpretation No. 15, the revenue and costs related to trial operation sales should be accounted for separately in accordance with the "Accounting Standards for Business Enterprises No. 14 - Revenue" and "Accounting Standards for Business Enterprises No. 1 - Inventory" and included in the current profit and loss, the net amount after offsetting relevant costs from sales related to trial operation shall not be used to offset fixed asset costs or R&D expenditures. Before the relevant products or by-products produced in the trial operation are sold externally, those that meet the requirements of the Accounting Standards for Business Enterprises No. 1 - Inventory should be recognized as inventories, and those that meet the relevant asset recognition conditions in other relevant accounting standards for business enterprises should be recognized as related assets . From 1 January 2022, the Company adopted Interpretation No. 15 " Accounting Treatment for External Sales of Products or By-products Produced by Enterprises Before Their Fixed Assets Are Ready for Use or During the Research and Development Process". The implementation of this interpretation for the first time has no significant impact on the financial statements between the beginning of the earliest period in which financial statements are presented and the implementation date of this interpretation.

2) Regarding the judgment of onerous contracts, Interpretation No. 15 stipulates that "costs that will inevitably occur in fulfilling contractual obligations" are the lower of the cost of fulfilling the contract and the compensation or penalty for failure to perform the contract. The cost for the Company to fulfill the contract includes the incremental cost of performing the contract and the allocated amount of other costs directly related to the performance of the contract, of which, the incremental cost of performing the contract includes direct labor, direct materials, etc.; the apportioned amount of other costs directly related to the performance of the contract includes the apportioned amount of depreciation expenses of fixed assets used to perform the contract, etc. From 1 January 2022, the Company implemented the provisions of "judgment on onerous contracts" in Interpretation No. 15. The first implementation of this interpretation has no significant impact on the financial statements between the beginning of the earliest period in which financial statements are presented and the implementation date of this interpretation.

(2) The Ministry of Finance issued the "Interpretation No. 16 of Accounting Standards for Business Enterprises" (Cai Kuai [2022] No. 31, hereinafter referred to as "Interpretation No. 16") on 30 November 2022. From 30 November 2022, the Company implemented the "Accounting Treatment for Income Tax Effects of Dividends Related to Financial Instruments Classified as Equity Instruments by the Issuer" and "Accounting Treatment of Enterprises Changing Cash-settled Share-based Payments to Equity-settled Share-based Payments".

1) Regarding the accounting treatment of the income tax impact of dividends related to financial instruments classified as equity instruments by the issuer, Interpretation No. 16 stipulates that for financial instruments classified as equity instruments by enterprises in accordance with the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments" and other regulations. If relevant dividend payments are deducted before corporate income tax in

accordance with the relevant provisions of the tax policy, the Company shall recognise the income tax impact related to the dividend when recognising the dividend payable. The Company shall include the income tax effect of dividends in the current profit and loss or owner's equity items (including other comprehensive income items) in a manner consistent with the accounting treatment adopted for transactions or events that generated distributable profits in the past. From 30 November 2022, the Company implemented the provisions of Interpretation No. 16 "Accounting Treatment for Income Tax Effects of Dividends Related to Financial Instruments Classified as Equity Instruments by Issuers", and the first implementation of this interpretation has no significant impact on financial statements.

2) Regarding the accounting treatment of the Company modifying cash-settled share-based payments to equity-settled share-based payments, Interpretation No. 16 stipulates that the Company modify the terms and conditions of cash-settled share-based payment agreements, if it becomes an equity-settled share-based payment, on the date of modification, the Company shall measure the equity-settled share-based payment according to the fair value on the day when the equity instrument is granted; if it becomes an equity-settled share-based payment, on the date of modification, the Company shall measure the equity-settled share-based payment according to the fair value of the equity instrument granted on the date, and recognise the services obtained in the capital reserve, simultaneously, derecognize the liabilities recognized on the modification date of the cash-settled share-based payment, and the difference between the two shall be included in the current profit and loss. Since 30 November 2022, the Company implemented the provisions of Interpretation No. 16 "Accounting Treatment for Companies Changing Cash-settled Share-based Payments to Equity-settled Share-Based Payments", which was the first time that this interpretation is the first to present financial statements. There is no significant impact on the financial statements between the beginning of the period and the implementation date of the interpretation.

(2). Changes in significant accounting estimates

(3). Initial adoption of new accounting standards or standard interpretations effective in 2022 that will involve adjustments to the financial statements at the beginning of the year of adoption

45. Others

VI. Taxation

1. Major taxes and their tax rates

Major taxes and their tax rates

Taxes	Tax basis	Tax rate %
Value-added tax	Value-added generated during the sale of goods or provision of taxable services	Calculated and paid according to tax rates of 3%, 5%, 6%, 9%, and 13%. The export goods implement

		the tax policy of "exemption, credit and refund", and the tax refund rate is 13%.
Consumption tax	taxable sales volume	Gasoline: 1.52 yuan/liter Fuel oil: 1.20 yuan / liter Diesel: 1.20 yuan / liter Light cycle oil: 1.52 yuan/liter Aviation kerosene: 1.20 yuan / liter (deferred collection) Naphtha: 1.52 yuan/liter
Urban maintenance and construction tax	Turnover tax payable	7%, 5%, etc.
Education surcharge	Turnover tax payable	3%
Local education surcharges	Turnover tax payable	2%
Enterprise income tax	Subject to taxable profit	Refer to table below

If there are taxpayers with different corporate income tax rates, the disclosure information as in below

Entity	Income tax rate(%)
Jiangsu Hengli Chemical Fiber Co., Ltd.	15%
Jiangsu Hengke Advanced Materials Co. Ltd.	15%
Jiangsu Deli Chemical Fiber Co., Ltd.	15%
Suqian Deya New Materials Co., Ltd.	20%
Suzhou Hengli Chemical New Material Co., Ltd.	20%
Suzhou Binglin Trading Co., Ltd.	20%
Kanghui New Material Technology Co., Ltd.	15%
Suqian Kanghui New Material Co., Ltd.	20%
Shenzhen Ganghui Trading Co., Ltd.	20%
Hengli Logistics (Dalian) Co., Ltd.	20%
Hengli Petrochemical (Hainan) Co., Ltd.	15%
Hengli Energy (Hainan) Co., Ltd.	15%
Suzhou Hengli Energy Chemical Import & Export Co., Ltd.	20%
Hengli Aviation Oil Co., Ltd.	20%
Hengli Energy (Jiangsu) Co., Ltd.	20%
Hengli Logistics (Dalian) Co., Ltd.	20%
Dalian Hengzhong Special Materials Co., Ltd.	20%
Suzhou Qianliyan Logistics Technology Co., Ltd.	20%
Suzhou Textile Group Network E-commerce Co., Ltd.	20%

Suzhou Plastic Group Network E-commerce Co., Ltd.	20%
Hengli Energy Sales Rudong Co., Ltd.	20%
Hengli Chemical (Suqian) Co., Ltd.	20%
Hengli Oil (Suqian) Co., Ltd.	20%
Hengli Petrochemical Sales (Jiangsu) Co., Ltd.	20%
Hengli Petrochemical Sales (Shanghai) Co., Ltd.	20%
Hengli Tongshang New Energy Co., Ltd.	20%
Hengli Energy Import and Export Co., Ltd.	20%
Hengli New Energy (Shanghai) Co., Ltd.	20%
Hengli Yuanshang Technology (Suzhou) Co., Ltd.	20%
Suzhou Hengli Jinshang Energy Technology Co., Ltd.	20%
Hengli Petrochemical Sales (Haikou) Co., Ltd.	20%
Hengli Energy Chemical (Sanya) Co., Ltd.	15%
Dalian Henglixing Gemstone Chemical Trading Co., Ltd.	20%
Dalian Hengli Gaoyuan Sales Co., Ltd.	20%
Hengli Energy Chemical (Shenzhen) Co., Ltd.	20%
Nantong Hengli Maoyuan Petrochemical Trading Co., Ltd.	20%
Suzhou Hengli New Energy Sales Co., Ltd.	20%
Suzhou Hengli Fine Chemical Sales Co., Ltd.	20%
Hengli Petrochemical Sales (Shenzhen) Co., Ltd.	20%
HENGLI PETROCHEMICAL CO., LIMITED	16.5%
HENGLI PETROCHEMICAL INTERNATIONAL PTE. LTD.	5%
HENGLI OILCHEM PTE. LTD.	10%
HENGLI SHIPPING INTERNATIONAL PTE. LTD.	0%
Others taxpayers other than the above	25%

2. Tax incentive

1. Consumption tax incentive

According to "Notice on Continuing the Implementation of Part of the Consumption Tax Policy for Naphtha Fuel Oil" (Cai Shui [2011] No. 87) issued by the Ministry of Finance, the People's Bank of China and the State Administration of Taxation, "Notice on Improving the Consumption Tax Rebate Policy for the Production of Vinyl Aromatic Chemical Products from Naphtha Fuel Oil" (Cai Shui [2013] No. 2) issued by Ministry of Finance, People's Bank of China, General Administration of Customs and State Administration of Taxation, "Interim Measures for Consumption Tax Refund (Exemption) for Naphtha and Fuel Oil Used in the Production of Ethylene and Aromatic Chemical Products" (Announcement of the State Administration of Taxation [2012] No. 36) issued by the State Administration of Taxation, and "Announcement on Consumption Tax Refund of Naphtha Fuel Oil Production of Vinyl Aromatic Chemical Products" (Announcement No.

29 [2013] of the State Administration of Taxation and the General Administration of Customs) issued by State Administration of Taxation and General Administration of Customs, production enterprises that implement the fixed-point direct supply plan, sell naphtha and fuel oil within the planned quantity limit, and issue a special invoice for the value-added tax of the Chinese character anti-counterfeiting version with the "DDZG" logo, are exempt from consumption tax. Hengli Petrochemical (Dalian) Refining Co., Ltd. is eligible for tax rebate and enjoys the preferential policy of consumption tax rebate paid for the procurement process. At the same time, the implementation of the fixed-point direct supply plan meets the above conditions and enjoys the preferential policy of exempting consumption tax from the sales process.

According to the "Notice on Continuing to Increase Consumption Tax of Refined Oils" (Cai Shui [2015] No. 11) issued by the Ministry of Finance and the State Administration of Taxation, consumption tax for diesel, aviation kerosene and fuel oil has been increased from RMB 1.1 per liter to RMB 1.2 per liter, and aviation kerosene continued to suspend the collection of consumption tax. Hengli Petrochemical (Dalian) Refining Co., Ltd. enjoys the preferential policy of suspending the collection of consumption tax for the sale of aviation kerosene.

2. Enterprise income tax incentive to high-tech enterprises

Jiangsu Hengli Chemical Fiber Co., Ltd. obtained the "High-tech Enterprise Certificate" (No.: GR202132007328) issued by Jiangsu Provincial Department of Science and Technology, Jiangsu Provincial Department of Finance, and Jiangsu Provincial Taxation Bureau of the State Administration of Taxation on 30 November 2021. The validity period is three years, and the enterprise income tax rate for the current year is calculated at a reduced rate of 15%.

Jiangsu Hengke Advanced Materials Co. Ltd. obtained the "High-tech Enterprise Certificate" (No.: GR202232005286) issued by the Jiangsu Provincial Department of Science and Technology, the Jiangsu Provincial Department of Finance, and the Jiangsu Provincial Taxation Bureau of the State Administration of Taxation on 22 November 2022. The validity period is three years, and the enterprise income tax rate for the current year is calculated at a reduced rate of 15%.

Jiangsu Deli Chemical Fiber Co., Ltd. obtained the "High-tech Enterprise Certificate" (No.: GR202032006951) issued by the Jiangsu Provincial Department of Science and Technology, the Jiangsu Provincial Department of Finance, and the Jiangsu Provincial Taxation Bureau of the State Administration of Taxation on 2 December 2020. The validity period is three years, and the enterprise income tax rate for the current year is calculated at a reduced rate of 15%.

Kanghui New Material Technology Co., Ltd. obtained the "High-tech Enterprise Certificate" (No.: GR202121000541) issued by the Liaoning Provincial Department of Science and Technology, the Liaoning Provincial Department of Finance, and the Liaoning Provincial Taxation Bureau of the State Administration of Taxation on 24 September 2021. The validity period is three years, and the enterprise income tax rate for the current year is calculated at a reduced rate of 15%.

3. Enterprise income tax incentive to small and low-profit enterprises

Suqian Deya New Materials Co., Ltd. and other 32 companies meet the identification standards of small low-profit enterprises. The part of the taxable profit not exceeding 1 million yuan shall be included in the taxable profit at a reduced rate of 12.5%, and the enterprise income tax shall be paid at a tax rate of 20%; The part of the taxable profit exceeding 1 million yuan but not exceeding 3 million yuan shall be included in the taxable profit at a reduced rate of 25%, and the enterprise income tax shall be paid at a rate of 20%.

4. Other enterprise income tax incentive

HENGLI PETROCHEMICAL INTERNATIONAL PTE. LTD. is registered in Singapore, and the income tax rate is 17%. It was approved to enter the Singapore Global Trader Project on 1 September 2018, and enjoys a 5% income tax rate this year.

HENGLI OILCHEM PTE. LTD. is registered in Singapore, and the income tax rate is 17%. It was approved to enter the Singapore Global Trader Project on 1 May 2020, and enjoys a 10% income tax rate this year.

HENGLI SHIPPING INTERNATIONAL PTE. LTD. is registered in Singapore, and the income tax rate is 17%. It received a tax incentive called Maritime Sector Incentive (MSI) on 22 January 2020, and enjoys a 0% income tax rate for this year.

Hengli Petrochemical (Hainan) Co., Ltd., Hengli Energy (Hainan) Co., Ltd. and Hengli Energy Chemical (Sanya) Co., Ltd. are encouraged industrial enterprises registered and operating in Hainan Free Trade Port. According to the "Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port" (Cai Shui [2020] No. 31), the enterprise income tax is levied at a reduced tax rate of 15% this year.

3. Others

VII. Notes to the items of consolidated financial statements

1. Cash and bank balances

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Cash on hand	1,305,525.78	635,936.65
Cash at bank	19,815,265,793.15	9,204,580,349.21
Other monetary funds	8,256,950,806.64	6,780,785,866.66
Interest receivables not yet due	2,883,754.27	50,741.96
Total	28,076,405,879.84	15,986,052,894.48
Including: Total amount of money deposited abroad	6,512,853,828.05	3,150,653,685.97
Deposit in financial company		

Other note:

As of 31 December 2022, the Company's time deposits with financial institutions were RMB858,620,000.00Yuan(31 December 2021: RMB169,900,000.00Yuan)

1. Detailed information of other monetary funds

Item	Closing balance	Beginning balance
Security deposits of	3,838,471,603.38	3,284,936,253.11

borrowings		
Security deposits of acceptance bills	506,369,384.04	853,986,549.44
Deposits for letter of credit	2,414,021,116.76	1,902,558,705.91
Deposits for letter of guarantee	150,000.00	150,000.00
Security deposits of open interest futures trading	2,000,000.00	33,622,047.40
Security deposits of forward foreign exchange contract	10,586,192.00	31,699,719.91
Deposit investment funds	1,485,313,708.89	673,166,428.88
Others	38,801.57	666,162.01
Total	8,256,950,806.64	6,780,785,866.66

2. For the cash and bank balances used for mortgage security at the end of the period, please refer to the description of “Ownership or using rights of assets subject to restriction” in this note.

3. For details of cash and bank balances in foreign currency, please refer to the description of “Items in foreign currencies” in this note.

2. Financial assets held for trading

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Financial assets at fair value through profit or loss	604,414,444.44	814,371,626.26
Including:		
Derivative financial assets	490,430,590.59	696,433,139.56
Debt instruments investment	2,000,000.00	
Wealth management products and structured deposits	65,000,000.00	20,000,000.00
Fund trust and asset management products	46,983,853.85	97,938,486.70
Financial assets designated at fair value through profit or loss		
Including:		
Total	604,414,444.44	814,371,626.26

Other note:

3. Derivative financial assets

4. Notes receivable

(1). Notes receivable by category

(2). Notes receivable pledged by the company at the end of the period

(3). At the end of the period, the company has endorsed or discounted notes receivable on the Balance sheet date Not yet expiry

(4). At the end of the period, the company transferred the notes to accounts receivable due

(5). Disclosure by method of provision for bad debts

(6). Provision for bad debts

(7). Notes receivable actually written off in this period

5. Accounts receivable

(1). Disclosure by ageing

Unit: Yuan Currency: RMB

Ageing	Book balance at year end
Within one year	
Including: Within one year	
Within one year	385,851,852.51
Subtotal of within one year	385,851,852.51
1 to 2 years	2,206,917.74
2 to 3 years	178.30
Over 3 years	
3 to 4 years	43.09
4 to 5 years	1,398,627.09
Over 5 years	1,935,251.49
Less: Provision for bad debts	18,946,943.53
Total	372,445,926.69

(2). Disclosure by method of provision for bad debts

Unit: Yuan Currency: RMB

Category	Closing balance	Beginning balance
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	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Provision ratio (%)		Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts on individual basis										
Including:										
Provision for bad debts on portfolio basis	391,392,870.22	10.00	18,946,943.53	4.84	372,445,926.69	2,666,593,358.75	10.00	22,749,987.24	0.85	2,643,843,371.51
Including:										
Total	391,392,870.22	10.00	18,946,943.53	4.84	372,445,926.69	2,666,593,358.75	10.00	22,749,987.24	0.85	2,643,843,371.51

Provision for bad debts on individual basis:

Provision for bad debts on portfolio basis:

Provision for bad debts on portfolio basis: Ageing analysis portfolio, High credit rating portfolio

Unit: Yuan Currency: RMB

Name	Closing balance		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Ageing analysis portfolio	314,567,038.04	18,946,943.53	6.02

High credit rating portfolio	76,825,832.18		
Total	391,392,870.22	18,946,943.53	4.84

Confirmation criteria and notes for bad debt provision by portfolio:

Provision for bad debts by ageing portfolio is as below:

Ageing	Book balance	Provision for bad debts	Provision ratio (%)
Within one year	309,026,020.33	15,451,301.03	5.00
1-2 years	2,206,917.74	441,383.54	20.00
2-3 years	178.30	71.32	40.00
3-4 years	43.09	34.47	80.00
4-5 years	1,398,627.09	1,118,901.68	80.00
Over 5 years	1,935,251.49	1,935,251.49	100.00
Subtotal	314,567,038.04	18,946,943.53	6.02

If according to the expected credit loss general model to accrual provision for bad debts, please refer to other receivables disclosure:

(3). Provision for bad debts

Unit: Yuan Currency: RMB

Category	Beginning balance	Movement in the year				Closing balance
		Accrual	Recovery or reversal	Transfer or written-off	Other movement	
Provision for bad debts on individual basis	-	-	-	-	-	-
Provision for bad debts on portfolio basis	22,749,987.24	3,803,043.71	-	-	-	18,946,943.53

Total	22,749,987.2 4	- 3,803,043.7 1	-	-	-	18,946,943.5 3
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Including significant amount of recovery or reversal of provision for bad debts:

(4). Accounts receivable written-off during the year

(5). Accounts receivable due from the top five debtors

The Company's top five year-end balances for accounts receivable in total of RMB126,589,006.01, accounting for 32.34% of the total account balance of year-end balances of accounts receivable, and the corresponding year-end balance of provision for bad debts is RMB4,853,495.97.

Other note

None

(6). Accounts receivable derecognized due to transfer of financial assets

(7). Transferred accounts receivable and continuing involvement in the formation of assets and liabilities

Other note:

For details of accounts receivable in foreign currency at year end, please refer to the "Items in foreign currencies" in this note.

6. Receivables financing

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Bank acceptance bills	2,168,347,608.90	2,248,764,266.83
Letter of credit	118,923,620.36	1,137,793,441.20
Letter of guarantee	-	33,400,000.00
Total	2,287,271,229.26	3,419,957,708.03

Changes and fair value changes of receivables financing:

Item	Beginning balance	Change in cost in current period	Changes in Fair value for the year	Closing balance
Bank acceptance bills	2,248,764,266.83	-80,416,657.93	-	2,168,347,608.90

Letter of credit	1,137,793,441.20	-1,018,869,820.84	-	118,923,620.36
Letter of guarantee	33,400,000.00	-33,400,000.00	-	
Total	3,419,957,708.03	-1,132,686,478.77	-	2,287,271,229.26

Continued

Item	Cost in beginning of year	Cost at year end	Cumulative fair value change	Accumulated loss allowance recognized in other comprehensive income
Bank acceptance bills	2,248,764,266.83	2,168,347,608.90	-	-
Letter of credit	1,137,793,441.20	118,923,620.36	-	-
Letter of guarantee	33,400,000.00	-	-	-
Total	3,419,957,708.03	2,287,271,229.26	-	-

If according to the expected credit loss general model to accrual provision for bad debts, please refer to other receivables disclosure:

Other note:

1. Information of provision for bad debts

(1) No provision for bad debts on individual item of receivables financing at year end

(2) Provision for bad debts on groups of receivables financing at year end

Portfolio	Book balance	Provision for bad debts	Provision ratio (%)
Low risk group	2,287,271,229.26	-	-

(3) No loss allowance for significant changes in book balance in the year.

2. Pledged receivables financing at year end

Item	Amount pledged at year end
Bank acceptance bills	1,469,571,971.78

3. Receivables financing that the Company has endorsed or discounted at the end of the period and has not yet expired on the balance sheet date

Item	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance bills	4,843,064,345.95	-
Letter of credit	521,156,000.00	-
Subtotal	5,364,220,345.95	-

4. For details of receivables financing in foreign currency at year end, please refer to the “Items in foreign currencies” in this note.

7. Prepayments

(1). Prepayments by ageing

Unit: Yuan Currency: RMB

Ageing	Closing balance		Beginning balance	
	Amount	Ratio (%)	Amount	Ratio (%)
Within one year	1,995,497,560.96	99.90	2,635,510,708.10	99.95
1 to 2 years	914,039.58	0.05	318,885.92	0.01
2 to 3 years	60,900.00	0.00	278,320.00	0.01
Over 3 years	996,320.00	0.05	808,000.00	0.03
Total	1,997,468,820.54	100.00	2,636,915,914.02	100.00

Note to significant prepayment was ageing over 1 year but not settled:

At the end of the period, there was no significant prepayments with aging over 1 year.

(2). Prepayments due from the top five debtors

The top five of the Company's prepayments balance at year end is in total of RMB1,289,825,771.47, which accounted for 64.57% of the prepayments balance.

Other note

At the end of the period, there was no obvious indication of impairment in prepayments, so there was no provision for impairment.

8. Other receivables

Presented by item

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Interest receivable		
Dividends receivable		
Other receivables	701,520,929.51	851,677,558.80
Total	701,520,929.51	851,677,558.80

Other receivables

(1). Disclosure by ageing

Unit: Yuan Currency: RMB

Ageing	Book balance at year end
Within one year	
Including: Within one year	
Within a year	165,840,417.30

Subtotal of within one year	165,840,417.30
1 to 2 years	5,246,567.23
2 to 3 years	549,209,336.49
Over 3 years	
3 to 4 years	162,125.09
4 to 5 years	61,949.45
Over 5 years	969,186.65
Less: Provision for bad debts	19,968,652.70
Total	701,520,929.51

(2). Disclosure by nature

Unit: Yuan Currency: RMB

Nature	Book balance at year end	Book balance in beginning of year
Deposits and security deposits	173,905,111.33	237,254,235.39
Petty cash	214,479.92	213,364.13
Tax refund receivable	525,512,156.24	598,905,847.00
Others	21,857,834.72	29,095,915.15
Less: Provision for bad debts	-19,968,652.70	-13,791,802.87
Total	701,520,929.51	851,677,558.80

(3). Information of provision for bad debts

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss within next 12 months	Expected credit loss for lifetime (no credit impairment occurred)	Expected credit loss for lifetime (credit impairment has occurred)	
Balance of 1 January 2022		13,791,802.87		13,791,802.87
Balance of 1 January 2022 movement in the year				
--transfer to second stage				
--transfer to third stage				
--Reverse to second stage				
--Reverse to first				

stage				
Provision for the year		6,176,849.83		6,176,849.83
Reversal in the year				
Transfer in the year				
Write-off in the year				
Other movement				
Balance of 31 December 2022		19,968,652.70		19,968,652.70

Basis for accruing bad debt provision for the current period and assessing whether the credit risk of financial instruments has increased significantly:

The basis, input values, assumptions and other information used to determine the provision for bad debts amount and the assessment of whether the credit risk of financial instruments have increased significantly since initial confirmation are detailed in the note “Credit Risk”.

(4). Provision for bad debts

Unit: Yuan Currency: RMB

Category	Beginning balance	Movement in the year				Closing balance
		Accrual	Recovery or reversal	Transfer or written-off	Other movement	
Provision for bad debts on individual basis	-	-	-	-	-	-
Provision for bad debts on portfolio basis	13,791,802.87	6,176,849.83	-	-	-	19,968,652.70
Total	13,791,802.87	6,176,849.83	-	-	-	19,968,652.70

(5). Other receivables due from the top five debtors

The Company's top five year-end balances of other receivables in total is RMB634,664,760.92, accounting for 87.97% of the total year end balance of other receivables, and the corresponding year-end balance of provision for bad debts is RMB13,595,130.23.

Other note:

For details of other receivables in foreign currency at year end, please refer to the “Items in foreign currencies” in this note.

9. Inventories

(1). Inventories by category

Unit: Yuan Currency: RMB

Item	Closing balance			Beginning balance		
	Book balance	Provision for decline in value of inventories / Provision for impairment of contract performance cost	Carrying amount	Book balance	Provision for decline in value of inventories / Provision for impairment of contract performance cost	Carrying amount
Raw materials	26,646,539,686.49	2,049,373,134.60	24,597,166,551.89	25,739,253,039.78	111,617,392.02	25,627,635,647.76
Work-in-progress						
Semi-finished goods	4,966,032,363.76	498,854,488.20	4,467,177,875.56	2,374,291,080.05	3,423,937.57	2,370,867,142.48
Finished goods	8,981,114,636.21	580,505,207.54	8,400,609,428.67	5,411,106,726.16	39,621,216.92	5,371,485,509.24
Issued goods	17,047,100.89	-	17,047,100.89	125,115,810.39		125,115,810.39
Subcontracting processing materials	323,903,773.78	-	323,903,773.78			
Reusable materials	29,606,740.62	-	29,606,740.62	57,898,691.52		57,898,691.52

Consumptive biological assets						
Contract performance cost						
Total	40,964,244, 301.75	3,128,732,8 30.34	37,835,511, 471.41	33,707,665, 347.90	154,662,5 46.51	33,553,002, 801.39

[Note] At the end of the period, the carrying amount of inventories subject to restriction is nil.

(2). Provision for decline in value of inventories and provision for impairment of contract performance cost

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or written-off	Others	
Raw materials	111,617,39 2.02	2,049,373 ,134.60	-	111,617,39 2.02	-	2,049,373 ,134.60
Work-in-progress						
Finished goods	39,621,21 6.92	580,505,2 07.54	-	39,621,21 6.92	-	580,505, 207.54
Reusable materials						
Consumptive biological assets						
Contract performance cost						
Semi-finished goods	3,423,937 .57	498,854,4 88.20	-	3,423,937. 57	-	498,854, 488.20
Issued goods						
Total	154,662,5 46.51	3,128,732, 830.34	-	154,662,5 46.51	-	3,128,732, 830.34

Other note

Category	Specific basis for determining net realizable value	Reasons for reversal of provision for decline in value of inventories and	Reversal amount in proportion to closing balance of inventories (%)

		impairment of contract performance cost	
Raw materials	The estimated selling price of the product produced minus the estimated cost to completion, estimated selling expenses and related custom duty	-	-
Finished goods	Estimated selling price minus estimated selling expenses and related custom duty	-	-
Semi-finished goods	The estimated selling price of the product produced minus the estimated cost to completion, estimated selling expenses and related custom duty	-	-

10. Contract assets

(1). Information of contract assets

(2). The amount and reasons for major changes in the carrying amount during the reporting period

(3). Provision for impairment of Contract assets in the period

11. Assets held-for-sale

12. Non-current assets due within one year

13. Other current assets

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Costs of obtaining a contract		
Receivables of returned goods		
VAT carry forward	1,751,009,054.30	4,850,572,181.85
Value-added tax input tax pending for verification	114,550,349.25	34,361,762.28

Prepaid enterprise income tax	1,784,931,735.30	-
Receivable settlement guarantee	10,049,607.23	10,049,607.08
Receivable of monetary security deposits	702,583,473.71	132,788,646.40
Receivable of pledged security deposits	88,252,384.00	81,457,112.00
Treasury bond reverse repurchase	17,349,000.00	164,989,986.24
Others	999.61	
Total	4,468,726,603.40	5,274,219,295.85

Other note

At the end of the period, there were no obvious indication of impairment of other current assets, so no provision for impairment was provided.

14. Debts investment

(1). Information of debts investment

Unit: Yuan Currency: RMB

Item	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Corporate bonds	20,427,397.26	-	20,427,397.26			
Total	20,427,397.26	-	20,427,397.26			

15. Other debt investments

16. Long-term receivables

17. Long-term equity investment

Unit: Yuan Currency: RMB

Investee	Beginning balance	Movement in the year	Closing balance	Closing balance of provision for impairment

		Additional investment	Decrease in investment	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Announced distribution of cash dividend or profit	Provision for impairment	Others		
I. Joint ventures											
Subtotal											
II. Associates											
Wuxi Xishang Bank Co., Ltd.		559,215,493.16								559,215,493.16	
Subtotal		559,215,493.16								559,215,493.16	
Total		559,215,493.16								559,215,493.16	

Other note

At the end of the period, there was no obvious sign of impairment of long-term equity investment, so no Provision for impairment.

18. Other equity instruments investment

(1). Information of other equity instruments investment

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Wuxi Xishang Bank Co., Ltd.	-	199,800,000.00
Total		199,800,000.00

(2). Information of non-trading equity instruments investment

Other note:

The Company's subsidiary, Jiangsu Hengke Advanced Materials Co. Ltd. acquired by open bidding the share capital of RMB280 million of Wuxi Xishang Bank Co., Ltd. pledged by the executor Jiangyin Chengxing Industrial Group Co., Ltd. from Nonexi City Intermediate People's Court of Jiangsu Province at a price of RMB280 million. On 29 December 2022, Jiangsu Hengke Advanced Materials Co. Ltd. obtained the shareholding confirmation certificate of Wuxi Equity Registration and Custody Center Company, and its shareholding in Wuxi Xishang Bank Co., Ltd. increased from 9.99% to 23.99%, and has significant influence in Wuxi Xishang Bank Co., Ltd.. It is reclassified as long-term equity investment, and is accounted for using the equity method.

19. Other non-current financial assets

20. Investment properties

Investment properties measurement model

(1). Investment properties measured at cost model

Unit: Yuan Currency: RMB

Item	Housing and buildings	Land use rights	Construction in progress	Total
I. Book value				
1.Beginning balance	177,216,482.55	35,150,693.56		212,367,176.11
2.Increase	7,499,992.32	-		7,499,992.32
(1)Purchase				
(2)Inventories\Fixed assets\Transfer from construction in progress	7,499,992.32			7,499,992.32
(3)Addition by business combination				
3.Decrease	5,627,251.52	352,968.00		5,980,219.52
(1)Disposal				
(2)Other decrease	5,627,251.52	352,968.00		5,980,219.52
4.Closing balance	179,089,223.35	34,797,725.56		213,886,948.91
II. Accumulated depreciation and amortisation				
1.Beginning balance	35,642,068.44	6,193,787.27		41,835,855.71
2.Increase	8,599,199.90	695,954.71		9,295,154.61
(1)Amortisation for the year	7,800,460.68	695,954.71		8,496,415.39
(2)Inventories/Fixed assets/Transfer from construction in progress	798,739.22	-		798,739.22
3.Decrease	1,443,515.77	72,358.44		1,515,874.21
(1)Disposal				
(2)Other decrease	1,443,515.77	72,358.44		1,515,874.21
4.Closing balance	42,797,752.57	6,817,383.54		49,615,136.11
III. Provision for impairment				

1.Beginning balance				
2.Increase				
(1) Provision				
3.Decrease				
(1)Disposal				
(2)Other decrease				
4.Closing balance				
IV. Carrying amount				
1.Carrying value at year end	136,291,470.78	27,980,342.02		164,271,812.80
2.Carrying value at beginning of year	141,574,414.11	28,956,906.29		170,531,320.40

(2). Information of investment properties without property certificate

Unit: Yuan Currency: RMB

Item	Carrying amount	Reasons for pending title certificate
Housing and buildings	36,566,870.88	Still in application process

Other note

1. At the end of the period, there were no obvious indication of impairment of investment properties, so no provision for impairment was provided.
2. At the end of the period, there was no investment properties used for guarantee.

21. Fixed assets

Presented by item

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Fixed assets	118,718,591,050.99	122,731,048,012.02
Fixed assets for disposal		
Total	118,718,591,050.99	122,731,048,012.02

Fixed assets

(1). Details of fixed assets

Unit: Yuan Currency: RMB

Item	Housing and buildings	Machinery and equipment	Special equipment	Transportation tools	General equipment	Ship	Total
I. Book value:							

1.Beg nning balance	30,105,873 ,780.82		121,814,471, 109.90	480,321, 108.03	487,621, 826.53	559,634, 194.27	153,447,92 2,019.55
2.Incr ease	2,981,269, 234.58		2,237,608, 834.50	22,269,0 06.78	78,450,4 91.10		5,319,597, 566.96
(1)P urchase	1,514,268,1 84.62		156,943,9 45.41	22,171,62 9.10	77,368,3 76.91		1,770,752,1 36.04
(2) Transfer from constructi on in progress	1,467,001, 049.96		1,296,880, 622.09				2,763,881, 672.05
(3) Addition by business combinati on							
(4) Others			783,784,2 67.00	97,377.6 8	1,082,114 .19		784,963,7 58.87
3.Dec rease	786,746.2 0		65,824,167 .78	10,449,7 55.43	13,942,0 60.98		91,002,73 0.39
(1) Disposal or scrap	786,746.2 0		65,824,167 .78	10,449,7 55.43	13,942,0 60.98		91,002,73 0.39
(2) Others							
4.Clo sing balance	33,086,35 6,269.20		123,986,25 5,776.62	492,140, 359.38	552,130, 256.65	559,634, 194.27	158,676,51 6,856.12
II. Accumulated depreciation							
1.Begi nning balance	5,604,020, 520.55		24,354,241 ,746.33	293,884, 913.38	347,108, 499.18	117,618,3 28.09	30,716,874 ,007.53
2.Incr ease	1,361,160,0 05.51		7,832,762, 493.33	54,611,4 24.93	50,367,5 37.12	17,192,43 6.22	9,316,093, 897.11
(1) Provision	1,361,160,0 05.51		7,112,139,4 01.89	54,537,8 25.54	49,831,9 47.46	17,192,43 6.22	8,594,861, 616.62
2)B usiness							

combinati on							
3) Others			720,623,0 91.44	73,599.3 9	535,589 .66		721,232,28 0.49
3.Dec rease	131,138.03		52,866,25 8.21	9,558,98 4.45	12,485,7 18.82		75,042,09 9.51
(1) Disposal or scrap	131,138.03		52,866,25 8.21	9,558,98 4.45	12,485,7 18.82		75,042,09 9.51
(2) Others							
4.Clo sing balance	6,965,049, 388.03		32,134,137, 981.45	338,937, 353.86	384,990 ,317.48	134,810,7 64.31	39,957,92 5,805.13
III. Provision for impairment							
1.Begi nning balance							
2.Incr ease							
(1) Provision							
3.Dec rease							
(1) Disposal or scrap							
4.Clo sing balance							
IV. Carrying amount							
1.Carr ying value at year end	26,121,306, 881.17		91,852,117, 795.17	153,203, 005.52	167,139, 939.17	424,823, 429.96	118,718,591 ,050.99
2.Car rying value at	24,501,85 3,260.27		97,460,22 9,363.57	186,436, 194.65	140,513, 327.35	442,015, 866.18	122,731,04 8,012.02

beginning of year							
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[Note] At the end of the period, fixed assets with cost of RMB7,606,692,807.57 had been fully depreciated and still in use.

(2). Fixed assets with temporary idle

(3). Fixed assets held under finance leases

Unit: Yuan Currency: RMB

Item	Book value	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	460,861,113.27	201,878,121.46	-	258,982,991.81
General equipment	292,252.96	258,890.89	-	33,362.07
Transportation equipment	3,846,633.77	2,366,878.82	-	1,479,754.95

(4). Fixed assets held under finance leases

Unit: Yuan Currency: RMB

Item	Carrying value at year end
Housing and buildings	4,193,707.67

(5). Fixed assets without property certificate

Unit: Yuan Currency: RMB

Item	Carrying amount	Reasons for not completing the certificate of title
Housing and buildings	857,349,977.23	Still in application process

22. Construction in progress

Presented by item

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Construction in progress	25,624,425,938.86	7,237,988,378.63
Construction materials	1,663,065,560.22	544,865,218.57
Total	27,287,491,499.08	7,782,853,597.20

Construction in progress

(1). Information of construction in progress

Unit: Yuan Currency: RMB

Item	Closing balance			Beginning balance		
	Book balance	P r o v i s i o n f o r i m p a i r m e n t	Carrying amount	Book balance	P r o v i s i o n f o r i m p a i r m e n t	Carrying amount
Annual output of 1.5 million tons of green multi-functional textile new materials project	5,424,195,784.6 3	-	5,424,195,784. 63	1,333,014,615.1 2	-	1,333,014,615.12
Annual output of 1.6 million tons of high-performance resin and new material projects	1,368,039,931.4 0	-	1,368,039,931. 40	2,867,985.23	-	2,867,985.23

250,000 tons of simulated deformed fiber technical transformation project	572,374,214.47	-	572,374,214.47	427,789,851.74	-	427,789,851.74
Annual output of 5 million tons of PTA project	8,624,681,423.33	-	8,624,681,423.33	2,848,836,293.22	-	2,848,836,293.22
Project with an annual output of 450,000 tons of PBS biodegradable plastics	2,241,399,332.72	-	2,241,399,332.72	236,665,897.37	-	236,665,897.37
An annual output of 1.35 million tons of multi-functional high-quality textile new material project	2,161,792,673.57	-	2,161,792,673.57	1,642,327,636.82	-	1,642,327,636.82

High-performance polyester project with an annual output of 2.6 million tons	105,645,500.26	-	105,645,500.26	2,171,287.14	-	2,171,287.14
High-performance industrial yarn project with an annual output of 400,000 tons	1,219,769,581.30	-	1,219,769,581.30	95,947,933.40	-	95,947,933.40
Project with an annual output of 800,000 tons of functional polyester film and functional plastics	1,769,790,066.84	-	1,769,790,066.84	176,825,999.27	-	176,825,999.27

Annual production of 600,000 tons of functional polyester film, functional film and 3 billion square meters of lithium battery diaphragm project	157,195,108.43	-	157,195,108.43	-	-	-
Other sundry projects	1,979,542,321.91	-	1,979,542,321.91	471,540,879.32	-	471,540,879.32
Total	25,624,425,938.86	-	25,624,425,938.86	7,237,988,378.63		7,237,988,378.63

(2). Changes in significant construction in progress

Unit: Yuan Currency: RMB

Item	Budget	Beginning balance	Increase	Transfer to fixed assets	Other decrease	Closing balance	Proportion of cumulative input to budget (%)	Progress %	Cumulative amount of interest capitalisation	Including: interest capitalised in the year	Capitalization rate for the year (%)	Source of funds
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Annual output of 1.5 million tons of green multi-functional textile new materials project	9.43 billion	1,333,014,615.12	5,072,467,657.04	981,286,487.53	-	5,424,195,784.63	69.24	Project constructions	261,859,470.07	259,039,636.73	4.23	Self-financing and Loans
Annual output of 1.6 million tons of high-performance resin and new material projects	19.99 billion	2,867,985.23	1,365,171,946.17		-	1,368,039,931.40	6.84	Project constructions	2,152,750.00	2,152,750.00	4.50	Self-financing and Loans

250,000 tons of simulated deformed fiber technical transformation project	1.62 billion	427,789,851.74	174,462,982.73	29,878,620.00	-	572,374,214.47	37.18	Project constructions	-	-	-	Self-financing and Loans
Annual output of 5 million tons of PTA project	11.45 billion	2,848,836,293.22	5,775,845,130.11		-	8,624,681,423.33	75.32	Project constructions	102,020,680.69	96,721,491.74	4.51	Self-financing and Loans

Project with an annual output of 450,000 tons of PBS biodegradable plastics	2.15 billion	236,665,897.37	2,004,733,435.35		-	2,241,399,332.72	104.35	Trial production	9,797,456.91	9,797,456.91	4.05	Self-financing and Loans
Annual output of 1.35 million tons of multi-functional high-quality textile new materials project	12.3 billion	1,642,327,636.82	945,126,713.98	423,431,175.69	2,205,015.4	2,161,792,673.57	62.33	Project constructions	532,474,295.83	103,450,115.58	4.80	Self-financing and Loans

High-performance polyester project with an annual output of 2.6 million tons	4.0 billion	2,171,287.14	103,474,213.12		-	105,645,500.26	2.64	Preliminary preparation	-	-	-	Self-financing and Loans
High-performance industrial yarn project with an annual output of 400,000 tons	3.2 billion	95,947,933.40	1,159,512,911.85	35,691,263.95	-	1,219,769,581.30	3.923	Project constructions	47,357,637.46	40,121,713.36	3.50	Self-financing and Loans

Project with an annual output of 800,000 tons of functional polyester film and functional plastics	11.13 billion	176,825,999.27	1,592,964,067.57	-	-	1,769,790,066.84	15.99	Pr oj e c t c o n s t r u c t i o n s	27,596,505.86	26,363,967.46	3.82	S e l f - f i n a n c i n g a n d L o a n s
Annual production of 600,000 tons of functional polyester film, functional film and 3 billion square meters of lithium battery diaphragm project	12.49 billion	-	157,195,108.43	-	-	157,195,108.43	1.26	Pr oj e c t c o n s t r u c t i o n s	413,333.34	413,333.34	3.20	S e l f - f i n a n c i n g a n d L o a n s
Total	87.76 billion	6,766,447,499.31	18,350,954,166.35	1,470,287,547.17	2,203,050,154	23,644,883,616.95	/	/	983,672,130.16	538,060,465.12	/	/

(3). Provision for impairment of construction in progress

Other note

At the end of the period, there were no obvious indication of impairment of construction in progress, so no provision for impairment was provided.

Construction materials

(4). Information of construction materials

Unit: Yuan Currency: RMB

Item	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Special materials	1,662,714,399.07		1,662,714,399.07	544,478,391.92		544,478,391.92
Special equipment	351,161.15		351,161.15	386,826.65		386,826.65
Total	1,663,065,560.22		1,663,065,560.22	544,865,218.57		544,865,218.57

23. Productive biological assets

24. Oil and gas assets

25. Right-of-use assets

Unit: Yuan Currency: RMB

Item	Housing and buildings	Others	Total
I. Book value			
1.Beginning balance	148,127,517.54		148,127,517.54
2.Increase	23,989,063.18	7,106,282.50	31,095,345.68
Leases	20,057,982.66	7,106,282.50	27,164,265.16
Others	3,931,080.52		3,931,080.52
3.Decrease	10,343,208.09		10,343,208.09
Disposal	10,343,208.09		10,343,208.09
Others			
4.Closing balance	161,773,372.63	7,106,282.50	168,879,655.13
II. Accumulated depreciation			

1.Beginning balance	48,294,948.70		48,294,948.70
2.Increase	35,425,554.66	177,657.06	35,603,211.72
(1) Provision	32,765,006.79	177,657.06	32,942,663.85
(2)Others	2,660,547.86		2,660,547.87
3.Decrease	2,862,788.64		2,862,788.64
(1)Disposal	2,862,788.64		2,862,788.64
4.Closing balance	80,857,714.71	177,657.06	81,035,371.77
III. Provision for impairment			
1.Beginning balance			
2.Increase			
(1) Provision			
3.Decrease			
(1)Disposal			
4.Closing balance			
IV. Carrying amount			
1.Carrying value at year end	80,915,657.92	6,928,625.44	87,844,283.36
2.Carrying value at beginning of year	99,832,568.84		99,832,568.84

26. Intangible assets

(1). Details of intangible assets

Unit: Yuan Currency: RMB

Item	Land use rights	Patent rights	Non-patented technology	Non-patent technology	Software usage rights	Total
I. Book value						
1.Beginning balance	7,122,352,019.05			1,258,382,069.76	185,405,037.58	8,566,139,126.39
2.Increase	1,851,055,557.63			39,554,057.00	3,636,084.25	1,894,245,698.88
(1)Purchase	1,850,702,589.63			39,554,057.00	3,561,293.95	1,893,817,940.58
(2)In-house research and development						
(3)Addition by business combination						

(4)Other s	352,968.00				74,790.30	427,758.30
3.Decrease					559,829.08	559,829.08
(1)Dispos al					559,829.08	559,829.08
4.Closing balance	8,973,407,57 6.68			1,297,936,1 26.76	188,481,292. 75	10,459,824,99 6.19
II. Accumulated amortisation						
1.Beginning balance	809,721,906. 31			346,783,3 26.10	67,901,507.7 9	1,224,406,740 .20
2.Increase	164,346,629. 67			113,273,414 .98	33,582,372. 08	311,202,416.73
(1) Provision	164,274,271.2 3			113,273,414 .98	33,562,757. 57	311,110,443.78
(2)Other s	72,358.44				19,614.51	91,972.95
3.Decrease					559,829.08	559,829.08
(1)Disposal					559,829.08	559,829.08
(2)Transf er to Investment properties						
(3)Other s						
4.Closing balance	974,068,535. 98			460,056,7 41.08	100,924,050 .79	1,535,049,327 .85
III. Provision for impairment						
1.Beginning balance						
2.Increase						
(1) Provision						
3.Decrease						
(1)Dispos al						
4.Closing balance						
IV. Carrying amount						
1.Carrying value at year end	7,999,339,04 0.70			837,879,38 5.68	87,557,241.9 6	8,924,775,668 .34
2.Carrying value at	6,312,630,112. 74			911,598,74 3.66	117,503,529. 79	7,341,732,386. 19

beginning of year						
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At the end of the period, the intangible assets formed through the Company's internal research and development accounted for 0% of the balance of intangible assets.

(2). Land use rights pending for ownership certificates

Other note:

1. At the end of the period, there were no obvious indication of impairment of intangible assets, so no provision for impairment was provided.
2. Intangible assets used for mortgage or guarantee at the end of the period, see the note "Ownership or using rights of assets subject to restriction".

27. Development costs

28. Goodwill

(1). Book value of goodwill

Unit: Yuan Currency: RMB

Investee or matters formed the goodwill	Beginning balance	Increase		Decrease		Closing balance
		Formation by business combination	Others	Disposal	Others	
Hengli Futures Co., Ltd.	77,323,12 3.69					77,323,12 3.69
Total	77,323,12 3.69					77,323,12 3.69

(2). Provision for impairment of goodwill

(3). Information about goodwill's Assets group or Assets group Portfolio

Item	Hengli Futures Co., Ltd.
Composition of assets group or assets group Portfolio	Assets related to the formation of goodwill by Hengli Futures Co., Ltd., including working capital, debts investment, fixed assets, intangible assets, long-term deferred expenses, other non-current assets and goodwill
Carrying amount of assets group or assets	667,957,452.17

group portfolio	
Determination method of assets group or assets group portfolio	Hengli Futures Co., Ltd. is mainly engaged in futures brokerage business, and there is an active market which can bring independent cash flow and can be identified as a separate assets group.
Whether the assets group or the assets group portfolio is consistent with the assets group or the assets group portfolio determined on the date of purchase and during the goodwill impairment test of the previous year	Yes

(4). Note Goodwill impairment test process, key parameters (such as forecast period growth rate, stable period growth rate, profit rate, discount rate, forecast period, etc., if applicable) and confirmation of Impairment loss of goodwill method

(1) Goodwill impairment test situation:

Item	Hengli Futures Co., Ltd.
Carrying amount of goodwill ①	77,323,123.69
Balance of provision for impairment of goodwill②	-
Carrying amount of goodwill ③=①-②	77,323,123.69
Value of goodwill attributable to minority interests not recognised ④	-
Goodwill that not include the value attributable to minority interests not recognised ⑤=④+③	77,323,123.69
Goodwill that not include the value attributable to minority interests not recognized apportioned to each assets group ⑥	77,323,123.69
Carrying amount of the assets group⑦	590,634,328.48
Carrying amount of the Assets group that contains the overall Goodwill ⑧=⑥+⑦	667,957,452.17
Recoverable amount of assets group or assets group portfolio ⑨	695,650,000.00
Impairment loss of goodwill(⑩ is larger than zero)⑩=⑧-⑨	-
Impairment loss of goodwill attributable to the Company	-

(2) Determination method and basis of recoverable amount

The recoverable amount of assets group of Hengli Futures Co., Ltd. refers to the Assets Appraisal Report issued by Tianyuan Assets Evaluation Co., Ltd. on 21 April 2023 (TYPZ [2023] No. 0274), It is determined according to the fair value of the goodwill-related assets group portfolio (including goodwill) formed by Hengli Futures Co., Ltd., which is evaluated by the market method.

1) Important assumptions and basis

① Assumption of relatively stable macroeconomic environment: The value of any asset is directly related to its macroeconomic environment. In this evaluation, it is assumed that the social industrial policy, tax policy and macro environment remain relatively stable, and there are no major changes in interest rates and exchange rates, so as to ensure that the evaluation conclusion has a reasonable period of use.

② Continuing operation assumption; it is assumed that the operating business of the assets group portfolio business entity is legal and can maintain its continuous operation status in the future.

③ It is assumed that the equipment assets included in the assessment scope are used in situ and continue to be used.

④ Assuming that the property rights trading market is a fair, just, open and effective market, the transaction price has fully reflected the market participants' expectations of the target company's operating performance, expected income and other basic factors and risk factors that affect the transaction price.

⑤ Assuming that the current and future operators of the assets group portfolio business entity are responsible, and their company management has the ability to assume their duties, steadily promote the company's development plan, and maintain a good business situation.

⑥ Assuming that the technical team and senior management personnel of the Assets Group Portfolio business entity remain relatively stable, there will be no major loss of core professionals and management personnel.

⑦ Assume that the relevant basic information and financial information of the assets group portfolio business entity and comparable companies in the same industry on which the assessment is based are true, accurate and complete, and there are no undisclosed events that have a significant impact on its value near the base date.

2) Method selection and model of market approach

Since it is difficult to collect data related to transaction cases, and it is impossible to know whether there are non-fair value factors, so the transaction case comparison method is not suitable for this valuation; There are mature listed companies in the futures industry in China, which can include selecting comparable companies for analysis and comparison, so the comparison method of listed companies can be used.

Specifically, the listed company comparison method generally first selects listed companies that are in the same industry as the assets group portfolio and that are actively traded as comparable companies, and then calculate the market value of the comparable companies based on the trading stock prices. Secondly, select one or several value ratio parameters of comparable companies (usually including profitability, assets, revenue and other specific parameters) as "analysis parameters", Then calculate the Ratio relationship between the Market price value of comparable companies and the selected analysis parameters - called the ratio multiplier (Multiples). The ratio multiplier needs to be adjusted before being applied to the corresponding analysis parameters of the Assets group portfolio to reflect the difference between the comparable company and the assets group portfolio. Apply the above-mentioned adjusted ratio multiplier to the corresponding analysis parameters of the assets group portfolio to obtain the fair value of the evaluation object. Expressed in the formula as follows:

Fair value of assets group portfolio = Analysis Parameters × Modified Ratio Multiplier

Including: Adjusted ratio multiplier = ratio multiplier of comparable companies × comprehensive correction factor

(5). Impact of the Goodwill impairment test

29. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Amortization	Other Decrease	Closing balance
Catalyst	2,601,919,212.90	544,345,265.96	672,546,183.47	467,471,307.55	2,006,246,987.84
Renovation costs	14,108,576.43	5,268,451.66	6,118,188.56	-	13,258,839.53
Others	5,615,999.60	6,839,182.05	4,667,684.17	-	7,787,497.48
Total	2,621,643,788.93	556,452,899.67	683,332,056.20	467,471,307.55	2,027,293,324.85

30. Deferred tax assets/ Deferred tax liabilities

(1). Deferred tax assets before offsetting

Unit: Yuan Currency: RMB

Item	Closing balance		Beginning balance	
	Deductible temporary differences	Deferred income tax Assets	Deductible temporary differences	Deferred income tax Assets
Provision for impairment of assets				
Unrealized profit of internal transactions	409,148,379.92	82,162,633.20	775,909,868.10	137,481,321.24
Deductible tax loss				
Provision for bad debts	37,255,045.83	6,467,483.08	35,386,977.78	4,001,263.49
Provision for decline in value of inventories	3,098,438,279.83	771,996,515.83	154,662,546.51	37,942,715.18
Changes in fair value included in current profit and loss (decrease)	35,555,513.32	5,428,978.62	1,410,435.00	211,565.25
Non-deducted tax losses	102,511,722.17	15,376,758.33	-	-
Government grants	62,610,844.67	10,218,626.70	58,750,856.67	8,812,628.50

Lease contracts	3,329,728.88	576,250.70	1,600,482.28	377,589.78
Total	3,748,849,514.62	892,227,246.46	1,027,721,166.34	188,827,083.44

(2). Deferred tax liabilities before offsetting

Unit: Yuan Currency: RMB

Item	Closing balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Increase in value by assets appraisal of business combination not under common contract				
Changes in fair value of other debt investments				
Changes in fair value of other equity instrument investments				
Changes in fair value included in current profit and loss (increase)	1,275,910.00	144,415.50	6,061,828.49	927,466.51
Initial investment cost of long-term equity investment calculated by equity method is less than the share of the owner's equity of the investee	79,415,493.16	11,912,323.97	-	-
Fixed assets accelerated depreciation	27,431,069.87	6,857,767.47	-	-
Total	108,122,473.03	18,914,506.94	6,061,828.49	927,466.51

(3). Net amount of deferred tax assets or liabilities after offsetting

(4). Details of unrecognized deferred tax assets

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Deductible temporary differences		

Deductible tax loss		
Provision for bad debts	1,660,550.40	1,154,812.33
Provision for decline in value of inventories	30,294,550.51	
Changes in fair value included in current profit and loss (decrease)	2,211,972.77	111,926.32
Non-deducted tax losses	635,564,183.92	1,226,783,951.22
Provisions	-	13,000,000.00
Lease contracts	169,949.22	88,798.46
Total	669,901,206.82	1,241,139,488.33

(5). Deductible tax loss of unrecognized deferred income tax assets will expire in the following year

Unit: Yuan Currency: RMB

Year	Amount at year end	Amount in beginning of year	Note
2022	-	12,637,256.49	
2023	3,756,883.17	211,724,059.02	
2024	7,265,192.25	352,143,919.96	
2025	4,822,065.73	156,761,650.66	
2026	305,271,327.23	493,517,065.09	
2027	201,662,394.07		
2032	112,786,321.47		
Total	635,564,183.92	1,226,783,951.22	/

31. Other non-current assets

Unit: Yuan Currency: RMB

Item	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount

		ent			ent	
Costs of obtaining a contract						
Contract performance cost						
Return cost receivable						
Contract assets						
Prepayment for purchase of long-term assets	6,212,936,138.56	-	6,212,936,138.56	3,676,058,288.93		3,676,058,288.93
Unrealized gains and losses on sale and	112,912,218.28	-	112,912,218.28	225,134,257.72		225,134,257.72

lease back					
Futures membership investment	1,400,000.00	-	1,400,000.00	1,400,000.00	1,400,000.00
Total	6,327,248,356.84	-	6,327,248,356.84	3,902,592,546.65	3,902,592,546.65

32. Short-term loans

(1). Short-term loans by category

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Pledge loans	1,199,495,332.00	4,067,887,659.56
Mortgage loans	5,128,000,000.00	6,107,000,000.00
Guaranteed loans	24,717,456,740.25	23,649,772,389.15
Unsecured loans	4,994,522,402.75	2,000,000,000.00
Accrued interest	93,285,304.88	106,685,293.38
Discount of commercial acceptance bills	33,184,139,033.20	19,659,347,989.95
Total	69,316,898,813.08	55,590,693,332.04

(2). Short-term loans that have been overdue and not repaid

Other note

For details of loans in foreign currencies, see the note "Items in foreign currencies".

33. Financial liabilities held for trading

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
Financial liabilities held for trading	296,817,004.51	346,020,729.70	296,817,004.51	346,020,729.70
Including:				
Derivative financial liabilities	296,817,004.51	346,020,729.70	296,817,004.51	346,020,729.70
Designated as financial liabilities at fair value through profit or loss				

Including:				
Total	296,817,004.51	346,020,729.70	296,817,004.51	346,020,729.70

34. Derivative financial liabilities

35. Notes payable

(1). Notes payable presented by item

Unit: Yuan Currency: RMB

Category	Closing balance	Beginning balance
Commercial acceptance bills	8,848,668,508.73	6,700,925,209.94
Bank acceptance bills	1,250,537,334.72	2,070,998,744.63
Letter of credit	10,504,570,026.82	7,278,370,625.84
Total	20,603,775,870.27	16,050,294,580.41

Bills payable overdue but still unpaid at year end is RMB 0.

36. Accounts payable

(1). Accounts payable presented by item

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Within 1 year	7,538,599,735.57	8,906,745,914.22
1 to 2 years	574,101,327.24	1,116,292,228.85
2 to 3 years	404,729,363.36	553,983,917.53
Over 3 years	351,879,572.73	112,192,686.92
Total	8,869,309,998.90	10,689,214,747.52

(2). Significant accounts payable aging over 1 year

Other note

For details of accounts payable in foreign currencies, see the note "Items in foreign currencies".

37. Advances from customers

(1). Advance from customers presented by item

(2). Significant advance from customers with ageing over one year

38. Contract liabilities

(1). Information of contract liabilities

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Within 1 year	12,042,290,821.83	6,097,462,402.73

1 to 2 years	34,506,243.07	15,026,974.87
2 to 3 years	11,816,872.03	2,447,292.07
Over 3 years	2,369,389.54	11,610,174.22
Total	12,090,983,326.47	6,126,546,843.89

(2). The amount and reasons for major changes in the carrying amount during the reporting period

39. Employee benefits payables

(1). Employee benefits payable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	482,853,444.7 3	4,237,186,079. 43	4,244,850,115. 43	475,189,408.7 3
II. Post-employment benefits -Defined contribution plans	147,422.89	245,628,032.9 0	244,455,084.3 4	1,320,371.45
III. Termination benefits				
IV. Others benefits due within one year				
Total	483,000,867. 62	4,482,814,112.3 3	4,489,305,199 .77	476,509,780.1 8

(2). Short-term employee benefits

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
I. Salaries, bonus and allowances	482,267,127.8 0	3,901,842,022. 98	3,909,309,38 8.57	474,799,762.21
II. Staff welfare		77,600,618.55	77,570,905.06	29,713.49
III. Social insurances	79,377.97	140,170,317.76	139,990,277.8 5	259,417.88
Including: Medical insurance	60,678.39	112,534,721.57	112,358,637.03	236,762.93
Work injury insurance	10,082.08	16,183,303.82	16,181,271.28	12,114.62
Maternity insurance	8,617.50	11,452,292.37	11,450,369.54	10,540.33
IV. Housing fund	499,845.65	84,826,353.01	85,244,742.66	81,456.00

V. Union funds and staff education	7,093.31	32,064,226.17	32,052,260.33	19,059.15
VI. Vocation leave				
VII. Short-term profit sharing plan				
VIII. Compensation for termination of labor relations		643,695.96	643,695.96	
IX. Others		38,845.00	38,845.00	
Total	482,853,444.73	4,237,186,079.43	4,244,850,115.43	475,189,408.73

(3). Defined contribution plans

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
1.Basic pension insurance	147,251.84	237,283,306.82	236,155,046.57	1,275,512.09
2.Unemployment insurance	171.05	8,344,726.08	8,300,037.77	44,859.36
3.Corporate annuity plan				
Total	147,422.89	245,628,032.90	244,455,084.34	1,320,371.45

Other note:

The Company participates in the pension insurance and unemployment insurance plans established by government agencies in accordance with the regulations. Apart from this, the Company no longer undertakes further payment obligations, and the corresponding expenditures are included in the current profit and loss or the cost of related assets when incurred.

40. Taxes payable

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Value-added tax	12,771,830.29	
Consumption tax	709,805,522.32	251,035,969.16
Business tax		
Enterprise income tax	106,928,407.84	898,674,310.10
Individual income Tax		
Urban maintenance and construction tax	49,277,199.63	23,012,479.76
Property tax	31,071,196.33	25,524,692.05

Stamp duty	59,377,203.13	32,696,037.05
Land use tax	16,817,664.16	14,876,432.35
Education surcharge	21,118,876.28	9,936,123.99
Local education surcharges	14,079,250.85	6,623,903.41
Withholding individual income Tax	11,736,272.81	10,147,486.32
Withholding value-added tax	-	1,127.64
Environmental protection tax	3,030,289.52	4,365,062.55
Total	1,036,013,713.16	1,276,893,624.38

41. Other payables

Presented by item

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Interest payable		
Dividends payable		4,882,110.00
Other payables	382,263,173.05	435,070,534.33
Total	382,263,173.05	439,952,644.33

Interest payable

(1). Presented by category

Dividends payable

(2). Presented by category

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Common shares dividend		
Dividends on preferred shares\perpetual bonds classified as equity instruments		
Dividend of preference shares\Perpetual bonds-XXX		
Dividend of preference shares\Perpetual bonds-XXX		
Dividends payable-Jiangsu Hegao Investment Co., Ltd.		100,010.00
Dividends payable-Dalian Henghan Investment Co., Ltd.		4,782,100.00
Total		4,882,110.00

Other payables

(1). Other payables by nature

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Security deposits	135,894,155.27	179,826,101.61
Current accounts	223,906,378.05	245,894,092.52
Others	22,462,639.73	9,350,340.20
Total	382,263,173.05	435,070,534.33

(2). Significant other payables aging over 1 year

Other note:

1. At the end of the period, there is no large amount of other payables with an aging of more than 1 year.
2. For details of other payables in foreign currencies, see the note "Items in foreign currencies".

42. Liabilities held-for-sale

43. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Long-term loans due within one year	7,054,740,475.94	5,171,165,160.28
Bonds payable due within one year	2,030,618,280.89	
Long-term payables due within one year	228,838,610.93	214,238,505.75
Lease liabilities due within one year	34,830,877.25	37,823,304.78
Total	9,349,028,245.01	5,423,226,970.81

Other note:

1. Long-term loans due within one year

Category	Closing balance	Beginning balance
Unsecured loans	894,162,223.22	142,124,068.62
Guaranteed loans	510,600,000.00	780,000,000.00
Mortgage loans	5,544,272,629.78	4,136,488,702.00
Pledge loans	-	105,000,000.00
Accrued interest	105,705,622.94	7,552,389.66
Subtotal	7,054,740,475.94	5,171,165,160.28

2. Bonds payable due within one year

Bond	Face value	Issua	Ter	Issuance	Begi	Accrue	Inte	Clos	Closing
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name		nce date	m	amount	ning balance of interest payables	d interest for the current period	rest paid for the current period	ing balance of interest payable	balance
22 Hengli Petrochemical CP001	1,000,000,000.00	2022/6/1	1 year after balance sheet date	1,000,000,000.00	-	18,225,314.45	-	-	1,017,281,918.22
22 Hengli Petrochemical CP002	1,000,000,000.00	2022/7/25	1 year after balance sheet date	1,000,000,000.00	-	14,279,758.90	-	-	1,013,336,362.67
Subtotal	2,000,000,000.00			2,000,000,000.00	-	32,505,073.35	-	-	2,030,618,280.89

3. Long-term payables due within one year

Item	Closing balance	Beginning balance
Lease payment	267,373,159.72	224,944,807.83
Less: Unrecognized financing expenses	38,534,548.79	10,706,302.08
Subtotal	228,838,610.93	214,238,505.75

4. Lease liabilities due within one year

Item	Closing balance	Beginning balance
Lease payment	38,365,988.90	41,429,815.39
Less: Unrecognized financing expenses	3,535,111.65	3,606,510.61

Subtotal	34,830,877.25	37,823,304.78
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5. For details of non-current liabilities in foreign currencies, see the note “Items in foreign currencies”.

44. Other current liabilities

Information of other current liabilities

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Short-term bonds payable		
Payables of returned goods		
Output VAT pending for transfer	1,564,174,590.75	750,359,165.17
Notes receivable not derecognised		
Payable of monetary security deposits	1,714,584,516.80	553,414,804.05
Payable of pledged security deposits	88,252,384.00	81,457,112.00
Futures risk reserve	15,076,976.64	14,018,941.87
Payable of Futures Investor Protection Fund	39,089.66	19,128.52
Total	3,382,127,557.85	1,399,269,151.61

45. Long term loans

(1). Long term loans by category

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Pledge loans	-	490,000,000.00
Mortgage loans	46,526,719,607.47	46,798,918,880.75
Guaranteed loans	5,344,182,213.19	2,017,973,412.87
Unsecured loans	6,476,251,530.06	2,740,611,419.44
Accrued interest	-	74,810,631.19
Total	58,347,153,350.72	52,122,314,344.25

Note to long term loans by category:

For details of long term loans in foreign currencies, see the note “Items in foreign currencies”.

46. Bonds payable

47. Lease liabilities

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Lease payment	100,679,544.18	107,951,752.97
Less: Unrecognized financing expenses	-10,097,787.02	-7,351,177.80
Less: Lease liabilities due within one year	-34,830,877.25	-37,823,304.78
Total	55,750,879.91	62,777,270.39

48. Long-term payables

Presented by item

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Long-term payables	852,833,333.34	17,899,253.29
Specific payables	6,000,000.00	4,000,000.00
Total	858,833,333.34	21,899,253.29

Long-term payables

(1). Long-term payables by nature

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Finance lease payables	1,163,373,159.72	243,274,222.22
Less: Unrecognized financing expenses	-81,701,215.45	-11,136,463.18
Less: Long-term payables due within one year	-228,838,610.93	-214,238,505.75
Subtotal	852,833,333.34	17,899,253.29

Specific payables

(2). Specific payables by nature

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance	Reason of formation
R&D and industrialization of ultra-high-strength creep-resistant polyester industrial fibers	4,000,000.00	2,000,000.00	-	6,000,000.00	Funds appropriated by the government need to be confirmed after acceptance

			income included in current period	in current period			related to income
Infrastructure construction subsidies	2,195,992,654.95	684,992,517.50		173,191,165.60		2,707,794,006.85	Related to assets
Subsidy to update and transform production equipment	463,896,181.79	10,000,000.00		140,063,473.80		333,832,707.99	Related to assets
Project interest subsidy	5,275,000.00				2,400,000.00	2,875,000.00	Related to assets
Digital twin project subsidy	336,283.19			336,283.19		-	Related to income
National Smart Manufacturing Special Fund	1,178,164.71			1,178,164.71		-	Related to income
Special industry support funds	332,000,000.00					332,000,000.00	Related to assets

Other note:

Please refer to the description of "Government Subsidy" for details of the projects involving government subsidy and the apportionment method.

52. Other non-current liabilities

53. Share capital

Unit: Yuan Currency: RMB

	Beginning balance	Increase or decrease (+, -)					Closing balance
		Issuance New shares	Bonus shares	Capital reserve converted to shares	Others	Subtotal	
Total shares	7,039,099,786.00						7,039,099,786.00

54. Other equity instruments

55. Capital reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
Capital premium(Capital premium)	18,344,944,996.96	260,011,171.12	-	18,604,956,168.08
Other capital reserve	110,899,494.68	77,070,049.00	106,409,584.00	81,559,959.68
Total	18,455,844,491.64	337,081,220.12	106,409,584.00	18,686,516,127.76

Other note, including the increase and decrease in the current period, and the reason for the change:

Explanation on the reasons and basis for the increase and decrease of capital reserve

In this period, due to the recognition of share payment expenses in the employee stock ownership plan, the company increased the capital reserve by RMB77,070,049.00. Concurrently, as the fourth employee stock ownership plan was complete and expired in the current period, the cumulative recognized share-based payment expenses were transferred from other capital reserves to share premium.

The Company implemented the fifth phase of the employee stock option plan in the current period. The employee stock option plan obtained the treasury shares repurchased by the Company in the form of block transactions and non-transaction transfer. The difference between the transfer price and the repurchase price reduced the capital reserve by RMB153,672,131.97.

In the current period, the Company acquired the equity held by minority shareholders of its subsidiary Hengli Petrochemical (Dalian) Co., Ltd. The difference between the cost of newly

acquired equity and the share of net assets of the shareholding portion acquired since the date of purchase or merger calculated till the acquisition date is reduced the capital reserve by RMB70,544.85.

56. Treasury shares

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
Share repurchase	228,626,593.18	2,000,239,525.27	2,228,866,118.45	-
Total	228,626,593.18	2,000,239,525.27	2,228,866,118.45	-

Other note , including the increase and decrease in the current period, and the reason for the change:

According to the "Proposal on Repurchasing Shares through Centralized Bidding Transactions" deliberated and approved at the twenty-second meeting of the eighth session of the Board of Directors of the Company and the "Proposal on the Fourth Phase Repurchase Report of Shares Repurchased by Centralized Bidding Transactions" deliberated and approved at the twenty-seventh meeting of the eighth session of the Board of Directors, a total of 83,684,459 shares was repurchased in 2022, accounting for 1.19% of the Company's total share capital.

According to the "Hengli Petrochemical Inc. Sixth Employee Stock Ownership Plan (Draft)" and related matters reviewed and approved by the Company's third extraordinary general meeting in 2022, the Company had repurchased a total of 100,444,277 shares, accounting for 1.43% of the Company's total share capital, all of which are used for the implementation of the Company's sixth employee stock ownership plan.

Other comprehensive income not reclassified to profit or loss under equity method								
Changes in fair value of other equity instrument investments								
Changes in the fair value of the enterprise's own credit risk								
II. Other comprehensive income that will be reclassified into profit or loss subsequently	-150,616,377.30	105,052,177.39				100,564,060.24	4,488,117.15	-50,052,317.06
Including: Other comprehensive income that will be transferred to profit or loss								

under equity method								
Changes in fair value of other debt investments								
Reclassification of financial assets recognized in other comprehensive income								
Provision for credit loss of other debt investments								
Cash flows hedge reserve	-47,664,201.75	-6,398,442.57				-6,398,442.57	-	-
Translation difference of foreign currency financial statements	-102,952,175.55	111,450,619.96				106,962,502.81	4,488,117.15	4,010,327.26
Total other comprehensive income	-150,616,377.30	105,052,177.39				100,564,060.24	4,488,117.15	-50,052,317.06

Other note, including the adjustment of the initial recognition amount of the hedged item for the effective part of the cash flow hedging profit and loss:

Beginning balance and closing balance of other comprehensive income in the balance sheet. Beginning balance + Other comprehensive income = Closing balance attributable to the parent company after tax. Amount incurred before income tax for the current period - Other comprehensive income of previous period and transferred to profit or loss in the current year - Other comprehensive income of previous year and transferred directly to retained earnings in the current year - Income tax expenses = Other comprehensive income attributable to the parent company after tax + Other comprehensive income attributable to the minority interests.

58. Special reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
Safety production fee	139,116,306.31	268,184,171.73	405,698,238.25	1,602,239.79
Total	139,116,306.31	268,184,171.73	405,698,238.25	1,602,239.79

59. Surplus reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase	Decrease	Closing balance
Statutory surplus reserve	858,111,239.40	47,454,461.35	-	905,565,700.75
Discretionary surplus reserve				
Reserve funds				
Enterprise expansion fund				
Others				
Total	858,111,239.40	47,454,461.35	-	905,565,700.75

Note , including the increase and decrease in the current period, and the reason for the change:

The Company appropriates the statutory surplus reserve at 10% of its net profit in accordance with the "Company Law" and the Company's articles of association. If the accumulated amount of the statutory surplus reserve reaches more than 50% of the Company's registered capital, the appropriation will cease.

60. Undistributed profits

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Closing balance of prior year	31,118,454,108.29	21,120,648,008.95
Add: adjustments on beginning balance of undistributed profits		-5,201,038.90
Beginning balance after adjustment	31,118,454,108.29	21,115,446,970.05
Add: Net profit attributable to parent company for the current year	2,318,303,166.69	15,531,076,723.36
Less: Appropriation of statutory surplus reserve	47,454,461.35	114,842,900.36

Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Appropriation for dividends to ordinary shares	7,109,490,783.86	5,413,226,684.76
Dividend to ordinary shares converted to share capital		
Closing balance of undistributed profits	26,279,812,029.77	31,118,454,108.29

Adjustment of undistributed profits at the beginning of the period:

1. Due to the retroactive adjustment of the "Accounting Standards for Business Enterprises" and its related new regulations, the Undistributed profits at the beginning of the period was affected RMB0.

2. Due to changes in accounting policies, the undistributed profit at the beginning of the period was affected RMB 0.

3. Due to the correction of major accounting errors, the undistributed profit at the beginning of the period was affected RMB 0.

4. Changes in the scope of consolidation under common control, affecting the undistributed profit at the beginning of the period RMB 0.

5. Total impact of other adjustments on undistributed profit at the beginning of the period RMB 0.

61. Operating income and operating cost

(1). Operating income and operating cost

Unit: Yuan Currency: RMB

Item	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Primary operations	221,683,819,060.46	203,871,767,587.67	197,217,862,664.27	167,223,076,543.28
Other operations	639,764,909.42	205,829,478.78	752,482,221.03	295,009,517.12
Total	222,323,583,969.88	204,077,597,066.45	197,970,344,885.30	167,518,086,060.40

(2).Revenue from contracts

Unit: Yuan Currency: RMB

Contract classification	Current year	Total
Product type		
Refining products	123,675,336,325.47	123,675,336,325.47
PTA	56,635,858,203.96	56,635,858,203.96
Polyester products	29,136,125,000.36	29,136,125,000.36
Others	12,236,499,530.67	12,236,499,530.67
Classified by geographical region		
Domestic	204,494,583,953.00	204,494,583,953.00
Overseas	17,189,235,107.46	17,189,235,107.46
Total	221,683,819,060.46	221,683,819,060.46

(3). Note on performance obligations

(4). Description of apportionment to remaining performance obligations

Other note:

1. The total operating revenue of the top five customers of the Company this year was RMB28,201,276,359.97, which accounted for 12.68% of the total operating revenue.

2. Relevant revenue and cost of trial sales

Product name	Revenue	Cost
Polyester products	233,567,379.29	225,609,758.15
Chemical products	81,538,027.66	57,547,244.04

The trial operation sales in this period are the external sales of products before the fixed assets reach the intended usable state.

62. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Consumption tax	5,424,150,546.27	2,706,754,050.77
Business tax		
Urban maintenance and construction tax	418,477,747.17	212,698,887.54
Education surcharge	179,555,517.95	92,062,226.28
Resource tax		
Property tax	130,772,143.92	104,760,826.00
Land use tax	72,788,042.28	65,885,155.48
Vehicle and vessel use tax		
Stamp duty	271,455,396.57	175,123,364.88
Local education surcharge	119,701,395.73	61,374,810.80

Environmental protection tax	13,321,650.94	19,232,134.25
Security for the disabled		
Others	796,739.83	2,536,959.46
Total	6,631,019,180.66	3,440,428,415.46

Other note:

Please refer to the explanation of "Taxation" for details of the payment standard.

63. Selling expenses

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Logistics transportation fee		
Staff salaries	177,239,467.21	128,661,172.53
Travel expenses	4,163,862.29	4,431,436.04
Warehousing related costs	180,463,279.95	137,326,438.75
Business entertainment expenses	1,227,474.04	851,198.91
Office expenses	22,468,241.55	13,551,948.30
Other expenses	7,206,851.74	6,543,590.93
Total	392,769,176.78	291,365,785.46

64. Administrative expenses

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Staff salaries	849,247,603.21	938,932,278.11
Depreciation and amortization	587,247,400.89	531,643,131.54
Office expenses	368,450,540.43	430,535,357.48
Travel expenses	39,577,984.82	40,023,217.84
Business entertainment expenses	18,400,622.78	11,044,706.78
Other expenses	26,374,511.63	33,217,007.11
Total	1,889,298,663.76	1,985,395,698.86

65. Research and development expenses

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Staff salaries	383,500,164.71	321,151,501.82
Direct materials	512,323,117.51	443,501,007.41
Fuel and power	137,112,098.62	124,768,304.49
Depreciation and amortization	112,721,585.17	82,278,626.66
Others	39,054,037.39	47,752,926.51
Total	1,184,711,003.40	1,019,452,366.89

66. Financial expenses

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Interest expenses	5,182,887,891.00	4,975,639,908.53
Less: Interest capitalized	-549,982,061.04	-275,533,806.08
Less: Interest income	-332,736,566.09	-108,112,244.03
Less: Fiscal interest discount		-920,070.16
Net exchange gain or loss	-333,939,778.59	58,757,355.29
Handling fees and others	321,141,965.40	266,374,430.76
Total	4,287,371,450.68	4,916,205,574.31

67. Other income

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Government grants received in current period	1,277,081,247.00	445,571,671.54
Amortization of deferred income	314,769,087.30	311,678,754.12
Receive Tax Withholding Fee	3,692,791.90	2,608,441.04
Total	1,595,543,126.20	759,858,866.70

Other note:

For details of the government grants included in other income in this period, please refer to the explanation of "Government grants" in this note.

68. Investment income

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Income from long-term equity investment by equity method		
Gain from disposal of long-term equity investment		
Investment income of financial assets held for trading during the holding period		4,875.68
Investment income of other equity investment instruments during the holding period		
Interest income from debts investment during the holding period		
Interest income from other debt investments during the holding period		

Gain from disposal of Financial assets held for trading	-322,324.78	19,226,174.75
Investment income from disposal of other equity instruments investment		
Gains from disposal of debts investment		
Gain from disposal of other debt investments		
Gains from debt restructuring		
Investment income from financial products and structured deposits		
Total	-322,324.78	19,231,050.43

Other note:

The Company does not have any significant restrictions on the return of investment income.

69. Gain from net exposure of hedging

70. Gains from changes in fair value

Unit: Yuan Currency: RMB

Source of gains from changes in fair value	Current year	Prior year
Financial assets held for trading	454,544,350.02	729,682,505.00
Including: Gains from changes in fair value arising from derivative financial instruments	456,756,322.79	729,748,893.98
Gains from changes in fair value of non-derivative financial instruments	-2,211,972.77	-66,388.98
Financial liabilities held for trading	-500,223,920.74	-373,541,790.78
Investment properties measured at fair value		
Total	-45,679,570.72	356,140,714.22

71. Credit impairment loss

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Bad debts of notes receivable		228,126.47
Bad debts of accounts receivable	3,803,043.71	-15,529,424.02
Bad debts of other receivables	-6,176,849.83	-1,988,700.99
Impairment loss of debts investment		

Impairment loss of other debt investments		
Bad debt of long-term receivables		
Impairment loss of contract assets		
Total	-2,373,806.12	-17,289,998.54

72. Assets impairment loss

Unit: Yuan Currency: RMB

Item	Current year	Prior year
I. Bad debt loss		
II. Impairment loss on decline in value of inventories and contract performance cost	-3,128,732,830.34	-154,662,546.51
III. Impairment loss of long-term equity investment		
IV. Impairment loss of investment properties		
V. Impairment loss of fixed assets		
VI. Impairment loss of construction materials		
VII. Impairment loss of construction in progress		
VIII. Impairment loss of productive biological assets		
IX. Impairment loss of oil and gas assets		
X. Impairment loss of intangible assets		
XI. Impairment loss of goodwill		
XII. Others		
Total	-3,128,732,830.34	-154,662,546.51

73. Gains from disposal of assets

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Gains from disposal of non-current assets not classified as held for sale	-3,332,571.69	1,788,290.01
Including: Fixed assets	-3,494,458.02	1,788,290.01
Right-of-use assets	161,886.33	
Intangible assets		
Total	-3,332,571.69	1,788,290.01

74. Non-operating income

Information of non-operating income

Unit: Yuan Currency: RMB

Item	Current year	Prior year	Amount included in non-recurring gains and losses
Total gains on disposal of non-current assets	2,016,853.08	687.90	2,016,853.08
Including: Gain from disposal of fixed assets	2,016,853.08	687.90	2,016,853.08
Gain from disposal of intangible assets			
Gains on barter trade of non-monetary assets			
Accept donation			
Government grants			
Indemnity income	10,523,745.24	9,215,275.53	10,523,745.24
Carbon emissions trading revenue		42,472,036.25	
Initial investment cost of the long-term equity investment calculated by the equity method is less than the share of the owner's equity of the investee	79,415,493.16		79,415,493.16
Others	13,374,625.74	6,939,931.94	13,374,625.74
Total	105,330,717.22	58,627,931.62	105,330,717.22

75. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Current year	Prior year	Amount included in non-recurring gains and losses
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Total losses on disposal of non-current assets	7,478,374.56	4,815,936.41	7,478,374.56
Including: Loss on disposal of fixed assets	7,478,374.56	4,815,936.41	7,478,374.56
Loss on disposal of intangible assets			
Losses on barter trade of non-monetary assets			
External donation	939,000.00	505,200.00	939,000.00
Fines payment	14,125.81	200,000.00	14,125.81
Compensation, liquidated damages	306,000.00	420,973.63	306,000.00
Tax late fee	9,966,608.00	2,294,161.35	9,966,608.00
Provision for litigation losses		13,000,000.00	
Others	1,977,149.82	16,352.55	1,977,149.82
Total	20,681,258.19	21,252,623.94	20,681,258.19

76. Income tax expenses

(1). Income tax expenses

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Current income tax	776,954,787.70	4,377,533,825.14
Deferred income tax	-685,413,122.59	-87,654,871.65
Total	91,541,665.11	4,289,878,953.49

(2). Reconciliation between income tax expenses and accounting profit

Unit: Yuan Currency: RMB

Item	Current year
Profits before tax	2,409,578,615.33
Expected income tax expenses at applicable tax rates	602,394,653.86
Effect of different tax rates applied by subsidiaries	-301,459,522.27
Adjustment for income tax in previous years	-6,423,051.56
Effect of non-taxable income	-45,740,265.38

Effect of non-deductible costs, expenses and losses	98,698,640.09
Effect of using the deductible temporary differences or deductible losses for which no deferred tax asset was recognized in previous period	-6,224,180.18
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognized this year	106,507,644.78
Super deduction of expenses	-87,298,154.00
Income tax credit for environmental protection, energy and water conservation, and purchase of production safety equipment	-268,914,100.23
Income tax expenses	91,541,665.11

77. Other comprehensive income

For details of other comprehensive income, please refer to the description of “Other comprehensive income” in this note.

78. Notes to cash flow statement

(1). Cash received from other operating activities

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Recover of bank security deposits	2,717,429,397.12	3,325,694,179.27
Interest income received	329,903,553.79	108,187,935.45
Revenue from labor services and rental services received	82,592,034.32	154,058,305.42
Government grants income received	1,974,073,764.50	584,042,623.70
Security deposit received	155,476,221.27	54,695,544.28
Receive the customer's futures transaction reserve fund	622,380,717.69	376,128,694.20
Net amount received from others payments and current accounts	54,436,482.72	116,717,750.97
Total	5,936,292,171.41	4,719,525,033.29

(2). Cash paid for other operating activities

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Payment of security deposit to banks	2,487,038,979.97	2,717,429,397.12

Expenses paid in cash	1,067,439,713.14	981,641,434.92
Payment of security deposits	39,943,686.24	189,845,957.99
Net amount paid for others payments and current accounts	40,617,426.82	161,676,260.57
Total	3,635,039,806.17	4,050,593,050.60

(3). Cash received from other investing activities

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Recover of bank security deposits	273,421,460.73	28,128,985.93
Receipts of margin deposit for futures contract	65,358,947.08	238,453,905.34
Net amount received from others payments and current accounts	9,122,082.64	14,820,294.92
Total	347,902,490.45	281,403,186.19

(4). Cash paid for other investing activities

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Payment for margin deposits for futures contract	129,114,882.39	89,832,448.92
Payment of bank security deposits	1,165,527,839.07	320,087,625.54
Net amount paid for others payments and current accounts	20,985,976.52	85,270,319.17
Total	1,315,628,697.98	495,190,393.63

(5). Cash received for other financing activities

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Recover of bank security deposits	3,352,867,653.01	1,723,399,353.01
Recover security deposits of financing leases	-	25,000,000.00
Received borrowings from Hengli Group	-	9,067,450,100.00
Net amount of cash received from the sale of treasury shares	382,298,725.15	133,671,060.00
Total	3,735,166,378.16	10,949,520,513.01

(6). Cash paid for other financing activities

Unit: Yuan Currency: RMB

Item	Current year	Prior year
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Payment of principal and interest of Hengli Group's borrowings	170,000,000.00	8,897,450,100.00
Payment of security deposit to banks	4,118,655,079.75	3,358,936,253.11
Payment related to leases	193,495,397.24	398,636,981.00
Buying minority interests in subsidiaries	-	53,008,200.00
Cash paid for other financing activities	-	6,341,290.35
Total	4,482,150,476.99	12,714,372,824.46

79. Supplement to cash flow statement

(1). Supplement to cash flow statement

Unit: Yuan Currency: RMB

Supplement information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,318,036,950.22	15,538,178,030.29
Add: Provision for impairment of assets	3,128,732,830.34	154,662,546.51
Credit impairment loss	2,373,806.12	17,289,998.54
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	8,567,512,312.81	8,006,027,632.06
Amortization of right-of-use assets	33,675,038.15	30,020,084.22
Amortization of intangible assets	261,164,423.95	262,239,757.35
Long-term prepaid expenses amortization	680,489,913.08	724,448,769.07
Losses on disposal of fixed assets, intangible assets and other long-term assets (Gain as in "-")	3,332,571.69	-1,788,290.01
Loss on retirement of fixed assets (Gain as in "-")	5,461,521.48	4,815,248.51
Losses on changes in fair value (Gain as in "-")	45,679,570.72	-356,140,714.22
Financial expenses (Gain as in "-")	4,444,197,476.00	4,125,955,698.78
Investment losses (Gain as in "-")	322,324.78	-19,231,050.43
Decrease in deferred tax assets (Increase as in "-")	-703,400,163.02	-79,122,394.94
Increase in deferred tax liabilities (Decrease as in "-")	17,987,040.43	-8,532,476.71

Decrease in inventories (Increase as in "-")	-7,090,734,574.98	-14,016,541,917.09
Decrease in operating receivables (Increase as in "-")	5,237,905,008.94	-3,704,780,539.23
Increase in operating payables (Decrease as in "-")	9,119,876,604.91	7,816,954,831.10
Others	-118,641,872.19	175,718,530.31
Net cash flows from operating activities	25,953,970,783.43	18,670,173,744.11
2. Significant investment or finance activities not involving cash:		
Conversion of debt into capital		
Convertible bonds mature within one year		
Fixed assets acquired under finance leases	27,164,265.16	434,581,141.81
3. Net increase / (decrease) in cash and cash equivalents:		
Cash and bank balance as at end of year	20,323,703,829.39	9,589,548,876.75
Less: cash and bank balance at beginning of year	9,589,548,876.75	11,494,116,327.37
Add: cash equivalents at end of year		
Less: cash equivalents at beginning of year		
Net increase in cash and cash equivalents	10,734,154,952.64	-1,904,567,450.62

(2). Net cash paid for acquisition of subsidiaries during the year

(3). Net cash received from disposal of subsidiaries during the year

(4). Details of cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
I. Cash	20,323,703,829.39	9,589,548,876.75
Including: Cash on hand	1,305,525.78	635,936.65
Cash at bank readily available for payment	18,837,045,793.15	8,915,080,349.21
Other monetary fund readily available for payment	1,485,352,510.46	673,832,590.89
Cash at central bank available on demand		

Amounts due from banks		
Interbank lending		
II. Cash equivalents		
Including: bonds investment mature within 3 months		
III. Cash and cash equivalents as at closing balance	20,323,703,829.39	9,589,548,876.75
Including: Restricted cash and cash equivalents held by the Company or subsidiaries of the Group		

Other note:

Closing balance of cash in cash flows statement in 2022 is RMB20,323,703,829.39, and closing balance of cash and bank balances in the balance sheet on 31 December 2022 is RMB28,076,405,879.84, the difference is RMB7,752,702,050.45. It is because the closing balance of cash in cash flows statement deducted those items which do not meet the standard of cash and cash equivalents, including security deposits for loans of RMB 3,838,471,603.38, deposits for bank acceptance bills of RMB 506,369,384.04, deposits for letter of credit of RMB 2,414,021,116.76, deposits for letter of guarantee of RMB 150,000.00, security deposits of forward foreign exchange contracts of RMB 10,586,192.00, restricted security deposits for futures trading of RMB 2,000,000.00, restricted time deposit certificate of RMB 858,620,000.00, other restricted cash at bank of RMB 119,600,000.00, and accrued interest receivable of RMB 2,883,754.27.

Closing balance of cash in cash flows statement in 2021 is RMB 9,589,548,876.75, and closing balance of cash and bank balances in the balance sheet on 31 December 2021 is RMB 15,986,052,894.48, the difference is RMB 6,396,504,017.73. It is because the closing balance of cash in cash flows statement deducted those items which do not meet the standard of cash and cash equivalents, including security deposits for loans of RMB 3,284,936,253.11, deposits for bank acceptance bills of RMB 853,986,549.44, deposits for letter of credit of RMB 1,902,558,705.91, deposits for letter of guarantee of RMB 150,000.00, security deposits of forward foreign exchange contracts of RMB 31,699,719.91, restricted security deposits for futures trading of RMB 33,622,047.40, restricted time deposit certificate of RMB 169,900,000.00, other restricted cash at bank of RMB 119,600,000.00, and accrued interest receivable of RMB 50,741.96.

80. Notes to Items in the Statement of Changes in Owner's Equity

81. Ownership or using rights of assets subject to restriction

Unit: Yuan Currency: RMB

Item	Carrying value at year end	Reason of restriction
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Cash and bank balances	7,617,632,104.18	Pledge cash and bank balances to obtain financing credit from financial institutions
Cash and bank balances	12,586,192.00	Security deposits for trading in futures and financial derivatives
Cash and bank balances	119,600,000.00	Freezing funds involved in litigation
Financial assets held for trading	10,000,000.00	Pledge financial assets held for trading to obtain financing credit from financial institutions
Receivables financing	1,469,571,971.78	Pledge notes receivable to obtain financing credit from financial institutions
Fixed assets	85,436,371,528.20	Mortgage fixed assets to obtain financing credit from financial institutions
Fixed assets	1,546,266,735.52	Mortgage is used to provide security for the sale and leaseback contract
Intangible assets	3,781,381,873.08	Mortgage intangible assets to obtain financing credit from financial institutions
Construction in progress	675,737,980.77	Mortgage construction in progress to obtain financing credit from financial institutions
Total	100,669,148,385.53	/

82. Items in foreign currencies

(1). Items in foreign currencies

Unit: Yuan

Item	Closing balance in foreign currency	Conversion rate	Converted into RMB at year end balance
Cash and bank balances	-	-	
Including: Singapore dollar	7,452,079.52	5.1831	38,624,873.36
Japanese Yen	4,909.00	0.0524	257.23
Euro	354,998.58	7.4229	2,635,118.96

Hong Kong Dollar	2,240,357.98	0.8933	2,001,311.78
US Dollar	902,243,934.17	6.9646	6,283,768,103.92
British pounds	72.21	8.3941	606.14
Accounts receivable	-	-	
Including: US Dollar	22,703,649.22	6.9646	158,121,835.36
Euro	24.36	7.4229	180.82
Receivables financing	-	-	
Including: US Dollar	16,956,346.62	6.9646	118,094,171.67
Other receivables	-	-	
Including: US Dollar	19,938,650.82	6.9646	138,864,727.50
Short-term loans			
Including: Euro	2,605,573.96	7.4229	19,340,914.95
Notes payable	-	-	
Including: US Dollar	1,366,689,626.12	6.9646	9,518,446,570.08
Euro	111,400,050.00	7.4229	826,911,431.15
Singapore dollar	3,277,698.00	5.1831	16,988,636.50
Japanese Yen	1,613,653,960.00	0.0524	84,555,467.50
Accounts payable	-	-	
Including: Japanese Yen	3,693,293,781.00	0.0524	193,528,594.12
Euro	18,778,592.65	7.4229	139,391,615.38
Swiss Franc	160,006.00	7.5432	1,206,957.26
US Dollar	156,781,013.74	6.9646	1,091,917,048.29
British pounds	6,412.98	8.3941	53,831.20
Other payables	-	-	
Including: US Dollar	26,325,583.34	6.9646	183,347,157.73
Non-current liabilities due within one year	-	-	
Including: US Dollar	79,883,103.58	6.9646	556,353,863.19
Euro	5,699,597.06	7.4229	42,307,539.02
Long term loans	-	-	
Including: US Dollar	1,050,000,000.00	6.9646	7,312,830,000.00
Euro	39,595,882.64	7.4229	293,916,277.25

(2). Explanation of overseas operating entities, including for important overseas operating entities, the main overseas business location, bookkeeping functional currency and selection basis should be disclosed, and the reasons for changes in bookkeeping functional currency should also be disclosed

Name	Place of business	Reporting currency	Selection basis
HENGLI PETROCHEMICAL CO., LIMITED	China Hong Kong	US Dollar	The currency of the primary economic environment in which the business operates is US Dollar

HENGLI PETROCHEMICAL INTERNATIONAL PTE. LTD.	Singapore	US Dollar	The currency of the primary economic environment in which the business operates is US Dollar
HENGLI OILCHEM PTE. LTD.	Singapore	US Dollar	The currency of the primary economic environment in which the business operates is US Dollar
HENGLI SHIPPING INTERNATIONAL PTE. LTD.	Singapore	US Dollar	The currency of the primary economic environment in which the business operates is US Dollar

83. Hedging

84. Government grants

(1). Information of government grants

Unit: Yuan Currency: RMB

Category	Amount	Item presented	Recorded in profit or loss for the current period
Infrastructure construction subsidy	20,000,000.00	Deferred income	2,000,000.00
Infrastructure construction subsidy	382,911,023.00	Deferred income	34,522,063.32
Infrastructure construction subsidy	1,611,887,368.00	Deferred income	106,649,301.68
Infrastructure construction subsidy	547,827,957.32	Deferred income	27,391,397.88
Infrastructure construction subsidy	116,674,429.50	Deferred income	2,628,402.72
Infrastructure construction subsidy	555,846,065.00	Deferred income	-
Infrastructure construction subsidy	20,876,452.50	Deferred income	-
Subsidy to update and transform production equipment	840,458,335.80	Deferred income	134,730,140.52
Subsidy to update	40,000,000.00	Deferred income	3,333,333.36

and transform production equipment			
Subsidy to update and transform production equipment	10,000,000.00	Deferred income	1,999,999.92
Special industry support funds	332,000,000.00	Deferred income	-
Special industry support funds	108,270,000.00	Deferred income	-
Project interest subsidy	24,000,000.00	Deferred income	2,400,000.00
National Smart Manufacturing Special Fund	1,500,000.00	Deferred income	1,178,164.71
Digital twin project grants	400,000.00	Deferred income	90,265.49
Digital twin project grants	600,000.00	Deferred income	246,017.70
"Stay in Wu excellent technology" project-based training subsidy	293,400.00	Other income	293,400.00
2020 Entrepreneur Conference Awards	50,000.00	Other income	50,000.00
2020 Suzhou Special Fund for Business Development - Import and Export Credit Insurance Fund Project	49,700.00	Other income	49,700.00
2020 Yingkou City enterprise R & D investment subsidy funds	200,000.00	Other income	200,000.00
2020 Excellent Enterprise Award	200,000.00	Other income	200,000.00
2020 Incentives for High-skilled Personnel Cultivation Units in Shortage	200,000.00	Other income	200,000.00
2020 Overnight Holiday Subsidy	62,200.00	Other income	62,200.00

2020 Shengze Town High Quality Development Award (Industry-University-Research)	50,000.00	Other income	50,000.00
2020 Shengze Town High-quality Development Award (High-skilled Talent Training Base Training Subsidy)	491,500.00	Other income	491,500.00
2020 Shengze Town High Quality Development Award (National Standard)	80,000.00	Other income	80,000.00
2020 Shengze Town High-Quality Development Award (Integrated Two Industries)	200,000.00	Other income	200,000.00
2021 Advanced Safety Production Enterprise	2,000.00	Other income	2,000.00
The second batch of Intellectual property awards in 2021	60,000.00	Other income	60,000.00
2021 high-tech enterprise awards and subsidy funds	200,000.00	Other income	200,000.00
2021 high-tech enterprise district-level certification incentive funds	100,000.00	Other income	100,000.00
2021 Green Finance Award and Subsidy	5,440.00	Other income	5,440.00
2021 Financial Incentive Funds for Enterprise R&D Investment	500,000.00	Other income	500,000.00
Supporting incentive funds for high-skilled talent bases above the provincial level in 2021	500,000.00	Other income	500,000.00

2021 Implementation of trademark strategy and technical standard strategy and reward funds for construction projects of strong quality districts	1,188,000.00	Other income	1,188,000.00
2021 Municipal Industrial Development Guidance Fund (Industrial Agglomeration) First Batch of Item Subsidy Funds	700,000.00	Other income	700,000.00
2021 The first batch of project funds for municipal industry development guidance funds (industrial agglomeration)	100,000.00	Other income	100,000.00
Incentive funds for research and development expenses of Suzhou enterprises in 2021	404,700.00	Other income	404,700.00
2021 special guidance funds for promoting scientific and technological innovation and leading high-quality development (R&D investment, R&D outstanding contribution award)	800,000.00	Other income	800,000.00
2021 Funding for Industry-University-Research Item and Carrier Project in Wujiang District	100,000.00	Other income	100,000.00
2021 Wujiang District	700,000.00	Other income	700,000.00

Industrial High Quality Development Fund			
2021 Yingkou City enterprise R & D investment subsidy funds	500,000.00	Other income	500,000.00
2021 Provincial Special Fund for Business Development	22,000.00	Other income	22,000.00
2021 Wujiang District Skill Master Studio Award Funding	100,000.00	Other income	100,000.00
2021 Employment subsidy	12,000.00	Other income	12,000.00
2021 Yingkou City Key Technology Research Project Bonus	300,000.00	Other income	300,000.00
2021 Foreign Economic and Trade Development Special Export Credit Insurance Subsidy	312,000.00	Other income	312,000.00
2021 Special Loan interest subsidy for foreign economic and trade development	2,269,500.00	Other income	2,269,500.00
2022 export credit insurance premium subsidy	412,300.00	Other income	412,300.00
2022 Individual champion enterprise (product) subsidy funds	1,000,000.00	Other income	1,000,000.00
2022 Green Finance Award and Subsidy Fund Subsidy	4,135.00	Other income	4,135.00
2022 Annual Energy Consumption Online Monitoring System Construction Project Fund Subsidy	40,000.00	Other income	40,000.00
2022 District High Quality Award	200,000.00	Other income	200,000.00

The fourth batch of special funds for industrial transformation and upgrading in urban areas in 2022	50,000.00	Other income	50,000.00
2022 Suzhou Municipal Special Fund for Building an Advanced Manufacturing Base	2,040,000.00	Other income	2,040,000.00
Special funds for 2022 provincial awards and supplements for strong quality	1,000,000.00	Other income	1,000,000.00
2022 Liaoning Provincial Department of Science and Technology Subsidy after Transformation of Achievements	200,000.00	Other income	200,000.00
2022 Liaoning Provincial Natural Science Foundation of China	100,000.00	Other income	100,000.00
2022 Special Fund for Business Development (Third Batch) - Export Credit Insurance	63,100.00	Other income	63,100.00
2022 Business Assistance Business Relief Project Subsidy	1,000,000.00	Other income	1,000,000.00
2022 Provincial "Unveiling the List" Project Funding	2,500,000.00	Other income	2,500,000.00
2022 Provincial Special Fund for Business Development (Fourth Batch)	684,500.00	Other income	684,500.00
2022 Provincial	2,000,000.00	Specific payables	-

Science and Technology Achievement Transformation Plan (First Batch) Projects and Funds			
2022 Special Fund for High-quality Development of Industrial Policy and Science and Technology in Wujiang District, Suzhou City (Echelon Cultivation of R&D Institutions)	100,000.00	Other income	100,000.00
VOCs Volatile Organic Compounds Remediation Project Subsidy	700,000.00	Other income	700,000.00
Finance, Industry and Trade Department Four-star Cloud Migration Reward	100,000.00	Other income	100,000.00
Industrial Development Subsidy	20,000,000.00	Other income	20,000,000.00
Reward for production and performance	9,889,754.63	Other income	9,889,754.63
Subsidies for highly skilled personnel	50,000.00	Other income	50,000.00
Industrial Internet Innovation Development Project Subsidy	1,850,000.00	Other income	1,850,000.00
Haikou City Supports Several Policy Awards for Headquarters Economic Development	15,606,475.97	Other income	15,606,475.97
Hengli 400,000 tons of high-performance	18,000,000.00	Other income	18,000,000.00

special industrial yarn intelligent production project incentive funds			
Hengli Torch Power Distribution Project Subsidy	2,000,000.00	Other income	2,000,000.00
Skills training subsidy	3,390,400.00	Other income	3,390,400.00
Coal Reduction Bonus Fund	362,700.00	Other income	362,700.00
Super-deduction of input tax credit	215,620.64	Other income	215,620.64
High-quality economic development support reward	120,000.00	Other income	120,000.00
Employment trainee subsidy	2,209,534.00	Other income	2,209,534.00
Expansion subsidy	1,031,500.00	Other income	1,031,500.00
Job retention subsidy	32,280.00	Other income	32,280.00
Job training subsidies	23,250.00	Other income	23,250.00
Matching subsidies	1,030,000.00	Other income	1,030,000.00
Wholesale industry key enterprise incentives	1,192,870.60	Other income	1,192,870.60
Pudong New Area Financial Subsidy	3,000,000.00	Other income	3,000,000.00
Pudong New Area Financial Support	1,500,000.00	Other income	1,500,000.00
Entrepreneur Conference Award	50,000.00	Other income	50,000.00
New Apprenticeship Subsidies for Enterprises	519,000.00	Other income	519,000.00
Enterprise R & D investment incentives	500,000.00	Other income	500,000.00
Enterprise Employment Incentives and Subsidies	210,000.00	Other income	210,000.00
Subsidy for job skill improvement of enterprise employees	451,750.00	Other income	451,750.00
Talent funding-	220,000.00	Other income	220,000.00

postdoctoral living allowance and scientific research funding			
Sanya City Promoting Headquarters Economic Development Award	11,324,430.00	Other income	11,324,430.00
Business and trade enterprise management incentives	200,000.00	Other income	200,000.00
Shengze Comprehensive Law Enforcement Second Brigade Emission Reduction Award	1,713,933.00	Other income	1,713,933.00
Job training	105,300.00	Other income	105,300.00
Job training subsidy	177,600.00	Other income	177,600.00
First batch of reward funds for the high-quality development policy of producer service industry in Wujiang District and preferential policies for service industry agglomeration area in 2021	200,000.00	Other income	200,000.00
Special Fund for Digital Liaoning Manufacturing Powerful Province	500,000.00	Other income	500,000.00
Tax incentives	3,906,063.06	Other income	3,906,063.06
Funding for the 21st Batch of Science and Technology Development Plan of Suzhou City in 2022 (Performance Subsidy for Municipal Enterprise R&D Institutions)	150,000.00	Other income	150,000.00
Suzhou City 2022	50,000.00	Other income	50,000.00

Fifth Batch of Science and Technology Development Plan (High-tech Enterprise Recognition Rewards and Subsidies) Funds			
Suzhou government subsidy	480,000.00	Other income	480,000.00
Job stabilization subsidy	7,474,245.95	Other income	7,474,245.95
Steady growth reward	8,350,000.00	Other income	8,350,000.00
Value-added tax rebate for sludge incineration	938,655.43	Other income	938,655.43
Singapore government grants	1,221,016.35	Other income	1,221,016.35
New Apprenticeship Training Subsidy	243,000.00	Other income	243,000.00
Subsidies for training by work	968,640.00	Other income	968,640.00
Silver Award Grant Funding	943,396.23	Other income	943,396.23
Emergency Management Flood Prevention Subsidy	45,000.00	Other income	45,000.00
Award for Advanced Enterprises in Risk Identification and Control of Emergency Management Bureau	13,000.00	Other income	13,000.00
Online metering grants	19,500.00	Other income	19,500.00
Government Support Fund	6,371,856.14	Other income	6,371,856.14
Government Quality Award	300,000.00	Other income	300,000.00
Support the fight against the new crown to help companies bail out subsidies	1,000.00	Other income	1,000.00
Intellectual property standard outstanding	50,000.00	Other income	50,000.00

unit award			
Vocational skills competition subsidy	12,000.00	Other income	12,000.00
Smart Factory Grants	2,000,000.00	Other income	2,000,000.00
Special Funding for Patents	3,241,000.00	Other income	3,241,000.00
Tax subsidies	1,121,680,000.00	Other income	1,121,680,000.00

(2). Return of government grants

85. Others

VIII. Changes in scope of consolidation Income of the merged party from the beginning of the current consolidation period to the merger date

1. Business combination not under common control

2. Business combination under common control

(1). Business combination under common control during the period

Unit: Yuan Currency: RMB

Name of acquiree	Equity ratio acquired in a business combination	Basis for constituting business combination under common control	Combination date	Basis for determination of combination date	Revenue of the acquiree from the beginning of the current consolidation period to the combination date	Net profit of the acquiree from the beginning of the current consolidation period to the combination date	Revenue of the acquiree during the comparative period	net profit of the acquiree during the comparative period
Kanghui Nantong New Material Technology	100%	Under the control of both Chen Jianhua and Fan Hongwu	25 March 2022 [Note 1]	Complete the registration of change of equity transfer	-	-	-	-

Co., Ltd.		ei before and after the transaction, and the control was not temporary.						
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Other note:

[Note 1] According to the resolution of the shareholder meeting of the subsidiary Kanghui Nantong New Material Technology Co., Ltd., the Company and Hengli Group Co., Ltd. signed the "Equity Transfer Agreement" on 22 March 2022, and the Company was received the 100% equity of Kanghui Nantong New Material Technology Co., Ltd. transferred from Hengli Group Co., Ltd. Since Hengli Group Co., Ltd. has not yet paid in its capital contribution, the transfer price is RMB nil. Since the Company and Hengli Group Co., Ltd. are both ultimately controlled by Chen Jianhua and Fan Hongwei and the control is not temporary, this merger is a business combination under common control. Kanghui Nantong New Material Technology Co., Ltd. has completed the industrial and commercial change registration procedures on 25 March 2022. The Company has already obtained the actual control, so the combination is determined at 25 March 2022. During the period, the Company included it in the scope of the consolidated financial statements, and adjusted the comparative data of the consolidated financial statements accordingly in accordance with the provisions of "Accounting Standards for Business Enterprises No. 20 - Business Combinations".

(2). Combination cost

Unit: Yuan Currency: RMB

Combination cost	Kanghui Nantong New Material Technology Co., Ltd.
--Cash	-
-- Carrying amount of non-monetary assets	-
--Carrying amount of debt issued or assumed	-
--Face value of issued equity securities	-
--Contingent consideration	-

(3). The book value of assets and liabilities of the acquiree on the combination date

Other note:

As of the combination date, Kanghui Nantong New Material Technology Co., Ltd. has zero assets and liabilities because Hengli Group Co., Ltd. has not yet paid in its capital contribution.

3. Reverse acquisition

4. Disposal of subsidiaries

Whether there is a situation where a single disposal of investment in subsidiaries results in loss of control

5. Changes in the scope of consolidation for other reasons

Explain the changes in the scope of consolidation caused by other reasons (such as the establishment of new subsidiaries, liquidation of subsidiaries, etc.) and related situations:

1. Increase in scope of consolidation

Unit: ten thousand yuan

Company name	Mode of acquisition of equity	Equity acquisition date	Contribution amount	Contribution ratio
Suzhou Hengli Chemical New Material Co., Ltd.	New established	2022-2-11	10,000	100%
Suzhou Hengli Energy Chemical Import & Export Co., Ltd.	New established	2022-8-8	US Dollar 50.00 million	100%
Hengli Petrochemical Utilities (Dalian) Co., Ltd.	New established	2022-3-7	30,000	100%
Dalian Hengzhong Special Materials Co., Ltd.	New established	2022-11-2	1,170	65%
Hengli New Energy (Shanghai) Co., Ltd.	New established	2022-1-4	10,000	100%
Hengli Yuanshang Technology (Suzhou) Co., Ltd.	New established	2022-4-13	10,000	100%
Suzhou Hengli Jinshang Energy Technology Co., Ltd.	New established	2022-4-14	10,000	100%
Dalian Hengli Fine Chemical Sales Co., Ltd.	New established	2022-6-17	10,000	100%
Hengli Petrochemical Sales (Haikou) Co., Ltd.	New established	2022-6-22	10,000	100%
Hengli Energy Chemical (Sanya) Co., Ltd.	New established	2022-6-22	10,000	100%
Dalian Hengli Petrochemical Sales Co., Ltd.	New established	2022-6-23	10,000	100%
Dalian Hengli Gold Merchant Sales Co., Ltd.	New established	2022-7-13	10,000	100%
Dalian Hengli New Energy Sales Co., Ltd.	New established	2022-7-13	10,000	100%
Dalian Henglixing Gemstone Chemical Trading Co., Ltd.	New established	2022-9-26	10,000	100%

Dalian Hengli Gaoyuan Sales Co., Ltd.	New established	2022-9-28	10,000	100%
Hengli Energy Chemical (Shenzhen) Co., Ltd.	New established	2022-10-10	10,000	100%
Nantong Hengli Maoyuan Petrochemical Trading Co., Ltd.	New established	2022-10-18	1,000	100%
Suzhou Hengli New Energy Sales Co., Ltd.	New established	2022-11-08	10,000	100%
Suzhou Hengli Fine Chemical Sales Co., Ltd.	New established	2022-11-18	10,000	100%
Hengli Petrochemical Sales (Shenzhen) Co., Ltd.	New established	2022-12-2	10,000	100%

2. Decrease in scope of consolidation

Unit: ten thousand yuan

Company name	Disposal method	Disposal date of equity	Net assets on disposal date	Net profit from the beginning of the period to date of disposal
Hengli Energy (Jiangsu) Co., Ltd.	Deregistered	2022-8-30	-	-0.07
Suzhou Qianliyan Logistics Technology Co., Ltd.	Deregistered	2022-8-31	-	-31.50
Suzhou Plastic Group Network E-commerce Co., Ltd.	Deregistered	2022-5-17	-	-
Hengli Energy Sales Rudong Co., Ltd.	Deregistered	2022-11-21	-	23.33
Hengli Petrochemical Sales (Shanghai) Co., Ltd.	Deregistered	2022-9-1	-	0.86
Suqian Deya New Materials Co., Ltd.	Deregistered	2022-6-28	-	0.17
Hengli Petrochemical Sales (Jiangsu) Co., Ltd.	Deregistered	2022-6-15	-	-0.14

6. Others

IX. Interests in other entities

1. Interests in subsidiaries

(1). Group structure

Name of subsidiary	Place of business	Place of registration	Nature of business	Shareholding (%)		Acquisition method
				Direct	Indirect	
Jiangsu Hengli Chemical Fiber Co., Ltd.	China	No. 1, Hengli Road, Nanma Industrial Zone, Shengze Town, Wujiang City, Jiangsu Province	Manufacturing	99.99	0.01	Business combination not under common control
Jiangsu Hengke Advanced Materials Co. Ltd.	China	Hengli Textile New Material Industrial Park, Binjiang New District (Wuji Town), Tongzhou City, Nantong City	Manufacturing		100.00	Business combination under common control
Nantong Teng'an Logistics Co., Ltd.	China	No. 1, Kaisha Road, Binjiang New District, Tongzhou City, Nantong City	Transportation industry		100.00	Established by investment
Jiangsu Xuanda Polymer Material Co., Ltd.	China	Textile New Material Industrial Park, Wujie Town, Tongzhou District, Nantong City	Manufacturing		100.00	Established by investment
Jiangsu Deli Chemical Fiber Co., Ltd.	China	No. 599, Huanghe South Road, Sucheng Economic Development Zone, Suqian City	Manufacturing		100.00	Business combination not under common control
Hengli Futures Co., Ltd.	China	02, 03, 04, Floor 7, No. 308, Jinkang Road, China (Shanghai) Pilot Free Trade Zone	Other financial industry		100.00	Business combination not under common control
Hengli Hengxin Industry and	China	Floor 7, No. 308, Jinkang Road, China (Shanghai)	Wholesale and retail		100.00	Established by investment

Trade (Shanghai) Co., Ltd.		Pilot Free Trade Zone (nominal floor, actual floor 6th floor) 01				
Suzhou Susheng Thermal Power Co., Ltd.	China	Tanqiu Village, Shengze Town, Wujiang	Manufacturing		100.00	Business combination under common control
Suzhou Binglin Trading Co., Ltd.	China	Room 202, Building 8, No. 1, Hengli Road, Nanma Industrial Zone, Shengze Town, Wujiang District, Suzhou	Wholesale and retail		100.00	Established by investment
Sichuan Hengli New Material Co., Ltd.	China	No. 10, Section 2, Lingang Avenue, South Sichuan Lingang Area, Sichuan Free Trade Zone	Manufacturing		100.00	Established by investment
Hengli New Materials (Suqian) Co., Ltd.	China	No. 88, Gangcheng Road, Yangbei Street, Sucheng District, Suqian City	Manufacturing		100.00	Established by investment
Suzhou Hengli Chemical New Material Co., Ltd.	China	Room 203, Building 8, No. 1, Hengli Road, Nanma Industrial Zone, Shengze Town, Wujiang District, Suzhou City, Jiangsu Province	Wholesale industry		100.00	Established by investment
Kanghui New Material Technology Co., Ltd.	China	Yingkou Xianrendao Energy and Chemical Industry Zone	Manufacturing	66.33	33.67	Business combination under common control
Comfort International Trade (Jiangsu) Co., Ltd.	China	Room 201, Building 8, No. 1, Hengli Road, Nanma Industrial Zone,	Wholesale and retail		100.00	Established by investment

		Shengze Town, Wujiang District				
Suqian Kanghui New Material Co., Ltd.	China	Shop 125, Property 77, Huaihai Property Material Decoration City, Suqian Economic and Technological Development Zone	Manufacturin g		100.0 0	Establishe d by investment
Kanghui Kunshan New Material Technology Co., Ltd.	China	1st Floor, Room 4, No. 232 Yuanfeng Road, Yushan Town, Kunshan City	Manufacturin g		100.0 0	Establishe d by investment
Kanghui Dalian New Material Technology Co., Ltd.	China	Complex Building No. 298, Changsong Road, Changxing IsLand Economic Zone, Dalian, Liaoning Province	Manufacturin g		100.0 0	Establishe d by investment
Jiangsu Kanghui New Material Technology Co., Ltd.	China	The Yangtze River Delta Ecological Green Integration Development Demonstration Zone (No.558 Fenhu Avenue, Lili Town, Wujiang District, Suzhou City)	Manufacturin g		100.0 0	Establishe d by investment
Kanghui Nantong New Material Technology Co., Ltd.	China	Hengli Textile New Material Industrial Park, Wujie Town, Tongzhou District, Nantong City	Manufacturin g		100.0 0	Business combinatio n under common control
Hengli Investment (Dalian) Co., Ltd.	China	Former Xingang Primary School, Xingang Village, Changxing IsLand Economic Zone, Dalian, Liaoning Province	Industrial Investment	100.0 0		Business combinatio n under common control

Hengli Petrochemical (Dalian) Co., Ltd.	China	Former Xingang Primary School, Xingang Village, Changxing Island Economic Zone, Dalian, Liaoning Province	Manufacturing		100.00	Established by investment
Hengli Shipping (Dalian) Co., Ltd.	China	Xingang Village, Changxing Island Economic Zone, Dalian, Liaoning Province (formerly Xingang Primary School)	Transportation industry		100.00	Business combination not under common control
Hengli Petrochemical Co., Limited	China Hong Kong	Flat 1906, 19/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong	Wholesale and retail		100.00	Established by investment
Shenzhen Ganghui Trading Co., Ltd.	China	Unit 6101-03, Block A, Kingkey 100 Property, 5016 Shennan East Road, Guiyuan Street, Luohu District, Shenzhen	Wholesale and retail		100.00	Business combination under common control
Hengli Logistics (Dalian) Co., Ltd.	China	No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Transportation industry		100.00	Established by investment
Hengli Concrete (Dalian) Co., Ltd.	China	Xingang Village, Changxing Island Economic Zone, Dalian, Liaoning Province (formerly Xingang Primary School)	Manufacturing		100.00	Business combination under common control
Hengli Petrochemical (Huizhou) Co., Ltd.	China	No. 26, Xiayong Petrochemical Avenue Middle, Daya Bay, Huizhou (Plant No. 2 (R&D))	Manufacturing		100.00	Established by investment

Hengli Petrochemical (Dalian) Refining Co., Ltd.	China	No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Manufacturing	100.00		Business combination under common control
Hengli Petrochemical International Pte. Ltd.	Singapore	9 STRAITS VIEW #08-11 MARINA ONE WEST TOWER SINGAPORE(018937)	Wholesale and retail		100.00	Established by investment
Hengli Oilchem Pte. Ltd.	Singapore	9 STRAITS VIEW #08-11 MARINA ONE WEST TOWER SINGAPORE(018937)	Wholesale and retail		79.00	Established by investment
Hengli Shipping International Pte. Ltd.	Singapore	9 STRAITS VIEW #08-11 MARINA ONE WEST TOWER SINGAPORE(018937)	Transportation industry		100.00	Established by investment
Hengli Energy (Hainan) Co., Ltd.	China	Room 801, Building A, Sunshine Financial Plaza, Jiyang District, Sanya City, Hainan Province	Wholesale and retail		100.00	Established by investment
Hengli Petrochemical (Hainan) Co., Ltd.	China	Room 205-1328, No.181 Xingyang Avenue, Jiangdong New District, Haikou City, Hainan Province	Wholesale and retail		100.00	Established by investment
Suzhou Hengli Chemical Import & Export Co., Ltd.	China	No. 1801, Pangjin Road, Wujiang Economic and Technological Development Zone, Suzhou City, Jiangsu Province	Wholesale and retail		100.00	Established by investment

Suzhou Hengli Energy Chemical Import & Export Co., Ltd.	China	Room 301, Building 5, No. 1518, Linhu Avenue, Lili Town, Wujiang District, Suzhou City	Wholesale and retail		100.00	Established by investment
Shenzhen Shengang Trading Co., Ltd.	China	No. 5016, Shennan East Road, Guiyuan Street, Luohu District, Shenzhen, Unit 6101-03B, Block A, Kingkey 100 Building	Wholesale and retail		100.00	Business combination under common control
Hengli Refining Products Sales (Dalian) Co., Ltd.	China	OSBL Project - Public Works Office Building No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Wholesale and retail		100.00	Established by investment
Hengli Aviation Oil Co., Ltd.	China	No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Wholesale and retail		100.00	Established by investment
Hengli Oilchem (Suzhou) Co., Ltd.	China	2302, Property 88, Suzhou Central Plaza, Suzhou Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	Wholesale and retail		100.00	Established by investment
Hengli Energy (Suzhou) Co., Ltd.	China	Room 2301, Property 88, Suzhou Central Plaza, Suzhou Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	Wholesale and retail		100.00	Established by investment

Hengli Logistics (Dalian) Co., Ltd.	China	Complex Building No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Transportation industry		100.00	Established by investment
Suzhou Hengli Chemical Polymer Co., Ltd.	China	East side of East Bridge, Lili Town, Wujiang District, Suzhou City	Wholesale and retail		100.00	Established by investment
Hengli Petrochemical (Dalian) Chemical Co., Ltd.	China	No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Manufacturing	100.00		Established by investment
Hengli Petrochemical (Dalian) New Material Technology Co., Ltd.	China	Complex Building No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Manufacturing		100.00	Established by investment
Hengli Petrochemical Utilities (Dalian) Co., Ltd.	China	Complex Building No. 298, Changsong Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Manufacturing		100.00	Established by investment
Dalian Hengzhong Special Materials Co., Ltd.	China	Dispatching Center, No. 3 Renshan Street, Changxing Island Economic Zone, Dalian, Liaoning Province	Manufacturing		65.00	Established by investment
Suzhou Textile Group Network E-	China	No. 1, Hengli Road, Nanma Industrial Zone, Shengze Town, Wujiang District	Wholesale and retail	100.00		Established by investment

commerce Co., Ltd.						
Hengli Petrochemical Sales Co., Ltd.	China	Room 1688, Property 2, No. 215, Lianhe North Road, Fengxian District, Shanghai	Wholesale and retail	100.00		Established by investment
Hengli (Eastern China) Petrochemical Sales Co., Ltd.	China	2401, No. 3099, Chang'an Road, Songling Town, Wujiang District, Suzhou City	Wholesale and retail		100.00	Established by investment
Hengli Chemical (Suqian) Co., Ltd.	China	No. 1 Yangfan Avenue, Yangbei Town, Sucheng District, Suqian City	Wholesale and retail		100.00	Established by investment
Hengli Oil (Suqian) Co., Ltd.	China	No. 1 Yangfan Avenue, Yangbei Town, Sucheng District, Suqian City	Wholesale and retail		100.00	Established by investment
Hengli (Southern China) Petrochemical Sales Co., Ltd.	China	3202, Luohu Business Center, 2028 Shennan East Road, Chengdong Community, Dongmen Street, Luohu District, Shenzhen	Wholesale and retail		100.00	Established by investment
Hengli (Northern China) Petrochemical Sales Co., Ltd.	China	Window 1, West Side of the Approval Hall, R&D Property, Xianrendao Economic Development Zone, Yingkou, Liaoning Province	Wholesale and retail		100.00	Established by investment
Yuehai Petrochemical (Shenzhen) Co., Ltd.	China	Room 1401, Main Tower Building, Ocean Shipping Center, No. 59, Linhai Avenue, Nanshan Street,	Wholesale and retail		100.00	Business combination not under common control

		Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen 14002-14003				
Hengli Oil Sales (Suzhou) Co., Ltd.	China	2303, Property 88, Suzhou Central Plaza, Suzhou Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	Wholesale and retail		100.00	Established by investment
Hengli Chemical Sales (Suzhou) Co., Ltd.	China	2304, Property 88, Suzhou Central Plaza, Suzhou Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	Wholesale and retail		100.00	Established by investment
Suzhou Baocheng Weiye Petrochemical Trading Co., Ltd.	China	558 Fenhu Avenue, Lili Town, Wujiang District, Suzhou City	Wholesale and retail		100.00	Established by investment
Suzhou Jinzhan Hengyuan Petrochemical Trading Co., Ltd.	China	No. 1801, Pangjin Road, Wujiang Economic and Technological Development Zone	Wholesale and retail		100.00	Established by investment
Hengli North Energy Sales Co., Ltd.	China	No. 3, Unit 1, 21st Floor, Office Property B, Victoria Plaza, No.56 Gangxing Road, Zhongshan District, Dalian City, Liaoning Province	Wholesale and retail		100.00	Established by investment
Hengli Tongshang New Energy Co., Ltd.	China	Room 813, Free Trade Building, Dalian Free Trade Zone, Liaoning Province	Wholesale and retail		100.00	Established by investment

Hengli Tongshang New Material Co., Ltd.	China	Service Apartment, Building 14, Suzhou Bay View Garden, No. 777, Fengqing Street, East Taihu Lake Ecotourism Resort (Taihu New Town), Wujiang District, Suzhou City	Wholesale and retail		100.00	Established by investment
Hengli Energy Import and Export Co., Ltd.	China	Room F1-A-1026, Building A2, No. 8, Qicun Road, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	Wholesale and retail		100.00	Established by investment
Hengli Nenghua (Shanghai) Trading Co., Ltd.	China	Room 702-7, No. 719 Shengui Road, Minhang District, Shanghai	Wholesale and retail		100.00	Established by investment
Hengli Hengyuan Supply Chain (Shanghai) Co., Ltd.	China	Room 101, Floor 1, Building 1, No. 99, Shuanghui Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone	Wholesale and retail		100.00	Established by investment
Hengli New Energy (Shanghai) Co., Ltd.	China	Room 502, No. 99, Huangpu Road, Hongkou District, Shanghai	Wholesale and retail		100.00	Established by investment
Hengli Yuanshang Technology (Suzhou) Co., Ltd.	China	Room 2507, Building 88, Suzhou Central Plaza, Suzhou Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone	Wholesale and retail		100.00	Established by investment
Suzhou Hengli Jinshang Energy	China	Room 2506, Building 88, Suzhou Center Plaza, Suzhou	Wholesale and retail		100.00	Established by investment

Technology Co., Ltd.		Industrial Park, Suzhou Area, China (Jiangsu) Pilot Free Trade Zone				
Dalian Hengli Fine Chemical Sales Co., Ltd.	China	No. 5, 21st Floor, No. 52, Gangxing Road, Zhongshan District, Dalian City, Liaoning Province	Wholesale and retail		100.00	Established by investment
Hengli Petrochemical Sales (Haikou) Co., Ltd.	China	Hefeng Homeland, Meilan District, Haikou City, No. 63-1, Qiongsan Avenue, Jiangdong New District, Haikou City, Hainan Province-5449	Wholesale and retail		100.00	Established by investment
Hengli Energy Chemical (Sanya) Co., Ltd.	China	Room 805, Building A, Yahua Xiangxie, Sanya Bay Road, Tianya District, Sanya City, Hainan Province	Wholesale and retail		100.00	Established by investment
Dalian Hengli Petrochemical Sales Co., Ltd.	China	No. 4, 21st Floor, No. 52, Gangxing Road, Zhongshan District, Dalian City, Liaoning Province	Wholesale and retail		100.00	Established by investment
Dalian Hengli Gold Merchant Sales Co., Ltd.	China	No. 62, Changxing Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Wholesale and retail		100.00	Established by investment
Dalian Hengli New Energy Sales Co., Ltd.	China	No. 62, Changxing Road, Changxing Island Economic Zone, Dalian, Liaoning Province	Wholesale and retail		100.00	Established by investment
Dalian Henglising Gemstone Chemical Trading Co., Ltd.	China	No. 6, 21st Floor, No. 52, Gangxing Road, Zhongshan District, Dalian City, Liaoning Province	Wholesale and retail		100.00	Established by investment

Dalian Hengli Gaoyuan Sales Co., Ltd.	China	Office Dormitory Building, No. 6, No. 76, Jinghai Street, Changxing Island Economic Zone, Dalian, Liaoning Province	Wholesale and retail		100.00	Established by investment
Hengli Energy Chemical (Shenzhen) Co., Ltd.	China	Room 3201, Luohu Business Center, No. 2028, Shennan East Road, Chengdong Community, Dongmen Street, Luohu District, Shenzhen	Wholesale and retail		100.00	Established by investment
Nantong Hengli Maoyuan Petrochemical Trading Co., Ltd.	China	Room 101, Building 5, Kaisha Village, Wujie Town, Tongzhou District, Nantong City, Jiangsu Province	Wholesale and retail		100.00	Established by investment
Suzhou Hengli New Energy Sales Co., Ltd.	China	Room 501-04, Building A, Building 1, Taihu East Bank Business Center, No. 4088 Kaiping Road, Wujiang District, Suzhou City, Jiangsu Province	Wholesale and retail		100.00	Established by investment
Suzhou Hengli Fine Chemical Sales Co., Ltd.	China	Room 501-3, Building A, Building 1, Taihu East Bank Business Center, No. 4088 Kaiping Road, East Taihu Lake Eco-tourism Resort (Taihu New Town), Wujiang District, Suzhou City	Wholesale and retail		100.00	Established by investment

Hengli Petrochemical Sales (Shenzhen) Co., Ltd.	China	No. 1406, Main Tower, Ocean Shipping Center, No. 59, Linhai Avenue, Nanshan Street, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen-14057, 14058	Wholesale and retail		100.00	Established by investment
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Reason of difference between shareholding ratio and voting right ratio in the subsidiary:

There are no subsidiaries with a shareholding ratio different from the voting right ratio.

Basis for holding half or less of the voting rights but still controlling the investee:

There were no subsidiaries in the current period that the parent company had half or less of the voting rights and was included in the scope of the consolidated financial statements.

Basis of control in structured entity included in the scope of the consolidation:

There are no important structured entity included in the scope of the consolidation in this period.

Basis for determining whether a company is an agent or a principal: None

Other note:

In this period, there was no equity investment in which the parent company had more than half of the voting rights but failed to exercise control.

2. Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary is still controlled

3. Interests in joint ventures or associates

4. Significant joint venture

5. Interests in structured entities not included in the scope of consolidated financial statements

Explanation on structured entities not included in the scope of consolidated financial statements:

On 31 December 2022, the structured entities related to the Company but not included in the scope of this financial statement are mainly engaged in asset management business, manage client assets and provide clients with investment management services for securities, futures and other financial products. The total assets of such structured entities on 31 December 2022 were RMB227.29 million.

6. Others

(1) The Company's wholly-owned subsidiary, Suzhou Textile Group Network E-commerce Co., Ltd. and Jiangsu Hegao Investment Co., Ltd. signed the "Jiangsu Hengli Chemical Fiber Co., Ltd. Equity Transfer Agreement" on 12 April 2022. Suzhou Textile Group Network E-commerce Co., Ltd. acquired 0.01% of the equity of Jiangsu Hengli Chemical Fiber Co., Ltd. held by Jiangsu Hegao Investment Co., Ltd., and the transfer price was RMB575,467.23. On 12 April 2022, Jiangsu Hengli Chemical Fiber Co., Ltd. completed the industrial and commercial registration procedures for the above-mentioned equity transfer. After the completion of this equity transfer, Jiangsu Hengli Chemical Fiber Co., Ltd. became a wholly-owned subsidiary of the Company.

(2) The Company's wholly-owned subsidiary, Hengli Investment (Dalian) Co., Ltd. and Dalian Henghan Investment Co., Ltd. signed the "Hengli Petrochemical (Dalian) Co., Ltd. Equity Transfer Agreement" on 27 April 2022. Hengli Investment (Dalian) Co., Ltd. acquired 0.16978% equity of Hengli Petrochemical (Dalian) Co., Ltd. held by Dalian Henghan Investment Co., Ltd., and the transfer price was RMB19.75 million. Hengli Petrochemical (Dalian) Co., Ltd. has completed the industrial and commercial registration procedures for the above equity transfer on 28 April 2022. After the completion of this equity transfer, Hengli Petrochemical (Dalian) Co., Ltd. became the Company's wholly-owned subsidiary.

X. Risk of financial instruments

The Company faces risks of various financial instruments in its daily activities, mainly including credit risk, market risk and liquidity risk. The Company's main financial instruments include cash and bank balances, equity investment, debt investment, loans, accounts receivable, accounts payable, etc. For details of each financial instrument, please refer to the relevant items in this Note. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are as follows:

The board of directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly assesses changes in the market environment and the Company's operating activities to determine whether to update risk management policies and systems. The Company's risk management is carried out by the risk management committee in accordance with the policies approved by the board of directors. The Risk Management Committee identifies, evaluates and avoids related risks through close cooperation with the Company's other business departments. The Company's internal audit department conducts regular audits on risk management controls and procedures, and reports the audit results to the Company's audit committee.

The Company diversifies the risk of financial instruments through appropriate diversified investments and business portfolios, and reduces risk concentrated on a single industry, a specific region, or a specific counterparty by formulating appropriate risk management policies.

(I) Market risk

Market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market price, including foreign exchange rate risk, interest rate risk and other price risk.

1. Foreign exchange rate risk

Exchange rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in foreign exchange rates. The Company's main operations are located in China, Hong Kong, Singapore, domestic business is settled in RMB, export business is mainly settled in US dollar, and overseas operating companies are settled in US dollar, so the Company's determined foreign currency assets and liabilities and future foreign currency transactions (Foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollar.) were exposed to foreign exchange rate risk. Related foreign currency assets and foreign currency liabilities include: Cash and bank balances, Accounts receivable, Receivable financing, Other receivables, Accounts payable, Notes payable, Other payables, Short-term loans, and Non-current liabilities due within one year. Amount of financial assets and foreign currency financial liabilities dominated in foreign currency and converted into RMB can be found in "Items in foreign currencies" in this note.

The Company pays close attention to the impact of exchange rate changes on the Company's exchange rate risk, and matches foreign currency income with foreign currency expenditure as much as possible to reduce foreign exchange risk. In addition, the Company also signed forward foreign exchange contracts to prevent the exchange risk of the Company's revenue settled in US dollars. At the end of the current period, the foreign exchange risks faced by the Company mainly originated from financial assets and liabilities denominated in US dollar. Amount of foreign currency financial assets and foreign currency financial liabilities converted into RMB is shown in "Items in foreign currencies" in this note.

2. Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The risks faced by the Company in changing market interest rates are mainly related to the Company's borrowings with floating interest rates. The Company's interest rate risk mainly arises from long-term interest-bearing debts such as long-term bank loans and bonds payable. Floating interest rate financial liabilities expose the Company to cash flow interest rate risk, while fixed interest rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative ratio of fixed rate and floating rate contracts according to the market environment at that time, and maintains an appropriate combination of fixed and variable rate instruments through regular review and monitoring.

When other variables remain unchanged, if the borrowing rate calculated at floating interest rates increases or decreases by 50 basis points, the impact on the company's net profit is as follows:

Interest rate change	Impact on Net profit (RMB ten thousand)
	Current year
Up 50 basis points	-29,996.98
Down 50 basis points	29,996.98

Management believes that 50 basis points reasonably reflects a reasonable range of possible changes in interest rates over the next year.

3. Other price risks

The Company does not hold equity investments in other listed companies, and there is no other price risk.

(II) Credit risk

Credit risk refers to the risk that the counterparty of a transaction fails to perform its contractual obligations, resulting in financial losses to the Company. The Company's credit risk mainly arises from Cash at bank and Receivables.

The Company's cash at bank is mainly deposited in state-owned banks and other large and medium-sized listed banks. The Company does not expect cash at bank to have significant credit risk.

For Receivables, the Company sets relevant policies to control credit risk exposure in accordance with the concentration of customer management credit risk. The Company evaluates the debtor's credit qualifications based on the debtor's financial status, external ratings, possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions, and sets the corresponding arrearage amount and credit period. The Company will regularly monitor the credit history of the debtor. For debtors with poor credit records, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the Company's overall credit risk is within control. Since the Company's Receivables customers are widely dispersed in different regions and industries, there is no significant concentration of credit risk in the Company.

The Company does not provide any other guarantees that may subject the Company to credit risk. The largest credit risk exposure undertaken by the Company is the carrying amount of each financial asset in the balance sheet.

1. Judgment basis for significant increase in credit risk

The Company assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition. When determining whether the credit risk has increased significantly since the initial recognition, the Company considers that it can obtain reasonable and evidence-based information without unnecessary extra cost or effort, including qualitative and quantitative analysis based on the Company's historical data, external credit risk rating and forward-looking information. When one or more of the following quantitative and qualitative standards are met, the Company believes that credit risk has increased significantly:

(1) The contract payment has been overdue for more than 30 days.

(2) According to the results of external public credit ratings, the debtor's credit rating dropped significantly.

(3) There are serious problems in the debtor's production or operation, and the actual or expected results of the operation have dropped significantly.

(4) Significantly adverse changes have occurred in the debtor's regulatory, economic or technological environment.

(5) It is expected that the debtor's business, financial or economic conditions that will meet its debt-servicing capacity will undergo significant adverse changes.

(6) Other objective evidence shows that financial assets have significantly increased credit risk.

2. Basis of credit impairment

When evaluating whether the debtor has suffered credit impairment, the Company mainly considers the following factors:

(1) The issuer or debtor has significant financial difficulties.

(2) The debtor violates the contract, such as interest payment or principal default or overdue, etc.

(3) Due to economic or contractual considerations related to the debtor's financial difficulties, the creditor gives the debtor a concession that would not be made under any other circumstances.

(4) The debtor is likely to go bankrupt or undergo other financial restructuring.

(5) The issuer or debtor's financial difficulties caused the active market for the financial asset to disappear.

(6) Purchase or source a financial asset at a substantial discount, the discount reflects the fact that credit losses have occurred.

3. Parameters of measurement of expected credit loss

The parameters of expected credit loss measurement are based on whether there has been a significant increase in credit risk and whether credit impairment has occurred. The Company measures the loss provision for different assets with 12 months or the expected lifetime of the entire credit period. The key parameters of expected credit loss measurement include default probability, default loss rate and default risk exposure. The Company considers the quantitative analysis of historical statistical data and forward-looking information to establish default probability, default loss rate and default risk exposure model. The relevant definitions are as follows:

(1) The probability of default refers to the possibility that the debtor will not be able to meet its repayment obligations in the next 12 months or throughout the remaining duration.

(2) The default risk exposure refers to the amount that the Company should be reimbursed when a default occurs in the next 12 months or throughout the remaining duration.

(3) The default loss rate refers to the Company's expectation of the degree of loss in default exposure. Depending on the type of counterparty, the method and priority of recourse, and the availability of collateral or other credit support, the rate of default loss varies.

The Company determines the expected credit loss by predicting the default probability, default loss rate and default risk exposure of individual exposures or asset portfolios in the coming months. During the reporting period, there have been no major changes in the expected credit loss estimation techniques or key assumptions.

4. Forward-looking information included in the expected credit loss model

The assessment of a significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Company has identified relevant information that affects the credit risk and expected credit losses of each asset portfolio, such as GDP growth rate and other macroeconomic conditions, and industry development stages such as industry cycle stage. The Company predicts the impact of this information on the probability of default and the rate of default loss on the basis of considering changes in the Company's future sales strategy or credit policy.

(III) Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when an enterprise performs its obligation to settle cash or other financial assets. Liquidity risk is centrally controlled by the

Company's financial department. The finance department monitors cash balances, securities that can be cashed at any time, and rolling forecasts of cash flows over the next 12 months to ensure that the Company has sufficient funds to repay debts under all reasonable forecasts, meet the Company's operating needs, and reduce the impact of cash flow fluctuations.

The financial liabilities and off-balance sheet guarantee items held by the company are analyzed according to the maturity period of the undiscounted remaining contractual cash flow (unit: RMB):

Item	Closing balance				
	Within a year	1 to 2 years	2 to 3 years	Over three years	Total
Bank borrowing	79,959,083,40 1.26	14,425,356,21 3.87	9,821,474,77 4.56	45,788,303,16 0.65	149,994,217,55 0.34
Financial liabilities held for trading	346,020,729.7 0	-	-	-	346,020,729.7 0
Notes payable	20,603,775,87 0.27	-	-	-	20,603,775,87 0.27
Accounts payable	8,869,309,99 8.90	-	-	-	8,869,309,998. 90
Other payables	382,263,173.0 5	-	-	-	382,263,173.05
Lease liabilities	37,276,525.65	31,641,977.76	15,455,001.4 0	16,306,039.3 9	100,679,544.2 0
Bonds payable	2,030,618,280. 89	-	-	-	2,030,618,280. 89

The financial liability amounts disclosed in the table above represent undiscounted contractual cash flows and may therefore differ from the carrying amount in the balance sheet.

(IV) Capital management

The goal of the Company's capital management policy is to ensure that the Company can continue to operate, so as to provide returns for shareholders and benefit other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors the capital structure on the basis of the asset-liability ratio (ie total liabilities divided by total assets). As of 31 December 2022, the Company's asset-liability ratio was 78.08% (31 December 2021: 72.75%).

XI. Disclosure of fair value

1. Fair value of assets and liabilities measured at fair value at the end of the period

Unit: Yuan Currency: RMB

Item	Fair value at year end			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading	492,430,590.59	111,983,853.85	-	604,414,444.44
1. Financial assets at fair value through profit or loss	492,430,590.59	111,983,853.85	-	604,414,444.44
(1) Debt instruments investment	2,000,000.00	-	-	2,000,000.00
(2) Equity instruments investment	-	46,983,853.85	-	46,983,853.85
(3) Derivative financial assets	490,430,590.59	-	-	490,430,590.59
(4) Wealth management products and structured deposits	-	65,000,000.00	-	65,000,000.00
2. Financial assets designated at fair value through profit or loss	-	-	-	-
(1) Debt instruments investment	-	-	-	-
(2) Equity instruments investment	-	-	-	-

(II) Other debt investments				
(III) Other equity instruments investment				
(IV) Investment properties				
1.Land use rights for rental				
2.Leased buildings				
3.Land use rights that are held and ready to be transferred after appreciation				
(V) Biological assets				
1.Consumptive biological assets				
2.Productive biological assets				
(VI) Receivables financing	-	-	2,287,271,229.26	2,287,271,229.26
Total assets measured at fair value on recurring basis	492,430,590.59	111,983,853.85	2,287,271,229.26	2,891,685,673.70
(VI) Financial liabilities held for trading	346,020,729.70	-	-	346,020,729.70
1.Financial liabilities at fair value through profit or loss	346,020,729.70	-	-	346,020,729.70
Including: Issued trading bonds	-	-	-	-
Derivative financial liabilities	346,020,729.70	-	-	346,020,729.70
Others	-	-	-	-
2.Designated as financial liabilities at fair value	-	-	-	-

through profit or loss				
Total liabilities measured at fair value on recurring basis	346,020,729.70	-	-	346,020,729.70
II. Non-recurring fair value measurement				
(I) Assets held-for-sale				
Total assets measured at fair value on a non-recurring basis				
Total liabilities measured at fair value on a non-recurring basis				

2. The basis for determining the market value of the continuous and non-continuous Level 1 fair value measurement

For futures contracts with an active market price, the fair value is determined based on the quotation on the balance sheet date.

3. Continuous and non-continuous Level 2 fair value measurement using valuation techniques and qualitative and quantitative information on important parameters

For the wealth management products, structured deposits, fund trust and asset management products held by the Company, valuation techniques are used to determine their fair value. The valuation model used is a discounted cash flow model, which predicts future cash flows with an expected rate of return.

4. Continuous and non-continuous Level 3 fair value measurement using valuation techniques and qualitative and quantitative information on important parameters

For receivables financing that is not traded in an active market, the carrying amount is similar to the fair value, and the carrying amount is used as the fair value.

5. **Continuous third-level fair value measurement items, reconciliation information between book value at the beginning and end of the period and sensitivity analysis of unobservable parameters**
6. **Continuing fair value measurement items, conversions between levels during the current period, reasons for the conversions and policies for determining the timing of the conversions**
7. **Valuation technology changes during the period and reasons for the changes**
8. **Fair value of financial assets and financial liabilities not measured at fair value**

The Company's financial assets and financial liabilities measured at amortised cost mainly include: Cash and bank balances, Note receivables, Accounts receivable, Other receivables, Short-term loans, Notes payable, Accounts payable, Other payables, Non-current liabilities due within one year, Long term loans, etc. The difference between the carrying amount of the financial assets and financial liabilities that the Company does not measure at fair value and their fair value are immaterial.

9. Others

XII. Related party and related party transactions

1. Information of parent company

Unit: ten thousand yuan Currency: RMB

Name of parent company	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company to the Company (%)	Parent company's voting right ratio (%)
Hengli Group Co., Ltd.	Wujiang, Jiangsu	Industrial Investment	200,200.00	29.84%	29.84%

Description of the parent company of the company

The Company's ultimate controlling party is the couple of Chen Jianhua and Fan Hongwei. Chen Jianhua and Fan Hongwei directly held 11.24% shares of the Company and through Hengli Group Co., Ltd. and other 5 companies to hold 63.62% of shares of the Company, and totally held 74.87% of shares of the Company.

Due to the issuance of exchangeable corporate bonds, Hengli Group Co., Ltd. transferred 857,440,000 shares of the Company into the "Hengli Group-Southwest Securities-21 Hengli E1 Guarantee and Trust Property Account", which accounts for 12.18% shareholding. Hengli Group Co.,

Ltd. held 29.84% in the shareholding and voting rights ratio of the Company is 29.84%, including 12.18% shareholding held by Hengli Group-Southwest Securities-21 Hengli E1 Guarantee and Trust Property Account.

The ultimate controlling party of this enterprise is Chen Jianhua and his wife Fan Hongwei.

2. The Company's subsidiaries

For the details of the subsidiaries of the company, please refer to the notes

For details of the Company's subsidiaries, please refer to "Interests in subsidiaries".

3. The Company's joint ventures and associates

4. Other related party

Name of other related party	Other related party and its relationship with the Company
Jiangsu Hegao Investment Co., Ltd.	Entity controlled by the ultimate controller of the Company and the shareholders of the Company
Dalian Henghan Investment Co., Ltd.	Companies controlled by the actual controlling party of the Company
Guangdong Songfa Ceramics Co., Ltd.	Entity controlled by our parent company
Suzhou Wujiang Tongli Lake Tourist Resort Co., Ltd.	Entity controlled by our parent company
Hengli (Shenzhen) Investment Group Co., Ltd.	Entity controlled by our parent company
Suzhou Hengli Real Estate Co., Ltd.	Entity controlled by our parent company
Hengli Industrial Investment (Suzhou) Co., Ltd.	Entity controlled by our parent company
Wujiang Chemical Fiber Weaving Factory Co., Ltd.	Entity controlled by our parent company
Suzhou Gufeng Asset Management Co., Ltd.	Entity controlled by our parent company
Nantong Kane Polymer Material Co., Ltd.	Entity controlled by our parent company
Hengli Technology (Dalian) Co., Ltd.	Entity controlled by our parent company
Hengli Cloud Business Technology Co., Ltd.	Entity controlled by our parent company
Wujiang Huajun Textile Co., Ltd.	Entity controlled by our parent company
Jiangsu Boyada Textile Co., Ltd.	Entity controlled by our parent company
Jiangsu Deshun Textile Co., Ltd.	Entity controlled by our parent company
Jiangsu Dehua Textile Co., Ltd.	Entity controlled by our parent company
Hengli (Suzhou) Textile Sales Co., Ltd.	Entity controlled by our parent company
Sichuan Hengli Smart Textile Technology Co., Ltd.	Entity controlled by our parent company

Hengli (Guizhou) Textile Intelligent Technology Co., Ltd.	Entity controlled by our parent company
Jiangsu Pejie Textile Intelligent Technology Co., Ltd.	Entity controlled by our parent company
Jiangsu Deya Textile Technology Co., Ltd.	Entity controlled by our parent company
Suqian Kangtai Investment Co., Ltd.	Companies controlled by the actual controlling party of the Company
Suqian Lishun Property Co., Ltd. Hengli Hotel Branch	Companies controlled by the actual controlling party of the Company
Suqian Bailong Garden Technology Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Real Estate (Dalian) Co., Ltd.	Companies controlled by the actual controlling party of the Company
Dalian Victoria Property Service Co., Ltd.	Companies controlled by the actual controlling party of the Company
Dalian Kangjia Property Service Co., Ltd.	Companies controlled by the actual controlling party of the Company
Wujiang Chunchen Weaving Factory Co., Ltd.	Companies controlled by the actual controlling party of the Company
Suzhou Tongli Red Wine Co., Ltd.	Companies controlled by the actual controlling party of the Company
Suzhou Tonglihong Electronic Commerce Co., Ltd.	Companies controlled by the actual controlling party of the Company
Suzhou Taihu Brewing Co., Ltd.	Companies controlled by the actual controlling party of the Company
Suzhou Hengli Intelligent Technology Co., Ltd.	Companies controlled by the actual controlling party of the Company
Suzhou Hengli System Integration Co., Ltd.	Companies controlled by the actual controlling party of the Company
Suzhou Oak Bay No. 9 Catering Co., Ltd.	Companies controlled by the actual controlling party of the Company
Jiangsu Changshun Textile Co., Ltd.	Companies controlled by the actual controlling party of the Company
Nantong Jinchuan Logistics Co., Ltd.	Companies controlled by the actual controlling party of the Company
Nantong Deji Concrete Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Import and Export Co., Ltd.	Entity controlled by our parent company
Hengli Energy Management Service (Jiangsu) Co., Ltd.	Companies controlled by close family members of the actual controlling party of the Company
Jiangsu Wu Jiangsu Zhouwan Hengli International Hotel Co., Ltd.	Entity controlled by our parent company

Suzhou Tongzui Trading Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Engine (Dalian) Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Precision Casting (Dalian) Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Green Building Materials (Dalian) Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Shipbuilding (Dalian) Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Equipment Manufacturing (Dalian) Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Comprehensive Service (Dalian) Co., Ltd.	Companies controlled by the actual controlling party of the Company
Hengli Energy Management (Guangdong) Co., Ltd. Guangzhou Huadu Gas Station	Companies controlled by close family members of the actual controlling party of the Company
Hengli Energy Management Service (Dalian) Co., Ltd. Yingkou Hehai Bridge Gas Station Branch	Companies controlled by close family members of the actual controlling party of the Company

5. Related party transactions

(1). Purchase and sale of goods, acceptance and provision of labor services

Procurement of goods / acceptance of labor services

Unit: Yuan Currency: RMB

Related party	Nature of transaction	Current year	Approved transaction amount (if applicable)	Whether the transaction limit is exceeded (if applicable)	Prior year
Jiangsu Boyada Textile Co., Ltd.	Others	139,598.21	500,000.00	No	81,210.52
Suzhou Wujiang Tongli Lake Tourist Resort Co., Ltd.	Others	32,656.90	100,000.00	No	117,250.92

Hengli (Shenzhen) Investment Group Co., Ltd.	Others	-	50,000.00	No	35,398.24
Hengli Technology (Dalian) Co., Ltd.	Others	1,058,490.57	11,000,000.00	No	8,895,541.84
Jiangsu Deshun Textile Co., Ltd.	Others	1,348,731.38	3,000,000.00	No	809,786.07
Wujiang Chemical Fiber Weaving Factory Co., Ltd.	Others	-	50,000.00	No	28,928.31
Jiangsu Dehua Textile Co., Ltd.	Others	7,728,404.83	8,000,000.00	No	602,102.51
Suqian Lishun Property Co., Ltd. Hengli Hotel Branch	Others	326,001.41	1,000,000.00	No	286,662.72
Suqian Bailong Garden Technology Co., Ltd.	Fixed assets	940,980.00	1,800,000.00	No	517,557.50
Dalian Kangjia Property Service Co., Ltd.	Others	8,067,922.44	10,000,000.00	No	6,569,919.60

Nantong Jinchuan Logistics Co., Ltd.	Others	72,415.65	100,000.00	No	3,607,583.96
Suzhou Taihu Brewing Co., Ltd.	Others	5,998,351.85	8,000,000.00	No	1,398,762.96
Suzhou Tongli Red Wine Co., Ltd.	Others	160,796.46	500,000.00	No	81,453.08
Suzhou Hengli Intelligent Technology Co., Ltd.	Others	21,655,660.40	57,900,000.00	No	19,493,200.49
Suzhou Hengli System Integration Co., Ltd.	Fixed assets, etc	15,183,078.76	24,130,000.00	No	16,371,079.60
Nantong Deji Concrete Co., Ltd.	Concrete mortar	149,444,036.86	265,000,000.00	No	87,093,944.57
Suzhou Tonglihong Electronic Commerce Co., Ltd.	Others	3,398,870.13	3,130,000.00	No	235,155.63
Jiangsu Changshu Textile Co., Ltd.	Others	-	50,000.00	No	98,000.14
Guangdong Songfa Ceramics Co., Ltd.	Others	42,175.22	50,000.00	No	128,230.08

Jiangsu Pejie Textile Intelligent Technology Co., Ltd.	Others	1,620,797.94	2,000,000.00	No	364,286.14
Suzhou Gufeng Asset Management Co., Ltd.	Others	2,317,278.91	3,690,000.00	No	349,396.46
Suzhou Oak Bay No. 9 Catering Co., Ltd.	Others	10,847.00	120,000.00	No	8,284.00
Suqian Kangtai Investment Co., Ltd.	Others	299,311.93	800,000.00	No	373,750.00
Hengli Import and Export Co., Ltd.	Others	191,091.30	200,000.00	No	-
Hengli Energy Management Service (Jiangsu) Co., Ltd.	Others	513,274.34	1,000,000.00	No	-
Jiangsu Wu Jiangsu Zhouwan Hengli International Hotel Co., Ltd.	Others	299,685.91	1,000,000.00	No	-

Sichuan Hengli Smart Textile Technology Co., Ltd.	Others	5,962,003.40	6,000,000.00	No	-
Suzhou Tongzui Trading Co., Ltd.	Others	10,088.50	20,000.00	No	-
Dalian Victoria Property Service Co., Ltd.	Others	1,624,223.77	2,000,000.00	No	-
Hengli (Guizhou) Textile Intelligent Technology Co., Ltd.	Others	5,781,546.55	6,000,000.00	No	-

Sales of goods / provision of services

Unit: Yuan Currency: RMB

Related party	Nature of transaction	Current year	Prior year
Jiangsu Boyada Textile Co., Ltd.	Polyester Yarn	87,580,730.31	81,522,496.89
Jiangsu Boyada Textile Co., Ltd.	Steam	10,558,594.50	9,003,725.19
Jiangsu Boyada Textile Co., Ltd.	Others	189,354.31	166,600.04
Suzhou Hengli Real Estate Co., Ltd.	Others	-	4,299.30
Wujiang Huajun Textile Co., Ltd.	Steam	83,788.97	590,902.29
Wujiang Huajun Textile Co., Ltd.	Others	358.11	6,658.40
Hengli Industrial Investment (Suzhou) Co., Ltd.	Others	-	923.56
Suzhou Gufeng Asset Management Co., Ltd.	Others	-	167.72

Nantong Kane Polymer Material Co., Ltd.	Others	-	7,834,042.51
Jiangsu Deshun Textile Co., Ltd.	Polyester Yarn	82,864,669.02	89,316,708.01
Jiangsu Deshun Textile Co., Ltd.	Others	158,503.41	261,333.61
Wujiang Chemical Fiber Weaving Factory Co., Ltd.	Polyester Yarn	-	31,408,062.75
Wujiang Chemical Fiber Weaving Factory Co., Ltd.	Others	-	16,979.42
Jiangsu Dehua Textile Co., Ltd.	Polyester Yarn	53,775,042.74	66,301,054.78
Jiangsu Dehua Textile Co., Ltd.	Others	45,185.47	89,603.51
Sichuan Hengli Smart Textile Technology Co., Ltd.	Polyester Yarn	178,975,907.35	66,930,091.50
Sichuan Hengli Smart Textile Technology Co., Ltd.	Others	-	33,416.08
Jiangsu Pejie Textile Intelligent Technology Co., Ltd.	Polyester Yarn	162,430,422.95	93,633,720.26
Jiangsu Pejie Textile Intelligent Technology Co., Ltd.	Others	13,602.01	35,239.32
Suzhou Hengli Intelligent Technology Co., Ltd.	Others	-	1,176.23
Nantong Deji Concrete Co., Ltd.	Others	95,650.09	60,425.60
Jiangsu Changshun Textile Co., Ltd.	Polyester Yarn	915,276.11	5,814,436.79
Jiangsu Changshun Textile Co., Ltd.	Others	-	3,208.38
Hengli (Guizhou) Textile Intelligent Technology Co., Ltd.	Polyester Yarn	86,349,012.89	15,645,287.25
Hengli Cloud Business Technology Co., Ltd.	Others	8,616.29	239,150.44
Hengli Engine (Dalian) Co., Ltd.	Others	1,987,528.30	-

Hengli Precision Casting (Dalian) Co., Ltd.	Others	1,729,444.34	-
Hengli Green Building Materials (Dalian) Co., Ltd.	Others	1,061,766.91	-
Hengli Shipbuilding (Dalian) Co., Ltd.	Others	14,294,980.10	-
Hengli Equipment Manufacturing (Dalian) Co., Ltd.	Others	1,552,929.25	-
Hengli Comprehensive Service (Dalian) Co., Ltd.	Others	2,271,070.75	-
Hengli Energy Management (Guangdong) Co., Ltd. Guangzhou Huadu Gas Station	Refined oil	1,477,353.99	-

(2). Related entrusted management/contracting and entrusted management/contracting

The company's entrusted management/outsourcing situation

Unit: Yuan Currency: RMB

Name of entrusting party/contracting party	Name of entrusted party/subcontractor	Entrustment/Outsourced Assets Type	Start date of Entrustment/Outsourced	Entrustment/Outsourcing termination Date	Pricing basis for custody fee/package fee	Custody fee/outsourcing fee included in current period
Hengli (Northern China) Petrochemical Sales Co., Ltd.	Hengli Energy Management Service (Dalian) Co., Ltd. Yingkou Hehai Bridge Gas Station Branch	Other assets custodian	2022/9/15	2042/9/14	Market price	1,834,862.39

(3). Rental with related party

The Company's as lessor:

Unit: Yuan Currency: RMB

Tenant	Category of lease assets	Rental income included in current period	Rental income recognised in prior year
Nantong Jinchuan Logistics Co., Ltd.	Transportation equipment	147,492.62	848,082.57
Hengli (Suzhou) Textile Sales Co., Ltd.	Property and real estate	1,705,275.19	1,658,583.17
Hengli Real Estate (Dalian) Co., Ltd.	Property and real estate	1,633,324.64	2,310,851.89

Jiangsu Deshun Textile Co., Ltd.	Property and real estate	114,285.71	114,285.71	-	-	114,285.71	114,285.71	-	228,480.45	-4,913,558.14	4,913,558.14
Jiangsu Boyada Textile Co., Ltd.	Property and real estate	1,026,248.88	-	-	-	1,026,248.88	1,885,714.29	-	150,617.27	-5,429,649.95	5,429,649.95
Henan Industrial Inve	Property and	-	-	-	-	10,965,782.42	10,914,222.16	1,261,139.54	1,691,545.74	-	43,296,707.41

(4). Guarantee with related parties

The company as the guaranteed party

Unit: Yuan Currency: RMB

Guarantor	Guaranteed Amount	Start date of guarantee	Guarantee expiry date	Whether the guarantee has been fulfilled
Fan Hongwei, Chen Jianhua [Note 1]	15,032,442,107.08	2022/2/11	2023/12/18	No
Fan Hongwei, Chen Jianhua [Note 2]	USD198,661,864.36	2022/9/29	2023/3/24	No
Fan Hongwei, Chen Jianhua [Note 3]	SGD3,277,698.00	2022/12/29	2023/3/16	No
Fan Hongwei, Chen Jianhua [Note 4]	3,180,000,000.00	2022/3/4	2023/9/23	No
Fan Hongwei, Chen Jianhua [Note 5]	3,099,530,000.00	2020/9/15	2026/12/20	No
Fan Hongwei, Chen Jianhua	14,839,239,156.65	2021/8/20	2031/8/20	No
Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. [Note 6]	8,546,881,191.03	2022/6/15	2023/7/24	No
Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. [Note 7]	USD264,000.00	2022/11/11	2023/2/20	No
Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. [Note 8]	990,000,000.00	2022/3/9	2023/12/21	No
Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. [Note 9]	800,000,000.00	2019/6/18	2024/12/11	No
Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd.	14,684,780,920.28	2022/1/29	2024/12/9	No

<p>Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. , Jiangsu Boyada Textile Co., Ltd. , Jiangsu Deshun Textile Co., Ltd., Jiangsu Dehua Textile Co., Ltd. , Wujiang Chemical Fiber Weaving Factory Co., Ltd. <small>[Note 10]</small></p>	<p>27,800,000,000.00</p>	<p>2018/5/3</p>	<p>2033/5/2</p>	<p>No</p>
<p>Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. , Jiangsu Boyada Textile Co., Ltd. , Jiangsu Deshun Textile Co., Ltd., Jiangsu Dehua Textile Co., Ltd. , Wujiang Chemical Fiber Weaving Factory Co., Ltd. <small>[Note 11]</small></p>	<p>USD900,000,000.00</p>	<p>2018/5/3</p>	<p>2033/5/2</p>	<p>No</p>
<p>Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. , Wujiang Chemical Fiber Weaving Factory Co., Ltd. <small>[Note 12]</small></p>	<p>375,000,000.00</p>	<p>2022/9/13</p>	<p>2023/3/19</p>	<p>No</p>

Fan Hongwei, Chen Jianhua, Hengli Group Co., Ltd. , Wujiang Chemical Fiber Weaving Factory Co., Ltd. [Note 13]	440,000,000.00	2022/1/1	2023/6/30	No
Fan Hongwei, Chen Jianhua, Jiangsu Boyada Textile Co., Ltd. , Jiangsu Deshun Textile Co., Ltd., Jiangsu Dehua Textile Co., Ltd. , Wujiang Chemical Fiber Weaving Factory Co., Ltd. [Note 14]	7,869,500,000.01	2019/12/19	2034/12/19	No
Hengli Group Co., Ltd. [Note 15]	1,662,435,987.80	2022/1/13	2023/6/12	No
Hengli Group Co., Ltd. [Note 16]	USD4,386,960.00	2022/10/20	2023/2/20	No
Hengli Group Co., Ltd. [Note 17]	1,058,000,000.00	2020/2/20	2028/2/19	No
Hengli Group Co., Ltd. [Note 18]	750,000,000.00	2022/6/6	2029/1/28	No
Hengli Group Co., Ltd.	4,185,217,832.80	2015/4/24	2024/12/21	No
Jiangsu Deshun Textile Co., Ltd.	USD925,560.00	2022/9/30	2023/1/31	No

Guarantee with related parties

适用 不适用

[Note 1]: The Company also placed security deposits to provide pledge guarantee.

[Note 2]: The Company also placed security deposits to provide pledge guarantee.

[Note 3]: The Company also placed security deposits to provide pledge guarantee.

[Note 4]: The Company also provides mortgage security with property and real estate.

[Note 5]: The Company also provides mortgage guarantees with property and real estate, land use rights.

[Note 6]: The Company also placed security deposits to provide pledge guarantee.

[Note 7]: The Company also placed security deposits to provide pledge guarantee.

[Note 8]: The Company also provides mortgage guarantees with property and real estate, land use rights and machinery and equipment.

[Note 9]: The Company also provides mortgage guarantees with machinery and equipment.

[Note 10]: The Company also provides mortgage guarantees for property and real estate, land use rights, machinery and equipment and Construction in progress.

[Note 11]: The Company also provides mortgage guarantees for property and real estate, land use rights, machinery and equipment and Construction in progress.

[Note 12]: The Company also placed security deposits to provide pledge guarantee with property and real estate, machinery and equipment.

[Note 13]: The Company also provides mortgage guarantees with property and real estate, land use rights and machinery and equipment.

[Note 14]: The Company also provides mortgage guarantees for property and real estate, land use rights, machinery and equipment and Construction in progress.

[Note 15]: The Company also placed security deposits to provide pledge guarantee.

[Note 16]: The Company also placed security deposits to provide pledge guarantee.

[Note 17]: The Company also provides mortgage guarantees with property and real estate, land use rights.

[Note 18]: The Company also provides mortgage guarantees with land use rights.

(5). Loans and borrowings with related parties

Unit: Yuan Currency: RMB

Related party	Borrowing amount	Start date	Maturity date	Note
Borrowings by the Company				
None	-	-	-	In 2022, the remaining principal of RMB 170,000,000.00 has been returned to Hengli Group Co., Ltd.

Related party	Borrowing amount	Start date	Maturity date	Note
Loans provided by the Company				
None				

(6). Assets transfer and debt restructuring with related parties

Unit: Yuan Currency: RMB

Related party	Nature of transaction	Current year	Prior year
Hengli Real Estate (Dalian) Co., Ltd.	Property and real estate, etc.	1,323,285,775.22	1,558,569,142.86
Jiangsu Deshun Textile Co., Ltd.	Machinery and equipment	135,024.36	-
Jiangsu Deya Textile Technology Co., Ltd.	Land use rights	-	15,693,426.00
Hengli (Suzhou) Textile Sales Co., Ltd.	Transportation tools	25,512.50	-
Jiangsu Boyada Textile Co., Ltd.	Machinery and equipment	288,346.30	-
Jiangsu Dehua Textile Co., Ltd.	Machinery and equipment	128,481.40	-
Suzhou Hengli System Integration Co., Ltd.	Machinery and equipment	95,398.23	-
Suzhou Wujiang Tongli Lake Tourist Resort Co., Ltd.	Machinery and equipment	55,981.42	-
Nantong Kane Polymer Material Co., Ltd.	Property and real estate, etc.	2,003,608,814.83	-

(7). Compensation of key management personnel

Unit: ten thousand yuan Currency: RMB

Item	Current year	Prior year
Compensation of key management personnel	804.95	852.26

(8). Other related party transactions

(1) The Company purchases and sells for related parties

Unit: Yuan Currency: RMB

Name of related party	Transaction content	Current year	Prior year
Hengli (Suzhou) Textile Sales Co., Ltd.	Electricity	544,678.21	474,634.01
Jiangsu Boyada Textile Co., Ltd.	Electricity	7,101,204.60	8,166,336.49
Wujiang Chemical Fiber Weaving Factory Co., Ltd.	Electricity	-	7,571,107.38
Jiangsu Deshun	Electricity	76,218,287.89	78,482,146.56

Textile Co., Ltd.			
Sichuan Hengli Smart Textile Technology Co., Ltd.	Electricity	27,779,540.06	-

(2) Related parties purchase and sell for the Company

Unit: Yuan Currency: RMB

Name of related party	Transaction content	Current year	Prior year
Jiangsu Deshun Textile Co., Ltd.	Water and electricity	2,182,678.58	1,857,924.83
Wujiang Chemical Fiber Weaving Factory Co., Ltd.	Electricity	-	168,776.51
Jiangsu Boyada Textile Co., Ltd.	Water and electricity	547,224.69	232,776.63

6. Receivables and payables with related parties

(1). Receivables from related parties

Unit: Yuan Currency: RMB

Item	Related party	Closing balance		Beginning balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Jiangsu Deshun Textile Co., Ltd.	122,370.50	6,118.53		
Accounts receivable	Wujiang Huajun Textile Co., Ltd.	8,275.50	413.78	127,685.00	6,384.25
Accounts receivable	Hengli Shipbuilding (Dalian) Co., Ltd.	535,755.00	26,787.75	-	-
Accounts receivable	Jiangsu Boyada Textile Co., Ltd.	660,814.00	33,040.70	-	-
Accounts receivable	Jiangsu Pejie Textile Intelligent Technology Co., Ltd.	261,283.11	13,064.16	-	-

Prepayments	Suzhou Gufeng Asset Management Co., Ltd.	520,594.50	-	449,237.73	-
Prepayments	Jiangsu Boyada Textile Co., Ltd.	70,000.00	-	-	-
Other receivables	Hengli Industrial Investment (Suzhou) Co., Ltd.	-	-	43,556.40	-
Other non-current assets	Hengli Equipment Manufacturing (Dalian) Co., Ltd.	26,366,322.00	-	-	-

(2). Payables to related parties

Unit: Yuan Currency: RMB

Item	Related party	Book balance at year end	Book balance in beginning of year
Accounts payable	Suzhou Hengli System Integration Co., Ltd.	1,405,000.89	1,425,662.68
Accounts payable	Nantong Deji Concrete Co., Ltd.	-	2,669,643.80
Accounts payable	Suzhou Hengli Intelligent Technology Co., Ltd.	7,300.88	7,300.88
Accounts payable	Hengli Technology (Dalian) Co., Ltd.	-	3,696,000.00
Accounts payable	Suzhou Oak Bay No. 9 Catering Co., Ltd.	-	1,786.00
Accounts payable	Jiangsu Changshun Textile Co., Ltd.	97,788.73	132,050.73
Accounts payable	Suqian Lishun Property Co., Ltd. Hengli Hotel Branch	-	186,096.60

Accounts payable	Jiangsu Dehua Textile Co., Ltd.	130,931.49	-
Accounts payable	Dalian Kangjia Property Service Co., Ltd.	1,817,017.75	-
Accounts payable	Hengli (Guizhou) Textile Intelligent Technology Co., Ltd.	376,548.67	-
Accounts payable	Sichuan Hengli Smart Textile Technology Co., Ltd.	2,970,917.95	-
Dividends payable	Jiangsu Hegao Investment Co., Ltd.	-	100,010.00
Dividends payable	Dalian Henghan Investment Co., Ltd.	-	4,782,100.00
Other payables	Hengli Group Co., Ltd.		170,000,000.00
Other payables	Dalian Henghan Investment Co., Ltd.	19,750,000.00	
Other payables	Sichuan Hengli Smart Textile Technology Co., Ltd.	2,220,459.94	
Lease liabilities	Jiangsu Boyada Textile Co., Ltd.	-	3,694,552.93
Lease liabilities	Jiangsu Deshun Textile Co., Ltd.	-	3,947,752.88
Lease liabilities	Hengli Industrial Investment (Suzhou) Co., Ltd.	10,516,284.19	31,241,515.14

Contract assets and contract liabilities arising from related party transactions

1. Contract assets

None

2. Contract liabilities

Name of related party	Closing balance	Beginning balance
Jiangsu Boyada Textile Co., Ltd.	237,809.14	-
Wujiang Huajun Textile Co., Ltd.	727.14	2,409.42
Jiangsu Deshun Textile Co., Ltd.	148,515.44	-

Jiangsu Pejie Textile Intelligent Technology Co., Ltd.	770,761.60	-
Jiangsu Dehua Textile Co., Ltd.	96,717.29	-
Wujiang Chunchen Weaving Factory Co., Ltd.		10,509.50
Hengli (Suzhou) Textile Sales Co., Ltd.	68,538.04	68,538.01
Hengli Shipbuilding (Dalian) Co., Ltd.	1,615.22	-

7. Commitments with related party

8. Others

XIII. Share-based payments

1. Information about share-based payments

Unit: Shares Currency: RMB

Total amount of equity instruments granted during the year	Not applicable
Total amount of equity instruments exercised during the year	Not applicable
Total amount of equity instruments forfeited during the year	Not applicable
Range of exercise price and residual life of outstanding share options at the end of the year	Not applicable
Range of exercise price and residual life of outstanding other equity instruments at the end of the year	Not applicable

2. Equity-settled share-based payments

Unit: Yuan Currency: RMB

Method in determining the fair value of equity instruments at the date of grant	Stock price
Basis in determining the quantity of exercisable equity instruments	It is expected that the on-the-job employees will eventually obtain the corresponding benefits of the employee share incentive plan
Reasons for the significant difference between the current estimate and the previous estimate	None
Accumulated amount recorded in capital reserve for equity-settled share-based payments	294,379,127.68

The total amount of expenses recognised by equity-settled share-based payment in this period	77,070,049.00
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3. Information on cash-settled share-based payments

4. Information on modification and termination of share-based payment

5. Others

XIV. Commitments and contingencies

1. Significant commitments

Important external commitments, nature and amount on the balance sheet date

1. Signed external investment contracts that have not yet been performed or have not been fully performed and related financial expenditures

Item	Closing balance
Commitment to purchase and build long-term assets	3,585,319,049.57
Unused letter of credit issued	6,351,652,193.39
Letter of guarantee not due for payment	258,707,203.30

2. Leases that the lessee has committed but not started and their financial impact

As of the balance sheet date, the future potential cash outflows of the leases that the company has committed as a lessee but has not yet started are as follows:

Item	Closing balance
Undiscounted lease payments:	
1 year after balance sheet date	37,276,525.65
2 years after balance sheet date	31,641,977.76
3 years after balance sheet date	15,455,001.40
Thereafter	16,306,039.39
Total	100,679,544.20

2. Contingencies

(1). Important contingencies existing on the balance sheet date

(2). The company has no important contingencies that need to be disclosed, and it should also be explained:

3. Others

1. Contingent liabilities arising from pending litigation arbitration and their financial impact
None

2. Other contingencies and their financial impact

For bank acceptance bills that have been discounted or endorsed and have not yet expired on the balance sheet date, please refer to the description of “Receivables financing” in the note.

XV. Event after balance sheet date

XVI. Other significant events

1. Correction of previous accounting errors
2. Debt restructuring
3. Exchange of assets
4. Annuity plan
5. Discontinued operations
6. Segment information

(1). Basis for determining the reporting segment and accounting policies

According to the Company's internal organizational structure, management requirements and internal reporting system, the Company mainly operates in three business segments: petrochemical business segment, polyester business segment, headquarters and other business segments, the Company's management evaluate the operating results of these segments to determine the allocation of resources and evaluate their performance.

Segment report information is disclosed based on the accounting policies and measurement standards adopted by each segment when reporting to management. These measurement bases are consistent with the accounting and measurement bases used in the preparation of financial statements.

(2). Reporting of segment information

Unit: ten thousand yuan Currency: RMB

Item	Petrochemical segment	Polyester segment	Headquarters and other business segment	Elimination between segments	Total
Segment revenue	20,002,780.09	3,307,905.14	8,782,427.32	9,855,853.18	22,237,259.37
Including: External revenue	12,396,936.70	3,174,600.33	6,665,722.34	-	22,237,259.37
Inter-segment sales	7,605,843.39	133,304.81	2,116,704.98	9,855,853.18	-
Segment cost	18,497,683.73	3,059,980.52	8,720,572.13	9,870,476.67	20,407,759.71
Segment profit (loss)	162,634.06	57,386.84	494,678.61	473,741.65	240,957.86

Total assets	19,434,851.59	5,499,569.99	6,044,066.56	6,835,440.68	24,143,047.46
Total liabilities	14,632,611.18	4,341,447.85	2,068,940.61	2,191,991.14	18,851,008.50

(3). If the company has no reportable segment, or cannot disclose the total assets and total liabilities of each reportable segment, the reasons shall be explained

(4). Other note

7. Other important transactions and events affecting investors' decision-making

1. Pledge of the Company's shares by the parent Company and the ultimate controller Chen Jianhua, Fan Hongwei

Pledgor	Pledgee	Pledge period	Number of pledged shares
Hengli Group Co., Ltd.	Hua Xia Bank Co., Ltd. Suzhou Branch	2021/10/25-2024/10/21	75,000,000.00
Hengli Group Co., Ltd.	China Everbright Bank Co., Ltd. Wujiang Sub-branch	2020/7/3-2023/6/23	35,000,000.00
Hengli Group Co., Ltd.	CNCB Wealth Management Co., Ltd.	2022/3/28-2023/3/30	48,000,000.00
Hengli Group Co., Ltd.	Zheshang Bank Co., Ltd. Suzhou Wujiang Sub-branch	2022/4/21-2023/4/30	29,000,000.00
Hengli Group Co., Ltd.	CNCB Wealth Management Co., Ltd.	2022/4/28-2023/4/28	49,000,000.00
Hengli Group Co., Ltd.	Hua Xia Bank Co., Ltd. Suzhou Branch	2022/10/11-2024/10/21	18,000,000.00
Hengli Group Co., Ltd.	China Minsheng Bank Co., Ltd.	[Note]	25,000,000.00

[Note] The share pledge of Hengli Group is mainly used to provide pledge guarantee for the trust plan established by employees of Hengli Group and its related subsidiaries. The specific pledge expiration date is subject to the actual pledge cancellation registration procedures.

8. Others

1. As leasee

(1) For the original book value, accumulated depreciation and impairment provision of various right-of-use assets, please refer to the note of "Right-of-Use Assets".

(2)Interest expense on lease liabilities

Unit: Yuan

Item	Current year
Interest on lease liabilities included in financial expenses	5,022,089.58

(3)Total cash outflow related to leases

Unit: Yuan

Item	Current year
Cash paid to repay the principal and interest of lease liabilities	29,483,223.63
Cash paid for sale and leaseback	164,012,173.61
Total	193,495,397.24

(4)Gain and loss arising from sale and leaseback transactions

Unit: Yuan

Item	Current year
Gain and loss arising from sale and leaseback transactions	-

2. As lessor

(1)Operating leases

1)Rental income

Unit: Yuan

Item	Current year
Rental income	20,261,435.88

XVII. Notes on important items of parent company's financial statements

1. Accounts receivable

2. Other receivables

Presented by item

Unit: Yuan Currency: RMB

Item	Closing balance	Beginning balance
Interest receivable		
Dividends receivable	800,000,000.00	1,200,000,000.00
Other receivables	11,162,769.45	3,854,808.69
Total	811,162,769.45	1,203,854,808.69

Interest receivable

(4). Dividends receivable

Unit: Yuan Currency: RMB

Item (or Investee)	Closing balance	Beginning balance
Subtotal of book balance	800,000,000.00	1,200,000,000.00
Less: Provision for bad debts	-	-
Total	800,000,000.00	1,200,000,000.00

(5). Important dividends receivable aged over 1 year

(6). Information of provision for bad debts

Other receivables

(1). Disclosure by ageing

Unit: Yuan Currency: RMB

Ageing	Book balance at year end
Within one year	
Including: Within one year	
Within one year	11,723,262.09
Subtotal of within one year	11,723,262.09
1 to 2 years	-
2 to 3 years	23,805.45
Over 3 years	
3 to 4 years	-
4 to 5 years	56,935.95
Over 5 years	362,040.00
Less: Provision for bad debts	1,003,274.04
Total	11,162,769.45

(2). Disclosure by nature

Unit: Yuan Currency: RMB

Nature	Book balance at year end	Book balance in beginning of year
Current accounts	-	-
Deposits and security deposits	456,931.40	459,581.40
Others	11,709,112.09	4,296,312.25
Less: Provision for bad debts	1,003,274.04	901,084.96
Total	11,162,769.45	3,854,808.69

(3). Information of provision for bad debts

Unit: Yuan Currency: RMB

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit loss within next 12 months	Expected credit loss for lifetime (no credit impairment occurred)	Expected credit loss for lifetime (credit impairment has occurred)	
Balance of 1 January 2022	-	901,084.96	-	901,084.96
Balance of 1 January 2022 during the period	-	-	-	-
--transfer to second stage	-	-	-	-
--transfer to third stage	-	-	-	-
--Reverse to second stage	-	-	-	-
--Reverse to first stage	-	-	-	-
Provision for the year	-	102,189.08	-	102,189.08
Reversal in the year	-	-	-	-
Transfer in the year	-	-	-	-
Write-off in the year	-	-	-	-
Other movement	-	-	-	-
Balance of 31 December 2021		1,003,274.04	-	1,003,274.04

(4). Provision for bad debts

Unit: Yuan Currency: RMB

Category	Beginning balance	Movement in the year				Closing balance
		Accrual	Recovery or reversal	Transfer or written-off	Other movement	
Provision for bad	901,084.96	102,189.08	-	-	-	1,003,274.04

debts on portfolio basis						
Total	901,084.96	102,189.08				1,003,274.04

(5). Actual written-off of other receivables in the year

(6). Other receivables due from the top five debtors

The Company's top five year-end balances of other receivables in total is RMB12,111,222.08, accounting for 99.55% of the total year end balance of other receivables, and the corresponding year-end balance of provision for bad debts is RMB999,491.29.

(7). Receivables involving government grants

(8). Other receivables derecognized due to transfer of financial assets

(9). Amount of assets and liabilities formed by continued involvement on transferred other receivables

3. Long-term equity investment

Unit: Yuan Currency: RMB

Item	Closing balance			Beginning balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	44,316,275,704.93	-	44,316,275,704.93	43,317,275,704.93		43,317,275,704.93
Investment in associates and joint ventures						
Total	44,316,275,704.93	-	44,316,275,704.93	43,317,275,704.93		43,317,275,704.93

(1). Investment in subsidiaries

Unit: Yuan Currency: RMB

Investee	Beginning balance	Increase	Decrease	Closing balance	Provision for impairment in the year	Closing balance of provision for impairment
Jiangsu Hengli Chemical Fiber Co., Ltd.	10,808,919,000.00	-	-	10,808,919,000.00	-	-
Kanghui New Material Technology Co., Ltd.	937,601,065.09	1,000,000,000.00	-	1,937,601,065.09	-	-
Suzhou Qianliyan Logistics Technology Co., Ltd.	1,000,000.00	-	1,000,000.00	-	-	-
Suzhou Textile Group Network E-commerce Co., Ltd.	2,000,000.00	-	-	2,000,000.00	-	-
Hengli Petrochemical (Dalian) Chemical Co., Ltd.	4,619,719,782.89	-	-	4,619,719,782.89	-	-
Hengli Petrochemical (Dalian) Refining Co., Ltd.	17,516,472,093.22	-	-	17,516,472,093.22	-	-

Hengli Investment (Dalian) Co., Ltd.	9,381,563,763.73	-	-	9,381,563,763.73		
Hengli Petrochemical Sales Co., Ltd.	50,000,000.00	-	-	50,000,000.00		
Suzhou Plastic Group Network E-commerce Co., Ltd.		-	-	-		
Total	43,317,275,704.93	1,000,000.00	1,000.00	44,316,275,704.93		

(2). Investment in associates and joint ventures

4. Operating income and operating cost

(1). Operating income and operating cost

Unit: Yuan Currency: RMB

Item	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Primary operations	-	-	-	-
Other operations	1,633,324.64	1,270,659.72	2,310,851.89	952,994.79
Total	1,633,324.64	1,270,659.72	2,310,851.89	952,994.79

5. Investment income

Unit: Yuan Currency: RMB

Item	Current year	Prior year
Income from long-term equity investment by cost method	6,023,294,874.00	8,420,000,000.00
Income from long-term equity investment by equity method		
Gain from disposal of long-term equity investment	-422,352.37	
Investment income of financial assets held for trading during the holding period		

Investment income of other equity instruments investment during the holding period		
Interest income from debts investment during the holding period		
Interest income from other debt investments during the holding period		
Gain from disposal of Financial assets held for trading		
Investment income from disposal of other equity instruments investment		
Gains from disposal of debts investment		
Gain from disposal of other debt investments		
Gains from debt restructuring		
Total	6,022,872,521.63	8,420,000,000.00

6. Others

XVIII. Supplement information

1. Details of non-recurring gain or loss for the year

Unit: Yuan Currency: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets	-8,794,093.17	
Overridden approval, or without official approval document, or incidental tax return or exemption		
Government grants that are included in the profit and loss (closely related to the business of the enterprise, except for government grants that are subject to fixed or quantitative quotas in accordance with national unified standards)	1,594,250,334.30	
The capital occupation fee charged to non-financial enterprises included in profit or loss for the current period		
Gain on investment costs in acquisition of subsidiaries, associates and joint venture	79,415,493.16	

less than the fair value of identifiable net assets of the investees		
Gain or loss from exchanging non-monetary assets		
Gain or loss from entrusting others to invest or manage assets		
Provision for impairment arising from force majeure such as natural disasters		
Gain or loss on debt restructuring		
Enterprise restructuring costs, such as the cost of relocating employees, integration costs, etc.		
Profit and loss exceeding the Fair value from a transaction whose transaction price is obviously unfair		
Net profit of subsidiaries for the period from beginning of the year to date of acquisition by business combination under common control		
Gain or loss arising from contingencies that is unrelated to normal business of the Group		
Except for the effective hedging business related to the Company's normal business operations, income from the holding of trading financial assets, Derivative financial assets, Trading financial liabilities, and derivative financial liabilities generates changes in fair value gains and losses, and the disposal of Trading financial assets, Derivative financial assets, Trading Investment income from financial liabilities, derivative financial liabilities and other debt investments	-46,001,895.50	
Reversal of provision for impairment of receivables and contract assets that are individually tested for impairment		
Gain on entrusted loans to external parties		
Gain or loss from fluctuation in fair value of investment property which is measured at fair value		

Effects on current gain or loss from one-off adjustment on current gain or loss according requirements in laws and regulations of tax or accounting		
Trustee fee income acquired from entrusted business		
Other non-operating income/(expenses), net	10,695,487.35	
Other gain or loss items met the definition of non-recurring item	3,692,791.90	
Less: Impact on income tax	360,240,063.26	
Impact on minority interests	-	
Total	1,273,018,054.78	

For the non-recurring profit and loss items defined by the company in accordance with the "Interpretive Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Profit and Loss", as well as defining the non-recurring profit and loss items listed in the "Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Profit and Loss" as recurring profit and loss items, the reason should be explained.

2. Return on equity and earnings per share

Profit in reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to the Company's shareholders	4.30	0.33	0.33
Net profit attributable to the shareholders of the Company, excluding non-recurring items	1.94	0.15	0.15

3. Differences in accounting data under domestic and foreign accounting standards

4. Others

Chairman of the Board: Fan Hongwei

Date of Board Approval and Submission: 28 April 2023